

PPL CORP

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FORM 10-K (Annual Report)

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Address	TWO N NINTH ST ALLENTOWN, PA 181011179
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Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

<u>Commission File Number</u>	<u>Registrant; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-32944	PPL Energy Supply, LLC (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
1-905	PPL Electric Utilities Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	New York Stock Exchange
Corporate Units of PPL Corporation	New York Stock Exchange
Senior Notes of PPL Energy Supply, LLC 7.0% due 2046	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	New York Stock Exchange
Senior Notes of PPL Capital Funding, Inc. 6.85% due 2047	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark whether the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

PPL Corporation	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
PPL Energy Supply, LLC	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PPL Corporation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
PPL Energy Supply, LLC	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
PPL Electric Utilities Corporation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been

subject to such filing requirements for the past 90 days.

PPL Corporation	Yes <u>X</u>	No ___
PPL Energy Supply, LLC	Yes <u>X</u>	No ___
PPL Electric Utilities Corporation	Yes <u>X</u>	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes <u>X</u>	No ___
PPL Energy Supply, LLC	Yes ___	No ___
PPL Electric Utilities Corporation	Yes ___	No ___

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

PPL Corporation	[X]
PPL Energy Supply, LLC	[X]
PPL Electric Utilities Corporation	[X]

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[]	[]	[]
PPL Energy Supply, LLC	[]	[]	[X]	[]
PPL Electric Utilities Corporation	[]	[]	[X]	[]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act).

PPL Corporation	Yes ___	No <u>X</u>
PPL Energy Supply, LLC	Yes ___	No <u>X</u>
PPL Electric Utilities Corporation	Yes ___	No <u>X</u>

As of June 30, 2010, PPL Corporation had 482,187,931 shares of its \$.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was \$12,030,588,878. As of January 31, 2011, PPL Corporation had 484,392,173 shares of its \$.01 par value Common Stock outstanding.

As of January 31, 2011, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2010. Such Statements will provide the information required by Part III of this Report.

**PPL CORPORATION
PPL ENERGY SUPPLY, LLC
PPL ELECTRIC UTILITIES CORPORATION**

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

This combined Form 10-K is separately filed by PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation. Information contained herein relating to PPL Energy Supply, LLC and PPL Electric Utilities Corporation is filed by PPL Corporation and separately by PPL Energy Supply, LLC and PPL Electric Utilities Corporation on their own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to the two PPL Corporation subsidiaries is also attributed to PPL Corporation.

Item	Page
<u>PART I</u>	
Glossary of Terms and Abbreviations	i
Forward-Looking Information	viii
1. Business	1
1A. Risk Factors	17
1B. Unresolved Staff Comments	27
2. Properties	28
3. Legal Proceedings	30
<u>PART II</u>	
5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	31
6. Selected Financial and Operating Data	31
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	
PPL Corporation and Subsidiaries	33
PPL Energy Supply, LLC and Subsidiaries	69
PPL Electric Utilities Corporation and Subsidiaries	97
7A. Quantitative and Qualitative Disclosures About Market Risk	112
Reports of Independent Registered Public Accounting Firms	113
8. Financial Statements and Supplementary Data	
FINANCIAL STATEMENTS	
PPL Corporation	
Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008	118
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	119
Consolidated Balance Sheets at December 31, 2010 and 2009	120
Consolidated Statements of Equity for the years ended December 31, 2010, 2009 and 2008	122
Consolidated Statements of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008	123
PPL Energy Supply, LLC	
Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008	124
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	125
Consolidated Balance Sheets at December 31, 2010 and 2009	126
Consolidated Statements of Equity for the years ended December 31, 2010, 2009 and 2008	128
Consolidated Statements of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008	129
PPL Electric Utilities Corporation	
Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008	130
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	131
Consolidated Balance Sheets at December 31, 2010 and 2009	132
Consolidated Statements of Shareowners' Equity for the years ended December 31, 2010, 2009 and 2008	134
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
1. Summary of Significant Accounting Policies	135
2. Segment and Related Information	150
3. Regulatory Assets and Liabilities	153
4. Earnings Per Share	158
5. Income and Other Taxes	159
6. Preferred Securities	168
7. Financing Activities	169
8. Acquisitions, Development and Divestitures	178
9. Discontinued Operations	179
10. Acquisition of E.ON.U.S. LLC	183
11. Leases	185
12. Stock-Based Compensation	186
13. Retirement and Postemployment Benefits	191

14. Jointly Owned Facilities	205
15. Commitments and Contingencies	206
16. Related Party Transactions	226
17. Other Income (Expense) - net	228
18. Fair Value Measurements and Credit Concentration	228
19. Derivative Instruments and Hedging Activities	234
20. Goodwill and Other Intangible Assets	245
21. Asset Retirement Obligations	247
22. Variable Interest Entities	249
23. Available-for-Sale Securities	249
24. Subsequent Events	252
SUPPLEMENTARY DATA	
Schedule I - PPL Corporation Condensed Unconsolidated Financial Statements	253
Quarterly Financial, Common Stock Price and Dividend Data - PPL Corporation	257
Quarterly Financial Data - PPL Energy Supply, LLC	259
9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	260
9A. Controls and Procedures	260
9B. Other Information	261
<u>PART III</u>	
10. Directors, Executive Officers and Corporate Governance	261
11. Executive Compensation	264
12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	264
13. Certain Relationships and Related Transactions, and Director Independence	265
14. Principal Accounting Fees and Services	265
<u>PART IV</u>	
15. Exhibits, Financial Statement Schedules	267
Shareowner and Investor Information	268
Signatures	270
Exhibit Index	273
Computation of Ratio of Earnings to Fixed Charges	287
Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	290
Certificates of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	296
Examples of Wholesale Energy, Fuel and Emission Allowance Price Fluctuations - 2006 through 2010	302

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its current and former subsidiaries

KU - Kentucky Utilities Company, a public utility subsidiary of LG&E and KU Energy LLC engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky. The subsidiary was acquired by PPL in November 2010.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LG&E and KU Energy LLC engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky. The subsidiary was acquired by PPL in November 2010.

LKE - LG&E and KU Energy LLC (formerly E.ON U.S. LLC), a subsidiary of PPL and the parent of LG&E and KU. PPL acquired E.ON U.S. LLC in November 2010 and changed the name to LG&E and KU Energy LLC. Within the context of this document, references to LKE also relate to the consolidated entity.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, LKE and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a wholly owned financing subsidiary of PPL.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL that transmits and distributes electricity in its service territory and provides electric supply to retail customers in this territory as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent company of PPL Energy Supply.

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets.

PPL Energy Supply - PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus, PPL Global and other subsidiaries. In January 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding.

PPL Gas Utilities - PPL Gas Utilities Corporation, a regulated utility that provided natural gas distribution, transmission and storage services, and the competitive sale of propane, which was a subsidiary of PPL until its sale in October 2008.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply that owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Supply that primarily owns and operates a business in the U.K., WPD, that is focused on the regulated distribution of electricity. In January 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding.

PPL Holtwood - PPL Holtwood, LLC, a subsidiary of PPL Generation that owns hydroelectric generating operations in Pennsylvania.

PPL Investment Corp. - PPL Investment Corporation, a subsidiary of PPL Energy Supply.

PPL Maine - PPL Maine, LLC, a subsidiary of PPL Generation that owned generating operations in Maine, until their sales in 2009 and 2010.

PPL Martins Creek - PPL Martins Creek, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation that generates electricity for wholesale sales in Montana and the Pacific Northwest.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides shared services for PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

WPD - refers collectively to WPDH Limited and its subsidiaries.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electric utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electric utility company.

WPDH Limited - Western Power Distribution Holdings Limited, an indirect, wholly owned U.K. subsidiary of PPL Global. Indirectly, WPDH Limited wholly owns WPD (South Wales) and WPD (South West).

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating stations in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pounds sterling.

1945 First Mortgage Bond Indenture - PPL Electric's Mortgage and Deed of Trust, dated as of October 1, 1945, to Deutsche Bank Trust Company Americas, as trustee, as supplemented.

401(h) account - A sub-account established within a qualified pension trust to provide for the payment of retiree medical costs.

Acid Rain Program - allowance trading system established by the Clean Air Act to reduce levels of sulfur dioxide. Under this program, affected power plants are allocated allowances based on their fuel consumption during specified baseline years and a specific emissions rate.

Act 129 - became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and makes changes to the existing Alternative Energy Portfolio Standard.

AFUDC (Allowance for Funds Used During Construction) - the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction cost.

A.M. Best - A.M. Best Company, a company that reports on the financial condition of insurance companies.

AMT - alternative minimum tax.

AOI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

Baseload generation - includes the output provided by PPL's nuclear, coal, hydroelectric and qualifying facilities.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

Bcf - billion cubic feet.

Black Lung Trust - a trust account maintained under federal and state Black Lung legislation for the payment of claims related to disability or death due to pneumoconiosis.

Bridge Facility - an up to \$6.5 billion Senior Bridge Term Loan Credit Agreement between PPL Capital Funding, as borrower, and PPL, as guarantor, and a group of banks syndicated in June 2010, to serve as a backstop in the event alternative financing was not available prior to the closing of PPL's acquisition of E.ON U.S.

CAIR - the EPA's Clean Air Interstate Rule.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COLA - license application for a combined construction permit and operating license from the NRC for a nuclear plant.

CTC - competitive transition charge on customer bills to recover allowable transition costs under the Customer Choice Act.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DDCP - Directors Deferred Compensation Plan.

DEP - Department of Environmental Protection, a state government agency.

Dodd-Frank Act - the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law in July 2010.

DOE - Department of Energy, a U.S. government agency.

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

E.ON AG - a German corporation and the parent of E.ON US Investments.

E.ON US Investments - E.ON US Investments Corp., a Delaware corporation and the former parent of E.ON U.S. LLC. PPL acquired E.ON U.S. LLC in November 2010 and changed its name to LG&E and KU Energy LLC.

Economic Stimulus Package - The American Recovery and Reinvestment Act of 2009, generally referred to as the federal economic stimulus package, which was signed into law in February 2009.

EMF - electric and magnetic fields.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Unit - consists of a Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in \$1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018. Equity Units were issued in June 2010 to help fund PPL's acquisition of LKE.

ESOP - Employee Stock Ownership Plan.

Euro - the basic monetary unit among participating members of the European Union.

EWG - exempt wholesale generator.

FERC - Federal Energy Regulatory Commission, the federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

Fitch - Fitch, Inc., a credit rating agency.

FTR - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion. They entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges that arise when the transmission grid is congested.

Fundamental Change - as it relates to the terms of the Equity Units, will be deemed to have occurred if any of the following occurs with respect to PPL, subject to certain exceptions: (i) a change of control; (ii) a consolidation with or merger into any other entity; (iii) common stock ceases to be listed or quoted; or (iv) a liquidation, dissolution or termination.

GAAP - generally accepted accounting principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GWh - gigawatt-hour, one million kilowatt-hours.

Health Care Reform - The Patient Protection and Affordable Care Act (HR 3590) and the Health Care and Education Reconciliation Act of 2010 (HR 4872), signed into law in March 2010.

HMRC - HM Revenue & Customs. The tax authority in the U.K., formerly known as Inland Revenue.

IBEW - International Brotherhood of Electrical Workers.

ICP - Incentive Compensation Plan.

ICPKE - Incentive Compensation Plan for Key Employees.

Intermediate and peaking generation - includes the output provided by PPL's oil- and natural gas-fired units.

Ironwood - a natural gas-fired power plant in Lebanon, Pennsylvania with a winter rating of 763 MW.

IRS - Internal Revenue Service, a U.S. government agency.

IRC Sec. 481 - the Internal Revenue Code Section that identifies the tax year in which accounting method change differences are recognized in federal taxable income.

ISO - Independent System Operator.

ITC - intangible transition charge on customer bills to recover intangible transition costs associated with securitizing stranded costs under the Customer Choice Act.

KSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

KU 2010 Mortgage Indenture - KU's Indenture dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as supplemented.

kVA - kilovolt-ampere.

kWh - kilowatt-hour, basic unit of electrical energy.

CIDA - Lehigh County Industrial Development Authority.

LG&E 2010 Mortgage Indenture - LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as trustee, as supplemented.

LIBOR - London Interbank Offered Rate.

Long Island generation business - includes a 79.9 MW gas-fired plant in the Edgewood section of Brentwood, New York and a 79.9 MW oil-fired plant in Shoreham, New York and related tolling agreements. This business was sold in February 2010.

MACT - maximum achievable control technology.

MISO (Midwest Independent System Operator) - an independent system operator and the regional transmission organization that provides open-access transmission service and monitors the high voltage transmission system in all or parts of Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin and Manitoba, Canada.

Montana Power - The Montana Power Company, a Montana-based company that sold its generating assets to PPL Montana in December 1999. Through a series of transactions consummated during the first quarter of 2002, Montana Power sold its electricity delivery business to NorthWestern.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

MWh - megawatt-hour, one thousand kilowatt-hours.

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

NorthWestern - NorthWestern Corporation, a Delaware corporation, and successor in interest to Montana Power's electricity delivery business, including Montana Power's rights and obligations under contracts with PPL Montana.

NPDES - National Pollutant Discharge Elimination System.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules.

NRC - Nuclear Regulatory Commission, the federal agency that regulates nuclear power facilities.

NUGs - non-utility generators, generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

NYMEX - New York Mercantile Exchange.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest. OVEC owns and operates two coal-fired power plants, the Kyger Creek Station in Ohio and the Clifty Creek Station in Indiana, with combined nameplate capacities of 2,390 MW.

PEDFA - Pennsylvania Economic Development Financing Authority.

PJM (PJM Interconnection, L.L.C.) - operator of the electric transmission network and electric energy market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PLR (Provider of Last Resort) - the role of PPL Electric in providing default electricity supply to retail customers within its delivery territory who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PPL Electric 2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

PUC Final Order - final order issued by the PUC on August 27, 1998, approving the settlement of PPL Electric's restructuring proceeding.

PUHCA - Public Utility Holding Company Act of 1935, legislation passed by the U.S. Congress. Repealed effective February 2006 by the Energy Policy Act of 2005.

Purchase Contract - a contract that is a component of the Equity Unit that requires holders to purchase shares of PPL common stock on or prior to July 1, 2013.

PURPA - Public Utility Regulatory Policies Act of 1978, legislation passed by the U.S. Congress to encourage energy conservation, efficient use of resources and equitable rates.

PURTA - The Pennsylvania Public Utility Realty Tax Act.

RAB - regulatory asset base. This term is also commonly known as RAV.

RECs - renewable energy credits.

RFC - ReliabilityFirst Corporation (the regional reliability entity that replaced the Mid-Atlantic Area Coordination Council).

RMC - Risk Management Committee.

RTO - Regional Transmission Organization.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

SCR - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

Scrubber - an air pollution control device that can remove particulates and/or gases (such as sulfur dioxide) from exhaust gases.

SEC - Securities and Exchange Commission, a U.S. government agency whose primary mission is to protect investors and maintain the integrity of the securities markets.

SIFMA Index - the Securities Industry and Financial Markets Association Municipal Swap Index.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also strengthens network reliability.

SNCR - selective non-catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

Superfund - federal environmental legislation that addresses remediation of contaminated sites; states also have similar statutes.

Tolling agreement - agreement whereby the owner of an electric generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

Total shareowner return - increase in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period.

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

VaR - value-at-risk, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level.

VEBA - Voluntary Employee Benefit Association Trust, trust accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

VIE - variable interest entity.

Volumetric risk - the risk that the actual load volumes provided under full-requirement sales contracts could vary significantly from forecasted volumes.

SCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

VWAP - as it relates to the Equity Units issued by PPL, the per share volume-weighted-average price as displayed under the heading Bloomberg VWAP on Bloomberg page "PPL <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such volume-weighted-average price is unavailable, the market price of one share of PPL common stock on such trading day determined, using a volume-weighted-average method, by a nationally recognized independent investment banking firm retained for this purpose by PPL).

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-K concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although PPL, PPL Energy Supply and PPL Electric believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K report, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply cost and availability;
- continuing ability to recover fuel and natural gas supply costs in a timely manner at LG&E and KU;
- weather conditions affecting generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- transmission and distribution system conditions and operating costs;
- potential expansion of alternative sources of electricity generation;
- potential laws or regulations to reduce emissions of "greenhouse" gases;
- collective labor bargaining negotiations;
- the outcome of litigation against PPL and its subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, or natural disasters;
- the commitments and liabilities of PPL and its subsidiaries;
- market demand and prices for energy, capacity, transmission services, emission allowances and delivered fuel;
- competition in retail and wholesale power and natural gas markets;
- liquidity of wholesale power markets;
- defaults by counterparties under energy, fuel or other power product contracts;
- market prices of commodity inputs for ongoing capital expenditures;
- capital market conditions, including the availability of capital or credit, changes in interest rates, and decisions regarding capital structure;
- stock price performance of PPL;
- the fair value of debt and equity securities and the impact on defined benefit costs and resultant cash funding requirements for defined benefit plans;
- interest rates and their effect on pension, retiree medical and nuclear decommissioning liabilities;
- volatility in or the impact of other changes in financial or commodity markets and economic conditions;
- the profitability and liquidity, including access to capital markets and credit facilities, of PPL and its subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- foreign currency exchange rates;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- political, regulatory or economic conditions in states, regions or countries where PPL or its subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation, including new tax, environmental, healthcare or pension-related legislation;
- state, federal and foreign regulatory developments;
- the outcome of any rate cases by PPL Electric at the PUC, by LG&E or KU at the KPSC, VSCC or the TRA, or by WPD at Ofgem in the U.K.;
- the impact of any state, federal or foreign investigations applicable to PPL and its subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business or asset acquisitions and dispositions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL, PPL Energy Supply and PPL Electric on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for PPL, PPL Energy Supply or PPL Electric to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and PPL, PPL Energy Supply and PPL Electric undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I

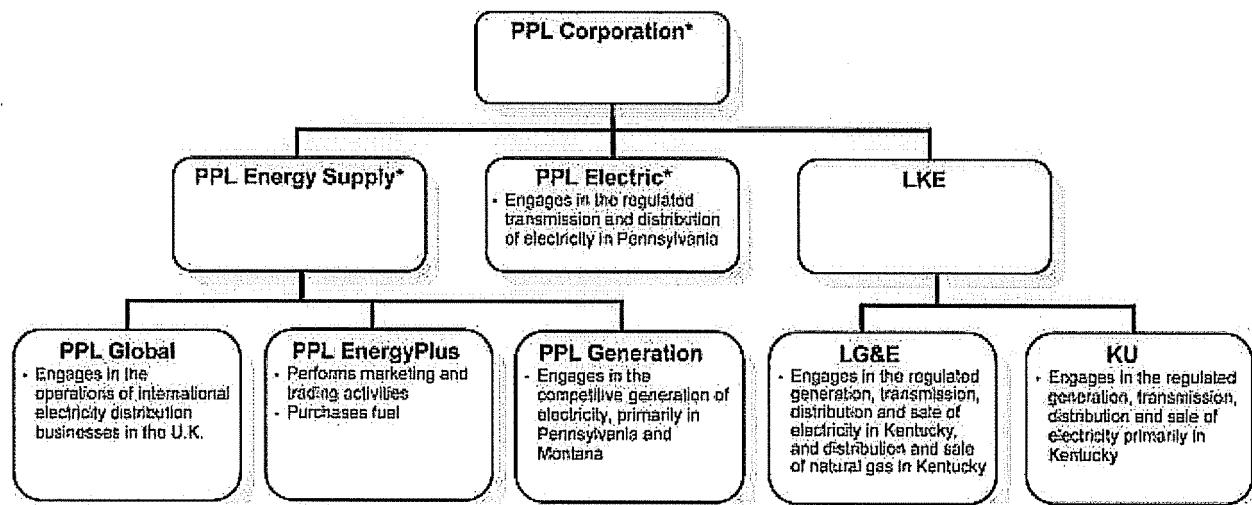
ITEM 1. BUSINESS

BACKGROUND

PPL Corporation, headquartered in Allentown, PA, is an energy and utility holding company that was incorporated in 1994. Through subsidiaries, PPL generates electricity from power plants in the northeastern, northwestern and southeastern U.S., markets wholesale or retail energy primarily in northeastern and northwestern portions of the U.S., delivers electricity to customers in Pennsylvania, Kentucky, Virginia, Tennessee and the U.K. and delivers natural gas in Kentucky. On November 1, 2010, PPL acquired all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC (LKE). LKE is engaged in regulated utility operations through its subsidiaries, KU and LG&E. PPL acquired LKE for approximately \$7.6 billion, including debt assumed through consolidation. See Note 10 to the Financial Statements for additional information on the acquisition. The acquisition of LKE substantially reapportions the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business, strengthens PPL's credit profile and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability. An increase in regulated assets provides earnings stability through regulated returns and the ability to recover costs of capital investments, in contrast to the competitive supply business where earnings and cash flows are subject to market conditions. In 2011, PPL projects that 50% of its net income will be provided by its regulated businesses and the remainder will be provided by its competitive supply businesses. As of December 31, 2010, PPL has:

- More than \$10 billion in projected annual revenues (up from \$8.5 billion recorded by PPL in 2010 including two months of LKE revenue).
- 5.3 million utility customers (including 1.3 million served by the Kentucky-based companies).
- Approximately 19,000 MW of generation (including 7,700 MW of regulated capacity in the Kentucky-based companies).
- Approximately 14,000 full-time employees (including about 3,100 in Kentucky).

As of December 31, 2010, PPL's principal subsidiaries are shown below (* denotes a SEC registrant):



In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements.

In addition to PPL Corporation, the other SEC registrants included in this filing are:

PPL Energy Supply, LLC, an indirect wholly owned subsidiary of PPL formed in 2000, is an energy company engaged through its subsidiaries in the generation and marketing of electricity, primarily in the northeastern and northwestern power markets of the U.S. and in the delivery of electricity in the U.K. PPL Energy Supply's major operating subsidiaries are PPL Generation, PPL EnergyPlus and PPL Global. As noted above, in January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding. At December 31, 2010, PPL Energy Supply owned or controlled 11,729 MW of electric power generation capacity and is implementing capital projects at certain of its existing generation facilities in Pennsylvania and Montana to provide 247 MW of additional generating capacity by 2013, and is in the process of disposing of certain non-core generation facilities with a capacity of 961 MW in 2011.

PPL Electric Utilities Corporation, incorporated in 1920, is a direct subsidiary of PPL and a regulated public utility. PPL Electric delivers electricity in its Pennsylvania service territory and provides electricity supply to retail customers in that territory as a PLR under the Customer

Choice Act.

PPL's utility subsidiaries, and to a lesser extent certain of its non-utility subsidiaries, are subject to extensive regulation by the FERC including: wholesale sales of power and related transactions, electric transmission service, accounting practices, issuances and sales of securities, acquisitions and sales of utility properties and payments of dividends. PPL is subject to certain FERC regulations as a holding company under PUHCA 2005 and the Federal Power Act, including with respect to accounting and record-keeping, inter-system sales of non-power goods and services and acquisitions of securities in, or mergers with, certain types of electric utility companies or holding companies.

Segment Information

(PPL)

Following the November 1, 2010 acquisition of LKE, PPL is organized into four segments: Kentucky Regulated, International Regulated (formerly International Delivery), Pennsylvania Regulated (formerly Pennsylvania Delivery) and Supply. Other than PPL adding a Kentucky Regulated segment, there were no other changes to reportable segments except the renaming of segments and allocating interest expense related to the Equity Units to the Kentucky Regulated segment.

(PPL Energy Supply)

At December 31, 2010, PPL Energy Supply's segments consisted of Supply and International Regulated (formerly International Delivery). In 2010, there were no changes to these segments except the renaming of segments. However, in January of 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements.

(PPL Electric)

PPL Electric operates in a single business segment.

(PPL, PPL Energy Supply, and PPL Electric)

See Note 2 to the Financial Statements for financial information about the segments and geographic financial data.

(PPL)

Kentucky Regulated Segment

Consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, representing primarily the activities of LG&E and KU. The Kentucky Regulated segment also includes interest expense related to the Equity Units issued in June 2010 to partially finance the acquisition of LKE.

LKE became a wholly owned subsidiary of PPL on November 1, 2010. LG&E and KU are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia and Tennessee. KU provides electric service to approximately 514,000 customers in 77 counties in central, southeastern and western Kentucky, to approximately 30,000 customers in five counties in southwestern Virginia and less than ten customers in Tennessee. In Virginia, KU operates under the name Old Dominion Power Company. KU also sells wholesale electricity to 12 municipalities in Kentucky. LG&E provides electric service to approximately 395,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties. LG&E provides natural gas service to approximately 320,000 customers in its electric service area and eight additional counties in Kentucky.

PPL Acquisition

In September 2010, the KPSC approved a settlement agreement among PPL and all of the intervening parties to PPL's joint application to the KPSC for approval of its acquisition of ownership and control of LKE. In the settlement agreement, the parties agreed that LG&E and KU would commit that no base rate increases would take effect before January 1, 2013. The rate increases for LG&E and KU that took effect on August 1, 2010 (as described below) are not impacted by the settlement. Under the terms of the settlement, LG&E and KU retain the right to seek approval for the deferral of "extraordinary and uncontrollable costs." Interim rate adjustments will continue to be permissible during that period through existing fuel, environmental and demand side management recovery mechanisms. The agreement also substitutes an acquisition savings shared deferral mechanism for the previous requirement that LG&E and KU file a synergies plan with the KPSC post-closing. This mechanism, which will be in place until the earlier of five years or the first day of the year in which a base rate increase becomes effective, permits LG&E and KU to each earn up to a 10.75% return on equity. Any earnings above a 10.75% return on equity will be shared with customers on a 50%/50% basis. The KPSC Order and the settlement agreement contained a number of other commitments by LG&E and KU with regard to operations, workforce, community involvement and other matters.

In October 2010, both the VSCC and the TRA approved the transfer of control of LKE to PPL. Certain of these Orders contained additional commitments with regard to operations, workforce, community involvement and other matters.

Also in October 2010, the FERC approved the application for the transfer of control of the utilities. The approval includes various conditional commitments, such as a continuation of certain existing undertakings with protesters in prior cases, an agreement not to terminate certain KU municipal customer contracts prior to January 2017, an exclusion of any transaction-related costs from wholesale energy and tariff customer

rates to the extent that LG&E and KU have agreed to not seek recovery of the same transaction-related cost from retail customers and agreements to coordinate with protesters in certain open or ongoing matters.

Franchises and Licenses

G&E and KU provide electric delivery service, and LG&E provides natural gas distribution service, in their various service territories pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric public utilities operating within the electric service areas of LKE. Neither the Kentucky General Assembly nor the KPSC has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of any legislative or regulatory actions regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation which implemented a hybrid model of cost-based regulation; KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels provide indirect competition for natural gas revenues of LKE. Marketers may also compete to sell natural gas to certain large end-users. Approximately 25% of LG&E's annual throughput is purchased by large commercial and industrial customers directly from alternate suppliers for delivery through LG&E's distribution system. LG&E's natural gas tariffs include gas price pass-through mechanisms relating to its sale of natural gas as a commodity; therefore, customer natural gas purchases from alternative suppliers do not generally impact profitability. However, some large industrial and commercial customers may physically bypass LG&E's facilities and seek delivery service directly from interstate pipelines or other natural gas distribution systems.

In April 2010, the KPSC commenced a proceeding to investigate the regulatory, financial and operational aspects of natural gas retail competition programs, and the potential benefits to Kentucky consumers. A number of entities, including LG&E, were parties to the proceeding. In December 2010, the KPSC issued an Order in the proceeding declining to endorse natural gas competition at the retail level, noting the existence of a number of transition or oversight costs and an uncertain level of economic benefits in such programs. With respect to existing natural gas transportation programs available to large commercial or industrial users, the Order indicates that the KPSC will review utilities' current tariff structures, user thresholds and other terms and conditions of such programs, as part of such utilities' next regular natural gas rate cases.

Electric Operations

LKE serves approximately 939,000 electric customers. LKE's transmission and distribution system territory covers approximately 7,300 square miles. For the period from acquisition through December 31, 2010, 83% of the Kentucky Regulated segment's operating revenues were derived from electric operations. Details of electric revenues by customer class for the period from acquisition through December 31, 2010 are shown below.

	<u>Revenue</u>	<u>% of Revenue</u>
Industrial and commercial	\$ 187	46
Residential	163	40
Municipal	15	4
Other retail	37	9
Wholesale	6	1
Total	<u>\$ 408</u>	<u>100</u>

Power Supply

At December 31, 2010, LKE owned, controlled or had ownership interest in generating capacity (winter rating) of 7,933 MW in Kentucky, Indiana, and Ohio. See "Item 2. Properties - Kentucky Regulated Segment" for a complete list of LKE's generating capacity. For the period from acquisition through December 31, 2010, LKE's power plants generated 6,008 GWh of electricity.

During 2010, approximately 95% of the electricity generated by LG&E, and 98% of that generated by KU, was produced by their coal-fired electric generating stations. The remainder was generated by natural gas and oil-fired combustion turbines and hydroelectric power plants. Also during 2010, substantially all of the electricity generated was used to supply its retail and municipal customer base.

See "Item 2. Properties - Kentucky Regulated Segment" and Note 8 to the Financial Statements for additional information regarding Unit 2 of the Trimble County generating station (TC2). With limited exceptions LKE took care, custody and control of TC2 on January 22, 2011, and has dispatched the unit to meet customer demand since that date. LG&E and KU and the contractor agreed to a further amendment of the construction agreement whereby the contractor will complete certain actions relating to identifying and completing any necessary modifications to allow operation of TC2 on all fuels in accordance with initial specifications prior to certain dates, and amending the provisions relating to liquidated damages. LKE cannot currently estimate the ultimate outcome of these matters. LKE owns a 75% interest in Unit 2. Unit 2 is coal-fired and has a capacity of 760 MW, of which LKE's share is 570 MW.

Fuel Supply

Coal is expected to be the predominant fuel used by LG&E and KU for baseload generation for the foreseeable future, with natural gas and oil being used for intermediate and peaking capacity and flame stabilization in coal-fired boilers.

Fuel inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues and other supplier or transporter operating difficulties.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2016 and normally augment their coal supply agreements with spot market purchases.

For their existing units, LG&E and KU expect for the foreseeable future to purchase most of their coal from western and eastern Kentucky, West Virginia, southern Indiana, southern Illinois and Ohio. With the installation of flue gas desulfurization systems (sulfur dioxide removal systems, or scrubbers), LG&E and KU expect their use of higher sulfur coal to increase. In 2011 and beyond, LG&E and KU may purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at Unit 2 of the Trimble County generating station. Coal is delivered to the generating stations primarily by barge, truck and rail.

Natural Gas

LG&E purchases, transports, distributes or stores natural gas for 320,000 customers in Kentucky. Its service area covers over 700 square miles in 17 counties and includes 391 miles of transportation mains, consisting of natural gas transmission lines of 255 miles, natural gas storage lines of 119 miles and natural gas combustion turbine lines of 17 miles. LG&E's natural gas distribution system includes 4,235 miles of distribution mains. For the period from acquisition through December 31, 2010, 17% of the Kentucky Regulated segment's operating revenues were derived from natural gas operations. Shown below are details of natural gas revenues by customer class for the period from acquisition through December 31, 2010.

	<u>Revenue</u>	<u>% of Revenue</u>
Residential	\$ 56	66
Industrial and commercial	22	26
Other retail	5	6
Wholesale	2	2
Total	<u>\$ 85</u>	<u>100</u>

LG&E's natural gas billings include a weather normalization adjustment mechanism which adjusts the distribution cost component of residential and commercial customer bills based on normal temperatures during the heating season months of November through April, somewhat mitigating the effect of above- or below-normal weather on residential and commercial revenues.

ve underground natural gas storage fields, with a current working natural gas capacity of approximately 15 Bcf, help provide economical and reliable natural gas service to ultimate consumers. By using natural gas storage facilities, LG&E avoids the costs typically associated with more expensive pipeline transportation capacity to serve peak winter heating loads. Natural gas is stored during the summer season for withdrawal the following winter heating season. Without this storage capacity, LG&E would be forced to buy additional natural gas and pipeline transportation services during winter months when customer demand increases and when the prices for natural gas supply and transportation services are typically at their highest. Several suppliers under contracts of varying duration provide competitively priced natural gas. The underground storage facilities, in combination with its purchasing practices, enable LG&E to offer natural gas sales service at competitive rates. At December 31, 2010, LG&E had a 12 Bcf inventory balance of natural gas stored underground valued at \$60 million.

A number of large commercial and industrial customers purchase their natural gas requirements directly from alternate suppliers for delivery through LG&E's distribution system. These large commercial and industrial customers account for approximately 25% of LG&E's annual throughput.

Natural Gas Supply

LG&E also has a portfolio of supply arrangements of various terms with a number of suppliers designed to meet its firm sales obligations. These natural gas supply arrangements include pricing provisions that are market-responsive. In tandem with pipeline transportation services, these natural gas supplies provide the reliability and flexibility necessary to serve LG&E's natural gas customers.

LG&E purchases natural gas supply transportation services from two pipelines. LG&E has contracts with one pipeline that are subject to termination by LG&E between 2013 and 2018. Total winter capacity under these contracts is 184,900 MMBtu/day and summer on-demand natural gas capacity is 60,000 MMBtu/day. LG&E has a contract with the other pipeline that expires in 2012. Total winter and summer capacity under this contract is 51,000 MMBtu/day.

Rates and Regulation

LG&E and KU are subject to the jurisdiction of the KPSC and the FERC in virtually all matters related to electric and natural gas utility regulation. In addition, KU is subject to the VSCC and the TRA. LG&E and KU withdrew from the MISO in 2006. Since exiting from the MISO, LG&E and KU have been operating under a FERC-approved open access transmission tariff. LG&E and KU now contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and Southwest Power Pool, Inc. to function as their independent transmission operator, pursuant to FERC requirements. Certain operations of LKE are subject to the Occupational Safety and Health Act of 1970 and comparable state statutes. LKE is subject to certain FERC regulations as a holding company under PUHCA 2005 and the Federal Power Act.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and notes payable) including certain adjustments to exclude non-regulated investments and environmental compliance costs recovered separately through the environmental cost recovery (ECR) mechanism. As such, regulatory assets are generally earning a return. See Note 3 to the Financial Statements for additional information on cost recovery mechanisms.

KU's Virginia base rates are calculated based on a return on rate base. All regulatory assets and liabilities are excluded from the return on rate base utilized in the calculation of Virginia base rates. In January 2011, KU filed a notice of intent to file a rate case with the VSCC for the test year ended December 31, 2010. The case is expected to be filed on or after April 1, 2011.

KU's wholesale requirements rates for municipal customers are calculated based on annual updates to a rate formula that utilizes a return on rate base (net utility plant less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates.

See Note 3 to the Financial Statements for additional information on cost recovery mechanisms.

2010 Kentucky Rate Case

In January 2010, LG&E and KU filed applications with the KPSC requesting increases in electric base rates of approximately 12%, or annual increases of \$95 million and \$135 million, respectively. In addition, LG&E requested an increase in its natural gas base rates of approximately 8%, or \$23 million annually. In June 2010, LG&E and KU and certain intervenors agreed to a stipulation providing for increases in LG&E's and KU's electric base rates of \$74 million and \$98 million on an annual basis, and LG&E's natural gas base rates of \$17 million on an annual basis, and those parties filed a request with the KPSC to approve such stipulation. In July 2010, the KPSC issued an Order in the proceeding approving all the provisions of the stipulation, including a return on equity range of 9.75-10.75%, with rates effective on and after August 1, 2010.

Virginia Rate Case

In June 2009, KU filed an application with the VSCC requesting an increase in electric base rates for its Virginia jurisdictional customers in an amount of \$12 million annually or approximately 21%. The proposed increase reflected a proposed rate of return on rate base of 8.586% based on a return of equity of 12%. As permitted pursuant to a VSCC Order, KU elected to implement the proposed rates effective November 1, 2009, on an interim basis. During December 2009, KU and the VSCC Staff agreed to a Stipulation and Recommendation authorizing a base rate revenue increase of \$11 million annually and a return on rate base of 7.846% based on a 10.5% return on common equity. In March 2010, the VSCC issued an Order approving the stipulation, with the increased rates to be put into effect as of April 1, 2010. As part of the stipulation, KU refunded approximately \$1 million in interim rate amounts in excess of the ultimate approved rates.

FERC Wholesale Rate Case

In 2008, KU filed an application with the FERC for increases in electric base rates applicable to wholesale power sale contracts or interchange agreements involving, collectively, twelve Kentucky municipalities. The application requested a shift from an all-in stated unit charge rate to an unbundled formula rate, including an annual adjustment mechanism. In 2009, the FERC issued an Order approving a settlement among the parties in the case, incorporating increases of approximately 3% from prior rates and a return on equity of 11%. In May 2010, KU submitted to the FERC the proposed current annual adjustments to the formula rates, which incorporated certain proposed increases. Updated rates, including certain further adjustments from a review process involving wholesale requirements customers, became effective as of July 1, 2010.

(PPL and PPL Energy Supply)

- **International Regulated Segment**

Includes WPD, a regulated electricity distribution company in the U.K.

WPD, headquartered in Bristol, England, operates two of the 15 distribution networks providing electricity service in the U.K. through indirect wholly owned subsidiaries. WPD (South West) serves 1.5 million end-users in a 5,560 square mile area of southwest England. WPD (South Wales) serves 1.1 million end-users in a 4,550 square mile area within Wales.

Details of revenue by category for the years ended December 31, are shown below.

	2010		2009		2008	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Utility revenues	\$ 727	96	\$ 684	96	\$ 824	96
Energy-related businesses	34	4	32	4	33	4
Total	\$ 761	100	\$ 716	100	\$ 857	100

WPD's energy-related businesses revenues include ancillary activities that support the distribution business, including telecommunications and real estate. WPD's telecommunication subsidiary derives revenue from the rental of fiber optic cables primarily attached to WPD's overhead electricity distribution network. WPD also provides meter services to businesses across the U.K.

Franchise and Licenses

WPD is authorized by the U.K. government to provide electric distribution services within its concession areas and service territories, subject to

certain conditions and obligations. For instance, WPD is subject to governmental regulation of the prices it can charge and the quality of service it must provide, and WPD can be fined or have its licenses revoked if it does not meet the mandated standard of service.

Competition

Although WPD operates in non-exclusive concession areas in the U.K., it currently faces little competition with respect to end-users connected to its network. WPD (South West) and WPD (South Wales) are thus regulated monopolies which operate under regulatory price controls.

Rates and Regulation

The operations of WPD (South West) and WPD (South Wales) are regulated under their distribution licenses under which income is generated subject to a price cap regulatory framework set by the regulatory body, Ofgem, that provides economic incentives to minimize operating, capital and financing costs. The charges made for the use of the distribution networks are regulated on the basis of the "RPI plus/minus X" formula where RPI is a measure of inflation and X is an efficiency factor established by Ofgem following their review. Under the review, Ofgem assesses the revenue and capital expenditure plans of companies and determines what they consider an efficient level of that expenditure. Ofgem also considers the required cost of capital sufficient to encourage the required investment and determines customer service targets. In December 2009, Ofgem completed its rate review for the period from April 1, 2010 through March 31, 2015. Ofgem allowed WPD an average increase in total revenues, before inflationary adjustments, of 6.9% in each of the five years. The revenue increase includes reimbursement to electricity distributors for higher operating and capital costs to be incurred. Also, Ofgem set the weighted average cost of capital at 4.7%, which includes pre-tax debt and post-tax equity costs and excludes adjustments for inflation, for all distribution companies. This is a 0.8% decrease from the previous regulatory period. Additionally, Ofgem has established strong incentive mechanisms to provide significant opportunities to enhance overall returns by improving network efficiency, reliability or customer service. In October 2010, Ofgem announced a new pricing model that will be effective for the electricity distribution sector, including WPD, beginning April 2015. The model, known as RIIO (Revenues = Incentives + Innovation + Outputs), is intended to encourage investment in regulated infrastructure. Key components of the model are: an extension of the price review period to eight years, increased emphasis on outputs and incentives, enhanced stakeholder engagement including network customers, a stronger incentive framework to encourage more efficient investment and innovation, expansion of the current Low Carbon Network Fund to stimulate innovation and continued use of a single weighted average cost of capital.

Customers

The majority of WPD's revenue is derived from the delivery of electricity to end-users and thus its customers are the suppliers to those end-users. It is a requirement of Ofgem that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement sets out how creditworthiness will be determined and, as a result, whether the supplier needs to provide collateral.

PPL and PPL Electric

• Pennsylvania Regulated Segment

Includes the regulated electric delivery operations of PPL Electric.

PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties of eastern and central Pennsylvania. PPL Electric also provides electricity supply in this territory as a PLR.

Details of electric revenues by customer class for the years ended December 31, are shown below.

	2010		2009		2008	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Residential	\$ 1,469	60	\$ 1,473	45	\$ 1,468	43
Industrial	123	5	519	16	568	17
Commercial	588	24	1,173	35	1,165	34
Other (a) (b)	275	11	127	4	200	6
Total	<u>\$ 2,455</u>	<u>100</u>	<u>\$ 3,292</u>	<u>100</u>	<u>\$ 3,401</u>	<u>100</u>

(a) Includes regulatory over- or under-recovery reconciliation mechanisms, pole attachment revenues, street lighting and 2010 transmission revenues, net.

(b) Included in these amounts are \$7 million, \$74 million and \$111 million of retail and wholesale electric to affiliate revenue which is eliminated in consolidation for PPL.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies to which it has succeeded and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Certain operations of PPL Electric are subject to the Occupational Safety and Health Act of 1970 and comparable state statutes.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated transmission and distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity transmission and distribution businesses.

Rates and Regulation

Transmission and Distribution

PPL Electric's transmission facilities are within PJM, which operates the electric transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved RTO to promote greater participation and competition in the region it serves. Besides operating the electric transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. PPL Electric is entitled to fully recover from customers the charges that it pays to PJM for transmission-related services.

In November 2004, Pennsylvania enacted the Alternative Energy Portfolio Standard Act (the AEPS), which requires electric distribution companies and retail electric suppliers to ultimately provide 18% of the electricity sold to retail customers in Pennsylvania from alternative energy sources by 2020. Under this state law, alternative energy sources include hydro, wind, solar, waste coal, landfill methane and fuel cells. If an electric distribution company is unable to meet these targets, it will pay an alternative compliance payment of \$45 (or, in the case of solar, 200% of the average market value of solar credits) for each MWh that it is short. PPL Electric's initial compliance obligation covered the period January 1, 2010 to May 31, 2010. PPL Electric was required to supply about 6.7% of the total amount of electricity it delivered to its PLR customers from alternative energy sources during this period. Under the PUC-approved Competitive Bridge Plan, PPL Electric obtained full requirements service that included the generation or credits that PPL Electric needed to comply with the AEPS in 2010. AEPS compliance requirements for June 1, 2010 through May 31, 2011 are about 9% of the total amount of electricity delivered to PLR Customers.

Act 129 became effective in October 2008. The law creates an energy efficiency and conservation program and smart metering technology requirements, establishes new PLR electricity supply procurement rules, provides remedies for market misconduct, and makes changes to the existing AEPS.

See "Regulatory Issues - Pennsylvania Activities" in Note 15 to the Financial Statements for additional information regarding Act 129, other legislative and regulatory impacts and PPL Electric's actions to provide default electricity supply for periods after 2009.

PLR

The Customer Choice Act requires electric distribution companies, including PPL Electric, to act as a PLR of electricity supply and provides that electricity supply costs will be recovered by such companies pursuant to regulations established by the PUC. As part of the PUC Final Order, PPL Electric agreed to supply this electricity at predetermined capped rates through 2009. To mitigate the risk that PPL Electric would not be able to obtain adequate energy supply at the "capped" rates, PPL Electric entered into full-requirement energy supply contracts with PPL EnergyPlus sufficient for PPL Electric to meet its PLR obligation through the end of 2009. Under these contracts, PPL EnergyPlus supplied PPL Electric's entire PLR load at predetermined prices equal to the capped generation rates that PPL Electric was authorized to charge its customers. Prior to the expiration of the rate caps, PPL Electric's customers had limited incentive to purchase generation supply from other providers because, in recent years, the contracts between PPL Electric and PPL EnergyPlus provided a below-market price for these customers. As a result, a limited amount of "shopping" occurred.

PPL Electric's PLR obligation after 2009 is governed by the PUC pursuant to the Public Utility Code as amended by Act 129, PLR regulations and a policy statement regarding interpretation and implementation of those regulations. Effective January 1, 2010, PPL Electric's cost of electric generation is based on a competitive solicitation process. The PUC has approved PPL Electric's default service plan for the period January 2011 through May 2013 which includes 14 solicitations for supply beginning January 1, 2011 with a portion extending beyond May 2013. Pursuant to this plan, PPL Electric had contracted for all of the 2010 electricity supply for residential, small commercial and small industrial customers, large commercial and large industrial customers who elect to take that service in 2010. In addition, PPL Electric completed two solicitations in 2009 and four solicitations in 2010 for supply starting January 2011 to May 2015. The solicitations include a mix of long-term and short-term purchases ranging from five months to five years to fulfill PPL Electric's obligation to provide for customer supply as a PLR. See "Energy Purchase Commitments" in Note 15 to the Financial Statements for additional information regarding PPL Electric's solicitations for 2011 and its actions to provide default electricity supply for periods after 2011.

In addition, several alternative suppliers have offered to provide generation supply in PPL Electric's service territory. Whether its customers purchase supply from these alternative suppliers or from PPL Electric as a PLR, the purchase of such supply has no impact on the financial results of PPL Electric. The cost to purchase PLR supply is passed directly by PPL Electric to its customers without markup.

2010 Rate Case

In March 2010, PPL Electric filed a request with the PUC to increase distribution rates by approximately \$115 million or approximately 2.4% over PPL Electric's projected 2010 revenues, to be effective January 1, 2011. In December 2010, the PUC approved a settlement filed by the parties that provides for a rate increase of \$77.5 million, or 1.6%, over PPL Electric's projected 2010 revenues. The approved rates became

effective for service rendered on and after January 1, 2011. In January 2011, the PP&L Industrial Customers Alliance (PPLICA) filed a Petition for Reconsideration of the PUC's order regarding PPLICA's proposal for a special rate schedule for certain large commercial and industrial customers. Also in January 2011, the PUC granted reconsideration for the purpose of evaluating the merits of the petition. PPL Electric cannot predict the outcome of this evaluation.

See Note 3 to the Financial Statements for additional information on rate mechanisms.

(PPL)

Sale of Businesses

See Note 9 to the Financial Statements for information on the 2008 sale of PPL's natural gas distribution and propane businesses.

(PPL and PPL Energy Supply)

• Supply Segment

Owns and operates competitive domestic power plants to generate electricity; markets and trades this electricity and other purchased power to competitive wholesale and retail markets; and acquires and develops competitive domestic generation projects. Consists primarily of the activities of PPL Generation and PPL EnergyPlus.

PPL Energy Supply has generation assets that are located in the eastern and northwestern U.S. markets. The eastern generation assets are located in the Northeast and Mid-Atlantic energy markets, including PJM and ISO New England. PPL Energy Supply's northwestern generating capacity is located in Montana.

Details of revenue by category for the years ended December 31, are shown below.

	2010		2009		2008	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Electric and Gas						
Wholesale (a)	\$ 4,347	85	\$ 4,761	90	\$ 5,020	91
Retail	415	8	152	3	151	2
Trading	2		17		(121)	(2)
Total electric and gas	4,764	93	4,930	93	5,050	91
Energy-related businesses (b)	364	7	379	7	478	9
Total	\$ 5,128	100	\$ 5,309	100	\$ 5,528	100

(a) Included in these amounts are \$320 million, \$1,806 million and \$1,826 million of wholesale electric sales to an affiliate which are eliminated in consolidation for PPL.

(b) In addition to these amounts, PPL has \$11 million, \$12 million and \$8 million of revenue which is not applicable to PPL Energy Supply.

The Supply segment's energy-related businesses revenues include activities that primarily support its generation, marketing and trading businesses. These activities include developing renewable energy projects and providing energy-related products and services to commercial and industrial customers, through its mechanical contracting and services subsidiaries. The renewable energy business builds, owns, operates and maintains renewable energy facilities throughout the Mid-Atlantic and Northeast regions, and includes solar, wind and landfill gas to energy plants. At December 31, 2010, the renewable energy business owned and operated 33 MW of renewable capacity. The revenues of the mechanical contracting and services subsidiaries are included in "Energy-related businesses" on the Statements of Income.

Customer Choice Act

In 1996, the Customer Choice Act was enacted to restructure Pennsylvania's electric utility industry in order to create retail access to a competitive market for generation of electricity. The Customer Choice Act required each Pennsylvania electric utility to file a restructuring plan to "unbundle" its rates into separate generation, transmission and distribution components and to permit its customers to directly access alternate suppliers of electricity. Under the Customer Choice Act, regulated utilities were required to act as a PLR. As part of a settlement approved by the PUC, PPL EnergyPlus and PPL Electric entered into full requirements energy supply agreements at predetermined "capped" rates through the end of 2009.

With the expiration of the long-term power purchase agreements between PPL Electric and PPL EnergyPlus, PPL EnergyPlus has multiple options as to how, and to whom, it sells the electricity produced by PPL Energy Supply's generation plants. These sales are based on prevailing market rates. The expiration of the long-term supply agreements with PPL Electric also enables PPL Energy Supply to adjust its exposure to fluctuations in demand that existed with supplying PPL Electric's PLR load. Entry of new generation suppliers into the Pennsylvania marketplace provides PPL Energy Supply the opportunity to provide generation supply to additional wholesale customers but also exposes the Supply segment to increased competition (see "Competition" below).

Power Supply

PPL Energy Supply owned or controlled generating capacity (winter rating) of 11,729 MW at December 31, 2010. Through subsidiaries, PPL Generation owns and operates power plants in Pennsylvania, Montana, Illinois and Connecticut. Generating capacity controlled by PPL Generation and other PPL Energy Supply subsidiaries includes power obtained through PPL EnergyPlus' tolling or power purchase agreements (including Ironwood and other facilities that consist of NUGs, wind farms and landfill gas facilities). See "Item 2. Properties - Supply Segment"

for a complete listing of PPL Energy Supply's generating capacity.

See Note 9 to the Financial Statements for information on the 2010 sale of the Long Island Generation business, consisting of plants in New York and the 2010 and 2009 sales of hydroelectric facilities located in Maine. Also, see Note 9 to the Financial Statements for information on the anticipated sale of certain non-core generation facilities consisting of natural gas-fired facilities in Wallingford, Connecticut and University Park, Illinois and a PPL Energy Supply subsidiary's interest in Safe Harbor Water Power Corporation, which owns a hydroelectric facility in Conestoga, Pennsylvania.

PPL Energy Supply's generation subsidiaries are EWGs, which sell electricity into wholesale markets. EWGs are subject to regulation by the FERC, which has authorized these EWGs to sell the electricity generated at market-based prices. This electricity is sold to PPL EnergyPlus under FERC-jurisdictional power purchase agreements.

PPL Susquehanna is subject to the jurisdiction of the NRC in connection with the operation of the Susquehanna nuclear units. Certain of PPL Energy Supply's other subsidiaries are subject to the jurisdiction of the NRC in connection with the operation of their fossil plants with respect to certain level and density monitoring devices. Certain operations of PPL Generation's subsidiaries are also subject to the Occupational Safety and Health Act of 1970 and comparable state statutes.

The system capacity of PPL Energy Supply's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances.

During 2010, PPL Energy Supply's power plants, excluding renewable facilities that are discussed separately below, generated the following amounts of electricity.

<u>State</u>	<u>Millions of kWh</u>
Pennsylvania	48,140
Montana	8,409
Connecticut	220
New York (a)	
Illinois	164
Maine	75
Total	<u>57,008</u>

(a) 15 million kWhs were excluded as tolling agreements were in place for 100% of the output.

This generation represented a 4% increase above 2009 output. Of this generation, 50% of the electricity generated was from coal-fired stations, 10% from the Susquehanna nuclear station, 14% from oil/natural gas-fired stations and 7% from hydroelectric stations.

Substantially all of PPL Energy Supply's total expected generation in 2011 is anticipated to be used to meet its committed contractual sales. PPL Energy Supply has also entered into commitments of varying quantities and terms for the years 2012 and beyond. These commitments are consistent with, and integral to, PPL Energy Supply's business strategy to capture profits while managing exposure to adverse movements in energy and fuel prices. See "Commodity Volumetric Activity" in Note 19 to the Financial Statements for the strategies PPL Energy Supply employs to optimize the value of its wholesale and retail energy portfolio.

PPL Energy Supply subsidiaries own or control renewable energy projects located in Pennsylvania, New Jersey, Vermont and New Hampshire with a generating capacity (winter rating) of 33 MW. PPL EnergyPlus sells the energy and RECs produced by these plants to commercial, industrial and institutional customers. During 2010, the projects owned and operated by these PPL Energy Supply subsidiaries generated 154 million kWhs.

PPL EnergyPlus purchases the capacity, energy and RECs from two wind farms in Pennsylvania with a combined capacity of 50 MW. These contracts extend through 2027.

See "Item 2. Properties - Supply Segment" for additional information regarding PPL Generation's plans for capital projects in Pennsylvania and Montana that are expected to provide 247 MW of additional electric generating capacity by 2013.

Fuel Supply

PPL EnergyPlus acts as agent for PPL Generation to procure and optimize its various fuels.

Coal

Pennsylvania

PPL EnergyPlus actively manages PPL's coal requirements by purchasing coal principally from mines located in central and northern Appalachia.

During 2010, PPL Generation purchased 100% of the coal delivered to PPL Generation's wholly owned Pennsylvania stations under short-term and long-term contracts. These contracts provided PPL Generation 7.0 million tons of coal. Contracts currently in place are expected to provide 7.9 million tons of coal in 2011. The amount of coal in inventory varies from time to time depending on market conditions and plant operations.

PPL Generation, by and through its agent PPL EnergyPlus, has an agreement that provides more than one-third of PPL Generation's projected annual coal needs for the Pennsylvania power plants from 2011 through 2018. PPL Generation has other contracts that, in total, will provide additional coal supply for their projected annual needs from 2011 through 2013.

PPL Generation subsidiary owns a 12.34% interest in the Keystone station and in Keystone Fuels, LLC and a 16.25% interest in the Conemaugh station and in Conemaugh Fuels, LLC. The Keystone station contracts with Keystone Fuels, LLC for its coal requirements, which provided 4.5 million tons of coal to the Keystone station in 2010. The Conemaugh station requirements are purchased under contract from Conemaugh Fuels, LLC, which provided 4.0 million tons of coal to the Conemaugh station in 2010.

All PPL Generation Pennsylvania coal stations have scrubbers installed. Limestone is necessary to operate the scrubbers. Acting as agent for PPL Brunner Island, LLC and PPL Montour, LLC, PPL EnergyPlus has entered into long-term contracts with limestone suppliers that will provide for those plants' limestone requirements through 2012. During 2010, 457,000 tons of limestone were delivered to Brunner Island and Montour under long-term contracts. Annual limestone requirements approximate 600,000 tons.

Montana

PPL Montana has a 50% leasehold interest in Colstrip Units 1 and 2, and a 30% leasehold interest in Colstrip Unit 3. NorthWestern owns a 30% leasehold interest in Colstrip Unit 4. PPL Montana and NorthWestern have a sharing agreement to govern each party's responsibilities regarding the operation of Colstrip Units 3 and 4, and each party is responsible for 15% of the respective operating and construction costs, regardless of whether a particular cost is specified to Colstrip Unit 3 or 4. However, each party is responsible for its own fuel-related costs. PPL Montana, along with the other owners, is party to contracts to purchase 100% of its coal requirements with defined coal quality characteristics and specifications. PPL Montana, along with the other owners, has a long-term purchase and supply agreement with the current supplier for Units 1 and 2 which, provides these units 100% of their coal requirements through December 2014, and at least 85% of such requirements from January 2015 through December 2019. The coal supply contract for Unit 3's requirements is in effect through December 2019.

These units were built with scrubbers and PPL Montana has entered into a long-term contract that commences in January 2011 through December 31, 2030, to purchase the lime requirements for these units.

Coal supply contracts are in place to purchase low-sulfur coal with defined quality characteristics and specifications for PPL Montana's Corette station. The contracts covered 100% of the station's coal requirements in 2010, and similar contracts are in place to supply 100% of the expected coal requirements through 2012.

Oil and Natural Gas

Pennsylvania

PPL Generation's Martins Creek Units 3 and 4 burn both oil and natural gas. During 2010, 100% of the physical gas requirements for the Martins Creek units were purchased on the spot market while oil requirements were supplied from inventory. At December 31, 2010, there were no long-term agreements for oil or natural gas for these units.

Short-term and long-term gas transportation contracts are in place for approximately 30% of the maximum daily requirements of the Lower Mt. Bethel facility. During 2010, 100% of the physical gas requirements for Lower Mt. Bethel were purchased on the spot market.

In 2008, PPL EnergyPlus acquired the rights to an existing long-term tolling agreement associated with the capacity and energy of the Ironwood facility. PPL EnergyPlus has long-term transportation contracts to serve approximately 25% of Ironwood's maximum daily requirements, which began in the fourth quarter of 2010. Ironwood will be served through a combination of transportation capacity release transactions and delivered supply to the plant. PPL EnergyPlus currently has no long-term physical supply agreements to purchase natural gas for Ironwood. During 2010, 100% of the physical gas requirements for Ironwood were purchased on the spot market.

Illinois

At December 31, 2010, there were no long-term delivery or supply agreements to purchase natural gas for the University Park facility.

Connecticut

PPL EnergyPlus has a long-term contract for approximately 40% of the expected pipeline transportation requirements of the Wallingford facility, but has no long-term physical supply agreement to purchase natural gas.

Nuclear

The nuclear fuel cycle consists of several material and service components: the mining and milling of uranium ore to produce uranium concentrates; the conversion of these concentrates into uranium hexafluoride, a gas component; the enrichment of the hexafluoride gas; the fabrication of fuel assemblies for insertion and use in the reactor core; and the temporary storage and final disposal of spent nuclear fuel.

PPL Susquehanna has a portfolio of supply contracts, with varying expiration dates, for nuclear fuel materials and services. These contracts are expected to provide sufficient fuel to permit Unit 1 to operate into the first quarter of 2016 and Unit 2 to operate into the first quarter of 2017. PPL Susquehanna anticipates entering into additional contracts to ensure continued operation of the nuclear units.

Federal law requires the U.S. government to provide for the permanent disposal of commercial spent nuclear fuel, but there is no definitive date by which a repository will be operational. As a result, it was necessary to expand Susquehanna's on-site spent fuel storage capacity. To support this expansion, PPL Susquehanna contracted for the design and construction of a spent fuel storage facility employing dry cask fuel storage technology. The facility is modular, so that additional storage capacity can be added as needed. The facility began receiving spent nuclear fuel in 1999. PPL Susquehanna estimates that there is sufficient storage capacity in the spent nuclear fuel pools and the on-site spent fuel storage facility at Susquehanna to accommodate spent fuel discharged through approximately 2017 under current operating conditions. If necessary, the on-site spent fuel storage facility can be expanded, assuming appropriate regulatory approvals are obtained, such that, together, the spent fuel pools and the expanded dry fuel storage facility will accommodate all of the spent fuel expected to be discharged through the current licensed life of the plant.

In 1996, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the Nuclear Waste Policy Act imposed on the DOE an unconditional obligation to begin accepting spent nuclear fuel on or before January 31, 1998. In 1997, the Court ruled that the contracts between the utilities and the DOE provide a potentially adequate remedy if the DOE failed to begin accepting spent nuclear fuel by January 31, 1998. The DOE did not, in fact, begin to accept spent nuclear fuel by that date. The DOE continues to contest claims that its breach of contract resulted in recoverable damages. In January 2004, PPL Susquehanna filed suit in the U.S. Court of Federal Claims for unspecified damages suffered as a result of the DOE's breach of its contract to accept and dispose of spent nuclear fuel. Discovery in the case has concluded but the Court has not yet set a date for trial. PPL cannot predict the outcome of these proceedings.

Energy Marketing

PPL EnergyPlus sells the capacity and electricity produced by PPL Generation subsidiaries, along with purchased power, FTRs, natural gas, oil, uranium, emission allowances and RECs in competitive wholesale and competitive retail markets.

PPL EnergyPlus purchases and sells capacity and electricity at the wholesale level at competitive prices under FERC market-based prices. Within the constraints of its hedging policy, PPL EnergyPlus actively manages its portfolios of energy and energy-related products to optimize their value and to limit exposure to price fluctuations.

PPL EnergyPlus is licensed to provide retail electric supply to customers in Delaware, Maine, Massachusetts, Maryland, Montana, New Jersey and Pennsylvania and provides retail natural gas supply to customers in Pennsylvania, New Jersey, Delaware, and Maryland.

Competition

Since the early 1990s, there has been increased competition in U.S. energy markets because of federal and state competitive market initiatives. While some states, such as Pennsylvania and Montana, have created a competitive market for electricity generation, other states continue to consider different types of regulatory initiatives concerning competition in the power and gas industry. Some states that were considering creating competitive markets have slowed their plans or postponed further consideration. In addition, states that have created competitive markets have, from time to time, considered new market rules and re-regulation measures that could result in more limited opportunities for competitive energy suppliers. The activity around re-regulation, however, has slowed due to the current environment of declining power prices. As such, the competitive markets in which PPL and its subsidiaries participate are highly competitive.

The Supply segment faces competition in wholesale markets for available energy, capacity and ancillary services. Competition is impacted by electricity and fuel prices, congestion along the power grid, new market entrants, construction by others of generating assets, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. The Supply segment primarily competes with other electricity suppliers based on its ability to aggregate generation supply at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities and ISOs. Competitors in wholesale power markets include regulated utilities, industrial companies, non-utility generators, competitive subsidiaries of regulated utilities and other energy marketers. See "Item 1A. Risk Factors - Risks Related to Supply Segment" and PPL's and PPL Energy Supply's "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" for more information concerning the risks faced with respect to competitive energy markets.

Franchise and Licenses

See "Background - Segment Information - Supply Segment - Energy Marketing" for a discussion of PPL EnergyPlus' licenses in various states. PPL EnergyPlus also has an export license from the DOE to sell capacity and/or energy to electric utilities in Canada.

PPL Susquehanna operates Units 1 and 2 pursuant to NRC operating licenses that expire in 2042 for Unit 1 and in 2044 for Unit 2.

In 2008, PPL Susquehanna received NRC approval for its request to increase the generation capacity of the Susquehanna nuclear plant. The project is being completed in phases over several years. PPL Susquehanna's share of the total expected capacity increase is estimated to be 195 MW. The final phase of the Unit 1 uprate was completed in 2010 and yielded 55 MW for PPL Susquehanna. The final phase of the Unit 2 uprate is scheduled for 2011 and is projected to yield an additional 50 MW for PPL Susquehanna. PPL Susquehanna's share of the expected remaining expenditures is \$15 million.

In 2008, a PPL subsidiary submitted a COLA to the NRC for a new nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna plant. Also in 2008, the COLA was accepted for review by the NRC. In February 2010, the NRC published its official review schedule that culminates with the issuance of Bell Bend's final safety evaluation report in 2012. See Note 8 to Financial Statements for additional information.

PPL Holtwood operates the Holtwood hydroelectric generating station pursuant to a license that was recently extended by the FERC to expire in 2030. PPL Holtwood operates the Wallenpaupack hydroelectric generating station pursuant to a license renewed by the FERC in 2005 and expiring in 2044. PPL Holtwood also owns one-third of the capital stock of Safe Harbor Water Power Corporation (Safe Harbor), which holds a project license that extends operation of its hydroelectric generating station until 2030. The total capacity of the Safe Harbor generating station was 423 MW at December 31, 2010, and PPL Holtwood is entitled by contract to one-third of the total capacity. In September 2010, PPL Energy Supply subsidiaries signed definitive agreements to sell their ownership interests in Safe Harbor and two other non-core generating facilities. See Note 9 to the Financial Statements for additional information.

In October 2009, the FERC approved the request to expand the Holtwood plant and extended the operating license through August 2030. See Note 8 to the Financial Statements for additional information.

The 11 hydroelectric facilities and one storage reservoir in Montana are licensed by the FERC. The FERC license for the Mystic facility was relicensed, effective January 1, 2010, for an additional 40-year term. The Thompson Falls and Kerr licenses expire in 2025 and 2035, respectively; and the licenses for the nine Missouri-Madison facilities expire in 2040.

In connection with the relicensing of these generating facilities, applicable law permits the FERC to relicense the original licensee or license a new licensee, or allow the U.S. government to take over the facility. If the original licensee is not relicensed, it is compensated for its net investment in the facility, not to exceed the fair value of the property taken, plus reasonable damages to other property affected by the lack of relicensing. See Note 15 to the Financial Statements for additional information on the Kerr Dam license.

(PPL, PPL Energy Supply and PPL Electric)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, PPL's, PPL Energy Supply's and PPL Electric's operating results in the future may fluctuate substantially on a seasonal basis, especially when more severe weather conditions such as heat waves or winter storms make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned and the terms of contracts to purchase or sell electricity.

FINANCIAL CONDITION

See PPL's, PPL Energy Supply's and PPL Electric's "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in PPL's, PPL Energy Supply's and PPL Electric's "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for the years 2011-2015. See Note 15 to the Financial Statements for additional information concerning the potential impact on capital expenditures from environmental matters.

ENVIRONMENTAL MATTERS

PPL and its subsidiaries are subject to certain existing and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. The EPA is in the process of proposing and finalizing an unprecedented number of environmental regulations over the next few years that will directly affect the electric industry. These initiatives cover all sources - air, water and waste. See PPL's and PPL Energy Supply's "Financial Condition - Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Forecasted Uses of Cash - Capital Expenditures" for information concerning environmental capital expenditures during 2010 and projected environmental capital expenditures for the years 2011-2015. Also, see "Environmental Matters" in Note 15 to the Financial Statements for additional information. To comply with air related requirements, PPL's forecast for capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are a combined \$2.1 billion for LG&E and KU and \$400 million for PPL Energy Supply. Actual costs may be significantly lower or higher depending on the final requirements. Environmental compliance costs incurred by LG&E and KU are subject to recovery through a rate recovery mechanism. See Note 3 to the Financial Statements for additional information.

PPL and its subsidiaries are unable to predict the ultimate effect of evolving environmental laws and regulations upon their existing and proposed facilities and operations and competitive positions. In complying with statutes, regulations and actions by regulatory bodies involving environmental matters, including, among other things, air and water quality, GHG emissions, hazardous and solid waste management and disposal, and regulation of toxic substances, PPL's subsidiaries may be required to modify, replace or cease operating certain of their facilities. PPL's subsidiaries may also incur significant capital expenditures and operating expenses in amounts which are not now determinable, but could be significant.

EMPLOYEE RELATIONS

As of December 31, 2010, PPL and its subsidiaries had the following full-time employees.

PPL Energy Supply
PPL Generation
PPL EnergyPlus (a)

2,773
1,923

PPL Global (primarily WPD)	2,432
Total PPL Energy Supply	7,128
PPL Electric	2,293
LKE	3,122
PPL Services and other	1,266
Total PPL	13,809

(a) Includes labor union employees of mechanical contracting subsidiaries, whose numbers tend to fluctuate due to the nature of this business.

Approximately 5,800 employees, or 51%, of PPL's domestic workforce are members of labor unions, with four IBEW locals representing approximately 4,300 employees. The bargaining agreement with the largest labor union, an IBEW local, which expires in May 2014, covers approximately 1,600 PPL Electric, 1,200 PPL Energy Supply and 400 other employees. Approximately 830 employees of LKE were represented by an IBEW local and a United Steelworkers of America (USWA) local. Both LG&E and KU have a three-year labor agreement with the IBEW local. LG&E's agreement expires in November 2011 and KU's agreement expires in August 2012. LKE's agreement with the USWA expires in August 2011. PPL Montana's largest bargaining unit, an IBEW local, represents approximately 270 employees at the Colstrip plant. The four-year labor agreement expires in April 2012. PPL Montana's second largest bargaining unit, also an IBEW local, represents approximately 85 employees at hydroelectric facilities and the Corette plant. This four-year labor agreement expires in April 2012.

Approximately 1,870, or 77%, of PPL's U.K. workforce are members of labor unions. WPD recognizes four unions, the largest of which represents 40% of its union workforce. WPD's Electricity Business Agreement, which covers approximately 1,820 union employees may be amended by agreement between WPD and the unions and is terminable with 12 months notice by either side.

See "Separation Benefits" in Note 13 to the Financial Statements for information on a 2009 cost reduction initiative, which resulted in the elimination of approximately 200 domestic management and staff positions at PPL.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. On the Investor Center page of that website, PPL provides access to all SEC filings of PPL, PPL Energy Supply and PPL Electric free of charge, as soon as reasonably practicable after filing with the SEC. Additionally, PPL registrants' filings are available at the SEC's website (www.sec.gov) and at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

PPL, PPL Energy Supply and PPL Electric face various risks associated with their businesses. While we have identified below the risks we presently consider material, these are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our businesses, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. In addition, this report also contains forward-looking and other statements about our businesses that are subject to numerous risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Financial Statements for more information concerning the risks described below and for other risks, uncertainties and factors that could impact our businesses and financial results.

As used in this Item 1A., the terms "we," "our" and "us" generally refer to PPL and its consolidated subsidiaries taken as a whole, or to PPL Energy Supply and its consolidated subsidiaries taken as a whole within the Supply and International Regulated segment discussions, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion.

Risks Related to All Segments

(PPL, PPL Energy Supply and PPL Electric)

We will selectively pursue growth of generation and transmission and distribution capacity, which involves a number of uncertainties and may not achieve the desired financial results.

We will pursue expansion of our generation and transmission and distribution capacity over the next several years through power uprates at certain of our existing power plants, the potential construction of new power plants, the potential acquisition of existing plants, the potential construction or acquisition of transmission and distribution projects and capital investments to upgrade transmission and distribution infrastructure. We will rigorously scrutinize opportunities to expand our generating capability and may determine not to proceed with any expansion. These types of projects involve numerous risks. Any planned power uprates could result in cost overruns, reduced plant efficiency and higher operating and other costs. With respect to the construction of new plants, the acquisition of existing plants, or the construction or acquisition of transmission and distribution projects, we may be required to expend significant sums for preliminary engineering, permitting, resource exploration, legal and other expenses before it can be established whether a project is feasible, economically attractive or capable of being financed. The success of both a new or acquired project would likely be contingent, among other things, upon the negotiation of satisfactory operating contracts, obtaining acceptable financing and maintaining acceptable credit ratings, as well as receipt of required and appropriate governmental approvals. If we were unable to complete construction or expansion of a project, we may not be able to recover our investment in the project. Furthermore, we might be unable to operate any new or acquired plants as efficiently as projected, which could result in higher than projected operating and other costs and reduced earnings.

Adverse conditions in the economic and financial markets in which we operate could adversely affect our financial condition and results of operations.

Adverse conditions in the financial markets during 2008 and the associated contraction of liquidity in the wholesale energy markets contributed significantly to declines in wholesale energy prices, significantly impacting our earnings during the second half of 2008 and the first half of 2009. The breadth and depth of these negative economic conditions had a wide-ranging impact on the U.S. and international business environment, including our businesses. As a result of the economic downturn, demand for energy commodities has declined significantly. This reduced demand will continue to impact the key domestic wholesale energy markets we serve (such as PJM) and our Pennsylvania and Kentucky utility businesses, especially industrial customer demand. The combination of lower demand for power and natural gas and other fuels has put downward price pressure on wholesale energy markets in general, further impacting our energy marketing results. In general, current economic and commodity market conditions will continue to challenge predictability regarding our unhedged future energy margins, liquidity and overall financial condition.

Our businesses are heavily dependent on credit and capital, among other things, for capital expenditures and providing collateral to support hedging in our energy marketing business. Global bank credit capacity declined and the cost of renewing or establishing new credit facilities increased significantly in 2008, primarily as a result of general credit concerns nationwide, thereby introducing uncertainties as to our businesses' ability to enter into long-term energy commitments or reliably estimate the longer-term cost and availability of credit. Although bank credit conditions have improved since mid-2009, and we currently expect to have adequate access to needed credit and capital based on current conditions, deterioration in the financial markets could adversely affect our financial condition and liquidity. Additionally, regulations to be adopted to implement the Dodd-Frank Financial Reform Act of 2010 may impose requirements on our businesses and the businesses of others with whom we contract such as banks or other counterparties, or simply result in increased costs to conduct our business or access sources of capital and liquidity upon which the conduct of our businesses is dependent.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of severe weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis if weather conditions such as heat waves, extreme cold weather or severe storms occur. The patterns of these fluctuations may change depending on the type and location of our facilities and the terms of our contracts to sell electricity.

Operating expenses could be affected by weather conditions, including storms, as well as by significant man-made or accidental disturbances, including terrorism or natural disasters.

Weather and these other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure or requiring significant repair costs. Storm outages and damage often directly decrease revenues or increase expenses, due to reduced usage and higher restoration charges. In addition, weather and other disturbances may affect capital markets and general economic conditions and impact future growth.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation changes, and thus may impact consumer demand for electric power. Temperature increases could result in increased overall electricity volumes or peaks and precipitation changes could result in altered availability of water for plant cooling operations. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Conversely, climate change could have a number of potential impacts tending to reduce demand. Changes may entail more frequent or more intense storm activity, which, if severe, could temporarily disrupt regional economic conditions and adversely affect electricity demand levels. Greenhouse gas regulation could increase the cost of electric power, particularly power generated by fossil-fuels, and such increases could have a depressive effect on the regional economy. Reduced economic and consumer activity in our service areas --both generally and specific to certain industries and consumers accustomed to previously low-cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered should consumers' preferences or market factors move toward favoring energy efficiency, low-carbon power sources or reduced electric usage generally.

We cannot predict the outcome of the legal proceedings and investigations currently being conducted with respect to our current and past business activities. An adverse determination could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and subject to ongoing state and federal investigations arising out of our business operations, the most significant of which are summarized in "Legal Matters," "Regulatory Issues" and in "Environmental Matters - Domestic" in Note 15 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

We could be negatively affected by rising interest rates, downgrades to our bond credit ratings or other negative developments in our ability to access capital markets.

In the ordinary course of business, we are reliant upon adequate long-term and short-term financing means to fund our significant capital expenditures, debt interest or maturities and operating needs. As a capital-intensive business, we are sensitive to developments in interest rates; credit rating considerations; insurance, security or collateral requirements; market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased liquidity to our domestic regulated utility businesses.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's, Fitch and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. Although we do not expect these ratings to limit our ability to fund short-term liquidity needs or access new long-term debt, any ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund short-term liquidity needs and access new long-term debt. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the impact of a downgrade in our credit rating.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing where possible our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. We provide a similar level of benefits to our management employees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations, costs and liabilities is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, benefit improvements, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

We may be required to record impairment charges in the future for certain of our investments, which could adversely affect our earnings.

Under GAAP, we are required to test our recorded goodwill for impairment on an annual basis, or more frequently if events or circumstances indicate that these assets may be impaired. Although no goodwill impairments were recorded based on our annual review in the fourth quarter of 2010, we are unable to predict whether future impairment charges may be necessary.

We also review our long-lived assets for impairment when events or circumstances indicate that the carrying value of these assets may not be recoverable. See Notes 8, 9 and 18 to the Financial Statements for additional information on impairment charges taken during the reporting periods. We are unable to predict whether impairment charges, or other losses on sales of other assets or businesses, may occur in future years.

We may incur liabilities in connection with discontinued operations.

In connection with various divestitures, we have indemnified or guaranteed parties against certain liabilities and with respect to certain transactions. These indemnities and guarantees relate to, among other things, liabilities which may arise with respect to the period during which we or our subsidiaries operated the divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture.

We are subject to liability risks relating to our generation, transmission and distribution businesses.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial effects, caused to or caused by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses or decrease our revenues and, thus, have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently or lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue or increased expense, including higher maintenance costs which may not be recoverable from customers. Planned and unplanned outages at our power plants can require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include

income, property, sales and use and employment-related taxes. We also estimate our ability to utilize tax benefits and tax credits. Due to the revenue needs of the states and jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict whether legislation or regulation will be introduced or enacted or the effect of any such changes on our businesses. If enacted, any changes could increase tax expense and could have a negative impact on our results of operations and cash flows.

PPL and PPL Electric)

Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to the Kentucky Regulated segment and the Pennsylvania Regulated segment. Set forth below are risk factors common to both domestic regulated segments, followed by sections identifying separately the risks specific to each of these segments.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request.

We currently provide services to our utility customers at rates approved by one or more federal or state regulatory commissions, including those commissions referred to below. While such regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, the rates that we may charge our regulated generation, transmission and distribution customers are subject to authorization of the applicable regulatory authorities. There can be no assurance that such regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full recovery of our costs or an adequate return on our capital investments. While our rates are generally regulated based on an analysis of our costs incurred in a base year, the rates we are allowed to charge may or may not match our costs at any given time. With respect to PPL's November 1, 2010 acquisition of LKE, each of LG&E and KU has agreed with the KPSC, subject to certain limited exceptions such as fuel and environmental cost recoveries, that no base rate increases would take effect for their Kentucky retail customers before January 1, 2013. Our regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse affect on our business, results of operations, cash flows or financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

Various federal and state entities, including but not limited to the FERC, the KPSC, the VSCC, the TRA and PUC regulate many aspects of the domestic utility operations of PPL, including:

- the rates that we may charge and the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards and other standards of conduct;
- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate restrictions;
- acquisition and disposal of utility assets and securities; and
- various other matters.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties. In any rate-setting proceedings, federal or state agencies, intervenors and other permitted parties may challenge our rate requests, and ultimately reduce, alter or limit the rates we seek.

We could be subject to higher costs and/or penalties related to mandatory reliability standards.

Under the Energy Policy Act of 2005, owners and operators of the bulk power transmission system are now subject to mandatory reliability standards promulgated by the NERC and enforced by the FERC. Compliance with reliability standards may subject us to higher operating costs and/or increased capital expenditures, and violations of these standards could result in substantial penalties which may not be recoverable from customers.

Changes in transmission and wholesale power market structures could increase costs or reduce revenues.

Wholesale revenues fluctuate with regional demand, fuel prices and contracted capacity. Changes to transmission and wholesale power market structures and prices may occur in the future, are not estimable and may result in unforeseen effects on energy purchases and sales, transmission and related costs or revenues. These can include commercial or regulatory changes affecting power pools, exchanges or markets in which PPL participates.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or illures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LKE) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion

of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third party intervenors;
- increases in commodity prices or labor rates;
- contractor performance;
- environmental considerations and regulations;
- weather and geological issues; and
- political, labor and regulatory developments.

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

Risks Specific to Kentucky Regulated Segment

(PPL)

The costs of compliance with, and liabilities under, environmental laws are significant and are subject to continuing changes.

Extensive federal, state and local environmental laws and regulations are applicable to LG&E's and KU's generation business, including its air emissions, water discharges and the management of hazardous and solid waste, among other business related activities; and the costs of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, our costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules are expanded or changed. Costs may take the form of increased capital or operating and maintenance expenses, monetary fines, penalties or forfeitures or other restrictions. Many of these environmental law considerations are also applicable to the operations of our key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs of their products or demand for our services.

Risks Specific to Pennsylvania Regulated Segment

(PPL and PPL Electric)

We may be subject to higher transmission costs and other risks as a result of PJM's regional transmission expansion plan (RTEP) process.

PJM and the FERC have the authority to require upgrades or expansion of the regional transmission grid, which can result in substantial expenditures for transmission owners. As discussed in Note 8 to the Financial Statements, we expect to make substantial expenditures to construct the Susquehanna-Roseland transmission line that PJM has determined is necessary for the reliability of the regional transmission grid. Although the FERC has granted our request for incentive rate treatment of such facilities, we cannot be certain that all costs that we may incur will be recoverable. In addition, the date when these facilities will be in service, whether due to delays related to public opposition or other factors, is subject to the outcome of future events that are not all within our control. As a result, we cannot predict the ultimate financial or operational impact of this project or other RTEP projects on PPL Electric.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

Act 129 became effective in October 2008. This law created requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposed new PLR electricity supply procurement rules, provided remedies for market misconduct, and made changes to the existing Alternative Energy Portfolio Standard. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand by specified dates (2011 and 2013). Utilities not meeting these requirements of Act 129 are subject to significant penalties that cannot be recovered in rates. Although we expect to meet these requirements, numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us. See "Regulatory Issues - Energy Policy Act of 2005 - Reliability Standards" in Note 15 to the Financial Statements for additional information.

Cost recovery remains subject to political risks.

Although prior initiatives have not resulted in the enactment of such legislation, the possibility remains that certain Pennsylvania legislators could introduce legislation to reinstate generation rate caps or otherwise limit cost recovery through rates for Pennsylvania utilities after the end of applicable transition periods, which in PPL Electric's case was December 31, 2009. If such legislation were introduced and ultimately enacted, PPL Electric could face severe financial consequences including operating losses and significant cash flow shortfalls. In addition, continuing uncertainty regarding PPL Electric's ability to recover its market supply and other costs of operating its business could adversely affect its credit quality, financing costs and availability of credit facilities necessary to operate its business.

(PPL and PPL Energy Supply)

Risks Related to International Regulated Segment

Our U.K. delivery business is subject to risks with respect to rate regulation and operational performance.

Our U.K. delivery business is rate regulated and operates under an incentive-based regulatory framework. In addition, its ability to manage operational risk is critical to its financial performance. Disruption to the distribution network could reduce profitability both directly through the higher costs for network restoration and also through the system of penalties and rewards that Ofgem has in place relating to customer service levels.

In December 2009, Ofgem completed its rate review for the five-year period from April 1, 2010 through March 31, 2015, thus reducing regulatory rate risk in the International Regulated segment until the next rate review which will be effective April 1, 2015. The regulated income of the International Regulated segment and also the RAB are to some extent linked to movements in the Retail Price Index (RPI). Reductions in the RPI would adversely impact revenues and the debt/RAB ratio.

Our U.K. distribution business exposes us to risks related to U.K. laws and regulations, taxes, economic conditions, foreign currency exchange rate fluctuations, and political conditions and policies of the U.K. government. These risks may reduce the results of operations from our U.K. distribution business.

The acquisition, financing, development and operation of projects in the U.K. entail significant financial risks including:

- changes in laws or regulations relating to U.K. operations, including tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for distribution companies;
- severe weather and natural disaster impacts on the electric sector and our assets;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- fluctuations in foreign currency exchange rates and in converting U.K. revenues to U.S. dollars, which can increase our expenses and/or impair our ability to meet such expenses, and difficulty moving funds out of the country in which the funds were earned; and
- compliance with U.S. foreign corrupt practices laws.

Risks Related to Supply Segment

(PPL and PPL Energy Supply)

We face intense competition in our energy supply business, which may adversely affect our ability to operate profitably.

Unlike our regulated utility businesses, our energy supply business is dependent on our ability to operate in a competitive environment and is not assured of any rate of return on capital investments through a predetermined rate structure. Competition is impacted by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively impact our ability to sell electricity and related products and services, as well as the prices that we may charge for such products and services, which could adversely affect our results of operations and our ability to grow our business.

We sell our available energy and capacity into the competitive wholesale markets through contracts of varying duration. Competition in the wholesale power markets occurs principally on the basis of the price of products and, to a lesser extent, on the basis of reliability and availability. We believe that the commencement of commercial operation of new electric facilities in the regional markets where we own or control generation capacity and the evolution of demand side management resources will continue to increase competition in the wholesale electricity market in those regions, which could have an adverse effect on the prices we receive for electricity.

We also face competition in the wholesale markets for electricity capacity and ancillary services. We primarily compete with other electricity suppliers based on our ability to aggregate supplies at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities and ISOs. We also compete against other energy marketers on the basis of relative financial condition and access to credit sources, and our competitors may have greater financial resources than we have.

Competitors in the wholesale power markets in which PPL Generation subsidiaries and PPL EnergyPlus operate include regulated utilities, industrial companies, non-utility generators and competitive subsidiaries of regulated utilities. In the past, PUHCA significantly restricted mergers and acquisitions and other investments in the electric utility sector. Entirely new competitors, including financial institutions, have entered the energy markets as a result of the repeal of PUHCA in 2006. The repeal of PUHCA also may lead to consolidation in our industry, resulting in competitors with significantly greater financial resources than we have.

Adverse changes in commodity prices and related costs may decrease our future energy margins, which could adversely affect our earnings and cash flows.

Our energy margins, or the amount by which our revenues from the sale of power exceed our costs to supply power, are impacted by changes in market prices for electricity, fuel, fuel transportation, emission allowances, RECs, electricity transmission and related congestion charges and other costs. Unlike most commodities, the limited ability to store electric power requires that it must be consumed at the time of production. As a result, wholesale market prices for electricity may fluctuate substantially over relatively short periods of time and can be unpredictable. Among the factors that influence such prices are:

- supply and demand for electricity available from current or new generation resources;
- variable production costs, primarily fuel (and the associated fuel transportation costs) and emission allowance expense for the generation resources used to meet the demand for electricity;
- transmission capacity and service into, or out of, markets served;
- changes in the regulatory framework for wholesale power markets;
- liquidity in the wholesale electricity market, as well as general creditworthiness of key participants in the market; and
- weather and economic conditions impacting demand for electricity or the facilities necessary to deliver electricity.

See Exhibit 99(a) for more information concerning the market fluctuations in wholesale energy, fuel and emission allowance prices over the past five years.

We do not always hedge against risks associated with electricity and fuel price volatility.

We attempt to mitigate risks associated with satisfying our contractual electricity sales obligations by either reserving generation capacity to deliver electricity or purchasing the necessary financial or physical products and services through competitive markets to satisfy our net firm sales contracts. We also routinely enter into contracts, such as fuel and electricity purchase and sale commitments, to hedge our exposure to fuel requirements and other electricity-related commodities. However, based on economic and other considerations, we may decide not to hedge the entire exposure of our operations from commodity price risk. To the extent we do not hedge against commodity price risk, our results of operations and financial position may be adversely affected.

We are exposed to operational, price and credit risks associated with selling and marketing products in the wholesale electricity markets.

We purchase and sell electricity in wholesale markets under market-based tariffs authorized by the FERC throughout the U.S. and also enter into short-term agreements to market available electricity and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and electricity under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or electricity and the contract price of any undelivered capacity or electricity. Depending on price volatility in the wholesale electricity markets, such damages could be significant. Extreme weather conditions, unplanned generation facility outages, environmental compliance costs, transmission disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and electricity.

Our power agreements typically include provisions requiring us to post collateral for the benefit of our counterparties if the market price of energy varies from the contract prices in excess of certain pre-determined amounts. We currently believe that we have sufficient credit to fulfill our potential collateral obligations under these power contracts. Our obligation to post collateral could exceed the amount of our facilities or our ability to increase our facilities could be limited by financial markets or other factors. See Note 7 for a discussion of PPL's credit facilities.

We also face credit risk that parties with whom we contract will default in their performance, in which case we may have to sell our electricity into a lower-priced market or make purchases in a higher-priced market than existed at the time of contract. Whenever feasible, we attempt to mitigate these risks using various means, including agreements that require our counterparties to post collateral for our benefit if the market price of energy varies from the contract price in excess of certain pre-determined amounts. However, there can be no assurance that we will avoid counterparty nonperformance risk, which could adversely impact our ability to meet our obligations to other parties, which could in turn subject us to claims for damages.

The load following contracts that PPL EnergyPlus is awarded do not provide for specific levels of load and actual load significantly below or above our forecasts could adversely affect our energy margins.

We generally hedge our load following obligations with energy purchases from third parties, and to a lesser extent with our own generation. If the actual load is significantly lower than the expected load, we may be required to resell power at a lower price than was contracted for to supply the load obligation, resulting in a financial loss. Alternatively, a significant increase in load could adversely affect our energy margins because we are required under the terms of the load following contracts to provide the energy necessary to fulfill increased demand at the contract price, which could be lower than the cost to procure additional energy on the open market. Therefore, any significant decrease or increase in load compared to our forecasts could have a material adverse effect on our results of operations or financial position.

We may experience disruptions in our fuel supply, which could adversely affect our ability to operate our generation facilities.

We purchase fuel from a number of suppliers. Disruption in the delivery of fuel and other products consumed during the production of electricity (such as coal, natural gas, oil, water, uranium, lime, limestone and other chemicals), including disruptions as a result of weather, transportation difficulties, global demand and supply dynamics, labor relations, environmental regulations or the financial viability of our fuel suppliers, could adversely affect our ability to operate our facilities, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations.

Our risk management policy and programs relating to electricity and fuel prices, interest rates, foreign currency and counterparty credit and non-performance risks may not work as planned, and we may suffer economic losses despite such programs.

We actively manage the market risk inherent in our generation and energy marketing activities, as well as our debt, foreign currency and counterparty credit positions. We have implemented procedures to monitor compliance with our risk management policy and programs, including independent validation of transaction and market prices, verification of risk and transaction limits, portfolio stress tests, sensitivity

analyses and daily portfolio reporting of various risk management metrics. Nonetheless, our risk management programs may not work as planned. For example, actual electricity and fuel prices may be significantly different or more volatile than the historical trends and assumptions upon which we based our risk management calculations. Additionally, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting our ability to enter into new transactions. We enter into financial contracts to hedge commodity basis risk, and as a result we are exposed to the risk that the correlation between delivery points could change with actual physical delivery. Similarly, interest rates or foreign currency exchange rates could change in significant ways that our risk management procedures were not designed to address. As a result, we cannot always predict the impact that our risk management decisions may have on us if actual events result in greater losses or costs than our risk models predict or greater volatility in our earnings and financial position.

In addition, our trading, marketing and hedging activities are exposed to counterparty credit risk and market liquidity risk. We have adopted a credit risk management policy and program to evaluate counterparty credit risk. However, if counterparties fail to perform, the risk of which has increased due to the economic downturn, we may be forced to enter into alternative arrangements at then-current market prices. In that event, our financial results are likely to be adversely affected.

Our costs to comply with existing and new environmental laws are expected to continue to be significant, and we plan to incur significant capital expenditures for pollution control improvements that, if delayed, would adversely affect our profitability and liquidity.

Our business is subject to extensive federal, state and local statutes, rules and regulations relating to environmental protection. To comply with existing and future environmental requirements and as a result of voluntary pollution control measures we may take, we have spent and expect to spend substantial amounts in the future on environmental control and compliance.

In order to comply with existing and proposed federal and state environmental laws and regulations primarily governing air emissions from coal-fired plants, in 2005 PPL began a program to install scrubbers and other pollution control equipment (primarily aimed at sulfur dioxide, particulate matter and nitrogen oxides with co-benefits for mercury emissions reduction). The cost to install this equipment was approximately \$1.6 billion. The scrubbers at our Montour and Brunner Island plants are now in service. Many states and environmental groups have challenged certain federal laws and regulations relating to air emissions as not being sufficiently strict. As a result, it is possible that state and federal regulations will be adopted that would impose more stringent restrictions than are currently in effect, which could require us to significantly increase capital expenditures for additional pollution control equipment.

We may not be able to obtain or maintain all environmental regulatory approvals necessary for our planned capital projects which are necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted, reduced or subjected to additional costs. Furthermore, at some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units.

For more information regarding environmental matters, including existing and proposed federal, state and local statutes, rules and regulations to which we are subject, see "Environmental Matters - Domestic" in Note 15 to the Financial Statements.

We rely on transmission and distribution assets that we do not own or control to deliver our wholesale electricity. If transmission is disrupted, or not operated efficiently, or if capacity is inadequate, our ability to sell and deliver power may be hindered.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell in the wholesale market, as well as the natural gas we purchase for use in our electric generation facilities. If transmission is disrupted (as a result of weather, natural disasters or other reasons) or not operated efficiently by ISOs and RTOs, in applicable markets, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered, or we may be unable to sell products at the most favorable terms.

The FERC has issued regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that transmission capacity will not be available in the amounts we require. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets or whether ISOs and RTOs in applicable markets will efficiently operate transmission networks and provide related services.

Despite federal and state deregulation initiatives, our supply business is still subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.

Our generation subsidiaries sell electricity into the wholesale market. Generally, our generation subsidiaries and our marketing subsidiaries are subject to regulation by the FERC. The FERC has authorized us to sell generation from our facilities and power from our marketing subsidiaries at market-based prices. The FERC retains the authority to modify or withdraw our market-based rate authority and to impose "cost of service" rates if it determines that the market is not competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC in the rates we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations. See "FERC Market-Based Rate Authority" in Note 15 to the Financial Statements for information regarding recent court decisions that could impact the FERC's market-based rate authority program, and "PJM RPM Litigation" in Note 15 to the Financial Statements for information regarding the FERC's proceedings that could impact PJM's capacity pricing model.

In addition, the acquisition, construction, ownership and operation of electricity generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or fail to

comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

If market deregulation is reversed or discontinued, our business prospects and financial condition could be materially adversely affected.

In some markets, state legislators, government agencies and other interested parties have made proposals to change the use of market-based pricing, re-regulate areas of these markets that have previously been competitive or permit electricity delivery companies to construct or acquire generating facilities. The ISOs that oversee the transmission systems in certain wholesale electricity markets have from time to time been authorized to impose price limitations and other mechanisms to address extremely high prices in the power markets. These types of price limitations and other mechanisms may reduce profits that our wholesale power marketing and trading business would have realized under competitive market conditions absent such limitations and mechanisms. Although we generally expect electricity markets to continue to be competitive, other proposals to re-regulate our industry may be made, and legislative or other actions affecting the electric power restructuring process may cause the process to be delayed, discontinued or reversed in states in which we currently, or may in the future, operate. See "New Jersey Capacity Legislation" in Note 15 to the Financial Statements.

Changes in technology may negatively impact the value of our power plants.

A basic premise of our generation business is that generating electricity at central power plants achieves economies of scale and produces electricity at relatively low prices. There are alternate technologies to produce electricity, most notably fuel cells, micro turbines, windmills and photovoltaic (solar) cells, the development of which has been expanded due to global climate change concerns. Research and development activities are ongoing to seek improvements in alternate technologies. It is possible that advances will reduce the cost of alternate methods of electricity production to a level that is equal to or below that of certain central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage (the "demand") by customers could decline, with a corresponding decline in revenues derived by generators. These alternative energy sources could result in a decline to the dispatch and capacity factors of our plants. As a result of all of these factors, the value of our generation facilities could be significantly reduced.

We are subject to certain risks associated with nuclear generation, including the risk that our Susquehanna nuclear plant could become subject to increased security or safety requirements that would increase capital and operating expenditures, uncertainties regarding spent nuclear fuel, and uncertainties associated with decommissioning our plant at the end of its licensed life.

Nuclear generation accounted for about 29% of our 2010 generation output. The risks of nuclear generation generally include:

- the potential harmful effects on the environment and human health from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials; limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and
- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives. The licenses for our two nuclear units expire in 2042 and 2044. See Note 21 to the Financial Statements for additional information on the ARO related to the decommissioning.

The NRC has broad authority under federal law to impose licensing requirements, including security, safety and employee-related requirements for the operation of nuclear generation facilities. In the event of noncompliance, the NRC has authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised security or safety requirements promulgated by the NRC could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. There also remains substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel, which could result in substantial additional costs to PPL that cannot be predicted. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna plant, if an incident did occur, any resulting operational loss, damages and injuries could have a material adverse effect on our results of operations, cash flows or financial condition. See Note 15 to the Financial Statements for a discussion of nuclear insurance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

None.

ITEM 2. PROPERTIES

(PPL)

Kentucky Regulated Segment

LKE's properties consist primarily of regulated generation facilities, electric transmission and distribution assets and natural gas transmission and distribution mains in Kentucky. The electric generating capacity at December 31, 2010 was:

Primary Fuel/Plant	Total MW Capacity (a)		% Ownership	PPL's Ownership or Lease Interest in MW (a)		Location
	Winter Rating	Summer Rating		Winter Rating	Summer Rating	
Coal						
Ghent	1,897	1,918	100.00	1,897	1,918	Kentucky
Mill Creek	1,491	1,472	100.00	1,491	1,472	Kentucky
E.W. Brown	691	684	100.00	691	684	Kentucky
Cane Run	563	563	100.00	563	563	Kentucky
Trimble County - Unit 1 (b)	515	511	75.00	386	383	Kentucky
Green River	173	163	100.00	173	163	Kentucky
OVEC - Clifty Creek (c)	1,304	1,304	8.13	106	106	Indiana
OVEC - Kyger Creek (c)	1,086	1,086	8.13	88	88	Ohio
Tyrone	73	71	100.00	73	71	Kentucky
	<u>7,793</u>	<u>7,772</u>		<u>5,468</u>	<u>5,448</u>	
Natural Gas/Oil						
Trimble County	1,080	960	100.00	1,080	960	Kentucky
E.W. Brown (d)	1,039	947	100.00	1,039	947	Kentucky
Paddy's Run	216	193	100.00	216	193	Kentucky
Haefling	42	36	100.00	42	36	Kentucky
Zorn	16	14	100.00	16	14	Kentucky
Cane Run	14	14	100.00	14	14	Kentucky
	<u>2,407</u>	<u>2,164</u>		<u>2,407</u>	<u>2,164</u>	
Hydro						
Ohio Falls	34	52	100.00	34	52	Kentucky
Dix Dam	24	24	100.00	24	24	Kentucky
	<u>58</u>	<u>76</u>		<u>58</u>	<u>76</u>	
Total	<u>10,258</u>	<u>10,012</u>		<u>7,933</u>	<u>7,688</u>	

- (a) The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances.
- (b) This unit is jointly owned. Each owner is entitled to its proportionate share of the unit's total output and funds its proportionate share of fuel and other operating costs. See Note 14 to the Financial Statements for additional information.
- (c) This unit is owned by OVEC. LKE owns 8.13% of OVEC's equity, which is accounted for as a cost-method investment, and has a power purchase agreement that entitles LKE to its proportionate share of the unit's total output and LKE funds its proportionate share of fuel and other operating costs.
- (d) Includes a leasehold interest. See Note 11 to the Financial Statements for additional information.

With limited exceptions LKE took care, custody and control of TC2 on January 22, 2011, and has dispatched the unit to meet customer demand since that date. LG&E and KU and the contractor agreed to a further amendment of the construction agreement whereby the contractor will complete certain actions relating to identifying and completing any necessary modifications to allow operation of TC2 on all fuels in accordance with initial specifications prior to certain dates, and amending the provisions relating to liquidated damages. LKE cannot currently estimate the ultimate outcome of these matters. LKE owns a 75% interest in TC2. TC2 is coal-fired and has a capacity of 760 MW, of which LKE's share is 570 MW.

For a description of LKE's service territory, see "Item 1. Business - Background." At December 31, 2010, LKE's transmission system included in the aggregate, 177 substations (86 of which are shared with the distribution system) with a total capacity of approximately 20 million kVA and 4,987 circuit miles of lines. The distribution system included 575 substations (86 of which are shared with the transmission system) with a total capacity of approximately 12 million kVA, 18,043 circuit miles of overhead lines and 4,571 circuit miles of underground wires.

LKE's natural gas transmission system included 391 miles of transmission mains (consisting of natural gas transmission lines of 255 miles, natural gas storage lines of 119 miles and gas combustion turbine lines of 17 miles) and the natural gas distribution system included 4,235 miles of distribution mains. Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 Bcf, help provide economical and reliable natural gas service to ultimate consumers.

Substantially all of LG&E's and KU's respective real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and, in the case of LG&E, the storage and distribution of natural gas, is subject to the lien of either the LG&E 2010 Mortgage Indenture or the KU 2010 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

(PPL and PPL Energy Supply)

International Regulated Segment

For a description of WPD's service territory, see "Item 1. Business - Background." At December 31, 2010, WPD had electric distribution lines on public streets and highways pursuant to legislation and rights-of-way secured from property owners. In 2010, electricity distributed totaled 26,820 GWh based on operating revenues recorded by WPD. WPD's distribution system in the U.K. includes 649 substations with a total capacity of 25 million kVA, 28,838 circuit miles of overhead lines and 24,131 cable miles of underground conductors.

(PPL and PPL Electric)

Pennsylvania Regulated Segment

For a description of PPL Electric's service territory, see "Item 1. Business - Background." At December 31, 2010, PPL Electric had electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. PPL Electric's system included 377 substations with a total capacity of 31 million kVA, 33,122 circuit miles of overhead lines and 7,368 cable miles of underground conductors. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture.

See Note 8 to the Financial Statements for information on the construction of the Susquehanna-Roseland 500-kilovolt transmission line.

(PPL and PPL Energy Supply)

Supply Segment

PPL Energy Supply's electric generating capacity at December 31, 2010 was:

Primary Fuel/Plant	Total MW Capacity (a)		% Ownership	PPL Energy Supply's Ownership or Lease Interest in MW (a)		Location
	Winter Rating	Summer Rating		Winter Rating	Summer Rating	
Natural Gas/Oil						
Martins Creek	1,690	1,671	100.00	1,690	1,671	Pennsylvania
Ironwood (b)	763	660	100.00	763	660	Pennsylvania
Lower Mt. Bethel	628	559	100.00	628	559	Pennsylvania
University Park (c)	579	528	100.00	579	528	Illinois
Combustion turbines	420	358	100.00	420	358	Pennsylvania
Wallingford (c)	241	209	100.00	241	209	Connecticut
	<u>4,321</u>	<u>3,985</u>		<u>4,321</u>	<u>3,985</u>	
Coal						
Montour	1,550	1,517	100.00	1,550	1,517	Pennsylvania
Brunner Island	1,490	1,447	100.00	1,490	1,447	Pennsylvania
Colstrip Units 1 & 2 (d)	614	614	50.00	307	307	Montana
Conemaugh (e)	1,718	1,714	16.25	279	279	Pennsylvania
Colstrip Unit 3 (d)	740	740	30.00	222	222	Montana
Keystone (e)	1,715	1,719	12.34	212	212	Pennsylvania
Corette	153	153	100.00	153	153	Montana
	<u>7,980</u>	<u>7,904</u>		<u>4,213</u>	<u>4,137</u>	
Nuclear						
Susquehanna (e)	2,501	2,449	90.00	2,251	2,204	Pennsylvania
Hydro						
Various	596	604	100.00	596	604	Montana
Safe Harbor Water Power Corp. (c)	423	423	33.33	141	141	Pennsylvania
Various	174	174	100.00	174	174	Pennsylvania
	<u>1,193</u>	<u>1,201</u>		<u>911</u>	<u>919</u>	
Qualifying Facilities						
Renewables (f)	25	23	100.00	25	23	Pennsylvania
Renewables (g)	8	8	100.00	8	8	Various
	<u>33</u>	<u>31</u>		<u>33</u>	<u>31</u>	
Total	<u>16,028</u>	<u>15,570</u>		<u>11,729</u>	<u>11,276</u>	

- (a) The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances.
- (b) Facilities not owned by PPL Energy Supply, but there is a tolling agreement or power purchase agreement in place.
- (c) In September 2010, certain PPL Energy Supply subsidiaries signed definitive agreements to sell their ownership interests in these facilities. The sale is expected to close in the first quarter of 2011. See Note 9 to the Financial Statements for additional information on the anticipated sale.
- (d) Represents the leasehold interest held by PPL Montana. See Note 11 to the Financial Statements for additional information.
- (e) This unit is jointly owned. Each owner is entitled to their proportionate share of the unit's total output and funds their proportionate share of fuel and other operating costs. See Note 14 to the Financial Statements for additional information.
- (f) Includes renewable energy facilities owned by a PPL Energy Supply subsidiary.

(g) Includes renewable energy facilities owned by a PPL Energy Supply subsidiary for which there are power purchase agreements in place.

Amounts guaranteed by PPL Montour and PPL Brunner Island in connection with an \$800 million secured energy marketing and trading facility are secured by mortgages on the generating facilities owned by PPL Montour and PPL Brunner Island. See Note 7 to the Financial Statements for additional information.

PPL Energy Supply continuously reexamines development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. At December 31, 2010, PPL Energy Supply subsidiaries planned to implement the following incremental capacity increases.

Primary Fuel/Plant	Location	Total MW Capacity (a)	PPL Energy Supply Ownership or Lease Interest in MW		Expected In-Service Date (b)
Hydro					
Holtwood (c)	Pennsylvania	136	136	(100%)	2011 - 2013
Great Falls (d)	Montana	28	28	(100%)	2012
Nuclear					
Susquehanna (e)	Pennsylvania	56	50	(90%)	2011
Natural Gas/Oil					
Martins Creek (f)	Pennsylvania	30	30	(100%)	2011
Landfill Gas					
Chrin Landfill	Pennsylvania	3	3	(100%)	2011
Total		<u>253</u>	<u>247</u>		

- (a) The capacity of generating units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances.
- (b) The expected in-service dates are subject to receipt of required approvals, permits and other contingencies.
- (c) This project primarily involves the installation of two additional large turbine-generators.
- (d) This project primarily involves the reconstruction of a powerhouse.
- (e) This project involves the extended upgrade of Units 1 and 2 and is being implemented in two uprates per unit. The uprates for Unit 1 have been completed. The first uprate for Unit 2 was completed in 2009 and the second uprate is planned to occur in 2011.
- (f) This project involves the replacement of certain rotors and blades for Unit 4.

ITEM 3. LEGAL PROCEEDINGS

See Notes 3 and 15 to the Financial Statements for information regarding legal, regulatory and environmental proceedings and matters.

PART II

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY,
RELATED STOCKHOLDER MATTERS AND
ISSUER PURCHASES OF EQUITY SECURITIES**

PPL Corporation

Additional information for this item is set forth in the sections entitled "Quarterly Financial, Common Stock Price and Dividend Data," "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Shareowner and Investor Information" of this report. At January 31, 2011, there were 70,223 common stock shareowners of record.

Issuer Purchase of Equity Securities during the Fourth Quarter of 2010:

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
October 1 to October 31, 2010				\$57,495
November 1 to November 30, 2010				\$57,495
December 1 to December 31, 2010				\$57,495
Total				\$57,495

- (1) In June 2007, PPL announced a program to repurchase from time to time up to \$750 million of its common stock in open market purchases, pre-arranged trading plans or privately negotiated transactions.

PPL Energy Supply, LLC

There is no established public trading market for PPL Energy Supply's membership interests. PPL Energy Funding, a direct wholly owned subsidiary of PPL, owns all of PPL Energy Supply's outstanding membership interests. Distributions on the membership interests will be paid as determined by PPL Energy Supply's Board of Managers. PPL Energy Supply made cash distributions to PPL Energy Funding of \$4,692 million in 2010 and \$943 million in 2009. See Note 24 regarding the distribution of PPL Energy Supply's membership interests in PPL Global to PPL Energy Funding on January 31, 2011.

PPL Electric Utilities Corporation

There is no established public trading market for PPL Electric's common stock, as PPL owns 100% of the outstanding common shares. Dividends paid to PPL on those common shares are determined by PPL Electric's Board of Directors. PPL Electric paid common stock dividends to PPL of \$71 million in 2010 and \$274 million in 2009.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Item 6 is omitted as PPL Energy Supply and PPL Electric meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Corporation (a) (b)	2010 (c)	2009	2008	2007	2006
Income Items - millions					
Operating revenues	\$ 8,521	\$ 7,449	\$ 7,857	\$ 6,327	\$ 5,998
Operating income	1,866	896	1,703	1,606	1,448
Income from continuing operations after income taxes attributable to PPL	955	414	857	973	807
Net income attributable to PPL	938	407	930	1,288	865
Balance Sheet Items - millions (d)					
Total assets	32,837	22,165	21,405	19,972	19,747
Short-term debt	694	639	679	92	42
Long-term debt (e)	12,663	7,143	7,838	7,568	7,746
Long-term debt with affiliate trusts					89
Noncontrolling interests	268	319	319	320	361
Common equity	8,210	5,496	5,077	5,556	5,122
Total capitalization (e)	21,835	13,597	13,913	13,536	13,360
Capital lease obligations					10
Financial Ratios					
Return on average common equity - %	13.26	7.48	16.88	24.47	17.81
Ratio of earnings to fixed charges - total enterprise basis (f)	2.7	1.9	3.1	2.8	2.7
Common Stock Data					
Number of shares outstanding - thousands					
Year-end	483,391	377,183	374,581	373,271	385,039
Average	431,345	376,082	373,626	380,563	380,754
Income from continuing operations after income taxes available to PPL common shareowners - Basic EPS	\$ 2.21	\$ 1.10	\$ 2.28	\$ 2.53	\$ 2.09
Income from continuing operations after income taxes available to PPL common shareowners - Diluted EPS	\$ 2.20	\$ 1.10	\$ 2.28	\$ 2.51	\$ 2.06
Net income available to PPL common shareowners - Basic EPS	\$ 2.17	\$ 1.08	\$ 2.48	\$ 3.37	\$ 2.26
Net income available to PPL common shareowners - Diluted EPS	\$ 2.17	\$ 1.08	\$ 2.47	\$ 3.34	\$ 2.24
Dividends declared per share of common stock	\$ 1.40	\$ 1.38	\$ 1.34	\$ 1.22	\$ 1.10
Book value per share (d)	\$ 16.98	\$ 14.57	\$ 13.55	\$ 14.88	\$ 13.30
Market price per share (d)	\$ 26.32	\$ 32.31	\$ 30.69	\$ 52.09	\$ 35.84
Dividend payout ratio - % (g)	65	128	54	37	49
Dividend yield - % (h)	5.32	4.27	4.37	2.34	3.07
Price earnings ratio (g) (h)	12.13	29.92	12.43	15.60	16.00
Sales Data - millions of kWh					
Domestic - Electric energy supplied - retail (i)	14,595	38,912	40,374	40,074	38,810
Domestic - Electric energy supplied - wholesale (i) (j)	75,489	38,988	42,712	33,515	30,427
Domestic - Electric energy delivered (i)	42,341	36,717	38,058	37,950	36,683
International - Electric energy delivered (k)	26,820	26,358	27,724	31,652	33,352

- (a) The earnings each year were affected by several items that management considers special. See "Results of Operations - Segment Results" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of special items in 2010, 2009 and 2008.
- (b) See "Item 1A: Risk Factors" and Note 15 to the Financial Statements for a discussion of uncertainties that could affect PPL's future financial condition.
- (c) The year 2010 includes LKE's earnings and sales data for the two month period from acquisition through December 31, 2010 and all balance sheet accounts at December 31, 2010.
- (d) As of each respective year-end.
- (e) The year 2007 excludes amounts related to the natural gas distribution and propane businesses that had been classified as held for sale at December 31, 2007.
- (f) Computed using earnings and fixed charges of PPL and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, amortization of debt discount, expense and premium - net, other interest charges, the estimated interest component of operating rentals and preferred securities distributions of subsidiaries. See Exhibit 12(a) for additional information.
- (g) Based on diluted EPS.
- (h) Based on year-end market prices.
- (i) The domestic trends for 2010 reflect the expiration of the PLR contract between PPL Energy Plus and PPL Electric as of December 31, 2009. See Note 16 for additional information.
- (j) All years include kWh associated with certain non-core generation facilities that have been classified as Discontinued Operations, the Long Island generation business that was sold in 2010 and PPL Maine's hydroelectric generation business that was sold in two separate transactions in 2009 and 2010.
- (k) Years 2007 and earlier include the deliveries associated with the Latin American businesses, until the date of their sale in 2007.

PPL CORPORATION AND SUBSIDIARIES

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

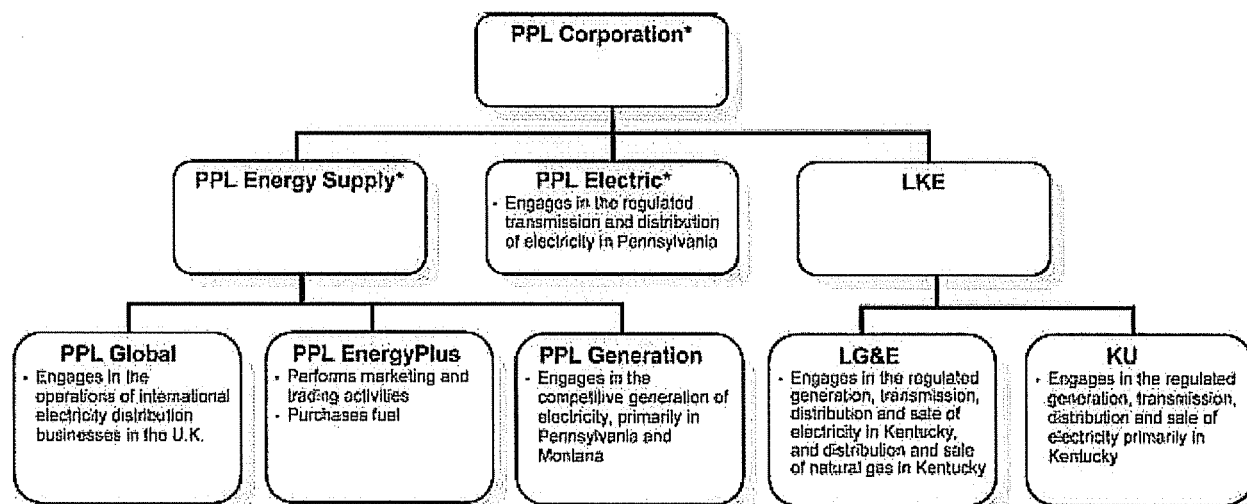
Overview

The information provided in this Item 7 should be read in conjunction with PPL's Consolidated Financial Statements and the accompanying Notes. Terms and abbreviations are explained in the glossary. Dollars are in millions unless otherwise noted.

PPL, headquartered in Allentown, PA, is an energy and utility holding company that was incorporated in 1994. Through subsidiaries, PPL generates electricity from power plants in the northeastern, northwestern and southeastern U.S., markets wholesale or retail energy primarily in northeastern and northwestern portions of the U.S., delivers electricity to customers in Pennsylvania, Kentucky, Virginia, Tennessee and the U.K. and delivers natural gas in Kentucky. On November 1, 2010, PPL acquired all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC (LKE). LKE is engaged in regulated utility operations through its subsidiaries, KU and LG&E. PPL acquired LKE for approximately \$7.6 billion, including debt assumed through consolidation. See Note 10 to the Financial Statements for additional information on the acquisition. The acquisition of LKE substantially reapportions the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business, strengthens PPL's credit profile and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability. The increase in regulated assets provides earnings stability through regulated returns and the ability to recover costs of capital investments, in contrast to the competitive supply business where earnings and cash flows are subject to market conditions. In 2011, PPL projects that 50% of its net income will be provided by its regulated businesses and the remainder will be provided by its competitive supply businesses. As of December 31, 2010, PPL has:

- More than \$10 billion in projected annual revenues (up from \$8.5 billion recorded by PPL in 2010 including two months of LKE revenue).
- 5.3 million utility customers (including 1.3 million served by the Kentucky-based companies).
- Approximately 19,000 MW of generation (including 7,700 MW of regulated capacity in the Kentucky-based companies).
- Approximately 14,000 full-time employees (including about 3,100 in Kentucky).

As of December 31, 2010, PPL's principal subsidiaries are shown below (* denotes a SEC registrant):



In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements.

PPL's overall strategy is to achieve stable, long-term growth in its regulated electricity delivery businesses through efficient operations and strong customer and regulatory relations, and disciplined growth in energy supply margins while limiting volatility in both cash flows and earnings. More specifically, PPL's strategy for its regulated businesses is to own and operate these businesses at the most efficient cost while maintaining high quality customer service and reliability, as well as grow this part of the business. PPL's strategy for its competitive electricity generation and marketing businesses is to match energy supply with load, or customer demand, under contracts of varying lengths with creditworthy counterparties to capture profits while effectively managing exposure to energy and fuel price volatility, counterparty credit risk and operational risk.

To manage financing costs and access to credit markets, a key objective for PPL's business is to maintain a strong credit profile. PPL continually focuses on maintaining an appropriate capital structure and liquidity position. In addition, PPL has adopted financial and operational risk management programs that, among other things, are designed to monitor and manage its exposure to earnings and cash flow volatility related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units. See "Item 1A. Risk Factors" for more information concerning these and other material risks PPL faces in its businesses.

Following the November 1, 2010 acquisition of LKE, PPL is organized into four segments: Kentucky Regulated, International Regulated (formerly International Delivery), Pennsylvania Regulated (formerly Pennsylvania Delivery) and Supply. Other than PPL adding a Kentucky Regulated segment, there were no other changes to reportable segments except the renaming of segments and allocating interest expense related to the Equity Units to the Kentucky Regulated segment. Refer to "Item 1. Business - Background" for additional information on PPL's reportable segments.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" provides information concerning PPL's performance in implementing the strategies and managing the risks and challenges mentioned above. Specifically:

- "Results of Operations" provides an overview of PPL's operating results in 2010, 2009 and 2008, including a review of earnings, with details of results by reportable segment. It also provides a brief outlook for 2011.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL's liquidity position and credit profile, including its sources of cash (including bank credit facilities and sources of operating cash flow) and uses of cash (including contractual obligations and capital expenditure requirements) and the key risks and uncertainties that impact PPL's past and future liquidity position and financial condition. This subsection also includes rating agency actions on PPL's credit ratings.
- "Financial Condition - Risk Management - Energy Marketing & Trading and Other" provides an explanation of PPL's risk management programs relating to market risk and credit risk.
- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL and that require its management to make significant estimates, assumptions and other judgments.

See "Item 1. Business - Background - Segment Information - Pennsylvania Regulated Segment" for a discussion of PPL Electric's PLR obligations, PPL Electric's agreement to provide electricity as a PLR at "capped" rates through the end of 2009, and plans for default electricity supply procurement after 2009.

When comparing 2010 with 2009, certain line items on PPL's financial statements were impacted by the Customer Choice Act, Act 129 and other related issues. Overall, the expiration of generation rate caps and a long-term full requirements contract between PPL EnergyPlus and PPL Electric at the end of 2009 had a significant positive impact on PPL's results of operations, financial condition and cash flows during 2010.

The primary impact of the expiration of these generation rate caps and this contract is reflected in PPL's unregulated gross energy margins. See "Statement of Income Analysis" for an explanation of this non-GAAP financial measure. In 2010, PPL sold the majority of its generation supply to unaffiliated parties under various wholesale and retail contracts at prevailing market rates at the time the contracts were executed. In 2009, the majority of generation produced by PPL's generation plants was sold to PPL Electric's customers as PLR supply under predetermined capped rates.

Regarding PPL's Pennsylvania regulated electric delivery operations, the expiration of generation rate caps, the resulting competitive solicitations for power supply, the migration of customers to alternative suppliers, the Customer Choice Act and Act 129 had minimal impact on Pennsylvania gross delivery margins, as approved recovery mechanisms allow for cost recovery of associated expenses, including the cost of energy provided as a PLR. However, PPL Electric's 2010 Pennsylvania gross delivery margins were negatively impacted by the expiration of CTC recovery in December 2009. PPL Electric continues to remain the delivery provider for all customers in its service territory and charge a regulated rate for the service of delivering electricity. See "Statement of Income Analysis - Margins - Pennsylvania Gross Delivery Margins" for additional information.

See "Regulatory Issues - Enactment of Financial Reform Legislation" in Note 15 for information on the Dodd-Frank Act.

Results of Operations

Tables analyzing changes in amounts between periods within "Segment Results" and "Statement of Income Analysis" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average foreign currency exchange rate.

Earnings

	<u>2010</u>		<u>2009</u>		<u>2008</u>
Net Income Attributable to PPL Corporation	\$ 938	\$	407	\$	930
EPS - basic	2.17	\$	1.08	\$	2.48
EPS - diluted	2.17	\$	1.08	\$	2.47

The changes in Net Income Attributable to PPL Corporation from year to year were, in part, due to several special items that management considers significant. Details of these special items are provided within the review of each segment's earnings.

The "Statement of Income Analysis" explains the year-to-year changes in significant earnings components, including certain income statement line items, unregulated gross energy margins by region and Pennsylvania gross delivery margins by component. As a result of the November 1, 2010, acquisition, LKE's results for the two months ended December 31, 2010 are included in PPL's results with no comparable amounts for 2009. When discussing PPL's results of operations for 2010 compared with 2009, the results of LKE are isolated for purposes of comparability. LKE's results are shown separately within "Segment Results - Kentucky Regulated Segment." See Note 10 to the Financial Statements for additional information regarding the acquisition.

Segment Results

Net Income Attributable to PPL Corporation by segment and for "Unallocated Costs" was:

	2010	2009	2008
Kentucky Regulated	\$ 26		
International Regulated	261	\$ 243	\$ 290
Pennsylvania Regulated	115	124	161
Supply	612	40	479
Unallocated Costs (a)	(76)		
Total	<u>\$ 938</u>	<u>\$ 407</u>	<u>\$ 930</u>

(a) 2010 includes \$22 million, after tax, of certain third-party acquisition-related costs, including advisory, accounting, and legal fees associated with the acquisition of LKE that are recorded in "Other Income (Expense) - net" on the Statement of Income. 2010 also includes \$52 million, after tax, of Bridge Facility costs that are recorded in "Interest Expense" on the Statement of Income. These costs are considered special items by management. See Note 10 to the Financial Statements for additional information on the acquisition and related financing.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's results from the operation of regulated electricity generation, transmission and distribution assets, primarily in Kentucky, as well as in Virginia and Tennessee. This segment also includes LKE's results from the regulated distribution and sale of natural gas in Kentucky.

The Kentucky Regulated segment Net Income Attributable to PPL Corporation for the two-month period from acquisition through December 31, 2010 was:

	2010
Operating revenues	
External	\$ 493
Total Operating revenues	<u>493</u>
Fuel and energy purchases	
External	207
Other operation and maintenance	139
Depreciation	49
Taxes, other than income	2
Total operating expenses	<u>397</u>
Other Income (Expense) - net	(1)
Interest Expense (a)	55
Income Taxes	16
Income from Discontinued Operations	2
Net Income Attributable to PPL Corporation	<u>\$ 26</u>

(a) Includes interest expense allocated to the Kentucky Regulated segment of \$31 million related to the Equity Units. See Note 7 to the Financial Statements for additional information.

The following after-tax amounts, which management considers special items, impacted the Kentucky Regulated segment's earnings.

	2010
Energy-related economic activity, net (a)	\$ (1)
Other:	
Discontinued operations (Note 9)	2
Total	<u>\$ 1</u>

(a) Represents net unrealized losses on contracts that economically hedge anticipated cash flows.

2011 Outlook

Excluding special items, earnings in 2011 are expected to be generally driven by high-performing utilities in Kentucky, which are in a defined service area with a constructive regulatory environment and by the results of electric and natural gas base rate increases that became effective August 1, 2010. The Kentucky Regulated segment is expected to contribute approximately 20% of PPL's 2011 earnings.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact

future earnings.

International Regulated Segment

The International Regulated segment primarily includes the electric distribution operations of WPD. See Note 9 to the Financial Statements for additional information on the sale of PPL's Latin American businesses in 2007. The International Regulated segment results in 2009 and 2008 reflect the classification of its Latin American businesses as Discontinued Operations.

International Regulated segment Net Income Attributable to PPL Corporation was:

	2010	2009	2008
Utility revenues	\$ 727	\$ 684	\$ 824
Energy-related businesses	34	32	33
Total operating revenues	<u>761</u>	<u>716</u>	<u>857</u>
Other operation and maintenance	182	140	186
Depreciation	117	115	134
Taxes, other than income	52	57	66
Energy-related businesses	17	16	14
Total operating expenses	<u>368</u>	<u>328</u>	<u>400</u>
Other Income (Expense) - net	3	(11)	17
Interest Expense	135	87	144
Income Tax Expense		20	45
Income (Loss) from Discontinued Operations		(27)	5
Net Income Attributable to PPL Corporation	<u>\$ 261</u>	<u>\$ 243</u>	<u>\$ 290</u>

The after-tax changes in Net Income Attributable to PPL Corporation between these periods were due to the following factors.

	2010 vs. 2009	2009 vs. 2008
U.K.		
Utility revenues	\$ 30	\$ 10
Other operation and maintenance	(34)	16
Other income (expense) - net	1	(7)
Depreciation	(2)	(4)
Interest expense	(36)	28
Income taxes	13	24
Foreign currency exchange rates	6	(69)
Other	5	(3)
scontinued operations, excluding special item (Note 9)		(5)
.S. income taxes	(32)	1
Other	7	(10)
Special items	60	(28)
Total	<u>\$ 18</u>	<u>\$ (47)</u>

- U.K. utility revenues increased in 2010 compared with 2009, primarily due to price increases in April 2010 and 2009, partially offset by lower regulatory recovery due to a revised estimate of network electricity losses.

U.K. utility revenues increased in 2009 compared with 2008, due to higher regulatory recovery primarily due to a revised estimate of network electricity losses and higher prices.

- U.K. other operation and maintenance increased in 2010 compared with 2009, primarily due to higher pension expense resulting from an increase in amortization of actuarial losses.

U.K. other operation and maintenance decreased in 2009 compared with 2008, primarily due to lower pension cost resulting from an increase in discount rates and lower inflation rates.

- U.K. interest expense increased in 2010 compared with 2009, primarily due to higher inflation rates on index-linked Senior Unsecured Notes and interest expense related to the March 2010 debt issuance.

U.K. interest expense decreased in 2009 compared with 2008, primarily due to lower inflation rates on index-linked Senior Unsecured Notes and lower debt balances.

- U.K. income taxes decreased in 2010 compared with 2009, primarily due to realized capital losses that offset a gain relating to a business activity sold in 1999, partially offset by favorable settlements of uncertain tax positions in 2009.

U.K. income taxes decreased in 2009 compared with 2008, primarily due to HMRC's determination related to the valuation of a business activity sold in 1999 and to the deductibility of foreign currency exchange losses, partially offset by the settlement of uncertain tax positions and a change in the tax law in 2008.

Changes in foreign currency exchange rates positively impacted U.K. earnings for 2010 compared with 2009, and negatively impacted U.K. earnings for 2009 compared with 2008. The weighted-average exchange rates for the British pound sterling were approximately \$1.56 in 2010, \$1.53 in 2009 and \$1.91 in 2008.

- U.S. income taxes increased in 2010 compared with 2009, primarily due to changes in the taxable amount of planned U.K. cash repatriations.

The following after-tax amounts, which management considers special items, also impacted the International Regulated segment's earnings.

	2010	2009	2008
Foreign currency-related economic hedges (a)	\$ 1	\$ 1	
Sales of assets:			
Latin American businesses (Note 9)		(27)	
Asset impairments		(1)	
Workforce reduction (Note 13)		(2)	(1)
Other:			
Change in U.K. tax rate (Note 5)	18		
U.S. Tax Court ruling (b)	12		
Total	\$ 31	\$ (29)	\$ (1)

(a) Represents unrealized gains on contracts that economically hedge anticipated earnings denominated in British pounds sterling.

(b) Represents the net tax benefit recorded as a result of the U.S. Tax Court ruling that the U.K. Windfall Profits Tax is creditable for U.S. tax purposes, excluding the reversal of accrued interest. See Notes 5 and 15 to the Financial Statements for additional information.

2011 Outlook

Excluding special items, earnings in 2011 are projected to be comparable with 2010 earnings as a result of higher electric delivery revenue and a more favorable currency exchange rate offset by higher income taxes, higher depreciation and higher financing costs.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electric delivery operations of PPL Electric. In October 2008, PPL sold its natural gas distribution and propane businesses. See Note 9 to the Financial Statements for additional information.

The Pennsylvania Regulated segment results in 2008 reflect the classification of PPL's natural gas distribution and propane businesses as Discontinued Operations.

Pennsylvania Regulated segment Net Income Attributable to PPL Corporation was:

	2010	2009	2008
Operating revenues			
External	\$ 2,448	\$ 3,218	\$ 3,290
Intersegment	7	74	111
Total operating revenues	2,455	3,292	3,401
Energy purchases			
External	1,075	114	163
Intersegment	320	1,806	1,826
Other operation and maintenance	502	417	410
Amortization of recoverable transition costs		304	293
Depreciation	136	128	131
Taxes, other than income	138	194	203
Total operating expenses	2,171	2,963	3,026
Other Income (Expense) - net	7	10	14
Interest Expense	99	118	111
Income Taxes	57	79	102
Income from Discontinued Operations			3
Net Income	135	142	179
Net Income Attributable to Noncontrolling Interests (Note 6)	20	18	18
Net Income Attributable to PPL Corporation	\$ 115	\$ 124	\$ 161

The after-tax changes in Net Income Attributable to PPL Corporation between these periods were due to the following factors.

	2010 vs. 2009	2009 vs. 2008
Pennsylvania gross delivery margins	\$ 2	\$ (18)
Other operation and maintenance	(29)	3
Interest expense	11	(12)
Income taxes and other	(2)	2
Discontinued Operations, excluding special item (Note 9)		(9)
Special items	9	(3)
Total	\$ (9)	\$ (37)

See "Pennsylvania Gross Delivery Margins by Component" in the "Statement of Income Analysis" section for an explanation of margins generated by the regulated electric delivery operations.

- Other operation and maintenance increased in 2010 compared with 2009, primarily due to higher payroll-related costs and higher contractor

costs related to vegetation management.

- Interest expense decreased in 2010 compared with 2009, primarily due to lower average debt balances in 2010 compared with 2009 and the interest related to the over-recovery of recoverable transition costs.

Interest expense increased in 2009 compared with 2008, primarily due to \$400 million of debt issuances in October 2008 that prefunded a portion of August 2009 debt maturities.

The following after-tax amounts, which management considers special items, also impacted earnings.

	<u>2009</u>	<u>2008</u>
Sales of assets:		
Gas & propane businesses (Note 9)		\$ (6)
Asset impairments	\$ (1)	
Workforce reduction (Note 13)	(5)	
Other:		
Change in tax accounting method related to repairs (Note 5)	(3)	
Total	<u>\$ (9)</u>	<u>\$ (6)</u>

2011 Outlook

Excluding special items, higher earnings are projected in 2011 compared with 2010, due to higher distribution revenues resulting from an approved distribution base rate increase effective January 1, 2011.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings. See "Item 1. Business - Segment Information - Pennsylvania Regulated Segment" for additional information on the 2010 rate case.

Supply Segment

The Supply segment primarily consists of the energy marketing and trading activities, as well as the competitive generation and development operations of PPL Energy Supply. In September 2010, certain PPL Energy Supply subsidiaries signed definitive agreements to sell their entire ownership interests in certain non-core generation facilities. The sale is expected to close in the first quarter of 2011, subject to the receipt of necessary regulatory approvals and third-party consents. The operating results of these facilities have been classified as Discontinued Operations. In 2010 and 2009, PPL Energy Supply subsidiaries also completed the sale of several businesses, which have been classified as Discontinued Operations. See Note 9 to the Financial Statements for additional information.

Supply segment Net Income Attributable to PPL Corporation was:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Energy revenues			
External (a)	\$ 4,444	\$ 3,124	\$ 3,224
Intersegment	320	1,806	1,826
Energy-related businesses	375	391	486
Total operating revenues	<u>5,139</u>	<u>5,321</u>	<u>5,536</u>
Fuel and energy purchases			
External (a)	2,440	3,586	3,071
Intersegment	3	70	108
Other operation and maintenance	934	865	821
Depreciation	254	212	179
Taxes, other than income	46	29	19
Energy-related businesses	366	380	467
Total operating expenses	<u>4,043</u>	<u>5,142</u>	<u>4,665</u>
Other Income (Expense) - net	(9)	48	22
Other-Than-Temporary Impairments	3	18	36
Interest Expense	224	182	192
Income Taxes	228	6	249
Income (Loss) from Discontinued Operations	(19)	20	65
Net Income	<u>613</u>	<u>41</u>	<u>481</u>
Net Income Attributable to Noncontrolling Interests (Note 22)	1	1	2
Net Income Attributable to PPL Corporation	<u>\$ 612</u>	<u>\$ 40</u>	<u>\$ 479</u>

- (a) Includes impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements for additional information.

The after-tax changes in Net Income Attributable to PPL Corporation between these periods were due to the following factors.

	<u>2010 vs. 2009</u>	<u>2009 vs. 2008</u>
Eastern U.S. non-trading margins	\$ 607	\$ (3)
Western U.S. non-trading margins	9	20
Net energy trading margins	(9)	81

Other operation and maintenance	(32)	(33)
Depreciation	(25)	(19)
Income taxes and other	94	(7)
Discontinued operations, excluding special items (Note 9)	13	(9)
Special items	(85)	(469)
Total	<u>\$ 572</u>	<u>\$ (439)</u>

- See "Unregulated Gross Energy Margins By Region" in the "Statement of Income Analysis" section for an explanation of non-trading margins and net energy trading margins.
- Other operation and maintenance increased in 2010 compared with 2009, primarily due to increased payroll-related costs, higher contractor-related costs and other costs at Susquehanna. Also contributing to the increase were higher support group costs, higher expenses at western fossil/hydro plants due to the Corette overhaul and lease expense related to the use of the streambeds in Montana. See Note 15 to the Financial Statements for additional information on continuing litigation regarding the streambeds in Montana.

Other operation and maintenance increased in 2009 compared with 2008, primarily due to increased payroll-related costs, higher contractor-related costs and other costs at generation plants.

- Depreciation increased in 2010 compared with 2009, primarily due to the Brunner Island environmental equipment that was placed in service in 2009 and early 2010.

Depreciation increased in 2009 compared with 2008, primarily due to the scrubbers at Brunner Island and Montour and portions of the Susquehanna uprate projects that were placed in service in 2008 and 2009.

- Income taxes decreased in 2010 compared with 2009, primarily due to a release of valuation allowances related to deferred tax assets for Pennsylvania net operating loss carryforwards, investment tax credits at Holtwood and Rainbow, a release of tax reserves in 2010, and a tax benefit from the manufacturing deduction.

The following after-tax amounts, which management considers special items, also impacted the Supply segment's earnings.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Adjusted energy-related economic activity, net (a)	\$ (121)	\$ (225)	\$ 251
Sales of assets:			
Maine hydroelectric generation business (Note 9)	15	22	
Sundance indemnification	1		
Long Island generation business (b)		(33)	
Interest in Wyman Unit 4 (Note 9)		(4)	
Impairments:			
Impacts from emission allowances (c)	(10)	(19)	(25)
Adjustments - NDT investments (d)			(17)
Other asset impairments (e)		(4)	(15)
Workforce reduction (Note 13)		(6)	(1)
LKE acquisition-related costs:			
Monetization of certain full-requirement sales contracts (f)	(125)		
Anticipated sale of certain non-core generation facilities (g)	(64)		
Discontinued cash flow hedges and ineffectiveness (Note 19)	(28)		
Reduction of credit facility (Note 7)	(6)		
Other:			
Montana hydroelectric litigation (Note 15)	(34)	(3)	
Health Care Reform - tax impact (Note 13)	(8)		
Montana basin seepage litigation (Note 15)	2		(5)
Change in tax accounting method related to repairs (Note 5)		(21)	
Synfuel tax adjustment (Note 15)			(13)
Off-site remediation of ash basin leak (Note 15)			1
Total	<u>\$ (378)</u>	<u>\$ (293)</u>	<u>\$ 176</u>

- (a) See "Reconciliation of Economic Activity" below.
- (b) Consists primarily of the initial impairment charge recorded in June 2009 when this business was classified as held for sale. See Note 9 to the Financial Statements for additional information.
- (c) 2010 and 2009 include impairments of sulfur dioxide emission allowances. 2009 also includes a pre-tax gain of \$4 million related to the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options. See Note 18 to the Financial Statements for additional information.
- 2008 consists of charges related to annual nitrogen oxide allowances and put options. See Note 18 to the Financial Statements for additional information.
- (d) Represents other-than-temporary impairment charges on securities, including reversals of previous impairments when securities previously impaired were sold.
- (e) 2008 primarily consists of a pre-tax charge of \$22 million related to the Holtwood hydroelectric expansion project. See Note 8 to the Financial Statements for additional information.
- (f) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.
- (g) Consists primarily of an impairment charge recorded when these facilities were classified as held for sale, and allocated goodwill that was written off. See Note 9 to the Financial Statements for additional information.

Reconciliation of Economic Activity

The following table reconciles unrealized pre-tax gains (losses) from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements to the special item identified as "Adjusted energy-related economic activity, net."

	2010	2009	2008
Operating Revenues			
Unregulated retail electric and gas	\$ 1	\$ 6	\$ 5
Wholesale energy marketing	(805)	(229)	1,056
Operating Expenses			
Fuel	29	49	(79)
Energy Purchases	286	(155)	(553)
Energy-related economic activity (a)	(489)	(329)	429
Option premiums (b)	32	(54)	
Adjusted energy-related economic activity	(457)	(383)	429
Less: Unrealized economic activity associated with the monetization of certain full-requirement sales contracts (c)	(251)		
Adjusted energy-related economic activity, net, pre-tax	\$ (206)	\$ (383)	\$ 429
Adjusted energy-related economic activity, net, after-tax	\$ (121)	\$ (225)	\$ 251

- (a) The components of this item are from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements.
- (b) Adjustment for the net deferral and amortization of option premiums over the delivery period of the item that was hedged or upon realization. After-tax amount for 2010 was \$19 million and for 2009 was \$31 million.
- (c) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.

Components of Monetization of Certain Full-Requirement Sales Contracts

The following table provides the components of the "Monetization of Certain Full-Requirement Sales Contracts" special item.

	2010
Full-requirement sales contracts monetized (a)	\$ (68)
Economic activity related to the full-requirement sales contracts monetized	(146)
Monetization of certain full-requirement sales contracts, pre-tax (b)	\$ (214)
Monetization of certain full-requirement sales contracts, after-tax	\$ (125)

- (a) See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information.
- (b) Includes unrealized losses of \$251 million from the "Reconciliation of Economic Activity" table above. These amounts are reflected in "Wholesale energy marketing - Unrealized economic activity" and "Energy purchases - Unrealized economic activity" on the Statement of Income. Also includes net realized gains of \$37 million, which are reflected in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statement of Income. This economic activity will continue to be realized through May 2013.

11 Outlook

Excluding special items, lower earnings are projected from the Supply segment in 2011 compared with 2010 as a result of lower energy margins driven by lower energy and capacity prices in the East, higher average fuel costs, and higher operation and maintenance expense.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measures

The following discussion includes financial information prepared in accordance with GAAP, as well as two non-GAAP financial measures: "Unregulated Gross Energy Margins" and "Pennsylvania Gross Delivery Margins." PPL believes that these measures provide additional criteria to make investment decisions. These performance measures are used, in conjunction with other information, internally by senior management and the Board of Directors to manage its operations. PPL's management also uses "Unregulated Gross Energy Margins" in measuring certain corporate performance goals used in determining variable compensation.

- "Unregulated Gross Energy Margins" is a single financial performance measure of PPL's competitive energy non-trading and trading activities. In calculating this measure, the Supply segment's energy revenues are offset by the cost of fuel and energy purchases, and adjusted for other related items. This performance measure is relevant to PPL due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant swings in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus. In addition, PPL excludes from "Unregulated Gross Energy Margins" the Supply segment's energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of PPL's competitive generation assets, full-requirement and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in this energy-related economic activity is the ineffective portion of qualifying cash flow hedges, net losses on the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the net losses on the full-requirement sales contracts that

were monetized, and included in unregulated gross energy margins over the delivery period that was hedged or upon realization.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of PPL's Pennsylvania regulated electric delivery operations, which includes transmission and distribution activities, including PLR supply. In calculating this measure, Pennsylvania regulated utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset. These mechanisms allow for full cost recovery of certain expenses; therefore, certain expenses and revenues offset with minimal impact on earnings. As a result, this measure represents the net revenues from PPL's Pennsylvania regulated electric delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and to report on the results of their operations.

Unregulated Gross Energy Margins

The following table reconciles "Operating Income" to "Unregulated Gross Energy Margins" as defined by PPL.

	2010	2009	2008
Operating Income (a)	\$ 1,866	\$ 896	\$ 1,703
Adjustments:			
Utility (a)	(3,668)	(3,902)	(4,114)
Energy-related businesses, net (b)	(26)	(27)	(38)
Other operation and maintenance (a)	1,756	1,418	1,414
Amortization of recoverable transition costs (a)		304	293
Depreciation (a)	556	455	444
Taxes, other than income (a)	238	280	288
Revenue adjustments (c)	920	2,217	958
Expense adjustments (c)	1,128	90	616
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>

(a) As reported on the Statements of Income.

(b) Amount represents the net of "Energy-related businesses" revenue and expense as reported on the Statements of Income.

(c) The components of these adjustments are detailed in the table below.

The following table provides the income statement line items and other adjustments that comprise unregulated gross energy margins.

	2010	2009	Change	2009	2008	Change
Revenue						
Unregulated retail electric and gas (a)	\$ 415	\$ 152	\$ 263	\$ 152	\$ 151	\$ 1
Wholesale energy marketing (a)	4,027	2,955	1,072	2,955	3,194	(239)
Net energy trading margins (a)	2	17	(15)	17	(121)	138
Revenue adjustments (b)						
Exclude the impact from the Supply segment's energy-related economic activity (c)	483	274	209	274	(1,061)	1,335
Include PLR revenue from energy supplied to PPL Electric by PPL EnergyPlus (d)	320	1,806	(1,486)	1,806	1,826	(20)
Include gains from sale of emission allowances/RECs (e)		2	(2)	2	6	(4)
Include revenue from Supply segment discontinued operations (f)	117	135	(18)	135	187	(52)
Total revenue adjustments	<u>920</u>	<u>2,217</u>	<u>(1,297)</u>	<u>2,217</u>	<u>958</u>	<u>1,259</u>
	<u>5,364</u>	<u>5,341</u>	<u>23</u>	<u>5,341</u>	<u>4,182</u>	<u>1,159</u>
Expense						
Fuel (a)	1,235	920	315	920	1,057	(137)
Energy purchases (a)	2,487	2,780	(293)	2,780	2,177	603
Expense adjustments (b)						
Exclude fuel and energy purchases from the Kentucky Regulated segment	(207)		(207)			
Exclude the impact from the Supply segment's energy-related economic activity (g)	63	(109)	172	(109)	(632)	523
Exclude external PLR energy purchases (h)	(1,068)	(40)	(1,028)	(40)	(52)	12
Include expenses from Supply segment discontinued operations (i)	33	22	11	22	37	(15)
Include ancillary charges (e)	24	19	5	19	15	4
Include gross receipts tax (j)	15		15			
Other	12	18	(6)	18	16	2
Total expense adjustments	<u>(1,128)</u>	<u>(90)</u>	<u>(1,038)</u>	<u>(90)</u>	<u>(616)</u>	<u>526</u>
	<u>2,594</u>	<u>3,610</u>	<u>(1,016)</u>	<u>3,610</u>	<u>2,618</u>	<u>992</u>
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,039</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>	<u>\$ 167</u>

(a) As reported on the Statements of Income.

To include/exclude the impact of any revenues and expenses consistent with the way management reviews unregulated gross energy margins internally.

See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements for additional information. In addition, 2010 and 2009 includes a pre-tax gain of \$28 million and a loss of \$51 million related to the amortization of option premiums, and in 2010 a realized gain of \$293 million related to the monetization of certain full-requirement sales contracts. These amounts are reflected in "Wholesale energy marketing - Realized" on the Statements of Income.

(d) Included in "Utility" on the Statements of Income.

(e) Included in "Other operation and maintenance" on the Statements of Income.

- (f) Represents the operating revenues of the Supply segment businesses classified as discontinued operations. See Note 9 to the Financial Statements for additional information.
- (g) See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements for additional information. In addition, 2010 and 2009 includes a pre-tax gain of \$4 million and a loss of \$3 million related to the amortization of option premiums, and in 2010 a realized loss of \$256 million related to the monetization of certain full-requirement sales contracts. These amounts are reflected in "Energy purchases – Realized" on the Statements of Income.
- (h) Included in "Energy purchases" on the Statements of Income.
- (i) Represents fuel costs and energy purchases associated with the anticipated sale of certain non-core generation facilities that are classified as discontinued operations. See Note 9 to the Financial Statements for additional information.
- (j) Included in "Taxes, other than income" on the Statement of Income.

Unregulated Gross Energy Margins By Region

Unregulated gross energy margins are generated through non-trading and trading activities. The non-trading energy business is managed on a geographic basis that is aligned with its generation assets.

	2010	2009	Change	2009	2008	Change
Non-trading:						
Eastern U.S.	\$ 2,429	\$ 1,391	\$ 1,038	\$ 1,391	\$ 1,396	\$ (5)
Western U.S.	339	323	16	323	289	34
Net energy trading	2	17	(15)	17	(121)	138
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,039</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>	<u>\$ 167</u>

Eastern U.S.

Eastern U.S. non-trading margins were higher in 2010 compared with 2009, primarily due to significantly higher pricing in 2010 for eastern baseload generation compared with prices realized under the PLR contract with PPL Electric that expired at the end of 2009. Partially offsetting the increase were lower realized margins from full-requirement sales contracts due to lower customer demand and customer migration.

Eastern U.S. non-trading margins were lower in 2009 compared with 2008, primarily due to lower margins on full-requirement sales contracts resulting from mild weather, decreased demand, and customer migration. Also contributing to the decrease were higher average baseload generation fuel costs, primarily due to higher coal prices. Partially offsetting these lower margins were net gains resulting from the settlement of economic positions associated with rebalancing portfolios to better align them with current strategies, higher capacity revenue, higher baseload generation output due to unplanned major outages in 2008, and an increase in the PLR sales prices in accordance with the PUC Final Order.

Western U.S.

Western U.S. non-trading margins were higher in 2010 compared with 2009, primarily due to higher average prices, partially offset by lower volumes.

Western U.S. non-trading margins were higher in 2009 compared with 2008, primarily due to higher wholesale volumes and increased generation from the hydroelectric units.

Net Energy Trading

Net energy trading margins decreased in 2010 compared with 2009, consisting of lower trading margins related to power and gas, partially offset by higher trading margins related to FTRs.

Net energy trading margins increased in 2009 compared with 2008, primarily due to increased margins in the power, gas and oil trading positions resulting from unrealized trading losses in 2008 due to a dramatic decline in energy prices and a severe contraction of liquidity in the wholesale power markets.

Pennsylvania Gross Delivery Margins

The following table reconciles "Operating Income" to "Pennsylvania Gross Delivery Margins" as defined by PPL.

	2010	2009	2008
Operating Income (a)	\$ 1,866	\$ 896	\$ 1,703
Adjustments:			
Unregulated retail electric and gas (a)	(415)	(152)	(151)
Wholesale energy marketing (a)	(4,027)	(2,955)	(3,194)
Net energy trading margins (a)	(2)	(17)	121
Energy-related businesses, net (b)	(26)	(27)	(38)
Fuel (a)	1,235	920	1,057
Energy purchases (a)	2,487	2,780	2,177
Other operation and maintenance (a)	1,756	1,418	1,414
Depreciation (a)	556	455	444
Taxes, other than income (a)	238	280	288
Revenue adjustments (c)	(1,540)	(2,490)	(2,650)
Expense adjustments (c)	(1,273)	(256)	(288)
Pennsylvania gross delivery margins	<u>\$ 855</u>	<u>\$ 852</u>	<u>\$ 883</u>

(a) As reported on the Statements of Income.

(b) Amount represents the net of "Energy-related businesses" revenue and expense as reported on the Statements of Income.

(c) The components of these adjustments are detailed in the table below.

The following table provides the income statement line items and other adjustments that comprise Pennsylvania gross delivery margins.

	2010	2009	Change	2009	2008	Change
Revenue utility (a)	\$ 3,668	\$ 3,902	\$ (234)	\$ 3,902	\$ 4,114	\$ (212)
Revenue adjustments (b)						
Exclude revenue from the Kentucky Regulated segment (c)	(493)		(493)			
Exclude WPD utility revenue (c)	(727)	(684)	(43)	(684)	(824)	140
Exclude PLR revenue from energy supplied to PPL Electric by PPL EnergyPlus (c)	(320)	(1,806)	1,486	(1,806)	(1,826)	20
Total revenue adjustments	(1,540)	(2,490)	950	(2,490)	(2,650)	160
	2,128	1,412	716	1,412	1,464	(52)
Expense						
Amortization of recoverable transition costs (a)		304	(304)	304	293	11
Expense adjustments (b)						
Include external PLR energy purchases (d)	1,068	40	1,028	40	52	(12)
Include gross receipts tax (e)	129	186	(57)	186	198	(12)
Include Act 129 (f)	54		54			
Other	22	30	(8)	30	38	(8)
Total expense adjustments	1,273	256	1,017	256	288	(32)
	1,273	560	713	560	581	(21)
Pennsylvania gross delivery margins	\$ 855	\$ 852	\$ 3	\$ 852	\$ 883	\$ (31)

(a) As reported on the Statements of Income.

(b) To include/exclude the impact of any revenues and expenses consistent with the way management reviews Pennsylvania gross delivery margins internally.

(c) Included in "Utility" on the Statements of Income.

(d) Included in "Energy purchases" on the Statements of Income. Excludes NUG purchases, the sales of which are not included in "Utility" revenue.

(e) Included in "Taxes, other than income" on the Statements of Income.

(f) Included in "Other operation and maintenance" on the Statements of Income.

Pennsylvania Gross Delivery Margins by Component

Pennsylvania gross delivery margins are generated through domestic regulated electric distribution activities, including PLR supply, and transmission activities.

	2010	2009	Change	2009	2008	Change
Distribution	\$ 679	\$ 702	\$ (23)	\$ 702	\$ 731	\$ (29)
Transmission	176	150	26	150	152	(2)
Pennsylvania gross delivery margins	\$ 855	\$ 852	\$ 3	\$ 852	\$ 883	\$ (31)

Distribution

The decrease in 2010 compared with 2009 was primarily due to margins realized in 2009 related to the collection of CTC, which ended in December 2009, partially offset by favorable recovery mechanisms for certain energy related costs.

The decrease in 2009 compared with 2008 was primarily due to lower CTC/ITC margins in 2009, ITC collections ended in 2008. Lower margins were also attributable to unfavorable economic conditions, including industrial customers scaling back on production. In addition, weather had an unfavorable impact on sales volumes, offset by favorable price increases.

Transmission

The increase in 2010 compared with 2009 was primarily due to increased investment in rate base, an increase in the cost of capital due to an increase in equity and the recovery of additional costs through FERC formula-based rates.

Utility Revenues

The changes in utility revenues were attributable to:

	2010 vs. 2009	2009 vs. 2008
Domestic:		
PPL Electric retail electric revenue (a)	\$ (770)	\$ (72)
LKE	493	
U.K.:		
Electric delivery revenue	41	14
Foreign currency exchange rates	2	(154)
Total	\$ (234)	\$ (212)

See "Pennsylvania Gross Delivery Margins" and "Pennsylvania Gross Delivery Margins by Component" above.

U.K. electric delivery revenues increased in 2010 compared with 2009, primarily due to price increases in April 2010 and 2009, partially offset by lower regulatory recovery due to a revised estimate of network electricity losses.

U.K. electric delivery revenues increased in 2009 compared with 2008, primarily due to price increases in April 2009 and 2008, increased regulatory recovery due to a revised estimate of network electricity losses, and favorable changes in customer mix. These increases were partially offset by lower volumes due to unfavorable economic conditions, including industrial customers scaling back on production and a decrease in engineering and metering services performed for third parties.

Energy-Related Businesses

The changes in contributions from energy-related businesses were due to:

	2010 vs. 2009	2009 vs. 2008
Domestic Mechanicals (a)	\$ (7)	\$ (7)
WPD (b)	2	(4)
Other	4	
Total	\$ (1)	\$ (11)

(a) Primarily attributable to a decline in construction activity caused by the slowdown in the economy.

(b) Changes in contributions from U.K. energy-related businesses were primarily due to increases in remote metering business activity in 2010 and decreases related to changes in foreign currency exchange rates in 2009.

Other Operation and Maintenance

The changes in other operation and maintenance expenses were due to:

	2010 vs. 2009	2009 vs. 2008
LKE	\$ 139	
Act 129 costs incurred (a)	54	
Montana hydroelectric litigation (Note 15)	48	\$ 8
Defined benefit costs - U.K. (Note 13)	32	(16)
Other costs at Susquehanna nuclear plant	23	14
Vegetation management costs (b)	13	(5)
Payroll-related costs - PPL Electric	13	3
Outage costs at Susquehanna nuclear plant	11	
Other costs at fossil/hydroelectric plants	2	17
Outage costs at fossil/hydroelectric plants		23
Workforce reductions (Note 13)	(22)	18
Impacts from emission allowances (c)	(16)	(9)
Defined benefit costs - U.S. (Note 13)	(3)	18
U.K. foreign currency exchange rates	(1)	(24)
Impairment of cancelled generation expansion project in 2008 (Note 8)		(22)
Montana basin seepage litigation (Note 15)		(8)
Other - Domestic	31	(7)
Other - U.K.	14	(6)
Total	\$ 338	\$ 4

(a) Relates to costs associated with a PUC-approved energy efficiency and conservation plan. These costs are recovered in customer rates. See "Regulatory Issues - Pennsylvania Activities" in Note 15 to the Financial Statements for additional information on this plan. These costs are included in "Pennsylvania Gross Delivery Margins" above.

(b) In 2010, PPL Electric increased its vegetation management around its 230- and 500-kV major transmission lines in response to federal reliability requirements for transmission vegetation management. See "Regulatory Issues - Energy Policy Act of 2005 - Reliability Standards" in Note 15 to the Financial Statements for additional information.

(c) For the period 2010 compared to 2009, \$21 million relates to lower impairment charges of sulfur dioxide emission allowances. See Note 18 to the Financial Statements for additional information. Partially offsetting the decrease was a \$5 million increase in the charge for the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options.

For the period 2009 compared to 2008, \$33 million relates to lower impairment charges of nitrogen oxide allowances partially offset by \$37 million of higher impairment charges of sulfur dioxide allowances. See Note 18 to the Financial Statements for additional information. Also contributing to the difference was a \$13 million decrease in the charge for the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options.

Depreciation

The changes in depreciation expense were due to:

	2010 vs. 2009	2009 vs. 2008
Additions to PP&E (a)	\$ 52	\$ 43
LKE	49	
U.K. foreign currency exchange rates		(25)
Other		(7)
Total	\$ 101	\$ 11

(a) Additions included Susquehanna generation uprates and the completion of Brunner Island environmental projects in 2008 through 2010 as well as the Montour scrubber project in 2008.

Taxes, Other Than Income

The changes in taxes, other than income were due to:

	2010 vs. 2009	2009 vs. 2008
Pennsylvania gross receipts tax (a)	\$ (42)	\$ (12)
U.K. foreign currency exchange rates		(12)
Domestic property tax expense (b)	1	10
Domestic sales and use tax	2	4
LKE	2	
Other (c)	(5)	2
Total	<u>\$ (42)</u>	<u>\$ (8)</u>

- (a) The decrease in 2010 compared with 2009 was primarily due to a decrease in electricity revenue as customers chose alternative suppliers in 2010. This tax is included in "Unregulated Gross Energy Margins" and "Pennsylvania Gross Delivery Margins" above. The decrease in 2009 compared with 2008 was primarily due to a decrease in the tax rate in 2009.
- (b) The increase in 2009 compared with 2008 was primarily due to a \$7 million property tax credit recorded by PPL Montana in 2008.
- (c) The decrease in 2010 compared with 2009 primarily relates to lower WPD real estate tax expense due to reductions in tax rates.

Other Income (Expense) - net

See Note 17 to the Financial Statements for details.

Other-Than-Temporary Impairments

Other-than-temporary impairments decreased by \$15 million in 2010 compared with 2009 and by \$18 million in 2009 compared with 2008. The decrease for both periods was primarily due to stronger returns on NDT investments caused by improved market conditions within the financial markets.

Interest Expense

The changes in interest expense were due to:

	2010 vs. 2009	2009 vs. 2008
Bridge Facility costs related to the acquisition of LKE (Notes 7 and 10)	\$ 80	
PPL Capital Funding Junior Subordinated Notes (a)	27	
Inflation adjustment on U.K. Index-linked Senior Unsecured Notes	23	\$ (29)
LKE (Note 7)	20	
hedging activities	15	(30)
payment of transition bonds		(13)
capitalized interest	14	13
Amortization of debt issuance costs	13	3
Montana hydroelectric litigation (Note 15)	10	
Other long-term debt interest expense	6	2
Short-term debt interest expense	(1)	6
U.K. foreign currency exchange rates	(3)	(17)
Other	2	5
Total	<u>\$ 206</u>	<u>\$ (60)</u>

- (a) Interest related to the June 2010 issuance to support the LKE acquisition. See Notes 7 and 10 for additional information.

Income Taxes

The changes in income taxes were due to:

	2010 vs. 2009	2009 vs. 2008
Higher (lower) pre-tax book income	\$ 258	\$ (287)
State valuation allowance adjustments	(52)	(13)
Federal income tax credits	(10)	(17)
Domestic manufacturing deduction	(8)	13
Federal and state tax reserve adjustments	(55)	(11)
Federal and state tax return adjustments	(25)	23
U.S. income tax on foreign earnings net of foreign tax credit	50	5
U.K. Finance Act adjustments	(18)	8
U.K. capital loss benefit		(46)
Foreign tax reserve adjustments	(17)	12
Foreign tax return adjustments		17
Health Care Reform	8	
LKE	27	
Other		5
Total	<u>\$ 158</u>	<u>\$ (291)</u>

See Note 5 to the Financial Statements for additional information on income taxes.

Discontinued Operations

See Note 9 to the Financial Statements for information related to various 2010 and 2009 sales, including the anticipated sale of certain non-core generation facilities expected to occur in the first quarter of 2011.

Financial Condition

Liquidity and Capital Resources

PPL expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents and its credit facilities. Additionally, subject to market conditions, PPL currently plans to access capital markets in 2011.

PPL's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in market prices for electricity;
- changes in commodity prices that may increase the cost of producing power or decrease the amount PPL receives from selling power;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- potential ineffectiveness of the trading, marketing and risk management policy and programs used to mitigate PPL's risk exposure to adverse electricity and fuel prices, interest rates, foreign currency exchange rates and counterparty credit;
- unusual or extreme weather that may damage PPL's transmission and distribution facilities or affect energy sales to customers;
- reliance on transmission and distribution facilities that PPL does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- costs of compliance with existing and new environmental laws and with new security and safety requirements for nuclear facilities;
- any adverse outcome of legal proceedings and investigations with respect to PPL's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL's or its rated subsidiaries' credit ratings that could adversely affect their ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting PPL's cash flows.

At December 31, PPL had the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 925	\$ 801	\$ 1,100
Short-term investments (a) (b)	163		150
	<u>1,088</u>	<u>801</u>	<u>1,250</u>
Short-term debt	<u>694</u>	<u>639</u>	<u>679</u>

(a) 2010 amount represents tax-exempt bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E that were subsequently purchased by LG&E. Such bonds were remarketed to unaffiliated investors in January 2011. See Note 7 to the Financial Statements for further discussion.

(b) 2008 amount represents tax-exempt bonds issued by the PEDFA in December 2008 on behalf of PPL Energy Supply and purchased by a subsidiary of PPL Energy Supply upon issuance. Such bonds were refunded in April 2009. See Note 7 to the Financial Statements for further discussion.

The changes in PPL's cash and cash equivalents position resulted from:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net cash provided by operating activities	\$ 2,033	\$ 1,852	\$ 1,589
Net cash used in investing activities	(8,229)	(880)	(1,627)
Net cash provided by (used in) financing activities	6,307	(1,271)	721
Effect of exchange rates on cash and cash equivalents	13		(13)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>124</u>	<u>(299)</u>	<u>670</u>

Operating Activities

Net cash provided by operating activities increased by 10%, or \$181 million in 2010 compared with 2009. The expiration of the long-term power purchase agreements between PPL Electric and PPL EnergyPlus at the end of 2009 enabled PPL EnergyPlus to sell power at higher market prices and had a positive impact on net income, and specifically on "unregulated gross energy margins" which increased over \$600 million, after-tax, in 2010 compared with 2009, and therefore, was the primary driver to the above increase. The positive impact of additional earnings was partially offset by a reduction in the amount of counterparty collateral received and by additional defined benefit plan contributions.

Net cash provided by operating activities increased by 17%, or \$263 million in 2009 compared with 2008, primarily as a result of cash collateral received from counterparties and the benefit of lower income tax payments due to the change in method of accounting for certain expenditures for tax purposes. These increases were partially offset by a decrease in accounts payable and the unfavorable impact of foreign currency exchange rates in 2009 compared with 2008.

A significant portion of PPL's operating cash flows is derived from its Supply segment baseload generation business activities. PPL employs a formal hedging program for its baseload generation fleet, the primary objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential of power price increases over the medium term. See Note 19 to the Financial Statements for further discussion. Despite its hedging practices, PPL expects its future cash flows from operating activities from its Supply segment to be more influenced by commodity prices than during the past years when long-term supply contracts were in place between PPL EnergyPlus and PPL Electric. In the near-term, PPL expects its Supply segment operating cash flows to decline as a result of lower commodity prices. PPL expects to see an increase in cash flows from operating activities in the near-term from its Pennsylvania Regulated segment due to its \$77.5 million, or 1.6% rate increase that became effective on January 1, 2011. Finally, the acquisition of LKE (i.e. Kentucky Regulated segment) is expected to provide additional cash flows from operating activities through its regulated rate base that has been added to PPL's portfolio.

PPL's contracts for the sale and purchase of electricity and fuel often require cash collateral or other credit enhancements, or reductions or terminations of a portion of the entire contract through cash settlement, in the event of a downgrade of PPL's or its subsidiaries' credit ratings or adverse changes in market prices. For example, in addition to limiting its trading ability, if PPL's or its subsidiaries' ratings were lowered to below "investment grade" and there was a 10% adverse movement in energy prices, PPL estimates that, based on its December 31, 2010 positions, it would have had to post additional collateral of approximately \$441 million with respect to electricity and fuel contracts. PPL has in place risk management programs that are designed to monitor and manage its exposure to volatility of cash flows related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units.

Investing Activities

The primary use of cash in investing activities in 2010 was for the acquisition of LKE. In 2009 and 2008, the primary use of cash in investing activities was capital expenditures. See "Forecasted Uses of Cash" for detail regarding capital expenditures in 2010 and projected expenditures for the years 2011 through 2015.

Net cash used in investing activities increased by \$7.3 billion in 2010 compared with 2009, primarily as a result of \$6.8 billion used for the acquisition of LKE. Net cash used in investing activities also increased, to a lesser extent, due to an increase of \$372 million in capital expenditures, a decrease of \$154 million from proceeds from the sale of other investments, and a change of \$133 million from restricted cash and cash equivalents. See Note 10 to the Financial Statements for a discussion of the acquisition of LKE. The increase in cash used in investing activities from the above items was partially offset by the change in proceeds received from the sale of businesses, which are discussed in Note 9 to the Financial Statements. PPL received proceeds of \$81 million from the sale of the majority of the Maine hydroelectric generation business in 2009, compared to proceeds of \$162 million received in 2010 from the sales of the Long Island generation business and the remaining Maine hydroelectric generation business assets.

Net cash used in investing activities decreased by 46%, or \$747 million, in 2009 compared with 2008, primarily as a result of a change of \$289 million from restricted cash and cash equivalents, a change of \$249 million from purchases and sales of other investments, a change of \$241 million from purchases and sales of intangible assets and a decrease of \$193 million in capital expenditures. See Note 1 to the Financial Statements for a discussion of restricted cash and cash equivalents and Note 7 to the Financial Statements for a discussion of the purchase and sale by a subsidiary of PPL Energy Supply of Exempt Facilities Revenue Bonds issued by the PEDFA on behalf of PPL Energy Supply. The decrease in cash used in investing activities from the above items was partially offset by the change in proceeds received from the sale of businesses, which are discussed in Note 9 to the Financial Statements. PPL received \$303 million from the sale of the gas and propane businesses in 2008 compared to proceeds of \$81 million received from the sale of the majority of the Maine hydroelectric generation business in 2009.

Financing Activities

Net cash provided by financing activities was \$6.3 billion in 2010 compared with \$1.3 billion of cash used in financing activities in 2009. The change from 2009 to 2010 primarily reflects increased issuances of long-term debt and equity related to the acquisition of LKE in 2010, as well as fewer retirements of long-term debt in 2010.

Net cash used in financing activities was \$1.3 billion in 2009 compared with \$721 million of cash provided by financing activities in 2008. The change from 2008 to 2009 primarily reflects fewer issuances and increased retirements of long-term debt in 2009, as well as the net repayment of short-term borrowings in 2009.

In 2010, cash provided by financing activities primarily consisted of net debt issuances of \$4.7 billion and \$2.4 billion of net proceeds from the issuance of common stock, partially offset by common stock dividends paid of \$566 million and debt issuance and credit facility costs paid of \$175 million.

In 2009, cash used in financing activities primarily consisted of net debt retirements of \$770 million and common stock dividends paid of \$517 million, partially offset by \$60 million of common stock sale proceeds.

In 2008, cash provided by financing activities primarily consisted of net debt issuances of \$1.3 billion and \$19 million of common stock sale proceeds, partially offset by common stock dividends paid of \$491 million and the repurchase of 802,816 shares of common stock for \$38 million.

See "Forecasted Sources of Cash" for a discussion of PPL's plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to PPL. Also see "Forecasted Uses of Cash" for a discussion of plans to pay dividends on common and preferred securities in the future, as well as maturities of long-term debt.

PPL's debt financing activity in 2010 was:

	Issuances (a)	Retirements
PPL Capital Funding Junior Subordinated Notes (b)	\$ 1,150	\$ (19)
PPL Capital Funding Senior Unsecured Notes		(1)
LG&E and KU Energy LLC Senior Unsecured Notes	870	
LG&E First Mortgage Bonds	531	
KU First Mortgage Bonds	1,489	
WPD Senior Unsecured Notes	597	
Other long-term debt	5	
LG&E short-term debt	163	
PPL Energy Supply short-term debt (net change)	65	
WPD short-term debt (net change)		(158)
Total	<u>\$ 4,870</u>	<u>\$ (178)</u>
Net increase	<u>\$ 4,692</u>	

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.

(b) Issuance is related to the Equity Units. Retirement reflects amount paid to repurchase \$20 million aggregate principal amount of junior subordinated notes.

See Note 7 to the Financial Statements for more detailed information regarding PPL's financing activities in 2010.

Forecasted Sources of Cash

PPL expects to continue to have significant sources of cash available in the near term, including various credit facilities, a commercial paper program and operating leases. PPL currently plans to issue up to \$750 million in long-term debt securities in 2011, subject to market conditions, in addition to remarketing certain bonds at LG&E to unaffiliated investors as discussed below. Additionally, PPL's cash flows will include a full year of LKE's cash flows in 2011 and forward.

Credit Facilities

At December 31, 2010, PPL's total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued (a)	Unused Capacity
LG&E Credit Facility (b)	\$ 400	\$ 163		\$ 237
KU Credit Facility (b)	400		198	202
PPL Energy Supply Domestic Credit Facilities (c)	3,500	350	185	2,965
PPL Electric Credit Facilities (d)	350		13	337
Total Domestic Credit Facilities (e)	<u>\$ 4,650</u>	<u>\$ 513</u>	<u>\$ 396</u>	<u>\$ 3,741</u>
WPDH Limited Credit Facility (f)	£ 150	£ 115	n/a	£ 35
WPD (South West) Credit Facility (g)	210		n/a	210
Total WPD Credit Facilities (h)	<u>£ 360</u>	<u>£ 115</u>	<u>n/a</u>	<u>£ 245</u>

(a) The borrower under each of these facilities has a reimbursement obligation to the extent any letters of credit are drawn upon.

(b) Borrowings under LG&E's and KU's credit facilities generally bear interest at LIBOR-based rates plus a spread, depending upon the respective company's senior unsecured long-term debt rating. LG&E and KU also each have the capability to request the lenders to issue up to \$400 million of letters of credit under its respective facility, which issuances reduce available borrowing capacity. Additionally, subject to certain conditions, LG&E and KU may each request that its respective facility's capacity be increased by up to \$100 million. Both facilities expire in 2014.

The credit facilities each contain a financial covenant requiring the respective borrower's debt to total capitalization not to exceed 70% and other customary covenants. At December 31, 2010, LG&E's and KU's debt to total capitalization percentages, as calculated in accordance with the credit facilities, were 43% and 41%. The credit facilities also contain standard representations and warranties that must be made for LG&E or KU to borrow under them.

LG&E repaid its \$163 million borrowing in January 2011 with proceeds received from the remarketing of certain tax exempt bonds.

(c) PPL Energy Supply has the ability to borrow \$3.0 billion under its credit facilities. Such borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior unsecured long-term debt rating. PPL Energy Supply also has the capability to cause the lenders to issue up to \$3.5 billion of letters of credit under these facilities, which issuances reduce available borrowing capacity. Subject to certain conditions, PPL Energy Supply may request that the capacity of one of its facilities be increased by up to \$500 million.

These credit facilities contain a financial covenant requiring debt to total capitalization not to exceed 65%. At December 31, 2010 and 2009, PPL Energy Supply's consolidated debt to total capitalization percentages, as calculated in accordance with its credit facilities, were 44% and 46%. The credit facilities also contain standard representations and warranties that must be made for PPL Energy Supply to borrow under them.

The committed capacity expires as follows: \$300 million in 2011, \$200 million in 2013 and \$3.0 billion in 2014.

(d) Borrowings under PPL Electric's \$200 million syndicated credit facility generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior secured long-term debt rating. PPL Electric also has the capability to request the lenders to issue up to \$200 million of letters of credit under this facility, which issuances reduce available borrowing capacity. Subject to certain conditions, PPL Electric may request that the facility's capacity be increased by up to \$100 million.

The syndicated credit facility contains a financial covenant requiring debt to total capitalization not to exceed 70%. At December 31, 2010, PPL Electric's consolidated debt to total capitalization percentage, as calculated in accordance with its credit facility, was 43%. The syndicated credit facility also contains standard representations and warranties that must be made for PPL Electric to borrow under it.

Committed capacity includes a \$150 million credit facility related to an asset-backed commercial paper program through which PPL Electric obtains financing by selling and

contributing its eligible accounts receivable and unbilled revenues to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary pledges these assets to secure loans of up to an aggregate of \$150 million from a commercial paper conduit sponsored by a financial institution. At December 31, 2010, based on accounts receivable and unbilled revenue pledged, \$150 million was available for borrowing.

The committed capacity expires as follows: \$150 million in 2011 and \$200 million in 2014. PPL Electric intends to renew its existing \$150 million asset-backed credit facility in 2011 in order to maintain its current total committed capacity level.

-) The commitments under PPL's domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 12% of the total committed capacity.
- (f) Borrowings under WPDH Limited's credit facility bear interest at LIBOR-based rates plus a spread, depending upon the company's long-term credit rating. This credit facility contains financial covenants that require WPDH Limited to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and a RAB that exceeds total net debt by the higher of an amount equal to 15% of total net debt or £150 million, in each case as calculated in accordance with the credit facility. At December 31, 2010 and 2009, WPDH Limited's interest coverage ratios, as calculated in accordance with its credit facility, were 3.5 and 4.3. At December 31, 2010 and 2009, WPDH Limited's RAB, as calculated in accordance with the credit facility, exceeded its total net debt by £364 million, or 27%, and £325 million, or 25%.
- (g) Borrowings under WPD (South West)'s credit facility bear interest at LIBOR-based rates plus a margin. This credit facility contains financial covenants that require WPD (South West) to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of RAB, in each case as calculated in accordance with the credit facility. At December 31, 2010 and 2009, WPD (South West)'s interest coverage ratios, as calculated in accordance with its credit facility, were 3.6 and 5.3. At December 31, 2010 and 2009, WPD (South West)'s total net debt, as calculated in accordance with the credit facility, was 75% and 67% of RAB.
- (h) The commitments under WPD's credit facilities are provided by eight banks, with no one bank providing more than 25% of the total committed capacity. The committed capacity under the facilities expires as follows: £210 million in 2012 and £150 million in 2013.

At December 31, 2010, the unused capacity of WPD's credit facilities was approximately \$381 million.

In addition to the financial covenants noted in the table above, the credit agreements governing the credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL monitors compliance with the covenants on a regular basis. At December 31, 2010, PPL was in material compliance with these covenants. At this time, PPL believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of PPL's credit facilities.

Commercial Paper

PPL Electric maintains a commercial paper program for up to \$200 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are currently supported by PPL Electric's \$200 million syndicated credit facility, which expires in December 2014, based on available capacity.

PPL Electric did not issue any commercial paper during 2010. Based on its current cash position and anticipated cash flows, PPL Electric currently does not plan to issue any commercial paper during 2011, but it may do so from time to time, subject to market conditions, to facilitate short-term cash flow needs.

Operating Leases

PPL and its subsidiaries also have available funding sources that are provided through operating leases. PPL's subsidiaries lease office space, land, buildings and certain equipment. These leasing structures provide PPL additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

PPL, through its subsidiary PPL Montana, leases a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3, under four 36-year, non-cancelable operating leases. These operating leases are not recorded on PPL's Balance Sheets. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends. At this time, PPL believes that these restrictions will not limit access to these funding sources or cause acceleration or termination of the leases. See Note 7 to the Financial Statements for a discussion of other dividend restrictions related to PPL subsidiaries.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Long-Term Debt and Equity Securities

In January 2011, LG&E remarketed to unaffiliated investors \$163 million of tax-exempt bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E. The proceeds from the remarketing were used for the repayment of short-term debt under its syndicated credit facility.

In addition to the remarketing, PPL and its subsidiaries currently plan to issue up to \$750 million in long-term debt securities in 2011, subject to market conditions. PPL expects to use the proceeds from the issuance of long-term debt securities primarily to refund PPL Energy Supply's 2011 debt maturity, to fund capital expenditures and for general corporate purposes.

PPL currently plans to issue new shares of common stock in 2011 in an aggregate amount up to \$300 million under various employee stock-based compensation plans and its DRIP.

The Economic Stimulus Package

In April 2010, PPL Electric entered into an agreement with the DOE, in which the agency is to provide funding for one-half of a \$38 million

smart grid project. The project would use smart grid technology to strengthen reliability, save energy and improve electric service for 60,000 Harrisburg, Pennsylvania area customers. It would also provide benefits beyond the Harrisburg region, helping to speed power restoration across PPL Electric's 29-county service territory. Work on the project is progressing on schedule, and PPL Electric is receiving reimbursements under the grant for costs incurred. The project is scheduled to be completed by the end of September 2012.

Recasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, PPL currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common and preferred securities and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows PPL's actual spending for the year 2010 and current capital expenditure projections for the years 2011 through 2015.

	Actual		Projected			
	2010	2011	2012	2013	2014	2015
Construction expenditures (a) (b)						
Generating facilities	\$ 582	\$ 781	\$ 641	\$ 554	\$ 364	\$ 501
Transmission and distribution facilities	702	1,035	1,241	1,553	1,488	1,145
Environmental	60	381	614	789	1,054	1,045
Other	162	193	223	177	179	395
Total Construction Expenditures	1,506	2,390	2,719	3,073	3,085	3,086
Nuclear fuel	138	152	159	161	158	160
Total Capital Expenditures	\$ 1,644	\$ 2,542	\$ 2,878	\$ 3,234	\$ 3,243	\$ 3,246

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to be approximately \$290 million for the years 2011 through 2015.

(b) Includes expenditures for certain intangible assets.

PPL's capital expenditure projections for the years 2011 through 2015 total approximately \$15.1 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes projected costs related to the planned 817 MW of incremental capacity increases, PPL Electric's asset optimization program focused on the replacement of aging transmission and distribution assets, the PJM-approved regional transmission line expansion project, and LKE's and Energy Supply's environmental projects related to anticipated new EPA air compliance standards. See Note 8 to the Financial Statements for information on the PJM-approved regional transmission line expansion project and the other significant development projects.

PPL plans to fund its capital expenditures in 2011 with cash on hand, cash from operations and proceeds from the issuance of common stock and debt securities.

Contractual Obligations

PPL has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2010, the estimated contractual cash obligations of PPL were:

	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term Debt (a)	\$ 12,604	\$ 502	\$ 1,137	\$ 1,610	\$ 9,355
Interest on Long-term Debt (b)	11,794	636	1,205	1,113	8,840
Operating Leases (c)	891	122	237	218	314
Purchase Obligations (d)	8,605	2,908	2,537	1,336	1,824
Other Long-term Liabilities					
Reflected on the Balance Sheet under GAAP (e) (f)	480	260	185	35	
Total Contractual Cash Obligations	\$ 34,374	\$ 4,428	\$ 5,301	\$ 4,312	\$ 20,333

(a) Reflects principal maturities only based on stated maturity dates, except for PPL Energy Supply's 5.70% Reset Put Securities (REPS). See Note 7 to the Financial Statements for a discussion of the remarketing feature related to the REPS, as well as discussion of variable-rate remarketable bonds issued on behalf of PPL Energy Supply, LG&E and KU. PPL does not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity, except for the REPS, for which interest is reflected to the put date. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 11 to the Financial Statements for additional information.

(d) The payments reflected herein are subject to change, as certain purchase obligations included are estimates based on projected obligated quantities and/or projected pricing under the contracts. Purchase orders made in the ordinary course of business are excluded from the amounts presented. The payments also include obligations related to nuclear fuel and the installation of the scrubbers, which are also reflected in the Capital Expenditures table presented above.

(e) The amounts reflected represent WPD's contractual deficit pension funding requirements arising from an actuarial valuation performed in March 2010. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit; however, WPD cannot be certain that this will continue beyond the current review period, which extends to March 31, 2015. Based on the current funded status of PPL's U.S. qualified pension plans, no cash contributions are required. See Note 13 to the Financial Statements for a discussion of expected contributions. The amount also represents currently projected cash flows for LKE's construction commitments.

At December 31, 2010, total unrecognized tax benefits of \$251 million were excluded from this table as PPL cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Dividends

PPL views dividends as an integral component of shareholder return and expects to continue to pay dividends in amounts that are within the context of maintaining a capitalization structure that supports investment grade credit ratings. In 2010, PPL increased the annualized dividend rate on its common stock from \$1.38 to \$1.40 per share, effective with the April 1, 2010 dividend payment. Future dividends will be declared at the discretion of the Board of Directors and will depend upon future earnings, cash flows, financial and legal requirements and other relevant factors at the time. As discussed in Note 7 to the Financial Statements, subject to certain exceptions, PPL may not declare or pay any cash dividend on its common stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or its 4.625% Junior Subordinated Notes due 2018 or until deferred contract adjustment payments on PPL's Purchase Contracts have been paid. No such deferrals have occurred or are currently anticipated.

PPL Electric expects to continue to pay quarterly dividends on its outstanding preferred securities, if and as declared by its Board of Directors.

See Note 7 to the Financial Statements for other restrictions related to distributions on capital interests for PPL subsidiaries.

Purchase or Redemption of Debt Securities

PPL will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Credit Ratings

Moody's, S&P and Fitch periodically review the credit ratings on the debt and preferred securities of PPL and its subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of PPL and its subsidiaries are based on information provided by PPL and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL or its subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in PPL's or its subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets.

In prior periodic reports, PPL described its then-current debt ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a registrant's registration statement or section 10(a) prospectus, PPL is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to PPL's ratings, but without stating what ratings have been assigned to PPL or its subsidiaries, or their securities. The ratings assigned by the rating agencies to PPL and its subsidiaries and their respective securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is hereby explicitly not incorporated by reference in this report.

The rating agencies took the following actions related to PPL and its subsidiaries in 2010.

Moody's

In April 2010, Moody's took the following actions:

- Revised the outlook for PPL, PPL Capital Funding and PPL Electric;
- Lowered the issuer rating of PPL and the senior unsecured debt rating of PPL Capital Funding;
- Lowered the rating of PPL Capital Funding's junior subordinated notes and PPL Electric's preferred securities;
- Lowered the issuer rating of PPL Electric;
- Affirmed the senior secured debt rating and commercial paper rating of PPL Electric; and
- Affirmed the senior unsecured notes rating and the outlook of PPL Energy Supply.

Moody's stated in its press release that the revisions in the ratings for PPL, PPL Capital Funding, and PPL Electric, while reflective of PPL's then-announced agreement to acquire LKE, are driven more by weakening financial metrics and the outlooks that had been in place for PPL and PPL Electric for the past year.

In August 2010, Moody's affirmed all of PPL Energy Supply's ratings.

In October 2010, Moody's affirmed the ratings for PPL and PPL Capital Funding following PPL's receipt of FERC approval of its then-pending acquisition of LKE.

In November 2010, Moody's took the following actions:

- Assigned a senior unsecured debt rating to LG&E and KU Energy LLC; and
- Assigned a senior secured debt rating to LG&E and KU.

S&P

In April 2010, S&P took the following actions:

- Revised the outlook of PPL, PPL Energy Supply and PPL Capital Funding;
- Revised the outlook of WPDH Limited, WPD (South Wales) and WPD (South West); and
- Affirmed its credit ratings for PPL, PPL Capital Funding, PPL Energy Supply, PPL Electric, WPDH Limited, WPD (South Wales) and WPD (South West).

S&P stated in its press release that the change to the outlook for PPL and PPL Energy Supply considers the greater regulated mix that will result from PPL acquiring LKE, resulting in a pro forma "strong" consolidated business risk profile. S&P also stated that the revision in the outlook for WPD is a reflection of the change to PPL's outlook and is not a result of any change in WPD's stand-alone credit profile.

In October 2010, S&P took the following actions:

- Revised the outlook of PPL, PPL Capital Funding, PPL Energy Supply, and PPL Electric;
- Raised the issuer rating of PPL and PPL Energy Supply;
- Raised the senior unsecured and junior subordinated debt ratings of PPL Capital Funding;
- Raised the senior unsecured debt rating of PPL Energy Supply; and
- Affirmed its credit ratings for PPL Electric.

S&P stated in its press release that the upgrades reflect S&P's opinion of an improved credit profile of the consolidated company following the closing of PPL's then-pending acquisition of LKE.

In November 2010, S&P affirmed its credit rating and revised the outlook for PPL Montana's Pass Through Certificates due 2020.

Also in November 2010, S&P took the following actions:

- Assigned a senior unsecured debt rating to LG&E and KU Energy LLC; and
- Assigned a senior secured debt rating to LG&E and KU.

Fitch

In January 2010, as a result of implementing its revised guidelines for rating preferred stock and hybrid securities, Fitch lowered the rating of PPL Capital Funding's junior subordinated notes and lowered the ratings of PPL Electric's preferred stock and preference stock. Fitch stated in its press release that the new guidelines, which apply to instruments issued by companies in all sectors, typically resulted in downgrades of one notch for many instruments that provide for the ability to defer interest or dividend payments. Fitch stated that it has no reason to believe that such deferral will be activated.

In April 2010, Fitch affirmed its credit ratings for PPL, PPL Capital Funding, PPL Energy Supply and PPL Electric and retained the outlook for these entities following PPL's then-announced agreement to acquire LKE.

In May 2010, Fitch affirmed its rating and issued an outlook for PPL Montana's Pass Through Certificates due 2020.

In October 2010, Fitch affirmed its credit ratings for and revised the outlook of WPDH Limited, WPD (South Wales) and WPD (South West).

In November 2010, Fitch took the following actions:

- Assigned an outlook, issuer ratings and senior unsecured debt rating to LG&E and KU Energy LLC; and
- Assigned an outlook, issuer ratings and senior secured debt rating to LG&E and KU.

Ratings Triggers

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the notes by Moody's, S&P or Fitch are withdrawn by any of the rating agencies or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution license under which WPD (South West) and WPD (South Wales) operate. These notes totaled £1.3 billion (approximately \$2.0 billion) at December 31, 2010.

PPL and PPL Energy Supply have various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements, and interest rate and foreign currency instruments, which contain provisions requiring PPL and PPL Energy Supply to post additional collateral, or permit the counterparty to terminate the contract, if PPL's or PPL Energy Supply's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2010. At December 31, 2010, if PPL's and PPL Energy Supply's credit ratings had been below investment grade, PPL would have been required to prepay or post an additional \$455 million of collateral to counterparties for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate and foreign currency contracts.

Guarantees for Subsidiaries

PPL guarantees certain consolidated affiliate financing arrangements that enable certain transactions. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, require early maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 15 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements

PPL has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management - Energy Marketing & Trading and Other

Market Risk

See Notes 1, 18, and 19 to the Financial Statements for information about PPL's risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

PPL segregates its non-trading activities into two categories: hedge activity and economic activity. Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL's generation assets, full-requirement sales contracts and retail activities. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. The net fair value of economic positions at December 31, 2010 and 2009 was a net liability of \$400 million and \$77 million. See Note 19 to the Financial Statements for additional information on economic activity.

To hedge the impact of market price volatility on PPL's energy-related assets, liabilities and other contractual arrangements, PPL sells and purchases physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. PPL's non-trading commodity derivative contracts mature at various times through 2017.

The following table sets forth the net fair value of PPL's non-trading commodity derivative contracts. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2010	2009
Fair value of contracts outstanding at the beginning of the period	\$ 1,280	\$ 402
Contracts realized or otherwise settled during the period	(478)	189
Fair value of new contracts entered into during the period	(5)	143
Changes in fair value attributable to changes in valuation techniques	(23)	
Fair value of LKE derivative contracts at the acquisition date	(24)	
Other changes in fair value	197	546
Fair value of contracts outstanding at the end of the period	\$ 947	\$ 1,280

The following table segregates the net fair value of PPL's non-trading commodity derivative contracts at December 31, 2010 based on whether the fair value was determined by prices quoted in active markets for identical instruments or other more subjective means.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices based on significant other observable inputs	\$ 351	\$ 592	\$ 8	\$	\$ 951
Prices based on significant unobservable inputs	3	(29)	(4)	26	(4)
Fair value of contracts outstanding at the end of the period	\$ 354	\$ 563	\$ 4	\$ 26	\$ 947

PPL sells electricity, capacity and related services and buys fuel on a forward basis to hedge the value of energy from its generation assets. If PPL were unable to deliver firm capacity and energy or to accept the delivery of fuel under its agreements, under certain circumstances it could be required to pay liquidating damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their own counterparties) with which it has energy contracts and other factors could affect PPL's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although PPL attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm

obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future.

Commodity Price Risk (Trading)

PPL's trading contracts mature at various times through 2015. The following table sets forth changes in the net fair value of PPL's trading commodity derivative contracts. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2010	2009
Fair value of contracts outstanding at the beginning of the period	\$ (6)	\$ (75)
Contracts realized or otherwise settled during the period	(12)	2
Fair value of new contracts entered into during the period	39	31
Other changes in fair value	(17)	36
Fair value of contracts outstanding at the end of the period	\$ 4	\$ (6)

PPL will reverse unrealized losses of approximately \$2 million over the next three months as the transactions are realized.

The following table segregates the net fair value of PPL's trading commodity derivative contracts at December 31, 2010 based on whether the fair value was determined by prices quoted in active markets for identical instruments or other more subjective means.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices based on significant other observable inputs	\$ (1)	\$ 2	\$ 3		\$ 4
Fair value of contracts outstanding at the end of the period	\$ (1)	\$ 2	\$ 3		\$ 4

VaR Models

PPL utilizes a VaR model to measure commodity price risk in domestic gross energy margins for its non-trading and trading portfolios. VaR is a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level. PPL calculates VaR using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's conservative hedging program, PPL's non-trading VaR exposure is expected to be limited in the short term. At December 31, 2010 and December 31, 2009, the VaR for PPL's portfolios using end-of-month results for the period was as follows.

95% Confidence Level, Five-Day Holding Period	Trading VaR		Non-Trading VaR	
	2010	2009	2010	2009
Period End	\$ 1	\$ 3	\$ 5	\$ 8
Average for the Period	4	4	7	9
High	9	8	12	11
Low	1	1	4	8

The trading portfolio includes all speculative positions, regardless of the delivery period. All positions not considered speculative are considered non-trading. PPL's non-trading portfolio includes PPL's entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at December 31, 2010.

Interest Rate Risk

PPL and its subsidiaries have issued debt to finance their operations, which exposes them to interest rate risk. PPL utilizes various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio, adjust the duration of its debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of PPL's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2010 and 2009, PPL's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was insignificant.

PPL is also exposed to changes in the fair value of its domestic and international debt portfolios. PPL estimated that a 10% decrease in interest rates at December 31, 2010 would increase the fair value of its debt portfolio by \$420 million, compared with \$285 million at December 31, 2009.

PPL had the following interest rate hedges outstanding at:

Exposure	December 31, 2010		Exposure	December 31, 2009	
	Fair Value, Net - Asset	Effect of a 10% Adverse Movement		Fair Value, Net - Asset	Effect of a 10% Adverse Movement

	Hedged	(Liability) (a)	in Rates (b)	Hedged	(Liability) (a)	in Rates (b)
Cash flow hedges						
Interest rate swaps (c)	\$ 500	\$ (19)	\$ (28)	\$ 425	\$ 24	\$ (24)
Cross-currency swaps (d)	302	35	(18)	302	8	(41)
Fair value hedges						
Interest rate swaps (e)	349	20	(3)	750	31	(12)
Economic hedges						
Interest rate swaps (c)	179	(34)	(7)			

- (a) Includes accrued interest, if applicable.
- (b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
- (c) PPL utilizes various risk management instruments to reduce its exposure to the expected future cash flow variability of its debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While PPL is exposed to changes in the fair value of these instruments, any changes in the fair value of such cash flow hedges are recorded in equity and any changes in the fair value of such economic hedges are recorded in regulatory assets and liabilities. The changes in fair value of these instruments are then reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in interest rates.
- (d) WPDH Limited uses cross-currency swaps to hedge the interest payments and principal of its U.S. dollar-denominated senior notes with maturity dates ranging from December 2017 to December 2028. While PPL is exposed to changes in the fair value of these instruments, any change in the fair value of these instruments is recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in both interest rates and foreign currency exchange rates.
- (e) PPL utilizes various risk management instruments to adjust the mix of fixed and floating interest rates in its debt portfolio. The change in fair value of these instruments, as well as the offsetting change in the value of the hedged exposure of the debt, is reflected in earnings. Sensitivities represent a 10% adverse movement in interest rates.

Foreign Currency Risk

PPL is exposed to foreign currency risk, primarily through investments in U.K. affiliates. In addition, PPL's domestic operations may make purchases of equipment in currencies other than U.S. dollars. See Note 1 to the Financial Statements for additional information regarding foreign currency translation.

PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected earnings.

PPL had the following foreign currency hedges outstanding at:

	December 31, 2010			December 31, 2009		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Net investment hedges (b)	£ 35	\$ 7	(5)	£ 40	\$ 13	(6)
Economic hedges (c)	89	4	(10)	48	2	(4)

- (a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
- (b) To protect the value of a portion of its net investment in WPD, PPL executed forward contracts to sell British pounds sterling. The contracts outstanding at December 31, 2010 were settled in January 2011.
- (c) To economically hedge the translation of expected income denominated in British pounds sterling to U.S. dollars, PPL entered into a combination of average rate forwards and average rate options to sell British pounds sterling. The forwards and options outstanding at December 31, 2010 have termination dates ranging from January 2011 through December 2011.

NDT Funds - Securities Price Risk

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the Susquehanna nuclear station. At December 31, 2010, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL's Balance Sheet. The mix of securities is designed to provide returns sufficient to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are exposed to changes in interest rates. PPL actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At December 31, 2010, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated \$45 million reduction in the fair value of the trust assets, compared with \$40 million at December 31, 2009. See Notes 18 and 23 to the Financial Statements for additional information regarding the NDT funds.

Defined Benefit Plans - Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of securities price risk on plan assets.

Credit Risk

Credit risk is the risk that PPL would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL has concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact PPL's overall exposure to credit risk, positively or negatively, as counterparties may be

similarly affected by changes in economic, regulatory or other conditions.

PPL includes the effect of credit risk on its fair value measurements to reflect the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). In this case, PPL would have to sell into a lower-priced market or purchase from a higher-priced market. When necessary, PPL records an allowance for doubtful accounts to reflect the probability that a counterparty will not pay for deliveries PPL has made but not yet billed, which are reflected in "Unbilled revenues" on the Balance Sheets. PPL also has established a reserve with respect to certain sales to the California ISO for which PPL has not yet been paid, which is reflected in accounts receivable on the Balance Sheets. See Note 15 to the Financial Statements for additional information.

In 2007, the PUC approved PPL Electric's post-rate cap plan to procure default electricity supply for retail customers who do not choose an alternative competitive supplier in 2010. Pursuant to this plan, PPL Electric had contracted for all of the electric supply for customers who elected this service in 2010.

In June 2009, the PUC approved PPL Electric's procurement plan for the period January 2011 through May 2013. Through 2010, PPL Electric has conducted six of its 14 planned competitive solicitations.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2010, all of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See "Overview" in this Item 7 and Notes 15, 16, 18 and 19 to the Financial Statements for additional information on the competitive solicitations, the Agreement, credit concentration and credit risk.

Foreign Currency Translation

At December 31, 2010, the British pound sterling had weakened in relation to the U.S. dollar compared with the prior year end. Changes in these exchange rates resulted in a foreign currency translation loss of \$63 million for 2010, which primarily reflected a \$180 million reduction to PP&E offset by a reduction of \$117 million to net liabilities. At December 31, 2009, the British pound sterling had strengthened in relation to the U.S. dollar as compared with the prior year end. Changes in these exchange rates resulted in a foreign currency translation gain of \$106 million for 2009, which primarily reflected a \$225 million increase in PP&E offset by an increase of \$119 million to net liabilities. At December 31, 2008, the British pound sterling had weakened in relation to the U.S. dollar compared with the prior year end. Changes in these exchange rates resulted in a foreign currency translation loss of \$520 million for 2008, which primarily reflected a \$1.1 billion reduction to PP&E offset by a reduction of \$580 million to net liabilities.

Related Party Transactions

PPL is not aware of any material ownership interests or operating responsibility by senior management of PPL, PPL Energy Supply or PPL Electric in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL. See Note 16 to the Financial Statements for additional information on related party transactions.

Acquisitions, Development and Divestitures

See Note 10 to the Financial Statements for information on the acquisition of LKE.

With limited exceptions LKE took care, custody and control of TC2 on January 22, 2011, and has dispatched the unit to meet customer demand since that date. LG&E and KU and the contractor agreed to a further amendment of the construction agreement whereby the contractor will complete certain actions relating to identifying and completing any necessary modifications to allow operation of TC2 on all fuels in accordance with initial specifications prior to certain dates, and amending the provisions relating to liquidated damages. LKE cannot currently estimate the ultimate outcome of these matters. In addition, incremental capacity increases of 247 MW are currently planned, primarily at existing generating facilities. See "Item 2. Properties" for additional information.

Development projects are continuously reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options.

See Notes 8 and 9 to the Financial Statements for additional information on the more significant activities.

Environmental Matters

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

Competition

See "Item 1. Business - Competition" under each of PPL's reportable segments and "Item 1A. Risk Factors" for a discussion of competitive factors affecting PPL.

New Accounting Guidance

See Note 1 to the Financial Statements for a discussion of new accounting guidance adopted.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). PPL's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

1) Price Risk Management

See "Price Risk Management" in Note 1 to the Financial Statements as well as "Risk Management - Energy Marketing & Trading and Other" above.

2) Defined Benefits

PPL and certain of its subsidiaries sponsor various defined benefit pension and other postretirement plans applicable to the majority of the employees of PPL and its subsidiaries. PPL and certain of its subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to OCI or regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in OCI or regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- **Discount Rate** - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets** - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.
- **Rate of Compensation Increase** - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.
- **Health Care Cost Trend Rate** - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its U.S. defined benefit plans, PPL starts with an analysis of the expected benefit payment stream for its plans. This information is first matched against a spot-rate yield curve. A portfolio of 604 Aa-graded non-callable (or callable with make-whole provisions) bonds, with a total amount outstanding in excess of \$667 billion, serves as the base from which those with the lowest and highest yields are eliminated to develop the ultimate yield curve. The results of this analysis are considered together with other economic data and movements in various bond indices to determine the discount rate assumption. At December 31, 2010, PPL decreased the discount rate for its U.S. pension plans from 6.00% to 5.42% as a result of this assessment and decreased the discount rate for its other postretirement benefit plans from 5.81% to 5.14%.

A similar process is used to select the discount rate for the U.K. pension plans, which uses an iBoxx British pounds sterling denominated corporate bond index as its base. At December 31, 2010, the discount rate for the U.K. pension plans was decreased from 5.55% to 5.54% as a result of this assessment.

The expected long-term rates of return for PPL's U.S. defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption.

December 31, 2010, PPL's expected return on plan assets decreased from 8.00% to 7.25% for its U.S. pension plans and decreased from 7.00% to 6.56% for its other postretirement benefit plans. The expected long-term rates of return for PPL's U.K. pension plans have been developed by PPL management with assistance from an independent actuary using a best-estimate of expected returns, volatilities and correlations for each asset class. For the U.K. plans, PPL's expected return on plan assets decreased from 7.91% to 7.86% at December 31,

2010.

In selecting rates of compensation increase, PPL considers past experience in light of movements in inflation rates. At December 31, 2010, PPL's rate of compensation increase changed from 4.75% to 4.88% for its U.S. pension plans and 4.75% to 4.90% for its other postretirement benefit plans. For the U.K. plans, PPL's rate of compensation increase remained at 4.00% at December 31, 2010.

In selecting health care cost trend rates, PPL considers past performance and forecasts of health care costs. At December 31, 2010, PPL's health care cost trend rates were 9.00% for 2011, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LG&E, KU and PPL Electric. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI or regulatory assets and liabilities for LG&E, KU and PPL Electric by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2010, defined benefit plan liabilities were as follows.

Pension liabilities	\$	1,505
Other postretirement benefit liabilities		307

The following chart reflects the sensitivities in the December 31, 2010 Balance Sheet associated with a change in certain assumptions based on PPL's primary defined benefit plans.

Actuarial assumption	Increase (Decrease)			
	Change in assumption	Impact on defined benefit liabilities	Impact on OCI	Impact on regulatory assets
Discount Rate	(0.25)% \$	256 \$	(188) \$	68
Rate of Compensation Increase	0.25%	43	(32)	11
Health Care Cost Trend Rate (a)	1.00%	14	(8)	6

(a) Only impacts other postretirement benefits.

In 2010, PPL recognized net periodic defined benefit costs charged to operating expense of \$102 million. This amount represents a \$32 million increase from 2009. This increase in expense was primarily attributable to amortization of actuarial losses of the WPD pension plans in the U.K.

The following chart reflects the sensitivities in the 2010 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on PPL's primary defined benefit plans.

Actuarial assumption	Change in assumption	Impact on defined benefit costs
Discount Rate	(0.25)% \$	14
Expected Return on Plan Assets	(0.25)%	12
Rate of Compensation Increase	0.25%	6
Health Care Cost Trend Rate (a)	1.00%	2

(a) Only impacts other postretirement benefits.

3) Asset Impairment

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying value may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying value to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying value of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration

estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

or a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence of fair value. However, when market prices are unavailable, PPL considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

In 2010, impairments of certain long-lived assets were recorded. See Note 18 to the Financial Statements for a discussion of impairments related to certain sulfur dioxide emission allowances and certain non-core generation facilities.

Goodwill is tested for impairment at the reporting unit level. Reporting units have been determined to be at or one level below operating segments. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying value of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any.

The second step requires a calculation of the implied fair value of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

In 2010, no goodwill was required to be impaired. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of each reporting unit. For the discounted cash flows approach, a decrease in the forecasted cash flows of 10%, or an increase in the discount rate by 25 basis points, would not have resulted in an impairment of goodwill. For the market multiples approach, which is based on either current or forward trading multiples of comparable companies or precedent transactions, a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

In 2010 and 2009, \$5 million and \$3 million of goodwill allocated to discontinued operations was written off.

4) Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

In 2010, a significant adjustment to the contingency accrual related to the Montana hydroelectric streambed litigation was recorded. See Note 15 to the Financial Statements for additional information.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred. See Note 15 to the Financial Statements for disclosure of other potential loss contingencies that have not met the criteria for accrual.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has

diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.
- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

5) Asset Retirement Obligations

PPL is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. A conditional ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. In the case of LG&E and KU, estimated costs of removal for all assets are recovered in rates as a component of depreciation. Since costs of removal are collected in rates prior to payment of such costs, the accrual for these costs of removal is classified as a regulatory liability. The regulatory liability is relieved as costs are incurred. The depreciation and accretion expense related to an ARO is recorded as a regulatory asset. See Note 21 to the Financial Statements for further discussion of AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset. See Note 21 to the Financial Statements for a discussion of the remeasurement of the ARO for the decommissioning of the Susquehanna nuclear units in the third quarter of 2010, which resulted in a \$103 million reduction in the ARO primarily due to a decrease in estimated inflation rates.

At December 31, 2010, AROs totaling \$448 million were recorded on the Balance Sheet, of which \$13 million is included in "Other current liabilities." Of the total amount, \$270 million, or 60%, relates to the nuclear decommissioning ARO. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in any of these inputs could have a significant impact on the ARO liabilities.

The following table reflects the sensitivities related to the nuclear decommissioning ARO liability associated with a change in these assumptions as of December 31, 2010. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	<u>Change in Assumption</u>	<u>Impact on ARO Liability</u>
Retirement Cost	10%	\$27
Discount Rate	(0.25)%	\$25
Inflation Rate	0.25%	\$26

6) Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be de-recognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2010, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as \$28 million or decrease by up to \$226 million. This change could result from subsequent recognition, derecognition and/or changes

in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk (e.g. the potential for legislative extension of generation rate caps) and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future. See Note 5 to the Financial Statements for income tax disclosures, including the release of \$72 million of valuation allowances associated with state net operating loss carryforwards in 2010.

7) Regulatory Assets and Liabilities

Certain of PPL's subsidiaries are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities generally represent obligations to regulated customers for previous collections of costs that are expected to be refunded to customers in the future, or in certain cases, regulatory liabilities are recorded based on the understanding with the regulator that current rates are being set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-offs would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of the depreciation of PP&E and amortization of regulatory assets.

At December 31, 2010 and 2009, PPL had regulatory assets of \$1.2 billion and \$542 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices. At December 31, 2010 and 2009, PPL had regulatory liabilities of \$1.1 billion and \$84 million. The significant increase in regulatory assets and liabilities was primarily due to the acquisition of LKE in November 2010.

See "Business Combinations – Purchase Price Allocation" below for discussion of regulatory assets established by purchase accounting. See Note 3 to the Financial Statements for additional information on regulatory assets and liabilities.

8) Business Combinations – Purchase Price Allocation

On November 1, 2010 (acquisition date), PPL completed the acquisition of all of the limited liability company interests of LKE. In accordance with accounting guidance on business combinations, the identifiable assets acquired and the liabilities assumed were measured at fair value at the acquisition date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The excess of the purchase price over the estimated fair value of the identifiable net assets was recorded as goodwill.

The determination and allocation of fair value to the identifiable assets acquired and liabilities assumed was based on various assumptions and valuation methodologies requiring considerable management judgment, including estimates based on key assumptions of the acquisition, and historical and current market data. The most significant variables in these valuations were the discount rates, the number of years on which to base cash flow projections, as well as the assumptions and estimates used to determine cash inflows and outflows. Although the assumptions were reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

For purposes of measuring the fair value of the majority of PP&E and regulatory assets acquired and regulatory liabilities assumed, PPL determined that fair value was equal to net book value at the acquisition date, because LKE's operations are conducted in a regulated environment and the regulatory commissions allow for earning a rate of return on and recovery of the book value of a majority of the regulated asset bases at rates determined to be fair and reasonable. As there is no current prospect for deregulation in LKE's operating territory, it is expected that these operations will remain in a regulated environment for the foreseeable future; therefore, management has concluded that the use of these assets in the regulatory environment represents their highest and best use and a market participant would measure the fair value of these assets using the regulatory rate of return as the discount rate, thus resulting in fair value equal to book value.

The fair value of intangible assets and liabilities (e.g. contracts that have favorable or unfavorable terms relative to market), including coal

contracts and power purchase agreements, as well as emission allowances, have been reflected on the balance sheet with offsetting regulatory assets or liabilities. Prior to the acquisition, LKE recovered in customer rates the cost of coal contracts, power purchases and emission allowances and this rate treatment will continue after the acquisition. As a result, management believes the regulatory assets and liabilities created to offset the fair value adjustments meet the recognition criteria established by existing accounting guidance and eliminate any rate taking impact of the fair value adjustments. LKE's customer rates will continue to reflect these items (e.g. coal, purchased power, emission allowances) at their original contracted prices.

PPL also considered whether a separate fair value should be assigned to LKE's rights to operate within its various electric and natural gas distribution service territories but concluded that these rights only provided the opportunity to earn a regulated return and barriers to market entry, which in management's judgment is not considered a separately identifiable intangible asset under applicable accounting guidance; rather, it is considered going-concern value, or goodwill.

Goodwill related to the LKE acquisition of \$996 million was recorded at LG&E and KU. For purposes of goodwill impairment testing, the goodwill must be assigned to the reporting units that are expected to benefit from the acquisition. Both the Kentucky Regulated and the Supply segments are expected to benefit and the assignment of goodwill was \$662 million to the Kentucky Regulated segment and \$334 million to the Supply segment. The goodwill at the Kentucky Regulated segment reflects the expected going-concern element of LKE's existing business. This going-concern element reflects the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the ability of LKE to leverage its assembled workforce to take advantage of those growth opportunities and the attractiveness of stable, growing cash flows. Although no other assets or liabilities from the acquisition were assigned to the Supply segment, the Supply segment obtained a synergistic benefit attributed to the overall de-risking of the PPL portfolio, which enhanced PPL Energy Supply's credit profile, thereby increasing the value of the Supply segment. This increase in value resulted in the assignment of goodwill to the Supply segment.

See Note 10 to the Financial Statements for additional information regarding the acquisition.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The information provided in this Item 7 should be read in conjunction with PPL Energy Supply's Consolidated Financial Statements and the accompanying Notes. Terms and abbreviations are explained in the glossary. Dollars are in millions unless otherwise noted.

PPL Energy Supply is an energy company with headquarters in Allentown, Pennsylvania. Through its subsidiaries, PPL Energy Supply is primarily engaged in the generation and marketing of electricity in two key markets - the northeastern and northwestern U.S. - and, through 2010, in the delivery of electricity in the U.K. PPL Energy Supply's overall strategy is to achieve disciplined growth in energy supply margins while limiting volatility in both cash flows and earnings and to achieve stable, long-term growth in its regulated international electricity delivery business through efficient operations and strong customer and regulatory relations. More specifically, PPL Energy Supply's strategy for its competitive electricity generation and marketing business is to match energy supply with load, or customer demand, under contracts of varying lengths with creditworthy counterparties to capture profits while effectively managing exposure to energy and fuel price volatility, counterparty credit risk and operational risk. PPL Energy Supply's strategy for its regulated international electricity delivery business is to own and operate this business at the most efficient cost while maintaining high quality customer service and reliability.

In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements. See Note 24 for additional information. Certain information for periods subsequent to 2010 has been adjusted to eliminate amounts related to PPL Global.

To manage financing costs and access to credit markets, a key objective for PPL Energy Supply's business is to maintain a strong credit profile. PPL Energy Supply continually focuses on maintaining an appropriate capital structure and liquidity position. In addition, PPL Energy Supply has adopted financial and operational risk management programs that, among other things, are designed to monitor and manage its exposure to earnings and cash flow volatility related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units. See "Item 1A. Risk Factors" for more information concerning these and other material risks PPL Energy Supply faces in its businesses.

Refer to "Item 1. Business - Background" for descriptions of PPL Energy Supply's reportable segments, which are International Regulated (formerly International Delivery) and Supply. In 2010, there were no changes to these segments other than renaming the International Regulated segment.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" provides information concerning PPL Energy Supply's performance in implementing the strategies and managing the risks and challenges mentioned above. Specifically:

- "Results of Operations" provides an overview of PPL Energy Supply's operating results in 2010, 2009 and 2008, including a review of earnings, with details of results by reportable segment. It also provides a brief outlook for 2011.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL Energy Supply's liquidity position and credit profile, including its sources of cash (including bank credit facilities and sources of operating cash flow) and uses of cash (including contractual obligations and capital expenditure requirements) and the key risks and uncertainties that impact PPL Energy Supply's past and future liquidity position and financial condition. This subsection also includes rating agency actions on PPL Energy Supply's credit ratings.
- "Financial Condition - Risk Management - Energy Marketing & Trading and Other" provides an explanation of PPL Energy Supply's risk management programs relating to market risk and credit risk.
- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL Energy Supply and that require its management to make significant estimates, assumptions and other judgments.

See "Item 1. Business - Background - Segment Information - Pennsylvania Regulated Segment" for a discussion of the Customer Choice Act.

When comparing 2010 with 2009, certain line items on PPL Energy Supply's financial statements were impacted by the expiration of the full-requirement energy supply contracts. Overall, the expiration of generation rate caps had a significant positive impact on PPL Energy Supply's results of operations, financial condition and cash flows during 2010.

The primary impact of the expiration of generation rate caps and this contract is reflected in PPL Energy Supply's unregulated gross energy margins. See "Statement of Income Analysis" for an explanation of this non-GAAP financial measure. In 2010, PPL Energy Supply sold the majority of its generation supply under various wholesale and retail contracts at prevailing market rates at the time the contracts were executed. In 2009, the majority of generation produced by PPL Energy Supply's generation plants was sold to PPL Electric's customers as PLR supply under predetermined capped rates.

See "Regulatory Issues - Enactment of Financial Reform Legislation" in Note 15 for information on the Dodd-Frank Act.

Results of Operations

Tables analyzing changes in amounts between periods within "Segment Results" and "Statement of Income Analysis" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average foreign currency exchange rate.

Earnings

	2010	2009	2008
Net Income Attributable to PPL Energy Supply	\$ 861	\$ 246	\$ 768

The changes in Net Income Attributable to PPL Energy Supply from year to year were, in part, due to several special items that management considers significant. Details of these special items are provided within the review of each segment's earnings.

The year-to-year changes in significant earnings components, including unregulated gross energy margins by region and significant income statement line items, are explained in the "Statement of Income Analysis."

Segment Results

Net Income Attributable to PPL Energy Supply by segment was:

	2010	2009	2008
International Regulated Supply	\$ 261	\$ 243	\$ 290
Supply	600	3	478
Total	<u>\$ 861</u>	<u>\$ 246</u>	<u>\$ 768</u>

International Regulated Segment

The International Regulated segment primarily includes the electric distribution operations of WPD. See Note 9 to the Financial Statements for additional information on the sale of PPL's Latin American businesses in 2007. The International Regulated segment results in 2009 and 2008 reflect the classification of its Latin American businesses as Discontinued Operations.

International Regulated segment Net Income Attributable to PPL Energy Supply was:

	2010	2009	2008
Utility revenues	\$ 727	\$ 684	\$ 824
Energy-related businesses	34	32	33
Total operating revenues	<u>761</u>	<u>716</u>	<u>857</u>
Other operation and maintenance	182	140	186
Depreciation	117	115	134
Taxes, other than income	52	57	66
Energy-related businesses	17	16	14
Total operating expenses	<u>368</u>	<u>328</u>	<u>400</u>
Other Income (Expense) - net	3	(11)	17
Interest Expense	135	87	144
Income Tax Expense		20	45
Income (Loss) from Discontinued Operations		(27)	5
Net Income Attributable to PPL Energy Supply	<u>\$ 261</u>	<u>\$ 243</u>	<u>\$ 290</u>

The after-tax changes in Net Income Attributable to PPL Energy Supply between these periods were due to the following factors.

	2010 vs. 2009	2009 vs. 2008
U.K.		
Utility revenues	\$ 30	\$ 10
Other operation and maintenance	(34)	16
Other income (expense) - net	1	(7)
Depreciation	(2)	(4)
Interest expense	(36)	28
Income taxes	13	24
Foreign currency exchange rates	6	(69)
Other	5	(3)
Discontinued operations, excluding special item (Note 9)		(5)
U.S. income taxes	(32)	1
Other	7	(10)
Special items	60	(28)
Total	<u>\$ 18</u>	<u>\$ (47)</u>

U.K. utility revenues increased in 2010 compared with 2009, primarily due to price increases in April 2010 and 2009, partially offset by lower regulatory recovery due to a revised estimate of network electricity losses.

U.K. utility revenues increased in 2009 compared with 2008, due to higher regulatory recovery primarily due to a revised estimate of

network electricity losses and higher prices.

- U.K. other operation and maintenance increased in 2010 compared with 2009, primarily due to higher pension expense resulting from an increase in amortization of actuarial losses.
- U.K. other operation and maintenance decreased in 2009 compared with 2008, primarily due to lower pension cost resulting from an increase in discount rates and lower inflation rates.
- U.K. interest expense increased in 2010 compared with 2009, primarily due to higher inflation rates on index-linked Senior Unsecured Notes and interest expense related to the March 2010 debt issuance.
- U.K. interest expense decreased in 2009 compared with 2008, primarily due to lower inflation rates on index-linked Senior Unsecured Notes and lower debt balances.
- U.K. income taxes decreased in 2010 compared with 2009, primarily due to realized capital losses that offset a gain relating to a business activity sold in 1999, partially offset by favorable settlements of uncertain tax positions in 2009.
- U.K. income taxes decreased in 2009 compared with 2008, primarily due to HMRC's determination related to the valuation of a business activity sold in 1999 and to the deductibility of foreign currency exchange losses, partially offset by the settlement of uncertain tax positions and a change in the tax law in 2008.
- Changes in foreign currency exchange rates positively impacted U.K. earnings for 2010 compared with 2009, and negatively impacted U.K. earnings for 2009 compared with 2008. The weighted-average exchange rates for the British pound sterling were approximately \$1.56 in 2010, \$1.53 in 2009 and \$1.91 in 2008.
- U.S. income taxes increased in 2010 compared with 2009, primarily due to changes in the taxable amount of planned U.K. cash repatriations.

The following after-tax amounts, which management considers special items, also impacted the International Regulated segment's earnings.

	2010	2009	2008
Foreign currency-related economic hedges (a)	\$ 1	\$ 1	
Sales of assets:			
Latin American businesses (Note 9)		(27)	
Asset impairments		(1)	
Workforce reduction (Note 13)		(2)	(1)
Other:			
Change in U.K. tax rate (Note 5)	18		
U.S. Tax Court ruling (b)	12		
Total	<u>\$ 31</u>	<u>\$ (29)</u>	<u>\$ (1)</u>

(a) Represents unrealized gains on contracts that economically hedge anticipated earnings denominated in British pounds sterling.

(b) Represents the net tax benefit recorded as a result of the U.S. Tax Court ruling that the U.K. Windfall Profits Tax is creditable for U.S. tax purposes, excluding the reversal of accrued interest. See Notes 5 and 15 to the Financial Statements for additional information.

2011 Outlook

In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements. See Note 24 to the Financial Statements for additional information.

Supply Segment

The Supply segment primarily consists of the energy marketing and trading activities, as well as the competitive generation and development operations of PPL Energy Supply. In September 2010, certain PPL Energy Supply subsidiaries signed definitive agreements to sell their entire ownership interests in certain non-core generation facilities. The sale is expected to close in the first quarter of 2011, subject to the receipt of necessary regulatory approvals and third-party consents. The operating results of these facilities have been classified as Discontinued Operations. In 2010 and 2009, PPL Energy Supply subsidiaries also completed the sale of several businesses, which have been classified as Discontinued Operations. See Note 9 to the Financial Statements for additional information.

Supply segment Net Income Attributable to PPL Energy Supply was:

	2010	2009	2008
Energy revenues (a)	\$ 4,764	\$ 4,930	\$ 5,050
Energy-related businesses	364	379	478
Total operating revenues	<u>5,128</u>	<u>5,309</u>	<u>5,528</u>
Fuel and energy purchases (a)	2,449	3,657	3,178
Other operation and maintenance	979	921	876
Depreciation	236	195	165
Taxes, other than income	47	29	20
Energy-related businesses	<u>356</u>	<u>372</u>	<u>464</u>

Total operating expenses	4,067	5,174	4,703
Other Income (Expense) - net (b)	32	46	43
Other-Than-Temporary Impairments	3	18	36
Interest Expense	208	176	162
Income Taxes	262	3	256
Income (Loss) from Discontinued Operations	(19)	20	66
Net Income	601	4	480
Net Income Attributable to Noncontrolling Interests (Note 22)	1	1	2
Net Income Attributable to PPL Energy Supply	\$ 600	\$ 3	\$ 478

- (a) Includes impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements for additional information.
- (b) Includes interest income from affiliates.

The after-tax changes in Net Income Attributable to PPL Energy Supply between these periods were due to the following factors.

	2010 vs. 2009	2009 vs. 2008
Eastern U.S. non-trading margins	\$ 607	\$ (3)
Western U.S. non-trading margins	9	20
Net energy trading margins	(9)	81
Other operation and maintenance	(26)	(33)
Depreciation	(24)	(18)
Income taxes and other	81	(44)
Discontinued operations, excluding special items (Note 9)	13	(9)
Special items	(54)	(469)
Total	\$ 597	\$ (475)

- See "Unregulated Gross Energy Margins" in the "Statement of Income Analysis" section for an explanation of non-trading margins and net energy trading margins.
- Other operation and maintenance increased in 2010 compared with 2009, primarily due to increased payroll-related costs, higher contractor-related costs and other costs at Susquehanna. Also contributing to the increase were higher support group costs, higher expenses at western fossil/hydro plants due to the Corette overhaul and lease expense related to the use of the streambeds in Montana. See Note 15 to the Financial Statements for additional information on continuing litigation regarding the streambeds in Montana.

Other operation and maintenance increased in 2009 compared with 2008, primarily due to increased payroll-related costs, higher contractor-related costs and other costs at generation plants.

- Depreciation increased in 2010 compared with 2009, primarily due to the Brunner Island environmental equipment that was placed in service in 2009 and early 2010.

Depreciation increased in 2009 compared with 2008, primarily due to the scrubbers at Brunner Island and Montour and portions of the Susquehanna uprate projects that were placed in service in 2008 and 2009.

- Income taxes decreased in 2010 compared with 2009, primarily due to a release of valuation allowances related to deferred tax assets for Pennsylvania net operating loss carryforwards, investment tax credits at Holtwood and Rainbow, a release of tax reserves in 2010, and a tax benefit from the manufacturing deduction.

Income taxes increased in 2009 compared with 2008, in part due to lower domestic manufacturing deductions in 2009.

The following after-tax amounts, which management considers special items, also impacted the Supply segment's earnings.

	2010	2009	2008
Adjusted energy-related economic activity, net (a)	\$ (121)	\$ (225)	\$ 251
Sales of assets:			
Maine hydroelectric generation business (Note 9)	15	22	
Sundance indemnification	1		
Long Island generation business (b)		(33)	
Interest in Wyman Unit 4 (Note 9)		(4)	
Impairments:			
Impacts from emission allowances (c)	(10)	(19)	(25)
Adjustments - NDT investments (d)			(17)
Other asset impairments (e)		(4)	(15)
Workforce reduction (Note 13)		(6)	(1)
LKE acquisition-related costs:			
Monetization of certain full-requirement sales contracts (f)	(125)		
Anticipated sale of certain non-core generation facilities (g)	(64)		
Reduction of credit facility (Note 7)	(6)		
Other:			
Montana hydroelectric litigation (Note 15)	(34)	(3)	
Health Care Reform - tax impact (Note 13)	(5)		
Montana basin seepage litigation (Note 15)	2		(5)
Change in tax accounting method related to repairs (Note 5)		(21)	
Synfuel tax adjustment (Note 15)			(13)

Total	\$ (347)	\$ (293)	\$ 176
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- (a) See "Reconciliation of Economic Activity" below.
- (b) Consists primarily of the initial impairment charge recorded in June 2009 when this business was classified as held for sale. See Note 9 to the Financial Statements for additional information.
- (c) 2010 and 2009 include impairments of sulfur dioxide emission allowances. 2009 also includes a pre-tax gain of \$4 million related to the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options. See Note 18 to the Financial Statements for additional information.
- 2008 consists of charges related to annual nitrogen oxide allowances and put options. See Note 18 to the Financial Statements for additional information.
- (d) Represents other-than-temporary impairment charges on securities, including reversals of previous impairments when securities previously impaired were sold.
- (e) 2008 primarily consists of a pre-tax charge of \$22 million related to the Holtwood hydroelectric expansion project. See Note 8 to the Financial Statements for additional information.
- (f) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.
- (g) Consists primarily of an impairment charge recorded when these facilities were classified as held for sale, and allocated goodwill that was written off. See Note 9 to the Financial Statements for additional information.

Reconciliation of Economic Activity

The following table reconciles unrealized pre-tax gains (losses) from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements to the special item identified as "Adjusted energy-related economic activity, net."

	2010	2009	2008
Operating Revenues			
Unregulated retail electric and gas	\$ 1	\$ 6	\$ 5
Wholesale energy marketing	(805)	(229)	1,056
Operating Expenses			
Fuel	29	49	(79)
Energy Purchases	286	(155)	(553)
Energy-related economic activity (a)	(489)	(329)	429
Option premiums (b)	32	(54)	
Adjusted energy-related economic activity	(457)	(383)	429
Less: Unrealized economic activity associated with the monetization of certain full-requirement sales contracts (c)	(251)		
Adjusted energy-related economic activity, net, pre-tax	\$ (206)	\$ (383)	\$ 429
Adjusted energy-related economic activity, net, after-tax	\$ (121)	\$ (225)	\$ 251

- (a) The components of this item are from the table within "Commodity Price Risk (Non-trading) - Economic Activity" in Note 19 to the Financial Statements.
- (b) Adjustment for the net deferral and amortization of option premiums over the delivery period of the item that was hedged or upon realization. After-tax amount for 2010 was \$19 million and for 2009 was \$31 million.
- (c) See "Components of Monetization of Certain Full-Requirement Sales Contracts" below.

Components of Monetization of Certain Full-Requirement Sales Contracts

The following table provides the components of the "Monetization of Certain Full-Requirement Sales Contracts" special item.

	2010
Full-requirement sales contracts monetized (a)	\$ (68)
Economic activity related to the full-requirement sales contracts monetized	(146)
Monetization of certain full-requirement sales contracts, pre-tax (b)	\$ (214)
Monetization of certain full-requirement sales contracts, after-tax	\$ (125)

- (a) See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 to the Financial Statements for additional information.
- (b) Includes unrealized losses of \$251 million from the "Reconciliation of Economic Activity" table above. These amounts are reflected in "Wholesale energy marketing - Unrealized economic activity" and "Energy purchases - Unrealized economic activity" on the Statement of Income. Also includes net realized gains of \$37 million, which are reflected in "Wholesale energy marketing - Realized" and "Energy purchases - Realized" on the Statement of Income. This economic activity will continue to be realized through May 2013.

2011 Outlook

Excluding special items, lower earnings are projected from the Supply segment in 2011 compared with 2010 as a result of lower energy margins driven by lower energy and capacity prices in the East, higher average fuel costs, and higher operation and maintenance expense.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings.

Statement of Income Analysis --

Unregulated Gross Energy Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Unregulated Gross Energy Margins." "Unregulated Gross Energy Margins" is a single financial performance measure of PPL Energy Supply's competitive energy non-trading and trading activities. In calculating this measure, the Supply segment's energy revenues are offset by the cost of fuel and energy purchases, and adjusted for other related items. This performance measure is relevant to PPL Energy Supply due to the volatility of the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant swings in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. In addition, PPL Energy Supply excludes from "Unregulated Gross Energy Margins" energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of PPL Energy Supply's competitive generation assets, full-requirement and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in this energy-related economic activity is the ineffective portion of qualifying cash flow hedges, net losses on the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the net losses on the full-requirement sales contracts that were monetized, and included in unregulated gross energy margins over the delivery period that was hedged or upon realization. PPL Energy Supply believes that "Unregulated Gross Energy Margins" provides another criterion to make investment decisions. This performance measure is used, in conjunction with other information, internally by senior management and the Board of Directors of PPL to manage its competitive energy non-trading and trading activities. PPL's management also uses "Unregulated Gross Energy Margins" in measuring certain PPL corporate performance goals used in determining variable compensation.

This measure is not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and to report on the results of their operations. The following table reconciles "Operating Income" to "Unregulated Gross Energy Margins" as defined by PPL Energy Supply.

	2010	2009	2008
Operating Income (a)	\$ 1,454	\$ 523	\$ 1,282
Adjustments:			
Utility (a)	(727)	(684)	(824)
Energy-related businesses, net (b)	(25)	(23)	(33)
Other operation and maintenance (a)	1,161	1,061	1,062
Depreciation (a)	353	310	299
Taxes, other than income (a)	99	86	86
Revenue adjustments (c)	600	411	(868)
Expense adjustments (c)	(145)	47	560
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>

(a) As reported on the Statements of Income.

(b) Amount represents the net of "Energy-related businesses" revenue and expense as reported on the Statements of Income.

(c) The components of these adjustments are detailed in the table below.

The following table provides the income statement line items and other adjustments that comprise unregulated gross energy margins.

	2010	2009	Change	2009	2008	Change
Revenue						
Wholesale energy marketing (a)	\$ 4,027	\$ 2,955	\$ 1,072	\$ 2,955	\$ 3,194	(239)
Wholesale energy marketing to affiliate (a)	320	1,806	(1,486)	1,806	1,826	(20)
Unregulated retail electric and gas (a)	415	152	263	152	151	1
Net energy trading margins (a)	2	17	(15)	17	(121)	138
Revenue adjustments (b)						
Exclude impact from energy-related economic activity (c)	483	274	209	274	(1,061)	1,335
Include gains from sale of emission allowances/RECs (d)		2	(2)	2	6	(4)
Include revenue from Supply segment discontinued operations (e)	117	135	(18)	135	187	(52)
Total revenue adjustments	<u>600</u>	<u>411</u>	<u>189</u>	<u>411</u>	<u>(868)</u>	<u>1,279</u>
	<u>5,364</u>	<u>5,341</u>	<u>23</u>	<u>5,341</u>	<u>4,182</u>	<u>1,159</u>
Expense						
Fuel (a)	1,096	920	176	920	1,057	(137)
Energy purchases (a)	1,350	2,667	(1,317)	2,667	2,013	654
Energy purchases from affiliate (a)	3	70	(67)	70	108	(38)
Expense adjustments (b)						
Exclude impact from energy-related economic activity (f)	63	(109)	172	(109)	(632)	523
Include expenses from Supply segment discontinued operations (g)	33	22	11	22	37	(15)
Include ancillary charges (d)	24	19	5	19	15	4
Include gross receipts tax (h)	15		15			
Other	10	21	(11)	21	20	1
Total expense adjustments	<u>145</u>	<u>(47)</u>	<u>192</u>	<u>(47)</u>	<u>(560)</u>	<u>513</u>
	<u>2,594</u>	<u>3,610</u>	<u>(1,016)</u>	<u>3,610</u>	<u>2,618</u>	<u>992</u>
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,039</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>	<u>\$ 167</u>

(a) As reported on the Statements of Income.

(b) To include/exclude the impact of any revenues and expenses consistent with the way management reviews unregulated gross energy margins internally.

(c) See "Commodity Price Risk (Non-trading) – Economic Activity" in Note 19 to the Financial Statements for additional information. In addition, 2010 and 2009 includes a pre-

tax gain of \$28 million and a loss of \$51 million related to the amortization of option premiums, and in 2010 a realized gain of \$293 million related to the monetization of certain full-requirement sales contracts. These amounts are reflected in "Wholesale energy marketing – Realized" on the Statement of Income.

- (d) Included in "Other operation and maintenance" on the Statements of Income.
- (e) Represents the operating revenues of the Supply segment businesses classified as discontinued operations. See Note 9 to the Financial Statements for additional information.
- (f) See "Commodity Price Risk (Non-trading) – Economic Activity" in Note 19 to the Financial Statements for additional information. In addition, 2010 and 2009 include a pre-tax gain of \$4 million and a loss of \$3 million related to the amortization of option premiums, and in 2010 a realized loss of \$256 million related to the monetization of certain full-requirement sales contracts. These amounts are reflected in "Energy purchases – Realized" on the Statement of Income.
- (g) Represents fuel costs and energy purchases associated with the anticipated sale of certain non-core generation facilities that are classified as discontinued operations. See Note 9 to the Financial Statements for additional information.
- (h) Included in "Taxes, other than income" on the Statement of Income.

Unregulated Gross Energy Margins By Region

Unregulated gross energy margins are generated through non-trading and trading activities. The non-trading energy business is managed on a geographic basis that is aligned with its generation assets.

	2010	2009	Change	2009	2008	Change
Non-trading:						
Eastern U.S.	\$ 2,429	\$ 1,391	\$ 1,038	\$ 1,391	\$ 1,396	\$ (5)
Western U.S.	339	323	16	323	289	34
Net energy trading	2	17	(15)	17	(121)	138
Unregulated gross energy margins	<u>\$ 2,770</u>	<u>\$ 1,731</u>	<u>\$ 1,039</u>	<u>\$ 1,731</u>	<u>\$ 1,564</u>	<u>\$ 167</u>

Eastern U.S.

Eastern U.S. non-trading margins were higher in 2010 compared with 2009, primarily due to significantly higher pricing in 2010 for eastern baseload generation compared with prices realized under the PLR contract with PPL Electric that expired at the end of 2009. Partially offsetting the increase were lower realized margins from full-requirement sales contracts due to lower customer demand and customer migration.

Eastern U.S. non-trading margins were lower in 2009 compared with 2008, primarily due to lower margins on full-requirement sales contracts resulting from mild weather, decreased demand, and customer migration. Also contributing to the decrease were higher average baseload generation fuel costs, primarily due to higher coal prices. Partially offsetting these lower margins were net gains resulting from the settlement of economic positions associated with rebalancing portfolios to better align them with current strategies, higher capacity revenue, higher baseload generation output due to unplanned major outages in 2008, and an increase in the PLR sales prices in accordance with the PUC Final Order.

Western U.S.

Western U.S. non-trading margins were higher in 2010 compared with 2009, primarily due to higher average prices, partially offset by lower volumes.

Western U.S. non-trading margins were higher in 2009 compared with 2008, primarily due to higher wholesale volumes and increased generation from the hydroelectric units.

Net Energy Trading

Net energy trading margins decreased in 2010 compared with 2009, consisting of lower trading margins related to power and gas, partially offset by higher trading margins related to FTRs.

Net energy trading margins increased in 2009 compared with 2008, primarily due to increased margins in the power, gas and oil trading positions resulting from unrealized trading losses in 2008 due to a dramatic decline in energy prices and a severe contraction of liquidity in the wholesale power markets.

Utility Revenues

The changes in utility revenues were attributable to:

	2010 vs. 2009	2009 vs. 2008
U.K. electric delivery revenue	\$ 41	\$ 14
U.K. foreign currency exchange rates	2	(154)
Total	<u>\$ 43</u>	<u>\$ (140)</u>

U.K. electric delivery revenues increased in 2010 compared with 2009, primarily due to price increases in April 2010 and 2009, partially offset by lower regulatory recovery due to a revised estimate of network electricity losses.

U.K. electric delivery revenues increased in 2009 compared with 2008, primarily due to price increases in April 2009 and 2008, increased regulatory recovery due to a revised estimate of network electricity losses, and favorable changes in customer mix. These increases were partially offset by lower volumes due to unfavorable economic conditions, including industrial customers scaling back on production and a decrease in engineering and metering services performed for third parties.

Energy-Related Businesses

The changes in contributions from energy-related businesses were due to:

	2010 vs. 2009	2009 vs. 2008
Domestic mechanical business (a)	\$ (8)	\$ (6)
WPD (b)	2	(4)
Other	8	
Total	<u>\$ 2</u>	<u>\$ (10)</u>

(a) Primarily attributable to a decline in construction activity caused by the slowdown in the economy.

(b) Changes in contributions from U.K. energy-related businesses were primarily due to increases in remote metering business activity in 2010 and decreases related to changes in foreign currency exchange rates in 2009.

Other Operation and Maintenance

The changes in other operation and maintenance expenses were due to:

	2010 vs. 2009	2009 vs. 2008
Montana hydroelectric litigation (Note 15)	\$ 48	\$ 8
Defined benefit costs - U.K. (Note 13)	32	(16)
Other costs at Susquehanna nuclear plant	23	14
Outage costs at Susquehanna nuclear plant	8	
Uncollectible accounts	3	(8)
Other costs at fossil/hydroelectric plants	2	17
Outage costs at eastern fossil/hydroelectric plants		23
Impacts from emission allowances (a)	(16)	(9)
Workforce reductions (Note 13)	(13)	13
Allocation of certain corporate support group costs	(5)	16
Defined benefit costs - U.S. (Note 13)	(2)	11
U.K. foreign currency exchange rates	(1)	(24)
Impairment of cancelled generation expansion project in 2008 (Note 8)		(22)
Montana basin seepage litigation (Note 15)		(8)
Trademark royalty fees from a PPL subsidiary (Note 16)		(7)
Other - Domestic	7	(3)
Other - U.K.	14	(6)
Total	<u>\$ 100</u>	<u>\$ (1)</u>

(a) For the period 2010 compared to 2009, \$21 million relates to lower impairment charges of sulfur dioxide emission allowances. See Note 18 to the Financial Statements for additional information. Partially offsetting the decrease was a \$5 million increase in the charge for the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options.

For the period 2009 compared to 2008, \$33 million relates to lower impairment charges of nitrogen oxide allowances partially offset by \$37 million of higher impairment charges of sulfur dioxide allowances. See Note 18 to the Financial Statements for additional information. Also contributing to the difference was a \$13 million decrease in the charge for the settlement of a dispute regarding the sale of certain annual nitrogen oxide allowance put options.

Depreciation

The changes in depreciation expense were due to:

	2010 vs. 2009	2009 vs. 2008
Additions to PP&E (a)	\$ 43	\$ 40
U.K. foreign currency exchange rates		(25)
Other		(4)
Total	<u>\$ 43</u>	<u>\$ 11</u>

(a) Additions included Susquehanna generation uprates and the completion of Brunner Island environmental projects in 2008 through 2010 as well as the Montour scrubber project in 2008.

Taxes, Other Than Income

The changes in taxes, other than income were due to:

	2010 vs. 2009	2009 vs. 2008
Pennsylvania gross receipts tax (a)	\$ 15	
Domestic property tax expense (b)	1	\$ 10
U.K. foreign currency exchange rates		(12)
Other (c)	(3)	2
Total	<u>\$ 13</u>	<u>\$ 0</u>

The increase in 2010 compared with 2009 was primarily due to an increase in retail electricity sales by PPL EnergyPlus. This tax is included in "Unregulated Gross Energy Margins" above.

(b) The increase in 2009 compared with 2008 was primarily due to a \$7 million property tax credit recorded by PPL Montana in 2008.

(c) The decrease in 2010 compared with 2009 primarily relates to lower WPD real estate tax expense due to reductions in tax rates.

Other Income (Expense) - net

See Note 17 to the Financial Statements for details.

Other-Than-Temporary Impairments

Other-than-temporary impairments decreased by \$15 million in 2010 compared with 2009 and by \$18 million in 2009 compared with 2008. The decrease for both periods was primarily due to stronger returns on NDT investments caused by improved market conditions within the financial markets.

Interest Income from Affiliates

Interest income from affiliates increased by \$7 million in 2010 compared with 2009, primarily due to loans to LKE subsidiaries, which have been fully repaid as of December 31, 2010.

Interest income from affiliates decreased by \$12 million in 2009 compared with 2008, primarily due to the decline in the average balance outstanding and the floating interest rate on the collateral deposit related to the PLR contract.

Interest Expense

The changes in interest expense were due to:

	<u>2010 vs. 2009</u>	<u>2009 vs. 2008</u>
Interest on WPD debt issuance (Note 7)	\$ 25	
Inflation adjustment on U.K. Index-linked Senior Unsecured Notes	23	\$ (29)
Capitalized interest	12	12
Amortization of debt issuance costs	12	6
Montana hydroelectric litigation (Note 15)	10	
Hedging activities	3	(3)
U.K. foreign currency exchange rates	(3)	(17)
Other long-term debt interest expense	(1)	(15)
Short-term debt interest expense	(1)	6
Other		(3)
Total	<u>\$ 80</u>	<u>\$ (43)</u>

Income Taxes

The changes in income taxes were due to:

	<u>2010 vs. 2009</u>	<u>2009 vs. 2008</u>
Higher (lower) pre-tax book income	\$ 350	\$ (288)
State valuation allowance adjustments	(52)	
Federal income tax credits	(10)	(17)
Domestic manufacturing deduction	(8)	13
Federal and state tax reserve adjustments	(46)	(14)
Federal and state tax return adjustments	(21)	27
U.S. income tax on foreign earnings net of foreign tax credit	50	5
U.K. Finance Act adjustments	(18)	8
U.K. capital loss benefit		(46)
Foreign tax reserve adjustments	(17)	12
Foreign tax return adjustments		17
Health Care Reform	5	
Other	6	
	<u>\$ 239</u>	<u>\$ (278)</u>

See Note 5 to the Financial Statements for additional information on income taxes.

Discontinued Operations

See Note 9 to the Financial Statements for information related to various 2010 and 2009 sales, including the anticipated sale of certain non-core generation facilities expected to occur in the first quarter of 2011.

Financial Condition

Liquidity and Capital Resources

PPL Energy Supply expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents and its credit facilities. Additionally, subject to market conditions, PPL Energy Supply currently plans to access debt capital markets in 2011.

PPL Energy Supply's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- changes in market prices for electricity;
- changes in commodity prices that may increase the cost of producing power or decrease the amount PPL Energy Supply receives from selling power;
- operational and credit risks associated with selling and marketing products in the wholesale power markets;
- potential ineffectiveness of the trading, marketing and risk management policy and programs used to mitigate PPL Energy Supply's risk exposure to adverse electricity and fuel prices, interest rates and counterparty credit;
- reliance on transmission and distribution facilities that PPL Energy Supply does not own or control to deliver its electricity and natural gas;
- unavailability of generating units (due to unscheduled or longer-than-anticipated generation outages, weather and natural disasters) and the resulting loss of revenues and additional costs of replacement electricity;
- costs of compliance with existing and new environmental laws and with new security and safety requirements for nuclear facilities;
- any adverse outcome of legal proceedings and investigations with respect to PPL Energy Supply's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL Energy Supply's or its rated subsidiaries' credit ratings that could adversely affect their ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting PPL Energy Supply's cash flows.

At December 31, PPL Energy Supply had the following:

	2010	2009	2008
Cash and cash equivalents	\$ 661	\$ 245	\$ 464
Short-term investments (a)			150
	<u>\$ 661</u>	<u>\$ 245</u>	<u>\$ 614</u>
Short-term debt	<u>\$ 531</u>	<u>\$ 639</u>	<u>\$ 584</u>

(a) 2008 amount represents tax-exempt bonds issued by the PEDFA in December 2008 on behalf of PPL Energy Supply and purchased by a subsidiary of PPL Energy Supply upon issuance. Such bonds were refunded in April 2009. See Note 7 to the Financial Statements for further discussion.

The changes in PPL Energy Supply's cash and cash equivalents position resulted from:

	2010	2009	2008
Net cash provided by operating activities	\$ 1,840	\$ 1,413	\$ 1,039
Net cash used in investing activities	(825)	(551)	(1,696)
Net cash provided by (used in) financing activities	(612)	(1,081)	779
Effect of exchange rates on cash and cash equivalents	13		(13)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 416</u>	<u>\$ (219)</u>	<u>\$ 109</u>

Operating Activities

Net cash provided by operating activities increased by 30%, or \$427 million, in 2010 compared with 2009. The expiration of the long-term power purchase agreements between PPL Electric and PPL EnergyPlus at the end of 2009 enabled PPL EnergyPlus to sell power at higher market prices and had a positive impact on net income, and specifically on "unregulated gross energy margins" which increased over \$600 million, after-tax, in 2010 compared with 2009, and therefore, was the primary driver to the above increase. The positive impact of additional earnings was partially offset by a reduction in the amount of counterparty collateral received and by additional defined benefit plan contributions. In addition, changes in working capital in 2010 compared with 2009 offset the \$300 million impact of cash collateral received from PPL Electric in 2009 as discussed below.

Net cash provided by operating activities increased by 36%, or \$374 million, in 2009 compared with 2008, primarily as a result of the return of \$300 million in cash collateral from PPL Electric related to the long-term PLR energy supply agreements (which expired at the end of 2009); cash collateral received from counterparties; and the benefit of lower income tax payments due to the change in method of accounting for certain expenditures for tax purposes. These increases were partially offset by a decrease in accounts payable and the unfavorable impact of foreign currency exchange rates in 2009 compared with 2008.

A significant portion of PPL Energy Supply's operating cash flows is derived from its Supply segment baseload generation business activities. PPL Energy Supply employs a formal hedging program for its baseload generation fleet, the primary objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential of power price increases over the medium term. See Note 19 to the Financial Statements for further discussion. Despite its hedging practices, PPL Energy Supply expects its future cash flows to be more influenced by commodity prices than during the past years when long-term supply contracts were in place between PPL EnergyPlus and PPL Electric. In the near-term, PPL Energy Supply expects its Supply segment operating cash flows to decline as a result of lower commodity prices. In addition, in January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements. See Note 24 to the Financial Statements for additional information. As a result, PPL Energy Supply's cash from operating activities will also decline in future periods, as compared with prior periods.

PPL Energy Supply's contracts for the sale and purchase of electricity and fuel often require cash collateral or other credit enhancements, or reductions or terminations of a portion of the entire contract through cash settlement, in the event of a downgrade of PPL Energy Supply's or its

subsidiary's credit ratings or adverse changes in market prices. For example, in addition to limiting its trading ability, if PPL Energy Supply's or its subsidiary's ratings were lowered to below "investment grade" and there was a 10% adverse movement in energy prices, PPL Energy Supply estimates that, based on its December 31, 2010 positions, it would have had to post additional collateral of approximately \$348 million with respect to electricity and fuel contracts. PPL Energy Supply has in place risk management programs that are designed to monitor and manage its exposure to volatility of cash flows related to changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of its generating units.

Investing Activities

The primary use of cash in investing activities is capital expenditures. See "Forecasted Uses of Cash" for detail regarding capital expenditures in 2010 and projected expenditures for the years 2011 through 2015.

Net cash used in investing activities increased 50%, or \$274 million in 2010 compared with 2009, primarily as a result of a decrease of \$154 million from proceeds from the sale of other investments, a change of \$135 million from restricted cash and cash equivalents, and an increase of \$102 million in capital expenditures. The increase in cash used in investing activities from the above items was partially offset by the change in proceeds received from the sale of businesses, which are discussed in Note 9 to the Financial Statements and a change of \$28 million in other investing activities. PPL Energy Supply received proceeds of \$81 million from the sale of the majority of the Maine hydroelectric generation business in 2009, compared to proceeds of \$162 million received in 2010 from the sales of the Long Island generation business and the remaining Maine hydroelectric generation business assets.

Net cash used in investing activities decreased 68%, or \$1.1 billion in 2009 compared with 2008, primarily as a result of a change of \$371 million from restricted cash and cash equivalents, a change of \$249 million from purchases and sales of other investments, a change of \$244 million from purchases and sales of intangible assets, a decrease of \$207 million in capital expenditures and \$81 million of proceeds received in 2009 from the sale of the majority of the Maine hydroelectric generation business. See Note 1 to the Financial Statements for a discussion of restricted cash and cash equivalents and Note 7 to the Financial Statements for a discussion of the purchase and sale by a subsidiary of PPL Energy Supply of Exempt Facilities Revenue Bonds issued by the PEDFA on behalf of PPL Energy Supply and Note 9 to the Financial Statements for a discussion of the sale of the majority of the Maine hydroelectric generation business.

Financing Activities

Net cash used in financing activities was \$612 million in 2010 compared with \$1.1 billion in 2009 and net cash provided by financing activities of \$779 million in 2008. The change from 2009 to 2010 primarily reflects more long-term debt issuances, increased contributions from and distributions to Member, and less short-term borrowings in 2010. The change from 2008 to 2009 primarily reflects no issuances of long-term debt in 2009, reduced contributions from Member, increased distributions to Member and less short-term borrowings in 2009.

In 2010, cash used in financing activities primarily consisted of \$4.7 billion in distributions to Member, partially offset by \$3.6 billion in contributions from Member and net debt issuances of \$509 million. The distributions to and contributions from Member during 2010 primarily relate to the funds received by PPL in June 2010 from the issuance of common stock and Equity Units. These funds were invested by a subsidiary of PPL Energy Supply until they were returned to its Member in October 2010 to be available to partially fund the acquisition of LKE and pay certain acquisition-related fees and expenses.

In 2009, cash used in financing activities primarily consisted of \$943 million in distributions to Member and net debt retirements of \$177 million, partially offset by \$50 million in contributions from Member.

In 2008, cash provided by financing activities primarily consisted of net debt issuances of \$1.1 billion and \$421 million in contributions from Member, partially offset by \$750 million in distributions to Member.

See "Forecasted Sources of Cash" for a discussion of PPL Energy Supply's plans to issue debt securities, as well as a discussion of credit facility capacity available to PPL Energy Supply. Also see "Forecasted Uses of Cash" for information regarding maturities of PPL Energy Supply's long-term debt.

PPL Energy Supply's debt financing activity in 2010 was:

	<u>Issuances (a)</u>	<u>Retirements</u>
WPD Senior Unsecured Notes	\$ 597	
Other long-term debt	5	
PPL Energy Supply short-term debt (net change)	65	
WPD short-term debt (net change)		\$ (158)
Total	<u>\$ 667</u>	<u>\$ (158)</u>
Net increase	<u>\$ 509</u>	

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.

See Note 7 to the Financial Statements for more detailed information regarding PPL Energy Supply's financing activities in 2010.

Forecasted Sources of Cash

PPL Energy Supply expects to continue to have significant sources of cash available in the near term, including various credit facilities,

operating leases and contributions from Member. Additionally, PPL Energy Supply expects to have access to debt capital markets and currently plans to issue up to \$500 million in long-term debt securities in 2011, subject to market conditions.

Credit Facilities

At December 31, 2010, PPL Energy Supply's total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued (a)	Unused Capacity
PPL Energy Supply Domestic Credit Facilities (b)	\$ 3,500	\$ 350	\$ 185	\$ 2,965
WPDH Limited Credit Facility (c)	£ 150	£ 115	n/a	£ 35
WPD (South West) Credit Facility (d)	210	n/a	n/a	210
Total WPD Credit Facilities (e)	£ 360	£ 115	n/a	£ 245

- (a) The borrower under each of these facilities has a reimbursement obligation to the extent any letters of credit are drawn upon.
 (b) PPL Energy Supply has the ability to borrow \$3.0 billion under its credit facilities. Such borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior unsecured long-term debt rating. PPL Energy Supply also has the capability to cause the lenders to issue up to \$3.5 billion of letters of credit under these facilities, which issuances reduce available borrowing capacity. Subject to certain conditions, PPL Energy Supply may request that the capacity of one of its facilities be increased by up to \$500 million.

These credit facilities contain a financial covenant requiring debt to total capitalization not to exceed 65%. At December 31, 2010 and 2009, PPL Energy Supply's consolidated debt to total capitalization percentages, as calculated in accordance with its credit facilities, were 44% and 46%. The credit facilities also contain standard representations and warranties that must be made for PPL Energy Supply to borrow under them.

The commitments under PPL Energy Supply's domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 14% of the total committed capacity. The committed capacity expires as follows: \$300 million in 2011, \$200 million in 2013 and \$3.0 billion in 2014.

- (c) Borrowings under WPDH Limited's credit facility bear interest at LIBOR-based rates plus a spread, depending upon the company's public long-term credit rating. This credit facility contains financial covenants that require WPDH Limited to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and a RAB that exceeds total net debt by the higher of an amount equal to 15% of total net debt or £150 million, in each case as calculated in accordance with the credit facility. At December 31, 2010 and 2009, WPDH Limited's interest coverage ratios, as calculated in accordance with its credit facility, were 3.5 and 4.3. At December 31, 2010 and 2009, WPDH Limited's RAB, as calculated in accordance with the credit facility, exceeded its total net debt by £364 million, or 27%, and £325 million, or 25%.
 (d) Borrowings under WPD (South West)'s credit facility bear interest at LIBOR-based rates plus a margin. This credit facility contains financial covenants that require WPD (South West) to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of RAB, in each case as calculated in accordance with the credit facility. At December 31, 2010 and 2009, WPD (South West)'s interest coverage ratios, as calculated in accordance with the credit facility, were 3.6 and 5.3. At December 31, 2010 and 2009, WPD (South West)'s total net debt, as calculated in accordance with the credit facility, was 75% and 67% of RAB.
 (e) The commitments under WPD's credit facilities are provided by eight banks, with no one bank providing more than 25% of the total committed capacity. The committed capacity under the facilities expires as follows: £210 million in 2012 and £150 million in 2013.

At December 31, 2010, the unused capacity of WPD's credit facilities was approximately \$381 million.

In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to its parent, PPL Energy Funding. See Note 24 to the Financial Statements for additional information.

In addition to the financial covenants noted in the table above, the credit agreements governing the credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL Energy Supply monitors compliance with the covenants on a regular basis. At December 31, 2010, PPL Energy Supply was in material compliance with these covenants. At this time, PPL Energy Supply believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of PPL Energy Supply's credit facilities.

Operating Leases

PPL Energy Supply and its subsidiaries also have available funding sources that are provided through operating leases. PPL Energy Supply's subsidiaries lease office space, land, buildings and certain equipment. These leasing structures provide PPL Energy Supply additional operating and financing flexibility. The operating leases contain covenants that are typical for these agreements, such as maintaining insurance, maintaining corporate existence and timely payment of rent and other fees.

PPL Energy Supply, through its subsidiary PPL Montana, leases a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3, under four 36-year, non-cancelable operating leases. These operating leases are not recorded on PPL Energy Supply's Balance Sheets. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends. At this time, PPL Energy Supply believes that these restrictions will not limit access to these funding sources or cause acceleration or termination of the leases.

See Note 11 to the Financial Statements for further discussion of the operating leases.

Long-Term Debt Securities and Contributions from Member

Subject to market conditions, PPL Energy Supply currently plans to issue up to \$500 million in long-term debt securities in 2011. PPL Energy

Supply expects to use the proceeds from this issuance primarily to refund PPL Energy Supply's 2011 debt maturity.

From time to time, as determined by its Board of Directors, PPL Energy Supply's Member, PPL Energy Funding, makes capital contributions to PPL Energy Supply. PPL Energy Supply uses these contributions for general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, PPL Energy Supply currently expects to incur future cash outflows for capital expenditures, various contractual obligations, distributions to its Member and possibly the purchase or redemption of a portion of its debt securities.

Capital Expenditures

The table below shows PPL Energy Supply's actual spending for the year 2010 and current capital expenditure projections for the years 2011 through 2015. (Amounts related to PPL Global have been excluded for periods subsequent to 2010. See Note 24 to the Financial Statements for additional information.)

	Actual		Projected			
	2010	2011	2012	2013	2014	2015
Construction expenditures (a) (b)						
Generating facilities	\$ 550	\$ 625	\$ 513	\$ 398	\$ 202	\$ 366
Distribution facilities and other - WPD	286					
Environmental	40	48	53	99	147	64
Other	21	31	32	32	29	23
Total Construction Expenditures	897	704	598	529	378	453
Nuclear fuel	138	152	159	161	158	160
Total Capital Expenditures	\$ 1,035	\$ 856	\$ 757	\$ 690	\$ 536	\$ 613

(a) Construction expenditures include capitalized interest, which is expected to be approximately \$203 million for the years 2011 through 2015.

(b) Includes expenditures for certain intangible assets.

PPL Energy Supply's capital expenditure projections for the years 2011 through 2015 total approximately \$3.5 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. This table includes projected costs related to the planned 247 MW of incremental capacity increases. See Note 8 to the Financial Statements for information regarding the significant development projects.

PPL Energy Supply plans to fund its capital expenditures in 2011 with cash on hand and cash from operations.

Contractual Obligations

PPL Energy Supply has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2010, the estimated contractual cash obligations of PPL Energy Supply were: (Amounts related to PPL Global have been excluded for periods subsequent to 2010. See Note 24 to the Financial Statements for additional information.)

	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term Debt (a)	\$ 3,272	\$ 500	\$ 737	\$ 600	\$ 1,435
Interest on Long-term Debt (b)	1,862	204	343	222	1,093
Operating Leases (c)	828	105	213	204	306
Purchase Obligations (d)	4,908	1,197	1,554	754	1,403
Total Contractual Cash Obligations	\$ 10,870	\$ 2,006	\$ 2,847	\$ 1,780	\$ 4,237

(a) Reflects principal maturities only based on stated maturity dates, except for PPL Energy Supply's 5.70% Reset Put Securities (REPS). See Note 7 to the Financial Statements for a discussion of the remarketing feature related to the REPS, as well as discussion of variable-rate remarketable bonds issued on behalf of PPL Energy Supply. PPL Energy Supply does not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity, except for the REPS, for which interest is reflected to the put date. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.

(c) See Note 11 to the Financial Statements for additional information.

(d) The payments reflected herein are subject to change, as certain purchase obligations included are estimates based on projected obligated quantities and/or projected pricing under the contracts. Purchase orders made in the ordinary course of business are excluded from the amounts presented. The payments also include obligations related to nuclear fuel and the installation of the scrubbers, which are also reflected in the Capital Expenditures table presented above.

At December 31, 2010, total unrecognized tax benefits of \$183 million were excluded from this table as PPL Energy Supply cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Distributions to Member

From time to time, as determined by its Board of Managers, PPL Energy Supply makes return of capital distributions to its Member.

Purchase or Redemption of Debt Securities

PPL Energy Supply will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Credit Ratings

Moody's, S&P and Fitch periodically review the credit ratings on the debt securities of PPL Energy Supply and its subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of PPL Energy Supply and its subsidiaries are based on information provided by PPL Energy Supply and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL Energy Supply or its subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in PPL Energy Supply's or its subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets.

In prior periodic reports, PPL Energy Supply described its then-current debt ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a registrant's registration statement or section 10(a) prospectus, PPL Energy Supply is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to PPL Energy Supply's ratings, but without stating what ratings have been assigned to PPL Energy Supply or its subsidiaries, or their securities. The ratings assigned by the rating agencies to PPL Energy Supply and its subsidiaries and their respective securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is, hereby, explicitly not incorporated by reference in this report.

The rating agencies took the following actions related to PPL Energy Supply and its subsidiaries in 2010.

Moody's

Following PPL's then-announced agreement to acquire LKE, Moody's affirmed its senior unsecured notes credit rating and outlook for PPL Energy Supply in April 2010.

In August 2010, Moody's affirmed all of PPL Energy Supply's ratings.

S&P

Following PPL's then-announced agreement to acquire LKE, S&P took the following actions in April 2010:

- Revised the outlook of PPL Energy Supply;
- Revised the outlook of WPDH Limited, WPD (South Wales) and WPD (South West); and
- Affirmed its credit ratings for PPL Energy Supply, WPDH Limited, WPD (South Wales) and WPD (South West).

S&P stated in its press release that the change to the outlook for PPL Energy Supply considers the greater regulated mix that will result from PPL acquiring LKE, resulting in a pro forma "strong" consolidated business risk profile for PPL. S&P also stated that the revision in the outlook for WPD is a reflection of the change to PPL's outlook and is not a result of any change in WPD's stand-alone credit profile.

In October 2010, S&P took the following actions:

- Revised the outlook of PPL Energy Supply;
- Raised the issuer rating of PPL Energy Supply; and
- Raised the senior unsecured debt rating of PPL Energy Supply.

In November 2010, S&P affirmed its credit rating and revised the outlook for PPL Montana's Pass Through Certificates due 2020.

Fitch

Following PPL's then-announced agreement to acquire LKE, Fitch affirmed its credit ratings and outlook for PPL Energy Supply in April 2010.

In May 2010, Fitch affirmed its rating and issued an outlook for PPL Montana's Pass Through Certificates due 2020.

In October 2010, Fitch affirmed its credit ratings for and revised the outlook of WPDH Limited, WPD (South Wales) and WPD (South West).

Ratings Triggers

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the notes by Moody's, S&P or Fitch are withdrawn by any of the rating agencies or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution license under which WPD (South West) and WPD (South Wales) operate. These notes totaled £1.3 billion (approximately \$2.0 billion) at December 31, 2010.

PPL Energy Supply has various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements, and interest rate and foreign currency instruments, which contain provisions requiring PPL Energy Supply to post additional collateral, or permit the counterparty to terminate the contract, if PPL Energy Supply's credit rating were to fall below investment grade. See Note 19 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at December 31, 2010. At December 31, 2010, if PPL Energy Supply's credit rating had been below investment grade, PPL Energy Supply would have been required to prepay or post an additional \$347 million of collateral to counterparties for both derivative and non-derivative commodity and commodity-related contracts used in its generation, marketing and trading operations and interest rate and foreign currency contracts.

Guarantees for Subsidiaries

PPL Energy Supply guarantees certain consolidated affiliate financing arrangements that enable certain transactions. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, require early maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL Energy Supply believes that these covenants will not limit access to relevant funding sources. See Note 15 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements

PPL Energy Supply has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management - Energy Marketing & Trading and Other

Market Risk

See Notes 1, 18, and 19 to the Financial Statements for information about PPL Energy Supply's risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

PPL Energy Supply segregates its non-trading activities into two categories: hedge activity and economic activity. Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL Energy Supply's generation assets, full-requirement sales contracts and retail activities. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. (See Note 19 to the Financial Statements for additional information on hedge and economic activity). The net fair value of economic positions at December 31, 2010 and 2009 was a net liability of \$389 million and \$77 million.

To hedge the impact of market price volatility on PPL Energy Supply's energy-related assets, liabilities and other contractual arrangements, PPL Energy Supply sells and purchases physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. PPL Energy Supply's non-trading commodity derivative contracts mature at various times through 2017.

The following table sets forth the net fair value of PPL Energy Supply's non-trading commodity derivative contracts. See Notes 18 and 19 to the Financial Statements for additional information.

	<u>Gains (Losses)</u>	
	<u>2010</u>	<u>2009</u>
Fair value of contracts outstanding at the beginning of the period	\$ 1,280	\$ 402
Contracts realized or otherwise settled during the period	(490)	189
Fair value of new contracts entered into during the period	(5)	143
Changes in fair value attributable to changes in valuation techniques (a)	(23)	
Other changes in fair value	196	546
Fair value of contracts outstanding at the end of the period	<u>\$ 958</u>	<u>\$ 1,280</u>

(a) Amount represents the reduction of valuation reserves related to capacity and FTR contracts upon the adoption of fair value accounting guidance.

The following table segregates the net fair value of PPL Energy Supply's non-trading commodity derivative contracts at December 31, 2010 based on whether the fair value was determined by prices quoted in active markets for identical instruments or other more subjective means.

<u>Net Asset (Liability)</u>				
<u>Maturity Less Than</u>	<u>Maturity</u>	<u>Maturity</u>	<u>Maturity in Excess</u>	<u>Total Fair</u>

	1 Year	1-3 Years	4-5 Years	of 5 Years	Value
Source of Fair Value					
Prices based on significant other observable inputs	\$ 362	\$ 592	\$ 8	\$	\$ 962
Prices based on significant unobservable inputs	3	(29)	(4)	26	(4)
Fair value of contracts outstanding at the end of the period	\$ 365	\$ 563	\$ 4	\$ 26	\$ 958

PPL Energy Supply sells electricity, capacity and related services and buys fuel on a forward basis to hedge the value of energy from its generation assets. If PPL Energy Supply were unable to deliver firm capacity and energy or to accept the delivery of fuel under its agreements, under certain circumstances it could be required to pay liquidating damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their own counterparties) with which it has energy contracts and other factors could affect PPL Energy Supply's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although PPL Energy Supply attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future.

Commodity Price Risk (Trading)

PPL Energy Supply's trading contracts mature at various times through 2015. The following table sets forth changes in the net fair value of PPL Energy Supply's trading commodity derivative contracts. See Notes 18 and 19 to the Financial Statements for additional information.

	Gains (Losses)	
	2010	2009
Fair value of contracts outstanding at the beginning of the period	\$ (6)	\$ (75)
Contracts realized or otherwise settled during the period	(12)	2
Fair value of new contracts entered into during the period	39	31
Other changes in fair value	(17)	36
Fair value of contracts outstanding at the end of the period	\$ 4	\$ (6)

PPL Energy Supply will reverse unrealized gains of approximately \$2 million over the next three months as the transactions are realized.

The following table segregates the net fair value of PPL Energy Supply's trading commodity derivative contracts at December 31, 2010 based on whether the fair value was determined by prices quoted in active markets for identical instruments or other more subjective means.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices based on significant other observable inputs	\$ (1)	\$ 2	\$ 3	\$	\$ 4
Fair value of contracts outstanding at the end of the period	\$ (1)	\$ 2	\$ 3	\$	\$ 4

VaR Models

PPL Energy Supply utilizes a VaR model to measure commodity price risk in domestic gross energy margins for its non-trading and trading portfolios. VaR is a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level. PPL Energy Supply calculates VaR using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's conservative hedging program, PPL's non-trading VaR exposure is expected to be limited in the short term. At December 31, 2010 and December 31, 2009, the VaR for PPL Energy Supply's portfolios using end-of-month results for the period was as follows.

95% Confidence Level, Five-Day Holding Period	Trading VaR		Non-Trading VaR	
	2010	2009	2010	2009
Period End	\$ 1	\$ 3	\$ 5	\$ 8
Average for the Period	4	4	7	9
High	9	8	12	11
Low	1	1	4	8

The trading portfolio includes all speculative positions, regardless of the delivery period. All positions not considered speculative are considered non-trading. PPL Energy Supply's non-trading portfolio includes PPL Energy Supply's entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at December 31, 2010.

Interest Rate Risk

PPL Energy Supply and its subsidiaries have issued debt to finance their operations, which exposes them to interest rate risk. PPL and PPL Energy Supply utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in PPL Energy Supply's debt portfolio, adjust the duration of its debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of PPL Energy Supply's debt portfolio due to changes in the absolute level of interest rates.

At December 31, 2010 and 2009, PPL Energy Supply's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was not significant.

PPL Energy Supply is also exposed to changes in the fair value of its domestic and international debt portfolios. PPL Energy Supply estimated that a 10% decrease in interest rates at December 31, 2010 would increase the fair value of its debt portfolio by \$198 million, compared with \$187 million at December 31, 2009.

PPL Energy Supply had the following interest rate hedges outstanding at:

	December 31, 2010			December 31, 2009		
	Exposure Hedged	Fair Value, Net - Asset (a)	Effect of a 10% Adverse Movement in Rates (b)	Exposure Hedged	Fair Value, Net - Asset (a)	Effect of a 10% Adverse Movement in Rates (b)
Cash flow hedges						
Interest rate swaps (c)						
Cross-currency swaps (d)	\$ 302	\$ 35	\$(18)	\$ 302	\$ 8	\$(41)
Fair value hedges						
Interest rate swaps (e)						

(a) Includes accrued interest, if applicable.

(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.

(c) PPL and PPL Energy Supply utilize various risk management instruments to reduce PPL Energy Supply's exposure to the expected future cash flow variability of PPL Energy Supply's debt instruments. These risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financing. While PPL Energy Supply is exposed to changes in the fair value of these instruments, any changes in the fair value of these instruments are recorded in equity and then reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in interest rates.

(d) WPDH Limited uses cross-currency swaps to hedge the interest payments and principal of its U.S. dollar-denominated senior notes with maturity dates ranging from December 2017 to December 2028. While PPL Energy Supply is exposed to changes in the fair value of these instruments, any change in the fair value of these instruments is recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings. Sensitivities represent a 10% adverse movement in both interest rates and foreign currency exchange rates.

(e) PPL and PPL Energy Supply utilize various risk management instruments to adjust the mix of fixed and floating interest rates in PPL Energy Supply's debt portfolio. The change in fair value of these instruments, as well as the offsetting change in the value of the hedged exposure of the debt, is reflected in earnings. Sensitivities represent a 10% adverse movement in interest rates.

Foreign Currency Risk

PPL Energy Supply is exposed to foreign currency risk, primarily through investments in U.K. affiliates. In addition, PPL Energy Supply's domestic operations may make purchases of equipment in currencies other than U.S. dollars. See Note 1 to the Financial Statements for additional information regarding foreign currency translation.

PPL and PPL Energy Supply have adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL Energy Supply enters into financial instruments to protect against foreign currency translation risk of expected earnings.

PPL Energy Supply had the following foreign currency hedges outstanding at:

	December 31, 2010			December 31, 2009		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Net investment hedges (b)	£ 35	\$ 7	\$(5)	£ 40	\$ 13	\$(6)
Economic hedges (c)	89	4	(10)	48	2	(4)

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.

(b) To protect the value of a portion of PPL Energy Supply's net investment in WPD, PPL executed forward contracts to sell British pounds sterling. The contracts outstanding at December 31, 2010 were settled in January 2011.

(c) To economically hedge the translation of expected income denominated in British pounds sterling to U.S. dollars, PPL entered into a combination of average rate forwards and average rate options to sell British pounds sterling. The forwards and options outstanding at December 31, 2010 have termination dates ranging from January 2011 through December 2011.

NDT Funds - Securities Price Risk

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the Susquehanna nuclear station. At December 31, 2010, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL Energy Supply's Balance Sheet. The mix of securities is designed to provide returns sufficient to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are exposed to changes in interest rates. PPL actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At December 31, 2010, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated \$45 million reduction in the fair value of the trust assets, compared with \$40 million at December 31, 2009. See Notes 18 and 23 to the Financial Statements for additional information regarding the NDT funds.

Defined Benefit Plans - Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of securities price risk on plan assets.

Credit Risk

Credit risk is the risk that PPL Energy Supply would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL Energy Supply maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL Energy Supply has concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact PPL Energy Supply's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

PPL Energy Supply includes the effect of credit risk on its fair value measurements to reflect the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). In this case, PPL Energy Supply would have to sell into a lower-priced market or purchase from a higher-priced market. When necessary, PPL Energy Supply records an allowance for doubtful accounts to reflect the probability that a counterparty will not pay for deliveries PPL Energy Supply has made but not yet billed, which are reflected in "Unbilled revenues" on the Balance Sheets. PPL Energy Supply also has established a reserve with respect to certain sales to the California ISO for which PPL Energy Supply has not yet been paid, which is reflected in accounts receivable on the Balance Sheets. See Note 15 to the Financial Statements for additional information.

See "Overview" in this Item 7 and Notes 16, 18 and 19 to the Financial Statements for additional information on credit concentration and credit risk.

Foreign Currency Translation

At December 31, 2010, the British pound sterling had weakened in relation to the U.S. dollar compared with the prior year end. Changes in these exchange rates resulted in a foreign currency translation loss of \$63 million for 2010, which primarily reflected a \$180 million reduction to PP&E offset by a reduction of \$117 million to net liabilities. At December 31, 2009, the British pound sterling had strengthened in relation to the U.S. dollar as compared with the prior year end. Changes in these exchange rates resulted in a foreign currency translation gain of \$106 million for 2009, which primarily reflected a \$225 million increase in PP&E offset by an increase of \$119 million to net liabilities. At December 31, 2008, the British pound sterling had weakened in relation to the U.S. dollar compared with the prior year end. Changes in these change rates resulted in a foreign currency translation loss of \$520 million for 2008, which primarily reflected a \$1.1 billion reduction to PP&E offset by a reduction of \$580 million to net liabilities.

Related Party Transactions

PPL Energy Supply is not aware of any material ownership interests or operating responsibility by senior management of PPL Energy Supply in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Energy Supply. See Note 16 to the Financial Statements for additional information on related party transactions.

Acquisitions, Development and Divestitures

Incremental capacity increases of 247 MW are currently planned, primarily at existing generating facilities. See "Item 2. Properties - Supply Segment" for additional information.

Development projects are continuously reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options.

See Notes 8 and 9 to the Financial Statements for additional information on the more significant activities.

Environmental Matters

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

Competition

See "Item 1. Business - Competition" under the International Regulated and Supply segments and "Item 1A. Risk Factors" for a discussion of competitive factors affecting PPL Energy Supply.

New Accounting Guidance

See Note 1 to the Financial Statements for a discussion of new accounting guidance adopted.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed Note 1 to the Financial Statements). PPL's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

1) Price Risk Management

See "Price Risk Management" in Note 1 to the Financial Statements as well as "Risk Management - Energy Marketing & Trading and Other" above.

2) Defined Benefits

PPL Energy Supply subsidiaries sponsor various defined benefit pension and other postretirement plans and participate in and are allocated a significant portion of the liability and net periodic defined benefit costs of plans sponsored by PPL Services based on participation in those plans. PPL Energy Supply subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to OCI. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL Services and PPL Energy Supply make certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in OCI. These amounts in AOCI are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- **Discount Rate** - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets** - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.
- **Rate of Compensation Increase** - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.
- **Health Care Cost Trend Rate** - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its U.S. defined benefit plans, PPL Services and PPL Energy Supply start with an analysis of the expected benefit payment stream for their plans. This information is first matched against a spot-rate yield curve. A portfolio of 604 Aa-graded non-callable (or callable with make-whole provisions) bonds, with a total amount outstanding in excess of \$667 billion, serves as the base from which those with the lowest and highest yields are eliminated to develop the ultimate yield curve. The results of this analysis are considered together with other economic data and movements in various bond indices to determine the discount rate assumption. At December 31, 2010, PPL Services and PPL Energy Supply decreased the discount rate for their U.S. pension plans from 6.00% to 5.41% and 5.47%, respectively, as a result of this assessment. PPL Services decreased the discount rate for its other postretirement benefit plans from 5.81% to 5.16% and PPL Energy Supply decreased the discount rate for its other postretirement benefit plans from 5.55% to 4.95%.

A similar process is used to select the discount rate for the U.K. pension plans, which uses an iBoxx British pounds sterling denominated corporate bond index as its base. At December 31, 2010, the discount rate for the U.K. pension plans was decreased from 5.55% to 5.54% as a result of this assessment.

The expected long-term rates of return for PPL Services and PPL Energy Supply's U.S. defined benefit pension and other postretirement benefit plans have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption.

At December 31, 2010, PPL Services' expected return on plan assets decreased from 8.00% to 7.25% for its U.S. pension plans and decreased from 7.00% to 6.45% for PPL's other postretirement benefit plans. The expected long-term rates of return for PPL and PPL Energy Supply's U.K. pension plans have been developed by PPL management with assistance from an independent actuary using a best-estimate of expected returns, volatilities and correlations for each asset class. For the U.K. plans, PPL and PPL Energy Supply's expected return on plan assets increased from 7.91% to 7.86% at December 31, 2010.

In selecting a rate of compensation increase, PPL Energy Supply considers past experience in light of movements in inflation rates. At December 31, 2010, PPL Services and PPL Energy Supply's rate of compensation increase remained at 4.75% for their U.S. plans. For the U.K. plans, PPL and PPL Energy Supply's rate of compensation increase remained at 4.00% at December 31, 2010.

In selecting health care cost trend rates, PPL Services and PPL Energy Supply consider past performance and forecasts of health care costs. At December 31, 2010, PPL Services' and PPL Energy Supply's health care cost trend rates were 9.00% for 2011, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and OCI by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2010, defined benefit plan liabilities were as follows.

Pension liabilities	\$	619
Other postretirement benefit liabilities		73

The following chart reflects the sensitivities in the December 31, 2010 Balance Sheet associated with a change in certain assumptions based on PPL Services' and PPL Energy Supply's primary defined benefit plans.

Actuarial assumption	Change in assumption	Increase (Decrease)	
		Impact on defined benefit liabilities	Impact on OCI
Discount Rate	(0.25)%	\$ 149	\$ (149)
Rate of Compensation Increase	0.25%	23	(23)
Health Care Cost Trend Rate (a)	1.00%	1	(1)

(a) Only impacts other postretirement benefits.

In 2010, PPL Energy Supply was allocated and recognized net periodic defined benefit costs charged to operating expense of \$52 million. This amount represents a \$29 million increase from 2009. This increase in expense was primarily attributable to amortization of actuarial losses of the WPD pension plans in the U.K.

The following chart reflects the sensitivities in the 2010 Statement of Income (excluding income tax effects) associated with a change in certain assumptions based on PPL's and PPL Energy Supply's primary defined benefit plans.

Actuarial assumption	Change in assumption	Impact on defined benefit costs
Discount Rate	(0.25)%	\$ 12
Expected Return on Plan Assets	(0.25)%	9
Rate of Compensation Increase	0.25%	4
Health Care Cost Trend Rate (a)	1.00%	1

(a) Only impacts other postretirement benefits.

3) Asset Impairment

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying value may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current-period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying value to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of long-lived assets, the fair value of the assets and management's intent to use the assets. Alternate courses of action are considered to recover the carrying value of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used that test consider the likelihood of possible outcomes that existed at the balance sheet date, including the assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in significantly different results than those identified and recorded in the financial statements.

For a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

— or determining fair value, quoted market prices in active markets are the best evidence of fair value. However, when market prices are unavailable, PPL considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and applying appropriate discount rates to determine the present value of the cash flow streams.

In 2010, impairments of certain long-lived assets were recorded. See Note 18 to the Financial Statements for a discussion of impairments related to certain sulfur dioxide emission allowances and certain non-core generation facilities.

Goodwill is tested for impairment at the reporting unit level. Reporting units have been determined to be at or one level below operating segments. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying value of the reporting unit may be greater than the unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any.

The second step requires a calculation of the implied fair value of goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

In 2010, no goodwill was required to be impaired. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of each reporting unit. For the discounted cash flows approach, a decrease in the forecasted cash flows of 10%, or an increase in the discount rate by 25 basis points, would not have resulted in an impairment of goodwill. For the market multiples approach, which is based on either current or forward trading multiples of comparable companies or precedent transactions, a 10% decrease in the multiples would not have resulted in an impairment of goodwill.

In 2010 and 2009, \$5 million and \$3 million of goodwill allocated to discontinued operations was written off.

4) Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

In 2010, a significant adjustment to the contingency accrual related to the Montana hydroelectric streambed litigation was recorded. See Note 15 to the Financial Statements for additional information.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred. See Note 15 to the Financial Statements for disclosure of other potential loss contingencies that have not met the criteria for accrual.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

5) Asset Retirement Obligations

PPL Energy Supply is required to recognize a liability for legal obligations associated with the retirement of long-lived assets. The initial obligation should be measured at its estimated fair value. A conditional ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. See Note 21 to the Financial Statements for further discussion of AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset. See Note 21 to the Financial Statements for a discussion of the remeasurement of the ARO for the decommissioning of the Susquehanna nuclear units in the third quarter of 2010, which resulted in a \$103 million reduction in the ARO primarily due to a decrease in estimated inflation rates.

At December 31, 2010, AROs totaling \$345 million were recorded on the Balance Sheet, of which \$13 million is included in "Other current liabilities." Of the total amount, \$270 million, or 78%, relates to the nuclear decommissioning ARO. The most significant assumptions surrounding AROs are the forecasted retirement costs, the discount rates and the inflation rates. A variance in any of these inputs could have a significant impact on the ARO liabilities.

The following table reflects the sensitivities related to the nuclear decommissioning ARO liability associated with a change in these assumptions as of December 31, 2010. There is no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of changing the assumptions. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Change in Assumption	Impact on ARO Liability
Retirement Cost	10%	\$27
Discount Rate	(0.25)%	\$25
Inflation Rate	0.25%	\$26

6) Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be de-recognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2010, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as \$1 million or decrease by up to \$181 million. This change could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain

tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk (e.g. the potential for legislative extension of generation rate caps) and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future. See Note 5 to the Financial Statements for income tax disclosures, including the release of \$52 million of valuation allowances associated with state net operating loss carryforwards in 2010.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The information provided in this Item 7 should be read in conjunction with PPL Electric's Consolidated Financial Statements and the accompanying Notes. Terms and abbreviations are explained in the glossary. Dollars are in millions unless otherwise noted.

PPL Electric is an electricity delivery service provider in eastern and central Pennsylvania with headquarters in Allentown, Pennsylvania. Refer to "Item 1. Business - Background" for a description of its business. PPL Electric's strategy and principal challenge is to own and operate its electricity delivery business at the most efficient cost while maintaining high quality customer service and reliability. Because PPL Electric's electricity delivery business is rate-regulated, it is subject to regulatory risk with respect to costs that may be recovered and investment returns that may be collected through customer rates.

To manage financing costs and access to credit markets, a key objective for PPL Electric's business is to maintain a strong credit profile. PPL Electric continually focuses on maintaining an appropriate capital structure and liquidity position. See "Item 1A. Risk Factors" for more information concerning these and other material risks PPL Electric faces in its business.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" provides information concerning PPL Electric's performance in implementing the strategies and managing the risks and challenges mentioned above. Specifically:

- "Results of Operations" provides an overview of PPL Electric's operating results in 2010, 2009 and 2008, including a review of earnings. It also provides a brief outlook for 2011.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of PPL Electric's liquidity position and credit profile, including its sources of cash (including bank credit facilities and sources of operating cash flow) and uses of cash (including contractual obligations and capital expenditure requirements) and the key risks and uncertainties that impact PPL Electric's past and future liquidity position and financial condition. This subsection also includes rating agency actions on PPL Electric's credit ratings.
- "Financial Condition - Risk Management" provides an explanation of PPL Electric's risk management programs relating to market risk and credit risk.
- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL Electric and that require its management to make significant estimates, assumptions and other judgments.

See "Item 1. Business - Background - Segment Information - Pennsylvania Regulated Segment" for a discussion of PPL Electric's PLR obligations, PPL Electric's agreement to provide electricity as a PLR at "capped" rates through the end of 2009, and plans for default electricity supply procurement after 2009.

When comparing 2010 with 2009, certain line items on PPL Electric's financial statements were impacted by the Customer Choice Act, Act 129 and other related issues. The expiration of generation rate caps, the resulting competitive solicitations for power supply, the migration of customers to alternative suppliers, the Customer Choice Act and Act 129 had minimal impact on Pennsylvania gross delivery margins, as approved recovery mechanisms allow for cost recovery of associated expenses, including the cost of energy provided as a PLR. However, PPL Electric's 2010 Pennsylvania gross delivery margins were negatively impacted by the expiration of CTC recovery in December 2009. PPL Electric continues to remain the delivery provider for all customers in its service territory and charge a regulated rate for the service of delivering electricity.

See "Statement of Income Analysis - Pennsylvania Gross Delivery Margins" for additional information.

Results of Operations

Earnings

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
Net Income Available to PPL Corporation	\$	115	\$	124	\$	158

The after-tax changes in Net Income Available to PPL Corporation between these periods were due to the following factors, including several special items that management considers significant. Details of these special items are provided below.

	<u>2010 vs. 2009</u>		<u>2009 vs. 2008</u>	
Pennsylvania gross delivery margins	\$	2	\$	(18)
Other operation and maintenance		(29)		3
Interest expense		11		(12)
Income taxes and other		(2)		2
Special items		9		(9)
	\$	(9)	\$	(34)

- See "Pennsylvania Gross Delivery Margins by Component" in the "Statement of Income Analysis" section for an explanation of margins generated by the regulated electric delivery operations.
- Other operation and maintenance increased in 2010 compared with 2009, primarily due to higher payroll-related costs and higher contractor costs related to vegetation management.
- Interest expense decreased in 2010 compared with 2009, primarily due to lower average debt balances in 2010 compared with 2009 and the interest related to the over-recovery of recoverable transition costs.

Interest expense increased in 2009 compared with 2008, primarily due to \$400 million of debt issuances in October 2008 that prefunded a portion of August 2009 debt maturities.

The following after-tax amounts, which management considers special items, also impacted earnings.

	<u>2009</u>
Asset impairments	\$ (1)
Workforce reduction (Note 13)	(5)
Other:	
Change in tax accounting method related to repairs (Note 5)	(3)
Total	<u>\$ (9)</u>

2011 Outlook

Excluding special items, higher earnings are projected in 2011 compared with 2010, due to higher distribution revenues resulting from an approved distribution base rate increase effective January 1, 2011.

Earnings beyond 2010 are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7 and Note 15 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact future earnings. See "Item 1. Business - Segment Information - Pennsylvania Regulated Segment" for additional information on the 2010 rate case.

Statement of Income Analysis --

Pennsylvania Gross Delivery Margins

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as a non-GAAP financial measure, "Pennsylvania Gross Delivery Margins." "Pennsylvania Gross Delivery Margins" is a single financial performance measure of PPL Electric's Pennsylvania regulated electric delivery operations, which includes transmission and distribution activities, including PLR supply. In calculating this measure, Pennsylvania regulated utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset. These mechanisms allow for full cost recovery of certain expenses; therefore, certain expenses and revenues offset with minimal impact on earnings. As a result, this measure represents the net revenues from PPL Electric's Pennsylvania regulated electric delivery operations. This performance measure is used, in conjunction with other information, internally by senior management and PPL's Board of Directors to manage its Pennsylvania regulated electric delivery operations. PPL Electric believes that "Pennsylvania Gross Delivery Margins" provides another criterion to make investment decisions.

This measure is not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and to report on the results of their operations. The following table reconciles "Operating Income" to "Pennsylvania Gross Delivery Margins" as defined by PPL Electric.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Income (a)	\$ 284	\$ 329	\$ 375
Adjustments:			
Other operation and maintenance (a)	502	417	410
Depreciation (a)	136	128	131
Taxes, other than income (a)	138	194	203
Expense adjustments (b)	(205)	(216)	(236)
Pennsylvania gross delivery margins	<u>\$ 855</u>	<u>\$ 852</u>	<u>\$ 883</u>

(a) As reported on the Statements of Income.

(b) The components of these adjustments are detailed in the table below.

The following table provides the income statement line items and other adjustments that comprise Pennsylvania gross delivery margins.

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue						
Retail electric (a)	\$ 2,448	\$ 3,218	\$ (770)	\$ 3,218	\$ 3,290	\$ (72)
Wholesale electric to affiliate (a)	7	74	(67)	74	111	(37)
	<u>2,455</u>	<u>3,292</u>	<u>(837)</u>	<u>3,292</u>	<u>3,401</u>	<u>(109)</u>

Expense						
Energy purchases (a)	1,075	114	961	114	163	(49)
Energy purchases from affiliate (a)	320	1,806	(1,486)	1,806	1,826	(20)
Amortization of recoverable transition costs (a)		304	(304)	304	293	11
Expense adjustments (b)						
Include gross receipts tax (c)	129	186	(57)	186	198	(12)
Include Act 129 (d)	54		54			
Other	22	30	(8)	30	38	(8)
Total expense adjustments	205	216	(11)	216	236	(20)
	1,600	2,440	(840)	2,440	2,518	(78)
Pennsylvania gross delivery margins	\$ 855	\$ 852	\$ 3	\$ 852	\$ 883	\$ (31)

- (a) As reported on the Statements of Income.
(b) To include/exclude the impact of any revenues and expenses consistent with the way management reviews Pennsylvania gross delivery margins internally.
(c) Included in "Taxes, other than income" on the Statements of Income.
(d) Included in "Other operation and maintenance" on the Statement of Income.

Pennsylvania Gross Delivery Margins by Component

Pennsylvania gross delivery margins are generated through domestic regulated electric distribution activities, including PLR supply, and transmission activities.

	2010	2009	Change	2009	2008	Change
Distribution	\$ 679	\$ 702	\$ (23)	\$ 702	\$ 731	\$ (29)
Transmission	176	150	26	150	152	(2)
Pennsylvania gross delivery margins	\$ 855	\$ 852	\$ 3	\$ 852	\$ 883	\$ (31)

Distribution

The decrease in 2010 compared with 2009 was primarily due to margins realized in 2009 related to the collection of CTC, which ended in December 2009, partially offset by favorable recovery mechanisms for certain energy related costs.

The decrease in 2009 compared with 2008 was primarily due to lower CTC/ITC margins in 2009, ITC collections ended in 2008. Lower margins were also attributable to unfavorable economic conditions, including industrial customers scaling back on production. In addition, weather had an unfavorable impact on sales volumes, offset by favorable price increases.

Transmission

The increase in 2010 compared with 2009 was primarily due to increased investment in rate base, an increase in the cost of capital due to an increase in equity and the recovery of additional costs through FERC formula-based rates.

Other Operation and Maintenance

The changes in other operation and maintenance expenses were due to:

	2010 vs. 2009	2009 vs. 2008
Act 129 costs incurred (a)	\$ 54	
Vegetation management costs (b)	13	\$ (5)
Payroll-related costs	13	3
Contractor-related expenses	7	(2)
Allocation of certain corporate support group costs	6	
PUC-reportable storm costs, net of insurance recovery	5	(8)
Uncollectible accounts	3	7
Customer education programs	3	(2)
Ancillary charges (c)	(11)	1
Workforce reduction (Note 13)	(9)	9
Employee benefits	(4)	5
Other	5	(1)
Total	\$ 85	\$ 7

- (a) Relates to costs associated with a PUC-approved energy efficiency and conservation plan. These costs are recovered in customer rates. See "Regulatory Issues - Pennsylvania Activities" in Note 15 to the Financial Statements for additional information on this plan. These costs are included in "Pennsylvania Gross Delivery Margins" above.
(b) In 2010, PPL Electric increased its vegetation management around its 230- and 500-kV major transmission lines in response to federal reliability requirements for transmission vegetation management. See "Regulatory Issues - Energy Policy Act of 2005 - Reliability Standards" in Note 15 to the Financial Statements for additional information.
(c) Prior to 2010, these charges were assessed to load serving entities (LSE), and PPL Electric was considered the LSE. In 2010, PPL Electric was not billed directly for these charges. The individual PLR generation suppliers incurred these costs and billed PPL Electric as part of the bundled price of PLR supply. Such costs are reflected in energy purchases.

Taxes, Other Than Income

Taxes, other than income decreased by \$56 million in 2010 compared with 2009. The decrease was primarily due to lower Pennsylvania gross receipts tax expense due to a decrease in electricity revenue as customers chose alternate suppliers in 2010.

Taxes, other than income decreased by \$9 million in 2009 compared with 2008. The decrease was primarily due to a \$12 million decrease in

Pennsylvania gross receipts tax expense, which reflects a decrease in the tax rate in 2009.

Depreciation

Depreciation increased by \$8 million in 2010 compared with 2009, primarily due to PP&E additions.

Other Income (Expense) - net

See Note 17 to the Financial Statements for details.

Interest Income from Affiliate

Interest income from affiliate decreased by \$5 million in 2009 compared with 2008. This decrease was the result of a reduced average balance outstanding on a note receivable from an affiliate and a lower average rate on this note due to a floating interest rate.

Financing Costs

The changes in financing costs, which includes "Interest Expense", "Interest Expense with Affiliate" and "Distributions on Preferred Securities," were due to:

	<u>2010 vs. 2009</u>	<u>2009 vs. 2008</u>
Long-term debt interest expense (a)	\$ (16)	\$ 24
Repayment of transition bonds		(13)
Interest on PLR contract collateral (Note 16)	(2)	(8)
Distributions on preferred securities	2	
Recoverable transition costs	(3)	3
Other	2	1
Total	<u>\$ (17)</u>	<u>\$ 7</u>

(a) The decrease in 2010 compared with 2009 was primarily due to long-term debt retirements in the third quarter of 2009. The increase in 2009 compared with 2008 was primarily due to \$400 million of debt issuances in October 2008 that prefunded a portion of August 2009 debt maturities.

Income Taxes

The changes in income taxes were due to:

	<u>2010 vs. 2009</u>	<u>2009 vs. 2008</u>
Lower pre-tax book income	\$ (13)	\$ (19)
Federal and state tax reserve adjustments	(5)	(2)
Federal and state tax return adjustments	(5)	(2)
Other	1	
	<u>\$ (22)</u>	<u>\$ (23)</u>

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

Liquidity and Capital Resources

PPL Electric continues to focus on maintaining a strong credit profile and liquidity position. PPL Electric expects to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents and its credit facilities. Additionally, PPL Electric currently plans to access debt capital markets in 2011, subject to market conditions.

PPL Electric's cash flows from operations and access to cost-effective bank and capital markets are subject to risks and uncertainties including, but not limited to:

- unusual or extreme weather that may damage PPL Electric's transmission and distribution facilities or affect energy sales to customers;
- the ability to recover and the timeliness and adequacy of recovery of costs associated with regulated utility businesses;
- any adverse outcome of legal proceedings and investigations with respect to PPL Electric's current and past business activities;
- deterioration in the financial markets that could make obtaining new sources of bank and capital markets funding more difficult and more costly; and
- a downgrade in PPL Electric's credit ratings that could adversely affect its ability to access capital and increase the cost of credit facilities and any new debt.

See "Item 1A. Risk Factors" for further discussion of risks and uncertainties affecting PPL Electric's cash flows.

At December 31, PPL Electric had the following:

<u>2010</u>	<u>2009</u>	<u>2008</u>
-------------	-------------	-------------

Cash and cash equivalents	\$ 204	\$ 485	\$ 483
Short-term debt			\$ 95

The changes in PPL Electric's cash and cash equivalents position resulted from:

	2010	2009	2008
Net cash provided by operating activities	\$ 212	\$ 294	\$ 648
Net cash provided by (used in) investing activities	(403)	6	(226)
Net cash provided by (used in) financing activities	(90)	(298)	28
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (281)	\$ 2	\$ 450

Operating Activities

Net cash provided by operating activities decreased by 28%, or \$82 million, in 2010 compared with 2009. The expiration of the generation rate caps at the end of 2009 had little impact on net income, while increased transmission revenue was almost completely offset by decreased distribution revenue. However, higher tree trimming and payroll costs and additional defined benefit plan contributions were the primary drivers to the decrease in cash provided by operating activities. Also impacting the 2010 operating cash flows was the elimination of the CTC charge of approximately \$300 million that was received in 2009. This amount offsets the benefit of not paying the \$300 million in cash collateral to PPL Energy Supply, as discussed below.

Net cash provided by operating activities decreased by 55%, or \$354 million, in 2009 compared with 2008, primarily as a result of the repayment by PPL Electric of \$300 million in cash collateral related to the long-term PLR energy supply agreements with PPL Energy Supply, which expired at the end of 2009. The decrease also reflects the impact of lower delivery revenues and higher payments of interest and income taxes.

PPL Electric expects an increase in cash flows from operations in the near-term from its \$77.5 million, or 1.6%, rate increase that became effective on January 1, 2011.

Investing Activities

The primary use of cash in investing activities is capital expenditures. See "Forecasted Uses of Cash" for detail regarding capital expenditures in 2010 and projected expenditures for the years 2011 through 2015.

Net cash used in investing activities was \$403 million in 2010 compared with cash provided by investing activities of \$6 million in 2009. The change from 2009 to 2010 primarily reflects an increase of \$113 million in capital expenditures in 2010 and the receipt of \$300 million from an affiliate as repayment of a demand loan in 2009.

Net cash provided by investing activities was \$6 million in 2009 compared with cash used in investing activities of \$226 million in 2008. The change from 2008 to 2009 primarily reflects the receipt of \$300 million from an affiliate as repayment of a demand loan.

Financing Activities

Net cash used in financing activities was \$90 million in 2010 compared with \$298 million in 2009. The change from 2009 to 2010 primarily reflects no debt activity, decreased contributions from and common stock dividends paid to PPL, and the redemption of preferred stock in 2010. PPL Electric had net debt retirements of \$392 million in 2009 compared with no activity in 2010, received \$345 million less of contributions from PPL in 2010 compared to 2009, paid \$203 million less of common stock dividends to PPL in 2010 compared to 2009, and paid \$54 million to redeem preferred stock in 2010.

Net cash used in financing activities was \$298 million in 2009 compared with net cash provided by financing activities of \$28 million in 2008. The change from 2008 to 2009 primarily reflects less issuances and increased retirements of long-term debt, contributions received from PPL, increased common stock dividends to PPL and the repayment of short-term borrowings in 2009. PPL Electric had net debt retirements of \$392 million in 2009 compared with net debt issuances of \$148 million in 2008, received \$400 million of contributions from PPL in 2009 and paid \$176 million more of common stock dividends to PPL in 2009 compared to 2008.

See "Forecasted Sources of Cash" for a discussion of PPL Electric's plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to PPL Electric. Also see "Forecasted Uses of Cash" for a discussion of PPL Electric's plans to pay dividends on its common and preferred securities, as well as maturities of PPL Electric's long-term debt.

Forecasted Sources of Cash

PPL Electric expects to continue to have significant sources of cash available in the near term, including various credit facilities and a commercial paper program. PPL Electric currently plans to issue up to \$250 million in long-term debt securities in 2011, subject to market conditions.

edit Facilities

At December 31, 2010, PPL Electric's total committed borrowing capacity under its credit facilities and the use of this borrowing capacity were:

	Committed Capacity	Borrowed	Letters of Credit Issued (a)	Unused Capacity
Syndicated Credit Facility (b)	\$ 200		\$ 13	\$ 187
Asset-backed Credit Facility (c)	150		n/a	150
Total PPL Electric Credit Facilities (d)	<u>\$ 350</u>		<u>\$ 13</u>	<u>\$ 337</u>

- (a) PPL Electric has a reimbursement obligation to the extent any letters of credit are drawn upon.
- (b) Borrowings under PPL Electric's syndicated credit facility generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior secured long-term debt rating. PPL Electric also has the capability to request the lenders to issue up to \$200 million of letters of credit under this facility, which issuances reduce available borrowing capacity. Subject to certain conditions, PPL Electric may request that the facility's capacity be increased by up to \$100 million.

This syndicated credit facility contains a financial covenant requiring debt to total capitalization not to exceed 70%. At December 31, 2010, PPL Electric's consolidated debt to total capitalization percentages, as calculated in accordance with its credit facility, was 43%. The syndicated credit facility also contains standard representations and warranties that must be made for PPL Electric to borrow under it.

The commitments under the credit facility are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 6% of the total committed capacity.

- (c) This credit facility relates to an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenues to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary pledges these assets to secure loans of up to an aggregate of \$150 million from a commercial paper conduit sponsored by a financial institution. At December 31, 2010, based on accounts receivable and unbilled revenue pledged, \$150 million was available for borrowing.
- (d) The committed capacity expires as follows: \$150 million in 2011 and \$200 million in 2014. PPL Electric intends to renew its existing \$150 million asset-backed credit facility in 2011 in order to maintain its current total committed capacity level.

In addition to the financial covenant noted in the table above, the credit agreements governing the credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. PPL Electric monitors compliance with the covenants on a regular basis. At December 31, 2010, PPL Electric was in material compliance with these covenants. At this time, PPL Electric believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 7 to the Financial Statements for further discussion of PPL Electric's credit facilities.

Commercial Paper

PPL Electric maintains a commercial paper program for up to \$200 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are currently supported by PPL Electric's \$200 million syndicated credit facility, which expires in December 2014, based on available capacity.

PPL Electric did not issue any commercial paper during 2010. Based on its current cash position and anticipated cash flows, PPL Electric currently does not plan to issue any commercial paper during 2011, but it may do so from time to time, subject to market conditions, to facilitate short-term cash flow needs.

Contributions from PPL

From time to time PPL may make capital contributions to PPL Electric. PPL Electric may use these contributions for general corporate purposes.

Long-Term Debt and Equity Securities

Subject to market conditions, PPL Electric currently plans to issue up to \$250 million in long-term debt securities in 2011. PPL Electric expects to use the proceeds from the issuance of long-term debt securities primarily to fund capital expenditures and for general corporate purposes.

The Economic Stimulus Package

In April 2010, PPL Electric entered into an agreement with the DOE, in which the agency is to provide funding for one-half of a \$38 million smart grid project. The project would use smart grid technology to strengthen reliability, save energy and improve electric service for 60,000 Harrisburg, Pennsylvania area customers. It would also provide benefits beyond the Harrisburg region, helping to speed power restoration across PPL Electric's 29-county service territory. Work on the project is progressing on schedule, and PPL Electric is receiving reimbursements under the grant for costs incurred. The project is scheduled to be completed by the end of September 2012.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, and taxes, PPL Electric currently expects to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common and preferred securities and possibly the purchase or redemption of a portion of its debt securities.

Capital Expenditures

The table below shows PPL Electric's actual spending for the year 2010 and current capital expenditure projections for the years 2011 through 2015.

	Actual			Projected		
	2010	2011	2012	2013	2014	2015
Construction expenditures (a) (b)						
Transmission and distribution facilities	\$ 368	\$ 401	\$ 576	\$ 841	\$ 795	\$ 641
Other	43	51	53	27	26	26
Total Capital Expenditures	\$ 411	\$ 452	\$ 629	\$ 868	\$ 821	\$ 667

- (a) Construction expenditures include AFUDC, which is expected to be approximately \$79 million for the years 2011 through 2015.
(b) Includes expenditures for intangible assets.

PPL Electric's capital expenditure projections for the years 2011 through 2015 total approximately \$3.4 billion. Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. The table includes projected costs for the asset optimization program focused on the replacement of aging transmission and distribution assets, and the PJM-approved regional transmission line expansion project. See Note 8 to the Financial Statements for additional information.

PPL Electric plans to fund its capital expenditures in 2011 with cash on hand, cash from operations and proceeds from the issuance of debt securities.

Contractual Obligations

PPL Electric has assumed various financial obligations and commitments in the ordinary course of conducting its business. At December 31, 2010, the estimated contractual cash obligations of PPL Electric were:

	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term Debt (a)	\$ 1,474		\$ 400	\$ 110	\$ 964
Interest on Long-term Debt (b)	1,369	\$ 88	177	119	985
Purchase Obligations (c)	1,480	937	383	160	
Total Contractual Cash Obligations	\$ 4,323	\$ 1,025	\$ 960	\$ 389	\$ 1,949

- (a) Reflects principal maturities only based on stated maturity dates. PPL Electric does not have any capital or operating lease obligations.
(b) Assumes interest payments through stated maturity.
(c) The payments reflected herein are subject to change, as the purchase obligation reflected is an estimate based on projected obligated quantities and projected pricing under the contract. Purchase orders made in the ordinary course of business are excluded from the amounts presented.

: December 31, 2010, total unrecognized tax benefits of \$62 million were excluded from this table as PPL Electric cannot reasonably estimate the amount and period of future payments. See Note 5 to the Financial Statements for additional information.

Dividends

From time to time, as determined by its Board of Directors, PPL Electric pays dividends on its common stock to its parent, PPL.

As discussed in Note 7 to the Financial Statements, PPL Electric may not pay dividends on its common stock, except in certain circumstances, unless full dividends have been paid on the 6.25% Series Preference Stock for the then-current dividend period. PPL Electric does not, at this time, expect that such limitation would significantly impact its ability to declare dividends.

PPL Electric expects to continue to pay quarterly dividends on its outstanding preferred securities, if and as declared by its Board of Directors.

Purchase or Redemption of Debt Securities

PPL Electric will continue to evaluate purchasing or redeeming outstanding debt securities and may decide to take action depending upon prevailing market conditions and available cash.

Credit Ratings

Moody's, S&P and Fitch periodically review the credit ratings on the debt and preferred securities of PPL Electric. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of PPL Electric are based on information provided by PPL Electric and other sources. The ratings of Moody's, S&P and Fitch are not a recommendation to buy, sell or hold any securities of PPL Electric. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. A downgrade in PPL Electric's credit ratings could result in higher borrowing costs and reduced access to capital markets.

prior periodic reports, PPL Electric described its then-current debt ratings in connection with, and to facilitate, an understanding of its liquidity position. As a result of the passage of the Dodd-Frank Act and the attendant uncertainties relating to the extent to which issuers of non-asset backed securities may disclose credit ratings without being required to obtain rating agency consent to the inclusion of such disclosure, or incorporation by reference of such disclosure, in a registrant's registration statement or section 10(a) prospectus, PPL Electric is limiting its credit rating disclosure to a description of the actions taken by the rating agencies with respect to PPL Electric's ratings, but without stating what

ratings have been assigned to PPL Electric or its securities. The ratings assigned by the rating agencies to PPL Electric and its respective securities may be found, without charge, on each of the respective ratings agencies' websites, which ratings together with all other information contained on such rating agency websites is, hereby, explicitly not incorporated by reference in this report.

The rating agencies took the following actions related to PPL Electric in 2010.

Moody's

In April 2010, Moody's took the following actions:

- Revised the outlook for PPL Electric;
- Lowered the rating of PPL Electric's preferred securities;
- Lowered the issuer rating of PPL Electric; and
- Affirmed the senior secured rating and commercial paper rating of PPL Electric.

Moody's stated in its press release that the revision in the rating for PPL Electric, while reflective of PPL's then-announced agreement to acquire LKE, is driven more by weakening financial metrics and the outlooks that had been in place for PPL and PPL Electric for the past year.

S&P

In April 2010, S&P affirmed its credit rating for PPL Electric following PPL's then-announced agreement to acquire LKE.

In October 2010, S&P affirmed its credit ratings for PPL Electric and revised the outlook on PPL Electric.

Fitch

In January 2010, as a result of implementing its revised guidelines for rating preferred stock and hybrid securities, Fitch lowered the ratings of PPL Electric's preferred stock and preference stock. Fitch stated in its press release that the new guidelines, which apply to instruments issued by companies in all sectors, typically resulted in downgrades of one notch for many instruments that provide for the ability to defer interest or dividend payments. Fitch stated that it has no reason to believe that such deferral will be activated.

In April 2010, Fitch affirmed its credit ratings and outlook for PPL Electric following PPL's then-announced agreement to acquire LKE.

Off-Balance Sheet Arrangements

PPL Electric has entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 15 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

Commodity Price and Volumetric Risk - PLR Contracts

PPL Electric is exposed to market price and volumetric risks from its obligation as PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full requirement energy supply contracts for its customers. These supply contracts transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

Interest Rate Risk

PPL Electric has issued debt to finance its operations, which exposes it to interest rate risk. PPL Electric had no potential annual exposure to increased interest expense, based on a 10% increase in interest rates, at December 31, 2010. Such amount was not significant at December 31, 2009. PPL Electric estimated that a 10% decrease in interest rates at December 31, 2010 would increase the fair value of its debt portfolio by \$66 million, compared with \$69 million at December 31, 2009.

Credit Risk

Credit risk is the risk that PPL Electric would incur a loss as a result of nonperformance by counterparties of their contractual obligations. PPL Electric requires that counterparties maintain specified credit ratings and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, PPL Electric has concentrations of suppliers, financial institutions and customers. These concentrations may impact PPL Electric's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

In 2007, the PUC approved PPL Electric's post-rate cap plan to procure default electricity supply for retail customers who do not choose an alternative competitive supplier in 2010. Pursuant to this plan, PPL Electric had contracted for all of the electric supply for customers who elected this service in 2010.

In June 2009, the PUC approved PPL Electric's procurement plan for the period January 2011 through May 2013. Through 2010, PPL Electric has conducted six of its 14 planned competitive solicitations.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2010, all of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See "Overview" in this Item 7 and Notes 15, 16, 18 and 19 to the Financial Statements for additional information on the competitive solicitations, the Agreement, credit concentration and credit risk.

Related Party Transactions

PPL Electric is not aware of any material ownership interests or operating responsibility by senior management of PPL Electric in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Electric. See Note 16 to the Financial Statements for additional information on related party transactions.

Environmental Matters

See "Item 1. Business - Environmental Matters" and Note 15 to the Financial Statements for a discussion of environmental matters.

Competition

See "Item 1. Business - Segment Information - Pennsylvania Regulated Segment - Competition" for a discussion of competitive factors affecting PPL Electric.

New Accounting Guidance

See Note 1 to the Financial Statements for a discussion of new accounting guidance adopted.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). PPL's senior management has reviewed these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them, with PPL's Audit Committee.

1) Defined Benefits

PPL Electric participates in and is allocated a significant portion of the liability and net periodic defined benefit pension and other postretirement costs of plans sponsored by PPL Services based on participation in those plans. PPL Electric records an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to regulatory assets. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 13 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

PPL Services makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in regulatory assets. The amount in regulatory assets is amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- **Discount Rate** - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets** - Management projects the long-term rates of return on plan assets based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. These projected returns reduce the net benefit costs PPL records currently.
- **Rate of Compensation Increase** - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In selecting a discount rate for its U.S. defined benefit plans, PPL Services starts with an analysis of the expected benefit payment stream for its plans. This information is first matched against a spot-rate yield curve. A portfolio of 604 Aa-graded non-callable (or callable with make-whole provisions) bonds, with a total amount outstanding in excess of \$667 billion, serves as the base from which those with the lowest and highest yields are eliminated to develop the ultimate yield curve. The results of this analysis are considered together with other economic data and movements in various bond indices to determine the discount rate assumption. At December 31, 2010, PPL Services decreased the discount rate for its U.S. pension plans from 6.00% to 5.41% as a result of this assessment and decreased the discount rate for its other postretirement benefit plans from 5.81% to 5.16%.

The expected long-term rates of return for PPL Services' U.S. defined benefit pension and other postretirement benefits have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption. At December 31, 2010, PPL Services' expected return on plan assets decreased from 8.00% to 7.25% for its U.S. pension plan and decreased from 7.00% to 6.45% for its other postretirement benefit plan.

In selecting a rate of compensation increase, PPL Services considers past experience in light of movements in inflation rates. At December 31, 2010, PPL Services' rate of compensation increase remained at 4.75% for its U.S. plan.

In selecting health care cost trend rates for PPL Services' other postretirement benefit plans, PPL Services considers past performance and forecasts of health care costs. At December 31, 2010, PPL Services' health care cost trend rates were 9.00% for 2011, gradually declining to 5.50% for 2019.

A variance in the assumptions listed above could have a significant impact on the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and the regulatory assets allocated to PPL Electric. While the charts below reflect either an increase or decrease in each assumption, the inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and regulatory assets by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption and does not include income tax effects.

At December 31, 2010, defined benefit plan liabilities were as follows.

Pension liabilities	\$	259
Other postretirement benefit liabilities		57

Actuarial assumption	Change in assumption	Increase (Decrease)	
		Impact on defined benefit liabilities	Impact on regulatory assets
Discount Rate	(0.25)%	\$ 35	\$ 35
Rate of Compensation Increase	0.25%	6	6
Health Care Cost Trend Rate (a)	1.00%	1	1

(a) Only impacts other postretirement benefits.

In 2010, PPL Electric was allocated net periodic defined benefit costs charged to operating expense of \$20 million. This amount represents a \$4 million decrease compared with the charge recognized during 2009.

Actuarial assumption	Change in assumption	Impact on defined benefit costs
Discount Rate	(0.25)%	\$ 1
Expected Return on Plan Assets	(0.25)%	2
Rate of Compensation Increase	0.25%	1
Health Care Cost Trend Rate (a)	1.00%	1

(a) Only impacts other postretirement benefits.

2) Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are used, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

No new significant loss accruals were recorded in 2010.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred. See Note 15 to the Financial Statements for disclosure of other potential loss contingencies that have not met the criteria for accrual.

When an estimated loss is accrued, the triggering events for subsequently reducing the loss accrual are identified, where applicable. The triggering events generally occur when the contingency has been resolved and the actual loss is paid or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the reduction of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.
- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, operation management and other parties.

3) Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known at the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be de-recognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2010, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as \$28 million or decrease by up to \$42 million. This change could result from the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. See Note 5 to the Financial Statements for income tax disclosures.

4) Regulatory Assets and Liabilities

PPL Electric's electricity delivery business is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities generally represent obligations to regulated customers for previous collections of costs that are expected to be refunded to customers in the future. In certain cases, regulatory liabilities are recorded based on the understanding with the regulator that current rates are being set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, then asset write-offs would be required to be recognized in operating income. Additionally, the regulatory agencies can provide flexibility in the manner and timing of the depreciation of PP&E and amortization of regulatory assets.

At December 31, 2010 and 2009, PPL Electric had regulatory assets of \$620 million and \$542 million. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices. At December 31, 2010 and 2009, PPL Electric had regulatory liabilities of \$32 million and \$84 million.

See Note 3 to the Financial Statements for additional information on regulatory assets and liabilities.

Other Information

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews. See "Item 14. Principal Accounting Fees and Services" for more information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Reference is made to "Risk Management - Energy Marketing & Trading and Other" for PPL and PPL Energy Supply and "Risk Management" for PPL Electric in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Corporation

We have audited the accompanying consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the financial statements of LG&E and KU Energy LLC (LKE), a wholly-owned subsidiary, which statements reflect total assets of \$10,719 million as of December 31, 2010, and total revenues of \$493 million for the period November 1, 2010 (date of acquisition) to December 31, 2010. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LKE, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and, for 2010, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Corporation and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PPL Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Corporation

We have audited PPL Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PPL Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As set forth in Item 9A, Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of LG&E and KU Energy LLC (LKE), which is included in the 2010 consolidated financial statements of the Company and constituted 32.6% and 47.3% of total assets and net assets, respectively, as of December 31, 2010 and 5.8% and 5.0% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of PPL Corporation and subsidiaries also did not include an evaluation of the internal control over financial reporting of LKE.

In our opinion, PPL Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Member of LG&E and KU Energy LLC

In our opinion, the consolidated balance sheet and the related consolidated statements of income, retained earnings, comprehensive income, cash flows and capitalization present fairly, in all material respects, the financial position of LG&E and KU Energy LLC and its subsidiaries at December 31, 2010 and the results of their operations and their cash flows for the period from November 1, 2010 to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the LG&E and KU Energy LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, on November 1, 2010, PPL Corporation completed its acquisition of LG&E and KU Energy LLC and its subsidiaries. The push-down basis of accounting was used at the acquisition date.

/s/ PricewaterhouseCoopers LLP

Louisville, Kentucky
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Managers and Sole Member of PPL Energy Supply, LLC

We have audited the accompanying consolidated balance sheets of PPL Energy Supply, LLC and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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, and 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 consolidated financial position of PPL Energy Supply, LLC and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of PPL Electric Utilities Corporation

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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, and 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 consolidated financial position of PPL Electric Utilities Corporation and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 25, 2011

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,

PPL Corporation and Subsidiaries

(Millions of Dollars, except share data)

	2010	2009	2008
Operating Revenues			
Utility	\$ 3,668	\$ 3,902	\$ 4,114
Unregulated retail electric and gas	415	152	151
Wholesale energy marketing			
Realized	4,832	3,184	2,138
Unrealized economic activity (Note 19)	(805)	(229)	1,056
Net energy trading margins	2	17	(121)
Energy-related businesses	409	423	519
Total Operating Revenues	8,521	7,449	7,857
Operating Expenses			
Operation			
Fuel	1,235	920	1,057
Energy purchases			
Realized	2,773	2,625	1,624
Unrealized economic activity (Note 19)	(286)	155	553
Other operation and maintenance	1,756	1,418	1,414
Amortization of recoverable transition costs		304	293
Depreciation	556	455	444
Taxes, other than income	238	280	288
Energy-related businesses	383	396	481
Total Operating Expenses	6,655	6,553	6,154
Operating Income	1,866	896	1,703
Other Income (Expense) - net	(31)	47	53
Other-Than-Temporary Impairments	3	18	36
Interest Expense	593	387	447
Income from Continuing Operations Before Income Taxes	1,239	538	1,273
Income Taxes	263	105	396
Income from Continuing Operations After Income Taxes	976	433	877
Income (Loss) from Discontinued Operations (net of income taxes)	(17)	(7)	73
Net Income	959	426	950
Net Income Attributable to Noncontrolling Interests	21	19	20
Net Income Attributable to PPL Corporation	\$ 938	\$ 407	\$ 930
Amounts Attributable to PPL Corporation:			
Income from Continuing Operations After Income Taxes	\$ 955	\$ 414	\$ 857
Income (Loss) from Discontinued Operations (net of income taxes)	(17)	(7)	73
Net Income	\$ 938	\$ 407	\$ 930
Earnings Per Share of Common Stock:			
Income from Continuing Operations After Income Taxes Available to PPL Corporation Common Shareowners:			
Basic	\$ 2.21	\$ 1.10	\$ 2.28
Diluted	\$ 2.20	\$ 1.10	\$ 2.28
Net Income Available to PPL Corporation Common Shareowners:			
Basic	\$ 2.17	\$ 1.08	\$ 2.48
Diluted	\$ 2.17	\$ 1.08	\$ 2.47
Dividends Declared Per Share of Common Stock	\$ 1.40	\$ 1.38	\$ 1.34

Weighted-Average Shares of Common Stock Outstanding (in thousands)

Basic	431,345	376,082	373,626
Diluted	431,569	376,406	374,901

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

PPL Corporation and Subsidiaries

(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities			
Net income	\$ 959	\$ 426	\$ 950
Adjustments to reconcile net income to net cash provided by operating activities			
Pre-tax gain from the sale of the Maine hydroelectric generation business	(25)	(38)	
Depreciation	567	471	461
Amortization	213	389	383
Defined benefit plans - expense	102	70	20
Defined benefit plans - funding	(396)	(185)	(120)
Deferred income taxes and investment tax credits	241	104	43
Impairment of assets	120	127	105
Unrealized (gains) losses on derivatives, and other hedging activities	542	329	(279)
Provision for Montana hydroelectric litigation	66	8	
Other	57	13	65
Change in current assets and current liabilities			
Accounts receivable	(100)	76	118
Accounts payable	216	(150)	85
Unbilled revenue	(100)	2	(85)
Prepayments	(318)	(17)	67
Counterparty collateral	(18)	334	1
Price risk management assets and liabilities	(24)	(231)	(77)
Other	(12)	92	(118)
Other operating activities			
Other assets	(45)	12	21
Other liabilities	(12)	20	(51)
Net cash provided by operating activities	<u>2,033</u>	<u>1,852</u>	<u>1,589</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(1,597)	(1,225)	(1,418)
Proceeds from the sale of the Long Island generation business	124		
Proceeds from the sale of the Maine hydroelectric generation business	38	81	
Proceeds from the sale of the gas and propane businesses			303
Acquisition of LKE, net of cash acquired	(6,812)		
Expenditures for intangible assets	(92)	(88)	(332)
Purchases of nuclear plant decommissioning trust investments	(128)	(227)	(224)
Proceeds from the sale of nuclear plant decommissioning trust investments	114	201	197
Purchases of other investments			(290)
Proceeds from the sale of other investments		154	195
Net (increase) decrease in restricted cash and cash equivalents	85	218	(71)
Other investing activities	39	6	13
Net cash used in investing activities	<u>(8,229)</u>	<u>(880)</u>	<u>(1,627)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt	4,642	298	1,338
Retirement of long-term debt	(20)	(1,016)	(671)
Repurchase of common stock			(38)
Issuance of equity, net of issuance costs	2,441	60	19
Payment of common stock dividends	(566)	(517)	(491)
Redemption of preferred stock of a subsidiary	(54)		
Debt issuance and credit facility costs	(175)	(21)	(10)
Net increase (decrease) in short-term debt (Note 7)	70	(52)	588
Other financing activities	(31)	(23)	(14)
Net cash provided by (used in) financing activities	<u>6,307</u>	<u>(1,271)</u>	<u>721</u>
Effect of Exchange Rates on Cash and Cash Equivalents	<u>13</u>	<u>(13)</u>	<u>(13)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>124</u>	<u>(299)</u>	<u>670</u>
Cash and Cash Equivalents at Beginning of Period	801	1,100	430
Cash and Cash Equivalents at End of Period	<u>\$ 925</u>	<u>\$ 801</u>	<u>\$ 1,100</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest - net of amount capitalized	\$ 458	\$ 460	\$ 423
Income taxes - net	\$ 313	\$ 16	\$ 300

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,

PPL Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	\$ 925	\$ 801
Short-term investments	163	
Restricted cash and cash equivalents	28	105
Accounts receivable (less reserve: 2010, \$55; 2009, \$37)		
Customer	652	409
Other	90	59
Unbilled revenues	789	594
Fuel, materials and supplies	643	357
Prepayments	435	102
Price risk management assets	1,918	2,157
Other intangibles	70	25
Assets held for sale	374	127
Regulatory assets	85	11
Other current assets	16	5
Total Current Assets	6,188	4,752
Investments		
Nuclear plant decommissioning trust funds	618	548
Other investments	75	65
Total Investments	693	613
Property, Plant and Equipment		
Regulated utility plant - electric and gas	15,994	9,430
Less: accumulated depreciation - regulated utility plant	3,002	2,828
Regulated utility plant - electric and gas, net	12,992	6,602
Non-regulated property, plant and equipment		
Generation	10,165	10,493
Nuclear fuel	578	506
Other	403	389
Less: accumulated depreciation - non-regulated property, plant and equipment	5,440	5,383
Non-regulated property, plant and equipment, net	5,706	6,005
Construction work in progress	2,160	567
Property, Plant and Equipment, net (a)	20,858	13,174
Other Noncurrent Assets		
Regulatory assets	1,145	531
Goodwill	1,761	806
Other intangibles (a)	966	615
Price risk management assets	655	1,274
Other noncurrent assets	571	400
Total Other Noncurrent Assets	5,098	3,626
Total Assets	\$ 32,837	\$ 22,165

(a) At December 31, 2010 and December 31, 2009, includes \$424 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and \$11 million of "Other intangibles" from the consolidation of a VIE. See Note 22 for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,

PPL Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	<u>2010</u>	<u>2009</u>
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 694	\$ 639
Long-term debt	502	
Accounts payable	1,028	619
Taxes	134	92
Interest	166	112
Dividends	174	135
Price risk management liabilities	1,144	1,502
Counterparty collateral	338	356
Regulatory liabilities	109	74
Other current liabilities	925	653
Total Current Liabilities	<u>5,214</u>	<u>4,182</u>
Long-term Debt	<u>12,161</u>	<u>7,143</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	2,563	2,115
Investment tax credits	237	38
Price risk management liabilities	470	582
Accrued pension obligations	1,496	1,283
Asset retirement obligations	435	416
Regulatory liabilities	1,031	10
Other deferred credits and noncurrent liabilities	752	581
Total Deferred Credits and Other Noncurrent Liabilities	<u>6,984</u>	<u>5,025</u>
Commitments and Contingent Liabilities (Note 15)		
Equity		
PPL Corporation Shareowners' Common Equity		
Common stock - \$0.01 par value (a)	5	4
Capital in excess of par value	4,602	2,280
Earnings reinvested	4,082	3,749
Accumulated other comprehensive loss	(479)	(537)
Total PPL Corporation Shareowners' Common Equity	<u>8,210</u>	<u>5,496</u>
Noncontrolling Interests	268	319
Total Equity	<u>8,478</u>	<u>5,815</u>
Total Liabilities and Equity	<u>\$ 32,837</u>	<u>\$ 22,165</u>

(a) 780,000 shares authorized; 483,391 and 377,183 shares issued and outstanding at December 31, 2010 and December 31, 2009.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Millions of Dollars)
PPL Corporation Shareowners

	Common stock shares outstanding (a)	Common stock	Capital in excess of par value	Earnings reinvested	Accumulated other comprehensive loss	Non- controlling interests	Total
December 31, 2007	373,271	\$ 4	\$ 2,185	\$ 3,435	\$ (68)	\$ 320	\$ 5,876
Common stock issued (b)	2,158		29				29
Common stock repurchased (c)	(848)		(38)				(38)
Stock-based compensation			20				20
Net income				930		20	950
Dividends, dividend equivalents, redemptions and distributions (d)				(503)		(20)	(523)
Divestitures						(1)	(1)
Other comprehensive loss					(917)		(917)
December 31, 2008	<u>374,581</u>	<u>\$ 4</u>	<u>\$ 2,196</u>	<u>\$ 3,862</u>	<u>\$ (985)</u>	<u>\$ 319</u>	<u>\$ 5,396</u>
Common stock issued (b)	2,649		\$ 83				\$ 83
Common stock repurchased	(47)		(1)				(1)
Stock-based compensation			2				2
Net income				\$ 407		\$ 19	426
Dividends, dividend equivalents, redemptions and distributions (d)				(521)		(19)	(540)
Other comprehensive income					\$ 449		449
Cumulative effect adjustment (e)				1	(1)		
December 31, 2009 (f)	<u>377,183</u>	<u>\$ 4</u>	<u>\$ 2,280</u>	<u>\$ 3,749</u>	<u>\$ (537)</u>	<u>\$ 319</u>	<u>\$ 5,815</u>
Common stock issued (b)	106,208	\$ 1	\$ 2,490				\$ 2,491
Purchase Contracts (g)			(176)				(176)
Stock-based compensation			8				8
Net income				\$ 938		\$ 21	959
Dividends, dividend equivalents, redemptions and distributions (d)				(605)		(72)	(677)
Other comprehensive income					\$ 58		58
December 31, 2010 (f)	<u>483,391</u>	<u>\$ 5</u>	<u>\$ 4,602</u>	<u>\$ 4,082</u>	<u>\$ (479)</u>	<u>\$ 268</u>	<u>\$ 8,478</u>

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented to any shareowners' meeting.

(b) 2010 includes the June 2010 issuance of 103.5 million shares of common stock. See Note 7 for additional information. Each year includes shares of common stock issued through various stock and incentive compensation plans.

(c) In 2008, PPL repurchased 802,816 shares of PPL common stock for \$38 million under a repurchase plan that was authorized by PPL's Board of Directors in June 2007.

(d) "Earnings reinvested" includes dividends and dividend equivalents on PPL Corporation common stock and restricted stock units. "Noncontrolling interests" includes dividends, redemptions and distributions to noncontrolling interests, which for 2010 includes \$54 million paid to redeem PPL Electric's preferred stock. The amount paid to redeem the preferred stock includes a \$3 million premium.

(e) Recorded in connection with the adoption of accounting guidance related to the recognition and presentation of other-than-temporary impairments.

(f) See "General - Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.

(g) Includes \$157 million for the Purchase Contracts and \$19 million of related fees and expenses, net of tax. See Note 7 for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net income	\$ 959	\$ 426	\$ 950
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of (\$1), \$4, (\$11)	(59)	101	(500)
Available-for-sale securities, net of tax of (\$31), (\$50), \$55	29	49	(50)
Qualifying derivatives, net of tax of (\$148), (\$356), (\$120)	219	492	240
Equity investees' other comprehensive income (loss), net of tax of \$0, \$0, \$0		1	(3)
Defined benefit plans:			
Prior service costs, net of tax of (\$14), (\$1), \$0	17	1	
Net actuarial loss, net of tax of \$50, \$147, \$294	(80)	(340)	(577)
Transition obligation, net of tax of (\$4), \$0, \$0	8		
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of \$3, \$3, (\$2)	(5)	(4)	2
Qualifying derivatives, net of tax of \$84, (\$92), \$17	(126)	131	(69)
Defined benefit plans:			
Prior service costs, net of tax of (\$7), (\$8), (\$9)	12	13	18
Net actuarial loss, net of tax of (\$14), (\$4), (\$11)	41	4	20
Transition obligation, net of tax of (\$1), (\$1), (\$1)	2	1	2
Total other comprehensive income (loss) attributable to PPL Corporation	<u>58</u>	<u>449</u>	<u>(917)</u>
Comprehensive income	1,017	875	33
Comprehensive income attributable to noncontrolling interests	<u>21</u>	<u>19</u>	<u>20</u>
Comprehensive income attributable to PPL Corporation	<u>\$ 996</u>	<u>\$ 856</u>	<u>\$ 13</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,

PPL Energy Supply, LLC and Subsidiaries

(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues			
Wholesale energy marketing			
Realized	\$ 4,832	\$ 3,184	\$ 2,138
Unrealized economic activity (Note 19)	(805)	(229)	1,056
Wholesale energy marketing to affiliate	320	1,806	1,826
Utility	727	684	824
Unregulated retail electric and gas	415	152	151
Net energy trading margins	2	17	(121)
Energy-related businesses	398	411	511
Total Operating Revenues	<u>5,889</u>	<u>6,025</u>	<u>6,385</u>
Operating Expenses			
Operation			
Fuel	1,096	920	1,057
Energy purchases			
Realized	1,636	2,512	1,460
Unrealized economic activity (Note 19)	(286)	155	553
Energy purchases from affiliate	3	70	108
Other operation and maintenance	1,161	1,061	1,062
Depreciation	353	310	299
Taxes, other than income	99	86	86
Energy-related businesses	373	388	478
Total Operating Expenses	<u>4,435</u>	<u>5,502</u>	<u>5,103</u>
Operating Income	<u>1,454</u>	<u>523</u>	<u>1,282</u>
Other Income (Expense) - net	26	33	46
Other-Than-Temporary Impairments	3	18	36
Interest Income from Affiliates	9	2	14
Interest Expense	343	263	306
Income from Continuing Operations Before Income Taxes	<u>1,143</u>	<u>277</u>	<u>1,000</u>
Income Taxes	262	23	301
Income from Continuing Operations After Income Taxes	<u>881</u>	<u>254</u>	<u>699</u>
Income (Loss) from Discontinued Operations (net of income taxes)	(19)	(7)	71
Net Income	<u>862</u>	<u>247</u>	<u>770</u>
Net Income Attributable to Noncontrolling Interests	1	1	2
Net Income Attributable to PPL Energy Supply	<u>\$ 861</u>	<u>\$ 246</u>	<u>\$ 768</u>
Amounts Attributable to PPL Energy Supply:			
Income from Continuing Operations After Income Taxes	\$ 880	\$ 253	\$ 697
Income (Loss) from Discontinued Operations (net of income taxes)	(19)	(7)	71
Net Income	<u>\$ 861</u>	<u>\$ 246</u>	<u>\$ 768</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities			
Net income	\$ 862	\$ 247	\$ 770
Adjustments to reconcile net income to net cash provided by operating activities			
Pre-tax gain from the sale of the Maine hydroelectric generation business	(25)	(38)	
Depreciation	365	327	317
Amortization	160	75	66
Defined benefit plans - expense	52	23	6
Defined benefit plans - funding	(302)	(136)	(103)
Deferred income taxes and investment tax credits	(31)	141	165
Impairment of assets	120	123	93
Unrealized (gains) losses on derivatives, and other hedging activities	536	330	(285)
Provision for Montana hydroelectric litigation	66	8	
Other	41	14	63
Change in current assets and current liabilities			
Accounts receivable	(18)	77	141
Accounts payable	20	(178)	72
Unbilled revenue	(88)	9	(89)
Collateral on PLR energy supply from affiliate		300	
Taxes	87	(16)	(65)
Counterparty collateral	(18)	334	1
Price risk management assets and liabilities	(27)	(223)	(88)
Other	35	7	18
Other operating activities			
Other assets	(71)	15	15
Other liabilities	76	(26)	(58)
Net cash provided by operating activities	<u>1,840</u>	<u>1,413</u>	<u>1,039</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(1,009)	(907)	(1,114)
Proceeds from the sale of the Long Island generation business	124		
Proceeds from the sale of the Maine hydroelectric generation business	38	81	
Expenditures for intangible assets	(82)	(78)	(325)
Purchases of nuclear plant decommissioning trust investments	(128)	(227)	(224)
Proceeds from the sale of nuclear plant decommissioning trust investments	114	201	197
Purchases of other investments			(197)
Proceeds from the sale of other investments		154	102
Repayment of long-term notes receivable from affiliates	(1,816)		
Issuance of long-term notes receivable to affiliates	1,816		
Net (increase) decrease in restricted cash and cash equivalents	84	219	(152)
Other investing activities	34	6	17
Net cash used in investing activities	<u>(825)</u>	<u>(551)</u>	<u>(1,696)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt	602		849
Retirement of long-term debt		(220)	(266)
Contributions from Member	3,625	50	421
Distributions to Member	(4,692)	(943)	(750)
Net increase (decrease) in short-term debt (Note 7)	(93)	43	534
Other financing activities	(54)	(11)	(9)
Net cash provided by (used in) financing activities	<u>(612)</u>	<u>(1,081)</u>	<u>779</u>
Effect of Exchange Rates on Cash and Cash Equivalents	<u>13</u>		<u>(13)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>416</u>	<u>(219)</u>	<u>109</u>
Cash and Cash Equivalents at Beginning of Period	245	464	355
Cash and Cash Equivalents at End of Period	<u>\$ 661</u>	<u>\$ 245</u>	<u>\$ 464</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 275	\$ 274	\$ 271
Income taxes - net	\$ 278	\$ (91)	\$ 149

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	\$ 661	\$ 245
Restricted cash and cash equivalents	19	99
Accounts receivable (less reserve: 2010, \$20; 2009, \$21)		
Customer	225	168
Other	24	31
Unbilled revenues	486	402
Accounts receivable from affiliates	124	165
Fuel, materials and supplies	297	325
Prepayments	89	56
Price risk management assets	1,907	2,147
Other intangibles	11	25
Assets held for sale	374	127
Other current assets	11	1
Total Current Assets	4,228	3,791
Investments		
Nuclear plant decommissioning trust funds	618	548
Other investments	37	58
Total Investments	655	606
Property, Plant and Equipment		
Regulated utility plant - electric and gas	4,269	4,234
Less: accumulated depreciation - regulated utility plant	888	823
Regulated utility plant - electric and gas, net	3,381	3,411
Non-regulated property, plant and equipment		
Generation	10,169	10,493
Nuclear fuel	578	506
Other	314	307
Less: accumulated depreciation - non-regulated property, plant and equipment	5,401	5,346
Non-regulated property, plant and equipment, net	5,660	5,960
Construction work in progress	594	422
Property, Plant and Equipment, net (a)	9,635	9,793
Other Noncurrent Assets		
Goodwill	765	806
Other intangibles (a)	464	477
Price risk management assets	651	1,234
Other noncurrent assets	398	317
Total Other Noncurrent Assets	2,278	2,834
Total Assets	\$ 16,796	\$ 17,024

(a) At December 31, 2010 and December 31, 2009, includes \$424 million of PP&E, consisting primarily of "Generation," including leasehold improvements, and \$11 million of "Other intangibles" from the consolidation of a VIE. See Note 22 for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ 531	\$ 639
Long-term debt	500	
Accounts payable	592	537
Accounts payable to affiliates	43	51
Taxes	119	33
Interest	110	86
Price risk management liabilities	1,112	1,502
Counterparty collateral	338	356
Other current liabilities	624	481
Total Current Liabilities	<u>3,969</u>	<u>3,685</u>
Long-term Debt	<u>5,089</u>	<u>5,031</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,548	1,481
Investment tax credits	81	30
Price risk management liabilities	438	582
Accrued pension obligations	619	883
Asset retirement obligations	332	416
Other deferred credits and noncurrent liabilities	211	330
Total Deferred Credits and Other Noncurrent Liabilities	<u>3,229</u>	<u>3,722</u>
Commitments and Contingent Liabilities (Note 15)		
Equity		
Member's equity	4,491	4,568
Noncontrolling interests	18	18
Total Equity	<u>4,509</u>	<u>4,586</u>
Total Liabilities and Equity	<u>\$ 16,796</u>	<u>\$ 17,024</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	<u>Member's equity</u>	<u>Non- controlling interests</u>	<u>Total</u>
December 31, 2007	\$ 5,205	\$ 19	\$ 5,224
Net income	768	2	770
Other comprehensive loss	(850)		(850)
Contributions from member	421		421
Distributions	(750)	(2)	(752)
Divestitures		(1)	(1)
December 31, 2008	<u>\$ 4,794</u>	<u>\$ 18</u>	<u>\$ 4,812</u>
Net income	\$ 246	\$ 1	\$ 247
Other comprehensive income	421		421
Contributions from member	50		50
Distributions	(943)	(1)	(944)
December 31, 2009 (a)	<u>\$ 4,568</u>	<u>\$ 18</u>	<u>\$ 4,586</u>
Net income	\$ 861	\$ 1	\$ 862
Other comprehensive income	129		129
Contributions from member	3,625		3,625
Distributions	(4,692)	(1)	(4,693)
December 31, 2010 (a)	<u>\$ 4,491</u>	<u>\$ 18</u>	<u>\$ 4,509</u>

(a) See "General – Comprehensive Income" in Note 1 for disclosure of balances of each component of AOCI.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net income	\$ 862	\$ 247	\$ 770
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of (\$1), \$4, (\$11)	(59)	101	(500)
Available-for-sale securities, net of tax of (\$31), (\$50), \$55	29	49	(50)
Qualifying derivatives, net of tax of (\$207), (\$330), (\$125)	305	454	249
Equity investee's other comprehensive income (loss), net of tax of \$0, \$0, \$0		1	(3)
Defined benefit plans:			
Prior service costs, net of tax of (\$8), \$0, \$0	12	1	(1)
Net actuarial loss, net of tax of \$36, \$136, \$243	(63)	(326)	(500)
Transition obligation, net of tax of (\$3), \$0, \$0	6		
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of \$3, \$3, (\$2)	(5)	(4)	2
Qualifying derivatives, net of tax of \$99, (\$91), \$19	(145)	131	(73)
Defined benefit plans:			
Prior service costs, net of tax of (\$5), (\$6), (\$5)	9	9	12
Net actuarial loss, net of tax of (\$14), (\$3), (\$5)	39	4	12
Transition obligation, net of tax of (\$1), (\$1), (\$1)	1	1	2
Total other comprehensive income (loss) attributable to PPL Energy Supply	<u>129</u>	<u>421</u>	<u>(850)</u>
Comprehensive income (loss)	<u>991</u>	<u>668</u>	<u>(80)</u>
Comprehensive income attributable to noncontrolling interests	<u>1</u>	<u>1</u>	<u>2</u>
Comprehensive income (loss) attributable to PPL Energy Supply	<u>\$ 990</u>	<u>\$ 667</u>	<u>\$ (82)</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,**PPL Electric Utilities Corporation and Subsidiaries***(Millions of Dollars)*

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues			
Retail electric	\$ 2,448	\$ 3,218	\$ 3,290
Retail and wholesale electric to affiliate	7	74	111
Total Operating Revenues	<u>2,455</u>	<u>3,292</u>	<u>3,401</u>
Operating Expenses			
Operation			
Energy purchases	1,075	114	163
Energy purchases from affiliate	320	1,806	1,826
Other operation and maintenance	502	417	410
Amortization of recoverable transition costs		304	293
Depreciation	136	128	131
Taxes, other than income	138	194	203
Total Operating Expenses	<u>2,171</u>	<u>2,963</u>	<u>3,026</u>
Operating Income	284	329	375
Other Income (Expense) - net	5	6	5
Interest Income from Affiliate	2	4	9
Interest Expense	99	116	101
Interest Expense with Affiliate		2	10
Income Before Income Taxes	192	221	278
Income Taxes	57	79	102
Net Income	135	142	176
Distributions on Preferred Securities	20	18	18
Net Income Available to PPL Corporation	<u>\$ 115</u>	<u>\$ 124</u>	<u>\$ 158</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities			
Net income	\$ 135	\$ 142	\$ 176
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	136	128	131
Amortization	(23)	324	313
Defined benefit plans - expense	20	24	6
Defined benefit plans - funding	(55)	(28)	(9)
Deferred income taxes and investment tax credits	198	(22)	1
Other	4		6
Change in current assets and current liabilities			
Accounts receivable	(32)	1	(22)
Accounts payable	31	(9)	(1)
Unbilled revenue	58	(3)	3
Prepayments	(112)	(17)	9
Regulatory assets and liabilities	(85)	31	(6)
Taxes	(38)	(4)	21
Collateral on PLR energy supply from affiliate		(300)	
Other	(32)	26	9
Other operating activities			
Other assets	5	(3)	23
Other liabilities	2	4	(12)
Net cash provided by operating activities	<u>212</u>	<u>294</u>	<u>648</u>
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(401)	(288)	(268)
Expenditures for intangible assets	(10)	(10)	(7)
Purchases of investments			(90)
Proceeds from the sale of investments			90
Net (increase) decrease in notes receivable from affiliate		300	(23)
Net decrease in restricted cash and cash equivalents		1	69
Other investing activities	8	3	3
Net cash provided by (used in) investing activities	<u>(403)</u>	<u>6</u>	<u>(226)</u>
Cash Flows from Financing Activities			
Issuance of long-term debt		298	489
Retirement of long-term debt		(595)	(395)
Contributions from PPL	55	400	
Redemption of preferred stock	(54)		
Payment of common stock dividends to PPL	(71)	(274)	(98)
Net increase (decrease) in short-term debt		(95)	54
Dividends on preferred securities	(17)	(18)	(18)
Other financing activities	(3)	(14)	(4)
Net cash provided by (used in) financing activities	<u>(90)</u>	<u>(298)</u>	<u>28</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(281)	2	450
Cash and Cash Equivalents at Beginning of Period	<u>485</u>	<u>483</u>	<u>33</u>
Cash and Cash Equivalents at End of Period	<u>\$ 204</u>	<u>\$ 485</u>	<u>\$ 483</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	\$ 87	\$ 116	\$ 88
Income taxes - net	\$ (33)	\$ 106	\$ 59

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,**PPL Electric Utilities Corporation and Subsidiaries***(Millions of Dollars, shares in thousands)*

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 204	\$ 485
Restricted cash and cash equivalents	2	1
Accounts receivable (less reserve: 2010, \$17; 2009, \$16)		
Customer	268	240
Other	24	19
Unbilled revenues	134	192
Materials and supplies	47	33
Accounts receivable from affiliates	8	7
Prepayments	136	24
Regulatory assets	63	11
Other current assets	2	24
Total Current Assets	<u>888</u>	<u>1,036</u>
Property, Plant and Equipment		
Regulated utility plant - electric	5,494	5,197
Less: accumulated depreciation - regulated utility plant - electric	2,088	2,008
Other	2	2
Construction work in progress	177	118
Property, Plant and Equipment, net	<u>3,585</u>	<u>3,309</u>
Other Noncurrent Assets		
Regulatory assets	557	531
Intangibles	147	139
Other noncurrent assets	76	77
Total Other Noncurrent Assets	<u>780</u>	<u>747</u>
Total Assets	<u>\$ 5,253</u>	<u>\$ 5,092</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	<u>2010</u>	<u>2009</u>
Liabilities and Equity		
Current Liabilities		
Accounts payable	221	53
Accounts payable to affiliates	73	186
Taxes	23	61
Interest	17	17
Regulatory liabilities	18	74
Customer rate mitigation prepayments	12	36
Other current liabilities	114	91
Total Current Liabilities	<u>478</u>	<u>518</u>
Long-term Debt	<u>1,472</u>	<u>1,472</u>
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	932	761
Investment tax credits	7	8
Accrued pension obligations	259	245
Regulatory liabilities	14	10
Other deferred credits and noncurrent liabilities	147	182
Total Deferred Credits and Other Noncurrent Liabilities	<u>1,359</u>	<u>1,206</u>
Commitments and Contingent Liabilities (Note 15)		
Shareowners' Equity		
Preferred securities	250	301
Common stock - no par value (a)	364	364
Additional paid-in capital	879	824
Earnings reinvested	451	407
Total Equity	<u>1,944</u>	<u>1,896</u>
Total Liabilities and Equity	<u>\$ 5,253</u>	<u>\$ 5,092</u>

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2010 and December 31, 2009.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	Common stock shares outstanding (a)	Preferred securities	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2007	66,368	\$ 301	\$ 364	\$ 424	\$ 497	\$ 1,586
Net income (b)					176	176
Cash dividends declared on preferred securities					(18)	(18)
Cash dividends declared on common stock					(98)	(98)
December 31, 2008	<u>66,368</u>	<u>\$ 301</u>	<u>\$ 364</u>	<u>\$ 424</u>	<u>\$ 557</u>	<u>\$ 1,646</u>
Net income (b)					\$ 142	\$ 142
Capital contributions from PPL				\$ 400		400
Cash dividends declared on preferred securities					(18)	(18)
Cash dividends declared on common stock					(274)	(274)
December 31, 2009	<u>66,368</u>	<u>\$ 301</u>	<u>\$ 364</u>	<u>\$ 824</u>	<u>\$ 407</u>	<u>\$ 1,896</u>
Net income (b)					\$ 135	\$ 135
Redemption of preferred stock (c)		\$ (51)			(3)	(54)
Capital contributions from PPL				\$ 55		55
Cash dividends declared on preferred securities					(17)	(17)
Cash dividends declared on common stock					(71)	(71)
December 31, 2010	<u>66,368</u>	<u>\$ 250</u>	<u>\$ 364</u>	<u>\$ 879</u>	<u>\$ 451</u>	<u>\$ 1,944</u>

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.

(b) PPL Electric's net income approximates comprehensive income.

(c) PPL Electric redeemed all five series of its outstanding preferred stock. See Note 6 for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

General

Terms and abbreviations are explained in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

Business and Consolidation

(PPL)

PPL is an energy and utility holding company that, through its subsidiaries, is primarily engaged in: 1) the regulated generation, transmission and distribution of electricity and the regulated distribution of natural gas, primarily in Kentucky; 2) the regulated distribution of electricity in the U.K.; 3) the regulated transmission and distribution of electricity in Pennsylvania; and 4) the competitive generation and marketing of electricity in portions of the northeastern and northwestern U.S. Headquartered in Allentown, PA, PPL's principal subsidiaries are LKE, PPL Energy Supply and PPL Electric.

On November 1, 2010, PPL acquired all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC (LKE). LKE is engaged in cost-based regulated utility operations through its subsidiaries, KU and LG&E. The acquisition of LKE substantially reapportions the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business, strengthens PPL's credit profile and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability. The increase in regulated assets provides earnings stability through regulated returns and the ability to recover costs of capital investments, in contrast to the competitive supply business where earnings and cash flows are subject to market conditions. LKE's operating results for the two months ended December 31, 2010 are included in PPL's results of operations with no comparable amounts for 2009. LKE's net assets acquired and obligations assumed at the acquisition date were recorded at fair value and are included in PPL's balance sheet at December 31, 2010. See Note 10 for additional information on the acquisition of LKE.

(PPL Energy Supply)

PPL Energy Funding is the parent of PPL Energy Supply. On January 31, 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding, to better align PPL's organizational structure with the manner in which it manages its businesses and reports segment information in its consolidated financial statements. The distribution was made based on the book value of the assets and liabilities of PPL Global with financial effect as of January 1, 2011. PPL Global owns and operates WPD's electricity distribution businesses in the U.K. See Note 24 for additional information related to the distribution. Notes to PPL Energy Supply's Financial Statements may include PPL Global information for years subsequent to 2010.

(PPL and PPL Energy Supply)

PPL Generation owns and operates a portfolio of competitive domestic power generating assets. These power plants are primarily located in Pennsylvania and Montana and use well-diversified fuel sources including coal, uranium, natural gas, oil and water. PPL EnergyPlus sells electricity produced by PPL Generation subsidiaries, participates in wholesale market load-following auctions, and markets various energy products and commodities such as: capacity, transmission, FTRs, coal, natural gas, oil, uranium, emission allowances, RECs and other commodities in competitive wholesale and competitive retail markets, primarily in the northeastern and northwestern U.S.

In 2010, PPL Energy Supply completed the sale of its Long Island generation business and related tolling agreements and its remaining three hydroelectric facilities in Maine. See Note 9 for additional information on these sales.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated subsidiary of PPL. PPL Electric's principal business is the transmission and distribution of electricity to serve retail customers in its franchised territory in eastern and central Pennsylvania and the supply of electricity to retail customers in that territory as a PLR.

(PPL, PPL Energy Supply and PPL Electric)

The consolidated financial statements of PPL, PPL Energy Supply and PPL Electric include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. PPL, PPL Energy Supply and PPL Electric consolidate a VIE when they are determined to have a controlling interest in the VIE, and thus are the primary beneficiary of the entity. See "New Accounting Guidance Adopted - Consolidation of Variable Interest Entities" within this note for additional information and Note 22 for information regarding a significant consolidated VIE. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated. Any noncontrolling interests are reflected in the consolidated financial statements.

PPL and PPL Energy Supply consolidate foreign subsidiaries on a one-month lag. Material intervening events, such as debt issuances and retirements, acquisitions or divestitures that occur in the lag period are recognized in the current period financial statements. Events that are significant but not material are disclosed.

The consolidated financial statements of PPL and PPL Energy Supply include their share of any undivided interests in jointly owned facilities, as well as their share of the related operating costs of those facilities. See Note 14 for additional information.

Regulation

(PPL and PPL Electric)

LG&E, KU and PPL Electric are cost-based rate-regulated utilities for which rates are set by regulators to enable LG&E, KU and PPL Electric to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Rates are generally established based on a test period as adjusted to exclude unusual or nonrecurring items. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Likewise, regulatory liabilities are recognized for obligations expected to be returned through future regulated customer rates or be consumed in the business operations for the effect of transactions or events that would otherwise currently be reflected as income, or in certain cases, regulatory liabilities are recorded based on the understanding with the regulator that current rates include recovery of costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates but not yet expended for the intended purpose. The accounting for regulatory assets and liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC or the applicable state regulatory commissions. See Note 3 for additional details regarding regulatory assets and liabilities.

(PPL and PPL Energy Supply)

WPD operates under distribution licenses granted by and price controls set by Ofgem. The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. The price control formula is normally determined every five years. Ofgem completed a review in December 2009 that became effective April 1, 2010 and will continue through March 31, 2015.

WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

Accounting Records *(PPL and PPL Electric)*

The system of accounts for LG&E, KU and PPL Electric is maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the applicable state regulatory commissions.

Use of Estimates *(PPL, PPL Energy Supply and PPL Electric)*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Accruals *(PPL, PPL Energy Supply and PPL Electric)*

Potential losses are accrued when (1) information is available that indicates it is "probable" that a loss has been incurred, given the likelihood of the uncertain future events and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." PPL and its subsidiaries continuously assess potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. PPL and its subsidiaries discount loss accruals for environmental remediation when appropriate.

PPL and its subsidiaries do not record the accrual of contingencies that might result in gains, unless recovery is assured.

Changes in Classification *(PPL, PPL Energy Supply and PPL Electric)*

The classification of certain amounts in the 2009 and 2008 financial statements have been changed to conform to the current presentation. The changes in classification did not affect "Net Income Attributable to PPL Corporation" or "PPL Corporation Shareowners' Common Equity," "Net Income Attributable to PPL Energy Supply" or PPL Energy Supply's "Member's equity" or "Net Income Available to PPL Corporation" or PPL Electric's "Shareowners' Equity."

The classification on the Statements of Cash Flows has not been changed for the classification of amounts to Discontinued Operations.

Comprehensive Income *(PPL and PPL Energy Supply)*

Comprehensive income, which includes net income and OCI, consists of changes in equity from transactions not related to shareowners. Comprehensive income is shown on PPL's and PPL Energy Supply's Statements of Comprehensive Income.

AOCI, which is presented on the Balance Sheets of PPL and included in Member's Equity on the Balance Sheets of PPL Energy Supply, consisted of these after-tax gains (losses) at December 31.

	2010	2009
PPL		
Foreign currency translation adjustments	\$ (195)	\$ (136)
Unrealized gains on available-for-sale securities	86	62
Net unrealized gains on qualifying derivatives	695	602
Equity investees' AOCI	(2)	(2)
Defined benefit plans:		
Prior service cost	(32)	(61)
Actuarial loss	(1,032)	(993)
Transition asset (obligation)	1	(9)
	<u>\$ (479)</u>	<u>\$ (537)</u>
PPL Energy Supply		
Foreign currency translation adjustments	\$ (195)	\$ (136)
Unrealized gains on available-for-sale securities	86	62
Net unrealized gains on qualifying derivatives	732	573
Equity investee's AOCI	(2)	(2)
Defined benefit plans:		
Prior service cost	(23)	(44)
Actuarial loss	(953)	(930)
Transition obligation	1	(7)
	<u>\$ (355)</u>	<u>\$ (484)</u>

Earnings Per Share (PPL)

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of shares outstanding that are increased for additional shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares.

Price Risk Management

(PPL and PPL Energy Supply)

PPL and PPL Energy Supply enter into energy and energy-related contracts to hedge the variability of expected cash flows associated with their generating units and marketing activities, as well as for trading purposes. PPL and PPL Energy Supply enter into interest rate contracts to hedge their exposure to changes in the fair value of their debt instruments and to hedge their exposure to variability in expected cash flows associated with existing debt instruments or forecasted issuances of debt. PPL and PPL Energy Supply also enter into foreign currency exchange contracts to hedge foreign currency exposures related to firm commitments, recognized assets or liabilities, forecasted transactions, net investments and foreign earnings translation.

Certain of PPL and PPL Energy Supply's energy and energy-related contracts meet the definition of a derivative, while others do not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, PPL periodically reviews these contracts to assess whether a market mechanism has evolved which could facilitate net settlement. Certain derivative energy contracts have been excluded from the requirements of derivative accounting treatment because they meet the definition of NPNS. These contracts are accounted for using accrual accounting. All other contracts that have been classified as derivative contracts are reflected on the balance sheet at their fair value. These contracts are recorded as "Price risk management assets" and "Price risk management liabilities" on the Balance Sheets. Derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities." PPL and PPL Energy Supply record derivative positions that deliver beyond a year in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent Liabilities." Every trade is entered into the risk management system with an assigned strategy and accounting classification. Processes exist that allow for subsequent review and validation of the trade information. These strategies are discussed in more detail in Note 19. PPL's accounting department provides the traders and the risk management department with guidelines on appropriate accounting classifications for various trade types and strategies. Some examples of these guidelines include, but are not limited to:

- Physical coal, limestone, uranium, electric transmission, gas transportation, gas storage and renewable energy credit contracts are not derivatives due to the lack of net settlement provisions.
- Only contracts where physical delivery is deemed probable throughout the entire term of the contract can qualify for the NPNS exception.
- Physical transactions that permit cash settlement and financial transactions do not qualify for NPNS because physical delivery cannot be asserted; however, these transactions can receive cash flow hedge treatment if they lock in the future cash flows for energy-related commodities.
- Certain purchased option contracts or net purchased option collars may receive hedge accounting treatment. Those that are not eligible are marked to fair value through earnings.

- Derivative transactions that do not qualify for NPNS or hedge accounting treatment are marked to fair value through earnings.

A similar process is also followed by PPL's treasury department as it relates to interest rate and foreign currency derivatives. The following accounting guidelines are provided to the treasury department staff:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges.
- Transactions entered into to hedge fluctuations in the fair value of existing debt can be designated as fair value hedges.
- Transactions entered into to hedge the value of a net investment of foreign operations can be designated as net investment hedges.
- Derivative transactions that do not qualify for hedge accounting treatment are marked to fair value through earnings or through regulatory assets/liabilities if approved by the appropriate regulatory body. These transactions generally include hedges of earnings translation risk associated with subsidiaries that report their financial statements in a currency other than the U.S. dollar. As such, these transactions reduce earnings volatility due solely to changes in foreign currency exchange rates.

Therefore, on the date the derivative contract is executed, PPL may designate the derivative as NPNS, a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), a foreign currency fair value or cash flow hedge (foreign currency hedge) or a hedge of a net investment in a foreign operation (net investment hedge). Other derivatives may be linked to certain risk management strategies, but hedge accounting treatment is not permitted or elected. Finally, some derivatives have been entered into for proprietary trading purposes. As such, similar derivatives may receive different accounting treatment, depending on the intended use of such derivative instrument.

Changes in the fair value of derivatives are recorded in either OCI or in current-period earnings, except that LG&E records the change in fair value of its interest rate swap contracts as a regulatory asset or liability since such costs are either currently being recovered in customer rates or are probable of future recovery.

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the underlying nature of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions in the financial statements. Accordingly, PPL and its subsidiaries do not offset such derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

Gains and losses associated with non-trading bilateral sales of electricity at major market delivery points are netted with purchases that offset the sales at those same delivery points. A major market delivery point is any delivery point with liquid pricing available.

PPL and PPL Energy Supply reflect their net realized and unrealized gains and losses associated with all derivatives that are held for trading purposes in the "Net energy trading margins" line on the Statements of Income.

See Notes 18 and 19 for additional information on derivatives.

(PPL and PPL Electric)

To meet its obligation as a PLR to its customers, PPL Electric has entered into contracts that meet the definition of a derivative. These contracts have been excluded from the requirements of derivative accounting treatment because they meet the definition of NPNS and are accounted for using accrual accounting. See Notes 18 and 19 for additional information.

Revenue

Utility Revenue

(PPL)

The Statements of Income "Utility" line item contains rate-regulated revenue from the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Domestic electric revenue (a)	\$ 2,856	\$ 3,218	\$ 3,290
U.K. electric revenue (b)	727	684	824
Domestic natural gas revenue (c)	85		
Total	<u>\$ 3,668</u>	<u>\$ 3,902</u>	<u>\$ 4,114</u>

(a) Represents revenue from the regulated generation, transmission and/or distribution of electricity in Pennsylvania, Kentucky, Virginia and Tennessee, including regulated wholesale revenue.

(b) Represents electric revenue from the operation of WPD's distribution networks.

(c) Represents revenue from the distribution and sale of natural gas in Kentucky.

(PPL Energy Supply)

The Statements of Income "Utility" line item contains electric revenue from the operation of WPD's distribution network.

(PPL Electric)

Since most of PPL Electric's operations are regulated, it is not meaningful to use a "Utility" caption. Therefore, PPL Electric's revenue is presented according to specific types of revenue.

Revenue Recognition

(PPL, PPL Energy Supply and PPL Electric)

Operating revenues, except for "Energy-related businesses," are recorded based on energy deliveries through the end of the calendar month. Unbilled retail revenues result because customers' meters are read and bills are rendered throughout the month, rather than all being read at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Unbilled wholesale energy revenues are recorded at month-end to reflect estimated amounts until actual dollars and MWhs are confirmed and invoiced. At that time, unbilled revenue is reversed and actual revenue is recorded.

PPL Energy Supply records energy marketing activity in the period when the energy is delivered. Generally, the wholesale sales and purchases that qualify as derivative instruments held for non-trading purposes are reported gross on the Statements of Income within "Wholesale energy marketing" and "Energy purchases." Additionally, the bilateral sales and purchases that are designated as speculative trading activities and qualify as derivative instruments for accounting purposes are reported net on the Statements of Income within "Net energy trading margins." Spot market activity that balances PPL Energy Supply's physical trading positions is included on the Statements of Income in "Net energy trading margins."

Certain PPL subsidiaries participate in RTOs, primarily in PJM. In PJM, PPL EnergyPlus is a marketer, a load-serving entity to its customers who have selected it as a supplier and a seller for PPL's generation subsidiaries. PPL Electric is a transmission owner and PLR in PJM. A function of interchange accounting is to match participants' MWh entitlements (generation plus scheduled bilateral purchases) against their MWh obligations (load plus scheduled bilateral sales) during every hour of every day. If the net result during any given hour is an entitlement, the participant is credited with a spot-market sale to the ISO at the respective market price for that hour; if the net result is an obligation, the participant is charged with a spot-market purchase from the ISO at the respective market price for that hour. ISO purchases and sales are not allocated to individual customers. PPL records the hourly net sales and purchases in its financial statements as wholesale energy marketing and energy purchases.

"Energy-related businesses" revenue includes revenue from the mechanical contracting and engineering subsidiaries, as well as WPD's telecommunications and property subsidiaries. The mechanical contracting and engineering subsidiaries record revenue from construction contracts on the percentage-of-completion method of accounting, measured by the actual cost incurred to date as a percentage of the estimated total cost for each contract. Accordingly, costs and estimated earnings in excess of billings on uncompleted contracts are recorded within "Unbilled revenues" on the Balance Sheets, and billings in excess of costs and estimated earnings on uncompleted contracts are recorded within "Other current liabilities" on the Balance Sheets. The amount of costs in excess of billings was \$9 million and \$5 million at December 31, 2010 and 2009, and the amount of billings in excess of costs was \$70 million and \$69 million at December 31, 2010 and 2009.

Accounts Receivable

(PPL, PPL Energy Supply and PPL Electric)

Accounts receivable are reported in the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. For PPL, see Note 10 for information related to the acquisition of LKE. The initial accounts receivable acquired in the transaction were recorded at fair value on November 1, 2010.

PPL Electric's customers may elect to procure generation supply from an alternative supplier. As a result of a PUC-approved purchase of accounts receivable program, beginning in the first quarter of 2010, PPL Electric has purchased certain accounts receivable from alternative suppliers at a nominal discount, which reflects a provision for uncollectible accounts. Additionally, PPL Electric receives a nominal fee for administering the program. The alternative suppliers (including PPL EnergyPlus) have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. The purchased accounts receivable have substantially the same risk profile and payment terms as PPL Electric's other customer accounts receivable. During 2010, PPL and PPL Electric purchased \$607 million of accounts receivable from third parties. During 2010, PPL Electric purchased \$212 million of accounts receivable from PPL EnergyPlus.

Allowance for Doubtful Accounts

(PPL, PPL Energy Supply and PPL Electric)

Accounts receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms. Reserve balances are analyzed to assess the reasonableness of the balances in comparison to the actual accounts receivable balances and write-offs. Adjustments are made to reserve balances based on the results of analysis, the aging of receivables, and historical and industry trends.

Additional specific reserves for uncollectible accounts receivable, such as bankruptcies, are recorded on a case-by-case basis after having been researched and reviewed by management. The nature of the item, trends in write-offs, the age of the receivable, counterparty creditworthiness and economic conditions are considered as a basis for determining the adequacy of the reserve for uncollectible account balances.

Accounts receivable are charged-off in the period in which the receivable is deemed uncollectible. Recoveries of accounts receivable previously charged-off are recorded when it is known they will be received.

The changes in the allowance for doubtful accounts, including unbilled revenues, were:

	Balance at Beginning of Period	Additions			Balance at End of Period
		Charged to Income	Charged to Other Accounts (a)	Deductions (b)	
PPL (c)					
2010	\$ 37	\$ 42 (d)	7 (d)	\$ 31	\$ 55 (d)
2009	40	30		33	37
2008	40	29		29	40
PPL Energy Supply (c)					
2010	\$ 21	\$ 1		\$ 2	\$ 20
2009	26	1		6	21
2008	22	5		1	26
PPL Electric					
2010	\$ 16	\$ 30		\$ 29	\$ 17
2009	14	29		27	16
2008	18	24		28	14

(a) Primarily related to a reserve against a receivable recorded for liquidated damages associated with the construction of Unit 2 of the Trimble County generation facility, and thus the provision was recorded as an adjustment to construction work in progress.

(b) Primarily related to uncollectible accounts written off.

(c) See Note 15 for information on allowance for doubtful accounts related to California ISO sales.

(d) Includes amounts associated with two months of LKE activity. See Note 10 for additional information related to the acquisition of LKE.

Cash (PPL, PPL Energy Supply and PPL Electric)

Cash Equivalents

All highly liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash and Cash Equivalents

Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash and cash equivalents. The change in restricted cash and cash equivalents is reported as an investing activity on the Statements of Cash Flows. On the Balance Sheets, the current portion of restricted cash and cash equivalents is shown as "Restricted cash and cash equivalents" while the noncurrent portion is included in "Other noncurrent assets." See Note 18 for total restricted cash. For PPL, the December 31, 2010 balance of restricted cash and cash equivalents included \$19 million of cash collateral posted to counterparties related to interest rate swap contracts, \$14 million of margin deposits posted to counterparties in connection with trading activities, \$6 million of funds required by law to be held by WPD's captive insurance company to meet claims and \$13 million of funds deposited with a trustee to defease PPL Electric's 1945 First Mortgage Bonds, as discussed in Note 7. For PPL Energy Supply, the December 31, 2010 balance included \$11 million of margin deposits posted to counterparties in connection with trading activities and \$6 million of funds required by law to be held by WPD's captive insurance company to meet claims. For PPL and PPL Energy Supply, the December 31, 2009 balance consisted primarily of margin deposits posted by counterparties to PPL Energy Supply in connection with trading activities. For PPL Electric, the December 31, 2010 and December 31, 2009 balances of restricted cash and cash equivalents, including the noncurrent portion, consisted primarily of funds deposited with a trustee to defease PPL Electric's 1945 First Mortgage Bonds, as discussed in Note 7.

Fair Value Measurements (PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries value certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities, investments in securities including investments in the NDT funds and defined benefit plans, and cash and cash equivalents. PPL and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

PPL and its subsidiaries prioritize fair value measurements for disclosure by grouping them into one of three levels in the fair value hierarchy. The highest priority is given to measurements using Level 1 inputs. The appropriate level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active

markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2** - inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.
- **Level 3** - unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, PPL and its subsidiaries' assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy. PPL and its subsidiaries recognize transfers between levels at end-of-reporting-period values. See Notes 13, 18, and 19 for additional information on fair value measurements.

Investments (PPL, PPL Energy Supply and PPL Electric)

Generally, the original maturity date of an investment and management's ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Short-term investments" on the Balance Sheet of PPL and in "Current Assets - Other" on the Balance Sheet of PPL Electric.

Investments in Debt and Equity Securities

Investments in debt securities are classified as held-to-maturity and measured at amortized cost when there is an intent and ability to hold the securities to maturity. Debt and equity securities that are acquired and held principally for the purpose of selling them in the near-term are classified as trading. Trading securities are generally held to capitalize on fluctuations in their value. All other investments in debt and equity securities are classified as available-for-sale. Both trading and available-for-sale securities are carried at fair value. The specific identification method is used to calculate realized gains and losses on debt and equity securities. Any unrealized gains and losses on trading securities are included in earnings. Through March 31, 2009, unrealized gains and losses on all available-for-sale securities were reported, net of tax, in OCI or recognized in earnings when the decline in fair value below amortized cost was determined to be an other-than-temporary impairment.

Accounting guidance effective April 1, 2009 has modified the criteria for determining whether a decline in fair value of a debt security is other than temporary and whether the other-than-temporary impairment is recognized in earnings or reported in OCI. Beginning April 1, 2009, when a debt security is in an unrealized loss position:

- if there is an intent to sell the security or a requirement to sell the security before recovery, the other-than-temporary impairment is recognized currently in earnings; or
- if there is no intent to sell the security or requirement to sell the security before recovery, the portion of the other-than-temporary impairment that is considered a credit loss is recognized currently in earnings and the remainder of the other-than-temporary impairment is reported in OCI, net of tax; or
- if there is no intent to sell the security or requirement to sell the security before recovery and there is no credit loss, the unrealized loss is reported in OCI, net of tax.

Equity securities were not impacted by this accounting guidance; therefore, unrealized gains and losses on available-for-sale equity securities continue to be reported, net of tax, in OCI. Earnings continue to be charged when an equity security's decline in fair value below amortized cost is determined to be an other-than-temporary impairment. See Notes 18 and 23 for additional information on investments in debt and equity securities.

Long-Lived and Intangible Assets

Property, Plant and Equipment

(PPL, PPL Energy Supply and PPL Electric)

PP&E is recorded at original cost, unless impaired. The original cost for PP&E acquired in the LKE acquisition is its fair value on November 1, 2010, which approximated net book value as of the acquisition date. See Note 10 for additional information on the acquisition of LKE. If impaired, the asset is written down to fair value at that time, which becomes the new cost basis of the asset. Original cost includes material, labor, contractor costs, certain overheads and financing costs, where applicable. The cost of repairs and minor replacements are charged to expense as incurred. PPL records costs associated with planned major maintenance projects in the period in which the costs are incurred. No costs are accrued in advance of the period in which the work is performed for PPL Energy Supply or PPL Electric. PPL, through its subsidiaries LG&E and KU, accrues costs of removal net of estimated salvage value through depreciation which is included in the calculation of customer

rates over the assets' depreciable lives in accordance with regulatory practices. Cost of removal amounts accrued through depreciation rates are accumulated as a regulatory liability until the removal costs are incurred. See Note 3 for additional information.

(PPL and PPL Electric)

AFUDC is capitalized as part of the construction costs for cost based rate regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income.

(PPL and PPL Energy Supply)

Nuclear fuel-related costs, including fuel, conversion, enrichment, fabrication and assemblies, are capitalized as PP&E. Such costs are amortized over the period the fuel is spent using the unit-of-production method and included in "Fuel" on the Statements of Income.

PPL and PPL Energy Supply capitalize interest costs as part of construction costs for projects not subjected to cost-based rate regulation.

The following capitalized interest was excluded from "Interest Expense" on the Statements of Income.

	PPL	PPL Energy Supply
2010	\$ 30	\$ 33
2009	44	45
2008	57	56

(PPL, PPL Energy Supply and PPL Electric)

Included in PP&E on the balance sheet are capitalized costs of software projects that were developed or obtained for internal use. These capitalized costs are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed five years. Following are capitalized software costs and the accumulated amortization.

	December 31, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
L (a)	\$ 213	\$ 70	\$ 97	\$ 52
PPL Energy Supply	30	20	24	19
PPL Electric	54	24	37	15

(a) The December 31, 2010 gross carrying amount includes \$84 million from the acquisition of LKE.

Amortization expense of capitalized software costs was as follows:

	PPL	PPL Energy Supply	PPL Electric
	2010	\$ 21	\$ 3
2009	13	2	5
2008	8	2	3

The amortization of capitalized software is included in "Depreciation" on the Statements of Income.

Depreciation *(PPL, PPL Energy Supply and PPL Electric)*

Depreciation is computed over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E is retired that was depreciated under the composite or group method, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators.

Following are the weighted-average rates of depreciation at December 31.

	2010			2009		
	PPL	PPL Energy Supply	PPL Electric	PPL	PPL Energy Supply	PPL Electric
regulated utility plant (a)	3.27	2.31	2.27	2.24	2.24	2.24
non-regulated PP&E - Generation	2.76	2.76		2.48	2.48	

(a) For PPL, the 2010 weighted-average depreciation rate was impacted by the acquisition of LKE. In accordance with purchase accounting guidelines, the original cost for PP&E acquired in the LKE acquisition is its fair value on November 1, 2010, which approximated net book value as of the acquisition date. This resulting lower original cost basis of LKE's PP&E was used in the calculation of the weighted-average depreciation rate for PPL for 2010. Therefore, the consolidation of LKE results in a significantly higher

weighted-average rate compared to PPL's historical rates. Excluding LKE, PPL's 2010 weighted-average depreciation rate was 2.28%.

Goodwill and Other Intangible Assets (PPL, PPL Energy Supply and PPL Electric)

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in the acquisition of a business.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider the expected use of the asset; the expected useful life of other assets to which the useful life of the intangible asset may relate; legal, regulatory, or contractual provisions that may limit the useful life; the company's historical experience as evidence of its ability to support renewal or extension; the effects of obsolescence, demand, competition, and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

PPL and its subsidiaries account for emission allowances as intangible assets. Since the economic benefits of emission allowances are not diminished until they are consumed, emission allowances are not amortized; rather, they are expensed when consumed. Such expense is included in "Fuel" on the Statements of Income. Gains and losses on the sale of emission allowances are included in "Other operation and maintenance" on the Statements of Income.

PPL and its subsidiaries also account for RECs as intangible assets, and the associated costs are not expensed until the credits are consumed. Such expense is included in "Energy purchases" on the Statements of Income. Gains and losses on the sale of RECs are included in "Other operation and maintenance" on the Statements of Income.

See Note 20 for additional information on goodwill and other intangible assets.

Asset Impairment (PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries review long-lived assets that are subject to depreciation or amortization, including finite-lived intangibles, for impairment when events or circumstances indicate carrying amounts may not be recoverable.

For a long-lived asset classified as held and used, an impairment exists when the carrying amount exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its fair value. Certain emission allowances are expected to be sold rather than consumed. These emission allowances are tested for impairment when events or changes in circumstances, such as a decline in market prices, indicate that their carrying value might be impaired. See Note 18 for a discussion of impairment charges recorded associated with long-lived assets classified as held and used.

For a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount of the asset (disposal group) to its fair value less cost to sell. See Notes 9 and 18 for a discussion of impairment charges recorded associated with long-lived assets classified as held for sale.

Goodwill is reviewed for impairment, at the reporting unit level, annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. Additionally, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of. PPL's reporting units are significant businesses that have discrete financial information, and the operating results are regularly reviewed by segment management. PPL's reporting units are at or one level below its operating segments. If the carrying amount of the reporting unit, including goodwill, exceeds its fair value, the implied fair value of goodwill must be calculated. The implied fair value of goodwill is determined in the same manner as the amount of goodwill in a business combination. That is, the fair value of a reporting unit is allocated to all assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recognized for an amount equal to that difference.

The goodwill recognized as a result of the acquisition of LKE, although entirely recorded at LG&E and KU, was assigned to the reporting units expected to benefit from the acquisition, which are the new Kentucky Regulated segment and the Supply segment. See Note 10 for additional information regarding the acquisition.

Asset Retirement Obligations

(PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries recognize various legal obligations associated with the retirement of long-lived assets as liabilities in the financial statements. Initially, this obligation is measured at fair value. An equivalent amount is recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income, for changes in the obligation due to the passage of time.

Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is amortized over the remaining life of the associated long-lived asset. See Note 21 for additional information on AROs and a discussion of the remeasurement in the third quarter of 2010 of the ARO for the decommissioning of the Susquehanna nuclear units.

(PPL)

The accretion and depreciation, related to an ARO, recorded by LG&E and KU is offset with a regulatory asset, such that there is no income statement impact. The regulatory asset is relieved when the ARO is settled.

Compensation and Benefits

Defined Benefits (PPL, PPL Energy Supply and PPL Electric)

PPL and certain of its subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to OCI or to regulatory assets or liabilities for LG&E, KU and PPL Electric. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its pension plans. Under the accelerated method, gains and losses in excess of 10% but less than 30% of the greater of the plan's projected benefit obligation or the market-related value of plan assets are amortized on a straight-line basis over the estimated average future service period of plan participants. Gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over a period equal to one-half of the average future service period of the plan participants.

See Note 13 for a discussion of defined benefits.

Stock-Based Compensation

(PPL, PPL Energy Supply and PPL Electric)

PPL grants stock options, restricted stock, restricted stock units and performance units to certain employees, and stock units and restricted stock units to directors, under several stock-based compensation plans. PPL grants most of its stock-based awards in the first quarter of each year. PPL and its subsidiaries recognize compensation expense for stock-based awards based on the fair value method. Stock options with graded vesting (i.e., that vest in installments) are valued as a single award. PPL grants stock options with an exercise price that is not less than the fair value of PPL's common stock on the date of grant. See Note 12 for a discussion of stock-based compensation. All awards are recorded as equity or a liability on the Balance Sheets. Stock-based compensation is included in "Other operation and maintenance" on the Statements of Income.

(PPL Energy Supply and PPL Electric)

PPL Energy Supply's and PPL Electric's stock-based compensation expense includes an allocation of PPL Services' expense.

Other

Debt Issuance Costs

Debt issuance costs are deferred and amortized over the term of the related debt using the interest method or another method, generally straight-line, if the results obtained are not materially different than those that would result from the interest method.

Income Taxes

(PPL, PPL Energy Supply and PPL Electric)

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return.

Significant management judgment is required in developing PPL and its subsidiaries' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and the determination of deferred tax assets, liabilities and valuation allowances.

Significant management judgment is required to determine the amount of benefit to be recognized in relation to an uncertain tax position. PPL and its subsidiaries evaluate tax positions following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets

the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of PPL and its subsidiaries in the future.

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

PPL and its subsidiaries record valuation allowances to reduce deferred tax assets to the amounts that are more likely than not to be realized. PPL and its subsidiaries consider the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies in initially recording and subsequently reevaluating the need for valuation allowances. If PPL and its subsidiaries determine that they are able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if PPL and its subsidiaries determine that they are not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made.

PPL and its subsidiaries defer investment tax credits when the credits are utilized and amortize the deferred amounts over the average lives of the related assets.

PPL and its subsidiaries recognize interest and penalties in "Income Taxes" on their Statements of Income.

See Note 5 for additional discussion regarding income taxes.

(PPL Energy Supply and PPL Electric)

The income tax provision for PPL Energy Supply and PPL Electric is calculated in accordance with an intercompany tax sharing policy which provides that taxable income be calculated as if PPL Energy Supply, PPL Electric and any domestic subsidiaries each filed a separate consolidated return. Tax benefits are not shared between companies. A tax benefit inures only to the entity that gave rise to said benefit. The effect of PPL filing a consolidated tax return is taken into account in the settlement of current taxes and the recognition of deferred taxes. PPL Energy Supply's intercompany tax payable was \$26 million at December 31, 2010 and the intercompany tax receivable was \$21 million at December 31, 2009. PPL Electric's intercompany tax receivable was \$74 million and \$19 million at December 31, 2010 and 2009.

(PPL and PPL Electric)

The provision for PPL and PPL Electric's deferred income taxes for regulated assets is based upon the ratemaking principles reflected in rates established by the regulators. The difference in the provision for deferred income taxes for regulated assets and the amount that otherwise would be recorded under GAAP is deferred and included on the Balance Sheet in noncurrent "Regulatory assets" or "Regulatory liabilities" for PPL and PPL Electric.

Taxes, Other Than Income *(PPL, PPL Energy Supply and PPL Electric)*

PPL and its subsidiaries present sales taxes in "Accounts Payable" and value-added taxes in "Taxes" on their Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 5 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Leases

(PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries evaluate whether arrangements entered into contain leases for accounting purposes.

(PPL and PPL Energy Supply)

See Note 11 for a discussion of arrangements under which PPL and PPL Energy Supply are lessees for accounting purposes.

PPL EnergyPlus entered into several arrangements whereby PPL EnergyPlus was considered the lessor for accounting purposes. See Note 9 for additional information regarding the 2010 sale of the Long Island generation business and the leases that were transferred to the purchaser upon completion of the sale.

Fuel, Materials and Supplies

(PPL, PPL Energy Supply and PPL Electric)

Fuel, natural gas stored underground and materials and supplies are valued at the lower of cost or market using the average cost method.

(PPL and PPL Energy Supply)

Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31.

PPL		PPL Energy Supply	
2010	2009	2010	2009

Fuel	\$ 260	\$ 137	\$ 97	\$ 137
Natural gas stored underground (a)	81	14	21	14
Materials and supplies	302	206	179	174
	<u>\$ 643</u>	<u>\$ 357</u>	<u>\$ 297</u>	<u>\$ 325</u>

j) The majority of natural gas stored underground is available for resale.

Guarantees (PPL, PPL Energy Supply and PPL Electric)

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance. See Note 15 for further discussion of recorded and unrecorded guarantees.

Treasury Stock (PPL and PPL Electric)

PPL and PPL Electric restore all shares of common stock acquired to authorized but unissued shares of common stock upon acquisition.

Foreign Currency Translation and Transactions (PPL and PPL Energy Supply)

Assets and liabilities of international subsidiaries, where the local currency is the functional currency, are translated at the exchange rates on the date of consolidation and related revenues and expenses are translated at average exchange rates prevailing during the year. See "Business and Consolidation" above for a discussion regarding the use of a lag period. Adjustments resulting from translation are recorded in AOCI. The effect of translation is removed from AOCI upon the sale or substantial liquidation of the international subsidiary that gave rise to the translation adjustment. The local currency is the functional currency for PPL's U.K. operating company.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. Net transaction losses were insignificant in 2010, 2009 and 2008.

New Accounting Guidance Adopted (PPL, PPL Energy Supply and PPL Electric)

Accounting for Transfers of Financial Assets

Effective January 1, 2010, PPL and its subsidiaries adopted accounting guidance issued to revise the accounting for transfers of financial assets. This guidance:

- eliminates the concept of a qualifying special-purpose entity (QSPE); therefore, QSPEs will be subject to consolidation guidance;
- changes the requirements for the derecognition of financial assets;
- establishes new criteria for reporting the transfer of a portion of a financial asset as a sale;
- requires transferors to initially recognize, at fair value, assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and
- requires enhanced disclosures to improve the transparency around transfers of financial assets and a transferor's continuing involvement.

This guidance is applied prospectively to new transfers of financial assets. Disclosures are required for all transfers, including those entered into before the effective date.

The adoption did not have a material impact on PPL and its subsidiaries' financial statements. See Note 7 for information on PPL Electric's participation in an asset-backed commercial paper program and "Accounts Receivable" above for information on PPL Electric's purchase of accounts receivable from alternative suppliers, which are within the scope of this guidance.

Consolidation of Variable Interest Entities

Effective January 1, 2010, PPL and its subsidiaries adopted accounting guidance issued to replace the quantitative-based risks and rewards calculation for determining which entity, if any, has a controlling financial interest in a VIE and is the primary beneficiary. The primary beneficiary must consolidate the VIE. This guidance:

- prescribes a qualitative approach focused on identifying which entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE;
- requires ongoing assessments of whether an entity is the primary beneficiary of a VIE;
- requires enhanced disclosures to improve the transparency of an entity's involvement in a VIE;
- requires that all previous consolidation conclusions be reconsidered; and
- requires that QSPEs be evaluated for consolidation (resulting from the elimination of the QSPE concept in the guidance addressing accounting for transfers of financial assets).

The adoption did not have a material impact on PPL and its subsidiaries' financial statements. See PPL and PPL Energy Supply's Balance Sheets and Note 22 for enhanced VIE disclosures.

Improving Disclosures about Fair Value Measurements

Effective January 1, 2010, PPL and its subsidiaries prospectively adopted accounting guidance issued to improve disclosures about fair value measurements. This guidance:

- requires disclosures be provided for each class of assets and liabilities, with class determined on the basis of the nature and risks of the assets and liabilities;
- clarifies that a description of valuation techniques and inputs used to measure fair value is required for Level 2 and 3 recurring and nonrecurring fair value measurements; and
- for recurring fair value measurements, requires separate disclosure of significant transfers into and out of levels and the reasons for those transfers.

This guidance makes corresponding amendments to employers' disclosures about pensions and other postretirement benefits.

The adoption did not have a material impact on PPL and its subsidiaries' financial statements. The enhanced disclosures are presented in Notes 13 and 18.

Subsequent Measurement - Cash Flow Hedges

Effective April 1, 2010, PPL and its subsidiaries prospectively adopted accounting guidance that was issued to clarify how an entity should reflect the subsequent measurement of cash flow hedges in AOCI if, during a prior period, hedge accounting was not permitted. This situation may arise if an entity's retrospective assessment of hedge effectiveness indicated that the hedging relationship had not been highly effective in a period, but the prospective assessment of hedge effectiveness showed an expectation that the hedging relationship would be highly effective in the future; therefore, the hedging relationship continued even though hedge accounting was not permitted for a certain period. This guidance:

- requires that the cumulative gain or loss on the derivative that is used to determine the maximum amount of gain or loss that may be reflected in AOCI exclude the gains or losses that occurred during the period when hedge accounting was not permitted; and
- requires that the cumulative change in the expected future cash flows on the hedged transaction exclude the changes related to the period when hedge accounting was not applied.

The adoption did not have a significant impact on PPL and its subsidiaries; however, the impact in future periods could be material. See "Commodity Price Risk (Non-trading)" in Note 19 for additional information.

Pro Forma Disclosures for Business Combinations

Effective December 31, 2010, PPL and its subsidiaries prospectively adopted accounting guidance that requires disclosure of supplementary pro forma information for business combinations. Under this guidance, an entity must:

- present the pro forma disclosures as if the business combination occurred at the beginning of the prior annual period; and
- disclose the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings.

The adoption did not have a material impact on PPL and its subsidiaries' financial statements. Pro forma information reflecting the acquisition of LKE is presented in Note 10.

2. Segment and Related Information

(PPL and PPL Energy Supply)

PPL completed the acquisition of LKE on November 1, 2010. See Note 10 for additional information. Following the November 1, 2010 acquisition of LKE, PPL is organized into four segments: Kentucky Regulated, International Regulated (formerly International Delivery), Pennsylvania Regulated (formerly Pennsylvania Delivery) and Supply. There were no changes to the segments other than renaming certain segments, adding a Kentucky Regulated segment and allocating interest expense related to the Equity Units to the Kentucky Regulated segment (\$21 million of which was included in the Supply segment prior to the November 1, 2010 acquisition).

For PPL, the Kentucky Regulated segment consists primarily of LKE's regulated electric generation, transmission and distribution operations, primarily in Kentucky and includes the allocation of interest expense from the Equity Units issued in June 2010 to fund the acquisition. This segment also includes LKE's regulated distribution and sale of natural gas in Kentucky.

The International Regulated segment primarily consists of the regulated electric distribution operations in the U.K. In 2009, the International Regulated segment recognized \$24 million of income tax expense in Discontinued Operations related to a correction of the calculation of tax bases of the Latin American businesses sold in 2007. In 2008, the International Regulated segment recognized income tax benefits and miscellaneous expenses in Discontinued Operations in connection with the dissolution of certain Latin American holding companies. See Note 9 for additional information.

The Pennsylvania Regulated segment includes the regulated electric delivery operations of PPL Electric. This segment also included the regulated gas delivery operations of PPL Gas Utilities prior to its sale in October 2008. See Note 9 for additional information on the sale of PPL Gas Utilities.

The Supply segment primarily consists of the domestic energy marketing and trading activities, as well as the competitive generation operations of PPL Energy Supply. In 2010 and 2009, PPL Energy Supply sold or signed agreements to sell certain Supply segment facilities and businesses. See Note 9 for additional information.

"Unallocated Costs" represent one-time LKE acquisition-related costs including advisory, accounting and legal fees, certain internal costs and Bridge Facility costs. See Note 7 for additional information about the Bridge Facility.

The results of several facilities and businesses have been classified as Discontinued Operations on the Statements of Income. See Note 9 for additional information on these discontinued operations. Therefore, with the exception of net income attributable to PPL/PPL Energy Supply, the operating results from these facilities and businesses have been excluded from the income statement data tables below.

PPL Energy Supply's reportable segments are International Regulated and Supply. In 2010, there were no significant changes to these segments. While the International Regulated segment at PPL Energy Supply is consistent with the International Regulated segment at PPL, the Supply segment information reported by PPL Energy Supply does not equal the Supply segment information reported by PPL because additional Supply segment functions exist at PPL. Further, certain income items, including PLR revenue and certain interest income with affiliates, exist at PPL Energy Supply but are eliminated in consolidation by PPL. Finally, certain expense items are fully allocated to the segments by PPL only.

Segment costs include direct charges, as well as an allocation of indirect corporate service costs, from PPL Services. These service costs include functions such as financial, legal, human resources and information services. See Note 16 for additional information.

Financial data for the segments are:

	PPL			PPL Energy Supply		
	2010	2009	2008	2010	2009	2008
Income Statement Data						
Revenues from external customers by product						
Kentucky Regulated						
Electric	\$ 408					
Natural Gas	85					
Total	493					
International Regulated						
Electric	727	\$ 684	\$ 824	\$ 727	\$ 684	\$ 824
Energy-related businesses	34	32	33	34	32	33
Total	761	716	857	761	716	857
Pennsylvania Regulated						
Electric	2,448	3,218	3,290			
Supply						
Electric and Gas (a) (b)	4,444	3,124	3,224	4,764	4,930	5,050
Energy-related businesses	375	391	486	364	379	478
Total	4,819	3,515	3,710	5,128	5,309	5,528
Total	8,521	7,449	7,857	5,889	6,025	6,385
Intersegment electric revenues (c)						
Pennsylvania Regulated	7	74	111			
Supply	320	1,806	1,826			
Depreciation						
Kentucky Regulated	49					
International Regulated	117	115	134	117	115	134
Pennsylvania Regulated	136	128	131			
Supply	254	212	179	236	195	165
Total	556	455	444	353	310	299
Amortization						
International Regulated	13	(13)	15	13	(13)	15
Pennsylvania Regulated	(22)	312	302			
Supply	148	90	66	147	88	51
Unallocated costs	74					
Total	213	389	383	160	75	66
Unrealized (gains) losses on derivatives and other hedging activities (a)						
Kentucky Regulated	1					
Supply	541	329	(279)	536	330	(285)
Total	542	329	(279)	536	330	(285)
Interest income (d)						
International Regulated	2	1	10	2	1	10
Pennsylvania Regulated	4	11	16			
Supply	2	2	7	12	7	27
Total	8	14	33	14	8	37
Interest Expense (e)						
Kentucky Regulated	55					
International Regulated	135	87	144	135	87	144
Pennsylvania Regulated	99	118	111			
Supply	224	182	192	208	176	162

Unallocated costs	80					
Total	593	387	447	343	263	306
Income from Continuing Operations Before Income Taxes						
Kentucky Regulated	40					
International Regulated	261	290	330	261	290	330
Pennsylvania Regulated	192	221	278			
Supply	860	27	665	882	(13)	670
Unallocated costs	(114)					
Total	1,239	538	1,273	1,143	277	1,000
Income Taxes (f)						
Kentucky Regulated	16					
International Regulated		20	45		20	45
Pennsylvania Regulated	57	79	102			
Supply	228	6	249	262	3	256
Unallocated costs	(38)					
Total	263	105	396	262	23	301
Deferred income taxes and investment tax credits						
Kentucky Regulated	51					
International Regulated	17	12	1	17	12	1
Pennsylvania Regulated	198	(23)	1			
Supply	(15)	133	108	(25)	147	190
Total	251	122	110	(8)	159	191
Net Income Attributable to PPL/PPL Energy Supply						
Kentucky Regulated (g)	26					
International Regulated (g)	261	243	290	261	243	290
Pennsylvania Regulated (g)	115	124	161			
Supply (g)	612	40	479	600	3	478
Unallocated Costs	(76)					
Total	\$ 938	\$ 407	\$ 930	\$ 861	\$ 246	\$ 768
Cash Flow Data						
Expenditures for long-lived assets						
Kentucky Regulated	\$ 152					
International Regulated	281	\$ 240	\$ 267	\$ 281	\$ 240	\$ 267
Pennsylvania Regulated	411	298	286			
Supply	795	723	1,142	760	694	1,117
Total	\$ 1,639	\$ 1,261	\$ 1,695	\$ 1,041	\$ 934	\$ 1,384

PPL		PPL Energy Supply	
As of December 31,		As of December 31,	
2010	2009	2010	2009

Balance Sheet Data

Total Assets			
Kentucky Regulated	\$	10,318 (h)	
International Regulated		4,800	\$ 4,516
Pennsylvania Regulated		5,189	4,883
Supply		12,530 (h)	12,766
Total	\$	32,837	\$ 22,165
			\$ 16,796
			\$ 17,024

PPL			PPL Energy Supply		
2010	2009	2008	2010	2009	2008

Geographic Data

Revenues from external customers						
U.S.	\$	7,760	\$ 6,733	\$ 7,000	\$ 5,128	\$ 5,309
U.K.		761	716	857	761	857
Total	\$	8,521	\$ 7,449	\$ 7,857	\$ 5,889	\$ 6,025
						\$ 6,385

PPL		PPL Energy Supply	
As of December 31,		As of December 31,	
2010	2009	2010	2009

Long-Lived Assets

U.S.	\$	18,228	\$ 10,181	\$ 6,519	\$ 6,676
U.K.		3,505	3,517	3,505	3,517
Total	\$	21,733	\$ 13,698	\$ 10,024	\$ 10,193

- (a) Includes unrealized gains and losses from economic activity. See Note 19 for additional information.
- (b) Gas was combined with Electric because it was not significant.
- (c) See "PLR Contracts" and "NUG Purchases" in Note 16 for a discussion of the basis of accounting between reportable segments.
- (d) Includes interest income from affiliate(s).
- (e) Includes interest expense with affiliate.
- (f) Represents both current and deferred income taxes.
- (g) Includes Discontinued Operations. See Note 9 for additional information.
- (h) The PPL asset balances at December 31, 2010 for the Kentucky Regulated and Supply segments include the assignment of goodwill recorded as a result of the acquisition of LKE. See Note 10 for additional information.

(PPL Electric)

PPL Electric operates under one reportable segment, the regulated electric delivery operations in Pennsylvania.

Regulatory Assets and Liabilities

(PPL and PPL Electric)

As discussed in Note 1, PPL and PPL Electric reflect the effects of regulatory actions in the financial statements for their cost-based rate-regulated utility operations as summarized below. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date. As such, the primary items classified as current are related to rate mechanisms that periodically adjust to account for over- or under-collections.

For PPL, LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and notes payable) including certain adjustments to exclude non-regulated investments and environmental compliance costs recovered separately through the environmental cost recovery (ECR) mechanism. As such, regulatory assets are generally earning a return.

As a result of purchase accounting, certain fair value amounts, reflecting contracts that have favorable or unfavorable terms relative to market, were recorded on the balance sheet with an offsetting regulatory asset or liability. Prior to the acquisition, LKE recovered in customer rates the cost of coal contracts, power purchases and emission allowances and this rate treatment will continue after the acquisition. As a result, management believes the regulatory assets and liabilities created to offset the fair value amounts meet the recognition criteria established by existing accounting guidance and eliminate any rate making impact of the fair value adjustments. LKE's customer rates will continue to reflect these items (e.g. coal, purchased power, emission allowances) at their original contracted prices.

For PPL, KU's Virginia base rates are calculated based on a return on rate base (net utility plant less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the calculation of Virginia base rates.

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant less deferred taxes and miscellaneous additions and deductions). PPL Electric's transmission revenues are billed in accordance with a FERC tariff that allows for recovery of transmission costs incurred, a return on transmission-related plant and an automatic annual update. See "Transmission Formula Rate" below for additional information on this tariff. All regulatory assets and liabilities are excluded from distribution and transmission return on investment calculations; therefore, generally no return is earned on PPL Electric's regulatory assets.

	PPL		PPL Electric	
	2010	2009	2010	2009
Current Regulatory Assets:				
Generation supply charge	\$ 45		\$ 45	
Universal service rider	10	\$ 6	10	\$ 6
Transmission formula rate	8	5	8	5
Environmental cost recovery (a)	5			
Coal contracts (a) (b)	5			
Other (a)	12			
Total current regulatory assets	\$ 85	\$ 11	\$ 63	\$ 11
Noncurrent Regulatory Assets:				
Defined benefit plans (a)	\$ 592	\$ 229	\$ 262	\$ 229
Taxes recoverable through future rates	254	253	254	253
Storm costs (a)	129	9	7	9
Unamortized loss on reacquired debt (a)	61	33	27	33
Interest rate swaps (a)	43			
Coal contracts (a) (b)	22			
Other (a)	44	7	7	7
Total noncurrent regulatory assets	\$ 1,145	\$ 531	\$ 557	\$ 531
Current Regulatory Liabilities:				
Coal contracts (a) (b)	\$ 46			
Environmental cost recovery (a)	12			
Emission allowances (a) (b)	11			
PURTA tax	10		\$ 10	
Demand side management (a)	10			
Gas supply clause (a)	9			
Transmission service charge	8	\$ 41	8	\$ 41
Competitive transition costs		33		33
Other (a)	3			
Total current regulatory liabilities	\$ 109	\$ 74	\$ 18	\$ 74
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant (a)	\$ 623			
Coal contracts (a) (b)	213			
Power purchase agreement - OVEC (a) (b)	124			
Net deferred tax assets (a)	40			
Act 129 compliance rider	14		\$ 14	
Defined benefit plans (a)	10			

PURTA tax		\$	10	\$	10
Other (a)	7				
Total noncurrent regulatory liabilities	\$ 1,031	\$	10	\$	14
		\$	10	\$	10

- (a) The differences between PPL's and PPL Electric's balances are due to the consolidation of LG&E and KU.
 (b) These regulatory assets and liabilities were recorded as offsets to certain intangible assets and liabilities recorded at fair value from the acquisition of LKE. See Note 10 for information on the acquisition and Note 20 for information on intangible assets.

(PPL)

Environmental Cost Recovery

Kentucky law permits LG&E and KU to recover the costs of complying with the Federal Clean Air Act, and those federal, state or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal, including a return of operating expenses and a return of and on capital invested. The regulatory asset or liability represents the amount that has been over- or under-recovered due to timing or adjustments to the mechanism.

Coal Contracts

As a result of purchase accounting associated with the acquisition of LKE, the fair value of LKE's coal contracts was recorded on the balance sheet. An offsetting regulatory asset was recorded for those contracts with unfavorable terms relative to market. An offsetting regulatory liability was recorded for those contracts that had favorable terms relative to market. These regulatory assets and liabilities are being amortized over the same terms as the related contracts, which expire through 2016.

Interest Rate Swaps

Since realized amounts associated with LG&E's interest rate swaps, including a terminated swap contract, are recoverable through rates based on an order from the KPSC, LG&E's unrealized gains and losses are recorded as a regulatory asset or liability until they are realized as interest expense. Interest expense from existing swaps is realized and recovered over the terms of the associated debt, which matures through 2033. Interest expense related to the terminated swap contract is recovered over the remaining life of the debt as of the date of the termination, which extends through 2035.

Emission Allowances

As a result of purchase accounting associated with the acquisition of LKE, LKE's emission allowances were recorded at fair value on the balance sheet with an offsetting regulatory liability. This regulatory liability is being amortized as the emission allowances are consumed, which is expected to occur through 2040.

Demand Side Management (DSM)

DSM consists of energy efficiency programs which are intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information to become better managers of their energy usage and prepare for potential future legislation governing energy efficiency. The rates of LG&E and KU contain a DSM provision which includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs. The provision allows LG&E and KU to recover revenues from lost sales associated with the DSM programs up to the earlier of three years or implementation of new base rates which reflect that load reduction.

Gas Supply Clause

LG&E's natural gas rates contain a gas supply clause, whereby increases or decreases in the cost of natural gas supply are reflected in LG&E's rates, subject to approval by the KPSC. The gas supply clause procedure prescribed by the KPSC provides for quarterly rate adjustments to reflect the expected cost of natural gas supply in that quarter. In addition, the gas supply clause contains a mechanism whereby any over- or under-recoveries of natural gas supply cost from prior quarters are refunded to or recovered from customers through the adjustment factor determined for subsequent quarters.

Power Purchase Agreement

As a result of purchase accounting associated with the acquisition of LKE, the fair value of the OVEC power purchase agreement was recorded on the balance sheet with an offsetting regulatory liability. This regulatory liability is being amortized over the same terms as the related contract, which will expire in March 2026.

Fuel Adjustment Clause (FAC)

LG&E's and KU's retail electric rates contain an FAC, whereby increases and decreases in the cost of fuel for electric generation are reflected in the rates charged to retail electric customers. The FAC allows LG&E and KU to adjust billed amounts for the difference between the fuel cost component of base rates and the actual fuel cost, including transportation costs. The balance at December 31, 2010 was insignificant.

KU also employs an FAC mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs. The Virginia leveled fuel factor allows fuel recovery based on projected fuel costs for the coming year plus an adjustment for any over- or under-

recovery of fuel expenses from the prior year.

The KPSC requires public hearings at six-month intervals to examine past fuel adjustments and at two-year intervals to review past operations of the fuel clause and transfer of the then current fuel adjustment charge or credit to the base charges. In August 2010, the KPSC initiated a six-month review of LG&E's and KU's FAC mechanism for the billing period ended April 2010. An Order was received in December 2010 approving the charges and credits billed during the period.

The Mine Safety and Health Administration enacted Emergency Temporary Standards regulations in 2006 and has since issued additional regulations as the result of the passage of the Mine Improvement and New Emergency Response Act of 2006. At the state level, Kentucky and other states from which coal is supplied to LG&E and KU have passed mine safety legislation. This legislation requires all underground coal mines to implement new safety measures and install new safety equipment. Under the terms of the majority of the long-term coal contracts that LG&E and KU have in place, provisions allow for price adjustments for compliance costs resulting from new or amended laws or regulations. LG&E's and KU's coal suppliers regularly submit price adjustments related to these compliance costs. LG&E and KU employ an external consultant to review all relevant mine safety compliance cost claims for validity and reasonableness. Depending upon the terms of the contracts and commercial practice, LG&E and KU may delay payment of the adjustments or pay certain adjustments subject to refund. At appropriate times in the review, payment or refund processes, LG&E and KU adjust the values or amounts of inventory, accounts receivable or accounts payable relating to coal matters. In general, LG&E and KU expect to recover these coal-related cost adjustments through the FAC.

(PPL and PPL Electric)

Generation Supply Charge (GSC)

The GSC is a recovery mechanism which provides PPL Electric recovery for costs incurred to provide generation supply to PLR customers who receive basic generation supply service. The recovery includes an energy charge, capacity charge and an administrative charge. In addition, the GSC contains a reconciliation mechanism whereby any over-or under-recovery from prior quarters is to be refunded to or recovered from customers through the adjustment factor determined for the subsequent quarter.

Universal Service Rider (USR)

PPL Electric's distribution rates include a recovery of applicable costs associated with the universal service programs provided to PPL Electric's residential customers. Universal service programs include low-income programs, such as OnTrack and Winter Relief Assistance Program (WRAP). OnTrack is a special payment program for low-income households within the federal poverty level who are payment-troubled. This program is funded by residential customers and administered by community-based organizations. Customers who participate in OnTrack receive assistance in the form of reduced payment arrangements, protection against shutoff of electric service and referrals to other community programs and services. The WRAP program reduces electric bills and improves living comfort for low-income customers by providing services such as weatherization measures and energy education services. The USR is applied to distribution charges for each customer who receives distribution service under PPL Electric's residential service rate schedules. The USR contains a reconciliation mechanism whereby any over-or under-recovery from the current year is refunded to or recovered from customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rate

Transmission rates are regulated by the FERC. Beginning November 1, 2008, PPL Electric's transmission revenues are billed in accordance with a FERC-approved PJM open access transmission tariff that utilizes a formula-based rate recovery mechanism. The tariff allows for recovery of actual transmission costs incurred, a return on transmission plant placed in service and an incentive return, including a return on construction work in progress, on the Susquehanna-Roseland transmission line project. The tariff utilizes estimated costs for the current year billing to customers and requires a true-up to adjust for actual costs in the subsequent year's rate. In August 2009, the FERC approved this formula-based rate recovery mechanism. As a result, the annual update of the rate is now implemented automatically without requiring specific approval by the FERC before going into effect. PPL Electric accrues or defers revenues applicable to any estimated true-up of this formula-based rate.

In 2009, PPL Electric recorded a \$3 million pre-tax true-up (\$2 million after-tax) related to the 2008 portion of the FERC formula-based transmission revenues. The true-up, reflected in the Pennsylvania Regulated segment for PPL, is not considered by management as material to the financial statements of PPL and PPL Electric for the years 2009 and 2008. See Note 15 for additional information on the FERC transmission rates.

Defined Benefit Plans

Recoverable costs of defined benefit plans represent the portion of unrecognized transition obligation, prior service cost and net actuarial losses that will be recovered through future rates based upon established regulatory practices. These regulatory assets are adjusted at least annually or whenever the funded status of PPL's defined benefit plans is re-measured.

	PPL		PPL Electric	
	2010	2009	2010	2009
Transition obligation	\$ 2	\$ 10	\$	\$ 10
for service cost	68	57	32	57
net actuarial loss	522	162	230	162
Recoverable costs of defined benefit plans	<u>\$ 592</u>	<u>\$ 229</u>	<u>\$ 262</u>	<u>\$ 229</u>

Of these costs, \$40 million for PPL and \$9 million for PPL Electric are expected to be amortized into net periodic defined benefit costs in

2011. All costs will be amortized over the average service lives of plan participants.

Taxes Recoverable through Future Rates and Regulatory Liability associated with Net Deferred Tax Assets

Taxes recoverable through future rates represent the portion of future income taxes that will be recovered through future rates based upon established regulatory practices. Accordingly, this regulatory asset is recognized when the offsetting deferred tax liability is recognized. For general-purpose financial reporting, this regulatory asset and the deferred tax liability are not offset; rather, each is displayed separately. This regulatory asset is expected to be recovered over the period that the underlying book-tax timing differences reverse and the actual cash taxes are incurred.

The regulatory liability associated with net deferred tax assets represents the future revenue impact from the reversal of deferred income taxes required primarily for unamortized investment tax credits. This regulatory liability is recognized when the offsetting deferred tax asset is recognized. For general-purpose financial reporting, this regulatory liability and the deferred tax asset are not offset; rather, each is displayed separately.

Storm Costs

For PPL, in September 2009, the KPSC approved deferral of \$101 million of costs associated with a severe ice storm that occurred in January 2009 and a wind storm that occurred in February 2009. Additionally, in December 2008, the KPSC approved deferral of \$26 million of costs associated with high winds from the remnants of Hurricane Ike in September 2008. These costs are being amortized over a ten-year period ending July 2020.

For PPL Electric, in 2007, the PUC approved recovery of \$12 million of costs associated with severe ice storms that occurred in January 2005. Amortization began in January 2008 and will continue through August 2015.

Unamortized Loss on Reacquired Debt

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed that have been deferred and will be amortized and recovered over either the original life of the extinguished debt or the life of the replacement debt (in the case of refinancing). Such costs are being amortized through 2036 for PPL and through 2029 for PPL Electric.

Accumulated Costs of Removal

For PPL, LG&E and KU accrue for costs of removal through depreciation expense with an offsetting credit to a regulatory liability. The regulatory liability is relieved as costs are incurred. See Note 1 for additional information.

PPL Electric does not accrue for costs of removal. When costs of removal are incurred, PPL Electric records the deferral of costs as a reduction to accumulated depreciation. Such deferral is included in rates and amortized over the subsequent 5-year period.

PURTA Tax

In December 2009, PPL Electric reached a settlement with the Pennsylvania Department of Revenue related to the appeal of its 1997 PURTA tax assessments that resulted in a reduction in PURTA tax. The regulatory liability is being refunded to customers in 2011 pursuant to PUC regulations.

Transmission Service Charge (TSC)

PPL Electric is charged transmission-related costs by PJM applicable to PLR customers. PPL Electric passes these costs on to customers who receive basic generation supply service through the PUC-approved TSC recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to or collected from customers through a transmission service charge adjustment the subsequent year.

Competitive Transition Costs

Competitive transition costs were billed to customers as a result of PUC orders, which allowed PPL Electric to recover its competitive transition (or stranded) costs over a transition period ending December 31, 2009. These costs were over-collected at the end of 2009 and were refunded to customers in 2010.

Act 129 Compliance Rider

In compliance with Pennsylvania's Act 129 of 2008 and implementing regulations, PPL Electric filed its energy efficiency and conservation plan in July 2009. The plan was approved by PUC Order in October 2009. The Order allows PPL Electric to recover the maximum \$250 million cost of the program ratably over the life of the plan, from January 1, 2010 through May 31, 2013. The plan includes programs intended to reduce electricity consumption. The recoverable costs include direct and indirect charges, including design and development costs, general and administrative costs and applicable state evaluator costs. The rates are applied to customers who receive distribution service through the Act 129 Compliance Rider. The actual program costs are reconcilable, and any over- or under-recovery from customers will be refunded or collected at the end of the program. See Note 15 for additional information on Act 129.

Smart Meter Rider

In compliance with Pennsylvania's Act 129 of 2008 and implementing regulations, PPL Electric filed its Smart Meter Plan in 2009. The plan was approved by a PUC Order in June 2010. In August 2010, PPL Electric filed its revised Smart Meter Plan reflecting modification identified by the PUC in its Order. In December 2010, the PUC issued a Secretarial Letter approving PPL Electric's Smart Meter Rider which is designed to recover Smart Meter program costs plus a return on Smart Meter investments. The Smart Meter Rider is effective January 1, 2011 and contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to or collected from customers in the subsequent year.

4. Earnings Per Share

(PPL)

Basic and diluted EPS, computed using the two-class method, and reconciliations of the amounts of income and shares of common stock (in thousands) used in the calculation are:

	2010	2009	2008
Income (Numerator)			
Income from continuing operations after income taxes attributable to PPL	\$ 955	\$ 414	\$ 857
Less amounts allocated to participating securities	4	2	4
Income from continuing operations after income taxes available to PPL common shareowners	<u>\$ 951</u>	<u>\$ 412</u>	<u>\$ 853</u>
Income (loss) from discontinued operations (net of income taxes) available to PPL	<u>\$ (17)</u>	<u>\$ (7)</u>	<u>\$ 73</u>
Net income attributable to PPL	\$ 938	\$ 407	\$ 930
Less amounts allocated to participating securities	4	2	4
Net income available to PPL common shareowners	<u>\$ 934</u>	<u>\$ 405</u>	<u>\$ 926</u>
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	431,345	376,082	373,626
Add incremental non-participating securities:			
Stock options and performance units	224	324	836
Convertible Senior Notes			439
Weighted-average shares - Diluted EPS	<u>431,569</u>	<u>376,406</u>	<u>374,901</u>
Basic EPS			
available to PPL common shareowners:			
Income from continuing operations after income taxes	\$ 2.21	\$ 1.10	\$ 2.28
Income (loss) from discontinued operations (net of income taxes)	(0.04)	(0.02)	0.20
Net Income	<u>\$ 2.17</u>	<u>\$ 1.08</u>	<u>\$ 2.48</u>
Diluted EPS			
Available to PPL common shareowners:			
Income from continuing operations after income taxes	\$ 2.20	\$ 1.10	\$ 2.28
Income (loss) from discontinued operations (net of income taxes)	(0.03)	(0.02)	0.19
Net Income	<u>\$ 2.17</u>	<u>\$ 1.08</u>	<u>\$ 2.47</u>

While they were outstanding, PPL Energy Supply's 2-5/8% Convertible Senior Notes due 2023 (Convertible Senior Notes), which were issued in May 2003, could be converted into shares of PPL common stock under certain circumstances, including if during a fiscal quarter the market price of PPL's common stock exceeded \$29.83 per share over a certain period during the preceding fiscal quarter or if PPL Energy Supply called the debt. During 2008, all then-outstanding Convertible Senior Notes were either converted at the election of the holders or redeemed at par by PPL Energy Supply.

The terms of the Convertible Senior Notes required cash settlement of the principal amount and permitted settlement of any conversion premium in cash or PPL common stock. Based upon the conversion rate of 40.2212 shares per \$1,000 principal amount of notes (or \$24.8625 per share), the Convertible Senior Notes had a dilutive impact when the average market price of PPL common stock equaled or exceeded \$24.87.

During 2010, PPL issued 312,107 shares of common stock related to the exercise of stock options, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors under its stock-based compensation plans. In addition, PPL issued 234,211 and 2,162,012 shares of common stock related to its ESOP and its DRIP. See Note 12 for a discussion of PPL's stock-based compensation plans.

In June 2010, PPL issued 103.5 million shares of common stock and 23 million Equity Units pursuant to concurrent registered underwritten offerings. See Note 7 for additional information. Subject to antidilution adjustments, the maximum number of shares that could potentially be issued to settle the Purchase Contracts related to the Equity Units is 61,136,300 shares, including 47,915,900 shares that could be issued under standard provisions of the Purchase Contracts and 13,220,400 shares that could be issued under make-whole provisions in the event of early settlement upon a Fundamental Change.

The Purchase Contracts will be dilutive only if the average VWAP of PPL's common stock for a certain period exceeds \$28.80. Because the average VWAP has not exceeded \$28.80 since issuance, the Purchase Contracts were excluded from the diluted EPS calculation.

The following stock options to purchase PPL common stock and performance units were excluded from the computations of diluted EPS because the effect would have been antidilutive.

(Shares in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Stock options	4,936	2,394	604
Performance units	45	1	2

J. Income and Other Taxes

(PPL)

"Income from Continuing Operations Before Income Taxes" included the following components:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Domestic income	\$ 978	\$ 248	\$ 943
Foreign income	261	290	330
Total	<u>\$ 1,239</u>	<u>\$ 538</u>	<u>\$ 1,273</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit carryforwards. The provision for PPL's deferred income taxes for regulated assets is based upon the ratemaking principles of the applicable jurisdiction. See Notes 1 and 3 for additional information.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and certain foreign jurisdictions in which PPL's operations have historically been profitable.

Significant components of PPL's deferred income tax assets and liabilities from continuing operations were as follows:

	<u>2010</u>	<u>2009</u>
Deferred Tax Assets		
Deferred investment tax credits	\$ 45	\$ 16
Regulatory obligations	205	28
Accrued pension costs	208	265
Accrued litigation costs	31	5
Federal loss carryforwards	314	
State loss carryforwards	269	184
Federal tax credit carryforwards	169	23
Foreign capital loss carryforwards	377	144
Foreign - pensions	87	168
Foreign - other	8	6
Contributions in aid of construction	152	98
Domestic - other	219	190
Valuation allowances	(464)	(312)
Total deferred tax assets	<u>1,620</u>	<u>815</u>
Deferred Tax Liabilities		
Plant - net	3,010	1,855
Taxes recoverable through future rates	105	104
Unrealized gain on qualifying derivatives	298	437
Other regulatory assets	213	
Regulatory undercollections	22	
Reacquired debt costs	25	14
Foreign - plant	526	546
Foreign - other	36	35
Domestic - other	95	72
Total deferred tax liabilities	<u>4,330</u>	<u>3,063</u>
Net deferred tax liability	<u>\$ 2,710</u>	<u>\$ 2,248</u>

PPL had the following loss and tax credit carryforwards.

	<u>2010</u>	<u>2009</u>	<u>Expiration</u>
Loss carryforwards			
Federal net operating losses (a)	\$ 799		2029
Federal capital losses (a)	155		2011-2014
State net operating losses (b)	4,168	\$ 2,835	2011-2030
State capital losses (b)	181		2011-2014
Foreign capital losses	1,395	514	Indefinite
Credit carryforwards			
Federal investment tax credit (a)	125		2025-2028
Federal AMT credit (a)	20		Indefinite
Federal foreign tax credit (c)		23	
Federal - other (a)	24		2016-2030

(a) Loss and credit carryforwards associated with the acquisition of LKE.

(b) State net operating loss and state capital loss carryforwards associated with the acquisition of LKE are \$1,039 and \$163.

(c) Fully utilized during 2010.

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
2010	\$ 312	\$ 221	\$ 6 (a)	\$ 75 (b)	\$ 464
2009	285	24	17 (c)	14 (d)	312
2008	323	9		47 (c)	285

- (a) A valuation allowance was recorded against certain deferred tax assets as a result of the 2010 acquisition of LKE. See Note 10 for additional information on the acquisition.
 (b) Resulting from the projected revenue increase in connection with the expiration of the Pennsylvania generation rate caps in 2010, the valuation allowance related to state net operating loss carryforwards over the remaining carryforward period was reduced by \$72 million (or \$0.17 per share, basic and diluted).
 (c) Related to the change in foreign net operating loss carryforwards, including the change in foreign currency exchange rates.
 (d) Primarily from the projected revenue increase in connection with the expiration of the Pennsylvania generation rate caps in 2010, the valuation allowance related to a portion of state net operating loss carryforwards was reduced by \$13 million.

PPL Global does not pay or record U.S. income taxes on the undistributed earnings of WPD, as management has determined that the earnings are permanently reinvested. Historically, dividends paid by WPD have been distributions of the current year's earnings. WPD's long-term working capital forecasts and capital expenditure projections for the foreseeable future require reinvestment of WPD's undistributed earnings, and WPD would have to issue debt or access credit facilities to fund any distributions in excess of current earnings. Additionally, U.S. long-term working capital forecasts and capital expenditure projections for the foreseeable future do not require or anticipate WPD distributing any more than future earnings to its parent in the U.S. The cumulative undistributed earnings are included in "Earnings Reinvested" on the Balance Sheets. The amounts considered permanently reinvested at December 31, 2010 and 2009 were \$837 million and \$622 million. If the earnings are remitted as dividends, PPL Global may be subject to additional U.S. taxes, net of allowable foreign tax credits. It is not practicable to estimate the amount of additional taxes that might be payable on these foreign earnings.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income from Continuing Operations Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2010	2009	2008
Income Tax Expense (Benefit)			
Current - Federal	\$ (51)	\$ (72)	\$ 214
Current - State	43	14	2
Current - Foreign	20	41	70
Total Current Expense (Benefit)	12	(17)	286
Deferred - Federal	364	130	69
Deferred - State	(99)	(10)	42
Deferred - Foreign	(9)	16	13
Total Deferred Expense	256	136	124
Investment tax credit, net - Federal	(5)	(14)	(14)
Total income tax expense from continuing operations (a)	\$ 263	\$ 105	\$ 396
Total income tax expense - Federal	\$ 308	\$ 44	\$ 269
Total income tax expense - State	(56)	4	44
Total income tax expense - Foreign	11	57	83
Total income tax expense from continuing operations (a)	\$ 263	\$ 105	\$ 396

- (a) Excludes current and deferred federal, state and foreign tax expense (benefit) recorded to Discontinued Operations of \$(6) million in 2010, \$46 million in 2009 and \$34 million in 2008. Excludes realized tax benefits related to stock-based compensation, recorded as an increase to capital in excess of par value of an insignificant amount in 2010, \$1 million in 2009 and \$7 million in 2008. Excludes tax benefits related to the issuance costs of the Purchase Contracts recorded as an increase to capital in excess of par value in the amount of \$10 million in 2010. Also, excludes federal, state, and foreign tax expense (benefit) recorded to OCI of \$83 million in 2010, \$358 million in 2009 and \$(212) million in 2008.

	2010	2009	2008
Reconciliation of Income Tax Expense			
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	\$ 434	\$ 188	\$ 446
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	36	10	35
State valuation allowance adjustments (a)	(65)	(13)	
Impact of lower U.K. income tax rates	(20)	(23)	(22)
U.S. income tax on foreign earnings - net of foreign tax credit (b)	34	(16)	(21)
Change in federal and state tax reserves (c)	(60)	(5)	6
Change in foreign tax reserves (d)		17	5
Federal and state income tax return adjustments (e)	(3)	21	(2)
Foreign income tax return adjustments			(17)
Domestic manufacturing deduction (e) (f)	(11)	(3)	(17)
Health Care Reform (g)	8		
Foreign losses resulting from restructuring (d)	(46)	(46)	
Enactment of the U.K.'s Finance Acts 2010 and 2008 (h)	(18)		(8)
Federal income tax credits (i)	(12)	(2)	15
Other	(14)	(23)	(24)
Total decrease	(171)	(83)	(50)

Total income tax expense from continuing operations	\$ 263	\$ 105	\$ 396
Effective income tax rate	21.2%	19.5%	31.1%

- (a) Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. During 2009, based on the projected revenue increase due to the expiration of the Pennsylvania generation rate caps in 2010, PPL recorded a \$13 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances for a portion of its Pennsylvania net operating losses. During 2010, PPL recorded an additional \$72 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances related to the future projections of taxable income over the remaining carryforward period of the net operating losses.
- (b) During 2010, PPL recorded additional U.S. income tax expense resulting from increased taxable dividends and certain restructuring of U.K. entities. The increased taxable dividends allowed PPL to fully utilize its foreign tax credit carryforward in 2010.
- (c) In 1997, the U.K. imposed a Windfall Profits Tax on privatized utilities, including WPD. In September 2010, the U.S. Tax Court ruled in PPL's favor in a pending dispute with the IRS, concluding that the U.K. Windfall Profits Tax is a creditable tax for U.S. tax purposes. As a result and with the finalization of other issues, PPL recorded a \$42 million tax benefit to federal and state income tax reserves and related deferred income taxes during 2010. In January 2011, the IRS appealed the U.S. Tax Court's decision to the U.S. Court of Appeals for the Third Circuit. See Note 15 for additional information.

In July 2010, the U.S. Tax Court ruled in PPL's favor in a pending dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL recorded a \$7 million tax benefit to federal and state income tax reserves and related deferred income taxes. See Note 15 for information on the January 2011 IRS appeal, which at this time does not appear to include the street lighting decision.

- (d) During 2010, 2009 and 2008 PPL recorded a \$7 million, \$6 million and \$7 million tax benefit to federal and state income tax reserves related to stranded cost securitization. During 2010, PPL recorded a \$46 million foreign tax benefit in conjunction with losses resulting from restructuring in the U.K. These losses offset tax on a deferred gain from a prior year sale of WPD's supply business.

During 2009, PPL recorded a \$46 million foreign tax benefit and a related \$46 million tax reserve related to losses resulting from restructuring in the U.K. Additionally, PPL recorded a \$29 million foreign tax benefit related to the resolution of a tax dispute and foreign currency exchange losses.

- (e) During 2009, PPL received consent from the IRS to change its method of accounting for certain expenditures for tax purposes. PPL deducted the resulting IRC Sec. 481 adjustment on its 2008 federal income tax return and recorded a \$24 million adjustment to federal and state income tax expense resulting from the reduction in federal income tax benefits related to the domestic manufacturing deduction and certain state tax benefits related to state net operating losses and regulated depreciation.
- (f) During 2010, PPL recorded an increase in tax benefits related to domestic manufacturing deductions due to an increase in domestic taxable income resulting from the expiration of Pennsylvania generation rate caps in 2010. In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation deduction related to bonus depreciation significantly reduced the tax benefits related to domestic manufacturing deductions during 2010.
- (g) Beginning in 2013, provisions within Health Care Reform eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, PPL recorded deferred income tax expense during 2010. See Note 13 for additional information.
- (h) The U.K.'s Finance Act of 2010, enacted in July 2010, included a reduction in the U.K. statutory income tax rate. Effective April 1, 2011, the statutory income tax rate will be reduced from 28% to 27%. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit.

The U.K.'s Finance Act of 2008, enacted in July 2008, included a phase-out of tax depreciation on certain buildings. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit.

- (i) During 2010, PPL recorded a deferred tax benefit related to investment tax credits on progress expenditures related to hydroelectric plant expansions. See Note 8 for additional information.

During 2008, PPL recorded a \$13 million expense to adjust the amount of synthetic fuel tax credits recorded during 2007. See Note 15 for additional information.

	2010	2009	2008
Taxes, other than income			
State gross receipts	\$ 145	\$ 187	\$ 199
State utility realty	5	5	4
State capital stock	6	6	5
Foreign property	52	57	66
Domestic property and other	30	25	14
Total	<u>\$ 238</u>	<u>\$ 280</u>	<u>\$ 288</u>

See Note 3 for information on a settlement related to PURTA tax that will be returned to PPL Electric customers.

For tax years 2000 through 2007, PPL Montana protested certain property tax assessments by the Montana Department of Revenue on its generation facilities. The tax liabilities in dispute for 2000 through 2007, which had been paid and expensed by PPL Montana, totaled \$45 million. In January 2008, both parties reached a settlement for all years outstanding. The settlement resulted in PPL Montana receiving a refund of taxes paid and interest totaling \$8 million. This settlement was recorded in 2008, of which \$7 million was reflected in "Taxes, other than income" and \$1 million was reflected in "Other Income (Expense) - net" on the Statement of Income.

(PPL Energy Supply)

"Income (loss) from Continuing Operations Before Income Taxes" included the following components:

	2010	2009	2008
Domestic income (loss)	\$ 882	\$ (13)	\$ 670
Foreign income	261	290	330
Total	<u>\$ 1,143</u>	<u>\$ 277</u>	<u>\$ 1,000</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit carryforwards.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and certain foreign jurisdictions in which PPL's operations have historically been profitable.

Significant components of PPL Energy Supply's deferred income tax assets and liabilities from continuing operations were as follows:

	2010	2009
Deferred Tax Assets		
Deferred investment tax credits	\$ 33	\$ 12
Accrued pension costs	100	149
Accrued litigation costs	31	4
Federal tax credit carryforwards		23
State loss carryforwards	111	111
Foreign capital loss carryforwards	377	144
Foreign - pensions	87	168
Foreign - other	8	6
Domestic - other	84	102
Valuation allowances	(408)	(255)
Total deferred tax assets	<u>423</u>	<u>464</u>
Deferred Tax Liabilities		
Plant - net	1,246	1,046
Unrealized gain on qualifying derivatives	326	417
Foreign - plant	526	546
Foreign - other	36	35
Domestic - other	52	46
Total deferred tax liabilities	<u>2,186</u>	<u>2,090</u>
Net deferred tax liability	<u>\$ 1,763</u>	<u>\$ 1,626</u>

PPL Energy Supply had a federal foreign tax credit carryforward of \$23 million at December 31, 2009 that was fully utilized during 2010. PPL Energy Supply also had state net operating loss carryforwards that expire between 2011 and 2030 of \$1.7 billion at December 31, 2010 and 2009. Valuation allowances have been established for the amount that, more likely than not, will not be realized.

PPL Global had foreign capital loss carryforwards of \$1.4 billion and \$514 million at December 31, 2010 and 2009. All of these losses have an indefinite carryforward period. Valuation allowances have been established for the amount that, more likely than not, will not be realized.

Changes in deferred tax valuation allowances were :

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
.10	\$ 255	\$ 205		\$ 52 (a)	\$ 408
2009 (c)	226	12	17 (b)		255
2008 (c)	259	14		47 (b)	226

- (a) Resulting from the projected revenue increase in connection with the expiration of the Pennsylvania generation rate caps in 2010, the valuation allowance related to state net operating loss carryforwards over the remaining carryforward period was reduced by \$52 million.
- (b) Primarily related to the change in foreign net operating loss carryforwards including the change in foreign currency exchange rates.
- (c) Pennsylvania state legislation, enacted in 2007 and 2009, increased the net operating loss limitation. As a result, the deferred tax asset (and related valuation allowance) associated with certain of its Pennsylvania net operating loss carryforwards for all periods presented were increased to reflect the higher limitation. There was no impact on the net deferred tax asset position as a result of the legislation and related adjustments.

PPL Global does not pay or record U.S. income taxes on the undistributed earnings of WPD, as management has determined that the earnings are permanently reinvested. Historically, dividends paid by WPD have been distributions of the current year's earnings. WPD's long-term working capital forecasts and capital expenditure projections for the foreseeable future require reinvestment of WPD's undistributed earnings, and WPD would have to issue debt or access credit facilities to fund any distributions in excess of current earnings. Additionally, U.S. long-term working capital forecasts and capital expenditure projections for the foreseeable future do not require or anticipate WPD distributing any more than future earnings to its parent in the U.S. The cumulative undistributed earnings are included in "Members Equity" on the Balance Sheets. The amounts considered permanently reinvested at December 31, 2010 and 2009 were \$837 million and \$622 million. If the earnings are remitted as dividends, PPL Global may be subject to additional U.S. taxes, net of allowable foreign tax credits. It is not practicable to estimate the amount of additional taxes that might be payable on these foreign earnings.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income from Continuing Operations Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2010	2009	2008
Income Tax Expense (Benefit)			
Current - Federal	\$ 174	\$ (168)	\$ 37
Current - State	76	(9)	3
Current - Foreign	20	41	70
Total Current Expense (Benefit)	<u>270</u>	<u>(136)</u>	<u>110</u>
Deferred - Federal	92	124	141
Deferred - State	(89)	31	49
Deferred - Foreign	(9)	16	13
Total Deferred Expense (Benefit)	<u>(6)</u>	<u>171</u>	<u>203</u>
Investment tax credit, net - federal	<u>(2)</u>	<u>(12)</u>	<u>(12)</u>
Total income tax expense from continuing operations (a)	<u>\$ 262</u>	<u>\$ 23</u>	<u>\$ 301</u>

Total income tax expense - Federal	\$	264	\$	(56)	\$	166
Total income tax expense - State		(13)		22		52
Total income tax expense - Foreign		11		57		83
Total income tax expense from continuing operations (a)	\$	<u>262</u>	\$	<u>23</u>	\$	<u>301</u>

(a) Excludes current and deferred federal, state and foreign tax expense (benefit) recorded to Discontinued Operations of \$(6) million in 2010, \$46 million in 2009 and \$36 million in 2008. Also, excludes federal, state and foreign tax expense (benefit) recorded to OCI of \$132 million in 2010, \$338 million in 2009 and \$(168) million in 2008.

	2010	2009	2008
Reconciliation of Income Tax Expense			
Federal income tax on Income from			
Continuing Operations Before Income Taxes at statutory tax rate - 35%	\$ 400	\$ 97	\$ 350
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	40	1	34
State valuation allowance adjustments (a)	(52)		
Impact of lower U.K. income tax rates	(20)	(23)	(22)
U.S. income tax on foreign earnings - net of foreign tax credit (b)	34	(16)	(21)
Change in federal and state tax reserves (c)	(49)	(3)	11
Change in foreign tax reserves (d)		17	5
Domestic manufacturing deduction (e) (f)	(11)	(3)	(17)
Federal and state income tax return adjustments (f)	(3)	18	(9)
Foreign income tax return adjustments			(17)
Health Care Reform (g)	5		
Foreign losses resulting from restructuring (d)	(46)	(46)	
Enactment of the U.K.'s Finance Acts 2010 and 2008 (h)	(18)		(8)
Federal income tax credits (i)	(12)	(2)	15
Other	(6)	(17)	(20)
Total decrease	<u>(138)</u>	<u>(74)</u>	<u>(49)</u>
Total income tax expense from continuing operations	\$ <u>262</u>	\$ <u>23</u>	\$ <u>301</u>
Effective income tax rate	22.9%	8.3%	30.1%

(a) Pennsylvania H.B. 1531, enacted in October 2009, increased the net operating loss limitation to 20% of taxable income for tax years beginning in 2010. Based on the projected revenue increase related to the expiration of the Pennsylvania generation rate caps, PPL Energy Supply recorded a \$52 million state deferred income tax benefit related to the reversal of deferred tax valuation allowances over the remaining carryforward period of the net operating losses.

(b) During 2010, PPL Energy Supply recorded additional U.S. income tax expense resulting from increased taxable dividends and certain restructuring of U.K. entities. The increased taxable dividends allowed PPL Energy Supply to fully utilize its foreign tax credit carryforward in 2010.

(c) In 1997, the U.K. imposed a Windfall Profits Tax on privatized utilities, including WPD. In September 2010, the U.S. Tax Court ruled in PPL Energy Supply's favor in a pending dispute with the IRS, concluding that the U.K. Windfall Profits Tax is a creditable tax for U.S. tax purposes. As a result and with the finalization of other issues, PPL Energy Supply recorded a \$42 million tax benefit to federal and state income tax reserves and related deferred income taxes during 2010. In January 2011, the IRS appealed the U.S. Tax Court's decision to the U.S. Court of Appeals for the Third Circuit. See Note 15 for additional information.

(d) During 2010, PPL Energy Supply recorded a \$46 million foreign tax benefit in conjunction with losses resulting from restructuring in the U.K. These losses offset tax on a deferred gain from a prior year sale of WPD's supply business.

During 2009, PPL Energy Supply recorded a \$46 million foreign tax benefit and a related \$46 million tax reserve related to losses resulting from restructuring in the U.K. Additionally, PPL Energy Supply recorded a \$29 million foreign tax benefit related to the resolution of a tax dispute and foreign currency exchange losses.

(e) During 2010, PPL Energy Supply recorded an increase in tax benefits related to domestic manufacturing deductions due to an increase in domestic taxable income resulting from the expiration of Pennsylvania generation rate caps in 2010. In December 2010, Congress enacted legislation allowing for 100% bonus depreciation on qualified property. The increased tax depreciation deduction related to bonus depreciation significantly reduced the tax benefits related to domestic manufacturing deductions during 2010.

(f) During 2009, PPL Energy Supply received consent from the IRS to change its method of accounting for certain expenditures for tax purposes. PPL Energy Supply deducted the resulting IRC Sec. 481 adjustment on its 2008 federal income tax return and recorded a \$21 million adjustment to federal and state income tax expense resulting from the reduction in federal income tax benefits related to the domestic manufacturing deduction and certain state tax benefits related to state net operating losses.

(g) Beginning in 2013, provisions within Health Care Reform eliminated the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, PPL Energy Supply recorded deferred income tax expense during 2010. See Note 13 for additional information.

(h) The U.K.'s Finance Act of 2010, enacted in July 2010, included a reduction in the U.K. statutory income tax rate. Effective April 1, 2011, the statutory income tax rate will be reduced from 28% to 27%. As a result, PPL Energy Supply reduced its net deferred tax liabilities and recognized a deferred tax benefit.

The U.K.'s Finance Act 2008, enacted in July 2008, included a phase-out of tax depreciation on certain buildings. As a result, PPL Energy Supply reduced its net deferred tax liabilities and recognized a deferred tax benefit.

(i) During 2010, PPL Energy Supply recorded a deferred tax benefit related to investment tax credits on progress expenditures related to hydroelectric plant expansions. See Note 8 for additional information.

During 2008, PPL Energy Supply recorded a \$13 million expense to adjust the amount of synthetic fuel tax credits recorded during 2007. See Note 15 for additional information.

	2010	2009	2008
Taxes, other than income			
State gross receipts	\$ 15		
State capital stock	4	\$ 3	\$ 3
Foreign property	52	57	66
Domestic property and other	28	26	17
Total	<u>\$ 99</u>	<u>\$ 86</u>	<u>\$ 86</u>

For tax years 2000 through 2007, PPL Montana protested certain property tax assessments by the Montana Department of Revenue on its generation facilities. The tax liabilities in dispute for 2000 through 2007, which had been paid and expensed by PPL Montana, totaled \$45 million. In January 2008, both parties reached a settlement for all years outstanding. The settlement resulted in PPL Montana receiving a refund of taxes paid and interest totaling \$8 million. This settlement was recorded in 2008, of which \$7 million was reflected in "Taxes, other than income" and \$1 million was reflected in "Other Income (Expense) - net" on the Statement of Income.

(PPL Electric)

The provision for PPL Electric's deferred income taxes for regulated assets is based upon the ratemaking principles reflected in rates established by the PUC and the FERC. The difference in the provision for deferred income taxes for regulated assets and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" on the Balance Sheets.

Significant components of PPL Electric's deferred income tax assets and liabilities were as follows:

	2010	2009
Deferred Tax Assets		
Deferred investment tax credits	\$ 3	\$ 3
Accrued pension costs		36
Contributions in aid of construction	103	99
Regulatory obligations	4	28
State loss carryforwards	11	
Other	24	39
Total deferred tax assets	<u>145</u>	<u>205</u>
Deferred Tax Liabilities		
Electric utility plant - net	934	802
Taxes recoverable through future rates	105	105
Reacquired debt costs	12	14
Regulatory receivables	22	
Other	19	23
Total deferred tax liabilities	<u>1,092</u>	<u>944</u>
Net deferred tax liability	<u>\$ 947</u>	<u>\$ 739</u>

PPL Electric has a state net operating loss carryforward that expires in 2030 of \$176 million at December 31, 2010.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2010	2009	2008
Income Tax Expense (Benefit)			
Current - Federal	\$ (127)	\$ 80	\$ 93
Current - State	(14)	22	8
Total Current Expense	<u>(141)</u>	<u>102</u>	<u>101</u>
Deferred - Federal	190	(4)	10
Deferred - State	10	(17)	(7)
Total Deferred Expense	<u>200</u>	<u>(21)</u>	<u>3</u>
Investment tax credit, net - Federal	(2)	(2)	(2)
Total income tax expense	<u>\$ 57</u>	<u>\$ 79</u>	<u>\$ 102</u>
Total income tax expense - Federal	\$ 61	\$ 74	\$ 101
Total income tax expense - State	(4)	5	1
Total income tax expense	<u>\$ 57</u>	<u>\$ 79</u>	<u>\$ 102</u>
Reconciliation of Income Taxes			
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	\$ 67	\$ 77	\$ 97
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	9	10	9
Amortization of investment tax credit	(2)	(2)	(2)
Change in federal and state tax reserves (a)	(12)	(7)	(5)
Federal and state income tax return adjustments (b)	(1)	4	6
Depreciation not normalized	(3)	(1)	(1)
Other	(1)	(2)	(2)
Total increase (decrease)	<u>(10)</u>	<u>2</u>	<u>5</u>
Total income tax expense	<u>\$ 57</u>	<u>\$ 79</u>	<u>\$ 102</u>
Effective income tax rate	29.7%	35.7%	36.7%

- (a) In July 2010, the U.S. Tax Court ruled in PPL Electric's favor in a pending dispute with the IRS, concluding that street lighting assets are depreciable for tax purposes over seven years. As a result, PPL Electric recorded a \$7 million tax benefit to federal and state income tax reserves and related deferred income taxes. See Note 15 for information on the January 2011 IRS appeal, which at this time does not appear to include the street lighting decision.

During 2010, 2009 and 2008 PPL Electric recorded a \$7 million, \$6 million and \$7 million tax benefit to federal and state income tax reserves related to stranded cost securitization.

- (b) During 2009, PPL Electric received consent from the IRS to change its method of accounting for certain expenditures for tax purposes. PPL Electric deducted the resulting IRC Sec. 481 amount on its 2008 federal income tax return and recorded a \$3 million adjustment to federal and state income tax expense resulting from the reversal of prior years' state income tax benefits related to regulated depreciation.

	2010	2009	2008
Taxes, other than income			
State gross receipts	\$ 130	\$ 187	\$ 199
State utility realty	5	5	4
State capital stock	2	2	2
Property and other	1		(2)

Total

\$ 138 \$ 194 \$ 203

See Note 3 for information on a settlement related to PURTA tax that will be returned to PPL Electric customers.

PPL, PPL Energy Supply and PPL Electric)

On February 24, 2011, the Pennsylvania Department of Revenue issued interpretive guidance on the treatment of bonus depreciation for Pennsylvania tax purposes. Corporation Tax Bulletin 2011-01 indicates that Pennsylvania will allow 100% bonus depreciation for qualifying assets in the same year bonus depreciation is allowed for Federal tax purposes. PPL is still evaluating the impact of this guidance and, while not yet quantified, its impact could be material.

Unrecognized Tax Benefits *(PPL, PPL Energy Supply and PPL Electric)*

Changes to unrecognized tax benefits were as follows:

	2010	2009
PPL		
Beginning of period	\$ 212	\$ 202
Additions based on tax positions of prior years	68	36
Reduction based on tax positions of prior years	(50)	(11)
Additions based on tax positions related to the current year	43	50
Reductions based on tax positions related to the current year	(2)	
Settlements	(17)	(55)
Lapse of applicable statutes of limitations	(8)	(8)
Acquisition of LKE	3	
Effects of foreign currency translation	2	(2)
End of period	<u>\$ 251</u>	<u>\$ 212</u>
PPL Energy Supply		
Beginning of period	\$ 124	\$ 119
Additions based on tax positions of prior years	65	17
Reduction based on tax positions of prior years	(47)	(5)
Additions based on tax positions related to the current year	43	50
Reductions based on tax positions related to the current year	(3)	
Settlements	(1)	(55)
Effects of foreign currency translation	2	(2)
End of period	<u>\$ 183</u>	<u>\$ 124</u>
PPL Electric		
Beginning of period	\$ 74	\$ 77
Additions based on tax positions of prior years	3	11
Reduction based on tax positions of prior years	(5)	(6)
Reductions based on tax positions related to the current year	(2)	
Lapse of applicable statutes of limitations	(8)	(8)
End of period	<u>\$ 62</u>	<u>\$ 74</u>

At December 31, 2010, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase by as much as \$28 million or decrease by up to \$226 million for PPL, increase by as much as \$1 million or decrease by up to \$181 million for PPL Energy Supply and increase by as much as \$28 million or decrease by up to \$42 million for PPL Electric. These changes could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

At December 31, 2010, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective tax rate were:

	2010	2009
PPL	\$ 183	\$ 119
PPL Energy Supply	167	95
PPL Electric	13	15

At December 31, 2010, PPL, PPL Energy Supply and PPL Electric had a receivable for interest related to tax positions of \$7 million, \$8 million and \$3 million. At December 31, 2009, PPL, PPL Energy Supply and PPL Electric had a payable for interest related to tax positions of \$36 million, \$27 million and \$5 million.

The following interest expense (benefit) was recognized in income taxes for the years:

	2010	2009	2008
PPL	\$ (39)	\$ 1	\$ 4
PPL Energy Supply	(30)	(1)	2
PPL Electric	(8)	(2)	2

The amounts recognized during 2010, 2009 and 2008 for PPL, PPL Energy Supply and PPL Electric were primarily the result of litigation, settlements with taxing authorities, additional interest accrued or reversed related to tax positions of prior years and the lapse of applicable statutes of limitations, with respect to certain issues.

PPL or its subsidiaries file tax returns in five major tax jurisdictions. The income tax provision for PPL Energy Supply and PPL Electric is calculated in accordance with an intercompany tax sharing policy which provides that taxable income be calculated as if PPL Energy Supply, PPL Electric and any domestic subsidiaries each filed a separate consolidated return. See Note 1 for additional information regarding PPL's tax sharing policy. Based on this tax sharing agreement, PPL Energy Supply or its subsidiaries indirectly or directly file tax returns in five major tax jurisdictions and PPL Electric or its subsidiaries indirectly or directly file tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2010, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows:

	PPL	PPL Energy Supply	PPL Electric
U.S. (federal)	1997 and prior	1997 and prior	1997 and prior
Pennsylvania (state)	2004 and prior	2004 and prior	2004 and prior
Kentucky (state)	2005 and prior		
Montana (state)	2005 and prior	2005 and prior	
U.K. (foreign)	2008 and prior	2008 and prior	

6. Preferred Securities

Preferred Stock

(PPL)

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2010, 2009, or 2008.

PPL classifies preferred securities of a subsidiary as "Noncontrolling Interests" on the Balance Sheets. Dividend requirements of \$17 million for 2010 and \$18 million for 2009 and 2008 were included in "Net Income Attributable to Noncontrolling Interests" on the Statements of Income.

(PPL Electric)

PPL Electric is authorized to issue up to 629,936 shares of 4-1/2% Preferred Stock and 10 million shares of series preferred stock. There were 247,524 shares of 4-1/2% Preferred Stock (amounting to \$25 million) and an aggregate of 257,665 shares of four series of preferred stock (amounting to \$26 million) issued and outstanding at December 31, 2009 and 2008.

In April 2010, PPL Electric redeemed all five series of its outstanding preferred stock, with a par value in the aggregate of \$51 million, for \$54 million including accumulated dividends. The redeemed shares are no longer outstanding and represent only the right to receive the applicable redemption price, to the extent the shares have not yet been presented for payment. The premium of \$3 million is included in "Distributions on Preferred Securities" on the Statement of Income.

Preference Stock *(PPL Electric)*

There were 10 million shares of Preference Stock authorized and 2.5 million shares of PPL Electric's 6.25% Series Preference Stock (Preference Shares) issued and outstanding in 2010, 2009 and 2008. The Preference Shares are held by a bank that acts as depositary for 10 million depositary shares, each of which represents a quarter interest in a share of Preference Shares. Holders of the depositary shares are entitled to all proportional rights and preferences of the Preference Shares, including dividend, voting, redemption and liquidation rights, exercised through the bank acting as a depositary. The Preference Shares rank senior to PPL Electric's common stock; they have no voting rights, except as provided by law, and they have a liquidation preference of \$100 per share (equivalent to \$25 per depositary share). The Preference Shares, which have no stated maturity date and no sinking fund requirements, are redeemable by PPL Electric on or after April 6, 2011 for \$100 per share (equivalent to \$25 per depositary share).

Dividends on the Preference Shares will be paid when, as and if declared by the Board of Directors at a fixed annual rate of 6.25%, or \$1.5625 per depositary share per year, and are not cumulative. PPL Electric may not pay dividends on, or redeem, purchase or make a liquidation payment with respect to any of its common stock, except in certain circumstances, unless full dividends on the Preference Shares have been paid for the then-current dividend period.

7. Financing Activities

Credit Arrangements and Short-term Debt

(PPL, PPL Energy Supply and PPL Electric)

PPL, PPL Energy Supply and PPL Electric maintain credit facilities to enhance liquidity and provide credit support, and as a backstop to commercial paper programs, when necessary. The following credit facilities were in place at:

Expiration	December 31, 2010			December 31, 2009	
	Borrowed	Letters of Credit	Unused	Borrowed	Letters of Credit

	Date	Capacity	(a)	Issued	Capacity	(a)	Issued
PPL							
<i>LG&E and KU Credit Facilities</i>							
LG&E Syndicated Credit Facility (b) (c)	Dec. 2014	\$ 400	\$ 163		\$ 237	n/a	n/a
KU Syndicated Credit Facility (b)	Dec. 2014	400		\$ 198	202	n/a	n/a
Total LG&E and KU Credit Facilities		\$ 800	\$ 163	\$ 198	\$ 439	n/a	n/a
PPL and PPL Energy Supply							
<i>Domestic Credit Facilities</i>							
Syndicated Credit Facility (d)	Dec. 2014	\$ 3,000	\$ 350		\$ 2,650	n/a	n/a
3-year Bilateral Credit Facility (e)	Mar. 2013	200	n/a	\$ 24	176	n/a	\$ 4
5-year Structured Credit Facility (f)	Mar. 2011	300	n/a	161	139	n/a	285
5-year Syndicated Credit Facility (g)		n/a	n/a	n/a	n/a	\$ 285	373
364-day Syndicated Credit Facility (h)		n/a	n/a	n/a	n/a		
Total Domestic Credit Facilities		\$ 3,500	\$ 350	\$ 185	\$ 2,965	\$ 285	\$ 662
<i>WPD Credit Facilities</i>							
WPDH Limited 5-year Syndicated Credit Facility (i)	Jan. 2013	£ 150	£ 115	n/a	£ 35	£ 132	n/a
WPD (South West) 3-year Syndicated Credit Facility (j)	July 2012	210		n/a	210	60	n/a
Uncommitted Credit Facilities (k)		63		£ 3	60	£ 21	£ 3
Total WPD Credit Facilities (l)		£ 423	£ 115	£ 3	£ 305	£ 213	£ 3
PPL and PPL Electric							
Syndicated Credit Facility (m)	Dec. 2014	\$ 200		\$ 13	\$ 187	n/a	n/a
Asset-backed Credit Facility (n)	July 2011	150		n/a	150		n/a
5-year Syndicated Credit Facility (o)		n/a	n/a	n/a	n/a	\$	6
Total PPL Electric Credit Facilities		\$ 350		\$ 13	\$ 337		\$ 6

(a) Amounts borrowed are recorded as "Short-term debt" on the Balance Sheets.

(b) LG&E and KU each entered into a \$400 million syndicated credit facility upon closing of the acquisition of LKE on November 1, 2010. Under the facilities, LG&E and KU each have the ability to make cash borrowings and to request the lenders to issue letters of credit. Borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the respective company's senior unsecured long-term debt rating. Each company also pays customary commitment and letter of credit issuance fees under its respective facility. The new credit facilities each contain a financial covenant requiring the respective borrower's debt to total capitalization not to exceed 70%, as calculated in accordance with the credit facilities, and other customary covenants. Additionally, subject to certain conditions, LG&E and KU may each request that its respective facility's capacity be increased by up to \$100 million. An aggregate of \$9 million of fees were incurred in 2010 in connection with establishing these facilities. Such fees were deferred and are being amortized through December 2014.

The borrowing outstanding at December 31, 2010 bears interest at 2.27%. Such borrowing was repaid in January 2011 with proceeds received from the remarketing of certain tax-exempt bonds that were held by LG&E at December 31, 2010, as discussed below in "Long-term Debt and Equity Securities."

(d) In October 2010, PPL Energy Supply entered into a new \$4 billion syndicated credit facility to replace its \$400 million 364-day Syndicated Credit Facility, which expired in September 2010, and the \$3.2 billion 5-year Syndicated Credit Facility. PPL Energy Supply subsequently reduced the capacity of the facility to \$3 billion effective December 2010. Under this facility, PPL Energy Supply has the ability to make cash borrowings and to request the lenders to issue letters of credit. Borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior unsecured long-term debt rating. PPL Energy Supply also pays customary commitment and letter of credit issuance fees under this facility. Similar to the facilities that were replaced, the new credit facility contains a financial covenant requiring PPL Energy Supply's debt to total capitalization to not exceed 65%, as calculated in accordance with the facility, and other customary covenants. Additionally subject to certain conditions, PPL Energy Supply may request that the facility's capacity be increased by up to \$500 million.

In October 2010, PPL Energy Supply borrowed \$3.2 billion under this facility in order to enable a subsidiary to make loans to certain affiliates to provide interim financing of amounts required by PPL to partially fund PPL's acquisition of LKE. Such borrowing bore interest at 2.26% and was refinanced by PPL primarily through the issuance of long-term debt by LG&E and KU Energy LLC, LG&E and KU, and the use of internal funds. This borrowing and related repayments are included in "Net increase (decrease) in short-term debt" on the Statement of Cash Flows. See "Long-term Debt and Equity Securities" below for a discussion of these debt issuances and the use of proceeds to repay affiliate loans.

PPL Energy Supply incurred an aggregate of \$41 million of fees in 2010 in connection with establishing the new facility. Such fees were initially deferred and amortized through December 2014. In connection with the reduction in the capacity to \$3 billion in December 2010, PPL Energy Supply wrote off \$10 million, \$6 million after tax, of deferred fees, which is reflected in "Interest Expense" in the Statement of Income.

The borrowings outstanding at December 31, 2010 bear interest at 2.27%.

(e) In March 2010, PPL Energy Supply's 364-day bilateral credit facility was amended. The amendment included extending the expiration date to March 2013, thereby making it a three-year facility, and setting related commitment and utilization fees based on the company's senior unsecured long-term debt rating. Under this facility, PPL Energy Supply can request the bank to issue letters of credit but cannot make cash borrowings. This credit facility contains a financial covenant requiring PPL Energy Supply's debt to total capitalization not to exceed 65%, as calculated in accordance with the credit facility, and other customary covenants.

(f) Under this facility, PPL Energy Supply has the ability to request the lenders to issue letters of credit but cannot make cash borrowings. PPL Energy Supply's obligations under this facility are supported by a \$300 million letter of credit issued on PPL Energy Supply's behalf under a separate, but related, \$300 million five-year credit agreement, also expiring in March 2011. This credit facility contains a financial covenant requiring PPL Energy Supply's debt to total capitalization not to exceed 65%, as calculated in accordance with the credit facility, and other customary covenants.

(g) This \$3.2 billion facility was terminated in October 2010 and was replaced with a new syndicated credit facility as discussed above. Under this facility, which had an expiration date of June 2012, PPL Energy Supply had the ability to make cash borrowings and to request the lenders to issue letters of credit. Borrowings generally bore interest at LIBOR-based rates plus a spread, depending upon the company's senior unsecured long-term debt rating. The interest rate on the borrowing outstanding at December 31, 2009 was 0.73%.

(h) This \$400 million facility expired in September 2010. Under this facility, PPL Energy Supply had the ability to make cash borrowings and to request the lenders to issue up to \$200 million of letters of credit.

- (i) Under this facility, WPDH Limited has the ability to make cash borrowings but cannot request the lenders to issue letters of credit. WPDH Limited pays customary commitment fees under this facility, and borrowings bear interest at LIBOR-based rates plus a spread, depending on the company's long-term credit rating. The cash borrowing outstanding at December 31, 2010 was a USD-denominated borrowing of \$181 million, which equated to £115 million at the time of borrowing and bears interest at approximately 0.94%. The interest rates at December 31, 2009 were approximately 1.55% on a USD-denominated borrowing of \$181 million, which equated to £107 million at the time of borrowing, and a weighted-average rate of approximately 1.53% on GBP-denominated borrowings aggregating £25 million.

This credit facility contains financial covenants that require WPDH Limited to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and a RAB that exceeds total net debt by the higher of an amount equal to 15% of total net debt or £150 million, in each case as calculated in accordance with the credit facility.

- (j) Under this facility, WPD (South West) has the ability to make cash borrowings but cannot request the lenders to issue letters of credit. WPD (South West) pays customary commitment fees under this facility, and borrowings bear interest at LIBOR-based rates plus a margin. The weighted-average interest rate on the borrowings outstanding at December 31, 2009 was approximately 3.02%.

The facility contains financial covenants that require WPD (South West) to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAB, in each case calculated in accordance with the credit facility.

- (k) The weighted-average interest rate on the borrowings outstanding under these facilities at December 31, 2009 was 1.22%.
- (l) The total amount borrowed under WPD's credit facilities equated to \$181 million and approximately \$354 million at December 31, 2010 and 2009. At December 31, 2010, the unused capacity of the WPD credit facilities was approximately \$475 million.
- (m) In December 2010, PPL Electric entered into a new \$200 million syndicated credit facility to replace its \$190 million 5-year Syndicated Credit Facility. Under this facility, PPL Electric has the ability to make cash borrowings and to request the lenders to issue letters of credit. Borrowings generally bear interest at LIBOR-based rates plus a spread, depending upon the company's senior secured long-term debt rating. The new credit facility contains a financial covenant requiring PPL Electric's debt to total capitalization not to exceed 70%, as calculated in accordance with the credit facility, and other customary covenants. PPL Electric also pays customary commitment and letter of credit issuance fees under this facility. Additionally, subject to certain conditions, PPL Electric may request that the facility's capacity be increased by up to \$100 million. An aggregate of \$2 million of fees were incurred in 2010 in connection with establishing this facility. Such fees were deferred and are being amortized through December 2014.
- (n) PPL Electric participates in an asset-backed commercial paper program through which PPL Electric obtains financing by selling and contributing its eligible accounts receivable and unbilled revenue to a special purpose, wholly owned subsidiary on an ongoing basis. The subsidiary has pledged these assets to secure loans from a commercial paper conduit sponsored by a financial institution. In July 2010, PPL Electric and the subsidiary extended the expiration date of the credit agreement to July 2011. The subsidiary pays customary commitment fees under this facility, and borrowing costs vary based on the commercial paper conduit's actual cost to issue commercial paper that supports the debt. Borrowings under this program are subject to customary conditions precedent. PPL Electric uses the proceeds under the credit facility for general corporate purposes.

At December 31, 2010 and 2009, \$248 million and \$223 million of accounts receivable and \$133 million and \$192 million of unbilled revenue were pledged by the subsidiary under the credit agreement related to PPL Electric's and the subsidiary's participation in the asset-backed commercial paper program. Based on the accounts receivable and unbilled revenue pledged, \$150 million was available for borrowing at December 31, 2010. PPL Electric's sale to its subsidiary of the accounts receivable and unbilled revenue is an absolute sale of the assets, and PPL Electric does not retain an interest in these assets. However, for financial reporting purposes, the subsidiary's financial results are consolidated in PPL Electric's financial statements. PPL Electric performs certain record-keeping and cash collection functions with respect to the assets in return for a servicing fee from the subsidiary.

- (o) This \$190 million facility was terminated in December 2010 and was replaced with a new syndicated credit facility as discussed above. Under this facility, which had an expiration date of May 2012, PPL Electric had the ability to make cash borrowings and to request the lenders to issue letters of credit.

(PPL and PPL Energy Supply)

In May 2010, PPL Energy Supply entered into a \$500 million Facility Agreement expiring June 2017, whereby PPL Energy Supply has the ability to request up to \$500 million of committed letter of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. As of December 31, 2010, PPL Energy Supply has not requested any capacity for the issuance of letters of credit under this arrangement.

In November 2010, PPL Energy Supply, PPL EnergyPlus, PPL Montour and PPL Brunner Island entered into an \$800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. Amounts guaranteed by PPL Montour and PPL Brunner Island are secured by mortgages on the generating facilities owned by PPL Montour and PPL Brunner Island, which had an aggregate carrying value of \$2.6 billion at December 31, 2010. The facility expires in November 2015, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations under this facility at December 31, 2010.

(PPL and PPL Electric)

PPL Electric maintains a commercial paper program for up to \$200 million to provide an additional financing source to fund its short-term liquidity needs, if and when necessary. Commercial paper issuances are currently supported by PPL Electric's Syndicated Credit Facility, which expires in December 2014, based on available capacity. PPL Electric had no commercial paper outstanding at December 31, 2010 and 2009.

Bridge Facility

(PL)

Concurrently, and in connection with entering into the agreement to acquire LKE, PPL entered into a commitment letter with certain lenders pursuant to which, subject to the conditions set forth therein, the lenders committed to provide PPL with 364-day unsecured bridge financing of up to \$6.5 billion, the proceeds of which, if drawn upon, were required to be used at closing of the acquisition (i) to fund the consideration for

the acquisition and (ii) to pay certain fees and expenses in connection with the acquisition. In June 2010, the commitment of such lenders for the bridge financing was syndicated to a group of banks, including the lenders under the commitment letter. Upon the syndication of the commitment, PPL Capital Funding, as borrower, and PPL, as guarantor, entered into a \$6.5 billion Bridge Facility.

The Bridge Facility was terminated on November 1, 2010 upon closing of the acquisition of LKE. In 2010, PPL incurred \$80 million of fees in connection with the Bridge Facility, which is reflected in "Interest Expense" on the Statement of Income. No borrowings were made under the Bridge Facility.

Long-term Debt and Equity Securities

(PPL, PPL Energy Supply and PPL Electric)

	2010 (a)			2009		
	PPL	PPL Energy Supply	PPL Electric	PPL	PPL Energy Supply	PPL Electric
U.S.						
Senior Unsecured Notes (b)	\$ 3,574 (c) (d)	\$ 2,600		\$ 2,700	\$ 2,600	
Junior Subordinated Notes, due 2018-2067 (e)	1,630			500		
8.05% - 8.30% Senior Secured Notes, due 2013 (f)	437	437		437	437	
7.375% 1945 First Mortgage Bonds, due 2014 (g)	10		\$ 10	10		\$ 10
Senior Secured/First Mortgage Bonds (h)	3,185 (d)		1,150	1,150		1,150
4.00% - 4.75% Senior Secured Bonds (Pollution Control Series), due 2023-2029 (i) (j)	314		314	314		314
First Mortgage Bonds (Collateral Series), due 2023-2037 (k)	925					
Exempt Facilities Notes, due 2037-2038 (l)	231	231		231	231	
Other (m)	7	5				
Total U.S. Long-term Debt	10,313	3,273	1,474	5,342	3,268	1,474
U.K.						
4.80436% - 9.25% Senior Unsecured Notes, due 2017-2040 (n)	1,897	1,897		1,327	1,327	
1.541% Index-linked Senior Unsecured Notes, due 2053-2056 (o)	394	394		397	397	
Total U.K. Long-term Debt	2,291	2,291		1,724	1,724	
Total Long-term Debt Before Adjustments	12,604	5,564	1,474	7,066	4,992	1,474
Fair value adjustments from hedging activities	50	1		44	3	
Fair value adjustments from purchase accounting (p)	38 (q)	30		35	35	
Unamortized premium	7	7		9	9	
Unamortized discount	(36)	(13)	(2)	(11)	(8)	(2)
Total Long-Term Debt	12,663	5,589	1,472	7,143	5,031	1,472
Less current portion of Long-term Debt	502	500				
Total Long-term Debt, noncurrent	\$ 12,161	\$ 5,089	\$ 1,472	\$ 7,143	\$ 5,031	\$ 1,472

(a) Aggregate maturities of long-term debt are:

PPL - 2011, \$502; 2012, \$0; 2013, \$1,137; 2014, \$310; 2015, \$1,300; and \$9,355 thereafter.
PPL Energy Supply - 2011, \$500; 2012, \$0; 2013, \$737; 2014, \$300; 2015, \$300; and \$3,727 thereafter.
PPL Electric - 2011, \$0; 2012, \$0; 2013, \$400; 2014, \$10; 2015, \$100; and \$964 thereafter.
None of the debt securities outstanding have sinking fund requirements.

(b) PPL - interest rates range from 2.125% to 7.00%, and maturities range from 2011 to 2047.

PPL Energy Supply - interest rates range from 5.40% to 7.00%, and maturities range from 2011 to 2046.

Includes \$300 million of 5.70% REset Put Securities due 2035 (REPSSM). The REPS bear interest at a rate of 5.70% per annum to, but excluding, October 15, 2015 (Remarketing Date). The REPS are required to be put by existing holders on the Remarketing Date either for (a) purchase and remarketing by a designated remarketing dealer or (b) repurchase by PPL Energy Supply. Therefore, the REPS are reflected as a 2015 maturity for PPL and PPL Energy Supply in (a) above. If the remarketing dealer elects to purchase the REPS for remarketing, it will purchase the REPS at 100% of the principal amount, and the REPS will bear interest on and after the Remarketing Date at a new fixed rate per annum determined in the remarketing. PPL Energy Supply has the right to terminate the remarketing process. If the remarketing is terminated at the option of PPL Energy Supply or under certain other circumstances, including the occurrence of an event of default by PPL Energy Supply under the related indenture or a failed remarketing for certain specified reasons, PPL Energy Supply will be required to pay the remarketing dealer a settlement amount as calculated in accordance with the related remarketing agreement.

Also includes \$250 million of notes that may be redeemed at par beginning in July 2011.

(c) Includes \$99 million of notes that may be redeemed at par beginning in July 2012.

(d) In November 2010, LG&E and KU Energy LLC issued \$875 million aggregate principal amount of senior unsecured notes in two series: \$400 million of 2.125% Senior Notes due 2015 and \$475 million of 3.750% Senior Notes due 2020. LG&E and KU Energy LLC received proceeds of \$864 million, net of discounts and underwriting fees, from the issuance of the notes.

Also in November 2010, LG&E issued \$535 million aggregate principal amount of its first mortgage bonds in two series: \$250 million of 1.625% First Mortgage Bonds due 2015 and \$285 million of 5.125% First Mortgage Bonds due 2040. LG&E received proceeds of \$527 million, net of discounts and underwriting fees, from the issuance of the bonds. LG&E's first mortgage bonds are secured by the lien of the LG&E 2010 Mortgage Indenture, which creates a lien, subject to certain exceptions and exclusions, on

substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was \$2.5 billion at December 31, 2010.

Also in November 2010, KU issued \$1.5 billion aggregate principal amount of its first mortgage bonds in three series: \$250 million of 1.625% First Mortgage Bonds due 2015; \$500 million of 3.250% First Mortgage Bonds due 2020 and \$750 million of 5.125% First Mortgage Bonds due 2040. KU received proceeds of \$1.48 billion, net of discounts and underwriting fees, from the issuance of the bonds. KU's first mortgage bonds are secured by the lien of the KU 2010 Mortgage Indenture, which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was \$4.0 billion at December 31, 2010.

Approximately \$2.6 billion of the net proceeds from the LG&E and KU Energy LLC, LG&E and KU debt issuances, together with approximately \$163 million of borrowings by LG&E under its syndicated credit facility, were applied to repay borrowings by these entities from a subsidiary of PPL Energy Supply, which borrowings were incurred to permit each of LG&E and KU Energy LLC, LG&E and KU to repay certain indebtedness owed to affiliates of E.ON AG upon the closing of PPL's acquisition of LKE. In addition, LG&E and KU Energy LLC used net proceeds of its offering to make a \$100 million return of capital to PPL.

The LG&E and KU Energy LLC senior notes and LG&E and KU first mortgage bonds were issued in private offerings to qualified institutional buyers and other transactions not subject to registration requirements under the Securities Act of 1933. In connection with the issuances, each entity entered into a registration rights agreement with representatives of the initial purchasers of applicable notes or bonds, pursuant to which each issuer agreed to file, by mid-May 2011, a registration statement to exchange such notes or bonds for securities containing substantially identical terms (except for certain transfer restrictions), or in certain cases to file, by mid-May 2011, a registration statement covering resales of such notes or bonds. Each issuer also agreed, under its registration rights agreement, to (i) use its commercially reasonable efforts to cause the registration statement to be declared effective under the Security Act by mid-August 2011 and (ii) upon effectiveness of the registration statement, take certain actions to promptly exchange the notes or bonds or, in the case of a registration statement covering resales of notes or bonds, keep the registration statement effective until no later than mid-November 2011. Pursuant to each registration rights agreement, the issuer may be required to pay liquidated damages if it does not meet certain requirements under its registration rights agreement. Liquidated damages will generally accrue with respect to the principal amount of the subject securities at a rate of 0.25% per annum for the first 90 days from and including the date on which a default specified under the applicable registration rights agreement occurs, and increase by an additional 0.25% per annum thereafter, provided that the liquidated damages rate shall not at any time exceed 0.50% per annum. Liquidated damages will cease to accrue, with respect to the subject securities, when all registration defaults under the applicable registration rights agreement have been cured, or, if earlier, upon the redemption by the issuer or maturity of the notes or bonds.

- (e) In October 2010, PPL Capital Funding repurchased \$20 million of its 2007 Series A Junior Subordinated Notes due 2067, for \$19 million, plus accrued interest. At December 31, 2010, \$480 million of such notes remain outstanding. The notes bear interest at 6.70% into March 2017, at which time the notes will bear interest at three-month LIBOR plus 2.665%, reset quarterly, until maturity. Interest payments may be deferred, from time to time, on one or more occasions for up to ten consecutive years. The notes may be redeemed at par beginning in March 2017.

2010 includes \$1.15 billion of 4.625% Junior Subordinated Notes due 2018 that were issued in connection with PPL's issuance of Equity Units in June 2010. See discussion of the Equity Units below for further information on such notes.

- (f) Represents lease financing consolidated through a VIE. See Note 22 for additional information.
- (g) The 1945 First Mortgage Bonds were issued under, and secured by, the lien of the 1945 First Mortgage Bond Indenture. In December 2008, PPL Electric completed an in-substance defeasance of the 1945 First Mortgage Bonds by depositing sufficient funds with the trustee solely to satisfy the principal and remaining interest obligations on the bonds when due. The amount of funds on deposit with the trustee was \$13 million at December 31, 2010 and \$14 million at December 31, 2009, and is recorded as restricted cash, primarily in other noncurrent assets on the Balance Sheets.

Also in December 2008, PPL Electric discharged the lien under the 1945 First Mortgage Bond Indenture, which covered substantially all electric distribution plant and certain transmission plant owned by PPL Electric.

- (h) PPL - interest rates range from 1.625% to 7.125%, and maturities range from 2013 to 2040.
PPL Electric - interest rates range from 4.95% to 7.125%, and maturities range from 2013 to 2039.
- The senior secured and first mortgage bonds issued by PPL Electric are secured by the lien of the PPL Electric 2001 Mortgage Indenture, which covers substantially all electric distribution plant and certain transmission plant owned by PPL Electric. The carrying value of PPL Electric's property, plant and equipment was approximately \$3.6 billion and \$3.3 billion at December 31, 2010 and 2009.
- (i) PPL Electric issued a series of its senior secured bonds to secure its obligations to make payments with respect to each series of Pollution Control Bonds that were issued by the LCIDA and the PEDFA on behalf of PPL Electric. These senior secured bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such Pollution Control Bonds. These senior secured bonds were issued under PPL Electric's 2001 Mortgage Indenture and are secured as noted in (h) above. \$224 million of such bonds may be redeemed at par beginning in 2015.
- (j) The related Pollution Control Bonds issued by the PEDFA on behalf of PPL Electric in an aggregate principal amount of \$90 million were structured as variable-rate remarketable bonds, whereby PPL Electric could convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate or a term rate of at least one year. The Pollution Control Bonds were remarketed in September 2010. The bonds were in a term rate mode bearing interest at 4.85% until October 2010. Effective October 2010, the term rate on the bonds was set at 4.00% through maturity. PPL Electric may direct the PEDFA to redeem the bonds, in whole or in part, at par beginning in October 2020. The bonds are subject to mandatory redemption upon a determination that the interest on the bonds would be included in the holders' gross income for federal tax purposes.
- (k) In October 2010, LG&E and KU each issued a series of its first mortgage bonds to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (d) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of LG&E and KU. The related revenue bond documents allow LG&E and KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate. At December 31, 2010, an aggregate of \$183 million of tax-exempt revenue bonds issued on behalf of LG&E and KU were in a term rate mode and had a weighted average interest rate of approximately 5.31%. The remaining \$742 million were in either a commercial paper rate, daily rate, weekly rate or auction rate mode and had a weighted average interest rate of approximately 0.45% at December 31, 2010.

Several series of the tax-exempt revenue bonds are insured by monoline bond insurers whose ratings were reduced due to exposures relating to insurance of sub-prime mortgages. Of the bonds outstanding, \$231 million are in the form of insured auction rate securities, wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. During 2008, interest rates increased, and LG&E and KU experienced failed auctions when there were insufficient bids for the bonds. When a failed auction occurs, the interest rate is set pursuant to a formula stipulated in the indenture. Since the date of acquisition of LKE by PPL, the average rate on LG&E's and KU's auction rate bonds in total was 0.49%. As noted above, the instruments governing these auction rate bonds permit LG&E and KU to convert the bonds to other interest rate modes.

Certain variable rate tax-exempt revenue bonds totaling \$511 million (including the \$163 million discussed below) at December 31, 2010, are subject to tender for purchase by LG&E and KU at the option of the holder and to mandatory tender for purchase by LG&E and KU upon the occurrence of certain events. At December 31, 2010, LG&E held \$163 million of such bonds, which were issued on its behalf by Louisville/Jefferson County, Kentucky and are reflected as "Short-term investments" on the Balance Sheet. In January 2011, the entire \$163 million of bonds were remarketed to unaffiliated investors in a term rate mode, bearing interest at 1.90% into 2012. The proceeds from the remarketing were used to repay the borrowing under LG&E's syndicated credit facility, which is discussed above in "Credit Arrangements and Short-term Debt."

In April 2009, the PEDFA issued \$231 million aggregate principal amount of Exempt Facilities Revenue Refunding Bonds, Series 2009A and 2009B due 2038 and Series 2009C due 2037 (PPL Energy Supply, LLC Project), on behalf of PPL Energy Supply. The Series 2009A bonds, in an aggregate principal amount of \$100 million, and the Series 2009B bonds, in an aggregate principal amount of \$50 million, were issued by the PEDFA in order to refund \$150 million aggregate principal amount of Exempt Facilities Revenue Bonds, Series 2008A and 2008B (PPL Energy Supply, LLC Project) due 2038 that were issued by the PEDFA in December 2008 on behalf of PPL Energy Supply, and for which PPL Investment Corp. acted as initial purchaser. The Series 2009C bonds, in an aggregate principal amount of \$81 million, were issued in order to refund \$81 million aggregate principal amount of Exempt Facilities Revenue Bonds, Series 2007 (PPL Energy Supply, LLC Project) due 2037 that were issued by the PEDFA in December 2007 on behalf of PPL Energy Supply. Among other things, the completed refundings were able to take advantage of provisions in the Economic Stimulus Package that eliminated the application of the AMT to interest payable on the refinanced indebtedness. The refundings of the bonds were effected by the ultimate distribution of \$231 million by the PEDFA to the bond holders, including PPL Investment Corp. As a result of the refundings of the bonds, PPL Investment Corp. received proceeds of \$150 million, which is reflected as a cash flow from investing activities on the Statement of Cash Flows for PPL and PPL Energy Supply in 2009.

In connection with the issuance of each series of bonds by the PEDFA in 2009, PPL Energy Supply entered into separate loan agreements with the PEDFA pursuant to which the PEDFA loaned to PPL Energy Supply the proceeds of the Series 2009A, Series 2009B and Series 2009C bonds on payment terms that correspond to those of the bonds. PPL Energy Supply issued separate promissory notes to the PEDFA to evidence its obligations under each of the loan agreements. These loan agreements and promissory notes replaced those associated with the refunded 2007 and 2008 PEDFA bonds in a non-cash transaction that is excluded from the Statement of Cash Flows in 2009.

Similar to the Series 2007 Bonds and the Series 2008 Bonds, the Series 2009A, 2009B and 2009C bonds are structured as variable-rate remarketable bonds. PPL Energy Supply may convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate or a term rate of at least one year. The bonds are subject to mandatory purchase by PPL Energy Supply under certain circumstances, including upon conversion to a different interest rate mode, and are subject to mandatory redemption upon a determination that the interest on the bonds would be included in the holders' gross income for federal tax purposes. The Series 2009A bonds bore interest at an initial rate of 0.90% through June 30, 2009. The Series 2009B bonds bore interest at an initial rate of 1.25% through September 30, 2009. The Series 2009C bonds were in a weekly interest rate mode through December 9, 2009.

At December 31, 2009, each series of bonds was in a commercial paper rate mode. The weighted average rate was 0.59%.

The interest rate mode on all three series of bonds was converted from a commercial paper rate to a term rate of 3.00% for five years, effective in September 2010.

(m) PPL - 6.00% - 7.471% notes due 2011 - 2020.
PPL Energy Supply - 6.00% notes due 2020.

(n) In March 2010, WPD (South Wales) and WPD (South West) each issued £200 million of 5.75% Notes due 2040 (Notes). The combined debt issuance of £400 million equated to \$603 million at the time of issuance (\$623 million at December 31, 2010), of which WPD received proceeds of £394 million, which equated to \$593 million, net of discounts and underwriting fees. The proceeds have been, or will be, used for general corporate purposes, including repayment of short-term debt, prepayment of certain pension contributions and funding of capital expenditures. See Note 13 for further discussion of pension contributions.

Includes £225 million (\$350 million at December 31, 2010 and \$369 million at December 31, 2009) of notes that may be redeemed, in total but not in part, on December 21, 2026, at the greater of the principal value or a value determined by reference to the gross redemption yield on a nominated U.K. Government bond.

Also includes £1.0 billion (\$1.6 billion) at December 31, 2010 and £625 million (\$1.0 billion) at December 31, 2009 of notes that may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the Notes by Moody's, S&P or Fitch are withdrawn by any of the rating agencies or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution license under which WPD (South Wales) and WPD (South West) operate.

Change from 2009 to 2010 includes a decrease of \$53 million resulting from movements in foreign currency exchange rates.

(o) The principal amount of these notes is adjusted on a semi-annual basis based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amount from 2009 to 2010 was an increase of approximately £11 million (\$17 million) and is offset by a \$20 million decrease resulting from movements in foreign currency exchange rates.

These notes may be redeemed, in total by series, on December 1, 2026, at the greater of the adjusted principal value and a make-whole value determined by reference to the gross real yield on a nominated U.K. government bond. Additionally, these notes may be put by the holders back to the issuer for redemption if the long-term credit ratings assigned to the notes by Moody's, S&P or Fitch are withdrawn by any of the rating agencies or reduced to a non-investment grade rating of Ba1 or BB+ in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution license under which the issuer operates.

(p) Reflects adjustments made to record WPD's long-term debt at fair value at the time of acquisition of the controlling interest in WPD in 2002.

(q) Reflects adjustments made to record LG&E's and KU's long-term debt at fair value at the time of acquisition of LKE in 2010.

(PPL)

In June 2010, PPL issued 103.5 million shares of its common stock at a public offering price of \$24.00 per share, for a total of \$2.484 billion. Proceeds from the issuance were \$2.409 billion, net of the \$75 million underwriting discount. PPL also issued 23 million Equity Units at a stated amount per unit of \$50.00 for a total of \$1.150 billion. Proceeds from the issuance were \$1.116 billion, net of the \$34 million underwriting discount. PPL invested the net proceeds in U.S. government obligations, bank deposits and other highly rated investments until needed to partially fund the acquisition of LKE and pay certain acquisition-related fees and expenses.

Each Equity Unit consists of a Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in \$1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018 (2018 Notes).

Each Purchase Contract obligates the holder to purchase, and PPL to sell, for \$50.00 a variable number of shares of PPL common stock determined by the average VWAP of PPL's common stock for the 20-trading day period ending on the third trading day prior to July 1, 2013, subject to antidilution adjustments and an early settlement upon a Fundamental Change as follows:

- if the average VWAP equals or exceeds \$28.80, then 1.7361 shares (a minimum of 39,930,300 shares);
- if the average VWAP is less than \$28.80 but greater than \$24.00, a number of shares of common stock having a value, based on the average VWAP, equal to \$50.00; and
- if the average VWAP is less than or equal to \$24.00, then 2.0833 shares (a maximum of 47,915,900 shares).

If holders elect to settle the Purchase Contract prior to July 1, 2013, they will receive 1.7361 shares of PPL common stock, subject to antidilution adjustments and an early settlement upon a Fundamental Change.

A holder's ownership interest in the 2018 Notes is pledged to PPL to secure the holder's obligation under the related Purchase Contract. If a holder of a Purchase Contract chooses at any time to no longer be a holder of the 2018 Notes, such holder's obligation under the Purchase Contract must be secured by a U.S. Treasury security.

Each Purchase Contract also requires PPL to make quarterly contract adjustment payments at a rate of 4.875% per year on the \$50.00 stated amount of the Equity Unit. PPL has the option to defer these contract adjustment payments until the Purchase Contract settlement date. Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 9.5% per year until paid. Until any deferred contract adjustment payments have been paid, PPL may not declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, subject to certain exceptions.

The 2018 Notes are fully and unconditionally guaranteed by PPL as to payment of principal and interest. The 2018 Notes initially bear interest at 4.625% and are not subject to redemption prior to July 2015. Beginning July 2015, PPL Capital Funding may, at its option, redeem the 2018 Notes, in whole but not in part, at any time, at par plus accrued and unpaid interest. The 2018 Notes are expected to be remarketed in 2013 in two tranches, such that neither tranche will have an aggregate principal amount of less than the lesser of \$300 million and 50% of the aggregate principal amount of the 2018 Notes to be remarketed. One tranche will mature on or about the third anniversary of the settlement of the remarketing, and the other tranche will mature on or about the fifth anniversary of such settlement. The 2018 Notes will be remarketed as subordinated, unsecured obligations of PPL Capital Funding, as PPL Capital Funding notified the trustee in September 2010 of its irrevocable election to maintain the subordination provisions of the notes and related guarantees in a remarketing. Upon a successful remarketing, the interest rate on the 2018 Notes may be reset and the maturity of the tranches may be modified as necessary. In connection with a remarketing, PPL Capital Funding may elect, with respect to each tranche, to extend or eliminate the early redemption date and/or calculate interest on the notes of a tranche on a fixed or floating rate basis. If the remarketing fails, holders of the 2018 Notes will have the right to put their notes to PPL Capital Funding on July 1, 2013 for an amount equal to the principal amount plus accrued interest.

Prior to July 2013, PPL Capital Funding may elect at one or more times to defer interest payments on the 2018 Notes for one or more consecutive interest periods until the earlier of the third anniversary of the interest payment due date and July 2015. Deferred interest payments will accrue additional interest at a rate equal to the interest rate then applicable to the 2018 Notes. Until any deferred interest payments have been paid, PPL may not, subject to certain exceptions, (i) declare or pay any dividends or distributions on, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, (ii) make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its debt securities that upon its liquidation ranks equal with, or junior in interest to, the subordinated guarantee of the 2018 Notes by PPL as of the date of issuance and (iii) make any payments regarding any guarantee by PPL of securities of any of its subsidiaries (other than PPL Capital Funding) if the guarantee ranks equal with, or junior in interest to, the 2018 Notes as of the date of their issuance.

In the financial statements, the proceeds from the sale of the Equity Units were allocated to the 2018 Notes and the Purchase Contracts, including the obligation to make contract adjustment payments, based on the underlying fair value of each instrument at the time of issuance. As a result, the 2018 Notes were recorded at \$1.150 billion, which approximated fair value, as long-term debt. At the time of issuance, the present value of the contract adjustment payments of \$157 million was recorded to other liabilities, representing the obligation to make contract adjustment payments, with an offsetting reduction to capital in excess of par value for the issuance of the Purchase Contracts, which approximated the fair value of each. The liability is being accreted through interest expense over the three-year term of the Purchase Contracts. The initial valuation of the contract adjustment payments is considered a non-cash transaction that is excluded from the Statement of Cash Flows in 2010. Costs to issue the Equity Units were primarily allocated on a relative cost basis, resulting in \$29 million being recorded to capital in excess of par value and \$7 million being recorded to other noncurrent assets. See Note 4 for EPS considerations related to the Purchase Contracts.

Legal Separateness

(PPL, PPL Energy Supply and PPL Electric)

In 2001, PPL Electric completed a strategic initiative to confirm its legal separation from PPL and PPL's other affiliated companies. This initiative was designed to enable PPL Electric to substantially reduce its exposure to volatility in energy prices and supply risks through 2009 and to reduce its business and financial risk profile by, among other things, limiting its business activities to the transmission and distribution of electricity and businesses related to or arising out of the electric transmission and distribution businesses. In connection with this initiative, PPL Electric:

- obtained long-term electric supply contracts to meet its PLR obligations (with its affiliate PPL EnergyPlus) through 2009, as further described in Note 16 under "PLR Contracts" (also see Note 15 under "Energy Purchase Commitments" for information on current PLR supply procurement procedures);
- agreed to limit its businesses to electric transmission and distribution and related activities;
- adopted amendments to its Articles of Incorporation and Bylaws containing corporate governance and operating provisions designed to clarify and reinforce its legal and corporate separateness from PPL and its other affiliated companies; and

- appointed an independent director to its Board of Directors and required the unanimous approval of the Board of Directors, including the consent of the independent director, to amendments to these corporate governance and operating provisions or to the commencement of any insolvency proceedings, including any filing of a voluntary petition in bankruptcy or other similar actions.

In addition, in connection with the issuance of certain series of bonds, PPL Electric entered into a compliance administration agreement with an independent compliance administrator to review, on a semi-annual basis, its compliance with the corporate governance and operating requirements contained in its Articles of Incorporation and Bylaws. Such series of bonds are no longer outstanding and the compliance administration agreement has terminated, but PPL Electric continues to comply with the corporate separateness provisions in its Articles of Incorporation and Bylaws.

The enhancements to PPL Electric's legal separation from its affiliates are intended to minimize the risk that a court would order PPL Electric's assets and liabilities to be substantively consolidated with those of PPL or another affiliate of PPL in the event that PPL or another PPL affiliate were to become a debtor in a bankruptcy case. Based on these various measures, PPL Electric was able to issue and maintain a higher level of debt and use it to replace higher cost equity, thereby maintaining a lower total cost of capital. Nevertheless, if PPL or another PPL affiliate were to become a debtor in a bankruptcy case, there can be no assurance that a court would not order PPL Electric's assets and liabilities to be consolidated with those of PPL or such other PPL affiliate.

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of the subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL is not liable for the debts of its subsidiaries. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL absent a specific contractual undertaking by PPL to pay the creditors of its subsidiaries or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Energy Supply and PPL Electric are separate legal entities. These subsidiaries are not liable for the debts of PPL Energy Supply and PPL Electric. Accordingly, creditors of PPL Energy Supply and PPL Electric may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. In addition, absent a specific contractual undertaking or as required by applicable law or regulation, PPL Energy Supply and PPL Electric are not liable for the debts of their subsidiaries. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Energy Supply or PPL Electric absent a specific contractual undertaking by that parent to pay the creditors of its subsidiaries or as required by applicable law or regulation.

Distributions, Capital Contributions and Related Restrictions

(PPL)

In February 2010, PPL announced an increase to its quarterly common stock dividend, effective April 1, 2010, to 35.0 cents per share (equivalent to \$1.40 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067. Additionally, as discussed above in "Long-term Debt and Equity Securities," subject to certain exceptions, PPL may not declare or pay any dividend or distribution on its capital stock until any deferred interest payments on its 4.625% Junior Subordinated Notes due 2018 have been paid and deferred contract adjustment payments on PPL's Purchase Contracts have been paid. At December 31, 2010, no payments were deferred on either series of junior subordinated notes or the Purchase Contracts.

PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders. The net assets of certain PPL subsidiaries are subject to legal restrictions. LG&E, KU and PPL Electric are subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. LG&E, KU and PPL Electric believe, however, that this statutory restriction, as applied to their circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. Also, under Virginia law, KU is prohibited from making loans to affiliates without the prior approval of the VSCC. There are no comparable statutes under Kentucky law applicable to LG&E and KU, or under Pennsylvania law applicable to PPL Electric. However, Orders from the KPSC require LG&E or KU to obtain prior regulatory consent or approval before loaning funds to PPL. At December 31, 2010, the net restricted assets of LG&E and KU were approximately \$4.4 billion.

(PPL and PPL Energy Supply)

The PPL Montana Colstrip lease places certain restrictions on PPL Montana's ability to declare dividends. At this time, PPL believes that these covenants will not limit PPL's or PPL Energy Supply's ability to operate as desired and will not affect their ability to meet any of their cash obligations. WPD subsidiaries also have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's or PPL Energy Supply's ability to meet their cash obligations.

(PPL Energy Supply)

In 2010, PPL Energy Supply distributed \$4.7 billion to its parent company, PPL Energy Funding, and received cash contributions of \$3.6 billion. The cash contributions received from its parent related primarily to the funds received by PPL in June 2010 from the issuance of common stock and Equity Units. These funds were invested by a subsidiary of PPL Energy Supply until they were returned to PPL Energy

Funding in October 2010 to be available to partially fund PPL's acquisition of LKE and pay certain acquisition-related fees and expenses.

(PPL and PPL Electric)

As discussed in Note 6, PPL Electric may not pay dividends on its common stock, except in certain circumstances, unless full dividends have been paid on the Preference Shares for the then-current dividend period. The quarterly dividend rate for PPL Electric's Preference Shares is \$1.5625 per share. PPL Electric has declared and paid dividends on its outstanding Preference Shares since issuance. Dividends on the Preference Shares are not cumulative and future dividends, declared at the discretion of PPL Electric's Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

(PPL Electric)

During 2010, PPL Electric paid common stock dividends of \$71 million to PPL and received cash contributions of \$55 million.

PPL Electric is subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. PPL Electric believes, however, that this statutory restriction, as applied to its circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes.

8. Acquisitions, Development and Divestitures

(PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries continuously evaluate strategic options and, from time to time, negotiate with third parties regarding acquisitions and dispositions of businesses and assets, joint ventures and development projects, which may or may not result in consummated transactions. Any resulting transactions may impact future financial results. See Note 9 for information on anticipated and completed sales of businesses that were presented as discontinued operations by PPL and PPL Energy Supply and Note 10 for information on PPL's acquisition of LKE.

Domestic

Development

(PPL)

In 2006, LKE entered into a construction contract related to the Trimble County Unit 2 (TC2) project, a coal-fired generating plant with capacity of 760 MW, of which the LG&E and KU share is 75% or 570 MW. The contract is a turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. LKE's share of the expected capital cost of the TC2 project is \$860 million. With limited exceptions LKE took care, custody and control of TC2 on January 22, 2011, and has dispatched the unit to meet customer demand since that date. LG&E and KU and the contractor agreed to a further amendment of the construction agreement whereby the contractor will complete certain actions relating to identifying and completing any necessary modifications to allow operation of TC2 on all fuels in accordance with initial specifications prior to certain dates, and amending the provisions relating to liquidated damages. LKE cannot currently estimate the ultimate outcome of these matters. See Notes 14 and 15 for additional information.

(PPL and PPL Energy Supply)

In 2007, PPL requested FERC approval to expand the capacity of its Holtwood hydroelectric plant. In 2008, PPL withdrew the application due to then-prevailing economic conditions, including the high cost of capital and projected future energy prices. As a result, the Supply segment recorded an impairment of \$22 million (\$13 million after tax), which is included in "Other operation and maintenance" on the Statements of Income. In 2009, PPL filed a new application with the FERC to expand capacity at its Holtwood hydroelectric plant, which the FERC approved. PPL reconsidered this project in light of the availability of tax incentives and potential federal loan guarantees for renewable projects contained in the Economic Stimulus Package. The expansion project has an expected capital cost of approximately \$434 million. Construction continues on the project, with commercial operations scheduled to begin in 2013. At December 31, 2010, expected remaining expenditures are \$304 million.

In 2009, PPL Montana received FERC approval for its request to redevelop the Rainbow hydroelectric facility at Great Falls, Montana to increase capacity by 28 MW. The redevelopment project's expected cost is \$212 million. Construction continues on the project, with commercial operations scheduled to begin in 2012. At December 31, 2010, expected remaining expenditures are \$100 million.

PPL believes that it is qualified for either investment tax credits or Treasury grants for the hydroelectric plant expansion projects at the Holtwood and Rainbow facilities. PPL has recognized investment tax credits and is evaluating whether to seek Treasury grants in lieu of the credits. During 2010, PPL recorded deferred investment tax credits of \$52 million related to tax years 2010 and 2009. PPL anticipates recognizing an additional \$90 million in tax credits for tax years 2011 and 2012. These credits reduce PPL's tax liability and will be amortized over the life of the related assets.

In 2008, PPL Susquehanna received NRC approval for its request to increase the generation capacity of the Susquehanna nuclear plant. The project is being completed in phases over several years. PPL Susquehanna's share of the total expected capacity increase is currently estimated to be 195 MW. The final phase of the Unit 1 uprate was completed in 2010 and yielded 55 MW for PPL Susquehanna. The final Unit 2 uprate

is scheduled for 2011 and is projected to yield an additional 50 MW for PPL Susquehanna. At December 31, 2010, PPL Susquehanna's share of expected remaining expenditures is \$15 million.

In 2008, a PPL Energy Supply subsidiary submitted a COLA to the NRC for the proposed Bell Bend nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna plant. Also in 2008, the COLA was formally docketed and accepted for review by the NRC. PPL continues to respond to questions from the NRC regarding technical and site specific information provided in the initial COLA and subsequent amendments. PPL does not expect to complete the COLA review process with the NRC prior to 2013.

In 2008, a PPL Energy Supply subsidiary submitted Parts I and II of an application for a federal loan guarantee for Bell Bend to the DOE. In 2009, the DOE announced that it was working to finalize loan guarantees related to four projects, not including Bell Bend. Eight of the ten applicants who submitted Part II applications remain active in the DOE program; however, the DOE has stated that the \$18.5 billion currently appropriated to support new nuclear projects would not likely be enough for more than three projects. The PPL Energy Supply subsidiary submits quarterly application updates for Bell Bend to the DOE to remain active in the loan guarantee application process.

PPL has made no decision to proceed with construction of Bell Bend and expects that such decision will not be made for several years given the anticipated lengthy NRC license approval process. Additionally, PPL has announced that it does not expect to proceed with construction absent favorable economics, a joint arrangement with other interested parties and a federal loan guarantee or other acceptable financing. PPL and its subsidiaries are currently authorized by PPL's Board of Directors to spend up to \$144 million on the COLA and other permitting costs (including land costs) necessary for construction. At December 31, 2010 and 2009, \$109 million and \$77 million of costs associated with the licensing application were capitalized and are included on the Balance Sheets in noncurrent "Other intangibles." PPL believes it is probable that these costs are ultimately recoverable following NRC approval of the COLA either through construction of the new nuclear unit, transfer of the COLA rights to a joint venture, or sale of the COLA rights to another party.

(PPL and PPL Electric)

In 2007, PJM directed the construction of a new 150-mile, 500-kilovolt transmission line between the Susquehanna substation in Pennsylvania and the Roseland substation in New Jersey that it identified as essential to long-term reliability of the Mid-Atlantic electricity grid. PJM determined that the line is needed to prevent potential overloads that could occur as early as 2012 on several existing transmission lines in the interconnected PJM system. PJM has directed PPL Electric to construct the portion of the Susquehanna-Roseland line in Pennsylvania and has directed Public Service Electric & Gas Company to construct the portion of the line in New Jersey, in each case by June 1, 2012. PPL Electric's estimated share of the project costs is approximately \$500 million.

This project is pending certain regulatory approvals. PPL Electric has identified the approximately 100-mile route for the Pennsylvania portion of the line. In February 2010, the PUC and the New Jersey Board of Public Utilities approved the project. Several parties appealed the PUC decision to the Commonwealth Court of Pennsylvania, and certain of those appeals are pending before the court. PPL Electric cannot predict the ultimate outcome or timing of these proceedings.

In addition, both companies are working with the National Park Service to obtain any approvals that may be required to route the line through the Delaware Water Gap National Recreation Area. The National Park Service has stated that its review will not be completed until 2012. PPL Electric cannot predict the ultimate outcome or timing of the National Park Service approval.

PPL Electric anticipates the delays in the approval process will delay the in-service date to 2014 or later. PPL Electric also cannot predict what action, if any, PJM might take in the event of a delay to its scheduled in-service date for the new line. PJM continues to reaffirm the need for this project.

9. Discontinued Operations

(PPL and PPL Energy Supply)

Anticipated Sale of Certain Non-core Generation Facilities

As part of the LKE acquisition financing strategy, management explored the sale of certain non-core assets. As a result of this process, in September 2010 certain PPL Energy Supply subsidiaries signed definitive agreements to sell their ownership interests in certain non-core generation facilities, included in the Supply segment, for approximately \$381 million in cash. The transaction includes the natural gas-fired facilities in Wallingford, Connecticut and University Park, Illinois and a PPL Energy Supply subsidiary's share in Safe Harbor Water Power Corporation, which owns a hydroelectric facility in Conestoga, Pennsylvania and which is accounted for as an equity investment.

These non-core generation facilities met the held for sale criteria in the third quarter of 2010. As a result, assets with a carrying amount of \$473 million were written down to their estimated fair value (less cost to sell) of \$377 million at September 30, 2010, resulting in a pre-tax impairment charge of \$96 million (\$58 million after tax). In addition, \$5 million (\$4 million after tax) of allocated goodwill was written off in the third quarter of 2010. During the fourth quarter of 2010, additional tax expense of \$2 million was recorded. These charges are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2010 Statements of Income. The sale is expected to close in the first quarter of 2011, subject to the receipt of necessary regulatory approvals and third-party consents.

Following are the components of Discontinued Operations in the Statements of Income.

	2010	2009	2008
Operating revenues	\$ 113	\$ 106	\$ 150

Operating expenses (a)	156	42	60
Operating income (loss)	(43)	64	90
Other income (expense) - net	2	2	2
Interest expense (b)	11	9	7
Income (loss) before income taxes	(52)	57	85
Income tax expense (benefit)	(18)	24	35
Income (Loss) from Discontinued Operations	<u>\$ (34)</u>	<u>\$ 33</u>	<u>\$ 50</u>

- (a) 2010 includes the impairments to the carrying value of the generation facilities being sold and the write-off of allocated goodwill.
(b) Represents allocated interest expense based upon debt attributable to the generation facilities being sold.

The major classes of assets reported as held for sale on the Balance Sheet at December 31, 2010 were \$357 million of PP&E and a \$13 million equity method investment (corresponding amounts at December 31, 2009 were \$461 million of PP&E and a \$13 million equity method investment, which have not been reclassified on the Balance Sheet as of that date).

Sale of Long Island Generation Business

In February 2010, a PPL Energy Supply subsidiary completed the sale of the Long Island generation business, which was included in the Supply segment. The definitive sales agreement, which was executed in May 2009, included provisions that reduced the \$135 million purchase price monthly, commencing September 1, 2009. After adjusting for these price-reduction provisions, proceeds from the sale approximated \$124 million.

In the second quarter of 2009, the Long Island generation business met the held for sale criteria. As a result, at June 30, 2009, net assets held for sale were written down to their estimated fair value less cost to sell, resulting in a pre-tax impairment charge of \$52 million (\$34 million after tax). At both September 30 and December 31, 2009, the estimated fair value (less cost to sell) was remeasured and additional impairments totaling \$10 million (\$3 million after tax) were recorded. In addition, \$2 million (\$1 million after tax) of goodwill allocated to this business was written off in 2009. PPL Energy Supply recorded a loss on the sale of \$3 million during the first quarter of 2010 due to the price-reduction provisions. The losses recognized in the third and fourth quarters of 2009 and the first quarter of 2010 did not significantly impact earnings, as such amounts were substantially offset by tolling revenues from the Long Island generation assets during the same periods. These amounts are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The tolling agreements related to these plants were transferred to the new owner upon completion of the sale.

Following are the components of Discontinued Operations in the Statements of Income.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 4	\$ 24	\$ 26
Operating expenses (a)	4	73	8
Operating income (loss)		(49)	18
Interest expense (b)		4	3
Income (loss) before income taxes		(53)	15
Income tax expense (benefit)		(20)	5
Income (Loss) from Discontinued Operations	<u>\$</u>	<u>\$ (33)</u>	<u>\$ 10</u>

- (a) 2010 includes the loss on the sale of the business. 2009 includes impairment charges.
(b) Represents allocated interest expense based upon debt attributable to PPL's Long Island generation business.

Upon completion of the sale, \$41 million of PP&E and an \$86 million net investment in a direct-financing lease, which had been classified as held for sale at December 31, 2009, were removed from the Balance Sheet.

Sale of Maine Hydroelectric Generation Facilities

Sale of the Remaining Maine Hydroelectric Generation Business

In December 2010, a PPL Energy Supply subsidiary completed the sale of its remaining three hydroelectric facilities in Maine, which were included in the Supply segment, for \$24 million. As a result of the sale, PPL Energy Supply recorded a gain of \$11 million (\$7 million after tax), reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2010 Statement of Income. Upon completion of the sale, assets totaling \$13 million, primarily PP&E, were removed from the Balance Sheet.

Sale of the Majority of Maine Hydroelectric Generation Business

In 2009, a PPL Energy Supply subsidiary completed the sale of the majority of its Maine hydroelectric generation business, which was included in the Supply segment, for \$81 million in cash, adjusted for working capital. The assets sold in this transaction included five hydroelectric facilities and a 50% equity interest in a sixth hydroelectric facility, which had been accounted for as an equity investment, together with rights to increase energy output at these facilities upon completion of the sale of the PPL Energy Supply subsidiary's three other hydroelectric facilities in Maine (see "Sale of the Remaining Maine Hydroelectric Generation Business" above). As a result of the sale of the majority of the Maine hydroelectric generation business, PPL Energy Supply recorded a gain of \$38 million (\$22 million after tax), reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2009 Statement of Income. Additionally, in December 2010, the PPL Energy Supply subsidiary received \$14 million in contingent consideration, which was tied to its completion of the sale of the three other hydroelectric facilities noted above. PPL Energy Supply accordingly recorded a gain of \$14 million (\$8 million after tax), reflected in "Income (Loss) from

Discontinued Operations (net of income taxes)" on the Statement of Income.

Following are the components of Discontinued Operations in the Statements of Income.

	2010	2009	2008
Operating revenues		\$ 5	\$ 11
Operating expenses (a)	\$ (25)	(34)	3
Operating income	25	39	8
Other income (expense) - net		3	2
Interest expense (b)		1	1
Income before income taxes	25	41	9
Income tax expense	10	17	4
Income from Discontinued Operations	<u>\$ 15</u>	<u>\$ 24</u>	<u>\$ 5</u>

(a) Includes the gains recorded on the sales.

(b) Represents allocated interest expense based upon debt attributable to the Maine hydroelectric generation business sold.

Sale of Interest in Wyman Unit 4

As a result of management's ongoing strategic review of PPL Energy Supply's non-core asset portfolio, in 2009, a PPL Energy Supply subsidiary sold its 8.33% ownership interest in the Wyman Unit 4 generating station, an oil-fired plant located in Yarmouth, Maine. PPL Energy Supply's interest in the plant was included in the Supply segment. In connection with the sale, PPL Energy Supply recorded a loss of \$6 million (\$4 million after tax). This charge is included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the 2009 Statement of Income.

Sale of Latin American Businesses

In 2007, PPL Energy Supply completed the sale of its regulated electricity delivery businesses in Chile, El Salvador and Bolivia, which were included in the International Regulated segment. In 2008, PPL Global recognized income tax benefits and miscellaneous expenses in Discontinued Operations in connection with the dissolution of certain Latin American holding companies. This process was substantially completed in 2008. In 2009, PPL Energy Supply identified a correction to the previously computed tax bases of the Latin American businesses. The most significant adjustment related to the sale of the El Salvadoran business and was largely due to returns of capital in certain prior years that had not been reflected in the calculated tax basis. As a result, PPL Energy Supply recorded \$24 million of additional income tax expense in 2009, which is reflected on the Statement of Income in "Income (Loss) from Discontinued Operations (net of income taxes)." The additional expense is not considered by management to be material to the 2009 financial statements.

Following are the components of Discontinued Operations in the Statements of Income.

	2009	2008
Operating expenses		\$ 2
Operating loss		(2)
Other income (expense) - net		(1)
Loss before income taxes		(3)
Income tax expense (benefit) (a)	\$ 27	(8)
Income (Loss) from Discontinued Operations	<u>\$ (27)</u>	<u>\$ 5</u>

(a) 2009 includes the \$24 million income tax adjustment referred to above. 2008 includes \$6 million from the recognition of a previously unrecognized tax benefit associated with a prior year tax position.

(PPL)

WKE

Prior to its November 1, 2010 acquisition by PPL, WKE had a 25-year lease for and operated nine generating facilities of Big Rivers Electric Corporation, a power-generating cooperative in western Kentucky, and a tenth facility owned by the City of Henderson, Kentucky. In 2007, WKE entered into an agreement to terminate the lease, which closed in 2009, prior to PPL acquiring LKE. As part of the lease termination, WKE was obligated to pay a former customer, an aluminum smelter, an aluminum production payment in lieu of a lump-sum cash consent payment, as well as the difference between the electricity prices charged by WKE under the previous long-term sales contract and the electricity prices charged by the aluminum smelter's current electricity supplier. This obligation was partially mitigated by the opportunity to make off-system sales, when economic, for the contractual demand not used by the aluminum smelter. In addition, the total amount of the obligation to this smelter was limited to \$82 million. Any amount paid by WKE over the limit has been recorded as an interest-bearing receivable and is required to be repaid (plus interest) only if certain conditions occur by 2028. Such exposure expired in January 2011. In addition, because the former customer posted a letter of credit supporting payment to its current electricity supplier, WKE reversed a portion of the liability associated with its guarantee of payment by the former customer. Also, WKE had an obligation to another aluminum smelter, also a former customer, to make an escrow payment of approximately \$4 million, which was included in the liability at December 31, 2010, and was paid in January

2011. The income statement impacts are included in the Kentucky Regulated segment and are reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. See Note 15 for additional information related to the termination of the lease. The results of operations for 2010 were insignificant.

Sale of Gas and Propane Businesses

In 2007, PPL completed a review of strategic options for its natural gas distribution and propane businesses and announced its intention to sell these businesses, which were included in the Pennsylvania Regulated segment. PPL completed the sale in October 2008 for \$268 million in cash, adjusted for working capital at the sale date, pursuant to a stock purchase agreement. Sale proceeds of \$303 million, including estimated working capital, were contributed to PPL Energy Supply through its parent, PPL Energy Funding. In 2008, PPL recorded impairment and other charges related to the sale totaling \$10 million (\$6 million after tax). Also in 2008, PPL Gas Utilities paid a \$3 million (\$2 million after tax) premium to prepay the entire \$10 million aggregate principal of its 8.70% Senior Notes due December 2022. In 2009, PPL recognized an insignificant charge in Discontinued Operations in connection with the settlement of the working capital adjustment.

Following are the components in Discontinued Operations in the Statements of Income.

	<u>2008</u>
Operating revenues	\$ 162
Operating expenses (a)	154
Operating income	8
Other income (expense) - net	(3)
Interest expense (b)	4
Income before income taxes	1
Income tax benefit	(2)
Income from Discontinued Operations	<u>\$ 3</u>

(a) Includes impairment and other charges related to the sale.

(b) Includes \$3 million of allocated interest expense based upon debt attributable to PPL's natural gas distribution and propane businesses.

10. Acquisition of E.ON U.S. LLC

(PPL)

On November 1, 2010 (acquisition date), PPL completed the acquisition of all of the limited liability company interests of E.ON U.S. LLC from a wholly owned subsidiary of E.ON AG. Upon completion of the acquisition, E.ON U.S. LLC was renamed LG&E and KU Energy LLC. LG&E and KU Energy LLC is a holding company with regulated utility operations conducted through its subsidiaries, LG&E and KU. The acquisition substantially reapportions the mix of PPL's regulated and competitive businesses by increasing the regulated portion of its business, strengthens PPL's credit profile and enhances rate-regulated growth opportunities as the regulated businesses make investments to improve infrastructure and customer reliability.

The fair value of the consideration paid for E.ON U.S. LLC was as follows.

Aggregate enterprise consideration	\$ 7,614
Less: fair value of assumed long-term debt outstanding, net	772
Total cash consideration paid	6,842
Less: funds made available to E.ON U.S. LLC to repay pre-acquisition affiliate indebtedness	4,349
Cash consideration paid for E.ON U.S. LLC equity interests	<u>\$ 2,493</u>

The \$6.842 billion total cash consideration paid, including repayment of affiliate indebtedness, was funded by PPL's June 2010 issuance of \$3.634 billion of common stock and Equity Units that provided net proceeds totaling \$3.525 billion, net of underwriting discounts, \$3.2 billion of borrowings under an existing credit facility in October 2010, \$249 million of proceeds from the monetization of certain full-requirement sales contracts in July 2010 and cash on hand. See Note 7 for additional information on the issuance of common stock and Equity Units and the October 2010 borrowing under PPL Energy Supply's syndicated credit facility that provided interim financing to partially fund the acquisition. See Note 19 for additional information on the monetization of certain full-requirement sales contracts.

The allocation of the purchase price to the fair value of assets acquired and liabilities assumed is as follows.

Cash	\$ 30
Accounts receivable (a)	175
Current assets	764
Investments	31
PP&E	7,469
Other intangibles (current and noncurrent)	427
Regulatory and other noncurrent assets	689
Current liabilities, excluding current portion of long-term debt (b)	(516)
PPL affiliate indebtedness	(4,349)
Long-term debt (current and noncurrent) (b)	(934)
Other noncurrent liabilities (b)	(2,289)
Net identifiable assets acquired	1,497
Goodwill	996
Total assets acquired	<u>\$ 2,493</u>

(a) The gross contractual amount of the accounts receivable acquired was \$186 million. PPL expects \$11 million to be uncollectible; however, credit risk is mitigated since uncollectible accounts are a component of customer rates.

(b) Represents non-cash activity excluded from the Statement of Cash Flows in 2010.

Goodwill related to the LKE acquisition of \$996 million was recorded at LG&E and KU. For purposes of goodwill impairment testing, the goodwill was assigned to the reportable segments expected to benefit from the acquisition. Both the Kentucky Regulated and the Supply segments are expected to benefit and the assignment of goodwill was \$662 million to the Kentucky Regulated segment and \$334 million to the Supply segment. The goodwill at the Kentucky Regulated segment reflects the value paid for the expected continued growth of a rate-regulated business located in a defined service area with a constructive regulatory environment, the ability of LKE to leverage its assembled workforce to take advantage of those growth opportunities and the attractiveness of stable, growing cash flows. Although no other assets or liabilities from the acquisition were assigned to the Supply segment, the Supply segment obtained a synergistic benefit attributed to the overall de-risking of the PPL portfolio, which enhanced PPL Energy Supply's credit profile, thereby increasing the value of the Supply segment. This increase in value resulted in the assignment of goodwill to the Supply segment. None of the goodwill recognized is expected to be included in regulated customer rates or deductible for income tax purposes. As such, no deferred taxes were recorded related to goodwill.

See Note 9 and the "Guarantees and Other Assurances" section of Note 15 for additional information on certain indemnifications provided by LKE, the most significant of which relates to the discontinued operations of WKE.

The actual LKE operating revenues and net income attributable to PPL included in PPL's Statement of Income for the year ended December 31, 2010, and PPL's unaudited pro forma 2010 and 2009 operating revenues and net income attributable to PPL, including LKE, as if the acquisition had occurred January 1, 2009, are as follows.

	Operating Revenues	Net Income (Loss) Attributable to PPL
Actual from November 1, 2010 – December 31, 2010	\$ 493	\$ 47
Pro forma for 2010 (unaudited)	10,761	1,273
Pro forma for 2009 (unaudited)	9,950	(881) (a)

(a) Includes a \$1.493 billion goodwill impairment charge recorded by E.ON U.S. LLC in December 2009, prior to the acquisition by PPL.

The pro forma financial information presented above has been derived from the historical consolidated financial statements of PPL and LKE. Adjustments included in the pro forma financial information include: (a) a pre-tax adjustment in 2010 of \$165 million for non-recurring acquisition-related costs including the Bridge Facility in support of the acquisition, losses incurred in connection with the termination of interest rate swaps, and other third-party transaction costs; (b) a net decrease in interest expense from the repayment of affiliate indebtedness to subsidiaries of E.ON AG, and replacement with interest expense related to the November 2010 issuance of debt by LG&E and KU Energy LLC, LG&E and KU (the Kentucky Entities); and (c) the income tax effect of the pro-forma adjustments, which was calculated using an estimated post-acquisition composite statutory income tax rate of 39%. In addition, losses from discontinued operations (net of income taxes) of PPL and LKE of \$18 million and \$227 million in 2010 and 2009 were excluded from the pro forma amounts above.

The pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition been completed on the dates indicated, or the future consolidated results of operations of PPL.

During 2010, PPL incurred third-party acquisition-related costs of \$31 million, including advisory, accounting and legal fees, which were recorded in "Other Income (Expense) - net" on the 2010 Statement of Income. In addition, Bridge Facility costs of \$80 million were recorded in "Interest Expense" on the 2010 Statement of Income. See Note 7 for a discussion of costs incurred related to PPL's June 2010 issuance of common stock and Equity Units.

In November 2010, LKE issued \$2.9 billion of debt, of which \$100 million was used to return capital to PPL. See Note 7 for additional information.

(PPL and PPL Energy Supply)

The majority of the net proceeds from the November 2010 debt issuances of LKE, discussed above, together with a borrowing by LG&E under its available credit facilities were applied to repay borrowings from a PPL Energy Supply subsidiary. Such borrowings were incurred to permit LKE to repay certain indebtedness owed to affiliates of E.ON AG upon the closing of the acquisition. In November 2010, PPL Energy Supply used the above-referenced amounts received from LKE, together with other cash on hand, to repay approximately \$3.0 billion of its October 2010 borrowing under existing credit facilities. See Note 7 for additional information.

To ensure adequate funds were available for the acquisition, in July 2010, PPL Energy Supply monetized certain full-requirement sales contracts that resulted in cash proceeds of \$249 million. See "Commodity Price Risk (Non-trading) - Monetization of Certain Full-Requirement Sales Contracts" in Note 19 for additional information. Additionally, PPL Energy Supply expects to receive proceeds in the first quarter of 2011 from the sale of certain non-core generation facilities, which will be used to repay the short-term borrowings drawn on existing credit facilities. See "Anticipated Sale of Certain Non-Core Generation Facilities" in Note 9 for additional information.

As a result of the monetization of these full-requirement sales contracts, coupled with the expected net proceeds from the anticipated sale of these non-core generation facilities, debt that had been planned to be issued by PPL Energy Supply in late 2010 was no longer needed. Therefore, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued. Net losses of \$(29) million, or \$(19) million after tax, were reclassified from AOCI to "Other Income (Expense) - net" on PPL's 2010 Statement of Income.

11. Leases

Lessee Transactions

(PPL)

E.W. Brown Combustion Turbines

LG&E and KU are participants in a sale-leaseback transaction involving two combustion turbines at the E.W. Brown generating station. In December 1999, after selling their interests in the combustion turbines, LG&E and KU entered into an 18-year lease of the turbines. At the same time, LG&E and KU provided funds to fully defease the lease and executed an irrevocable notice to exercise an early purchase option contained in the lease after 15.5 years, which will occur in 2014. The financial statement treatment of this transaction is the same as if LG&E and KU had retained their ownership interest. Since the lease was defeased, there are no remaining minimum lease payments and all related PP&E is reflected on the Balance Sheet at December 31, 2010. At December 31, 2010, the Balance Sheet included assets of \$104 million, which are reflected in "Regulated utility plant – electric and gas, net." For 2010, the related accumulated depreciation and depreciation expense are insignificant.

Upon a default under the lease, LG&E and KU are obligated to pay to the lessor their share of certain amounts. Primary events of default include loss or destruction of the combustion turbines, failure to insure or maintain the combustion turbines and unwinding of the transaction due to governmental actions. No events of default currently exist with respect to the lease. Upon any termination of the lease, whether by default or expiration of its term, title to the combustion turbines reverts to LG&E and KU. The maximum aggregate amount that could be required to be paid at December 31, 2010 is \$7 million.

(PPL and PPL Energy Supply)

Tolling Agreement

In 2008, PPL EnergyPlus acquired the rights to an existing long-term tolling agreement for the capacity and energy of Ironwood. Under the agreement, PPL EnergyPlus has control over the plant's dispatch into the electricity grid and will supply the natural gas necessary to operate the plant. The tolling agreement extends through 2021 and is considered to contain an operating lease for accounting purposes. The fixed payments under the tolling agreement are subject to adjustment based upon changes to the facility capacity rating, which may occur up to twice per year. Certain costs within the tolling agreement, primarily non-lease costs, are subject to escalation.

Colstrip Generating Plant

In July 2000, PPL Montana sold its interest in the Colstrip generating plants to owner lessors who are leasing a 50% interest in Colstrip Units 1 and 2 and a 30% interest in Unit 3 back to PPL Montana under four 36-year non-cancelable leases. This transaction is accounted for as a sale-leaseback and classified as an operating lease. These leases provide two renewal options based on the economic useful life of the generation assets. PPL Montana currently amortizes material leasehold improvements over no more than the remaining life of the original leases. PPL Montana is required to pay all expenses associated with the operations of the generation units. The leases place certain restrictions on PPL Montana's ability to incur additional debt, sell assets and declare dividends and require PPL Montana to maintain certain financial ratios related to cash flow and net worth. There are no residual value guarantees in these leases. However, upon an event of default or an event of loss, PPL Montana could be required to pay a termination value of amounts sufficient to allow the lessor to repay amounts owing on the lessor notes and make the lessor whole for its equity investment and anticipated return on investment. The events of default include payment defaults, breaches of representations or covenants, acceleration of other indebtedness of PPL Montana, change in control of PPL Montana and certain bankruptcy events. The termination value was estimated to be \$763 million at December 31, 2010.

Kerr Dam

At December 31, 2010, PPL Montana continued to participate in a lease arrangement with the Confederated Salish and Kootenai Tribes of the Flathead Reservation. Under a joint operating license, issued by the FERC to Montana Power in 1985, and subsequently to PPL Montana as a result of the purchase of Kerr Dam from Montana Power, PPL Montana is responsible to make payments to the tribes, for the use of their property. This agreement, subject to escalation based upon inflation, extends until the end of the license term in 2035. Between 2015 and 2025, the tribes have the option to purchase, hold and operate the project, which would result in the termination of this leasing arrangement.

Other Leases

PPL and its subsidiaries have entered into various agreements for the lease of office space, vehicles, land and other equipment.

Rent - Operating Leases

Rent expense for PPL's operating leases was \$90 million, \$86 million and \$73 million in 2010, 2009 and 2008. Rent expense for PPL Energy Supply's operating leases was \$87 million, \$86 million and \$73 million in 2010, 2009 and 2008.

Estimated total future minimum rental payments for all operating leases are estimated to be:

	PPL	PPL
	Energy Supply	Energy Supply

2011	\$	122	\$	108
2012		117		106
2013		120		110
2014		117		109
2015		101		96
hereafter		314		310
total (a)	\$	891	\$	839

(a) Includes \$21 million in aggregate of future minimum lease payments related to the Wallingford property lease. See Note 9 for additional information on the anticipated sale of this generation facility.

12. Stock-Based Compensation

(PPL, PPL Energy Supply and PPL Electric)

Under the PPL Incentive Compensation Plan (ICP) and the Incentive Compensation Plan for Key Employees (ICPKE) (together, the Plans), restricted shares of PPL common stock, restricted stock units, performance units and stock options may be granted to officers and other key employees of PPL, PPL Energy Supply, PPL Electric and other affiliated companies. Awards under the Plans are made by the Compensation, Governance and Nominating Committee (CGNC) of the PPL Board of Directors, in the case of the ICP, and by the PPL Corporate Leadership Council (CLC), in the case of the ICPKE.

The ICP limits the total number of awards that may be granted under it after April 23, 1999 to 15,769,431. The ICPKE limits the total number of awards that may be granted under it after April 25, 2003 to 14,199,796. In addition, each Plan limits the number of shares available for awards in any calendar year to 2% of the outstanding common stock of PPL on the first day of such calendar year. The maximum number of options that can be awarded under each Plan to any single eligible employee in any calendar year is three million shares. Any portion of these options that has not been granted may be carried over and used in any subsequent year. If any award lapses, is forfeited or the rights of the participant terminate, the shares of PPL common stock underlying such an award are again available for grant. Shares delivered under the Plans may be in the form of authorized and unissued PPL common stock, common stock held in treasury by PPL or PPL common stock purchased on the open market (including private purchases) in accordance with applicable securities laws.

Restricted Stock and Restricted Stock Units

Restricted shares of PPL common stock are outstanding shares with full voting and dividend rights. Restricted stock awards are granted as a retention award for select key executives and vest when the recipient reaches a certain age or meets service or other criteria set forth in the executive's restricted stock award agreement. The shares are subject to forfeiture or accelerated payout under Plan provisions for termination, retirement, disability and death of employees. Restricted shares vest fully if control of PPL changes, as defined by the Plans.

The Plans allow for the grant of restricted stock units. Restricted stock units are awards based on the fair value of PPL common stock. Actual PPL common shares will be issued upon completion of a vesting period, generally three years. The fair value of restricted stock units granted is recognized over the service period or through the date at which the employee reaches retirement eligibility. The fair value of restricted stock units granted to retirement-eligible employees is recognized immediately upon the date of grant. Recipients of restricted stock units may also be granted the right to receive dividend equivalents through the end of the restriction period or until the award is forfeited. Restricted stock units are subject to forfeiture or accelerated payout under the Plan provisions for termination, retirement, disability and death of employees. Restricted stock units vest fully if control of PPL changes, as defined by the Plans.

Restricted stock and restricted stock unit activity for 2010 was:

	Restricted Shares/Units	Weighted- Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	1,408,042	\$ 36.97
Granted	745,430	28.93
Vested	(471,640)	32.63
Forfeited	(18,710)	32.59
Nonvested, end of period	1,663,122	31.22
PPL Energy Supply		
Nonvested, beginning of period	577,412	\$ 37.04
Granted	225,880	29.49
Vested	(213,405)	32.96
Forfeited	(9,470)	34.29
Nonvested, end of period	580,417	31.33
PPL Electric		
Nonvested, beginning of period	154,220	\$ 36.05
Granted	65,320	29.40
Vested	(46,635)	35.16
Forfeited	(3,580)	29.75
Nonvested, end of period	169,325	31.20

Substantially all restricted stock and restricted stock unit awards are expected to vest.

The weighted-average grant date fair value of restricted stock and restricted stock units granted during 2009 was \$29.07 for PPL, \$28.49 for PPL Energy Supply and \$29.49 for PPL Electric. The weighted-average grant date fair value of restricted stock and restricted stock units granted during 2008 was \$46.22 for PPL, \$46.03 for PPL Energy Supply and \$45.92 for PPL Electric.

At December 31, 2010, unrecognized compensation expense related to nonvested awards was:

	Restricted Stock/Units Unrecognized Compensation Expense	Weighted- Average Period for Recognition
PPL	\$ 14	2.4 years
PPL Energy Supply	4	1.7 years
PPL Electric	2	3.8 years

The total fair value of restricted stock/units vesting for the years ended December 31 was:

	2010	2009	2008
PPL	\$ 15	\$ 22	\$ 25
PPL Energy Supply	7	12	13
PPL Electric	2	2	2

Performance Units

Performance units are intended to encourage and award future performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on total shareowner return during a three-year performance period. At the end of the period, payout is determined by comparing PPL's performance to the total shareowner return of the companies included in an index group, in this case the S&P Electric Utilities Index. Awards are payable on a graduated basis within the following ranges: if PPL's performance is at or above the 85th percentile of the index group, the award is paid at 200% of the Target Award; at the 50th percentile of the index group, the award is paid at 100% of the Target Award; at the 40th percentile of the index group, the award is paid at 50% of the Target Award; and below the 40th percentile, no award is payable. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the determination of the CGNC of whether the performance goals have been achieved. Under the Plan provisions, performance units are subject to forfeiture upon termination of employment except for retirement, disability or death of an employee, in which case the total performance units remain outstanding and eligible for vesting through the conclusion of the performance period. The fair value of performance units granted is recognized over the three-year performance period. Performance units vest on a pro rata basis if control of PPL changes, as defined by the Plan.

Performance unit activity for 2010 was:

	Performance Units	Weighted- Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	166,464	\$ 43.23
Granted	121,246	34.06
Forfeited	(1,670)	33.82
Nonvested, end of period	286,040	39.40
PPL Energy Supply		
Nonvested, beginning of period	46,427	\$ 42.39
Granted	33,107	34.16
Forfeited	(1,670)	33.82
Nonvested, end of period	77,864	39.08
PPL Electric		
Nonvested, beginning of period	11,635	\$ 42.71
Granted	10,596	33.54
Nonvested, end of period	22,231	38.34

The weighted-average grant date fair value of performance units granted during 2009 was \$39.76 for PPL, \$38.18 for PPL Energy Supply and \$39.95 for PPL Electric. The weighted-average grant date fair value of performance units granted during 2008 was \$48.97 for PPL, \$48.69 for PPL Energy Supply and \$48.57 for PPL Electric.

At December 31, 2010, unrecognized compensation expense related to nonvested awards was:

	Performance Units Unrecognized Compensation Expense	Weighted- Average Period for Recognition
PPL	\$ 4	1.7 years

At December 31, 2010, PPL Electric's unrecognized compensation expense was insignificant and the weighted-average period for recognition was 1.7 years.

The fair value of each performance unit granted was estimated using a Monte Carlo pricing model that considers stock beta, a risk-free interest rate, expected stock volatility and expected life. The stock beta was calculated comparing the risk of the individual securities to the average risk of the companies in the index group. The risk-free interest rate reflects the yield on a 3-year Treasury bond. Volatility over the expected term of three years is calculated using daily stock price observations for PPL and all companies in the index group and is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL and companies in the index group.

The weighted-average assumptions used in the model were:

	2010	2009	2008
Risk-free interest rate	1.41%	1.11%	2.30%
Expected stock volatility	34.70%	31.30%	20.70%
Expected life	3 years	3 years	3 years

Stock Options

Under the Plans, stock options may be granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. The options are exercisable in installments beginning one year after the date of grant, assuming the individual is still employed by PPL or a subsidiary. Options outstanding at December 31, 2010, become exercisable in equal installments over a three-year service period from the date of grant. The CGNC and CLC have discretion to accelerate the exercisability of the options, except that the exercisability of an option issued under the ICP may not be accelerated unless the individual remains employed by PPL or a subsidiary for one year from the date of grant. All options expire no later than ten years from the grant date. The options become exercisable immediately if control of PPL changes, as defined by the Plans. The fair value of options granted is recognized over the service period or through the date at which the employee reaches retirement eligibility using the straight-line method. The fair value of options granted to retirement-eligible employees is recognized immediately upon the date of grant.

Stock option activity for 2010 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	4,602,041	\$ 32.59		
Granted	1,017,600	31.03		
Forfeited	(15,660)	31.17		
Outstanding at end of period	5,603,981	32.31	6.4	\$ 2
Options exercisable at end of period	3,770,172	32.00	5.3	2
PPL Energy Supply				
Outstanding at beginning of period	1,408,936	\$ 32.05		
Granted	267,750	31.17		
Forfeited	(15,660)	31.17		
Outstanding at end of period	1,661,026	31.92	6.1	\$ 1
Options exercisable at end of period	1,213,487	31.56	5.2	1
PPL Electric				
Outstanding at beginning of period	225,670	\$ 34.72		
Granted	91,480	30.58		
Outstanding at end of period	317,150	33.53	7.0	
Options exercisable at end of period	166,361	34.52	5.5	

No stock options were exercised in 2010. Substantially all stock option awards are expected to vest.

The fair value of each option granted is estimated using a Black-Scholes option-pricing model. PPL uses a risk-free interest rate, expected option life, historical volatility and dividend yield to value its stock options. The risk-free interest rate reflects the yield for a U.S. Treasury Strip available on the date of grant with constant rate maturity approximating the option's expected life. Expected life is calculated based on historical exercise behavior. Volatility over the expected term of the options is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL's volatility in those prior periods. Management's expectations for future volatility, considering potential changes to PPL's business model and other economic conditions, are also reviewed in addition to the historical data to determine the final volatility assumption. The dividend yield is based on several factors, including PPL's most recent dividend payment, as of the grant date and the forecasted stock price through 2012. The assumptions used in the model were:

	2010	2009	2008
Risk-free interest rate	2.52%	2.07%	2.95%
Expected option life	5.43 years	5.25 years	5.41 years
Expected stock volatility	28.57%	26.06%	20.85%
Dividend yield	5.61%	3.48%	3.10%

The weighted-average grant date fair value of options granted was:

	2010	2009	2008
PPL	\$ 4.70	\$ 5.55	\$ 7.61
PPL Energy Supply	4.73	5.55	7.62
PPL Electric	4.62	5.65	7.60

The total intrinsic value of stock options exercised for the years ended December 31 was:

	2009	2008
PPL	\$ 2	\$ 20
PPL Energy Supply	1	7
PPL Electric		2

At December 31, 2010, unrecognized compensation expense related to stock options was:

	Unrecognized Compensation Expense	Weighted- Average Period for Recognition
PPL	\$ 2	1.5 years
PPL Energy Supply	1	1.6 years

At December 31, 2010, PPL Electric's unrecognized compensation expense was insignificant and the weighted-average period for recognition was 1.6 years.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards was as follows:

	2010	2009	2008
PPL (a)	\$ 26	\$ 23	\$ 28
PPL Energy Supply (b)	20	17	22
PPL Electric (c)	6	5	6

(a) Income tax benefits of \$11 million, \$9 million and \$11 million.

(b) Income tax benefits of \$8 million, \$7 million and \$9 million.

(c) Income tax benefits of \$3 million, \$2 million and \$2 million.

The income tax benefit PPL realized from stock-based awards vested or exercised for 2010 was insignificant.

Directors Stock Units (PPL)

Under the Directors Deferred Compensation Plan, a mandatory amount of the cash retainers of the members of the Board of Directors who are not employees of PPL is deferred into stock units. Such deferred stock units represent the number of shares of PPL's common stock to which the board members are entitled after they cease serving as a member of the Board of Directors. Board members are entitled to defer any or all of their fees and cash retainers that are not part of the mandatory deferral into stock units. The stock unit accounts of each board member are increased based on dividends paid or other distributions on PPL's common stock. There were 424,170 such stock units outstanding at December 31, 2010, which were accounted for as liabilities with changes in fair value recognized currently in earnings based on PPL's common stock price at the end of each reporting period. Compensation expense in 2010 was insignificant. Compensation expense in 2009 was \$2 million, net of income tax benefit of \$1 million. Compensation credits in 2008 were \$4 million, net of income tax expense of \$2 million. Awards paid in 2010, 2009 and 2008 were insignificant.

Stock Appreciation Rights (PPL and PPL Energy Supply)

WPD uses stock appreciation rights to compensate senior management employees. Stock appreciation rights are granted with a reference price to PPL's common stock at the date of grant. These awards vest over a three-year period and have a 10-year term, during which time employees are entitled to receive a cash payment of any appreciation in the price of PPL's common stock over the grant date fair value. At December 31, 2010, there were 526,821 stock appreciation rights outstanding, which were accounted for as liabilities with changes in fair value recognized currently in earnings based on Black-Scholes option valuation calculations. Compensation expense and awards paid related to stock appreciation rights were insignificant in 2010, 2009 and 2008.

3. Retirement and Postemployment Benefits

(PPL, PPL Energy Supply and PPL Electric)

Defined Benefits

PPL and certain of its subsidiaries sponsor various defined benefit plans.

The majority of PPL's domestic employees are eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Certain employees may also be eligible for pension enhancements in the form of special termination benefits under PPL's separation plan. See "Separation Benefits" below for additional information regarding PPL's separation plan.

The defined benefit pension plans of LG&E and KU Energy LLC were closed to new employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans.

Employees of PPL Montana are eligible for pension benefits under a cash balance pension plan and employees of certain of PPL's mechanical contracting companies are eligible for benefits under multiemployer plans sponsored by various unions. Effective April 1, 2010, WPD's principal pension plan was closed to most new employees, except for those meeting specific grandfathered participation rights. New employees not eligible to participate in the plan are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

The majority of employees of PPL's domestic subsidiaries will become eligible for certain health care and life insurance benefits upon retirement through contributory plans. Postretirement benefits under the PPL Retiree Health Plan are paid from funded VEBA trusts and 401(h) accounts established within the PPL Services Corporation Master Trust and the LG&E and KU Energy LLC Pension Plan Trusts. Postretirement benefits under the PPL Montana Retiree Health Plan are paid from company assets. WPD does not sponsor any postretirement benefit plans other than pensions.

The following disclosures distinguish between the domestic (U.S.) and WPD (U.K.) pension plans.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
PPL									
Net periodic defined benefit costs (credits):									
Service cost	\$ 64	\$ 60	\$ 62	\$ 17	\$ 9	\$ 16	\$ 8	\$ 6	\$ 8
Interest cost	159	145	140	151	156	188	28	29	33
Expected return on plan assets	(184)	(169)	(180)	(202)	(189)	(231)	(20)	(18)	(21)
Amortization of:									
Transition (asset) obligation		(5)	(4)				5	9	9
Prior service cost	21	19	20	4	4	5	4	9	9
Actuarial (gain) loss	8	3	(9)	48	2	18	6	2	5
Net periodic defined benefit costs (credits) prior to settlement charges and termination benefits	68	53	29	18	(18)	(4)	31	37	43
Settlement charges (a)		2							
Termination benefits (b)		9							
Net periodic defined benefit costs (credits)	\$ 68	\$ 64	\$ 29	\$ 18	\$ (18)	\$ (4)	\$ 31	\$ 37	\$ 43
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:									
Settlements		\$ (2)							
Current year net (gain) loss	\$ 142	102	\$ 635	\$ 17	\$ 403	\$ 476	\$ 20	\$ 32	\$ (31)
Current year prior service cost (credit)		1					(71)	(4)	(2)
Amortization of:									
Transition asset		5	4				(5)	(9)	(9)
Prior service cost	(21)	(19)	(22)	(4)	(4)	(5)	(4)	(8)	(9)
Actuarial (loss)	(7)	(3)	(1)	(48)	(2)	(18)	(6)	(2)	(9)
Acquisition of regulatory assets/liabilities:									
Transition obligation							4		
Prior service cost	31						6		
Actuarial (gain) loss	303						(2)		
Total recognized in OCI and regulatory assets/liabilities (c) (d)	448	84	616	(35)	397	453	(58)	9	(60)
Total recognized in net periodic benefit costs, OCI and regulatory assets/liabilities (d)	\$ 516	\$ 148	\$ 645	\$ (17)	\$ 379	\$ 449	\$ (27)	\$ 46	\$ (17)

(a) Includes the settlement of the pension plan of PPL's former mining subsidiary, PA Mines, LLC in 2009.

(b) Related to a 2009 cost reduction initiative.

(c) For PPL's U.S. pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities are as follows:

U.S. Pension Benefits

Other Postretirement Benefits

	2010	2009	2008	2010	2009	2008
OCI	\$ 84	\$ 51	\$ 395	\$ (40)	\$ 6	\$ (38)
Regulatory assets/liabilities	364	33	221	(18)	3	(22)
Total recognized in OCI and regulatory assets/liabilities	\$ 448	\$ 84	\$ 616	\$ (58)	\$ 9	\$ (60)

(d) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

The estimated amounts to be amortized from AOCI and regulatory assets/liabilities into net periodic benefit costs in 2011 are as follows:

	Pension Benefits		Other Postretirement Benefits
	U.S.	U.K.	
Transition obligation			\$ 2
Prior service cost	\$ 25	\$ 4	(1)
Actuarial loss	27	56	6
Total	\$ 52	\$ 60	\$ 7
Amortization from Balance Sheet:			
AOCI	\$ 17	\$ 60	\$ 2
Regulatory assets/liabilities	35		5
Total	\$ 52	\$ 60	\$ 7

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
PPL Energy Supply									
Net periodic defined benefit costs (credits):									
Service cost	\$ 4	\$ 4	\$ 4	\$ 17	\$ 9	\$ 16	\$ 1	\$ 1	\$ 1
Interest cost	7	6	6	151	156	188	1	1	1
Expected return on plan assets	(7)	(6)	(8)	(202)	(189)	(231)			
Amortization of:									
Prior service cost				4	4	5			
Actuarial loss	2	2		48	2	18			
Net periodic defined benefit costs (credits) prior to settlement charges	6	6	2	18	(18)	(4)	2	2	2
Settlement charges (a)		2							
Net periodic defined benefit costs (credits)	\$ 6	\$ 8	\$ 2	\$ 18	\$ (18)	\$ (4)	\$ 2	\$ 2	\$ 2
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI:									
Settlements		\$ (2)							
Current year net (gain) loss	\$ 4	\$ 4	\$ 27	\$ 17	\$ 403	\$ 476			\$ (1)
Current year prior service credit									(1)
Amortization of:									
Prior service cost				(4)	(4)	(5)			
Actuarial loss	(2)	(2)		(48)	(2)	(18)			
Total recognized in OCI	2		27	(35)	397	453			(2)
Total recognized in net periodic benefit costs and OCI	\$ 8	\$ 8	\$ 29	\$ (17)	\$ 379	\$ 449	\$ 2	\$ 2	\$

(a) Includes the settlement of the pension plan of PPL Energy Supply's former mining subsidiary, PA Mines, LLC in 2009.

Actuarial loss of \$2 million related to PPL Energy Supply's U.S. pension plan is expected to be amortized from AOCI into net periodic benefit costs in 2011.

For PPL Energy Supply, prior service costs of \$4 million and actuarial loss of \$56 million related to the U.K. pension plans are expected to be amortized from AOCI into net periodic benefit costs in 2011.

Net periodic defined benefit costs (credits) charged to operating expense, excluding amounts charged to construction and other non-expense accounts were:

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
PPL Energy Supply (a)	\$ 59	\$ 56	\$ 24	\$ 16	\$ (17)	\$ (4)	\$ 27	\$ 31	\$ 36
PPL Electric (b)	24	26	10	16	(17)	(4)	12	14	16
	12	14	5				8	10	13

(a) Includes costs for the specific plans it sponsors and the following allocated costs of defined benefit plans sponsored by PPL Services, based on PPL Energy Supply's

participation in those plans, which management believes are reasonable.

	Pension Benefits			Other Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
PPL Energy Supply	\$ 19	\$ 18	\$ 8	\$ 10	\$ 13	\$ 15

j) PPL Electric does not directly sponsor any defined benefit plans. PPL Electric was allocated these costs of defined benefit plans sponsored by PPL Services, based on its participation in those plans, which management believes are reasonable.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
PPL									
Discount rate	5.42%	6.00%	6.50%	5.54%	5.55%	7.47%	5.14%	5.81%	6.45%
Rate of compensation increase	4.88%	4.75%	4.75%	4.00%	4.00%	4.00%	4.90%	4.75%	4.75%
PPL Energy supply									
Discount rate	5.47%	6.00%	6.50%	5.54%	5.55%	7.47%	4.95%	5.55%	6.37%
Rate of compensation increase	4.75%	4.75%	4.75%	4.00%	4.00%	4.00%	4.75%	4.75%	4.75%

The following weighted-average assumptions were used to determine the net periodic benefit costs for the year ended December 31.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2010	2009	2008	2010	2009	2008	2010	2009	2008
PPL									
Discount rate	5.96%	6.50%	6.39%	5.59%	7.47%	6.37%	5.47%	6.45%	6.26%
Rate of compensation increase	4.79%	4.75%	4.75%	4.00%	4.00%	4.25%	4.78%	4.75%	4.75%
Expected return on plan assets (a)	7.96%	8.00%	8.25%	7.91%	7.90%	7.90%	6.90%	7.00%	7.80%
PPL Energy supply									
Discount rate	6.00%	6.50%	6.39%	5.59%	7.47%	6.37%	5.55%	6.37%	6.13%
Rate of compensation increase	4.75%	4.75%	4.75%	4.00%	4.00%	4.25%	4.75%	4.75%	4.75%
Expected return on plan assets (a)	8.00%	7.78%	8.04%	7.91%	7.90%	7.90%	N/A	N/A	N/A

(a) The expected long-term rates of return for PPL and PPL Energy Supply's U.S. pension and other postretirement benefits have been developed using a best-estimate of expected returns, volatilities and correlations for each asset class. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes. PPL management corroborates these rates with expected long-term rates of return calculated by its independent actuary, who uses a building block approach that begins with a risk-free rate of return with factors being added such as inflation, duration, credit spreads and equity risk. Each plan's specific asset allocation is also considered in developing a reasonable return assumption.

The expected long-term rates of return for PPL and PPL Energy Supply's U.K. pension plans have been developed by PPL management with assistance from an independent actuary using a best estimate of expected returns, volatilities and correlations for each asset class. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes.

	Assumed Health Care Cost Trend Rates at December 31,		
	2010	2009	2008
PPL and PPL Energy Supply			
Health care cost trend rate assumed for next year			
- obligations	9.0%	8.0%	8.4%
- cost	8.0%	8.4%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
- obligations	5.5%	5.5%	5.5%
- cost	5.5%	5.5%	5.5%
Year that the rate reaches the ultimate trend rate			
- obligations	2019	2016	2014
- cost	2016	2014	2014

A one percentage point change in the assumed health care costs trend rate assumption would have had the following effects on the other postretirement benefit plans in 2010.

	One Percentage Point	
	Increase	Decrease
PPL		
Effect on accumulated postretirement benefit obligation	\$ 9	\$ (8)

The effects on PPL Energy Supply's other postretirement benefit plans would not have been significant.

(PPL)

ie funded status of the PPL plans was as follows.

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2010	2009	2010	2009	2010	2009

Change in Benefit Obligation												
Benefit Obligation, beginning of period	\$	2,460	\$	2,231	\$	2,933	\$	2,152	\$	498	\$	451
Service cost		64		60		17		9		8		6
Interest cost		159		145		151		156		28		29
Participant contributions						6		5		7		6
Plan amendments				1						(71)		(4)
Actuarial loss		222		125		37		611		32		43
Termination benefits				9								
Actual expenses paid		(2)		(1)								
Gross benefits paid		(127)		(104)		(152)		(189)		(44)		(36)
Settlements (a)				(6)								
Federal subsidy										3		3
Currency conversion						(151)		189				
Acquisition (b)		1,231								206		
Benefit Obligation, end of period		<u>4,007</u>		<u>2,460</u>		<u>2,841</u>		<u>2,933</u>		<u>667</u>		<u>498</u>
Change in Plan Assets												
Plan assets at fair value, beginning of period		1,772		1,637		2,331		1,842		301		267
Actual return on plan assets		263		192		228		427		33		28
Employer contributions		148		54		231		95		17		33
Participant contributions						6		5		7		6
Actual expenses paid		(2)		(1)								
Gross benefits paid		(127)		(104)		(152)		(189)		(40)		(33)
Settlements (a)				(6)								
Currency conversion						(120)		151				
Acquisition (b)		765								42		
Plan assets at fair value, end of period		<u>2,819</u>		<u>1,772</u>		<u>2,524</u>		<u>2,331</u>		<u>360</u>		<u>301</u>
Funded Status, end of period	\$	<u>(1,188)</u>	\$	<u>(688)</u>	\$	<u>(317)</u>	\$	<u>(602)</u>	\$	<u>(307)</u>	\$	<u>(197)</u>
Amounts recognized in the Balance Sheets consist of:												
Current liability	\$	(10)	\$	(7)					\$	(2)	\$	(1)
Noncurrent liability		(1,178)		(681)		(317)		(602)		(305)		(196)
Net amount recognized, end of period	\$	<u>(1,188)</u>	\$	<u>(688)</u>	\$	<u>(317)</u>	\$	<u>(602)</u>	\$	<u>(307)</u>	\$	<u>(197)</u>
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of: (c)												
Transition obligation									\$	4	\$	26
Prior service cost (credit)	\$	131	\$	120	\$	7	\$	13		(16)		31
Actuarial loss		836		398		1,097		1,126		112		101
Total (d)	\$	<u>967</u>	\$	<u>518</u>	\$	<u>1,104</u>	\$	<u>1,139</u>	\$	<u>100</u>	\$	<u>158</u>
Total accumulated benefit obligation for defined benefit pension plans	\$	<u>3,564</u>	\$	<u>2,237</u>	\$	<u>2,646</u>	\$	<u>2,806</u>				

- (a) Includes the settlement of the pension plan of PPL's former mining subsidiary, PA Mines LLC, in 2009.
(b) Includes the pension and other postretirement medical plans of LKE, which were acquired in 2010. See Note 10 for additional information.
(c) For PPL's U.S. pension and other post-retirement benefits, the amounts recognized in AOCI and regulatory assets/liabilities are as follows:

	U.S. Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
AOCI	\$ 431	\$ 346	\$ 53	\$ 95
Regulatory assets/liabilities	536	172	47	63
Total	<u>\$ 967</u>	<u>\$ 518</u>	<u>\$ 100</u>	<u>\$ 158</u>

- (d) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

All of PPL's pension plans had projected and accumulated benefit obligations in excess of plan assets at December 31, 2010 and 2009. All of PPL's other postretirement benefit plans had accumulated postretirement benefit obligations in excess of plan assets at December 31, 2010 and 2009.

(PPL Energy Supply)

The funded status of the PPL Energy Supply plans was as follows.

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.		2010	2009
	2010	2009	2010	2009		
Change in Benefit Obligation						
Benefit Obligation, beginning of period	\$ 104	\$ 95	\$ 2,933	\$ 2,152	\$ 17	\$ 15
Service cost	4	4	17	9	1	1
Interest cost	7	6	151	156	1	1
Participant contributions			6	5		
Actuarial loss	9	7	37	611		
Settlements (a)		(6)				
Gross benefits paid	(3)	(2)	(152)	(189)	(1)	
Currency conversion			(151)	189		

Benefit Obligation, end of period	121	104	2,841	2,933	18	17
Change in Plan Assets						
Plan assets at fair value, beginning of period	87	78	2,331	1,842		
Actual return on plan assets	12	9	228	427		
Employer contributions	10	9	231	95	1	
Participant contributions			6	5		
Gross benefits paid	(3)	(3)	(152)	(189)	(1)	
Settlements (a)		(6)				
Currency conversion			(120)	151		
Plan assets at fair value, end of period	106	87	2,524	2,331		
Funded Status, end of period	\$ (15)	\$ (17)	\$ (317)	\$ (602)	\$ (18)	\$ (17)
Amounts recognized in the Balance Sheets consist of:						
Current liability					\$ (1)	\$ (1)
Noncurrent liability	\$ (15)	\$ (17)	\$ (317)	\$ (602)	(17)	(16)
Net amount recognized, end of period	\$ (15)	\$ (17)	\$ (317)	\$ (602)	\$ (18)	\$ (17)
Amounts recognized in AOCI (pre-tax) consist of:						
Prior service cost (credit)	\$ 1	\$ 2	\$ 7	\$ 13	\$ (1)	\$ (1)
Net actuarial loss	33	30	1,097	1,126	4	4
Total	\$ 34	\$ 32	\$ 1,104	\$ 1,139	\$ 3	\$ 3
Total accumulated benefit obligation for defined benefit pension plans	\$ 121	\$ 104	\$ 2,646	\$ 2,806		

(a) Includes the settlement of the pension plan of PPL Energy Supply's former mining subsidiary, PA Mines LLC in 2009.

All of PPL Energy Supply's pension plans had projected and accumulated benefit obligations in excess of plan assets at December 31, 2010 and 2009. All of PPL Energy Supply's other postretirement benefit plans had accumulated postretirement benefit obligations in excess of plan assets at December 31, 2010 and 2009.

In addition to the plans it sponsors, PPL Energy Supply and its subsidiaries are allocated a portion of the funded status and costs of the defined benefit plans sponsored by PPL Services based on their participation in those plans, which management believes are reasonable. The actuarial determined obligations of current active employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. PPL Energy Supply's allocated share of the funded status of the pension plans resulted in a liability of \$287 million and \$265 million at December 31, 2010 and 2009. PPL Energy Supply's allocated share of other postretirement benefits was a liability of \$55 million and \$74 million at December 31, 2010 and 2009.

PPL Energy Supply's subsidiaries engaged in the mechanical contracting business make contributions to various multi-employer pension and health and welfare plans, depending on an employee's status. Contributions were \$49 million in 2010, \$54 million in 2009 and \$61 million in 2008.

(PPL Electric)

Although PPL Electric does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by PPL Services based on its participation in those plans, which management believes are reasonable. The actuarial determined obligations of current active employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. PPL Electric's allocated share of the funded status of the pension plans resulted in a liability of \$259 million and \$245 million at December 31, 2010 and 2009. PPL Electric's allocated share of other postretirement benefits was a liability of \$57 million and \$73 million at December 31, 2010 and 2009.

(PPL and PPL Electric)

PPL Electric maintains a liability for the cost of health care of retired miners of former subsidiaries that had been engaged in coal mining, as required by the Coal Industry Retiree Health Benefit Act of 1992. At December 31, 2010, the liability was \$3 million. The liability is the net of \$63 million of estimated future benefit payments offset by \$28 million of assets in a retired miners VEBA trust and an additional \$32 million of excess assets available in a Black Lung Trust that can be used to fund the health care benefits of retired miners.

Plan Assets - U.S. Pension Plans

PPL Services Corporation Master Trust *(PPL and PPL Energy Supply)*

PPL's primary legacy pension plan and PPL Energy Supply's U.S. pension plan are invested in the PPL Services Corporation Master Trust that also includes a 401(h) account that is restricted for certain other postretirement benefit obligations. The investment strategy for the master trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy and tolerance for return volatility, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments. The master trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policies of the PPL Services Corporation Master Trust outline allowable investments and define the responsibilities of the internal pension administrative committee and the external investment managers. The only prohibited investments are investments in debt or equity securities issued by PPL and its subsidiaries or PPL's pension plan consultant. Derivative instruments may be utilized as a cost-effective means to mitigate risk and match the duration of investments to projected obligations. The investment policies are reviewed annually by PPL's Board of Directors.

Target allocation ranges have been developed based on input from external consultants with a goal of limiting funded status volatility. The assets in the PPL Services Corporation Master Trust are rebalanced as necessary to maintain the target asset allocation ranges. The asset allocation for the master trust and the target allocation, by asset class, at December 31 are detailed below.

Asset Class	Percentage of trust assets		Target Range	Target Asset Allocation
	2010	2009	2010	2010
Equity securities				
U.S.	27%	31%	14 - 28%	21%
International	16%	19%	9 - 23%	16%
Debt securities and derivatives	47%	38%	43 - 57%	50%
Alternative investments	9%	8%	4 - 18%	11%
Cash and cash equivalents	1%	4%	0 - 9%	2%
Total	100%	100%		100%

LG&E and KU Energy LLC Pension Trusts (PPL)

The plans sponsored by LKE are invested in Pension Trusts that also include a 401(h) account that is restricted for certain other postretirement benefit obligations. The investment strategy is to preserve the capital of the Pension Trusts and maximize investment earnings in excess of inflation with acceptable levels of volatility. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, the MSCI-EAFE Index, Barclays Capital Aggregate and Barclays Capital U.S. Long Government Credit Bond Index in proportions equal to the targeted asset allocation.

Performance is evaluated on a long-term horizon of three to five years. The assets of the Pension Trusts are broadly diversified within different asset classes and therefore have no significant concentration of risk.

Target allocation ranges have been developed based on input from external consultants. The asset allocation for the Pension Trusts and the target allocation, by asset class, at December 31 are detailed below.

Asset Class	Percentage of plan assets	Target Range
	2010	2010
Equity securities		
U.S.	56%	45 - 75%
Debt securities (a)	37%	30 - 50%
Other	7%	0 - 10%
Total	100%	

(a) Includes commingled debt funds

(PPL and PPL Energy Supply)

PPL Montana, a subsidiary of PPL Energy Supply, has a pension plan whose assets are solely invested in the PPL Services Corporation Master Trust, which is fully disclosed by PPL (below). The fair value of this plan's assets of \$106 million at December 31, 2010 represents a 5% undivided interest in each asset and liability of this master trust, including each asset whose fair value measurement was determined using significant unobservable inputs (Level 3).

The fair value of net assets in the U.S. pension plan trusts by asset class and level within the fair value hierarchy was:

	December 31, 2010				December 31, 2009			
	Total	Fair Value Measurements Using			Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
PPL Services Corporation Master Trust								
Cash and cash equivalents	\$ 87	\$ 87			\$ 72	\$ 72		
Equity securities:								
U.S.:								
Large-cap	494	373	\$ 121		465	361	\$ 104	
Small-cap	34	34			84	84		
International:								
Developed markets	224	2	222		330	208	122	
Emerging markets	117	117			7	7		
Debt securities:								
U.S.:								
U.S. Treasury	296	296			212	212		
U.S. government sponsored agency	7		7		6		6	
Residential mortgage-backed securities	39		39		50		48	\$ 2
Asset-backed securities	8		8		9		9	

Investment-grade corporate	357		357		233		231	2
High-yield corporate	101		95	\$ 6	92		84	8
Municipality	4		4		1		1	
International:								
Developed markets	4		4		5		5	
Emerging markets	109		109		64		64	
Alternative investments:								
Real estate	76		76		65		65	
Private equity	10			10	6			6
Hedge fund of funds	95		95		64		64	
Derivatives:								
TBA debt securities	31			31	10			10
Interest rate swaps	(4)		(4)		(4)		(4)	
Receivables	24	13	11		63	26	37	
Payables	(54)	(51)	(3)		(51)	(22)	(29)	
Total PPL Services Corporation Master Trust assets	2,059	871	1,141	47	1,783	948	807	28
401(h) account restricted for other postretirement benefit obligations	(18)	(8)	(10)		(11)	(6)	(5)	
Fair value - PPL Services Corporation Master Trust pension assets	2,041	863	1,131	47	1,772	942	802	28

(PPL)

LG&E and KU Energy LLC Pension Trusts

Cash and cash equivalents	6	6						
Equity securities:								
U.S.:								
Large-cap	293		293					
Small/Mid-cap	67		67					
Commingled debt	307		307					
International developed markets	105		105					
Insurance contracts	47			47				
Total LG&E and KU Energy LLC Pension Trusts' assets	825	6	772	47				
401(h) account restricted for other postretirement benefit obligations	(47)		(47)					
Fair value - LG&E and KU Energy LLC Pension Trusts' pension assets	778	6	725	47				
Fair value - total U.S. pension plans	\$ 2,819	\$ 869	\$ 1,856	\$ 94	\$ 1,772	\$ 942	\$ 802	\$ 28

reconciliation of U.S. pension trust assets classified as Level 3 at December 31, 2010 is as follows.

	Residential mortgage backed securities	Investment-grade corporate debt	High-yield corporate debt	Private equity	TBA debt securities	Insurance contracts	Total
Balance at beginning of period	\$ 2	\$ 2	\$ 8	\$ 6	\$ 10		\$ 28
Actual return on plan assets							
Relating to assets still held at the reporting date	(1)	(2)	1	(1)			(3)
Relating to assets sold during the period			1				1
Acquisition of LKE						\$ 46	46
Purchases, sales and settlements	(1)		(4)	5	21	1	22
Balance at end of period	\$ 2	\$ 2	\$ 6	\$ 10	\$ 31	\$ 47	\$ 94

A reconciliation of U.S. pension trust assets classified as Level 3 at December 31, 2009 is as follows.

	Residential mortgage backed securities	Investment-grade corporate debt	High-yield corporate debt	Private equity	TBA Debt Securities	Total
Balance at beginning of period	\$ 4	\$ 3	\$ 4	\$ 5	\$ 51	\$ 67
Actual return on plan assets						
Relating to assets still held at the reporting date	(1)		1		1	1
Relating to assets sold during the period	1		(1)	(2)	(1)	(3)
Purchases, sales and settlements	(2)	(1)	4	3	(41)	(37)
Balance at end of period	\$ 2	\$ 2	\$ 8	\$ 6	\$ 10	\$ 28

(PPL and PPL Energy Supply)

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively

managed investments that are managed against various U.S. equity indices.

Investments in commingled funds are classified as Level 2 and categorized as equity securities. The fair value measurements are based on firm quotes of net asset values per share, which are not considered obtained from a quoted price in an active market. For the PPL Services Corporation Master Trust, these securities represent investments that are measured against the Russell 1000 Growth Index, the Russell 3000 Index and the MSCI EAFE Index. For the LG&E and KU Energy LLC Pension Trusts, these securities represent passively and actively managed investments in equity funds managed against the S&P 500 Index, the Russell 2500 Growth & Value Indexes and the MSCI EAFE Index.

The fair value measurements of debt securities are generally based on evaluated prices that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. Debt securities are generally measured using a market approach, including the use of matrix pricing. Common inputs include reported trades; broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as benchmark yields, credit valuation adjustments, reference data from market research publications, monthly payment data, collateral performance and new issue data. For the PPL Services Corporation Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations as well as commingled fund investments that are measured against the JP Morgan EMBI Global Diversified Index and the Barclays Long A or Better Index. For the LG&E and KU pension trusts, debt securities within comingled trusts are managed against the Barclays Aggregated Bond Index and the Barclays U.S. Government/Credit Long Index. The debt securities held by the PPL Services Corporation Master Trust at December 31, 2010 have a weighted-average coupon of 4.25% and a weighted-average duration of 16 years.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The manager is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared to more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. Three of the partnerships have limited lives of ten years, while the fourth has a life of 15 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment can not be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. The PPL Services Corporation Master Trust has unfunded commitments of \$90 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge fund of funds represent investments in two hedge fund of funds each with a different investment objective. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under all market conditions. Major investment strategies for both hedge fund of funds include long/short equity, market neutral, distressed debt, and relative value. Generally, shares may be redeemed on 90 days prior written notice. Both funds are subject to short term lockups and have limitations on the amount that may be withdrawn based on a percentage of the total net asset value of the fund, among other restrictions. All withdrawals are subject to the general partner's approval. One fund's fair value has been estimated using the net asset value per share and the other fund's fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities represent investments in To-be-announced debt securities and interest rate swaps. To-be-announced debt securities are commitments to purchase debt securities and are used as a cost effective means of managing the duration of assets in the trust. These commitments are valued by reviewing the issuing agency, program and coupon. Interest rate swaps are valued based on the swap details such as: swap curves, notional amount, index and term of index, reset frequency and payer/receiver credit ratings.

Receivables/payables classified as Level 1 represent investments sold/purchased but not yet settled. Receivables/payables classified as Level 2 represent interest and dividends earned but not yet received and costs incurred but not yet paid.

Insurance contracts, classified as Level 3, are held by the LG&E and KU Energy LLC Pension Trusts and represent an investment in an immediate participation guaranteed group annuity contract. The fair value is based on contract value, which represents cost plus interest income less distributions for benefit payments and administrative expenses.

Plan Assets - U.S. Other Postretirement Benefit Plans (PPL)

PPL's investment strategy with respect to its other postretirement benefit obligations is to fund VEBA trusts and 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the PPL Services Corporation Master Trust and LG&E and KU Energy LLC Pension Trusts, discussed in Plan Assets - U.S. Pensions Plans above, PPL's other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers, and therefore, have

no significant concentration of risk. The only prohibited investments are investments in debt or equity securities issued by PPL and its subsidiaries. Equity securities include investments in domestic large-cap commingled funds. Securities issued by commingled funds that invest entirely in debt securities are traded as equity units, but treated by PPL as debt securities for asset allocation and target allocation purposes. Securities issued by commingled money market funds that invest entirely in money market securities are traded as equity units, but treated by PPL as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the VEBA trusts and the target allocation, by asset class, at December 31, are detailed below.

Asset Class	Percentage of plan assets		Permitted Range	Target Asset Allocation
	2010	2009	2010	2010
U. S. Equity securities	55%	54%	45 - 65%	55%
Debt securities (a)	39%	37%	30 - 50%	40%
Cash and cash equivalents (b)	6%	9%	0 - 15%	5%
Total	100%	100%		100%

(a) Includes commingled debt funds and debt securities.

(b) Includes commingled money market fund.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2010				December 31, 2009			
	Total	Fair Value Measurement Using			Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
U.S. Equity securities:								
Large-cap	\$ 163		\$ 163		\$ 156		\$ 156	
Commingled debt	69		69		61		61	
Commingled money market funds	18		18		26		26	
Debt securities:								
Municipalities	44		44		46		46	
Receivables	1		1		1		1	
Total VEBA trust assets	295		295		290		290	
401(h) account assets	65	\$ 8	57		11	\$ 6	5	
Fair value - U.S. other postretirement benefit plans	\$ 360	\$ 8	\$ 352		\$ 301	\$ 6	\$ 295	

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds that together track the performance of the S&P 500 Index. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade money market instruments including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity date not exceeding 13 months from date of purchase. Redemptions can be made weekly on this fund.

Investments in commingled money market funds represent investments in a fund that invests in securities and a combination of other collective funds that together are designed to track the performance of the Barclays Capital Long-term Treasury Index, as well as a fund that invests primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a high level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on each of these funds.

Investments in municipalities represent investments in a diverse mix of tax-exempt municipal securities.

Receivables represent interest and dividends earned but not received as well as investments sold but not yet settled.

Plan Assets - U.K. Pension Plans (PPL and PPL Energy Supply)

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principle in compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to meet members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset types, fund strategies and fund managers and therefore have no significant concentration of risk. Commingled funds that consist entirely of debt securities are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

Asset Class	Percentage of plan assets		Target Asset Allocation
	2010	2009	2010
Cash and cash equivalents		2%	
Equity securities			
U.K. companies	18%	22%	16%

European companies (excluding the U.K.)	11%	13%	10%
Asian-Pacific companies	11%	10%	10%
North American companies	6%	6%	4%
Emerging markets companies	5%	5%	5%
Currency	2%	2%	6%
Global Tactical Asset Allocation	1%	1%	2%
Debt securities (a)	38%	35%	39%
Alternative investments	6%	6%	8%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(a) Includes commingled debt funds.

The fair value of assets in the U.K. pension plans by asset class and level within the fair value hierarchy was:

	December 31, 2010				December 31, 2009			
	Fair Value Measurement Using				Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 46	\$ 46			\$ 5	\$ 5		
Equity securities:								
U.K. companies	455		\$ 455		501		\$ 501	
European companies (excluding the U.K.)	273		273		290		290	
Asian-Pacific companies	279		279		242		242	
North American companies	162		162		149		149	
Emerging markets companies	127		127		110		110	
Currency	51		51		42		42	
Global Tactical Asset Allocation	23		23		30		30	
Commingled debt:								
U.K. corporate bonds	321		321		308		308	
U.K. gilts					24		24	
U.K. index-linked gilts	629		629		489		489	
Alternative investments:								
Real estate	158		158		141		141	
Fair value - international pension plans	<u>\$ 2,524</u>	<u>\$ 46</u>	<u>\$ 2,478</u>		<u>\$ 2,331</u>	<u>\$ 5</u>	<u>\$ 2,326</u>	

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in U.K. equity securities represent passively managed equity index funds that are measured against the FTSE All Share Index. Investments in European equity securities represent passively managed equity index funds that are measured against the FTSE Europe ex-UK Index. Investments in Asian-Pacific equity securities represent passively managed equity index funds that aim to outperform 50% FTSE Asia Pacific ex-Japan Index and 50% FTSE Japan Index. Investments in North American equity securities represent passively managed index funds that are measured against the FTSE North America Index. Investments in emerging market equity securities represent passively managed equity index funds that are measured against the MSCI Emerging Markets Index. Investments in currency equity securities represent investments in unitized passive and actively traded currency funds. The Global Tactical Asset Allocation strategy attempts to benefit from short-term market inefficiencies by taking positions in worldwide markets with the objective to profit from relative movements across those markets.

Debt securities include investment grade corporate bonds of companies from diversified U.K. industries.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans (PPL)

PPL's U.S. defined benefit plans have the option to utilize available prior year credit balances to meet current and future contribution requirements. However, PPL contributed \$432 million to its U.S. pension plan in January 2011 and will contribute an additional \$33 million to ensure future compliance with minimum funding requirements.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately \$5 million of benefit payments under these plans in 2011.

PPL is not required to make contributions to its other postretirement benefit plans but has historically funded these plans in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause PPL to contribute \$38 million to its other postretirement benefit plans in 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid and the following federal subsidy payments are expected to be received by the separate plan trusts.

Other Postretirement

	<u>Pension</u>	<u>Benefit Payment</u>	<u>Expected Federal Subsidy</u>
2011	\$ 178	\$ 51	\$ 1
2012	185	54	1
2013	200	57	1
2014	204	61	1
2015	217	64	1
2016 - 2020	1,308	354	4

(PPL Energy Supply)

The PPL Montana pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements. However, PPL Montana contributed \$10 million to the plan in January 2011 and will contribute an additional \$5 million to ensure future compliance with minimum funding requirements.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the separate plan trusts.

	<u>Pension</u>	<u>Other Postretirement</u>
2011	\$ 3	\$ 2
2012	4	2
2013	4	2
2014	5	2
2015	6	3
2016 - 2020	41	14

Expected Cash Flows - U.K. Pension Plans *(PPL and PPL Energy Supply)*

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Future contributions were evaluated in accordance with the latest valuation performed as of March 31, 2010, in respect of WPD's principal pension scheme, to determine contribution requirements for 2011 and forward. WPD expects to make contributions of approximately \$15 million in 2011. WPD is currently permitted to recover in rates approximately 76% of its deficit funding requirements for its primary pension plan.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the separate plan trusts.

	<u>Pension</u>
2011	\$ 156
2012	158
2013	161
2014	164
2015	169
2016 - 2020	895

(PPL, PPL Energy Supply and PPL Electric)

Savings Plans

Substantially all employees of PPL's domestic subsidiaries are eligible to participate in deferred savings plans (401(k)s). Employer contributions to the plans approximated the following.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
PPL	\$ 23	\$ 17	\$ 17
PPL Energy Supply	10	10	9
PPL Electric	4	4	4

The increase for PPL in 2010 is the result of PPL's acquisition of LKE and the employer contributions related to the employees of that company and its subsidiaries under their existing plans.

Employee Stock Ownership Plan

PPL sponsors a non-leveraged ESOP in which substantially all domestic employees, excluding those of PPL Montana, LKE and the mechanical contractors, are enrolled on the first day of the month following eligible employee status. Dividends paid on ESOP shares are treated as ordinary dividends by PPL. Under existing income tax laws, PPL is permitted to deduct the amount of those dividends for income tax purposes and to contribute the resulting tax savings (dividend-based contribution) to the ESOP.

The dividend-based contribution is used to buy shares of PPL's common stock and is expressly conditioned upon the deductibility of the contribution for federal income tax purposes. Contributions to the ESOP are allocated to eligible participants' accounts as of the end of each year, based 75% on shares held in existing participants' accounts and 25% on the eligible participants' compensation.

Compensation expense for ESOP contributions was \$8 million in 2010 and 2009 and \$7 million in 2008. These amounts were offset by the dividend-based contribution tax savings and had no impact on PPL's earnings.

PPL shares within the ESOP outstanding at December 31, 2010 were 7,753,007 or 2% of total common shares outstanding, and are included in diluted EPS calculations.

Separation Benefits

Certain PPL subsidiaries provide separation benefits to eligible employees. These benefits may be provided in the case of separations due to performance issues, loss of job related qualifications or organizational changes. Certain employees separated are eligible for cash severance payments, outplacement services, accelerated stock award vesting, continuation of group health and welfare coverage, and enhanced pension and postretirement medical benefits. The type and amount of benefits provided is based upon age, years of service and the nature of the separation. Separation benefits are recorded when such amounts are probable and estimable.

In February 2009, PPL announced workforce reductions that resulted in the elimination of approximately 200 management and staff positions across PPL's domestic operations, or approximately 6% of PPL's non-union, domestic workforce. The charges noted below consisted primarily of enhanced pension and severance benefits under PPL's Pension Plan and Separation Policy and were recorded to "Other operation and maintenance" on the Statement of Income.

As a result of the workforce reductions, PPL recorded a charge of \$22 million (\$13 million after tax) in 2009.

PPL Energy Supply eliminated approximately 50 management and staff positions and recorded a charge of \$13 million (\$8 million after tax) in 2009. Included in this charge was \$8 million (\$4 million after tax) of allocated costs associated with the elimination of employees of PPL Services.

PPL Electric eliminated approximately 50 management and staff positions and recorded a charge of \$9 million (\$5 million after tax) in 2009. Included in this charge was \$3 million (\$1 million after tax) of allocated costs associated with the elimination of employees of PPL Services.

Separation benefits were not significant in 2010 and 2008.

Health Care Reform

In March 2010, Health Care Reform was signed into law. Many provisions of Health Care Reform do not take effect for an extended period of time, and most will require the publication of implementing regulations and/or issuance of program guidelines.

Beginning in 2013, provisions within Health Care Reform eliminate the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D Coverage. As a result, in 2010:

- PPL decreased deferred tax assets by \$13 million, increased regulatory assets by \$9 million, increased deferred tax liabilities by \$4 million and recorded income tax expense of \$8 million;
- PPL Energy Supply decreased deferred tax assets by \$5 million and recorded income tax expense of \$5 million; and
- PPL Electric decreased deferred tax assets by \$5 million, increased regulatory assets by \$9 million and increased deferred tax liabilities by \$4 million.

Other provisions within Health Care Reform that apply to PPL and its subsidiaries include:

- an excise tax, beginning in 2018, imposed on high-cost plans providing health coverage that exceeds certain thresholds;
- a requirement to extend dependent coverage up to age 26; and
- broadening the eligibility requirements under the Federal Black Lung Act.

PPL and its subsidiaries have evaluated the provisions of Health Care Reform and have included the applicable provision in the valuation of those benefit plans that are impacted. The inclusion of the various provision of Health Care Reform did not have a material impact on the financial statements. PPL and its subsidiaries will continue to monitor the potential impact of any changes to the existing provisions and implementation guidance related to Health Care Reform on their benefit programs.

14. Jointly Owned Facilities

(PPL and PPL Energy Supply)

At December 31, 2010 and 2009, subsidiaries of PPL and PPL Energy Supply owned interests in the facilities listed below. The Balance Sheets of PPL and PPL Energy Supply include the amounts noted in the following table.

December 31, 2010				
Ownership Interest	Electric Plant	Other Property	Accumulated Depreciation	Construction Work in Progress

Generating Stations							
Susquehanna	90.00%	\$	4,553	\$	3,487	\$	79
Conemaugh	16.25%		213		106		11
Keystone	12.34%		196		60		2
Trimble County-Units 1 & 2 (a)	75.00%		352		10		907
Merrill Creek Reservoir	8.37%			\$	22		15

PPL Energy Supply

Generating Stations							
Susquehanna	90.00%	\$	4,553	\$	3,487	\$	79
Conemaugh	16.25%		213		106		11
Keystone	12.34%		196		60		2
Merrill Creek Reservoir	8.37%			\$	22		15

December 31, 2009

	Ownership Interest	Electric Plant	Other Property	Accumulated Depreciation	Construction Work in Progress		
PPL and PPL Energy Supply							
Generating Stations							
Susquehanna	90.00%	\$	4,571	\$	3,475	\$	108
Conemaugh	16.25%		206		99		9
Keystone	12.34%		199		61		4
Merrill Creek Reservoir	8.37%			\$	22		15

(a) The interest in these Units was recognized as a result of the 2010 acquisition of LKE. See Note 10 for additional information on the acquisition, and Note 8 for additional information on Trimble County Unit 2.

In addition to the interests mentioned above, PPL Montana had a 50% leasehold interest in Colstrip Units 1 and 2 and a 30% leasehold interest in Colstrip Unit 3 under operating leases. See Note 11 for additional information. At December 31, 2010 and 2009, NorthWestern owned a 30% leasehold interest in Colstrip Unit 4. PPL Montana and NorthWestern have a sharing agreement to govern each party's responsibilities regarding the operation of Colstrip Units 3 and 4, and each party is responsible for 15% of the respective operating and construction costs, regardless of whether a particular cost is specified to Colstrip Unit 3 or 4.

Each subsidiary owning these interests provides its own funding for its share of the facility. Each receives a portion of the total output of the generating stations equal to its percentage ownership. The share of fuel and other operating costs associated with the stations is included in the corresponding operating expenses on the Statements of Income.

15. Commitments and Contingencies

Energy Purchases, Energy Sales and Other Commitments

Energy Purchase Commitments

(PPL)

LKE enters into purchase contracts to supply the coal and natural gas requirements for generation facilities and LG&E's gas supply operations. The coal contracts extend through 2016 and the natural gas contracts extend through 2012. LKE also enters into contracts for the transportation of natural gas, which expire through 2018.

LKE indirectly holds an 8.13% interest in OVEC, which is accounted for as a cost method investment. OVEC owns and operates two coal-fired power plants. LKE is contractually entitled to 8.13% of OVEC's output, approximately 194 MW of generation capacity. Pursuant to the OVEC power purchase agreement, which expires in 2026, LKE may be conditionally responsible for its pro-rata share of certain obligations of OVEC under defined circumstances. These contingent liabilities may include unpaid OVEC indebtedness as well as shortfall amounts in certain excess decommissioning costs and postretirement benefits other than pension. LKE's contingent potential proportionate share of OVEC's outstanding debt was approximately \$113 million at December 31, 2010.

(PPL and PPL Energy Supply)

PPL Energy Supply enters into long-term purchase contracts to supply the fuel requirements for generation facilities. These contracts include commitments to purchase coal, emission allowances, limestone, natural gas, oil and nuclear fuel. These long-term contracts extend through 2019, with the exception of a limestone contract that extends through 2030. PPL Energy Supply also enters into long-term contracts for the storage and transportation of natural gas. The long-term natural gas storage contracts extend through 2015, and the long-term natural gas transportation contracts extend through 2032. Additionally, PPL Energy Supply has entered into long-term contracts to purchase power that extend through 2017, with the exception of long-term power purchase agreements for the full output of two wind farms that extend through 2027.

As part of the purchase of generation assets from Montana Power, PPL Montana assumed a power purchase and power sales agreement, which expired at December 31, 2010. In accordance with purchase accounting guidelines, PPL Montana recorded a liability of \$58 million as the fair value of the agreement at the acquisition date. The liability was being reduced over the term of the agreement as an adjustment to "Energy purchases" on the Statements of Income. At December 31, 2009, the \$11 million unamortized balance of this liability was included in "Other current liabilities" on the Balance Sheets and was fully amortized in 2010.

In 2008, PPL EnergyPlus acquired the rights to an existing long-term tolling agreement associated with the capacity and energy of Ironwood. Under the agreement, PPL EnergyPlus has control over the plant's dispatch into the electricity grid and supplies the natural gas necessary to operate the plant. The tolling agreement extends through 2021. See Note 11 for additional information.

(PPL and PPL Electric)

In 2009, the PUC approved PPL Electric's procurement plan for the period January 2011 through May 2013. Through 2010, PPL Electric has conducted six of its 14 planned competitive solicitations. The solicitations include a mix of long-term and short-term purchases ranging from five months to five years to fulfill PPL Electric's obligation to provide for customer supply as a PLR.

(PPL Energy Supply and PPL Electric)

See Note 16 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Energy Sales Commitments

(PPL and PPL Energy Supply)

In connection with its marketing activities or hedging strategy for its power plants, PPL Energy Supply has entered into long-term power sales contracts that extend through 2024, excluding long-term retail sales agreements for the full output from solar generators that extend through 2036.

(PPL Energy Supply and PPL Electric)

See Note 16 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

PPL Montana Hydroelectric License Commitments *(PPL and PPL Energy Supply)*

PPL Montana owns and operates 11 hydroelectric facilities and one storage reservoir licensed by the FERC under long-term licenses pursuant to the Federal Power Act. Pursuant to Section 8(e) of the Federal Power Act, the FERC approved the transfer from Montana Power to PPL Montana of all pertinent licenses in connection with the Montana Asset Purchase Agreement.

The Kerr Dam Project license (50-year term) was jointly issued by the FERC to Montana Power and the Confederated Salish and Kootenai Tribes of the Flathead Reservation in 1985, and requires PPL Montana (as successor licensee to Montana Power) to hold and operate the project for at least 30 years (to 2015). Between 2015 and 2025, the tribes have the option to purchase, hold and operate the project for the remainder of the license term, which expires in 2035. PPL Montana cannot predict if and when this option will be exercised. The license also requires PPL Montana to continue to implement a plan to mitigate the impact of the Kerr Dam on fish, wildlife and their habitats. Under this arrangement, PPL Montana has a remaining commitment to spend \$10 million between 2011 and 2015, in addition to the annual rent it pays to the tribes.

PPL Montana entered into two Memoranda of Understanding (MOUs) with state, federal and private entities related to the issuance in 2000 of the FERC renewal license for the nine dams comprising the Missouri-Madison project. The MOUs are periodically updated and renewed and require PPL Montana to implement plans to mitigate the impact of its projects on fish, wildlife and their habitats, and to increase recreational opportunities. The MOUs were created to maximize collaboration between the parties and enhance the possibility to receive matching funds from relevant federal agencies. Under these arrangements, PPL Montana has a remaining commitment to spend \$34 million between 2011 and 2040.

Legal Matters

(PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

(PPL)

Trimble County Unit 2 Construction

In June 2006, LKE entered into a construction contract regarding the TC2 project. The contract is generally in the form of a turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price. During 2009 and 2010, LKE received several contractual notices from the TC2 construction contractor asserting historical force majeure and excusable event claims for a number of adjustments to the contract price, construction schedule, commercial operations date, liquidated damages or other relevant provisions. In September 2010, LKE and the construction contractor agreed to a settlement to resolve the force majeure and excusable event claims occurring through July 2010, under the TC2 construction contract, which settlement provided for a limited, negotiated extension of the contractual commercial operations date and/or relief from liquidated damage calculations. With limited exceptions LKE took care, custody and control of TC2 on January 22, 2011, and has dispatched the unit to meet customer demand since that date. LG&E and KU and the contractor agreed to a further amendment of the construction agreement whereby the contractor will complete certain actions relating to identifying and completing any necessary modifications to allow operation of TC2 on all fuels

in accordance with initial specifications prior to certain dates, and amending the provisions relating to liquidated damages. LKE cannot currently estimate the ultimate outcome of these matters.

Trimble County Unit 2 Transmission

LG&E's and KU's Certificate of Public Convenience and Necessity (CCN) and condemnation rights relating to a transmission line associated with the TC2 construction have been challenged by certain property owners in Hardin County, Kentucky. Certain proceedings relating to CCN challenges and federal historic preservation permit requirements have concluded with outcomes in LG&E's and KU's favor.

With respect to the remaining issues in dispute, during 2008, KU obtained various successful rulings at the Hardin County Circuit Court confirming its condemnation rights. In August 2008, several landowners appealed such rulings to the Kentucky Court of Appeals. In May 2010, the Kentucky Court of Appeals issued an Order affirming the Hardin Circuit Court's finding that KU had the right to condemn easements on the properties. In May 2010, the landowners filed a petition for reconsideration with the Court of Appeals. In July 2010, the Court of Appeals denied that petition. In August 2010, the landowners filed for discretionary review of that denial by the Kentucky Supreme Court.

Consistent with the regulatory authorizations and relevant legal proceedings, LG&E and KU have completed construction activities on transmission line segments. During 2010, LG&E and KU placed into operation permanent sections of the transmission line. PPL cannot predict the outcome of remaining issues related to this matter.

Montana Hydroelectric Litigation (PPL and PPL Energy Supply)

In November 2004, PPL Montana, Avista Corporation (Avista) and PacifiCorp commenced an action for declaratory judgment in Montana First Judicial District Court seeking a determination that no lease payments or other compensation for their hydroelectric facilities' use and occupancy of riverbeds in Montana can be collected by the State of Montana. This lawsuit followed dismissal on jurisdictional grounds of an earlier federal lawsuit seeking such compensation in the U.S. District Court of Montana. Initially brought by two individuals, for whom the State was later substituted, the federal lawsuit alleged that the beds of Montana's navigable rivers became state-owned trust property upon Montana's admission to statehood, and that the use of them should, under a 1931 regulatory scheme enacted after all but one of the hydroelectric facilities in question were constructed, trigger lease payments for use of land beneath. In July 2006, the Montana state court approved a stipulation by the State of Montana that it was not seeking compensation for the period prior to PPL Montana's December 1999 acquisition of the hydroelectric facilities.

Following a number of adverse trial court rulings, in 2007 Pacificorp and Avista each entered into settlement agreements with the State of Montana providing, in pertinent part, that each company would make prospective lease payments for use of the State's navigable riverbeds (subject to certain future adjustments), resolving the State's claims for past and future compensation.

Following an October 2007 trial of this matter on damages, in June 2008, the Montana District Court awarded the State retroactive compensation of approximately \$35 million for the 2000-2006 period and approximately \$6 million for 2007 compensation. Those amounts continue to accrue interest at 10 percent per year. The Montana District Court also deferred determination of compensation for 2008 and future years to the Montana State Land Board. In October 2008, PPL Montana appealed the decision to the Montana Supreme Court, requesting a stay of judgment and a stay of the Land Board's authority to assess compensation for 2008 and future periods.

In 2009, PPL Montana adjusted its previously recorded accrual by \$8 million, \$5 million after tax. Of this total, \$5 million, \$3 million after tax, related to prior periods. In March 2010, the Montana Supreme Court substantially affirmed the June 2008 Montana District Court decision. As a result, in the first quarter of 2010, PPL Montana recorded a pre-tax charge of \$56 million (\$34 million after tax or \$0.08 per share, basic and diluted, for PPL), representing estimated rental compensation for the first quarter of 2010 and prior years, including interest. Rental compensation was estimated for periods subsequent to 2007, although such estimated amounts may differ from amounts ultimately determined by the Montana State Land Board. The portion of the pre-tax charge that related to prior years totaled \$54 million (\$32 million after tax). The pre-tax charge recorded on the Statement of Income was \$49 million in "Other operation and maintenance" and \$7 million in "Interest Expense." PPL Montana continues to accrue interest expense for the prior years and rent expense for the current year. PPL Montana's total loss accrual at December 31, 2010 was \$75 million.

In August 2010, PPL Montana filed a petition for a writ of certiorari with the U.S. Supreme Court requesting the Court's review of this matter. Several amicus briefs have been filed supporting PPL Montana's petition, including, among others, a combined brief by the Edison Electric Institute and National Hydropower Association. In October 2010, the State of Montana and PPL Montana filed respective reply briefs. In November 2010, the Supreme Court requested the U.S. Solicitor General to provide its views on behalf of the federal government whether the Court should grant or deny PPL Montana's petition. It is not known when that brief might be filed in 2011 or what the position of the Solicitor General will be. The stay of the judgment granted during the proceedings before the Montana Supreme Court has been extended by agreement with the State of Montana, to cover the anticipated period of the proceeding before the U.S. Supreme Court. PPL cannot predict the outcome of this matter.

PJM/MISO Billing Dispute (PPL, PPL Energy Supply and PPL Electric)

In 2009, PJM reported that it had discovered a modeling error in the market-to-market power flow calculations between PJM and the MISO. The error was a result of incorrect modeling of certain generation resources that have an impact on power flows across the PJM/MISO border. Informal settlement discussions on this issue terminated in March 2010. Also in March 2010, MISO filed two complaints with the IARC concerning the modeling error and related matters with a demand for \$130 million of principal plus interest. In April 2010, PJM filed answers to the complaints and filed a related complaint against MISO. In its answers and complaint, PJM denies that any compensation is due to MISO and seeks recovery in excess of \$25 million from MISO for alleged violations by MISO regarding market-to-market power flow calculations. PPL participates in markets in both PJM and MISO. The amount and timing of any payments by PJM to MISO or by MISO to

PJM relating to these modeling errors is uncertain, as is the method by which PJM or MISO would allocate any such payments to PJM and MISO participants. In June 2010, the FERC ordered the complaints to be consolidated and set for settlement discussions, followed by hearings if the discussions are unsuccessful. In January 2011, the parties to this dispute filed a settlement with the FERC under which no compensation would be paid to either PJM or MISO and providing for certain improvements in how the calculations are administered going forward. The settlement requires FERC approval. PPL cannot predict the outcome of this matter.

Regulatory Issues

Enactment of Financial Reform Legislation (*PPL and PPL Energy Supply*)

In July 2010, the Dodd-Frank Act was signed into law. Of particular relevance to PPL and PPL Energy Supply, the Dodd-Frank Act includes provisions that require most over-the-counter derivative transactions to be executed through an exchange and to be centrally cleared. The Dodd-Frank Act, however, provides an exemption from mandatory clearing and exchange trading requirements for over-the-counter derivative transactions used to hedge or mitigate commercial risk. Although the phrase "to hedge or mitigate commercial risk" is not defined in the Dodd-Frank Act, recent rules proposed by the Commodity Futures Trading Commission set forth an inclusive, multi-pronged definition for the phrase. Based on this proposed definition and other requirements in the proposed rule, it is anticipated that transactions utilized by PPL and PPL Energy Supply should qualify if they are not entered into for speculative purposes. The Dodd-Frank Act also provides that the Commodity Futures Trading Commission may impose collateral and margin requirements for over-the-counter derivative transactions, including those that are used to hedge commercial risk. However, during drafting of the Dodd-Frank Act, certain members of Congress adopted report language and issued a public letter stating that it was not their intention to impose margin and collateral requirements on counterparties that utilize these transactions to hedge commercial risk. Final rules on major provisions in the Dodd-Frank Act, including imposition of collateral and margin requirements, will be established through rulemakings and, in most cases, will not take effect until at least 12 months after the date of enactment. PPL and PPL Energy Supply may be required to post additional collateral if they are subject to margin requirements as ultimately adopted in the implementing regulations of the Dodd-Frank Act. PPL and PPL Energy Supply will continue to evaluate the provisions of the Dodd-Frank Act and monitor developments related to its implementation. At this time, PPL and PPL Energy Supply cannot predict the impact that the new law or its implementing regulations will have on their business or operations, or the markets in which they transact business.

(PPL)

Utility Competition in Virginia

The Commonwealth of Virginia passed the Virginia Electric Utility Restructuring Act in 1999. This act gave customers the ability to choose their electric supplier and capped electric rates through December 2010. KU subsequently received a legislative exemption from the customer choice requirements of this law. In April 2007, however, the Virginia General Assembly amended the Virginia Electric Utility Restructuring Act, terminating the competitive market and commencing re-regulation of utility rates. The new act ended the cap on rates at the end of 2008. Pursuant to this legislation, the VSCC adopted regulations revising the rules governing utility rate increase applications. As of January 2009, a hybrid model of regulation is being applied in Virginia, under which utility rates are reviewed every two years. KU's exemption from the requirements of the Virginia Electric Utility Restructuring Act, however, discharges KU from the requirements of the new hybrid model of regulation. In lieu of submitting an annual information filing, KU has the option of requesting a change in base rates to recover prudently incurred costs by filing a traditional base rate case. KU is also subject to other utility regulations in Virginia, including, but not limited to, the recovery of prudently incurred fuel costs through an annual fuel factor charge and the submission of integrated resource plans.

Kentucky Activities

Home Energy Assistance Program

During September 2007, the KPSC approved a five-year Home Energy Assistance program effective in October 2007. The program was scheduled to terminate in September 2012, and is funded through a \$0.15 per month meter charge. This program was extended through September 2015 in the KPSC Order approving PPL's acquisition of LKE.

Gas Customer Choice Study

In April 2010, the KPSC commenced a proceeding to investigate natural gas retail competition programs, their regulatory, financial and operational aspects and potential benefits, if any, of such programs to Kentucky consumers. A number of entities, including LG&E, are parties to the proceeding. In December 2010, the KPSC issued an Order in the proceeding declining to endorse gas competition at the retail level, noting the existence of a number of transition or oversight costs and an uncertain level of economic benefits in such programs. With respect to existing gas transportation programs available to large commercial or industrial users, the Order indicates that the KPSC will review utilities' current tariff structures, user thresholds and other terms and conditions of such programs, as part of such companies' next regular gas rate cases.

Integrated Resource Planning

Integrated resource planning ("IRP") regulations in Kentucky require major utilities to make triennial IRP filings with the KPSC. In April 2008, LG&E and KU filed their 2008 joint IRP with the KPSC. The IRP provides historical and projected demand, resource and financial data, and other operating performance and system information. The KPSC issued a staff report and Order closing this proceeding in December 2009. Pursuant to the VSCC's December 2008 Order, KU filed its IRP in July 2009. The filing consisted of the 2008 Joint IRP filed by LG&E and KU with the KPSC along with additional data. The VSCC issued an Order in August 2010 finding the IRP was reasonable and in the public interest. LG&E and KU anticipate filing a joint IRP with the KPSC in April 2011.

Green Energy Riders

In February 2007, LG&E and KU filed a Joint Application and Testimony for Proposed Green Energy Riders. In May 2007, a KPSC Order was issued authorizing LG&E and KU to establish Small and Large Green Energy Riders, allowing customers to contribute funds to be used for the purchase of renewable energy credits. During November 2009, LG&E and KU filed an application to both continue and modify the existing Green Energy Programs. In February 2010, the KPSC approved the application, as filed.

Other

In February 2006, the KPSC initiated an administrative proceeding to consider the requirements of the federal Energy Policy Act of 2005 (Energy Act), Subtitle E Section 1252, Smart Metering, which concerns time-based metering and demand response, and Section 1254, Interconnections. The Energy Act requires each state regulatory authority to conduct a formal investigation and issue a decision on whether or not it is appropriate to implement certain Section 1252 standards within eighteen months after the enactment of the Energy Act and to commence consideration of Section 1254 standards within a year after the enactment of the Energy Act. Following a public hearing with all Kentucky jurisdictional electric utilities, in December 2006, the KPSC issued an Order in this proceeding indicating that the 2005 Energy Act Section 1252 and Section 1254 standards should not be adopted. However, all the KPSC jurisdictional utilities are required to file real-time pricing pilot programs for their large commercial and industrial customers. LG&E and KU developed real-time pricing pilots for large industrial and commercial customers and filed the details of the plan with the KPSC in April 2007. In February 2008, the KPSC issued an Order approving the real-time pricing pilot programs proposed by LG&E and KU for implementation for their large commercial and industrial customers. The tariff was filed in October 2008, with an effective date of December 1, 2008. LG&E and KU file annual reports on the program within 90 days of each plan year-end for the three-year pilot period.

Pursuant to a LG&E 2004 rate case settlement agreement, and as referred to in the Energy Act Administrative Order, LG&E made its responsive pricing and smart metering pilot program filing, which addresses real-time pricing for residential and general service customers, in March 2007. In July 2007, the KPSC approved the application as filed for a small number of residential customers and a sampling of other customers, and authorized LG&E to establish the responsive pricing and smart metering pilot program, recovery of non-specific customer costs through the DSM billing mechanism and the filing of annual reports by April 1, 2009, 2010 and 2011. LG&E must also file an evaluation of the program by July 1, 2011.

Pennsylvania Activities (*PPL and PPL Electric*)

Act 129 requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. Utilities not meeting the requirements of Act 129 are subject to significant penalties.

Under Act 129, Electric Distribution Companies (EDCs) must develop and file an energy efficiency and conservation plan (EE&C Plan) with the PUC and contract with conservation service providers to implement all or a portion of the EE&C Plan. Act 129 requires EDCs to cause reduced electricity consumption of 1% by 2011 and 3% by 2013, and reduced peak demand of 4.5% by 2013. EDCs will be able to recover the costs (capped at 2% of the EDC's 2006 revenue) of implementing their EE&C Plans. In October 2009, the PUC approved PPL Electric's EE&C Plan. The plan includes 14 programs, all of which are voluntary for customers. The plan includes a proposed rate mechanism for recovery of all costs incurred by PPL Electric to implement the plan. In September 2010, PPL Electric filed its Program Year 1 Annual Report and Process Evaluation Report. PPL Electric also filed a petition requesting permission to modify two components of its EE&C Plan. Various responses were filed to that petition which the PUC has assigned to two Administrative Law Judges for hearings and a recommended decision. In December 2010, the Administrative Law Judges issued a recommended decision approving PPL Electric's request. Parties have filed exceptions and reply exceptions to the recommended decision. The PUC issued its final order in January 2011, approving the changes proposed by PPL Electric and directing PPL Electric to re-file its plan to reflect all changes made since it was initially approved.

Act 129 also requires installation of smart meters for new construction, upon the request of consumers at their cost, or on a depreciation schedule not exceeding 15 years. Under Act 129, EDCs will be able to recover the costs of providing smart metering technology. In August 2009, PPL Electric filed its proposed smart meter technology procurement and installation plan with the PUC. All of PPL Electric's metered customers currently have smart meters installed at their service locations, and PPL Electric's current advanced metering technology generally satisfies the requirements of Act 129 and does not need to be replaced. In June 2010, the PUC entered its order approving PPL Electric's smart meter plan with several modifications. In compliance with the order, in the third quarter of 2010, PPL Electric submitted a revised plan with a cost estimate of \$38 million to be incurred over a five-year period, beginning in 2009, and filed a rider to recover these costs beginning January 1, 2011. In December 2010, the PUC approved PPL Electric's rate rider to recover the costs of its smart meter program.

Act 129 also requires the Default Service Provider (DSP) to provide electric generation supply service to customers pursuant to a PUC-approved competitive procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years, with long-term contracts limited to up to 25% of the load unless otherwise approved by the PUC). The DSP will be able to recover the costs associated with a competitive procurement plan.

Under Act 129, the DSP competitive procurement plan must ensure adequate and reliable service "at least cost to customers" over time. Act 129 grants the PUC authority to extend long-term power contracts up to 20 years, if necessary, to achieve the "least cost" standard. The PUC has approved PPL Electric's procurement plan for the period January 1, 2011 through May 31, 2013, and PPL Electric has begun purchasing under that plan. In December 2010, the PUC approved PPL Electric's rate rider to recover the costs of providing default service.

New Jersey Capacity Legislation (*PPL, PPL Energy Supply and PPL Electric*)

In January 2011, New Jersey enacted a law that intervenes in the wholesale capacity market exclusively regulated by the FERC: S. No. 2381,

214th Leg. (N.J. 2011) (the Act). To create incentives for the development of new, in-state electric generation facilities, the Act implements a "long-term capacity agreement pilot program" (LCAPP). The Act requires New Jersey utilities to pay a guaranteed fixed price for wholesale capacity, imposed by the New Jersey Board of Public Utilities (BPU), to certain new generators participating in PJM, with the ultimate costs of that guarantee to be borne by New Jersey ratepayers. PPL believes the intent and effect of the LCAPP is to encourage the construction of new generation in New Jersey even when, under the FERC-approved PJM economic model, such new generation would not be economic. The Act could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to incent necessary generation investment throughout PJM. In February 2011, the PJM Power Providers Group (P3), an organization in which PPL is a member, filed a complaint before the FERC seeking changes in PJM's capacity market rules designed to ensure that subsidized generation, such as may result from the implementation of the LCAPP, will not be able to set capacity prices artificially low as a result of their exercise of buyer market power. PPL cannot predict the outcome of this proceeding.

Also in February 2011, PPL, with several other generating companies and utilities, filed a complaint in Federal Court in New Jersey challenging the Act on the grounds that the Act violates well-established principles under the Supremacy Clause and the Commerce Clause of the United States Constitution. In this action, the Plaintiffs request declaratory and injunctive relief barring implementation of the Act by the Commissioners of the BPU. PPL cannot predict the outcome of this proceeding.

FERC Formula Rates (PPL and PPL Electric)

In August 2008, PPL Electric asked the FERC to change the method for calculating its transmission rates to formula-based rates to support continued investment in its transmission system.

In October 2008, the FERC accepted the proposed rate for filing, effective November 1, 2008, subject to refund, and set the matter for hearing, but held the hearings in abeyance to establish settlement judge procedures. In May 2009, a settlement was reached by all interested parties which, among other things, reduced PPL Electric's return on equity to approximately 11.70%. PPL Electric was granted approval to implement the formula-based rate as established in the settlement, effective June 1, 2009. In August 2009, the FERC approved the settlement. See Note 3 for information on a true-up of these revenues.

In May 2010, PPL Electric initiated the 2010 Annual Update of its formula rate. In November 2010, a group of municipal customers taking transmission service in PPL Electric's zone filed a preliminary challenge to the update, and in December, they filed a formal challenge. In January 2011, PPL Electric filed a motion to dismiss a number of the challenges and submitted responses to all of the challenges. PPL Electric cannot predict the outcome of this proceeding which remains pending before the FERC.

In September 2008, KU filed an application with the FERC for increases in electric base rates applicable to wholesale power sales contracts or interchange agreements involving, collectively, 12 Kentucky municipalities. The application requested a shift from an all-in stated unit charge rate to an unbundled formula rate, including an annual adjustment mechanism. In May 2009, the FERC issued an Order approving a settlement among the parties in the case, incorporating increases of approximately 3% from prior rates and a return on equity of 11%. In May 2010, KU submitted to the FERC the proposed current annual adjustment to the formula rate. This updated rate became effective on July 1, 2010, subject to certain review procedures by the wholesale requirements customers and the FERC, including potential refunds in the case of disallowed costs or charges.

By mutual agreement, the parties' settlement of the 2008 application left outstanding the issue of whether KU must allocate the municipal customers a portion of renewable resources that it may be required to procure on behalf of its retail ratepayers. An Order was issued by the FERC in July 2010, indicating that KU is not required to allocate a portion of any renewable resources to the 12 municipalities, thus resolving the remaining issue.

California ISO and Western U.S. Markets (PPL and PPL Energy Supply)

Through its subsidiaries, PPL made \$18 million of sales to the California ISO during the period October 2000 through June 2001, \$17 million of which has not been paid to PPL subsidiaries. Also, as previously reported, there has been further litigation about additional claims of refunds for periods prior to October 2000. In January 2011, PPL and the "California Parties" (collectively, three California utility companies, the California Public Utility Commission and certain California state authorities) filed a settlement under which PPL would receive approximately \$2 million of its \$17 million claim, together with interest. The FERC must approve the settlement. At December 31, 2010, PPL has reserved all of the non-payment exposure related to these sales.

In June 2003, the FERC took several actions as a result of several related investigations beyond the California ISO litigation. The FERC terminated proceedings to consider whether to order refunds for spot market bilateral sales made in the Pacific Northwest, including sales made by PPL Montana, during the period December 2000 through June 2001. In August 2007, the U.S. Court of Appeals for the Ninth Circuit reversed the FERC's decision and ordered the FERC to consider additional evidence. The FERC also commenced additional investigations relating to "gaming" and bidding practices during 2000 and 2001, but neither PPL EnergyPlus nor PPL Montana believes it is a subject of these investigations.

Although PPL and its subsidiaries believe that they have not engaged in any improper trading or marketing practices affecting the western markets, PPL cannot predict the outcome of the above-described investigations, lawsuits and proceedings or whether any PPL subsidiaries will be the subject of any additional governmental investigations or named in other lawsuits or refund proceedings.

PJM RPM Litigation (PPL, PPL Energy Supply and PPL Electric)

In May 2008, a group of state public utility commissions, state consumer advocates, municipal entities and electric cooperatives, industrial end-

use customers and a single electric distribution company (collectively, the RPM Buyers) filed a complaint before the FERC objecting to the prices for capacity under the PJM Reliability Pricing Model (RPM) that were set in the 2008-09, 2009-10 and 2010-11 RPM base residual auctions. The RPM Buyers requested that the FERC reset the rates paid to generators for capacity in those periods to a significantly lower level. Thus, the complaint requests that generators be paid less for those periods through refunds and/or prospective changes in rates. The relief requested in the complaint, if granted, could have a material effect on PPL, PPL Energy Supply and PPL Electric. PJM, PPL and numerous other parties have responded to the complaint, strongly opposing the relief sought by the RPM Buyers. In September 2008, the FERC entered an order denying the complaint. In August 2009, the RPM Buyers appealed the FERC's decision to the U.S. Court of Appeals for the Fourth Circuit, and the appeal was subsequently transferred to the U.S. Court of Appeals for the District of Columbia Circuit. In February 2011, the U.S. Court of Appeals for the District of Columbia Circuit issued an order denying the appeal. PPL cannot predict the outcome of this proceeding.

In December 2008, PJM submitted amendments to certain provisions governing its RPM capacity market. The amendments were intended to permit the compensation available to suppliers that provide capacity, including PPL Energy Supply, to increase. PJM sought approval of the amendments in time for them to be implemented for the May 2009 capacity auction (for service in June 2012 through May 2013). Numerous parties, including PPL, protested PJM's filing. Certain of the protesting parties proposed changes to the capacity market auction that would result in a reduction in compensation to capacity suppliers. The changes proposed by PJM and by other parties in response to PJM proposals could significantly affect the compensation available to suppliers of capacity participating in future RPM auctions. In March 2009, the FERC entered an order approving in part and disapproving in part the changes proposed by PJM. In August 2009, the FERC issued an order granting rehearing in part, denying rehearing in part and clarifying its March 2009 order. No request for rehearing or appeal of the August 2009 order was timely filed. In October 2010, the August 2009 Order became final and will not have a material impact on PPL, PPL Energy Supply or PPL Electric. As a result, the remaining issues in this matter are those referred to in the paragraph above.

FERC Market-Based Rate Authority

(PPL)

In July 2006, the FERC issued an Order in LG&E's and KU's market-based rate proceedings accepting their further proposal to address certain market power issues the FERC had claimed would arise upon an exit from the MISO. In particular, LG&E and KU received permission to sell power at market-based rates at the interface of control areas in which it may be deemed to have market power, subject to a restriction that such power not be intentionally re-sold back into such control areas. However, restrictions exist on sales by LG&E and KU of power at market-based rates in the LG&E/KU and Big Rivers Electric Corporation control areas. In June 2007, the FERC issued Order No. 697 implementing certain reforms to market-based rate regulations, including restrictions similar to those previously in place for LG&E's and KU's power sales at control area interfaces. In December 2008, the FERC issued Order No. 697-B potentially placing additional restrictions on certain power sales involving areas where market power is deemed to exist. As a condition of receiving and retaining market-based rate authority, LG&E and KU must comply with applicable affiliate restrictions set forth in the FERC regulation.

In June 2009, the FERC issued Order No. 697-C which generally clarified certain interpretations relating to power sales and purchases at control area interfaces or into control areas involving market power. In July 2009, the FERC issued an order approving LG&E's and KU's September 2008 tri-annual application for updated market-based rate authority. During July 2009, affiliates of LG&E and KU completed a transaction terminating certain prior generation and power marketing activities in the Big Rivers Electric Corporation control area, which termination should ultimately allow a filing to request a determination that LG&E and KU are no longer deemed to have market power in such control area.

LG&E and KU conduct certain of their wholesale power sales activities in accordance with existing market-based rate authority principles and interpretations. Future FERC proceedings relating to Orders 697 or market-based rate authority could alter the amount of sales made at market-based versus cost-based rates.

(PPL and PPL Energy Supply)

In December 1998, the FERC authorized PPL EnergyPlus to make wholesale sales of electric power and related products at market-based rates. In that order, the FERC directed PPL EnergyPlus to file an updated market analysis within three years after the order, and every three years thereafter. Since then, periodic market-based rate filings with the FERC have been made by PPL EnergyPlus, PPL Electric, PPL Montana and most of PPL Generation's subsidiaries. These filings consisted of a Northwest market-based rate filing for PPL Montana and a Northeast market-based rate filing for most of the other PPL subsidiaries in PJM's region. In December 2010, PPL filed its market-based rate update for the Eastern region. In January 2011, PPL filed the market-based rate update for the Western region.

Currently, a seller granted market-based rate authority by the FERC may enter into power contracts during an authorized time period. If the FERC determines that the market is not workably competitive or that the seller possesses market power or is not charging "just and reasonable" rates, it may institute prospective action, but any contracts entered into pursuant to the FERC's market-based rate authority remain in effect and are generally subject to a high standard of review before the FERC can order changes. Recent court decisions by the U.S. Court of Appeals for the Ninth Circuit have raised issues that may make it more difficult for the FERC to continue its program of promoting wholesale electricity competition through market-based rate authority. These court decisions permit retroactive refunds and a lower standard of review by the FERC for changing power contracts, and could have the effect of requiring the FERC in advance to review most, if not all, power contracts. In June 2008, the U.S. Supreme Court reversed one of the decisions of the U.S. Court of Appeals for the Ninth Circuit, thereby upholding the higher standard of review for modifying contracts. The FERC has not yet taken action in response to these court decisions. At this time, PPL cannot predict the impact of these court decisions on the FERC's future market-based rate authority program or on PPL's business.

MISO Revenue Sufficiency Guarantee (PPL)

In August 2010, the FERC issued Orders accepting most facets of several MISO Revenue Sufficiency Guarantee ("RSG") compliance filings. The FERC ordered the MISO to issue refunds for RSG charges that were imposed by the MISO on the assumption that there were rate mismatches for the period beginning November 2007 through the present. There is no financial statement impact to LG&E and KU from this Order, as the MISO had anticipated that the FERC would require these refunds and had preemptively included them in resettlements paid in 2009. The FERC denied the MISO's proposal to exempt certain resources from RSG charges, effective prospectively. The FERC accepted portions and rejected portions of the MISO's proposed RSG rate Redesign Proposal, which will be effective when certain software is ready for implementation subject to further compliance filings. The impact of the Redesign Proposal on LG&E and KU cannot be estimated at this time.

In August 2009, the FERC determined that the MISO had failed to demonstrate that its proposed exemptions to real-time RSG charges were just and reasonable. In November 2009, the MISO made a compliance filing incorporating the rulings of the FERC orders and a related task-force, with a primary open issue being whether certain of the tariff changes are applied prospectively only or retroactively to approximately January 2009. The conclusion of the RSG matter, including the retroactivity decision, may result in refunds to LG&E and KU. PPL cannot presently predict the outcome of this matter.

(PPL and PPL Energy Supply)

IRS Synthetic Fuels Tax Credits

PPL, through its subsidiaries, had interests in two synthetic fuel production facilities: the Somerset facility, located in Pennsylvania, and the Tyrone facility, located in Kentucky. PPL received tax credits pursuant to Section 29/45K of the Internal Revenue Code based on the sale of synthetic fuel from these facilities. The Section 29/45K tax credit program expired at the end of 2007, and production of synthetic fuel at these facilities and all other synthetic fuel operations ceased as of December 31, 2007. The facilities were dismantled and retired in 2008.

In April 2008, the IRS published the domestic first purchase price (DFPP) for 2007 indicating that the DFPP reference price increased above PPL's estimated price levels for 2007 and the inflation-adjusted phase-out range decreased from PPL's estimate for 2007. Therefore, PPL recorded an expense of \$13 million (\$0.04 per share, basic and diluted, for PPL) in 2008, to "Income Taxes" on the Statement of Income to account for this difference.

(PPL, PPL Energy Supply and PPL Electric)

IRS Tax Litigation

In January 2011, the IRS appealed, to the U.S. Court of Appeals for the Third Circuit, the U.S. Tax Court's decision that the 1997 U.K. Windfall Profits Tax (WPT) is a creditable tax for U.S. Federal income tax purposes. In its decision, the Tax Court ruled on two issues: (1) the 1997 U.K. WPT imposed on all U.K. privatized utilities, including PPL's U.K. subsidiary, was creditable against the Company's U.S. income taxes; and (2) PPL Electric's street lighting assets could be depreciated for tax purposes over seven years as permitted for "property without a class life" instead of the 20-year depreciation recovery period argued by the IRS. While not certain, it appears that the IRS has recommended not to prosecute an appeal of the street lighting decision. PPL filed its tax returns for 1997 and all intervening years on the basis that the WPT was creditable and that the appropriate tax depreciable life for its street lighting assets was seven years. Therefore, the cash benefit resulting from these items has already been realized. Prior to the Tax Court decision, the Company had accrued a tax reserve equivalent to the full amount of the tax and interest exposure for these two items. See Note 5 for additional information on the release of tax reserves based on this favorable Tax Court decision. PPL cannot predict the outcome of this matter.

Energy Policy Act of 2005 - Reliability Standards *(PPL, PPL Energy Supply and PPL Electric)*

NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk power electricity system, including electric utility companies, generators and marketers. The FERC has indicated it intends to enforce vigorously the Reliability Standards using, among other means, civil penalty authority. Under the Federal Power Act, the FERC may assess civil penalties of up to \$1 million per day, per violation, for certain violations. The first group of Reliability Standards approved by the FERC became effective in June 2007.

Since 2007, LG&E, KU, PPL Electric and certain subsidiaries of PPL Energy Supply have self-reported potential violations of certain applicable reliability requirements and submitted accompanying mitigation plans. The resolution of certain of these potential violation reports is pending. In April 2010, a PPL Electric settlement with the RFC resolving four self-reported potential violations became final. PPL Electric agreed to pay a settlement amount of \$290,000 and, among other things, to engage in additional vegetation clearing at a cost of approximately \$7 million over the next three years. The settlement amount was paid in May 2010. Any regional reliability entity determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC. PPL and its subsidiaries cannot predict the outcome of these matters.

In the course of implementing its program to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. PPL cannot predict the fines or penalties that may be imposed.

(PPL and PPL Energy Supply)

U.K. Overhead Electricity Networks

In 2002, for safety reasons, the U.K. Government issued guidance that low voltage overhead electricity networks within three meters horizontal clearance of a building should either be insulated or relocated. This imposed a retroactive requirement on existing assets that were built with lower clearances. In 2008, the U.K. Government determined that the U.K. electricity network should comply with the guidance issued. WPD estimates that the cost of compliance will be \$87 million. The projected expenditures over the next five years have been allowed to be recovered through rates, and it is expected that expenditures beyond this five-year period will also be recovered through rates. The U.K. Government has determined that WPD (South Wales) should comply by 2015 and WPD (South West) by 2018.

To improve network reliability, in 2009, the U.K. Government enforced a regulation requiring network operators to implement a risk-based program over 25 years to clear trees within falling distance of key high-voltage overhead lines. WPD estimates that the cost of compliance will be \$100 million over the 25-year period. The projected expenditures over the next five years have been allowed to be recovered through rates, and it is expected that expenditures beyond this five-year period will also be recovered through rates.

Environmental Matters - Domestic

(PPL, PPL Energy Supply and PPL Electric)

Due to the environmental issues discussed below or other environmental matters, PPL subsidiaries may be required to modify, curtail, replace or cease operating certain facilities or operations to comply with statutes, regulations and other requirements of regulatory bodies or courts.

(PPL and PPL Energy Supply)

Air

To comply with air related requirements described below, PPL's forecast for capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are a combined \$2.1 billion for LG&E and KU and \$400 million for PPL Energy Supply. Actual costs may be significantly lower or higher depending on the final requirements. Environmental compliance costs incurred by LG&E and KU are subject to recovery through a rate recovery mechanism. See Note 3 for additional information.

The Clean Air Act addresses, among other things, emissions causing acid deposition, installation of best available control technologies for new or substantially modified sources, attainment of national ambient air quality standards, toxic air emissions and visibility standards in the U.S. Amendments to the Clean Air Act requiring additional emission reductions are likely to continue to be proposed in the U.S. Congress. The Clean Air Act allows states to develop more stringent regulations and in some instances, as discussed below, Kentucky, Pennsylvania and Montana have done so.

Clean Air Transport Rule (formerly CAIR)

The EPA has proposed a new Clean Air Transport Rule (Transport Rule) to replace the EPA's previous rule called CAIR, which was struck down by the U.S. Court of Appeals for the District of Columbia Circuit (the Court). CAIR subsequently was effectively reinstated by the Court pending finalization of the Transport Rule. The final Transport Rule is expected in 2011.

CAIR and the new Transport Rule are meant to facilitate attainment of ambient air quality standards for ozone and fine particulates by requiring reductions in sulfur dioxide and nitrogen oxides. The Transport Rule would establish a new sulfur dioxide emission allowance cap and trade program that is completely independent of the current Acid Rain Program, and a new nitrogen oxide emission allowance cap and trade program. The EPA is seeking comment on several different approaches that would allow varying degrees of trading, but all trading would be more restrictive than under the previous CAIR rule. The first phase of the Transport Rule that would cap sulfur dioxide and nitrogen oxide emissions would become effective in 2012. The second phase, lowering the sulfur dioxide cap, would become effective in 2014.

PPL's preliminary review of the allocations proposed by the EPA in the Transport Rule indicates that, starting in 2012, greater reductions in sulfur dioxide would likely be required for PPL than were required under CAIR starting in 2015, because the number of allowances allocated to PPL will be lower than what was allocated to PPL under CAIR and the more restrictive trading under the Transport Rule reduces compliance flexibility. PPL may look at more aggressive operation of existing scrubbers, fuel switching and/or dual fuel capability. All of these options could impose significant costs. The EPA has developed alternative proposals for allowance allocations which may reduce the impact.

With respect to nitrogen oxide, the Transport Rule proposes a slightly higher amount of allowances for PPL's Pennsylvania plants but a lower amount for PPL's Kentucky plants compared to those allocated under CAIR. However, due to the more restrictive trading program, the purchase of nitrogen oxide allowances may not be a reliable compliance option. Therefore, other compliance options, such as the installation of additional SCRs or SNCRs at one or more PPL units, are being evaluated.

In addition to the reductions in sulfur dioxide and nitrogen oxide required for PPL's Pennsylvania and Kentucky plants due to the Transport Rule, PPL's plants may face further reductions in sulfur dioxide and nitrogen oxide emissions as a result of more stringent national ambient air quality standards for ozone, nitrogen oxide, sulfur dioxide or fine particulates. The EPA has recently finalized a new one-hour standard for sulfur dioxide, and states are required to identify areas that meet those standards and areas that are in non-attainment. For non-attainment areas, states are required to develop plans by 2014 to bring those areas into attainment by 2017. For areas in attainment or unclassifiable, states are required to develop maintenance plans by mid-2013 that demonstrate continued attainment. If additional reductions were to be required, the costs to PPL could be significant.

Mercury and other Hazardous Air Pollutants

Citing its authority under the Clean Air Act, in 2005, the EPA issued the Clean Air Act Mercury Regulations (CAMR) affecting coal-fired power plants. Since CAMR was overturned in a 2008 U.S. Circuit Court decision, the EPA is now proceeding to develop standards imposing MACT for mercury emissions and other hazardous air pollutants from electric generating units. Under a recent approved settlement, the EPA is required to issue final MACT standards by November 2011 and compliance is statutorily required three years later. In order to develop these standards, the EPA has collected information from coal- and oil-fired electric utility steam generating units.

Regional Haze and Visibility

The Clean Air Visibility Rule was issued by the EPA in June 2005 to address regional haze or regionally-impaired visibility caused by multiple sources over a wide area. The rule requires Best Available Retrofit Technology (BART) for certain electric generating units. Under the BART rule, PPL submitted to the Pennsylvania DEP its analyses of the visibility impacts of particulate matter emissions from Martins Creek Units 3 and 4, Brunner Island Units 2 and 3 and Montour Units 1 and 2. No analysis was submitted for sulfur dioxide or nitrogen oxides, because the EPA determined that meeting the requirements for CAIR also meets the BART requirements for those pollutants. Although the EPA has not yet expressly stated that a similar approach will be taken under the Transport Rule, the EPA has not requested any further studies. PPL's analyses have shown that because PPL had already upgraded its particulate emissions controls at Montour Units 1 and 2 and Brunner Island Units 2 and 3, further controls are not justified as there would be little corresponding visibility improvement. PPL has not received comments from the Pennsylvania DEP on these submissions.

Also under the BART rule, PPL submitted to the EPA its analyses of the visibility impacts of sulfur dioxide, nitrogen oxides and particulate matter emissions for Colstrip Units 1 and 2 and Corette. PPL's analyses concluded that further reductions are not needed. The EPA responded to PPL's reports for Colstrip and Corette and requested further information and analysis. PPL completed further analysis and submitted addendums to its initial reports for Colstrip and Corette. In February 2009, PPL received an information request for additional data related to the Colstrip generating plant non-BART-affected emission sources. PPL responded to this request in March 2009. PPL has not received comments from the EPA on these submissions.

In November 2010, PPL Montana received a request from EPA Region 8, under EPA's Reasonable Further Progress goals of the Regional Haze Rules to provide further analysis with respect to Colstrip Units 3 and 4. Colstrip's Units 3 and 4 are not BART eligible units and are already well controlled. PPL completed a high level analysis of various control options to reduce emissions of sulfur dioxide, and particulate matter and submitted that analysis to EPA in January 2011. The analysis shows that these units are well controlled that any incremental reductions would not be cost effective and that further analysis would not be warranted. PPL also concluded that further analysis for nitrogen oxides was not justifiable as these units installed controls under a Consent Decree in which the EPA had previously agreed that, when implemented, would satisfy the requirements for installing BART for nitrogen oxides.

PPL cannot predict whether any additional reductions will be required in Pennsylvania or Montana. If additional reductions are required, the costs could be significant depending on what is required.

LG&E and KU also submitted analyses of the visibility impacts of its Kentucky BART-eligible sources to the Kentucky Division for Air Quality (KDAQ). Only LG&E's Mill Creek plant was determined to have a significant regional haze impact. The KDAQ has submitted a regional haze state implementation plan (SIP) to the EPA which requires the Mill Creek plant to reduce its sulfuric acid mist emissions from Units 3 and 4. After approval of the Kentucky SIP by EPA and revision of the Mill Creek plant's Title V air permit, sorbent injection controls will be installed at the plant to reduce sulfuric acid mist emissions.

New Source Review (NSR)

The EPA has reinitiated its NSR enforcement efforts. This initiative targets coal-fired power plants. The EPA has asserted that modification of these plants has increased their emissions, and consequently they are subject to more stringent NSR requirements under the Clean Air Act. In April 2009, PPL received EPA information requests for its Montour and Brunner Island plants. The requests are similar to those that PPL received several years ago for its Colstrip, Corette and Martins Creek plants. PPL and the EPA have exchanged certain information regarding this matter. In January 2009, PPL and other companies that own or operate the Keystone plant in Pennsylvania received a notice of violation from the EPA alleging that certain projects were undertaken without proper NSR compliance. PPL cannot predict the outcome of this matter.

In addition, in August 2007, LG&E and KU received information requests for their Mill Creek, Trimble County, and Ghent plants, but have received no further communications from the EPA since providing their responses. PPL cannot predict the outcome of these matters.

In March 2009, KU received a notice of violation alleging that flue gas desulfurization and SCR controls were installed at the Ghent plant without proper NSR compliance. In December 2009, the EPA issued an information request seeking additional information on this matter. KU has exchanged settlement proposals and other information with the EPA regarding imposition of additional permit limits and emission controls and anticipates continued settlement negotiations. In addition, any settlement or future litigation could potentially encompass a September 2007 notice of violation alleging opacity violations at the plant. Depending on the provisions of a final settlement or the results of litigation, if any, resolution of this matter could involve significant increased operating and capital expenditures. PPL is currently unable to predict the final outcome of this matter.

KU has entered a consent decree, approved by the federal district court in March 2009, which resolved notices of violation issued by the EPA which alleged NSR and state air permit violations at the Brown plant. The consent decree includes provisions for the surrender of excess ozone season nitrogen oxide allowances estimated at 650 allowances annually for eight years; installation of flue gas desulfurization systems (sulfur dioxide removal systems, or scrubbers), by December 31, 2010; installation of an SCR by December 31, 2012 and compliance with specified emission limits and operational restrictions. KU is currently implementing compliance measures as required by the consent decree.

If PPL subsidiaries are found to have violated NSR regulations, PPL would, among other things, be required to meet permit limits reflecting Best Available Control Technology (BACT) for the emissions of any pollutant found to have significantly increased due to a major plant modification. The costs to meet such limits, including installation of technology at certain units, could be significant.

States and environmental groups also have initiated enforcement actions and litigation alleging violations of the NSR regulations by coal-fired plants, and PPL is unable to predict whether such actions will be brought against any of PPL's plants.

Pursuant to the 2007 U.S. Supreme Court decision on global climate change, as discussed below, the EPA has announced that it will regulate carbon dioxide emissions from new or modified stationary sources under its NSR regulations beginning January 2011. The NSR regulations require major new or modified sources of regulated pollutants to receive pre-construction and operation permits with limits that prevent the significant deterioration of air pollution in areas that are in attainment of the ambient air quality standards for these pollutants. In May 2010, the EPA published a final rule establishing thresholds for regulating GHG emissions from major new or modified sources. Combined carbon dioxide emissions or carbon dioxide equivalent emissions of 100,000 tons or more per year will classify a source as major for permitting applicability purposes. The threshold for a major modification of a major source is an increase of carbon dioxide or carbon dioxide equivalent emissions of 75,000 tons per year. If the modifications result in emissions increases exceeding 75,000 tons per year, the plant will need to conduct an analysis of best available control technology for GHG and meet limits based on best available control technology. To date, the EPA has not provided final guidance on what constitutes best available control technology for GHG emissions, but has indicated in draft guidance that it may consider efficiency projects and other options as possible best available control technology for carbon dioxide emissions from power plants. In addition, in December 2010, the EPA announced that it intends to promulgate New Source Performance Standards addressing GHG emissions from new and existing power plants, with a proposed rule anticipated in July 2011 and a final rule in May 2012. The implications of these developments, including the outcome of any litigation challenging the regulation, are uncertain.

Opacity

(PPL and PPL Energy Supply)

From time to time, emissions from PPL's power plants may cause opacity issues, which may raise environmental concerns. PPL addresses these issues on a case-by-case basis. If it is determined that actions must be taken to address opacity issues, such actions could result in costs that are not now determinable, but could be significant.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the TC2 baseload generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which were incorporated into a final revised permit issued by the KDAQ in January 2010. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals have been exhausted, PPL cannot predict the final outcome of this matter.

(PPL and PPL Energy Supply)

Global Climate Change

There is concern nationally and internationally about global climate change and the possible contribution of GHG emissions including, most significantly, carbon dioxide from the combustion of fossil fuels. This has resulted in increased demands for carbon dioxide emission reductions from investors, environmental organizations, government agencies and the international community. These demands and concerns have led to federal legislative proposals, actions at regional, state and local levels, litigation relating to GHG emissions and the EPA regulations on GHGs.

Greenhouse Gas Legislation

Climate change legislation was being considered by Congress last year, but debate on such legislation has been halted given other competing legislative priorities and the November 2010 elections. The timing and elements of any future legislation addressing GHG emission reductions are uncertain and may depend on the 2011 Congressional agenda. At the state level, the 2010 elections have also reduced the likelihood of GHG legislation in the near term.

Greenhouse Gas Regulations and Tort Litigation

As a result of the April 2007 U.S. Supreme Court decision that the EPA has the authority to regulate GHG emissions from new motor vehicles under the Clean Air Act, in April 2010, the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that will apply beginning with 2012 model year vehicles. The EPA has also clarified that this standard triggers regulation of GHG emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act starting in 2011. This means that any new sources or major modifications to existing sources causing a net significant emissions increase requires BACT permit limits for GHGs. The EPA recently proposed guidance for conducting a BACT analysis for projects that trigger such a review. In addition, New Source Performance Standards for new and existing power plants are expected to be proposed in July 2011 and finalized in May 2012. See NSR discussion above.

At the regional level, ten northeastern states signed a Memorandum of Understanding (MOU) agreeing to establish a GHG emission cap-and-trade program, called the Regional Greenhouse Gas Initiative (RGGI). The program commenced in January 2009 and calls for stabilizing carbon

dioxide emissions, at base levels established in 2005, from electric power plants with capacity greater than 25 MW. The MOU also provides for a 10% reduction in carbon dioxide emissions from base levels by 2019.

Pennsylvania has not stated an intention to join RGGI, but has enacted the Pennsylvania Climate Change Act of 2008 (PCCA). The PCCA established a Climate Change Advisory Committee to advise the DEP on the development of a Climate Change Action Plan. In December 2009, the Advisory Committee finalized its Climate Change Action Report which identifies specific actions that could result in reducing GHG emissions by 30% by 2020. Some of the proposed actions, such as a mandatory 5% efficiency improvement at power plants, could be technically unachievable. To date, there have been no regulatory or legislative actions taken to implement the recommendations of the report. In addition, legislation has been introduced and amendments filed to several bills that would, if enacted, significantly increase renewable and solar supply requirements. It is highly unlikely that this legislation will achieve passage in the 2011 legislative session.

Eleven Western states, including Montana and certain Canadian provinces, are members of the Western Climate Initiative (WCI). The WCI has established a goal of reducing carbon dioxide emissions 15% below 2005 levels by 2020 and is currently developing GHG emission allocations, offsets, and reporting recommendations.

In November 2008, the Governor of Kentucky issued a comprehensive energy plan including non-binding targets aimed at promoting improved energy efficiency, development of alternative energy, development of carbon capture and sequestration projects, and other actions to reduce GHG emissions. In December 2009, the Kentucky Climate Action Plan Council was established to develop an action plan addressing potential GHG reductions and related measures. A final plan is expected in early 2011. The impact of any such plan is not now determinable. It is highly unlikely that legislation requiring mandatory GHG reductions will be adopted in Kentucky in 2011.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting facilities, and the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of *AEP v. Connecticut* reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In December 2010, the U.S. Supreme Court announced that it will review this decision. In *Comer v. Murphy Oil*, the U.S. Court of Appeals for the Fifth Circuit recently declined to overturn a district court ruling that plaintiffs did not have standing to pursue common law claims against companies that emit GHGs. The complaint in the *Comer* case named the previous indirect parent of LG&E and KU as a defendant based upon emissions from the Kentucky plants. In January 2011, the Supreme Court denied a pending petition for review which has effectively brought the case to an end. Notwithstanding, additional litigation in federal and state courts over these issues is continuing.

PPL continues to evaluate options for reducing, avoiding, off-setting or sequestering its carbon dioxide emissions. In 2010, PPL's power plants (based on PPL's equity share of these assets) emitted approximately 37 million tons of carbon dioxide (including 6 million tons of emissions from the LKE plants after their acquisition on November 1, 2010) compared to 29 million tons in 2009.

Renewable Energy Legislation

There has been interest in renewable energy legislation at both the state and federal levels. At the federal level, House and Senate bills proposed last year would have imposed mandatory renewable energy supply and energy efficiency requirements in the 15% to 20% range by approximately 2020. At this time, PPL does not expect similar legislation to progress at the federal or state levels (beyond what is otherwise already required in Pennsylvania) in the near term.

PPL believes there are financial, regulatory and logistical uncertainties related to GHG reductions and the implementation of renewable energy mandates. These will need to be resolved before the impact of such requirements on PPL can be meaningfully estimated. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation oversupply that could result from such renewable generation and back-up, impacts to PJM's capacity market and the need for substantial changes to transmission and distribution systems to accommodate renewable energy. These uncertainties are not directly addressed by the proposed legislation. PPL cannot predict at this time the effect on its future competitive position, results of operation, cash flows and financial position, of any GHG emissions, renewable energy mandate or other global climate change requirements that may be adopted, although the costs to implement and comply with any such requirements could be significant.

Water/Waste (PPL and PPL Energy Supply)

Coal Combustion Residuals (CCRs)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of coal combustion residuals under the Resource Conservation and Recovery Act (RCRA). CCRs include fly ash, bottom ash and scrubber wastes. In the one approach, the EPA would regulate CCRs as a hazardous waste under Subtitle C of RCRA. This approach would have very significant impacts on any coal-fired plant, and would require plants to retrofit their operations to comply with full hazardous waste requirements from the generation of CCRs and associated waste waters through transportation and disposal. This would also have a negative impact on the beneficial use of CCRs and could eliminate the current markets. The second approach would regulate CCRs as a solid waste under Subtitle D of RCRA. This approach would only affect disposal and most significantly affect any wet disposal operations. Under this approach, many of the current markets for beneficial uses would not be affected. Currently, PPL expects that several of its plants in Kentucky and Montana could be significantly impacted by the requirements of Subtitle D of RCRA, as these plants are using surface impoundments for management and disposal of CCRs.

The EPA has issued information requests on CCR management practices at numerous plants throughout the power industry as it considers whether or not to regulate CCRs as hazardous waste. PPL has provided information on CCR management practices at most of its plants in response to the EPA's requests. In addition, the EPA has conducted follow-up inspections to evaluate the structural stability of CCR

management facilities at several PPL plants and PPL has implemented certain actions in response to recommendations from these inspections.

In June 2009, the EPA's Office of Enforcement and Compliance Assurance issued a much broader information request to Colstrip and 18 other non-affiliated plants, seeking information under the RCRA, the Clean Water Act and the Emergency Planning and Community Right-to-Know Act. PPL responded to the EPA's broader information request. Although the EPA's enforcement office issued the request, the EPA has not necessarily concluded that the plants are in violation of any EPA requirements. The EPA conducted a multi-media inspection at Colstrip in August 2009 and issued a report in December 2010 stating that the EPA did not identify any violations of the applicable compliance standards for the Colstrip facility.

PPL cannot predict at this time the final requirements of the EPA's CCR regulations and what impact, if any, they would have on PPL's facilities, but the costs to PPL could be significant.

Martins Creek Fly Ash Release

In 2005, there was a release of approximately 100 million gallons of water containing fly ash from a disposal basin at the Martins Creek plant used in connection with the operation of the plant's two 150 MW coal-fired generating units. This resulted in ash being deposited onto adjacent roadways and fields, and into a nearby creek and the Delaware River. PPL determined that the release was caused by a failure in the disposal basin's discharge structure. PPL conducted extensive clean-up and completed studies, in conjunction with a group of natural resource trustees and the Delaware River Basin Commission, evaluating the effects of the release on the river's sediment, water quality and ecosystem.

The Pennsylvania DEP filed a complaint in Pennsylvania Commonwealth Court against PPL Martins Creek and PPL Generation, alleging violations of various state laws and regulations and seeking penalties and injunctive relief. PPL and the Pennsylvania DEP have settled this matter. The settlement also required PPL to submit a report on the completed studies of possible natural resource damages. PPL subsequently submitted the assessment report to the Pennsylvania and New Jersey regulatory agencies and has continued discussing potential natural resource damages and mitigation options with the agencies.

Through December 31, 2010, PPL Energy Supply has spent \$28 million for remediation and related costs and an immaterial remediation liability remained. PPL and PPL Energy Supply cannot be certain of the outcome of the natural resource damage assessment or the associated costs, the outcome of any lawsuit that may be brought by citizens or businesses or the exact nature of any other regulatory or other legal actions that may be initiated against PPL, PPL Energy Supply or their subsidiaries as a result of the disposal basin release.

Basin Seepage – Pennsylvania and Kentucky

Seepages have been detected at active and retired wastewater basins at various PPL plants. PPL has completed or is completing assessments of seepages at various facilities and is working with agencies to implement abatement measures for those seepages, where required. The potential cost to address identified seepages or other seepages at PPL plants is not now determinable, but could be significant.

Basin Seepage - Montana

In May 2003, approximately 50 plaintiffs brought an action against PPL Montana and the other owners of the Colstrip plant alleging property damage from seepage from the freshwater and wastewater ponds at Colstrip. In July 2008, the plaintiffs and the owner-defendants remaining after dismissal of NorthWestern, due to its bankruptcy, executed a settlement agreement. PPL Montana's share of the settlement was approximately \$8 million (\$5 million after tax). In 2008, PPL Montana recorded an insignificant reserve for its share of potential additional settlements with three property owners living near the original plaintiffs but who were not parties to the lawsuit. In the fourth quarter of 2009, PPL Montana settled with two of these property owners for an insignificant amount.

In 2007, six plaintiffs filed a separate lawsuit in the Montana Sixteenth Judicial District Court against the Colstrip plant owners asserting similar property damage claims as were asserted by the plaintiffs in the May 2003 complaint. A tentative settlement agreement was reached in July 2010. The settlement is not yet final, and may not be honored by the plaintiffs, but PPL Montana's share is not expected to be significant.

Other Issues

In 2006, the EPA significantly decreased to 10 parts per billion (ppb) the drinking water standards related to arsenic. In Pennsylvania, Montana and Kentucky, this arsenic standard has been incorporated into the states' water quality standards and could result in more stringent limits in NPDES permits for its Pennsylvania, Montana and Kentucky plants. Recently, the EPA developed a draft risk assessment for arsenic that increases the cancer risk exposure by more than 20 times, which would lower the current standard from 10 ppb to 0.1 ppb. If the lower standard becomes effective, costly treatment would be required to attempt to meet the standard and, at this time, there is no assurance that it could be achieved.

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxics Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all PCB-containing equipment. PPL cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on PPL's facilities, but the costs to PPL could be significant.

The EPA finalized requirements in 2004 for new or modified cooling water intake structures. These requirements affect where generating facilities are built, establish intake design standards and could lead to requirements for cooling towers at new and modified power plants. Another rule, finalized in 2004, that addressed existing structures was withdrawn following a 2007 decision by the U.S. Court of Appeals for the Second Circuit. In 2008, however, the U.S. Supreme Court ruled that the EPA has discretion to use cost-benefit analysis in determining

the best technology available for minimizing adverse environmental impact. The EPA is developing a new rule which is expected to be finalized in 2012. How the cost-benefit analysis will be employed, if incorporated, as well as other issues raised by the Second Circuit Court decision (not reviewed by the U.S. Supreme Court) and actions the states may take on their own could result in stricter standards for existing structures that could impose significant costs on PPL plants.

In October 2009, the EPA released its Final Detailed Study of the Steam Electric Power Generating effluent limitations guidelines and standards. Final regulations are expected to be effective in 2013. PPL expects the revised guidelines and standards to be more stringent than the current standards, which could result in more stringent discharge permit limits.

PPL has signed a Consent Order and Agreement (COA) with the Pennsylvania DEP under which it agreed, under certain conditions, to take further actions to minimize the possibility of fish kills at its Brunner Island plant. Fish are attracted to warm water in the power plant discharge channel, especially during cold weather. Debris at intake pumps can result in a unit trip or reduction in load, causing a sudden change in water temperature. PPL has committed to construct a barrier to prevent debris from entering the river water intake area, pending receipt of regulatory permits, at a cost of approximately \$4 million.

PPL has also investigated alternatives to exclude fish from the discharge channel and submitted three alternatives to the DEP. According to the COA, once the cooling towers at Brunner Island became operational, PPL must implement one of these fish exclusion alternatives if a fish kill occurs in the discharge channel due to thermal impacts from the plant. Following start-up of the cooling towers in April 2010, several hundred dead fish were found in the cooling tower intake basket although there were no sudden changes in water temperature. In the third quarter of 2010, PPL discussed this matter with the DEP and both agreed that this condition was not one anticipated by the COA, thereby concluding it did not trigger a need to implement a fish exclusion project. At this time, no fish exclusion project is planned.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County station. In November 2010, the Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to Trimble Circuit Court. Until such time as all available appeals are exhausted, PPL is unable to predict the outcome or impact of this matter.

Superfund and Other Remediation (PPL, PPL Energy Supply and PPL Electric)

PPL is a potentially responsible party at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant Site, the Metal Bank site and the Ward Transformer site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL. However, should the EPA require different or additional measures in the future, or should PPL's share of costs at multi-party sites increase significantly more than currently expected, the costs to PPL could be significant.

PPL is remediating or has completed the remediation of several sites that were not addressed under a regulatory program such as Superfund, but for which PPL may be liable for remediation. These include a number of former coal gas manufacturing facilities in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL. There are additional sites, formerly owned or operated by PPL predecessors or affiliates, for which PPL lacks information on current site conditions and is therefore unable to predict what, if any, potential liability it may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which PPL currently lacks information, the costs of remediation and other liabilities could be substantial. PPL and its subsidiaries also could incur other non-remediation costs at sites included in current consent orders or other contaminated sites, the costs of which are not now determinable but could be significant.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing facilities. The costs to PPL of complying with any such requirements are not now determinable, but could be significant.

Under the Pennsylvania Clean Streams Law, subsidiaries of PPL Generation are obligated to remediate acid mine drainage at former mine sites and may be required to take additional steps to prevent potential acid mine drainage at previously capped refuse piles. One PPL Generation subsidiary is pumping mine water at two mine sites and treating water at one of these sites. Another PPL Generation subsidiary has installed a passive wetlands treatment system at a third site. At December 31, 2010, PPL Energy Supply had accrued a discounted liability of \$25 million to cover the costs of pumping and treating groundwater at the two mine sites for 50 years and for operating and maintaining passive wetlands treatment at the third site. PPL Energy Supply discounted this liability based on risk-free rates at the time of the mine closures. The weighted-average rate used was 8.16%. Expected undiscounted payments are estimated at \$2 million for 2011, \$1 million each of the years from 2012 through 2014, \$2 million for 2015, and \$137 million for work after 2015.

From time to time, PPL undertakes remedial action in response to spills or other releases at various on-site and off-site locations, negotiates with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiates with property owners and other third parties alleging impacts from PPL's operations, and undertakes similar actions necessary to resolve environmental matters which arise in the course of normal operations. Based on analyses to date, resolution of these general environmental matters is not expected to have a material adverse impact on PPL's operations.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in material additional operating costs for PPL subsidiaries that cannot be estimated at this time.

Electric and Magnetic Fields (PPL, PPL Energy Supply and PPL Electric)

Concerns have been expressed by some members of the public regarding potential health effects of power frequency EMFs, which are emitted by all devices carrying electricity, including electric transmission and distribution lines and substation equipment. Government officials in the U.S. and the U.K. have reviewed this issue. The U.S. National Institute of Environmental Health Sciences concluded in 2002 that, for most health outcomes, there is no evidence that EMFs cause adverse effects. The agency further noted that there is some epidemiological evidence of an association with childhood leukemia, but that the evidence is difficult to interpret without supporting laboratory evidence. The U.K. National Radiological Protection Board (part of the U.K. Health Protection Agency) concluded in 2004 that, while the research on EMFs does not provide a basis to find that EMFs cause any illness, there is a basis to consider precautionary measures beyond existing exposure guidelines. The Stakeholder Group on Extremely Low Frequency EMF, set up by the U.K. Government, has issued two reports, one in April 2007 and one in June 2010, describing options for reducing public exposure to EMF. The U.K. Government responded to the first report in 2009, agreeing to some of the proposals, including a proposed voluntary code to optimally phase 132 kilovolt overhead lines to reduce public exposure to EMF where it is cost effective to do so. The U.K. Government is currently considering the second report which concentrates on EMF exposure from distribution systems. PPL and its subsidiaries believe the current efforts to determine whether EMFs cause adverse health effects should continue and are taking steps to reduce EMFs, where practical, in the design of new transmission and distribution facilities. PPL and its subsidiaries are unable to predict what effect, if any, the EMF issue might have on their operations and facilities either in the U.S. or the U.K., and the associated cost, or what, if any, liabilities they might incur related to the EMF issue.

Environmental Matters - WPD *(PPL and PPL Energy Supply)*

WPD's distribution businesses are subject to environmental regulatory and statutory requirements. PPL believes that WPD has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment.

The U.K. Government has implemented a project to alleviate the impact of flooding on the U.K. utility infrastructure, including major electricity substations. WPD has agreed with the Ofgem to spend \$27 million on flood prevention, which will be recovered through rates during the five-year period commencing April 2010. WPD is currently liaising on site-specific proposals with local offices of a U.K. Government agency.

U.K. legislation has been passed that imposes a duty on certain companies, including WPD, to report on climate change adaptation. The first information request was received by WPD in March 2010, with reports due for submission by June 2011. WPD has worked with other U.K. electricity network operators to undertake research with the internationally recognized U.K. Met Office and to report using common agreed methodology.

There are no other material legal or administrative proceedings pending against or related to WPD with respect to environmental matters. See "Electric and Magnetic Fields," above, for a discussion of EMFs.

Other

Nuclear Insurance *(PPL and PPL Energy Supply)*

PPL Susquehanna is a member of certain insurance programs that provide coverage for property damage to members' nuclear generating plants. Facilities at the Susquehanna plant are insured against property damage losses up to \$2.75 billion under these programs. PPL Susquehanna is also a member of an insurance program that provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the property and replacement power insurance programs, PPL Susquehanna could be assessed retroactive premiums in the event of the insurers' adverse loss experience. At December 31, 2010, this maximum assessment was \$40 million.

In the event of a nuclear incident at the Susquehanna plant, PPL Susquehanna's public liability for claims resulting from such incident would be limited to \$12.6 billion under provisions of The Price-Anderson Act Amendments under the Energy Policy Act of 2005. PPL Susquehanna is protected against this liability by a combination of commercial insurance and an industry assessment program.

In the event of a nuclear incident at any of the reactors covered by The Price-Anderson Act Amendments under the Energy Policy Act of 2005, PPL Susquehanna could be assessed up to \$235 million per incident, payable at \$35 million per year.

At December 31, 2010, the property, replacement power and nuclear incident insurers maintained an A.M. Best financial strength rating of A ("Excellent").

Guarantees and Other Assurances

(PPL, PPL Energy Supply and PPL Electric)

In the normal course of business, PPL, PPL Energy Supply and PPL Electric enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries enter.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(PPL, PPL Energy Supply and PPL Electric)

The table below details guarantees provided as of December 31, 2010. The total recorded liability at December 31, 2010 was \$14 million and at December 31, 2009 was \$3 million. Other than as noted in the descriptions for "WPD guarantee of pension and other obligations of unconsolidated entities," the probability of expected payment/performance under each of these guarantees is remote.

	Exposure at December 31, 2010 (a)	Expiration Date
PPL		
Indemnifications for sale of PPL Gas Utilities	\$ 300 (e)	
Indemnifications of LKE	300 (d)	2021 to 2023
PPL Energy Supply (b)		
Letters of credit issued on behalf of affiliates	20 (e)	2011 to 2012
Retrospective premiums under nuclear insurance programs	40 (f)	
Nuclear claims under The Price-Anderson Act Amendments under The Energy Policy Act of 2005	235 (g)	
Indemnifications for entities in liquidation and sales of assets	515 (h)	2012 to 2017
Indemnification to operators of jointly owned facilities	6 (i)	
WPD guarantee of pension and other obligations of unconsolidated entities	64 (j)	2015
Tax indemnification related to unconsolidated WPD affiliates	8 (k)	2012
Guarantee of a portion of an unconsolidated entity's debt	22 (l)	2018

- (a) Represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee.
- (b) Other than the letters of credit, all guarantees of PPL Energy Supply, on a consolidated basis, also apply to PPL on a consolidated basis. Neither PPL nor PPL Energy Supply is liable for obligations under guarantees provided by WPD, as the beneficiaries of the guarantees do not have recourse to such entities.
- (c) PPL has provided indemnification to the purchaser of PPL Gas Utilities and Penn Fuel Propane, LLC for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including certain pre-closing unknown environmental liabilities relating to former manufactured gas plant properties or off-site disposal sites, if any, outside of Pennsylvania. The indemnification provisions for most representations and warranties, including tax and environmental matters, are capped at \$45 million, in the aggregate, and are triggered (i) only if the individual claim exceeds \$50,000, and (ii) only if, and only to the extent that, in the aggregate, total claims exceed \$4.5 million. The indemnification provisions for most representations and warranties expired on September 30, 2009 without any claims having been made. Certain representations and warranties, including those having to do with transaction authorization and title, survive indefinitely, are capped at the purchase price and are not subject to the above threshold or deductible. The indemnification provision for the tax matters representations survives for the duration of the applicable statute of limitations, and the indemnification provision for the environmental matters representations survives for a period of three years after the transaction closing. The indemnification relating to unknown environmental liabilities for manufactured gas plants and disposal sites outside of Pennsylvania could survive more than three years, but only with respect to applicable property or sites identified by the purchaser prior to the third anniversary of the transaction closing. The indemnification for covenants survives until the applicable covenant is performed and is not subject to any cap.
- (d) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. These guarantees cover the due and punctual payment, performance and discharge by each party of its respective present and future obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under the WKE Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a cumulative maximum exposure of \$200 million. Certain items such as non-excluded government fines and penalties fall outside the cumulative cap. Another guarantee with a maximum exposure of \$100 million covering other indemnifications expires in 2023. LKE is not aware of claims made by any party at this time, although one matter is currently in arbitration, the outcome of which cannot be predicted at this time. See Note 9 for additional information. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates, including certain indemnifications of current officers with respect to its former Argentine businesses, for which LKE has received a cross-indemnity from a third party. The indemnifications vary by entity and the maximum amount limits range from being capped at the sale price to no specified maximum; however, LKE is not aware of formal claims made by any party at this time. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. No additional material loss is anticipated by reason of such indemnification.
- (e) Standby letter of credit arrangements under PPL Energy Supply's credit facilities for the purposes of protecting various third parties against nonperformance by PPL. This is not a guarantee by PPL on a consolidated basis.
- (f) PPL Susquehanna is contingently obligated to pay this amount related to potential retrospective premiums that could be assessed under its nuclear insurance programs. See "Nuclear Insurance," above, for additional information.
- (g) This is the maximum amount PPL Susquehanna could be assessed for each incident at any of the nuclear reactors covered by this Act. See "Nuclear Insurance," above for additional information.
- (h) PPL Energy Supply's maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because, in the case of certain indemnification provisions, the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitations. The exposure and expiration dates noted are only for those cases in which the agreements provide for specific limits.

In connection with the liquidation of wholly owned subsidiaries that have been deconsolidated upon turning the entities over to the liquidators, certain affiliates of PPL Global have agreed to indemnify the liquidators, directors and/or the entities themselves for any liabilities or expenses arising during the liquidation process, including liabilities and expenses of the entities placed into liquidation. In some cases, the indemnifications are limited to a maximum amount that is based on distributions made from the subsidiary to its parent either prior or subsequent to being placed into liquidation. In other cases, the maximum amount of the indemnifications is not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases in which the agreements provide for a specific limit on the amount of the indemnification, and the expiration date was based on an estimate of the dissolution date of the entities.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters. In addition, in connection with certain of these sales, WPD and its affiliates have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchaser of the Long Island generation business for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including liabilities relating to certain renewable energy facilities which were previously owned by one of the PPL subsidiaries sold in the transaction but which were unrelated to the Long Island generation business. The indemnification provisions are subject to certain customary limitations, including thresholds for allowable claims, caps on aggregate liability, and time

limitations for claims arising out of breaches of most representations and warranties.

A subsidiary of PPL Energy Supply has agreed to provide indemnifications to the purchasers of the Maine hydroelectric facilities for damages arising out of any breach of the representations, warranties and covenants under the respective transaction agreements and for damages arising out of certain other matters, including liabilities of the PPL Energy Supply subsidiary relating to the pre-closing ownership or operation of those hydroelectric facilities. The indemnification obligations are subject to certain customary limitations, including thresholds for allowable claims, caps on aggregate liability, and time limitations for claims arising out of breaches of representations and warranties.

- (i) In December 2007, a subsidiary of PPL Energy Supply executed revised owners agreements for two jointly owned facilities, the Keystone and Conemaugh generating stations. The agreements require that in the event of any default by an owner, the other owners fund contributions for the operation of the generating stations, based upon their ownership percentages. The maximum obligation among all owners, for each station, is currently \$20 million. The non-defaulting owners, who make up the defaulting owner's obligations, are entitled to the generation entitlement of the defaulting owner, based upon their ownership percentage. The agreements do not have an expiration date.
- (j) As a result of the privatization of the utility industry in the U.K., certain electric associations' roles and responsibilities were discontinued or modified. As a result, certain obligations, primarily pension-related, associated with these organizations have been guaranteed by the participating members. Costs are allocated to the members based on predetermined percentages as outlined in specific agreements. However, if a member becomes insolvent, costs can be reallocated to and are guaranteed by the remaining members. At December 31, 2010, WPD has recorded an estimated discounted liability based on its current allocated percentage of the total expected costs for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements. Therefore, they have been estimated based on the types of obligations.
- (k) Two WPD unconsolidated affiliates were refinanced during 2005. Under the terms of the refinancing, WPD has indemnified the lender against certain tax and other liabilities.
- (l) Reflects principal payments only.

PPL, PPL Energy Supply and PPL Electric and their subsidiaries provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, PPL, PPL Energy Supply and PPL Electric and their subsidiaries have not made any significant payments with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage requires a \$4 million deductible per occurrence and provides maximum aggregate coverage of \$200 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

16. Related Party Transactions

(PPL Energy Supply and PPL Electric)

PLR Contracts

PPL Electric had power purchase contracts with PPL EnergyPlus in which PPL EnergyPlus supplied PPL Electric's entire PLR load. These contracts expired on December 31, 2009. Under these contracts, PPL EnergyPlus provided electricity at the predetermined capped prices that PPL Electric was authorized to charge its PLR customers. These purchases totaled \$1.8 billion in 2009 and 2008 which are included in the Statements of Income as "Wholesale energy marketing to affiliate" by PPL Energy Supply, and as "Energy purchases from affiliate" by PPL Electric. These purchases included nuclear decommissioning recovery and amortization of an up-front contract payment.

Under one of the PLR contracts, PPL Electric was required to make performance assurance deposits with PPL EnergyPlus when the market price of electricity was less than the contract price by more than its contract collateral threshold. Conversely, PPL EnergyPlus was required to make performance assurance deposits with PPL Electric when the market price of electricity was greater than the contract price by more than its contract collateral threshold. PPL Electric paid interest equal to one-month LIBOR plus 0.5% on the deposit, which is included in "Interest Expense with Affiliate" on the Statements of Income. PPL Energy Supply recorded the receipt of the interest as affiliated interest income, which is included in "Interest Income from Affiliates" on the Statements of Income. Interest related to the required deposits was \$2 million and \$10 million for 2009 and 2008.

PPL Electric held competitive solicitations in prior years for PLR generation supply for 2010 and beyond. PPL EnergyPlus has been awarded a portion of this supply. These purchases totaled \$320 million in 2010, and are included in the Statements of Income as "Wholesale energy marketing to affiliate" by PPL Energy Supply, and as "Energy purchases from affiliate" by PPL Electric.

See Note 1 for additional information regarding PPL Electric's purchases of accounts receivable from PPL EnergyPlus.

Under the standard Supply Master Agreement for the competitive solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. In no instance is PPL Electric required to post collateral to suppliers under these supply contracts. PPL EnergyPlus is required to post collateral with PPL Electric: (a) when the market price of electricity to be delivered by PPL EnergyPlus exceeds the contract price for the forecasted quantity of electricity to be delivered and (b) when this market price exposure exceeds a contractual credit limit. Based on the current credit rating of PPL Energy Supply, as guarantor, this credit limit is \$35 million.

PPL Energy Supply has credit exposure to PPL Electric under these energy supply contracts. See Note 18 for additional information on this credit exposure.

NUG Purchases

PPL Electric has a reciprocal contract with PPL EnergyPlus to sell electricity purchased under contracts with NUGs. PPL Electric purchases electricity from the NUGs at contractual rates and then sells the electricity at the same price to PPL EnergyPlus. These purchases totaled \$3 million in 2010, \$70 million in 2009 and \$108 million in 2008. These amounts are included in the Statements of Income as "Wholesale electric to affiliate" by PPL Electric, and as "Energy purchases from affiliate" by PPL Energy Supply. Most of the NUG contracts have expired, with the final NUG contract to expire in 2014.

Allocations of Corporate Service Costs

PPL Services provides corporate functions such as financial, legal, human resources and information technology services. PPL Services charges the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of these services that is not directly charged to PPL subsidiaries is allocated to certain subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses, and number of employees. PPL Services allocated the following amounts, which PPL management believes are reasonable, to PPL Energy Supply and PPL Electric, including amounts applied to accounts that are further distributed between capital and expense.

	2010	2009 (a)	2008
PPL Energy Supply	\$ 232	\$ 214	\$ 209
PPL Electric	134	121	116

(a) Excludes allocated costs associated with the February 2009 workforce reduction. See Note 13 for additional information.

Intercompany Borrowings

(PPL Energy Supply)

A PPL Energy Supply subsidiary holds revolving demand notes from certain affiliates. There were no balances outstanding at December 31, 2010 and 2009. In 2010, the interest rates were equal to 1-month LIBOR plus 1% and 1-month LIBOR plus 3.50%. Interest earned on these notes is included in "Interest Income from Affiliates" on the Statements of Income. In addition, in November 2010, this subsidiary held term notes with certain LKE subsidiaries. These notes were subsequently repaid and therefore no balances were outstanding at December 31, 2010. Interest on these notes was due monthly at interest rates between 4.24% and 7.04%. While balances were outstanding, interest earned on all these affiliate note receivables were \$9 million, insignificant and \$4 million for 2010, 2009 and 2008.

(PPL Electric)

A PPL Electric subsidiary holds revolving demand notes from an affiliate. There were no outstanding balances at December 31, 2010 and 2009. In 2010, the interest rates were equal to 1-month LIBOR plus 3.50% and 3-month LIBOR plus 3.50%. Interest earned on these notes is included in "Interest Income from Affiliate" on the Statements of Income, and was \$2 million, \$4 million and \$9 million for 2010, 2009 and 2008.

(PPL Energy Supply)

Intercompany Derivatives

In 2010, 2009 and 2008, a subsidiary of PPL Energy Supply entered into a combination of average rate forwards and average rate options with PPL to sell British pounds sterling. These hedging instruments have terms identical to average rate forwards and average rate options entered into by PPL with third parties to protect the translation of expected income denominated in British pounds sterling to U.S. dollars. Gains and losses, both realized and unrealized, on these types of hedging instruments are included in "Other Income (Expense) - net" on the Statement of Income. PPL Energy Supply recorded a net gain of \$3 million during 2010, a net loss of \$9 million during 2009 and a net gain of \$9 million during 2008 related to average rate forwards and average rate options. Contracts outstanding at December 31, 2010 hedged a total exposure of £89 million related to the translation of expected income in 2011. Contracts outstanding at December 31, 2009 hedged a total exposure of £48 million related to the translation of expected income in 2010. The fair value of these positions, primarily reflected in "Current Assets - Price risk management assets" on the Balance Sheet, was a net asset of \$4 million and \$2 million at December 31, 2010 and 2009.

A subsidiary of PPL Energy Supply is also party to forward contracts with PPL to sell British pounds sterling to protect the value of a portion of its net investment in WPD. These hedging instruments have terms identical to forward sales contracts entered into by PPL with third parties. The total amount of the contracts outstanding at December 31, 2010 and 2009 was £35 million and £40 million (\$62 million and \$78 million based on contracted rates). The fair value of these positions at December 31, 2010 was an asset of \$7 million, which is included in "Current Assets - Price risk management assets," with an offsetting after-tax amount included in the foreign currency translation adjustment component of AOCI on the Balance Sheet. The fair value of these positions at December 31, 2009 was an asset of \$13 million, of which \$8 million was included in "Current Assets - Price risk management assets" and \$5 million was included in "Other Noncurrent Assets - Price risk management assets," with an offsetting after-tax amount included in the foreign currency translation adjustment component of AOCI on the Balance Sheet.

Trademark Royalties

A PPL subsidiary owns PPL trademarks and bills certain affiliates for their use. PPL Energy Supply was allocated \$40 million of license fees in 2010 and 2009 and \$48 million in 2008. These allocations are primarily included in "Other operation and maintenance" on the Statements of Income.

(PPL, PPL Energy Supply and PPL Electric)

Transmission

PPL Energy Supply owns no domestic transmission or distribution facilities, other than facilities to interconnect its generation with the electric transmission system. Therefore, PPL EnergyPlus and other PPL Generation subsidiaries must pay PJM, the operator of the transmission system, to deliver the energy these subsidiaries supply to retail and wholesale customers in PPL Electric's franchised territory in eastern and central Pennsylvania. PJM in turn pays PPL Electric for the use of its transmission system. PPL eliminates the impact of these revenues and expenses in its Statements of Income.

Other

See Notes 1 and 5 for discussions regarding the intercompany tax sharing policy and intercompany allocations of stock-based compensation expense. See Note 7 for a discussion regarding capital transactions between PPL and its affiliates. See Note 13 for discussions regarding intercompany allocations of defined benefits.

17. Other Income (Expense) - net

(PPL, PPL Energy Supply and PPL Electric)

The breakdown of "Other Income (Expense) - net" was:

	PPL			PPL Energy Supply			PPL Electric		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Other Income									
Gains related to the extinguishment of notes (a)		\$ 29			\$ 25				
Earnings on securities in NDT funds	\$ 20	20	\$ 10	\$ 20	20	\$ 10			
Interest income	8	14	33	6	6	23	\$ 2	\$ 8	\$ 7
AFUDC	5	1	1				5	1	1
Mine remediation liability adjustment			11			11			
Miscellaneous - Domestic	5	9	5	4	3	5	1		
Miscellaneous - International	1	1	4	1	1	4			
Total Other Income	39	74	64	31	55	53	8	9	8
Other Expense									
Economic foreign currency exchange contracts	(3)	9	(9)	(3)	9	(9)			
Charitable contributions	4	6	5	1					
Cash flow hedges (b)	29								
LKE acquisition costs (Note 10)	31								
Miscellaneous - Domestic	7	8	9	5	9	10	3	3	3
Miscellaneous - International	2	4	6	2	4	6			
Total Other Expense	70	27	11	5	22	7	3	3	3
Other Income (Expense) - net	\$ (31)	\$ 47	\$ 53	\$ 26	\$ 33	\$ 46	\$ 5	\$ 6	\$ 5

- (a) In 2009, PPL Energy Supply completed tender offers to purchase up to \$250 million aggregate principal amount of certain of its outstanding senior notes for \$220 million, resulting in a \$25 million net gain. PPL recorded an additional net gain of \$4 million as a result of reclassifying gains and losses on related cash flow hedges from AOCI into earnings.
- (b) As a result of the expected net proceeds from the sale of certain non-core generation facilities, coupled with the monetization of full-requirement sales contracts, debt that had been planned to be issued by PPL Energy Supply was no longer needed. As a result, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued. Associated net losses were reclassified from AOCI into earnings.

18. Fair Value Measurements and Credit Concentration

(PPL, PPL Energy Supply and PPL Electric)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). PPL and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2010				December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	\$ 925	\$ 925			\$ 801	\$ 801		
Short-term investments - municipal debt securities	163	163						
Restricted cash and cash equivalents (a)	66	66			129	129		
Price risk management assets:								
Energy commodities	2,503		\$ 2,452	\$ 51	3,354	3	\$ 3,234	\$ 117
Interest rate swaps	15		15		50		50	
Foreign currency exchange contracts	11		11		15		15	

Cross-currency swaps	44	44		12		12	
Total price risk management assets	2,573	2,522	51	3,431	3	3,311	117
NDT funds:							
Cash and cash equivalents	10	10		7	7		
Equity securities:							
U.S. large-cap	303	207	96	259	176	83	
U.S. mid/small-cap	119	89	30	101	75	26	
Debt securities:							
U.S. Treasury	75	75		74	74		
U.S. government sponsored agency	7		7	9		9	
Municipality	69		69	65		65	
Investment-grade corporate	33		33	29		29	
Residential mortgage-backed securities				1		1	
Other	1		1				
Receivables (payables), net	1	(1)	2	3		3	
Total NDT funds	618	380	238	548	332	216	
Auction rate securities (b)	25		25	25		25	
Total assets	\$ 4,370	\$ 1,534	\$ 2,760	\$ 76	\$ 4,934	\$ 1,265	\$ 3,527

Liabilities							
Price risk management liabilities:							
Energy commodities	\$ 1,552		\$ 1,498	\$ 54	\$ 2,080	\$ 2	\$ 2,068
Interest rate swaps	53		53				10
Cross-currency swaps	9		9	4		4	
Total price risk management liabilities	\$ 1,614		\$ 1,560	\$ 54	\$ 2,084	\$ 2	\$ 2,072

PPL Energy Supply

Assets							
Cash and cash equivalents	\$ 661	\$ 661		\$ 245	\$ 245		
Restricted cash and cash equivalents (a)	26	26		111	111		
Price risk management assets:							
Energy commodities	2,503		\$ 2,452	\$ 51	3,354	3	\$ 3,234
Foreign currency exchange contracts	11		11		15		15
Cross-currency swaps	44		44		12		12
Total price risk management assets	2,558		2,507	51	3,381	3	3,261
NDT funds:							
Cash and cash equivalents	10	10		7	7		
Equity securities:							
U.S. large-cap	303	207	96	259	176	83	
U.S. mid/small-cap	119	89	30	101	75	26	
Debt securities:							
U.S. Treasury	75	75		74	74		
U.S. government sponsored agency	7		7	9		9	
Municipality	69		69	65		65	
Investment-grade corporate	33		33	29		29	
Residential mortgage-backed securities				1		1	
Other	1		1				
Receivables (payables), net	1	(1)	2	3		3	
Total NDT funds	618	380	238	548	332	216	
Auction rate securities (b)	20		20	20		20	
Total assets	\$ 3,883	\$ 1,067	\$ 2,745	\$ 71	\$ 4,305	\$ 691	\$ 3,477

Liabilities							
Price risk management liabilities:							
Energy commodities	\$ 1,541		\$ 1,487	\$ 54	\$ 2,080	\$ 2	\$ 2,068
Cross-currency swaps	9		9	4		4	10
Total price risk management liabilities	\$ 1,550		\$ 1,496	\$ 54	\$ 2,084	\$ 2	\$ 2,072

PPL Electric

Assets							
Cash and cash equivalents	\$ 204	\$ 204		\$ 485	\$ 485		
Restricted cash and cash equivalents (a)	14	14		14	14		
Total assets	\$ 218	\$ 218		\$ 499	\$ 499		

- (a) Current portion is included in "Restricted cash and cash equivalents" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other investments" on the Balance Sheets.

A reconciliation of net assets and liabilities classified as Level 3 is as follows.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	December 31, 2010			December 31, 2009		
	Energy Commodities, net	Auction Rate Securities	Total	Energy Commodities, net	Auction Rate Securities	Total
Balance at beginning of period	\$ 107	\$ 25	\$ 132	\$ 188	\$ 24	\$ 212
Total realized/unrealized gains (losses)						
Included in earnings	(137)		(137)	(136)		(136)
Included in OCI (a)	11		11	18	5	23
Purchases, sales, issuances and settlements, net	(16)		(16)	104	(4)	100

Transfers into Level 3 (b)	(15)		(15)	(67)		(67)
Transfers out of Level 3	47		47			
Balance at end of period	<u>\$ (3)</u>	<u>\$ 25</u>	<u>\$ 22</u>	<u>\$ 107</u>	<u>\$ 25</u>	<u>\$ 132</u>
PPL Energy Supply						
Balance at beginning of period	\$ 107	\$ 20	\$ 127	\$ 188	\$ 19	\$ 207
Total realized/unrealized gains (losses)						
Included in earnings	(137)		(137)	(136)		(136)
Included in OCI (a)	11		11	18	5	23
Purchases, sales, issuances and settlements, net	(16)		(16)	104	(4)	100
Transfers into Level 3 (b)	(15)		(15)	(67)		(67)
Transfers out of Level 3	47		47			
Balance at end of period	<u>\$ (3)</u>	<u>\$ 20</u>	<u>\$ 17</u>	<u>\$ 107</u>	<u>\$ 20</u>	<u>\$ 127</u>

(a) Included in "Qualifying derivatives" and "Available-for-sale securities" on the Statements of Comprehensive Income.

(b) Transfers into and out of Level 3 are presented on a net basis in 2009. Accounting guidance effective January 1, 2010 requires transfers into and out of Level 3 be presented on a gross basis. See Note 1 for additional information.

Net gains and losses on assets and liabilities classified as Level 3 and included in earnings are reported in the Statements of Income as follows.

	December 31, 2010		
	Energy Commodities, net		
	Unregulated Retail Electric and Gas	Wholesale Energy Marketing	Energy Purchases
PPL and PPL Energy Supply			
Total gains (losses) included in earnings for the period	\$ 11	\$ 14	\$ (162)
Change in unrealized gains (losses) relating to positions still held at the reporting date	4	6	(119)

	December 31, 2009			
	Energy Commodities, net			
	Unregulated Retail Electric and Gas	Wholesale Energy Marketing	Net Energy Trading Margins	Energy Purchases
PPL and PPL Energy Supply				
Total gains (losses) included in earnings for the period	\$ 13	\$ 22	\$ (16)	\$ (155)
Change in unrealized gains (losses) relating to positions still held at the reporting date	8	12	1	(83)

Cash and Cash Equivalents, Short-term Investments, and Restricted Cash and Cash Equivalents

(PPL, PPL Energy Supply and PPL Electric)

The fair value measurements of cash and cash equivalents and restricted cash and cash equivalents are based on the amount on deposit.

(PPL)

The fair value measurements of short-term investments are based on quoted prices.

(PPL and PPL Energy Supply)

Price Risk Management Assets/Liabilities - Energy Commodities

Energy commodity contracts are generally valued using the income approach, except for exchange-traded derivative gas and oil contracts, which are valued using the market approach and are classified as Level 1. When observable inputs are used to measure all or most of the value of a contract, the contract is classified as Level 2. Over-the-counter (OTC) contracts are valued using quotes obtained from an exchange, binding and non-binding broker quotes, prices posted by ISOs or published tariff rates. Furthermore, PPL obtains independent quotes from the market to validate the forward price curves. OTC contracts include forwards, swaps, options and structured deals for electricity, gas, oil, and/or emission allowances and may be offset with similar positions in exchange-traded markets. To the extent possible, fair value measurements utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. For example, the fair value of a structured deal that delivers power to an illiquid delivery point may be measured by valuing the nearest liquid trading point plus the value of the basis between the two points. The basis input may be from market quotes, FTR prices, or historical prices.

When unobservable inputs are significant to the fair value measurement, a contract is classified as Level 3. Additionally, Level 2 and Level 3 fair value measurements include adjustments for credit risk based on PPL's own creditworthiness (for net liabilities) and its counterparties' creditworthiness (for net assets). PPL's credit department assesses all reasonably available market information and uses probabilities of default to calculate the credit adjustment. PPL assumes that observable market prices include sufficient adjustments for liquidity and modeling risks. In addition to Level 3 fair value measurements, PPL also assesses the need for additional adjustments for liquidity or modeling risks. The contracts classified as Level 3 represent contracts for which the delivery dates are beyond the dates for which independent prices are available or for certain power basis positions, which PPL generally values using historical settlement prices to project forward prices.

In certain instances, PPL transfers energy commodity contracts between Level 2 and Level 3. The primary reasons for the transfers during 2010

and 2009 were changes in the availability of market information and changes in the significance of the unobservable portion of the contract. As the delivery period of a contract becomes closer, market information may become available. When this occurs, the model's unobservable inputs are replaced with observable market information.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Exchange Contracts/Cross-Currency Swaps

To manage their interest rate and foreign currency exchange risk, PPL and PPL Energy Supply generally use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps, foreign currency exchange contracts such as forwards and options, and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts. PPL and PPL Energy Supply use an income approach to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP and Euro), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, PPL and PPL Energy Supply cannot practicably obtain market information to value credit risk and therefore rely on their own models. These models use projected probabilities of default based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

NDT Funds

The fair value measurements of cash and cash equivalents are based on the amount on deposit.

PPL and PPL Energy Supply generally use the market approach to measure the fair value of equity securities held in the NDT funds.

- The fair value measurements of equity securities classified as Level 1 are based on quoted prices in active markets and are comprised of securities that are representative of the Wilshire 5000 index, which is invested in approximately 70% large-cap stocks and 30% mid/small-cap stocks.
- Investments in commingled equity funds are classified as Level 2 and represent securities that track the S&P 500 index and the Wilshire 4500 index. These fair value measurements are based on firm quotes of net asset values per share, which are not obtained from a quoted price in an active market.

Debt securities are generally measured using a market approach, including the use of matrix pricing. Common inputs include reported trades, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as benchmark yields, credit valuation adjustments, reference data from market research publications, monthly payment data, collateral performance and new issue data. The debt securities held by the NDT funds at December 31, 2010 have a weighted-average coupon of 4.59% and a weighted-average duration of five years.

Auction Rate Securities

PPL's and PPL Energy Supply's auction rate securities include Federal Family Education Loan Program guaranteed student loan revenue bonds, as well as various municipal bond issues. At December 31, 2010, contractual maturities for these auction rate securities were a weighted average of approximately 25 years. PPL and PPL Energy Supply do not have significant exposure to realize losses on these securities; however, auction rate securities are classified as Level 3 because failed auctions limit the amount of observable market data that is available for measuring the fair value of these securities.

The fair value of auction rate securities is estimated using an income approach with inputs for the underlying structure and credit quality of each security; the present value of future interest payments, estimated based on forward rates of the SIFMA Index, and principal payments discounted using interest rates for bonds with a credit rating and remaining term to maturity similar to the stated maturity of the auction rate securities; and the impact of auction failures or redemption at par.

Nonrecurring Fair Value Measurements (PPL and PPL Energy Supply)

The following nonrecurring fair value measurements occurred during the reporting periods, resulting in asset impairments.

	Carrying Amount (a)	Fair Value Measurements Using		Loss (b)
		Level 2	Level 3	
Sulfur dioxide emission allowances (c):				
December 31, 2010	\$ 2		\$ 1	\$ 1
September 30, 2010	6		2	4
June 30, 2010	11		3	8
March 31, 2010	13		10	3
December 31, 2009	20		13	7
March 31, 2009	45		15	30
Certain non-core generation facilities:				
September 30, 2010	473	\$ 381		96
ong Island generation business:				
December 31, 2009	132	128		5
September 30, 2009	137	133		5
June 30, 2009	189	138		52

(a) Represents carrying value before fair value measurement.

- (b) Losses on sulfur dioxide emission allowances were recorded in the Supply segment and included in "Other operation and maintenance" on the Statements of Income. Losses on certain non-core generation facilities and the Long Island generation business were recorded in the Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.
- (c) Current and long-term sulfur dioxide emission allowances are included in "Other intangibles" in their respective areas on the Balance Sheets.

Sulfur Dioxide Emission Allowances

Due to declines in market prices in 2010 and 2009, PPL Energy Supply assessed the recoverability of sulfur dioxide emission allowances not expected to be consumed. When available, observable market prices were used to value the sulfur dioxide emission allowances. When observable market prices were not available, fair value was modeled using prices from observable transactions and appropriate discount rates. The modeled values were significant to the overall fair value measurement.

Certain Non-Core Generation Facilities

Certain non-core generation facilities met the held for sale criteria at September 30, 2010. As a result, net assets held for sale were written down to their estimated fair value less cost to sell. The fair value in the table above excludes \$4 million of estimated costs to sell and was based on the negotiated sales price (achieved through an active auction process). See Note 9 for additional information on the anticipated sale.

Long Island Generation Business

The Long Island generation business met the held for sale criteria at June 30, 2009. As a result, net assets held for sale were written down to their estimated fair value less cost to sell. The fair value in the table above excludes \$1 million of estimated costs to sell and was based on the negotiated sales price (achieved through an active auction process). See Note 9 for additional information on the completed sale.

Nitrogen Oxide Allowances

In July 2008, the United States Court of Appeals for the D.C. Circuit issued a ruling that invalidated the CAIR in its entirety, including its cap-and-trade program. As a result of this decision, in 2008, PPL determined that all of the annual nitrogen oxide allowances purchased by PPL EnergyPlus pursuant to the CAIR were no longer required, had no value and, therefore, recorded a pre-tax impairment charge of \$33 million (\$20 million after tax). Further, in 2008, PPL EnergyPlus recorded an additional charge and corresponding reserve of \$9 million pre-tax (\$5 million after tax) related to its sale of certain annual nitrogen oxide allowance put options. These charges, recorded in PPL and PPL Energy Supply's Supply segment, are included in "Other operation and maintenance" expense on the Statement of Income.

Financial Instruments Not Recorded at Fair Value

(PPL, PPL Energy Supply and PPL Electric)

NPNS

PPL and PPL Energy Supply enter into full-requirement sales contracts, power purchase agreements and certain retail energy and physical capacity contracts that range in maturity through 2023 and qualify for NPNS. PPL Electric also enters into contracts that qualify for NPNS. See "Energy Purchase Commitments" in Note 15 for information about PPL Electric's competitive solicitations. All of these contracts are accounted for using accrual accounting; therefore, there were no amounts recorded on the Balance Sheets at December 31, 2010 and 2009. The estimated fair value of these contracts, calculated using similar inputs and valuation techniques as those described above within "Price Risk Management Assets/Liabilities - Energy Commodities," was:

	Net Asset (Liability)	
	December 31, 2010	December 31, 2009
PPL	\$ 229	\$ 122
PPL Energy Supply	240	334
PPL Electric	(8)	(216)

Other

The carrying amounts of contract adjustment payments related to the Purchase Contract component of the Equity Units and long-term debt on the Balance Sheets and their estimated fair value are set forth below. The fair value of these instruments was estimated using an income approach by discounting future cash flows at estimated current cost of funding rates. The effect of third-party credit enhancements is not included in the fair value measurement.

	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL				
Contract adjustment payments (a)	\$ 146	\$ 148		
Long-term debt	12,663	12,868	\$ 7,143	\$ 7,280
PPL Energy Supply				
Long-term debt	5,589	5,919	5,031	5,180
PPL Electric				
Long-term debt	1,472	1,578	1,472	1,567

(a) Reflected in current and long-term other liabilities on the balance sheet. See Note 7 for additional information.

(PPL and PPL Energy Supply)

The carrying value of "Short-term debt" at December 31, 2010 and 2009 on the Balance Sheets represented or approximated fair value due to the liquid nature of the instruments or variable interest rates associated with the financial instruments.

Credit Concentration Associated with Financial Instruments

(PPL, PPL Energy Supply and PPL Electric)

PPL and its subsidiaries enter into contracts with many entities for the purchase and sale of energy. Many of these contracts are considered a normal part of doing business and, as such, the fair value of these contracts is not reflected in the financial statements. However, the fair value of these contracts is considered when committing to new business from a credit perspective. See Note 19 for information on credit policies used by PPL and its subsidiaries to manage credit risk, including master netting arrangements and collateral requirements.

(PPL)

At December 31, 2010, PPL had credit exposure of \$2.8 billion to energy trading partners, excluding the effects of netting arrangements and collateral. As a result of netting arrangements and collateral, PPL's credit exposure was reduced to \$749 million. One of the counterparties accounted for 12% of this exposure, and the next highest counterparty accounted for 11% of the exposure. Ten counterparties accounted for \$445 million, or 59%, of the net exposure. Nine of these counterparties had an investment grade credit rating from S&P and accounted for 89% of the top ten exposure. The remaining counterparty has not been rated by S&P, but is current on its obligations.

(PPL Energy Supply)

At December 31, 2010, PPL Energy Supply had credit exposure of \$2.8 billion to energy trading partners, excluding exposure from related parties and the effects of netting arrangements and collateral. As a result of netting arrangements and collateral, this credit exposure was reduced to \$749 million. One of the counterparties accounted for 12% of this exposure, and the next highest counterparty accounted for 11% of the exposure. Ten counterparties accounted for \$445 million, or 59%, of the net exposure. Nine of these counterparties had an investment grade credit rating from S&P and accounted for 89% of the top ten exposure. The remaining counterparty has not been rated by S&P, but is current on its obligations.

At December 31, 2010, PPL Energy Supply's credit exposure under certain energy supply contracts to PPL Electric was \$42 million. Netting arrangements had an insignificant change on this credit exposure.

(PPL Electric)

At December 31, 2010, PPL Electric had no credit exposure under energy supply contracts (including its supply contracts with its affiliate PPL EnergyPlus).

19. Derivative Instruments and Hedging Activities

Risk Management Objectives *(PPL, PPL Energy Supply and PPL Electric)*

PPL has a risk management policy approved by the Board of Directors to manage market risk and counterparty credit risk. The RMC, comprised of senior management and chaired by the Chief Risk Officer, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions and market prices, verification of risk and transaction limits, VaR analyses, portfolio stress tests, gross margin at risk analyses, sensitivity analyses, and daily portfolio reporting, including open positions, determinations of fair value, and other risk management metrics. PPL completed its acquisition of LKE in November 2010. Due to the timing of the acquisition, PPL is evaluating changes to processes, including risk management, as part of its ongoing integration activities. LKE continues to operate under its existing policies, which have been reviewed by PPL and have been deemed adequate to minimize risk until this evaluation and integration process is complete.

Market risk is the potential loss PPL and its subsidiaries may incur as a result of price changes associated with a particular financial or commodity instrument.

PPL and PPL Energy Supply are exposed to market risk from:

- commodity price, basis and volumetric risks for energy and energy-related products associated with the sale of electricity from its generating assets and other electricity marketing activities (including full-requirement sales contracts) and the purchase of fuel and fuel-related commodities for generating assets, as well as for proprietary trading activities;
- interest rate and price risk associated with debt used to finance operations, as well as debt and equity securities in NDT funds and defined benefit plans; and
- foreign currency exchange rate risk associated with investments in U.K. affiliates, as well as purchases of equipment in currencies other than U.S. dollars.

PPL and PPL Energy Supply utilize forward contracts, futures contracts, options, swaps and structured deals such as tolling agreements as part of the risk management strategy to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-

requirement sales contracts, basis prices, interest rates and foreign currency exchange rates. All derivatives are recognized on the balance sheet at their fair value, unless they qualify for NPNS.

PPL and PPL Electric are exposed to market price and volumetric risks from PPL Electric's obligation as PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement supply agreements for its customers. These supply agreements transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

Credit risk is the potential loss PPL and its subsidiaries may incur due to a counterparty's non-performance, including defaults on payments and energy commodity deliveries.

PPL is exposed to credit risk from interest rate derivatives with financial institutions.

PPL and PPL Energy Supply are exposed to credit risk from commodity derivatives with their energy trading partners, which include other energy companies, fuel suppliers and financial institutions and from foreign currency derivatives with financial institutions.

PPL and PPL Electric are exposed to credit risk from PPL Electric's supply agreements for its PLR obligation.

The majority of PPL's, PPL Energy Supply's and PPL Electric's credit risk stems from PPL subsidiaries' commodity derivatives for multi-year contracts for energy sales and purchases. If PPL Energy Supply's counterparties fail to perform their obligations under such contracts and PPL Energy Supply could not replace the sales or purchases at the same prices as those under the defaulted contracts, PPL Energy Supply would incur financial losses. Those losses would be recognized immediately or through lower revenues or higher costs in future years, depending on the accounting treatment for the defaulted contracts. In the event an LG&E, KU or PPL Electric supplier defaults on its obligation, those entities would be required to seek replacement power in the market. In general, incremental costs incurred by these entities would be recoverable from customers in future rates.

PPL and its subsidiaries have credit policies to manage their credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions, and the use of master netting agreements. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request the additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade or their exposures exceed an established credit limit. See Note 18 for credit concentration associated with financial instruments.

PPL's and PPL Energy Supply's obligation to return counterparty cash collateral under master netting arrangements was \$338 million and \$355 million at December 31, 2010 and December 31, 2009.

PPL Electric had no obligation to return cash collateral under master netting arrangements at December 31, 2010 and December 31, 2009.

PPL, PPL Energy Supply and PPL Electric had not posted any cash collateral under master netting arrangements at December 31, 2010 and December 31, 2009.

(PPL and PPL Energy Supply)

Commodity Price Risk (Non-trading)

Commodity price and basis risks are among PPL's and PPL Energy Supply's most significant risks due to the level of investment that PPL and PPL Energy Supply maintain in their generation assets, as well as the extent of their marketing and proprietary trading activities. Several factors influence price levels and volatilities. These factors include, but are not limited to, seasonal changes in demand, weather conditions, available generating assets within regions, transportation/transmission availability and reliability within and between regions, market liquidity, and the nature and extent of current and potential federal and state regulations.

PPL and PPL Energy Supply enter into financial and physical derivative contracts, including forwards, futures, swaps and options, to hedge the price risk associated with electricity, gas, oil and other commodities. Certain contracts qualify for NPNS or are non-derivatives and are therefore not reflected in the financial statements until delivery. See Note 18 for additional information on NPNS. PPL and PPL Energy Supply segregate their remaining non-trading activities into two categories: cash flow hedge activity and economic activity.

Monetization of Certain Full-Requirement Sales Contracts

In July 2010, in order to raise additional cash for the LKE acquisition, PPL Energy Supply monetized certain full-requirement sales contracts that resulted in cash proceeds of \$249 million and triggered certain accounting:

- A portion of these sales contracts had previously been accounted for as NPNS and received accrual accounting treatment. PPL Energy Supply could no longer assert that it was probable that any contracts with these counterparties would result in physical delivery. Therefore, the fair value of the NPNS contracts of \$160 million was recorded on the Balance Sheet in "Price risk management assets," with a corresponding gain of \$144 million recorded to "Wholesale energy marketing - Realized" on the Statement of Income, and \$16 million recorded to "Wholesale energy marketing - Unrealized economic activity," related to full-requirement sales contracts that have not been monetized.
- The related purchases to supply these sales contracts were accounted for as cash flow hedges, with the effective portion of the change in fair

value being recorded in AOCI and the ineffective portion recorded in "Energy purchases - Unrealized economic activity." The corresponding cash flow hedges were redesignated and all amounts previously recorded in AOCI were reclassified to earnings. This resulted in a pre-tax reclassification of \$(173) million of losses from AOCI into "Energy purchases - Unrealized economic activity" on the Statement of Income. An additional charge of \$(39) million was also recorded in "Wholesale energy marketing - Unrealized economic activity" on the Statement of Income to reflect the fair value of the sales contracts previously accounted for as economic activity.

- The net result of these transactions, excluding the full-requirement sales contracts that have not been monetized, was a loss of \$(68) million, or \$(40) million after tax.

The proceeds of \$249 million from these monetizations are reflected in the Statement of Cash Flows as a component of "Net cash provided by operating activities."

Cash Flow Hedges

Many derivative contracts have qualified for hedge accounting so that the effective portion of a derivative's gain or loss is deferred in AOCI and reclassified into earnings when the forecasted transaction occurs. The cash flow hedges that existed at December 31, 2010 range in maturity through 2015. At December 31, 2010, the accumulated net unrealized after-tax gains that are expected to be reclassified into earnings during the next 12 months were \$300 million for PPL and PPL Energy Supply. Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time periods and any amounts previously recorded in AOCI are reclassified into earnings. For 2010, such reclassifications were after-tax losses of \$(89) million, primarily due to the monetization of certain full-requirement sales contracts, for which the associated hedges are no longer required, as discussed above. For 2009 and 2008, such reclassifications were an after-tax gain of \$9 million and an after-tax loss of \$(8) million.

For 2010, 2009 and 2008, hedge ineffectiveness associated with energy derivatives was, after-tax, a loss of \$(30) million, a gain of \$41 million and a gain of \$12 million.

In addition, when cash flow hedge positions fail hedge effectiveness testing, hedge accounting is not permitted in the quarter in which this occurs and, accordingly, the entire change in fair value for the periods that failed is recorded to the income statement. Certain power and gas cash flow hedge positions failed effectiveness testing during 2008 and the first quarter of 2009. However, these positions were not redesignated as hedges, as prospective regression analysis demonstrated that these hedges were expected to be highly effective over their term. For 2008, an after-tax gain of \$298 million was recognized in earnings as a result of these hedge failures. During 2009, fewer power and gas cash flow hedges failed hedge effectiveness testing; therefore, a portion of the previously recognized unrealized gains recorded in 2008 associated with these hedges were reversed. For 2009, after-tax losses of \$(215) million were recognized in earnings as a result of these reversals. During the first quarter of 2010, after-tax losses of \$(82) million were recognized in earnings as a result of these reversals continuing. Effective April 1, 2010, clarifying accounting guidance was issued that precludes the reversal of previously recognized gains/losses resulting from hedge failures. By the end of the first quarter of 2010, all previously recorded hedge ineffectiveness gains resulting from hedge failures were reversed, thus the new accounting guidance did not have a significant impact at adoption on April 1, 2010. See Note 1 for more information on this accounting change.

Economic Activity

Certain derivative contracts economically hedge the price and volumetric risk associated with electricity, gas, oil and other commodities but do not receive hedge accounting treatment. These derivatives hedge a portion of the economic value of PPL and PPL Energy Supply's generation assets and full-requirement and retail contracts, which are subject to changes in fair value due to market price volatility and volume expectations. Additionally, economic activity includes the ineffective portion of qualifying cash flow hedges, including the entire change in fair value of certain cash flow hedges that failed retrospective effectiveness testing (see "Cash Flow Hedges" above). The derivative contracts in this category that existed at December 31, 2010 range in maturity through 2017.

Examples of economic activity include certain purchase contracts used to supply full-requirement sales contracts; FTRs or basis swaps used to hedge basis risk associated with the sale of generation or supplying full-requirement sales contracts; spark spreads (sale of electricity with the simultaneous purchase of fuel); retail gas activities; and fuel oil swaps used to hedge price escalation clauses in coal transportation and other fuel-related contracts. PPL Energy Supply also uses options, which include the sale of call options and the purchase of put options tied to a particular generating unit. Since the physical generating capacity is owned, the price exposure is limited to the cost of the particular generating unit and does not expose PPL Energy Supply to uncovered market price risk. PPL Energy Supply also purchases call options or sells put options to create a net purchase position to cover an overall short position in the non-trading portfolio.

Unrealized activity associated with monetizing certain full-requirement sales contracts was also included in economic activity during 2010.

The unrealized gains (losses) for economic activity are as follows.

	PPL			PPL Energy Supply		
	2010	2009	2008	2010	2009	2008
Operating Revenues						
Utility	\$	(2)				
Unregulated retail electric and gas	1	\$	6	1	\$	5
Wholesale energy marketing	(805)	(229)	1,056	(805)	(229)	1,056
Operating Expenses						
Fuel	29	49	(79)	29	49	(79)
Energy purchases	286	(155)	(553)	286	(155)	(553)

The net gains (losses) recorded in "Wholesale energy marketing" resulted primarily from certain full-requirement sales contracts for which PPL Energy Supply did not elect NPNS, from hedge ineffectiveness, including hedges that failed effectiveness testing, as discussed in "Cash Flow Hedges" above, and from the monetization of certain full-requirement sales contracts. The net gains (losses) recorded in "Energy purchases" resulted primarily from certain purchase contracts to supply the full-requirement sales contracts noted above for which PPL Energy Supply did not elect hedge treatment, from hedge ineffectiveness, including hedges that failed effectiveness testing, and from purchase contracts that no longer hedge the full-requirement sales contracts that have been monetized as discussed above in "Monetization of Certain Full-Requirement Sales Contracts."

Commodity Price Risk (Trading)

PPL Energy Supply also executes energy contracts to take advantage of market opportunities. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in significant losses if prices do not move in the manner or direction anticipated. PPL Energy Supply's trading activity is shown in "Net energy trading margins" on the Statements of Income.

Commodity Volumetric Activity

PPL Energy Supply currently employs four primary strategies to maximize the value of its wholesale energy portfolio. As further discussed below, these strategies include the sales of baseload generation, optimization of intermediate and peaking generation, marketing activities, and proprietary trading activities. The tables within this section present the volumes of PPL Energy Supply's derivative activity, excluding those that qualify for NPNS, unless otherwise noted.

Sales of Baseload Generation

PPL Energy Supply has a formal hedging program for its competitive baseload generation fleet, which includes 7,408 MW of nuclear, coal and hydro generating capacity. The objective of this program is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential of power price increases over the medium term. PPL Energy Supply sells its expected generation output on a forward basis using both derivative and non-derivative instruments. Both are included in the following tables.

The following table presents the expected sales, in GWh, of baseload generation based on current forecasted assumptions for 2011-2013. These expected sales could be impacted by several factors, including plant availability.

2011 (a)	2012 (a)	2013 (a)
51,435	54,675	54,364

(a) Excludes expected sales from the Safe Harbor hydroelectric facility that has been classified as held for sale. See Note 9 for additional information.

The following table presents the percentage of expected baseload generation sales shown above that has been sold forward under fixed-price contracts and the related percentage of fuel that has been purchased or committed at December 31, 2010.

Year	Derivative Sales (a) (b)	Total Power Sales (c)	Fuel Purchases (d)	
			Coal	Nuclear
2011	91%	99%	99%	100%
2012	58%	68%	96%	100%
2013	7%	15%	87%	100%

(a) Excludes non-derivative contracts and contracts that qualify for NPNS. Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.

(b) Volumes for derivative sales contracts that deliver between 2014 and 2015 are 1,180 GWh.

(c) Amount represents derivative and non-derivative contracts. Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.

(d) Coal and nuclear contracts receive accrual accounting treatment, as they are not derivative contracts. Percentages are based on both fixed- and variable-priced contracts.

In addition to the fuel purchases above, PPL Energy Supply attempts to economically hedge the fuel price risk that is within its fuel-related contracts and coal transportation contracts, which are tied to changes in crude oil or diesel prices. The following table presents the volumes (in thousands of barrels) of derivative contracts used in support of this strategy at December 31, 2010.

Contract Type	2011	2012	2013
Oil Swaps	6,822	6,167	300

Optimization of Intermediate and Peaking Generation

In addition to its competitive baseload generation activities, PPL Energy Supply attempts to optimize the overall value of its competitive intermediate and peaking fleet, which includes 4,321 MW of gas and oil-fired generation. The following table presents the volumes of derivative contracts used in support of this strategy at December 31, 2010.

	Units	2011	2012
Net Power Sales:			
Options (a)	GWh	(69)	
Non-option contracts (b)	GWh	(1,969)	(408)

Net Fuel Purchases:

Non-option contracts	Bcf	15.9	2.7
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- (a) Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.
 (b) Included in these volumes are exercised option contracts that converted to non-option derivative contracts.

Marketing Activities

PPL Energy Supply's marketing portfolio is comprised of full-requirement sales contracts and their related supply contracts, retail gas and electricity sales contracts and other marketing activities. The full-requirement sales contracts and their related supply contracts make up a significant component of the marketing portfolio. The obligations under the full-requirement sales contracts include supplying a bundled product of energy, capacity, RECs, and other ancillary products. The full-requirement sales contracts PPL Energy Supply is awarded do not provide for specific levels of load, and actual load could vary significantly from forecasted amounts. PPL Energy Supply uses a variety of strategies to hedge its full-requirement sales contracts, including purchasing energy at a liquid trading hub or directly at the load delivery zone, purchasing capacity and RECs in the market and supplying the energy, capacity and RECs with its generation. RECs are not derivatives and are excluded from the table below. The following table presents the volumes of (sales)/purchase contracts, excluding FTRs, basis and capacity contracts, used in support of these activities at December 31, 2010.

	Units	2011	2012	2013
Energy sales contracts (a) (b)	GWh	(15,613)	(8,387)	(3,057)
Related energy supply contracts (b)				
Energy purchases	GWh	9,042	3,974	186
Volumetric hedges (c)	GWh	419	(16)	
Generation supply	GWh	2,909	3,589	2,848
Retail gas sales contracts	Bcf	(5.7)	(5.3)	(0.1)
Retail gas purchase contracts	Bcf	5.7	5.2	0.1

- (a) Includes NPNS and contracts that are not derivative, which are the majority of PPL Energy Supply's full-requirement sales contracts and receive accrual accounting. Also included in these volumes are the sales from PPL EnergyPlus to PPL Electric to supply PPL Electric's PLR load obligation.
 (b) Net volumes for derivative contracts, excluding contracts that qualify for NPNS that deliver between 2014 and 2015 are insignificant.
 (c) PPL Energy Supply uses power and gas options, swaps and futures to hedge the volumetric risk associated with full-requirement sales contracts since the demand for power varies hourly. Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.

FTRs and Other Basis Positions

PPL Energy Supply buys and sells FTRs and other basis positions to mitigate the basis risk between delivery points related to the sales of its generation, the supply of its full-requirement sales contracts and retail contracts, as well as for proprietary trading purposes. The following table presents the volumes of derivative FTR and basis (sales)/purchase contracts at December 31, 2010.

Commodity	Units	2011	2012	2013
FTRs	GWh	23,283	47	
Power Basis Positions	GWh	(7,481)	(230)	(216)
Gas Basis Positions (a)	Bcf	14.9	3.2	

- (a) Net volumes that deliver in 2014 are insignificant.

Capacity Positions

PPL Energy Supply buys and sells capacity related to the sales of its generation and the supply of its full-requirement sales contracts, as well as for proprietary trading purposes. The following table presents the volumes of derivative capacity (sales)/purchase contracts at December 31, 2010.

Commodity	Units	2011	2012	2013
Capacity (a)	MW-months	(6,634)	(177)	(1,005)

- (a) Net volumes that deliver between 2014 and 2016 are 647 MW-months.

Proprietary Trading Activity

At December 31, 2010, PPL Energy Supply's proprietary trading positions, excluding FTR, basis and capacity contract activity that has already been included in the tables above, were not significant.

Sales of Excess Regulated Generation (PPL)

PPL manages the price risk of its expected excess regulated generation capacity using market-traded forward contracts. At December 31, 2010, PPL's net volume of electricity based financial derivatives outstanding to hedge excess regulated generation was 998 GWh for LKE.

Interest Rate Risk (PPL and PPL Energy Supply)

PPL and its subsidiaries have issued debt to finance their operations, which exposes them to interest rate risk. PPL and its subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of their

debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of PPL's and its subsidiaries' debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. PPL and PPL Energy Supply may enter into financial interest rate swap contracts that qualify as cash flow hedges to hedge floating interest rate risk associated with both existing and anticipated debt issuances. For PPL, these interest rate swap contracts range in maturity through 2041 and had a notional value of \$500 million at December 31, 2010. For 2010, hedge ineffectiveness associated with these derivatives resulted in a net after-tax loss of \$(9) million. For 2009 and 2008, hedge ineffectiveness associated with these derivatives was not significant. No contracts were outstanding at PPL Energy Supply at December 31, 2010.

In anticipation of debt issuances that occurred in March 2010, WPD (South West) and WPD (South Wales) entered into forward starting interest rate swaps to hedge the change in benchmark interest rates up through the date of the debt issuances. See Note 7 for information on the debt issued. For 2010, WPD (South Wales) recorded hedge ineffectiveness of \$3 million in "Interest Expense" on the Statement of Income related to the forward-starting interest rate swaps.

At December 31, 2010, WPDH Limited holds a net notional position in cross-currency swaps totaling \$302 million to hedge the interest payments and principal of its U.S. dollar-denominated senior notes with maturity dates ranging from December 2017 to December 2028. For 2010, 2009 and 2008, no amounts were recorded related to hedge ineffectiveness.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time periods and any amounts previously recorded in AOCI are reclassified to earnings. As a result of the expected net proceeds from the anticipated sale of certain non-core generation facilities, coupled with the monetization of certain full-requirement sales contracts, debt that had been planned to be issued by PPL Energy Supply in 2010 was no longer needed. As a result, hedge accounting associated with interest rate swaps entered into by PPL in anticipation of a debt issuance by PPL Energy Supply was discontinued. PPL reclassified a net after-tax loss of \$(19) million in 2010 and a net after-tax gain of \$1 million in 2009. PPL had no such reclassifications in 2008. PPL Energy Supply had no such reclassifications in 2010, 2009 and 2008.

At December 31, 2010, the accumulated net unrealized after-tax losses on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were \$(7) million for PPL and insignificant for PPL Energy Supply. Amounts are reclassified as the hedged interest payments are made.

Economic Activity

LG&E has entered into interest rate swap contracts that economically hedge interest payments on variable debt. As discussed in Note 3, realized gains and losses from the swaps are recoverable through regulated rates. Therefore, the change in fair value of these derivatives is included in regulatory assets and liabilities. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income when the hedged transaction occurs. At December 31, 2010, LG&E held contracts with a notional amount of \$179 million that range in maturity through 2033.

Fair Value Hedges

PPL and PPL Energy Supply are exposed to changes in the fair value of their domestic and international debt portfolios. To manage this risk, PPL and PPL Energy Supply may enter into financial contracts to hedge fluctuations in the fair value of existing debt issuances due to changes in benchmark interest rates. At December 31, 2010, PPL held contracts that range in maturity through 2047 and had a notional value of \$349 million. PPL Energy Supply did not hold any such contracts at December 31, 2010. PPL and PPL Energy Supply did not recognize any gains or losses resulting from the ineffective portion of fair value hedges or from a portion of the hedging instrument being excluded from the assessment of hedge effectiveness for 2010, 2009 and 2008. Additionally, PPL recognized net after-tax gains of \$4 million from hedges of debt that no longer qualified as fair value hedges for 2009, while the amounts were not significant for 2010 and 2008. PPL Energy Supply did not recognize any gains or losses resulting from hedges of debt issuances that no longer qualified as fair value hedges for 2010, 2009 and 2008.

Foreign Currency Risk *(PPL and PPL Energy Supply)*

PPL and PPL Energy Supply are exposed to foreign currency risk, primarily through investments in U.K. affiliates. In addition, PPL's and PPL Energy Supply's domestic operations may make purchases of equipment in currencies other than U.S. dollars.

PPL and PPL Energy Supply have adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL and PPL Energy Supply enter into financial instruments to protect against foreign currency translation risk of expected earnings.

Cash Flow Hedges

PPL and PPL Energy Supply may enter into foreign currency derivatives associated with foreign currency-denominated debt and the exchange rate associated with firm commitments denominated in foreign currencies; however, at December 31, 2010, there were no existing contracts of this nature. Amounts previously classified in AOCI are reclassified as the hedged interest payments are made and as the related equipment is depreciated.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time periods and any amounts previously recorded in AOCI are reclassified to earnings. There were no such reclassifications during 2010, 2009 and 2008.

Fair Value Hedges

PPL and PPL Energy Supply enter into foreign currency forward contracts to hedge the exchange rates associated with firm commitments denominated in foreign currencies; however, at December 31, 2010, there were no existing contracts of this nature. PPL and PPL Energy Supply did not recognize any gains or losses resulting from the ineffective portion of fair value hedges or from a portion of the hedging instrument being excluded from the assessment of hedge effectiveness for 2010, 2009 and 2008. Additionally, PPL and PPL Energy Supply did not recognize any gains or losses resulting from hedges of firm commitments that no longer qualified as fair value hedges for 2010, 2009 and 2008.

Net Investment Hedges

PPL and PPL Energy Supply may enter into foreign currency contracts to protect the value of a portion of their net investment in WPD. The total notional amount of the contracts outstanding at December 31, 2010 was £35 million (approximately \$62 million based on contracted rates). These contracts were settled in January 2011. At December 31, 2010, the fair value of these positions was a net asset of \$7 million. At December 31, 2009, the fair value of these positions was a net asset of \$13 million. For 2010, 2009 and 2008, PPL and PPL Energy Supply recognized after tax net investment hedge gains of \$4 million, after-tax losses of \$(5) million and after-tax gains of \$20 million in the foreign currency translation adjustment component of AOCI. At December 31, 2010, PPL and PPL Energy Supply had \$15 million of accumulated net investment hedge gains, after tax, that were included in the foreign currency translation adjustment component of AOCI compared with \$11 million of gains, after tax, at December 31, 2009. See Note 16 for additional information.

Economic Activity

PPL and PPL Energy Supply may enter into foreign currency contracts as an economic hedge of anticipated earnings denominated in British pounds sterling. At December 31, 2010, the total exposure hedged was £89 million and the net fair value of these positions was a net asset of \$4 million. These contracts had termination dates ranging from January 2011 to December 2011. The net fair value of similar hedging instruments outstanding at December 31, 2009 was a net asset of \$2 million. Gains and losses, both realized and unrealized, on these contracts are included in "Other Income (Expense) - net" on the Statements of Income. For 2010, PPL and PPL Energy Supply recorded net gains of \$3 million. For 2009 and 2008, PPL and PPL Energy Supply recorded net losses of \$(9) million and net gains of \$9 million related to similar average rate forwards and average rate options. See Note 16 for additional information.

Accounting and Reporting

(PPL, PPL Energy Supply and PPL Electric)

All derivative instruments are recorded at fair value on the balance sheet as an asset or liability (unless they qualify for NPNS; See Note 18 for additional information). Changes in the derivatives' fair value are recognized currently in earnings unless specific hedge accounting criteria are met. However, the change in fair value of LG&E's interest rate swaps is recognized in a regulatory asset. See Note 3 for additional information.

See Note 1 for additional information on accounting policies related to derivative instruments.

(PPL)

The following tables present the fair value and location of derivative instruments recorded on the Balance Sheets.

	December 31, 2010				December 31, 2009			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (b):								
Interest rate swaps	\$ 11	\$ 19	\$ 2	\$ 10				
Cross-currency swaps	7	9		1		4		
Foreign currency exchange contracts	7		\$ 4	8			\$ 2	
Commodity contracts	878	19	1,011	1,095	741	219	1,395	1,279
Total current	903	47	1,015	1,097	760	223	1,397	1,279
Noncurrent:								
Price Risk Management								
Assets/Liabilities (b):								
Interest rate swaps	4		32	40				
Cross-currency swaps	37			11				
Foreign currency exchange contracts				5				
Commodity contracts	169	7	445	431	578	118	640	464
Total noncurrent	210	7	445	463	634	118	640	464
Total derivatives	\$ 1,113	\$ 54	\$ 1,460	\$ 1,560	\$ 1,394	\$ 341	\$ 2,037	\$ 1,743

(a) \$326 million and \$375 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at December 31, 2010 and

2009.

(b) Represents the location on the Balance Sheet.

The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were \$695 million, \$602 million and \$(21) million at December 31, 2010, 2009 and 2008.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets.

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income on Derivative		Gain (Loss) Recognized in Income on Related Item	
			2010	2009	2010	2009
Interest rate swaps	Fixed rate debt	Interest expense Other Income - net	\$ 48	\$ 12	\$ (6)	\$ 29
						7
			2010		2009	
			Gain (Loss) Recognized from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)		Location of Gain (Loss) Recognized in Income			
	2010	2009				
Cash Flow Hedges:						
Interest rate swaps	\$ (145)	\$ 64	Interest expense Other income (expense) - net	\$ (4)	\$ (17)	\$ (2)
				(30)		1
Cross-currency swaps	25	(45)	Interest expense Other income (expense) - net	2		2
				16		(20)
Commodity contracts	487	829	Wholesale energy marketing Fuel Depreciation Energy purchases Other O&M	680	(201)	358
				2		(20)
				2		1
				(458)	3	(544)
						1
Total	\$ 367	\$ 848		\$ 210	\$ (215)	\$ (223)
Investment Hedges:						\$ (301)
Foreign exchange contracts	\$ 5	\$ (9)				

Derivatives Not Designated as Hedging Instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	2010		2009	
Foreign exchange contracts	Other income (expense) - net	\$ 3	\$ (9)		
Commodity contracts	Utility	(2)			
	Unregulated retail electric and gas	11	13		
	Wholesale energy marketing	(70)	588		
	Net energy trading margins (a)	1			
	Fuel	12	12		
	Energy purchases	(405)	(808)		
	Total	\$ (450)	\$ (204)		

Derivatives Not Designated as Hedging Instruments:	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2010		2009	
Interest rate swaps	Regulatory asset	\$ (11)			
		\$ (11)			

(a) Differs from the Statement of Income due to intra-month transactions that PPL defines as spot activity, which is not accounted for as a derivative.

(PPL Energy Supply)

The following tables present the fair value and location of derivative instruments recorded on the Balance Sheets.

	December 31, 2010				December 31, 2009			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)		Derivatives designated as hedging instruments		Derivatives not designated hedging instruments (a)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest:								
Energy Risk Management								
Assets/Liabilities (b):								
Cross-currency swaps	\$ 7	\$ 9			\$ 1	\$ 4		
Foreign currency exchange contracts	7	\$ 4			8	\$ 2		

Commodity contracts	878	19	1,011	\$ 1,084	741	219	1,395	\$ 1,279
Total current	892	28	1,015	1,084	750	223	1,397	1,279
Noncurrent:								
Price Risk Management Assets/Liabilities (b):								
Cross-currency swaps	37				11			
Foreign currency exchange contracts						5		
Commodity contracts	169	7	445	431	578	118	640	464
Total noncurrent	206	7	445	431	594	118	640	464
Total derivatives	\$ 1,098	\$ 35	\$ 1,460	\$ 1,515	\$ 1,344	\$ 341	\$ 2,037	\$ 1,743

(a) \$326 million and \$375 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at December 31, 2010 and 2009.

(b) Represents the location on the balance sheet.

The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were \$733 million, \$573 million and \$(12) million at December 31, 2010, 2009 and 2008.

The following tables present the pre-tax effect of derivative instruments recognized in income or OCI.

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships		Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income on Derivative		Gain (Loss) Recognized in Income on Related Item	
				2010	2009	2010	2009
Interest rate swaps	Fixed rate debt		Interest expense		\$ 1		\$ 2
				2010		2009	
				Gain (Loss) Recognized in Income on Derivative		Gain (Loss) Recognized in Income on Derivative	
				(Ineffective) Portion and Amount Excluded from Effectiveness Testing		(Ineffective) Portion and Amount Excluded from Effectiveness Testing	
				Reclassified from AOCI into Income (Effective Portion)		Reclassified from AOCI into Income (Effective Portion)	
Derivative Relationships	2010	2009	Location of Gains (Losses) Recognized in Income	Gain (Loss) Recognized in Income on Derivative		Gain (Loss) Recognized in Income on Derivative	
				(Effective Portion)		(Effective Portion)	
Cash Flow Hedges:							
Cross-currency swaps	\$ 25	\$ (45)	Interest expense	\$ 2		\$ 2	
			Other income (expense) - net	16		(20)	
Commodity contracts	487	829	Wholesale energy marketing	680	\$ (201)	358	\$ (296)
			Fuel	2		(20)	2
			Depreciation	2		1	
			Energy purchases	(458)	3	(544)	(7)
			Other O&M			1	
Interest rate swaps			Interest expense		(3)		
Total	\$ 512	\$ 784		\$ 244	\$ (201)	\$ (222)	\$ (301)
Net Investment Hedges:							
Foreign exchange contracts	\$ 5	\$ (9)					
Derivatives Not Designated as Hedging Instruments:			Location of Gain (Loss) Recognized in Income on Derivatives	2010		2009	
Foreign exchange contracts			Other income (expense) - net	\$ 3		\$ (9)	
Commodity contracts			Unregulated retail electric and gas	11		13	
			Wholesale energy marketing	(70)		588	
			Net energy trading margins (a)	1			
			Fuel	12		12	
			Energy purchases	(405)		(808)	
			Total	\$ (448)	\$ (448)	\$ (204)	

(a) Differs from the Statement of Income due to intra-month transactions that PPL Energy Supply defines as spot activity, which is not accounted for as a derivative.

Credit Risk-Related Contingent Features (PPL and PPL Energy Supply)

Certain of PPL's and PPL Energy Supply's derivative contracts contain credit contingent provisions which would permit the counterparties with which PPL or PPL Energy Supply is in a net liability position to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, PPL Energy Supply or certain of their subsidiaries. Most of these provisions would require PPL or PPL Energy Supply to transfer additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some

of these provisions also would allow the counterparty to require additional collateral upon each decrease in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade (i.e., below BBB- for S&P or Fitch, or Baa3 for Moody's), and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent provisions require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization by PPL or PPL Energy Supply on derivative instruments in net liability positions.

Additionally, certain of PPL's and PPL Energy Supply's derivative contracts contain credit contingent provisions that require PPL or PPL Energy Supply to provide "adequate assurance" of performance if the other party has reasonable grounds for insecurity regarding PPL's or PPL Energy Supply's performance of its obligation under the contract. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" provisions.

To determine net liability positions, PPL and PPL Energy Supply use the fair value of each contract. The aggregate fair value of all derivative instruments with the credit contingent provisions described above that were in a net liability position at December 31, 2010 was \$121 million for PPL and \$78 million for PPL Energy Supply, of which PPL and PPL Energy Supply had posted collateral of \$37 million and \$18 million in the normal course of business. At December 31, 2010, if the credit contingent provisions underlying these derivative instruments were triggered due to a credit downgrade below investment grade, PPL and PPL Energy Supply would have been required to prepay or post additional collateral of \$186 million and \$171 million to their counterparties including net receivables and payables already recorded on the balance sheet.

20. Goodwill and Other Intangible Assets

Goodwill (PPL and PPL Energy Supply)

The changes in the carrying amount of goodwill by segment were:

	Kentucky Regulated		International Regulated		Supply		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
PPL								
Balance at beginning of period (a)			\$ 715	\$ 669	\$ 91	\$ 94	\$ 806	\$ 763
Goodwill recognized during the period (b)	\$ 662				334		996	
Allocation to discontinued operations (c)					(5)	(3)	(5)	(3)
Effect of foreign currency exchange rates			(36)	46			(36)	46
Balance at end of period (a)	<u>\$ 662</u>		<u>\$ 679</u>	<u>\$ 715</u>	<u>\$ 420</u>	<u>\$ 91</u>	<u>\$ 1,761</u>	<u>\$ 806</u>
PPL Energy Supply								
Balance at beginning of period (a)			\$ 715	\$ 669	\$ 91	\$ 94	\$ 806	\$ 763
Allocation to discontinued operations (c)					(5)	(3)	(5)	(3)
Effect of foreign currency exchange rates			(36)	46			(36)	46
Balance at end of period (a)			<u>\$ 679</u>	<u>\$ 715</u>	<u>\$ 86</u>	<u>\$ 91</u>	<u>\$ 765</u>	<u>\$ 806</u>

(a) There were no accumulated impairment losses recorded.

(b) Recognized as a result of the 2010 acquisition of LKE. See Note 10 for additional information.

(c) 2010 represents goodwill allocated to certain non-core generation facilities and written off. 2009 represents goodwill allocated to the Long Island and the majority of the Maine hydroelectric generation businesses and written off.

Other Intangibles

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts	\$ 597 (a)	\$ 49	\$ 203	\$ 23
Land and transmission rights	256 (b)	110	272	114
Emission allowances/RECs (c) (d)	37 (e)		56	
Licenses and other (f)	242	30	172	18
Total subject to amortization	<u>1,132 (g)</u>	<u>189</u>	<u>703</u>	<u>155</u>
Not subject to amortization due to indefinite life:				
Land and transmission rights	16		16	
Easements	77		76	
Total not subject to amortization due to indefinite life	<u>93</u>		<u>92</u>	
Total	<u>\$ 1,225</u>	<u>\$ 189</u>	<u>\$ 795</u>	<u>\$ 155</u>

(a) Includes \$394 million, which represents the fair value of contracts with terms favorable to market recognized as a result of the 2010 acquisition of LKE. The weighted-average amortization period of these contracts was five years at the acquisition date. An offsetting regulatory liability was recorded related to these contracts, which will be amortized over the same weighted average amortization period as the intangible assets, eliminating any income statement impact. See Note 3 for additional information.

- (b) Includes \$14 million, which represents the fair value of land and transmission rights recognized as a result of the 2010 acquisition of LKE. The weighted-average amortization period of these rights was 14 years at the acquisition date.
- (c) Removed from the Balance Sheets and expensed when consumed or sold. Consumption expense was \$47 million, \$32 million, and \$25 million in 2010, 2009 and 2008. Consumption expense is estimated at \$24 million for 2011, \$4 million for 2012 and \$2 million for 2013 through 2015.
- (d) During 2010 and 2009, PPL recorded \$17 million and \$37 million of impairment charges. See Note 18 for additional information.
- (e) Includes \$16 million, which represents the fair value of emission allowances recognized as a result of the 2010 acquisition of LKE. The weighted-average consumption period of these emission allowances was three years at the acquisition date. An offsetting regulatory liability was recorded related to these emission allowances, which will be amortized over the same weighted-average consumption period as the emission allowances, eliminating any income statement impact. See Note 3 for additional information.
- (f) "Other" includes costs for the development of licenses, the most significant of which is the COLA. Amortization of these costs begins when the related asset is placed in service. See Note 8 for additional information on the COLA.
- (g) Includes \$424 million of intangible assets resulting from the 2010 acquisition of LKE. See Note 10 for additional information regarding the acquisition.

Current intangible assets and long-term intangible assets are included in "Other intangibles" in their respective areas on the Balance Sheets.

Amortization expense, excluding consumption of emission allowances/RECs, was \$24 million, \$22 million and \$13 million in 2010, 2009 and 2008, and is estimated to be \$24 million for 2011, and \$23 million per year for 2012 through 2015.

(PPL Energy Supply)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts	\$ 203	\$ 38	\$ 203	\$ 23
Land and transmission rights	19	16	59	23
Emission allowances/RECs (a) (b)	20		56	
Licenses and other (c)	239	29	172	18
Total subject to amortization	481	83	490	64
Not subject to amortization due to indefinite life:				
Easements	77		76	
Total	\$ 558	\$ 83	\$ 566	\$ 64

- (a) Removed from the Balance Sheets and expensed when consumed or sold. Consumption expense was \$46 million, \$32 million, and \$25 million in 2010, 2009, and 2008. Consumption expense is estimated at \$13 million for 2011, \$3 million for 2012 and \$2 million for 2013 through 2015.
- (b) During 2010 and 2009, PPL Energy Supply recorded \$16 million and \$37 million of impairment charges. See Note 18 for additional information.
- (c) "Other" includes costs for the development of licenses, the most significant of which is the COLA. Amortization of these costs begins when the related asset is placed in service. See Note 8 for additional information on the COLA.

Current intangible assets and long-term intangible assets are presented as "Other intangibles" in their respective areas on the Balance Sheets.

Amortization expense, excluding consumption of emission allowances/RECs, was \$20 million, \$19 million and \$10 million in 2010, 2009 and 2008, and is estimated to be \$20 million per year for 2011 through 2015.

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land and transmission rights	\$ 222	\$ 93	\$ 214	\$ 91
Licenses and other	3	1		
Total subject to amortization	225	94	214	91
Not subject to amortization due to indefinite life:				
Land and transmission rights	16		16	
Total	\$ 241	\$ 94	\$ 230	\$ 91

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was \$3 million for 2010, 2009 and 2008, and is estimated to be \$3 million per year for 2011 and 2012, and \$2 million per year for 2013 through 2015.

(PPL, PPL Energy Supply and PPL Electric)

Following are the weighted-average rates of amortization at December 31.

PPL		PPL Energy Supply		PPL Electric	
2010	2009	2010	2009	2010	2009

Contracts	20.24%(a)	7.41%	7.41%	7.41%		
Land and transmission rights	1.40%	1.23%			1.40%	1.23%
Emission allowances/RECs (b)						
Licenses and other	4.16%	4.07%	4.16%	4.07%		

- a) For PPL, the 2010 weighted-average amortization rate was impacted by the acquisition of LKE. The intangible assets associated with contracts recorded in purchase accounting are being amortized over a significantly shorter life as compared to PPL's preexisting intangible assets associated with contracts, resulting in a significantly higher weighted-average amortization rate compared to PPL's historical rates. Excluding LKE, PPL's 2010 weighted-average amortization rate was 7.41%.
- b) Expensed when consumed or sold.

(PPL and PPL Energy Supply)

In November 2009, NRC approved PPL Susquehanna's application for 20-year license renewals for each of the Susquehanna nuclear units. Costs of \$17 million were capitalized related to these license renewals. The weighted-average period prior to the next PPL Susquehanna license renewal is 33 years.

21. Asset Retirement Obligations

(PPL)

The fair value of LG&E's and KU's liabilities were recorded in the financial statements as of the acquisition date to reflect various legal obligations associated with the retirement of long-lived assets, primarily related to the retirement of assets associated with its generating units and natural gas wells. See Note 10 for additional information on the acquisition.

As described in Notes 1 and 3, the accretion recorded by LG&E and KU is offset with a regulatory asset, such that there is no income statement impact.

(PPL and PPL Energy Supply)

PPL and PPL Energy Supply have recorded liabilities in the financial statements to reflect various legal obligations associated with the retirement of long-lived assets, the largest of which relates to the decommissioning of the Susquehanna plant. Other AROs recorded relate to various environmental requirements for coal piles, ash basins and other waste basin retirements.

PPL and PPL Energy Supply have recorded several conditional AROs, the most significant of which related to the removal and disposal of asbestos-containing material.

In addition to the AROs that were recorded for asbestos-containing material, PPL and PPL Energy Supply identified other asbestos-related obligations, but were unable to reasonably estimate their fair values. PPL and PPL Energy Supply management were unable to reasonably estimate a settlement date or range of settlement dates for the remediation of all of the asbestos-containing material at certain of the generation plants. If economic events or other circumstances change that enable PPL and PPL Energy Supply to reasonably estimate the fair value of these retirement obligations, they will be recorded at that time.

Other conditional AROs that were recorded related to treated wood poles, gas-filled switchgear and fluid-filled cables. These obligations, required by U.K. law, had an insignificant impact on the financial statements.

PPL and PPL Energy Supply also identified legal retirement obligations associated with the retirement of a reservoir and certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates.

The most significant ARO recorded by PPL and PPL Energy Supply relates to the decommissioning of the Susquehanna nuclear plant. In the third quarter of 2010, PPL Susquehanna completed a site-specific study to update the estimated cost to dismantle and decommission each Susquehanna nuclear unit immediately following final shutdown. This estimate included decommissioning the radiological portions of the station and the cost of removal of non-radiological structures and materials. Based on this study, which used a methodology consistent with the prior site-specific study done in 2002, the decommissioning ARO liability and the associated long-lived asset were reduced by \$103 million. The primary factor for this decline was the lower estimated inflation rate assumption used in the 2010 ARO calculation.

The accrued nuclear decommissioning obligation was \$270 million and \$348 million at December 31, 2010 and 2009, and is included in "Asset retirement obligations" on the Balance Sheets. The fair value of investments that are legally restricted for the decommissioning of the Susquehanna nuclear plant was \$618 million and \$548 million at December 31, 2010 and 2009, and is included in "Nuclear plant decommissioning trust funds" on the Balance Sheets. See Notes 18 and 23 for additional information on the nuclear decommissioning trust funds.

The changes in the carrying amounts of AROs were:

	PPL		PPL Energy Supply	
	2010	2009	2010	2009
ARO at beginning of period	\$ 426	\$ 389	\$ 426	\$ 389
Accretion expense	32	31	31	31
Obligations assumed in acquisition of LKE	103			
New obligations incurred	4	9	4	9
Changes in estimated cash flow or settlement date	(100)	16	(100)	16

Obligations settled	(17)	(19)	(16)	(19)
ARO at end of period	\$ 448	\$ 426	\$ 345	\$ 426

In addition to periodically updating the nuclear decommissioning ARO as described above, changes to other ARO costs and settlement dates, which affect the carrying value of various AROs, are reviewed periodically to ensure that any material changes are incorporated into the latest estimates of the obligation. In 2010, PPL Energy Supply revised cost estimates at several plants, the most significant being the Susquehanna nuclear plant discussed above and the ash basins at Montour and Martins Creek. In 2009, PPL Energy Supply revised cost estimates for several AROs and recognized additional asbestos liabilities at several plants, the most significant being the asbestos AROs at the Montour plant. The effect of these new and revised liabilities was to increase the ARO liability and related plant balances by \$7 million in 2010 and \$25 million in 2009. The 2010 and 2009 income statement impact of these changes was insignificant.

The classification of AROs on the Balance Sheets was as follows.

	PPL		PPL Energy Supply	
	2010	2009	2010	2009
Current portion (a)	\$ 13	\$ 10	\$ 13	\$ 10
Long-term portion (b)	435	416	332	416
Total	\$ 448	\$ 426	\$ 345	\$ 426

- (a) Included in "Other current liabilities."
(b) Included in "Asset retirement obligations."

(PPL and PPL Electric)

PPL Electric has identified legal retirement obligations for the retirement of certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates. These assets are located on rights-of-way that allow the grantor to require PPL Electric to relocate or remove the assets. Since this option is at the discretion of the grantor of the right-of-way, PPL Electric is unable to determine when these events may occur.

22. Variable Interest Entities

(PPL and PPL Energy Supply)

In December 2001, a subsidiary of PPL Energy Supply entered into a \$455 million operating lease arrangement, as lessee, for the development, construction and operation of a gas-fired combined-cycle generation facility located in Lower Mt. Bethel Township, Northampton County, Pennsylvania. The owner/lessor of this generation facility, LMB Funding, LP, was created to own/lease the facility and incur the related financing costs. The initial lease term commenced on the date of commercial operation, which occurred in May 2004, and ends in December 2013. Under a residual value guarantee, if the generation facility is sold at the end of the lease term and the cash proceeds from the sale are less than the original acquisition cost, the subsidiary of PPL Energy Supply is obligated to pay up to 70.52% of the original acquisition cost. This residual value guarantee protects the other variable interest holders from losses related to their investments. LMB Funding, LP cannot extend or cancel the lease or sell the facility without the prior consent of the PPL Energy Supply subsidiary. As a result, LMB Funding, LP was determined to be a VIE and the subsidiary of PPL Energy Supply was considered the primary beneficiary that consolidates this VIE.

The lease financing, which includes \$437 million of "Long-term Debt" and \$18 million of "Noncontrolling Interests" at December 31, 2010 and December 31, 2009, is secured by, among other things, the generation facility, the carrying amount of which is disclosed on the Balance Sheets. The debt matures at the end of the initial lease term. As a result of the consolidation, PPL Energy Supply has recorded interest expense in lieu of rent expense. For 2010, 2009 and 2008, additional depreciation on the generation facility of \$16 million, \$11 million and \$11 million was recorded.

23. Available-for-Sale Securities

(PPL and PPL Energy Supply)

PPL and its subsidiaries classify certain short-term investments, securities held by the NDT funds and auction rate securities as available-for-sale. Available-for-sale securities are carried on the balance sheet at fair value. Unrealized gains and losses on these securities are reported, net of tax, in OCI or are recognized currently in earnings when a decline in fair value is determined to be other-than-temporary. The specific identification method is used to calculate realized gains and losses.

The following table shows the amortized cost of available-for-sale securities and the gross unrealized gains recorded in AOCI. See Note 18 for information regarding the fair value of these securities.

	2010		2009	
	Amortized Cost	Gross Unrealized Gains	Amortized Cost	Gross Unrealized Gains
Short-term investments - municipal debt securities	\$ 163			
NDT funds:				
Cash and cash equivalents	10		\$ 7	
Equity securities:				

U.S. large-cap	180	\$	123	170	\$	89
U.S. mid/small-cap	67		52	65		36
Debt securities:						
U.S. Treasury	71		4	72		2
U.S. government sponsored agency	6		1	9		
Municipality	69			63		2
Investment-grade corporate	31		2	28		1
Residential mortgage-backed securities				1		
Other	1					
Receivables/payables, net	1			3		
Total NDT funds	436		182	418		130
Auction rate securities	25			25		
Total	\$ 624	\$	182	\$ 443	\$	130

PPL Energy Supply

NDT funds:						
Cash and cash equivalents		\$	10		\$	7
Equity securities:						
U.S. large-cap	180	\$	123	170	\$	89
U.S. mid/small-cap	67		52	65		36
Debt securities:						
U.S. Treasury	71		4	72		2
U.S. government sponsored agency	6		1	9		
Municipality	69			63		2
Investment-grade corporate	31		2	28		1
Residential mortgage-backed securities				1		
Other	1					
Receivables/payables, net	1			3		
Total NDT funds	436		182	418		130
Auction rate securities	20			20		
Total	\$ 456	\$	182	\$ 438	\$	130

There were no securities with credit losses at December 31, 2010 and 2009.

The following table shows the scheduled maturity dates of debt securities held at December 31, 2010.

	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity in Excess of 10 Years	Total
PPL					
Amortized cost	\$ 14	\$ 61	\$ 60	\$ 231	\$ 366
Fair value	14	63	63	233	373
PPL Energy Supply					
Amortized cost	\$ 14	\$ 61	\$ 60	\$ 63	\$ 198
Fair value	14	63	63	65	205

The following table shows proceeds from and realized gains and losses on sales of available-for-sale securities.

	2010	2009	2008
PPL			
Proceeds from sales of NDT securities (a)	\$ 114	\$ 201	\$ 197
Other proceeds from sales		154	126
Gross realized gains (b)	13	27	19
Gross realized losses (b)	(5)	(20)	(23)
PPL Energy Supply			
Proceeds from sales of NDT securities (a)	\$ 114	\$ 201	\$ 197
Other proceeds from sales		154	33
Gross realized gains (b)	13	27	19
Gross realized losses (b)	(5)	(20)	(23)

(a) These proceeds, along with deposits of amounts collected from customers, are used to pay income taxes and fees related to managing the trust. Remaining proceeds are reinvested in the trust. Collections from customers ended in December 2009.

(b) Excludes the impact of other-than-temporary impairment charges recognized in the Statements of Income.

Short-term Investments

(PPL)

As discussed in Note 7, at December 31, 2010, LG&E held \$163 million aggregate principal amount of tax-exempt revenue bonds issued by Louisville/Jefferson County, Kentucky on behalf of LG&E that were purchased from the remarketing agent in 2008. At December 31, 2010, these investments were reflected in "Short-term investments" on the Balance Sheet. In January 2011, LG&E received \$163 million for its investments in these bonds when they were remarketed to unaffiliated investors. No realized or unrealized gains (losses) were recorded on these securities, as the difference between carrying value and fair value was insignificant.

(PPL and PPL Energy Supply)

In December 2008, the PEDFA issued \$150 million aggregate principal amount of Exempt Facilities Revenue Bonds, Series 2008A and 2008B due 2038 (Series 2008 Bonds) on behalf of PPL Energy Supply. PPL Investment Corp. acted as the initial purchaser of the Series 2008 Bonds upon issuance. In April 2009, PPL Investment Corp. received \$150 million for its investment in the Series 2008 bonds when they were refunded by the PEDFA. See "Long-term Debt and Equity Securities" in Note 7 for more information on the refundings. No realized or unrealized gains (losses) were recorded on these securities, as the difference between carrying value and fair value was insignificant.

(PPL and PPL Electric)

In October 2008, the PEDFA issued \$90 million aggregate principal amount of Pollution Control Revenue Refunding Bonds, Series 2008 (PPL Electric Utilities Corporation Project) due 2023 (PPL Electric Series 2008 Bonds) on behalf of PPL Electric. PPL Electric acted as the initial purchaser of the PPL Electric Series 2008 Bonds upon issuance. PPL Electric remarketed the PPL Electric Series 2008 Bonds to unaffiliated investors in November 2008. No realized or unrealized gains (losses) were recorded in 2008 related to these securities, as the difference between carrying value and fair value was insignificant.

NDT Funds

(PPL and PPL Energy Supply)

Beginning in January 1999 and ending in December 2009, in accordance with the PUC Final Order, approximately \$130 million of decommissioning costs were recovered from PPL Electric's customers through the CTC over the 11-year life of the CTC rather than the remaining life of the Susquehanna nuclear plant. The recovery included a return on unamortized decommissioning costs. Under the power supply agreements between PPL Electric and PPL EnergyPlus, these revenues were passed on to PPL EnergyPlus. Similarly, these revenues were passed on to PPL Susquehanna under a power supply agreement between PPL EnergyPlus and PPL Susquehanna.

Amounts collected from PPL Electric's customers for decommissioning, less applicable taxes, were deposited in external trust funds for investment and can only be used for future decommissioning costs. To the extent that the actual costs for decommissioning exceed the amounts in the nuclear decommissioning trust funds, PPL Susquehanna would be obligated to fund 90% of the shortfall.

When the fair value of a security is less than amortized cost, PPL and PPL Energy Supply must make certain assertions to avoid recording an other-than-temporary impairment that requires a current period charge to earnings. The NRC requires that nuclear decommissioning trusts be managed by independent investment managers, with discretion to buy and sell securities in the trusts. As a result, PPL and PPL Energy Supply have been unable to demonstrate the ability to hold an impaired security until it recovers its value; therefore, unrealized losses on debt securities through March 31, 2009 and unrealized losses on equity securities for all periods presented, represented other-than-temporary impairments that required a current period charge to earnings. PPL and PPL Energy Supply recorded impairments for certain securities invested in the NDT funds of \$3 million, \$18 million and \$36 million for 2010, 2009 and 2008. These impairments are reflected on the Statements of Income in "Other-than-Temporary Impairments."

Effective April 1, 2009, when PPL and PPL Energy Supply intend to sell a debt security or more likely than not will be required to sell a debt security before recovery, then the other-than-temporary impairment recognized in earnings will equal the entire difference between the security's amortized cost basis and its fair value. However, if there is no intent to sell a debt security and it is not more likely than not that they will be required to sell the security before recovery, but the security has suffered a credit loss, the other-than-temporary impairment will be separated into the credit loss component, which is recognized in earnings, and the remainder of the other-than-temporary impairment, which is recorded in OCI. Temporary impairments of debt securities and unrealized gains on both debt and equity securities are recorded to OCI. There were no credit losses on debt securities held in the NDT funds at December 31, 2010 or December 31, 2009.

24. Subsequent Events

(PPL Energy Supply)

On January 31, 2011, PPL Energy Supply distributed its membership interest in PPL Global, representing 100% of the outstanding membership interests of PPL Global, to PPL Energy Supply's parent, PPL Energy Funding. The distribution was made based on the book value of the assets and liabilities of PPL Global with financial effect as of January 1, 2011. The purpose of the distribution is to better align PPL's organizational structure with the manner in which it manages these businesses and reports segment information in its consolidated financial statements.

The distribution, and related presentation as discontinued operations, will be reflected in PPL Energy Supply's March 31, 2011 Quarterly Report to the SEC on Form 10-Q. Following the distribution, PPL Energy Supply retained its core business, the generation and marketing of power, primarily in the northeastern and northwestern power markets of the U.S.

The unaudited pro forma 2010 and 2009 operating revenues and income (loss) from continuing operations after income taxes attributable to PPL Energy Supply, excluding PPL Global, as if the distribution had occurred January 1, 2009, are as follows.

	<u>Operating Revenues</u>		<u>Income (Loss) from Continuing Operations After Income Taxes Attributable to PPL Energy Supply</u>
Pro forma for 2010 (unaudited)	\$	5,128	\$ 595
Pro forma for 2009 (unaudited)		5,309	(17)

The pro forma financial information presented above was derived from the historical consolidated financial statements of PPL Energy Supply and PPL Global. There were no significant pro forma adjustments.

The unaudited pro forma December 31, 2010 balance sheet amounts, excluding PPL Global, as if the distribution had occurred December 31, 2010, are as follows.

Current Assets	\$	3,736
Investments		655
PPE, net		6,133
Other Noncurrent Assets		1,442
Total Assets	\$	<u>11,966</u>
Current Liabilities	\$	3,489
Long-term Debt		2,776
Deferred Credits and Other Noncurrent Liabilities		2,480
Equity		3,221
Total Liabilities and Equity	\$	<u>11,966</u>

The pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been achieved had the distribution been completed on the dates indicated, or the future consolidated results of operations or financial position of PPL Energy Supply.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues	\$	\$	\$
Operating Expenses			
Other operation and maintenance	4		5
Total Operating Expenses	<u>4</u>		<u>5</u>
Operating Loss	(4)		(5)
Other Income - net			
Equity in earnings of subsidiaries	1,038	378	929
Other income (expense)	(60)	3	
Total	<u>978</u>	<u>381</u>	<u>929</u>
Interest Expense - net	<u>80</u>	<u>(39)</u>	<u>(7)</u>
Income Before Income Taxes	894	420	931
Income Tax Expense (Benefit)	<u>(44)</u>	<u>13</u>	<u>1</u>
Net Income Attributable to PPL Corporation	<u>\$ 938</u>	<u>\$ 407</u>	<u>\$ 930</u>

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	\$ 713	\$ 995	\$ 200
Cash Flows from Investing Activities			
Capital contributions to equity investees	(2,709)	(642)	(120)
Proceeds from the sale of an equity investee			303
Acquisition of LKE	(6,842)		
Net cash (used in) investing activities	(9,551)	(642)	183
Cash Flows from Financing Activities			
Issuance of equity, net of issuance costs	2,441	60	19
Return of capital from equity investees	150	100	120
Net increase (decrease) in short-term debt with affiliates	6,826	5	
Payment of common stock dividends	(566)	(517)	(491)
Repurchase of common stock			(38)
Other	(13)	(1)	7
Net cash provided by (used in) financing activities	8,838	(353)	(383)
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period			
Cash and Cash Equivalents at End of Period	<u>\$</u>	<u>\$</u>	<u>\$</u>
Supplemental Disclosures of Cash Flow Information:			
Cash Dividends Received from Equity Investees	\$ 507	\$ 717	\$ 493
on-cash transactions:			
Reduction in "Short-term debt with affiliates" and "Affiliated companies at equity"	\$ 2,784		
Present value of contract adjustment payments	157		

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

SCHEDULE I - PPL CORPORATION
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
(Millions of Dollars)

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Accounts Receivable		
Other	\$ 6	\$ 7
Affiliates	29	28
Prepayments	121	5
Deferred income taxes	11	
Price risk management assets	15	11
Total Current Assets	<u>182</u>	<u>51</u>
Investments		
Affiliated companies at equity	13,406	6,086
Other Noncurrent Assets	32	46
Total Assets	<u>\$ 13,620</u>	<u>\$ 6,183</u>
Liabilities and Equity		
Current Liabilities		
Short-term debt with affiliates	\$ 4,062	\$ 20
Accounts payable with affiliates	958	471
Dividends	170	132
Other current liabilities	85	8
Total Current Liabilities	<u>5,275</u>	<u>631</u>
Deferred Credits and Other Noncurrent Liabilities	135	56
Equity		
PPL Corporation Shareowners' Common Equity		
Common stock - \$0.01 par value	5	4
Capital in excess of par value	4,602	2,280
Earnings reinvested	4,082	3,749
Accumulated other comprehensive loss	(479)	(537)
Total PPL Corporation Shareowners' Common Equity	<u>8,210</u>	<u>5,496</u>
Total Liabilities and Equity	<u>\$ 13,620</u>	<u>\$ 6,183</u>

The accompanying Notes to Condensed Unconsolidated Financial Statements are an integral part of the financial statements.

Schedule I - PPL Corporation
Notes to Condensed Unconsolidated Financial Statements

Basis of Presentation

PPL Corporation (PPL) is a holding company and conducts substantially all of its business operations through its subsidiaries. These condensed financial statements and related footnotes have been prepared in accordance with Reg. §210.12-04 of Regulation S-X. These statements should be read in conjunction with the consolidated financial statements and notes thereto of PPL.

PPL indirectly or directly owns all of the ownership interests of its significant subsidiaries. PPL does not own the preferred securities of PPL Electric Utilities Corporation. PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders and to meet its other cash requirements.

2. Commitments and Contingencies

See Note 15 to PPL's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees and Other Assurances

PPL has provided indemnification to the purchaser of PPL Gas Utilities and Penn Fuel Propane, LLC for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including certain pre-closing unknown environmental liabilities relating to former manufactured gas plant properties or off-site disposal sites, if any, outside of Pennsylvania. The estimated maximum potential amount of future payments that could be required to be made under the indemnifications at December 31, 2010 was \$300 million. The indemnification provisions for most representations and warranties, including tax and environmental matters, are capped at \$45 million, in the aggregate, and are triggered (i) only if the individual claim exceeds \$50,000, and (ii) only if, and only to the extent that, in the aggregate, total claims exceed \$4.5 million. The indemnification provisions for most representations and warranties expired on September 30, 2009 without any claims having been made. Certain representations and warranties, including those having to do with transaction authorization and title, survive indefinitely, are capped at the purchase price and are not subject to the above threshold or deductible. The indemnification provision for the tax matters representations survives for the duration of the applicable statute of limitations, and the indemnification provision for the environmental matters representations survives for a period of three years after the transaction closing. The indemnification relating to unknown environmental liabilities for manufactured gas plants and disposal sites outside of Pennsylvania could survive more than three years, but only with respect to applicable property or sites identified by the purchaser prior to the third anniversary of the transaction closing. The indemnification for covenants survives until the applicable covenant is performed and is not subject to any cap.

QUARTERLY FINANCIAL, COMMON STOCK PRICE AND DIVIDEND DATA (Unaudited)
PPL Corporation and Subsidiaries
(Millions of Dollars, except per share data)

	For the Quarters Ended (a)			
	March 31	June 30	Sept. 30	Dec. 31
2010				
Operating revenues as previously reported	\$ 3,033	\$ 1,503		
Reclassification of discontinued operations (b)	(27)	(30)		
Operating revenues	3,006	1,473	\$ 2,179	\$ 1,863
Operating income as previously reported	492	238		
Reclassification of discontinued operations (b)	(16)	(12)		
Operating income	476	226	522	642
Income from continuing operations after income taxes as previously reported	255	92		
Reclassification of discontinued operations (b)	(8)	(7)		
Income from continuing operations after income taxes	247	85	306	338
Income (loss) from discontinued operations as previously reported				
Reclassification of discontinued operations (b)	8	7		
Income (loss) from discontinued operations	8	7	(53)	21
Net income	255	92	253	359
Net income attributable to PPL Corporation	250	85	248	355
Income from continuing operations after income taxes available to PPL Corporation common shareowners: (c)				
Basic EPS	0.66	0.22	0.62	0.69
Diluted EPS	0.66	0.22	0.62	0.69
Net income available to PPL Corporation common shareowners: (c)				
Basic EPS	0.66	0.22	0.51	0.73
Diluted EPS	0.66	0.22	0.51	0.73
Dividends declared per share of common stock (d)	0.350	0.350	0.350	0.350
Price per common share:				
High	\$ 32.77	\$ 28.80	\$ 28.00	\$ 28.14
Low	27.47	23.75	24.83	25.13
2009				
Operating revenues as previously reported	\$ 2,344	\$ 1,671		
Reclassification of discontinued operations (b)	(30)	(28)		
Operating revenues	2,314	1,643	\$ 1,782	\$ 1,710
Operating income as previously reported	412	104		
Reclassification of discontinued operations (b)	(21)	(18)		
Operating income	391	86	171	248
Income from continuing operations after income taxes as previously reported	243	29		
Reclassification of discontinued operations (b)	(11)	(8)		
Income from continuing operations after income taxes	232	21	51	129
Income (loss) from discontinued operations as previously reported	3	(32)		
Reclassification of discontinued operations (b)	11	8		
Income (loss) from discontinued operations	14	(24)	(25)	28
Net income (loss)	246	(3)	26	157
Net income (loss) attributable to PPL Corporation	241	(7)	20	153
Income from continuing operations after income taxes available to PPL Corporation common shareowners: (c)				
Basic EPS	0.63	0.07	0.12	0.37
Diluted EPS	0.63	0.07	0.12	0.37
Net income (loss) available to PPL Corporation common shareowners: (c)				
Basic EPS	0.64	(0.02)	0.05	0.40
Diluted EPS	0.64	(0.02)	0.05	0.40
Dividends declared per share of common stock (d)	0.345	0.345	0.345	0.345
Price per common share:				
High	\$ 33.54	\$ 34.42	\$ 34.21	\$ 33.05
Low	24.25	27.40	28.27	28.82

Quarterly results can vary depending on, among other things, weather and the forward pricing of power. In addition, earnings in 2010 and 2009 were affected by special items. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations. These special items include \$24 million of tax expense recorded in the third quarter of 2009 for the correction to the previously computed tax bases of the Latin American businesses that were sold in 2007. See Note 9 to the Financial Statements for additional information.

- (b) In 2010, certain PPL Energy Supply subsidiaries signed definitive agreements to sell their entire interests in certain non-core generation facilities. In 2009, PPL Generation signed a definitive agreement to sell its Long Island generation business and PPL Maine sold the majority of its hydroelectric generation business. See Note 9 to the Financial

Statements for additional information on these transactions and other completed sales.

- (c) The sum of the quarterly amounts may not equal annual earnings per share due to changes in the number of common shares outstanding during the year or rounding.
 - (d) PPL has paid quarterly cash dividends on its common stock in every year since 1946. Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.
-

QUARTERLY FINANCIAL DATA (Unaudited)
PPL Energy Supply, LLC and Subsidiaries
(Millions of Dollars)

	For the Quarters Ended (a)			
	March 31	June 30	Sept. 30	Dec. 31
2010				
Operating revenues as previously reported	\$ 2,334	\$ 1,043		
Reclassification of discontinued operations (b)	(27)	(30)		
Operating revenues	<u>2,307</u>	<u>1,013</u>	\$ 1,680	\$ 889
Operating income as previously reported	391	179		
Reclassification of discontinued operations (b)	(16)	(12)		
Operating income	<u>375</u>	<u>167</u>	435	477
Income from continuing operations after income taxes as previously reported	200	86		
Reclassification of discontinued operations (b)	(8)	(8)		
Income from continuing operations after income taxes	<u>192</u>	<u>78</u>	320	291
Income (loss) from discontinued operations as previously reported				
Reclassification of discontinued operations (b)	8	8		
Income (loss) from discontinued operations	<u>8</u>	<u>8</u>	(54)	19
Net income	200	86	266	310
Net income attributable to PPL Energy Supply	200	86	265	310
2009				
Operating revenues as previously reported	\$ 1,949	\$ 1,354		
Reclassification of discontinued operations (b)	(30)	(28)		
Operating revenues	<u>1,919</u>	<u>1,326</u>	\$ 1,433	\$ 1,347
Operating income as previously reported	295	34		
Reclassification of discontinued operations (b)	(21)	(19)		
Operating income	<u>274</u>	<u>15</u>	82	152
Income from continuing operations after income taxes as previously reported	188	1		
Reclassification of discontinued operations (b)	(11)	(8)		
Income from continuing operations after income taxes	<u>177</u>	<u>(7)</u>	13	71
Income (loss) from discontinued operations as previously reported	3	(32)		
Reclassification of discontinued operations (b)	11	8		
Income (loss) from discontinued operations	<u>14</u>	<u>(24)</u>	(28)	31
Net income (loss)	191	(31)	(15)	102
Net income (loss) attributable to PPL Energy Supply	191	(31)	(16)	102

- (a) Quarterly results can vary depending on, among other things, weather and the forward pricing of power. In addition, earnings in 2010 and 2009 were affected by special items. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations. These special items include \$24 million of tax expense recorded in the third quarter of 2009 by for the correction to the previously computed tax bases of the Latin American businesses that were sold in 2007. See Note 9 to the Financial Statements for additional information.
- (b) In 2010, certain PPL Energy Supply subsidiaries signed definitive agreements to sell their entire interests in certain non-core generation facilities. In 2009, PPL Generation signed a definitive agreement to sell its Long Island generation business and PPL Maine sold the majority of its hydroelectric generation business. See Note 9 to the Financial Statements for additional information on these transactions and other completed sales.

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

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

one.

ITEM 9A. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures.

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

The registrants' principal executive officers and principal financial officers, based on their evaluation of the registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of December 31, 2010, the registrants' disclosure controls and procedures are effective to ensure that material information relating to the registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

PPL Corporation

PPL acquired LKE on November 1, 2010. These companies are included in our 2010 financial statements as of the date of the acquisition and accounted for 5.0% of net income and 32.6% and 47.3% of consolidated total assets and net assets, respectively, of PPL Corporation for the year ended December 31, 2010. Because of the size and complexity of these companies as well as the timing of the acquisition, the internal controls over financial reporting of LKE were excluded from a formal evaluation of effectiveness of PPL Corporation's disclosure controls and procedures. PPL is evaluating changes to processes, information technology systems and other components of internal controls over financial reporting as part of its ongoing integration activities.

- (b) Changes in internal control over financial reporting.

PPL Corporation

Except for the LKE acquisition discussed above, PPL's principal executive officer and principal financial officer have concluded that there were no other changes in the registrant's internal control over financial reporting during the registrant's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

PPL Energy Supply and PPL Electric's principal executive officers and principal financial officers have concluded that there were no changes in the registrants' internal control over financial reporting during the registrants' fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrants' internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

PPL Corporation

PPL's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework," our management concluded that our internal control over financial reporting was effective as of December 31, 2010. The effectiveness of our internal control over financial reporting has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report contained on page 111.

In accordance with SEC rules, management excluded LKE from its evaluation of internal controls over financial reporting due to the size and complexity of the acquired companies as well as the timing of the acquisition. LKE accounted for 5.0% of net income and 32.6% and 47.3% of consolidated total assets and net assets, respectively, of PPL Corporation for the year ended December 31, 2010. As discussed above, PPL Corporation is evaluating changes to processes, information technology systems and other components of internal controls over financial reporting as part of its ongoing integration activities.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Management of PPL's non-accelerated filer companies, PPL Energy Supply and PPL Electric, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework," our management concluded that our internal control over financial reporting was effective as of December 31, 2010. This annual report does not include an attestation report of Ernst & Young LLP, the companies' independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the companies' registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the companies to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

PPL Corporation

Additional information for this item will be set forth in the sections entitled "Nominees for Directors," "Board Committees - Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in PPL's 2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2010, and which information is incorporated herein by reference. There have been no changes to the procedures by which shareowners may recommend nominees to PPL's board of directors since the filing with the SEC of PPL's 2010 Notice of Annual Meeting and Proxy Statement. Information required by this item concerning the executive officers of PPL is set forth at the end of Part I of this report.

PPL has adopted a code of ethics entitled "Standards of Conduct and Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (including PPL Energy Supply and PPL Electric). The "Standards of Conduct and Integrity" are posted on PPL's Internet website: www.pplweb.com/about/corporate+governance. A description of any amendment to the "Standards of Conduct and Integrity" (other than a technical, administrative or other non-substantive amendment) will be posted on PPL's Internet website within four business days following the date of the amendment. In addition, if a waiver constituting a material departure from a provision of the "Standards of Conduct and Integrity" is granted to one of the principal officers, a description of the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will be posted on PPL's Internet website within four business days following the date of the waiver.

PPL also has adopted its "Guidelines for Corporate Governance," which address, among other things, director qualification standards and director and board committee responsibilities. These guidelines, and the charters of each of the committees of PPL's board of directors, are posted on PPL's Internet website: www.pplweb.com/about/corporate+governance.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Item 10 is omitted as PPL Energy Supply and PPL Electric meet the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of PPL, PPL Energy Supply and PPL Electric are elected annually by their Boards of Directors (or Board of Managers for PPL Energy Supply) to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers at December 31, 2010.

PPL Corporation

<u>Name</u>	<u>Age</u>	<u>Positions Held During the Past Five Years</u>	<u>Dates</u>
James H. Miller	62	Chairman, President and Chief Executive Officer President President and Chief Operating Officer	October 2006 - present June 2006 - September 2006 August 2005 - June 2006
William H. Spence	53	Executive Vice President and Chief Operating Officer President-PPL Generation Senior Vice President-Pepco Holdings, Inc. Senior Vice President-Conectiv Holdings	June 2006 - present June 2008 - present August 2002 - June 2006 September 2000 - June 2006
Paul A. Farr	43	Executive Vice President and Chief Financial Officer Senior Vice President-Financial Senior Vice President-Financial and Controller	April 2007 - present January 2006 - March 2007 August 2005 - January 2006
Robert J. Grey	60	Senior Vice President, General Counsel and Secretary	March 1996 - present
David G. DeCampli (a)	53	President-PPL Electric Senior Vice President-Transmission and Distribution Engineering and Operations-PPL Electric Vice President-Asset Investment Strategy and Development- Exelon Energy Delivery-Exelon Corporation	April 2007 - present December 2006 - April 2007 April 2004 - December 2006
Robert D. Gabbard (a)	51	President-PPL EnergyPlus Senior Vice President-Trading-PPL EnergyPlus Senior Vice President Merchant Trading Operations-Conectiv Energy	June 2008 - present June 2008 - June 2008 June 2005 - May 2008
Rick L. Klingensmith (a)	50	President-PPL Global	August 2004 - present
Victor A. Staffieri (a) (b)	55	Chairman, President and Chief Executive Officer-LKE	May 2001 - present
James E. Abel	59	Senior Vice President-Finance and Treasurer Vice President-Finance and Treasurer	August 2010 - present June 1999 - August 2010
J. Matt Simmons, Jr. (a) (c)	45	Vice President-Risk Management and Chief Risk Officer Vice President and Controller Vice President-Finance and Controller-Duke Energy Americas	September 2009 - present January 2006 - March 2010 October 2003 - January 2006
Vincent Sorgi (d)	39	Vice President and Controller Controller-Supply Accounting Controller-PPL EnergyPlus Financial Director-Supply-PPL Generation Director of Business Operations-PSEG Fossil, LLC	March 2010 - present June 2008 - March 2010 April 2007 - June 2008 April 2006 - April 2007 March 2004 - March 2006

(a) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.

(b) Victor A. Staffieri was designated an executive officer of PPL following the acquisition of LKE on November 1, 2010.

(c) On March 28, 2010, J. Matt Simmons, Jr. resigned as Vice President and Controller.

(d) On March 29, 2010, Vincent Sorgi was elected as Vice President and Controller.

ITEM 11. EXECUTIVE COMPENSATION

PPL Corporation

Information for this item will be set forth in the sections entitled "Compensation of Directors," "Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" in PPL's 2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2010, and which information is incorporated herein by reference.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Item 11 is omitted as PPL Energy Supply and PPL Electric meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

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

PPL Corporation

Information for this item will be set forth in the section entitled "Stock Ownership" in PPL's 2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2010, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2010, with respect to compensation plans (including individual compensation arrangements) under which equity securities of PPL are authorized for issuance.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (3)	Weighted-average exercise price of outstanding options, warrants and rights (3)	Number of securities remaining available for future issuance under equity compensation plans (4)
Equity compensation plans approved by security holders (1)	3,394,915 - ICP <u>2,209,066</u> - ICPKE 5,603,981 - Total	\$ 32.67- ICP \$ 31.77- ICPKE \$ 32.31- Combined	2,484,121 - ICP 9,025,897 - ICPKE <u>14,518,081</u> - DDCP 26,028,099 - Total
Equity compensation plans not approved by security holders (2)			

- (1) Includes (a) the Amended and Restated Incentive Compensation Plan (ICP), under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to executive officers of PPL; (b) the Amended and Restated Incentive Compensation Plan for Key Employees (ICPKE), under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to non-executive key employees of PPL and its subsidiaries; and (c) the Directors Deferred Compensation Plan (DDCP), under which stock units may be awarded to directors of PPL. See Note 12 to the financial statements for additional information.
- (2) All of PPL's current compensation plans under which equity securities of PPL are authorized for issuance have been approved by PPL's shareowners.
- (3) Relates to common stock issuable upon the exercise of stock options awarded under the ICP and ICPKE as of December 31, 2010. In addition, as of December 31, 2010, the following other securities had been awarded and are outstanding under the ICP, ICPKE and DDCP: 45,400 shares of restricted stock, 511,190 restricted stock units and 173,774 performance units under the ICP; 24,600 shares of restricted stock, 1,081,932 restricted stock units and 112,266 performance units under the ICPKE; and 424,170 stock units under the DDCP.
- (4) Based upon the following aggregate award limitations under the ICP, ICPKE and DDCP: (a) under the ICP, 15,769,431 awards (i.e., 5% of the total PPL common stock outstanding as of April 23, 1999) granted after April 23, 1999; (b) under the ICPKE, 16,573,608 awards (i.e., 5% of the total PPL common stock outstanding as of January 1, 2003) granted after April 25, 2003, reduced by outstanding awards for which common stock was not yet issued as of such date of 2,373,812 resulting in a limit of 14,199,796; and (c) under the DDCP, 15,052,856 securities. In addition, each of the ICP and ICPKE includes an annual award limitation of 2% of total PPL common stock outstanding as of January 1 of each year.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Item 12 is omitted as PPL Energy Supply and PPL Electric meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

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

PPL Corporation

Information for this item will be set forth in the sections entitled "Transactions with Related Persons" and "Independence of Directors" in PPL's

2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2010, and is incorporated herein by reference.

PPL Energy Supply, LLC and PPL Electric Utilities Corporation

Item 13 is omitted as PPL Energy Supply and PPL Electric meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PPL Corporation

Information for this item will be set forth in the section entitled "Fees to Independent Auditor for 2010 and 2009" in PPL's 2011 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2010, and which information is incorporated herein by reference.

PPL Energy Supply, LLC

The following table presents an allocation of fees billed, including expenses, by Ernst & Young LLP (EY) to PPL for the fiscal years ended December 31, 2010 and 2009, for professional services rendered for the audit of PPL Energy Supply's annual financial statements and for fees billed for other services rendered by EY.

	<u>2010</u>	<u>2009</u>
	(in thousands)	
Audit fees (a)	\$ 2,526	\$ 2,769
Audit-related fees (b)	16	31
Tax fees (c)	375	
All other fees (d)	118	8

- (a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Energy Supply's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.
- (b) Fees for performance of specific agreed-upon procedures and a review of eXtensible Business Reporting Language tags assigned to financial statement line items.
- (c) Includes fees for tax advice in connection with the funding of the Western Power Utilities Pension Scheme, review and consultation related to PPL's recognition of tax benefits resulting from favorable U.S. Court decisions, consultation and analysis related to non-income tax process improvements initiated by PPL and review, consultation and analysis related to investment tax credits and related capital expenditures on certain hydro-electric plant upgrades.
- (d) Fees related to access to an EY online accounting research tool and an International Financial Reporting Standards diagnostic readiness assessment.

Approval of Fees. The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has established specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are reviewed by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2010 and 2009 services provided by EY.

PPL Electric Utilities Corporation

The following table presents an allocation of fees billed, including expenses, by EY to PPL for the fiscal years ended December 31, 2010 and 2009, for professional services rendered for the audit of PPL Electric's annual financial statements and for fees billed for other services rendered by EY.

	<u>2010</u>	<u>2009</u>
	(in thousands)	
Audit fees (a)	\$ 791	\$ 865
Audit-related fees (b)	21	18
Tax fees (c)	58	
All other fees (d)	42	3

- (a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Electric's Quarterly

Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

- (b) Fees for performance of specific agreed-upon procedures and a review of eXtensible Business Reporting Language tags assigned to financial statement line items.
- (c) Fees for consultation and analysis related to non-income tax process improvements initiated by PPL and review and consultation related to PPL's recognition of tax benefits resulting from favorable U.S. Court decisions.
- (d) Fees related to access to an EY online accounting research tool and an International Financial Reporting Standards diagnostic readiness assessment.

Approval of Fees The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has pre-approved specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorized levels are reviewed and pre-approved by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and pre-approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2010 and 2009 services provided by EY.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

PPL Corporation, PPL Energy Supply, LLC and PPL Electric Utilities Corporation

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

1. Financial Statements - Refer to the "Table of Contents" for an index of the financial statements included in this report.
2. Supplementary Data and Supplemental Financial Statement Schedule - included in response to Item 8.

Schedule I - PPL Corporation Condensed Unconsolidated Financial Statements.

All other schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

3. Exhibits

See Exhibit Index immediately following the signature pages.

SHAREOWNER AND INVESTOR INFORMATION

Annual Meetings : The 2011 annual meeting of shareowners of PPL will be held on Wednesday, May 18, 2011, at the Zoellner Arts Center, on the campus of Lehigh University in Bethlehem, Pennsylvania, in Lehigh County.

Proxy and Information Statement Material : A proxy statement and notice of PPL's annual meeting is mailed to all shareowners of record as of February 28, 2011.

PPL Annual Report : The report is published and mailed in the beginning of April to all shareowners of record. The latest annual report can be accessed at www.pplweb.com. If you have more than one account, or if there is more than one investor in your household, you may call the PPL Shareowner Information Line to request that only one annual report be delivered to your address. Please provide account numbers for all duplicate mailings.

Dividends : Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee and PPL Electric preference stock by the PPL Electric Board of Directors, dividends are paid on the first business day of April, July, October and January. The 2011 record dates for dividends are expected to be March 10, June 10, September 9, and December 9.

Direct Deposit of Dividends: Shareowners may choose to have their dividend checks deposited directly into their checking or savings account.

PPL Shareowner Information Line (1-800-345-3085): Shareowners can get detailed corporate and financial information 24 hours a day using the PPL Shareowner Information Line. They can hear timely recorded messages about earnings, dividends and other company news releases; request information by fax; and request printed materials in the mail. Other PPL publications, such as the annual and quarterly reports to the Securities and Exchange Commission (Forms 10-K and 10-Q), will be mailed upon request, or write to:

Manager - PPL Investor Services
Two North Ninth Street (GENTW13)
Allentown, PA 18101

FAX: 610-774-5106
Via email: invserv@pplweb.com

PPL's Website (www.pplweb.com): Shareowners can access PPL Securities and Exchange Commission filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can provide their email address and indicate their desire to receive future earnings or news releases automatically.

Shareowner Inquiries :

PPL Shareowner Services
Wells Fargo Bank, N.A.
161 North Concord Exchange
South St. Paul, MN 55075-1139

Toll Free: 1-800-345-3085
Outside U.S.: 651-453-2129
FAX: 651-450-4085
www.wellsfargo.com/shareownerservices

Online Account Access : Registered shareowners can access account information by visiting www.shareowneronline.com.

Dividend Reinvestment and Direct Stock Purchase Plan (Plan): PPL offers its existing shareholders, employees and new investors the opportunity to acquire shares of PPL common stock through its Plan. Shareowners may choose to have dividends on their PPL common stock fully or partially reinvested in PPL common stock or can receive full payment of cash dividends by check or EFT. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates deposited into the DRS.

Listed Securities:

New York Stock Exchange

PPL Corporation:
Common Stock (Code: PPL)

Corporate Units (Code: PPLPRU)

PPL Energy Supply, LLC:
7.0% Senior Unsecured Notes due 2046 (Code: PLS)

PPL Capital Funding, Inc.:

2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)

6.85% Senior Notes due 2047 (Code: PLV)

Fiscal Agents:

Stock Transfer Agent and Registrar; Dividend Reinvestment Plan Agent

Wells Fargo Bank, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075-1139

Toll Free: 1-800-345-3085
Outside U.S.: 651-453-2129

Dividend Disbursing Office

PPL Investor Services
Two North Ninth Street (GENTW13)
Allentown, PA 18101

FAX: 610-774-5106
Via email: invserv@pplweb.com

Or call the PPL Shareowner Information Line
Toll Free: 1-800-345-3085

1945 Mortgage Bond Trustee, Transfer and Bond Interest Paying Agent

Deutsche Bank Trust Company Americas
648 Grassmere Park Road
Nashville, TN 37211

Toll Free: 1-800-735-7777
AX: 615-835-2727

Indenture Trustee

The Bank of New York Mellon
101 Barclay Street
New York, NY 10286

SIGNATURES

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

PPL Corporation
(Registrant)

By /s/ James H. Miller

James H. Miller -
Chairman, President and
Chief Executive Officer

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

TITLE

By /s/ James H. Miller

James H. Miller -
Chairman, President and
Chief Executive Officer

Principal Executive Officer and Director

By /s/ Paul A. Farr

Paul A. Farr -
Executive Vice President and
Chief Financial Officer

Principal Financial Officer

By /s/ Vincent Sorgi

Vincent Sorgi -
Vice President and Controller

Principal Accounting Officer

Directors:

Frederick M. Bernthal
John W. Conway
E. Allen Deaver
Steven G. Elliott
Louise K. Goeser

Stuart E. Graham
Stuart Heydt
Craig A. Rogerson
Natica von Althann
Keith H. Williamson

By /s/ James H. Miller

James H. Miller, Attorney-in-fact

Date: February 25, 2011

SIGNATURES

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

PPL Energy Supply, LLC
(Registrant)

By /s/ James H. Miller
James H. Miller -
President

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

TITLE

By /s/ James H. Miller
James H. Miller -
President

Principal Executive Officer and Manager

By /s/ Paul A. Farr
Paul A. Farr -
Executive Vice President

Principal Financial Officer and Manager

By /s/ Vincent Sorgi
Vincent Sorgi -
Vice President and Controller

Principal Accounting Officer

Managers:

/s/ Robert J. Grey
Robert J. Grey

/s/ William H. Spence
William H. Spence

/s/ James E. Abel
James E. Abel

Date: February 25, 2011

SIGNATURES

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

PPL Electric Utilities Corporation
(Registrant)

By /s/ David G. DeCampli
David G. DeCampli -
President

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

TITLE

By /s/ David G. DeCampli
David G. DeCampli -
President

Principal Executive Officer and Director

By /s/ Vincent Sorgi
Vincent Sorgi -
Vice President and Controller

Principal Financial Officer and
Principal Accounting Officer

Directors:

/s/ James H. Miller
James H. Miller

/s/ William H. Spence
William H. Spence

/s/ Paul A. Farr
Paul A. Farr

/s/ Dean A. Christiansen
Dean A. Christiansen

/s/ Robert J. Grey
Robert J. Grey

Date: February 25, 2011

EXHIBIT INDEX

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

- 3(a) - Amended and Restated Articles of Incorporation of PPL Corporation effective May 21, 2008 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 21, 2008)
- 3(b) - Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended March 31, 2006)
- 3(c) - Certificate of Formation of PPL Energy Supply, LLC (Exhibit 3.1 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 3(d) - Amended and Restated Bylaws of PPL Corporation, effective May 19, 2010 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2010)
- 3(e) - Bylaws of PPL Electric Utilities Corporation, as amended and restated effective March 30, 2006 (Exhibit 3.2 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 30, 2006)
- 3(f) - Limited Liability Company Agreement of PPL Energy Supply, LLC, dated March 20, 2001 (Exhibit 3.2 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 4(a) - Pollution Control Facilities Loan Agreement, dated as of May 1, 1973, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 5(z) to Registration Statement No. 2-60834)
- 4(b)-1 - Amended and Restated Employee Stock Ownership Plan, dated January 12, 2007 (Exhibit 4(a) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 4(b)-2 - Amendment No. 1 to said Amended and Restated Employee Stock Ownership Plan, dated July 2, 2007 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2007)
- 4(b)-3 - Amendment No. 2 to said Amended and Restated Employee Stock Ownership Plan, dated December 13, 2007 (Exhibit 4(a)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
- 4(b)-4 - Amendment No. 3 to said Amended and Restated Employee Stock Ownership Plan, dated August 19, 2009 (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for quarter ended September 30, 2009)
- 4(b)-5 - Amendment No. 4 to said Amended and Restated Employee Stock Ownership Plan, dated December 2, 2009 (Exhibit 4(a) -5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
- *4(b)-6 - Amendment No. 5 to said Amended and Restated Employee Stock Ownership Plan, dated November 17, 2010
- 4(c) - Trust Deed constituting £150 million 9 ¼ percent Bonds due 2020, dated November 9, 1995, between South Wales Electric plc and Bankers Trust Company Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- 4(d)-1 - Indenture, dated as of November 1, 1997, among PPL Corporation, PPL Capital Funding, Inc. and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 12, 1997)
- 4(d)-2 - Supplement, dated as of May 18, 2004, to said Indenture (Exhibit 4.7 to Registration Statement Nos. 333-116478, 333-116478-01 and 333-116478-02)
- 4(d)-3 - Supplement, dated as of July 1, 2007, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated July 16, 2007)
- 4(e) - Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
- 4(f)-1 - Indenture, dated as of August 1, 2001, by PPL Electric Utilities Corporation and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 21, 2001)
- 4(f)-2 - Supplement, dated as of February 1, 2005, to said Indenture (Exhibit 4(g)-5 to PPL Electric Utilities Corporation Form 10-K Report (File No. 1-905) for the year ended December 31, 2004)
- 4(f)-3 - Supplement, dated as of May 1, 2005, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2005)
- 4(f)-4 - Supplement, dated as of December 1, 2005, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K

Report (File No. 1-905) dated December 22, 2005)

- 4(f)-5 - Supplement, dated as of August 1, 2007, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 14, 2007)
- (f)-6 - Supplement, dated as of October 1, 2008, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 20, 2008)
- 4(f)-7 - Supplement, dated as of October 1, 2008, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
- 4(f)-8 - Supplement, dated as of May 1, 2009, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 22, 2009)
- 4(g)-1 - Indenture, dated as of October 1, 2001, by PPL Energy Supply, LLC and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 4(g)-2 - Supplement, dated as of October 1, 2001, to said Indenture (Exhibit 4.2 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 4(g)- 3 - Supplement, dated as of August 15, 2004, to said Indenture (Exhibit 4(h)-4 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2004)
- 4(g)-4 - Supplement, dated as of October 15, 2005, to said Indenture (Exhibit 4(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated October 28, 2005)
- 4(g)-5 - Form of Note for PPL Energy Supply, LLC's \$300 million aggregate principal amount of 5.70% REset Put Securities due 2035 (REPSSM) (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated October 28, 2005)
- 4(g)-6 - Supplement, dated as of May 1, 2006, to said Indenture (Exhibit 4(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2006)
- 4(g)-7 - Supplement, dated as of July 1, 2006, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2006)
- 4(g)-8 - Supplement, dated as of July 1, 2006, to said Indenture (Exhibit 4(c) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2006)
- 4(g)-9 - Supplement, dated as of December 1, 2006, to said Indenture (Exhibit 4(f)-10 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
- 4(g)-10 - Supplement, dated as of December 1, 2007, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated December 18, 2007)
- 4(g)-11 - Supplement, dated as of March 1, 2008, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated March 14, 2008)
- 4(g)-12 - Supplement, dated as of July 1, 2008, to said Indenture (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated July 21, 2008)
- 4(h)-1 - Trust Deed constituting £200 million 5.875 percent Bonds due 2027, dated March 25, 2003, between Western Power Distribution (South West) plc and J.P. Morgan Corporate Trustee Services Limited (Exhibit 4(o)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- 4(h)-2 - Supplement, dated May 27, 2003, to said Trust Deed, constituting £50 million 5.875 percent Bonds due 2027 (Exhibit 4(o)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
- 4(i)-1 - Pollution Control Facilities Loan Agreement, dated as of February 1, 2005, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 10(ff) to PPL Electric Utilities Corporation Form 10-K Report (File No. 1-905) for the year ended December 31, 2004)
- 4(i)-2 - Pollution Control Facilities Loan Agreement, dated as of May 1, 2005, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 10(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2005)
- 4(i)-3 - Pollution Control Facilities Loan Agreement, dated as of October 1, 2008, between Pennsylvania Economic Development Financing Authority and PPL Electric Utilities Corporation (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
- j) - Trust Deed constituting £105 million 1.541 percent Index-Linked Notes due 2053, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(i) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)

- 4(k) - Trust Deed constituting £120 million 1.541 percent Index-Linked Notes due 2056, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(j) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 4(l) - Trust Deed constituting £225 million 4.80436 percent Notes due 2037, dated December 21, 2006, between Western Power Distribution (South Wales) plc and HSBC Trustee (CI) Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 4(m)-1 - Subordinated Indenture, dated as of March 1, 2007, between PPL Capital Funding, Inc., PPL Corporation and The Bank of New York, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
- 4(m)-2 - Supplement, dated as of March 1, 2007, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
- 4(m)-3 - Supplement, dated as of June 28, 2010, to said Subordinated Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 28, 2010)
- 4(n)-1 - Series 2009A Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)
- 4(n)-2 - Series 2009B Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)
- 4(n)-3 - Series 2009C Exempt Facilities Loan Agreement, dated as of April 1, 2009, between PPL Energy Supply, LLC and Pennsylvania Economic Development Financing Authority (Exhibit 4(c) to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 9, 2009)
- 4(o) - Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South Wales) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
- 4(p) - Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South West) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
- 4(q)-1 - Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee
- *4(q)-2 - Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture
- *4(q)-3 - Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture
- *4(r)-1 - Indenture, dated as of October 1, 2010, between Louisville Gas and Electric Company and The Bank of New York Mellon, as Trustee
- *4(r)-2 - Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture
- *4(r)-3 - Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture
- *4(s)-1 - Indenture, dated as of November 1, 2010, between LG&E and KU Energy LLC and The Bank of New York Mellon, as Trustee
- *4(s)-2 - Supplemental Indenture No. 1, dated as of November 1, 2010, to said Indenture
- *4(t) - Registration Rights Agreement, dated November 12, 2010, between LG&E and KU Energy LLC and the Initial Purchasers
- *4(u) - Registration Rights Agreement, dated November 16, 2010, between Louisville Gas and Electric Company and the Initial Purchasers
- *4(v) - Registration Rights Agreement, dated November 16, 2010, between Kentucky Utilities Company and the Initial Purchasers
- *4(w)-1 - 2002 Series A Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(w)-2 - Amendment No. 1 dated as of September 1, 2010 to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(x)-1 - 2002 Series B Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(x)-2 - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky

- *4(y)-1 - 2002 Series C Carroll County Loan Agreement, dated July 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(y)-2 - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(z)-1 - 2004 Series A Carroll County Loan Agreement, dated October 1, 2004 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(z)-2 - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(aa)-1 - 2006 Series B Carroll County Loan Agreement, dated October 1, 2006 and amended and restated September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(aa)-2 - Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(bb)-1 - 2007 Series A Carroll County Loan Agreement, dated March 1, 2007, by and between Kentucky Utilities Company and County of Carroll, Kentucky
- *4(bb)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(cc)-1 - 2008 Series A Carroll County Loan Agreement, dated August 1, 2008 by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(cc)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky
- *4(dd)-1 - 2000 Series A Mercer County Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Mercer, Kentucky
- *4(dd)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky
- *4(ee)-1 - 2002 Series A Mercer County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Mercer, Kentucky
- *4(ee)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky
- *4(ff)-1 - 2002 Series A Muhlenberg County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky
- *4(ff)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky
- *4(gg)-1 - 2007 Series A Trimble County Loan Agreement, dated March 1, 2007, by and between Kentucky Utilities Company, and County of Trimble, Kentucky
- *4(gg)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Trimble, Kentucky
- *4(hh)-1 - 2000 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(hh)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(ii)-1 - 2001 Series A Jefferson County Loan Agreement, dated July 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky
- *4(ii)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky
- *4(jj)-1 - 2001 Series A Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky
- *4(jj)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky

- *4(kk)-1 - 2001 Series B Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky
- *4(kk)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky
- *4(ll)-1 - 2003 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated October 1, 2003, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky
- *4(ll)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(mm)-1 - 2005 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated February 1, 2005 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(mm)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(nn)-1 - 2007 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated as of March 1, 2007 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(nn)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky
- *4(oo) - 2007 Series B Louisville/Jefferson County Metro Government Amended and Restated Loan Agreement, dated November 1, 2010, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky
- *4(pp)-1 - 2000 Series A Trimble County Loan Agreement, dated August 1, 2000, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(pp)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(qq)-1 - 2001 Series A Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(qq)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and the County of Trimble, Kentucky
- *4(rr)-1 - 2001 Series B Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(rr)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(ss)-1 - 2002 Series A Trimble County Loan Agreement, dated July 1, 2002, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(ss)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(tt)-1 - 2007 Series A Trimble County Loan Agreement, dated March 1, 2007, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- *4(tt)-2 - Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky
- 10(a) - Generation Supply Agreement, dated as of June 20, 2001, between PPL Electric Utilities Corporation and PPL EnergyPlus, LLC (Exhibit 10.5 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 10(b)-1 - Master Power Purchase and Sale Agreement, dated as of October 15, 2001, between NorthWestern Energy Division (successor in interest to The Montana Power Company) and PPL Montana, LLC (Exhibit 10(g) to PPL Montana, LLC Form 10-K Report (File No. 333-50350) for the year ended December 31, 2001)
- 10(b)-2 - Confirmation Letter dated July 5, 2006, between PPL Montana, LLC and NorthWestern Corporation (PPL Corporation and PPL Energy Supply, LLC Form 8-K Reports (File Nos. 1-11459 and 333-74794) dated July 6, 2006)
- 10(c) - Guaranty, dated as of December 21, 2001, from PPL Energy Supply, LLC in favor of LMB Funding, Limited Partnership (Exhibit 10(j) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2001)

- 10(d)-1 - Agreement for Lease, dated as of December 21, 2001, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(m) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
- 10(d)-2 - Amendment No. 1 to Agreement for Lease, dated as of September 16, 2002, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(m)-1 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
- 10(e)-1 - Lease Agreement, dated as of December 21, 2001, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(n) to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
- 10(e)-2 - Amendment No. 1 to Lease Agreement, dated as of September 16, 2002, between LMB Funding, Limited Partnership and Lower Mt. Bethel Energy, LLC (Exhibit 10(n)-1 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2003)
- 10(f) - Facility Lease Agreement (BA 1/2) between PPL Montana, LLC and Montana OL3, LLC (Exhibit 4.7a to PPL Montana, LLC Form S-4 (Registration Statement No. 333-50350))
- 10(g) - Facility Lease Agreement (BA 3) between PPL Montana, LLC and Montana OL4, LLC (Exhibit 4.8a to PPL Montana, LLC Form S-4 (Registration Statement No. 333-50350))
- 10(h) - Services Agreement, dated as of July 1, 2000, among PPL Corporation, PPL Energy Funding Corporation and its direct and indirect subsidiaries in various tiers, PPL Capital Funding, Inc., PPL Gas Utilities Corporation, PPL Services Corporation and CEP Commerce, LLC (Exhibit 10.20 to PPL Energy Supply, LLC Form S-4 (Registration Statement No. 333-74794))
- 10(i)-1 - Asset Purchase Agreement, dated as of June 1, 2004, by and between PPL Sundance Energy, LLC, as Seller, and Arizona Public Service Company, as Purchaser (Exhibit 10(a) to PPL Corporation and PPL Energy Supply, LLC Form 10-Q Reports (File Nos. 1-11459 and 333-74794) for the quarter ended June 30, 2004)
- 10(i)-2 - Amendment No. 1, dated December 14, 2004, to said Asset Purchase Agreement (Exhibit 99.1 to PPL Corporation and PPL Energy Supply, LLC Form 8-K Reports (File Nos. 1-11459 and 333-74794) dated December 15, 2004)
- 10(j)-1 - Receivables Sale Agreement, dated as of August 1, 2004, between PPL Electric Utilities Corporation, as Originator, and PPL Receivables Corporation, as Buyer (Exhibit 10(d) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2004)
- 10(j)-2 - Amendment No. 1 to Receivables Sale Agreement, dated as of August 5, 2008, between PPL Electric Utilities Corporation, as Originator, and PPL Receivables Corporation, as Buyer (Exhibit 10(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 6, 2008)
- 10(j)-3 - Credit and Security Agreement, dated as of August 5, 2008, among PPL Receivables Corporation, PPL Electric Utilities Corporation, Victory Receivables Corporation, the Liquidity Banks from time to time party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Exhibit 10(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 6, 2008)
- 10(j)-4 - Amendment No. 1 to said Credit and Security Agreement, dated as of July 28, 2009, among PPL Receivables Corporation, as Borrower, PPL Electric Utilities Corporation, as Servicer, Victory Receivables Corporation, as a Lender, and The Bank of Tokyo-Mitsubishi UFJ, Ltd, New York Branch, as Liquidity Bank and as Agent (Exhibit 10(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2009)
- 10(j)-5 - Amendment No. 2 to said Credit and Security Agreement, dated as of July 27, 2010, among PPL Receivables Corporation, as Borrower, PPL Electric Utilities Corporation, as Servicer, Victory Receivables Corporation, as a Lender and The Bank of Tokyo - Mitsubishi UFJ, Ltd., New York Branch, as Liquidity Bank and as Agent (Exhibit 10(g) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2010)
- *10(j)-6 - Amendment No. 3 to said Credit and Security Agreement, dated as of December 23, 2010, among PPL Receivables Corporation, as Borrower, PPL Electric Utilities Corporation, as Servicer, Victory Receivables Corporation, as a Lender and The Bank of Tokyo - Mitsubishi UFJ, Ltd., New York Branch, as Liquidity Bank and as Agent
- 10(k) - \$300 Million Demand Loan Agreement, dated as of August 20, 2004, among CEP Lending, Inc. and PPL Energy Funding Corporation (Exhibit 10(dd) to PPL Electric Utilities Corporation Form 10-K Report (File No. 1-905) for the year ended December 31, 2004)
- 10(l)-1 - Reimbursement Agreement, dated as of March 31, 2005, among PPL Energy Supply, LLC, The Bank of Nova Scotia, as Issuer and Administrative Agent, and the Lenders party thereto from time to time (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended March 31, 2005)
- 10(l)-2 - First Amendment to said Reimbursement Agreement, dated as of June 16, 2005 (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended June 30, 2005)
- 10(l)-3 - Second Amendment to said Reimbursement Agreement, dated as of September 1, 2005 (Exhibit 10(a) to PPL Energy Supply,

LLC Form 10-Q Report (File No. 333-74794) for the quarter ended September 30, 2005)

- 10(l)-4 - Third Amendment to said Reimbursement Agreement, dated as of March 30, 2006 (Exhibit 10(a) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated April 5, 2006)
- 10(l)-5 - Fourth Amendment to said Reimbursement Agreement, dated as of April 12, 2006 (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended September 30, 2006)
- 10(l)-6 - Fifth Amendment to said Reimbursement Agreement, dated as of November 1, 2006 (Exhibit 10(q)-6 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
- 10(l)-7 - Sixth Amendment to said Reimbursement Agreement, dated as of March 29, 2007 (Exhibit 10(q)-7 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2007)
- 10(l)-8 - Seventh Amendment to said Reimbursement Agreement, dated as of March 1, 2008 (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 333-74794) for the quarter ended March 31, 2008)
- 10(l)-9 - Eighth Amendment to said Reimbursement Agreement, dated as of March 30, 2009 (Exhibit 10(a) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended March 31, 2009)
- 10(l)-10 - Ninth Amendment to said Reimbursement Agreement, dated as of March 31, 2010 (Exhibit 99.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated April 6, 2010)
- 10(m)-1 - \$300 Million Five-Year Letter of Credit and Revolving Credit Agreement, dated as of December 15, 2005, among PPL Energy Supply, LLC and the banks named therein (Exhibit 10(b) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated December 21, 2005)
- 10(m)-2 - First Amendment to said Letter of Credit and Revolving Credit Agreement, dated as of December 29, 2006 (Exhibit 10(t)-2 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
- 10(n)-1 - \$300 Million Five-Year Letter of Credit and Reimbursement Agreement, dated as of December 15, 2005, among PPL Energy Supply and the banks named therein (Exhibit 10(c) to PPL Energy Supply, LLC Form 8-K Report (File No. 333-74794) dated December 21, 2005)
- 10(n)-2 - First Amendment to said Letter of Credit and Reimbursement Agreement, dated as of December 29, 2006 (Exhibit 10(u)-2 to PPL Energy Supply, LLC Form 10-K Report (File No. 333-74794) for the year ended December 31, 2006)
- 10(o) - \$200,000,000 Revolving Credit Agreement, dated as of December 31, 2010, among PPL Electric Utilities Corporation, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Exhibit 10.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated January 6, 2011)
- 10(p)-1 - \$4,000,000,000 Revolving Credit Agreement, dated as of October 19, 2010, among PPL Energy Supply, LLC, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Exhibit 10.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated October 21, 2010)
- *10(p)-2 - Notice of Reduction to said Revolving Credit Agreement, dated November 17, 2010, effective as of December 1, 2010.
- 10(q) - £150 million Credit Agreement, dated as of January 24, 2007, among Western Power Distribution Holdings Limited and the banks named therein (Exhibit 10(y) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(r) - £210 million Multicurrency Revolving Facility Agreement, dated July 7, 2009, between Western Power Distribution (South West) plc and HSBC Bank plc, Lloyds TSB Bank plc and Clydesdale Bank plc (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)
- 10(s) - Purchase and Sale Agreement, dated as of April 28, 2010, by and between E.ON US Investments Corp., PPL Corporation and E.ON AG (Exhibit No. 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 28, 2010)
- 10(t) - \$500 million Facility Agreement, dated as of May 14, 2010, among PPL Energy Supply, LLC, as Borrower, and Morgan Stanley Bank, as Issuer (Exhibit 10(b) to PPL Energy Supply, LLC Form 10-Q Report (File No. 1-32944) for the quarter ended June 30, 2010)
- 10(u) - Purchase and Sale Agreement, dated as of September 9, 2010, by and between PPL Holtwood, LLC and LSP Safe Harbor Holdings, LLC (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 13, 2010)
- 10(v) - Purchase and Sale Agreement, dated as of September 9, 2010, by and between PPL Generation, LLC and Harbor Gen Holdings, LLC (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 13, 2010)
- 10(w) - Open-End Mortgage, Security Agreement and Fixture Filing from PPL Montour, LLC to Wilmington Trust FSB, as Collateral Agent, dated as of October 26, 2010
- *10(x) - Open-End Mortgage, Security Agreement and Fixture Filing from PPL Brunner Island, LLC to Wilmington Trust FSB, as

Collateral Agent, dated as of October 26, 2010

- *10(y) - Guaranty of PPL Montour, LLC and PPL Brunner Island, LLC, dated as of November 3, 2010, in favor of Wilmington Trust FSB, as Collateral Agent, for itself as Beneficiary and for the Secured Counterparties described therein
- 0(z) - \$400,000,000 Revolving Credit Agreement, dated as of November 1, 2010, among Kentucky Utilities Company, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 1, 2010)
- 10(aa) - \$400,000,000 Revolving Credit Agreement, dated as of November 1, 2010, among Louisville Gas and Electric Company, the Lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and Issuing Lender (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 1, 2010)
- 10(bb)-1 - Amended and Restated Directors Deferred Compensation Plan, dated June 12, 2000 (Exhibit 10(h) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2000)
- 10(bb)-2 - Amendment No. 1 to said Amended and Restated Directors Deferred Compensation Plan, dated December 18, 2002 (Exhibit 10(m)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
- 10(bb)-3 - Amendment No. 2 to said Amended and Restated Directors Deferred Compensation Plan, dated December 4, 2003 (Exhibit 10(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
- 10(bb)-4 - Amendment No. 3 to said Amended and Restated Directors Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)
- 10(bb)-5 - Amendment No. 4 to said Amended and Restated Directors Deferred Compensation Plan, dated as of May 1, 2008 (Exhibit 10(x)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- 10(bb)-6 - Amendment No. 5 to said Amended and Restated Directors Deferred Compensation Plan, dated May 28, 2010 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2010)
- 10(cc)-1 - Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee
- 10(cc)-2 - Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-1149) for the quarter ended March 31, 2007)
- 10(cc)-3 - Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(cc)-4 - Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(dd)-1 - Amended and Restated Officers Deferred Compensation Plan, dated December 8, 2003 (Exhibit 10(r) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
- 10(dd)-2 - Amendment No. 1 to said Amended and Restated Officers Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)
- 10(dd)-3 - Amendment No. 2 to said Amended and Restated Officers Deferred Compensation Plan, dated as of January 22, 2007 (Exhibit 10(bb)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(dd)-4 - Amendment No. 3 to said Amended and Restated Officers Deferred Compensation Plan, dated as of June 1, 2008 (Exhibit 10(z)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- 10(ee)-1 - Amended and Restated Supplemental Executive Retirement Plan, dated December 8, 2003 (Exhibit 10(s) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
- 10(ee)-2 - Amendment No. 1 to said Supplemental Executive Retirement Plan, dated December 16, 2004 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated December 17, 2004)
- 10(ee)-3 - Amendment No. 2 to said Supplemental Executive Retirement Plan, dated as of January 1, 2005 (Exhibit 10(ff)-3 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
- 10(ee)-4 - Amendment No. 3 to said Supplemental Executive Retirement Plan, dated as of January 22, 2007 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(ee)-5 - Amendment No. 4 to said Supplement Executive Retirement Plan, dated as of December 9, 2008 (Exhibit 10(aa)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- 10(ff)-1 - Incentive Compensation Plan, amended and restated effective January 1, 2003 (Exhibit 10(p) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)

- 10(ff)-2 - Amendment No. 1 to said Incentive Compensation Plan, dated as of January 1, 2005 (Exhibit 10(gg)-2 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
- 10(ff)-3 - Amendment No. 2 to said Incentive Compensation Plan, dated as of January 26, 2007 (Exhibit 10(dd)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(ff)-4 - Amendment No. 3 to said Incentive Compensation Plan, dated as of March 21, 2007 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(ff)-5 - Amendment No. 4 to said Incentive Compensation Plan, effective December 1, 2007 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September, 30, 2008)
- 10(ff)-6 - Amendment No. 5 to said Incentive Compensation Plan, dated as of December 16, 2008 (Exhibit 10(bb)-6 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2008)
- 10(ff)-7 - Form of Stock Option Agreement for stock option awards under the Incentive Compensation Plan (Exhibit 10(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
- 10(ff)-8 - Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Incentive Compensation Plan (Exhibit 10 (b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
- 10(ff)-9 - Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Incentive Compensation Plan pursuant to PPL Corporation Cash Incentive Premium Exchange Program (Exhibit 10(c) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
- 10(gg)-1 - Incentive Compensation Plan for Key Employees, amended and restated effective January 1, 2003 (Schedule B to Proxy Statement of PPL Corporation, dated March 17, 2003)
- 10(gg)-2 - Amendment No. 1 to said Incentive Compensation Plan for Key Employees, dated as of January 1, 2005 (Exhibit (hh)-1 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
- 10(gg)-3 - Amendment No. 2 to said Incentive Compensation Plan for Key Employees, dated as of January 26, 2007 (Exhibit 10(ee)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(gg)-4 - Amendment No. 3 to said Incentive Compensation Plan for Key Employees, dated as of March 21, 2007 (Exhibit 10(q) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(gg)-5 - Amendment No. 4 to said Incentive Compensation Plan for Key Employees, dated as of December 15, 2008 (Exhibit 10(cc)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
- 10(hh) - Short-term Incentive Plan (Schedule A to Proxy Statement of PPL Corporation, dated March 20, 2006)
- 10(ii) - Agreement dated January 15, 2003 between PPL Corporation and Mr. Miller regarding Supplemental Pension Benefits (Exhibit 10(u) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
- 10(jj) - Employment letter dated December 19, 2005 between PPL Services Corporation and Jerry Matthews Simmons, Jr. (Exhibit 10(jj) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(kk) - Employment letter dated May 31, 2006 between PPL Services Corporation and William H. Spence (Exhibit 10(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(ll) - Employment letter dated August 29, 2006, between PPL Services Corporation and David G. DeCampli (Exhibit 10(qq) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
- 10(mm) - Amendments to certain compensation programs and arrangements for Named Executive Officers of PPL Corporation and PPL Electric Utilities Corporation and compensation arrangement changes for non-employee Directors of PPL Corporation (PPL Corporation and PPL Electric Utilities Corporation Form 8-K Reports (File Nos. 1-11459 and 1-905) dated November 1, 2006)
- 10(nn) - Form of Retention Agreement entered into between PPL Corporation and Messrs. Champagne, Farr, Miller and Shriver (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(oo)-1 - Form of Severance Agreement entered into between PPL Corporation and the Named Executive Officers (Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
- 10(oo)-2 - Amendment to said Severance Agreement (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)
- 10(pp) - Form of Performance Unit Agreement entered into between PPL Corporation and the Named Executive Officers (Exhibit 10 (ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
- 10(qq) - Employment letter dated May 22, 2009, between PPL Services Corporation and Gregory W. Dudkin (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)

- *[]10(rr) - Retention Agreement, effective as of December 1, 2010, entered into between PPL Corporation and Victor A. Staffieri
- *[]10(ss) - Amended and Restated Employment and Severance Agreement, dated as of October 29, 2010, between E.ON U.S. LLC and Victor A. Staffieri
- 12(a) - PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
- *12(b) - PPL Energy Supply, LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
- *12(c) - PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
- *21 - Subsidiaries of PPL Corporation
- *23(a) - Consent of Ernst & Young LLP - PPL Corporation
- *23(b) - Consent of Ernst & Young LLP - PPL Energy Supply, LLC
- *23(c) - Consent of Ernst & Young LLP - PPL Electric Utilities Corporation
- *23(d) - Consent of PricewaterhouseCoopers LLP - PPL Corporation
- *24 - Power of Attorney
- *31(a) - Certificate of PPL's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31(b) - Certificate of PPL's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31(c) - Certificate of PPL Energy Supply's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31(d) - Certificate of PPL Energy Supply's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31(e) - Certificate of PPL Electric's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31(f) - Certificate of PPL Electric's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32(a) - Certificate of PPL's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32(b) - Certificate of PPL's principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32(c) - Certificate of PPL Energy Supply's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32(d) - Certificate of PPL Energy Supply's principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32(e) - Certificate of PPL Electric's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32(f) - Certificate of PPL Electric's principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *99(a) - Examples of Wholesale Energy, Fuel and Emission Allowance Price Fluctuations - 2006 through 2010
- **101.INS - XBRL Instance Document for PPL Corporation
- **101.SCH - XBRL Taxonomy Extension Schema for PPL Corporation
- **101.CAL - XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation
- **101.DEF - XBRL Taxonomy Extension Definition Linkbase for PPL Corporation
- **101.LAB - XBRL Taxonomy Extension Label Linkbase for PPL Corporation
- **101.PRE - XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation

** - XBRL information will be considered to be furnished, not filed, for the first two years of a company's submission of XBRL information.

AMENDMENT NO. 5
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3 and 4; and

WHEREAS, PPL desires to further amend the Plan to reflect the Heroes Earnings Assistance and Relief Act of 2008;

NOW, THEREFORE, the Plan is hereby amended by adding a new Section 13.7 to the end of Article XIII to read as follows:

"13.7 Additional Benefits Upon Death . Notwithstanding anything in the Plan to the contrary, if a Participant dies on or after January 1, 2007, while performing 'qualified military service,' the beneficiary of the Participant is entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant resumed and then terminated employment on account of death. 'Qualified military service' is service in the uniformed services (as defined in chapter 43 of Title 38, United States Code) while the Participant is entitled to reemployment rights under USERRA with respect to such service. Moreover, the Plan will credit the Participant's qualified military service for vesting purposes, as though the Participant resumed employment under USERRA immediately prior to death."

Except as provided in this Amendment No. 5, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 5 is executed this ____ day of _____, 2010.

PPL SERVICES CORPORATION

By: _____
Stephen R. Russo
Vice President-Human Resources
and Services

**KENTUCKY UTILITIES COMPANY,
Issuer**

TO

**THE BANK OF NEW YORK MELLON,
Trustee**

Indenture

Dated as of October 1, 2010

**THIS IS AN OPEN-END MORTGAGE INDENTURE
AND SECURES FUTURE ADVANCES**

KENTUCKY UTILITIES COMPANY

Reconciliation and tie between Trust Indenture Act of 1939
and Indenture, dated as of October 1, 2010

Trust Indenture Act Section	Indenture Section
§310 (a)(1)	1109
(a)(2)	1109
(a)(3)	1115
(a)(4)	Not Applicable
(b)	1108, 1110
§311 (a)	1113
(b)	1113
§312 (a)	1201
(b)	1201
(c)	1201
§313 (a)	1202
(b)(1)	Not Applicable
(b)(2)	1202
(c)	1202
(d)	1202
§314 (a)	1202
(a)(4)	709
(b)	Not Applicable
(c)(1)	105
(c)(2)	105
(c)(3)	Not Applicable
(d)	402, 707(b), 803, 804, 809
(e)	105
§315 (a)	1101(a)
(b)	1102
(c)	1101(b)
(d)	1101(c)
(d)(1)	1101(a)(i), 1101(c)(i)
(d)(2)	1101(c)(ii)
(d)(3)	1101(c)(iii)
(e)	1014
§316 (a)	1012, 1013
(a)(1)(A)	1002, 1012
(a)(1)(B)	1013
(a)(2)	Not Applicable
(b)	1008
§317 (a)(1)	1003
(a)(2)	1004
(b)	703
§318 (a)	110

TABLE OF CONTENTS

PARTIES

1

RECITALS OF THE COMPANY

1

GRANTING CLAUSES

1

Granting Clause First

1

Granting Clause Second

2

Granting Clause Third

2

Granting Clause Fourth

2

EXCEPTED PROPERTY

2

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

5

“Accountant”

5

“Act”

5

“Affiliate”

5

“Authenticating Agent”

6

“Authorized Officer”

6

“Authorized Purposes”

6

“Board of Directors”

6

“Board Resolution”

6

“Business Day”

6

“Commission”

6

“Company”

6

“Company Order” and “Company Request”

6

“Corporate Trust Office”

6

“Corporation”

6

“Cost”

6

“Defaulted Interest”

7

“Discount Security”

7

“Dollar” or “\$”

7

“Eligible Obligations”

7

“Event of Default”

7

“Excepted Property”

7

“Exchange Act”

7

“Execution Date”

7

“Expert”

7

“Expert’s Certificate”

7

“Fair Value”

7

“Funded Cash”

8

“Funded Property”

8

“Governmental Authority”

8

“Government Obligations”

8

“Holder”

8

“Indenture”

8

“Independent”

8

“Independent Expert’s Certificate”

8

“interest”

8

“Interest Payment Date”

8

“Investment Securities”

9

“Lien”

9

“Maturity”

9

“Mortgaged Property”

9

“Notice of Default”

10

“Officer’s Certificate”

10

“Opinion of Counsel”

10

“Outstanding”

10

“Paying Agent”

11

“Periodic Offering”

11

“Permitted Liens”

11

“Person”

13

“Place of Payment”

14

“Predecessor Security”	14
“Prepaid Liens”	14
“Property Additions”	14
“Purchase Money Lien”	14
“Redemption Date”	15
“Redemption Price”	15
“Regular Record Date”	15
“Required Currency”	15
“Responsible Officer”	15
“Retired Securities”	15
“Securities”	15
“Securities Act”	15
“Security Register” and “Security Registrar”	15
“Special Record Date”	15
“Stated Maturity”	15
“Successor Corporation”	15
“supplemental indenture” or “indenture supplemental hereto”	16
“Tranche”	16
“Trustee”	16
“Trust Indenture Act”	16
“United States”	16
SECTION 102. Funded Property; Funded Cash.	16
SECTION 103. [Reserved].	17
SECTION 104. Property Additions; Cost.	17
SECTION 105. Compliance Certificates and Opinions.	19
SECTION 106. Form of Documents Delivered to Trustee.	20
SECTION 107. Acts of Holders.	21
SECTION 108. Notices, Etc. to Trustee or Company.	23
SECTION 109. Notice to Holders of Securities; Waiver.	24
SECTION 110. Conflict with Trust Indenture Act.	24
SECTION 111. Effect of Headings and Table of Contents.	24
SECTION 112. Successors and Assigns.	25
SECTION 113. Separability Clause.	25
SECTION 114. Benefits of Indenture.	25
SECTION 115. Governing Law.	25
SECTION 116. Legal Holidays.	25
SECTION 117. Investment of Cash Held by Trustee.	25
SECTION 118. Waiver of Jury Trial.	26
SECTION 119. Force Majeure.	26

ARTICLE TWO

SECURITY FORMS

SECTION 201. Forms Generally.	26
SECTION 202. Form of Trustee’s Certificate of Authentication.	27

ARTICLE THREE

THE SECURITIES

SECTION 301. Limitations on Amount Outstanding; Issuable in Series.	27
SECTION 302. Denominations.	30
SECTION 303. Execution and Dating; Authentication.	30
SECTION 304. Temporary Securities.	31
SECTION 305. Registration, Registration of Transfer and Exchange.	31
SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.	32
SECTION 307. Payment of Interest; Interest Rights Preserved.	33
SECTION 308. Persons Deemed Owners.	34
SECTION 309. Cancellation.	34
SECTION 310. Computation of Interest.	34
SECTION 311. Payment to Be in Proper Currency.	35
SECTION 312. Extension of Interest Payment.	35
SECTION 313. CUSIP Numbers.	35

ARTICLE FOUR

ISSUANCE OF SECURITIES

SECTION 401. General	35
----------------------	----

SECTION 402.	Issuance of Securities on the Basis of Property Additions.	37
SECTION 403.	Issuance of Securities on the Basis of Retired Securities.	40
SECTION 404.	Issuance of Securities on the Basis of Deposit of Cash.	40

ARTICLE FIVE

REDEMPTION OF SECURITIES

SECTION 501.	Applicability of Article.	41
SECTION 502.	Election to Redeem; Notice to Trustee.	41
SECTION 503.	Selection of Securities to Be Redeemed.	41
SECTION 504.	Notice of Redemption.	42
SECTION 505.	Securities Payable on Redemption Date.	43
SECTION 506.	Securities Redeemed in Part.	43

ARTICLE SIX

SINKING FUNDS

SECTION 601.	Applicability of Article.	43
SECTION 602.	Satisfaction of Sinking Fund Payments with Securities.	44
SECTION 603.	Redemption of Securities for Sinking Fund.	44

ARTICLE SEVEN

REPRESENTATIONS AND COVENANTS

SECTION 701.	Payment of Securities; Lawful Possession; Preservation of Lien	44
SECTION 702.	Maintenance of Office or Agency.	45
SECTION 703.	Money for Securities Payments to Be Held in Trust.	45
SECTION 704.	Existence as a Corporation.	47
SECTION 705.	Maintenance of Properties.	47
SECTION 706.	Payment of Taxes; Discharge of Liens.	47
SECTION 707.	Insurance.	47
SECTION 708.	Recording, Filing, etc.	50
SECTION 709.	Annual Officer's Certificate as to Compliance.	51
SECTION 710.	Waiver of Certain Covenants.	51

ARTICLE EIGHT

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

SECTION 801.	Quiet Enjoyment.	52
SECTION 802.	Dispositions without Release.	52
SECTION 803.	Release of Funded Property.	53
SECTION 804.	Release of Property Not Constituting Funded Property.	56
SECTION 805.	Release of Minor Properties.	57
SECTION 806.	Withdrawal or Other Application of Funded Cash; Purchase Money Obligations.	58
SECTION 807.	Release of Property Taken by Eminent Domain, etc.	60
SECTION 808.	Disclaimer or Quitclaim.	61
SECTION 809.	Miscellaneous.	61

ARTICLE NINE

SATISFACTION AND DISCHARGE

SECTION 901.	Satisfaction and Discharge of Securities.	62
SECTION 902.	Satisfaction and Discharge of Indenture.	64
SECTION 903.	Application of Trust Money.	65

ARTICLE TEN

EVENTS OF DEFAULT; REMEDIES

SECTION 1001.	Events of Default.	65
SECTION 1002.	Acceleration of Maturity; Rescission and Annulment.	66
SECTION 1003.	Collection of Indebtedness and Suits for Enforcement by Trustee.	67
SECTION 1004.	Trustee May File Proofs of Claim.	68
SECTION 1005.	Trustee May Enforce Claims Without Possession of Securities.	68
SECTION 1006.	Application of Money Collected.	68
SECTION 1007.	Limitation on Suits.	69
SECTION 1008.	Unconditional Right of Holders to Receive Principal, Premium and Interest.	69

SECTION 1009.	Restoration of Rights and Remedies.	70
SECTION 1010.	Rights and Remedies Cumulative.	70
SECTION 1011.	Delay or Omission Not Waiver.	70
SECTION 1012.	Control by Holders of Securities.	70
SECTION 1013.	Waiver of Past Defaults.	71
SECTION 1014.	Undertaking for Costs.	71
SECTION 1015.	Waiver of Usury, Stay or Extension Laws.	71
SECTION 1016.	Receiver and Other Remedies.	71

ARTICLE ELEVEN

THE TRUSTEE

SECTION 1101.	Certain Duties and Responsibilities.	72
SECTION 1102.	Notice of Default.	73
SECTION 1103.	Certain Rights of Trustee.	73
SECTION 1104.	Not Responsible for Recitals or Issuance of Securities.	74
SECTION 1105.	May Hold Securities.	75
SECTION 1106.	Money Held in Trust.	75
SECTION 1107.	Compensation and Reimbursement.	75
SECTION 1108.	Disqualification; Conflicting Interests.	76
SECTION 1109.	Corporate Trustee Required; Eligibility.	76
SECTION 1110.	Resignation and Removal; Appointment of Successor.	76
SECTION 1111.	Acceptance of Appointment by Successor.	78
SECTION 1112.	Merger, Conversion, Consolidation or Succession to Business.	78
SECTION 1113.	Preferential Collection of Claims Against Company.	78
SECTION 1114.	Appointment of Authenticating Agent.	78
SECTION 1115.	Co-trustee and Separate Trustees.	80

ARTICLE TWELVE

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 1201.	Lists of Holders.	81
SECTION 1202.	Reports by Trustee and Company.	81

ARTICLE THIRTEEN

CONSOLIDATION, MERGER, CONVEYANCE, OR OTHER TRANSFER

SECTION 1301.	Company may Consolidate, etc., Only on Certain Terms.	82
SECTION 1302.	Successor Corporation Substituted.	83
SECTION 1303.	Extent of Lien Hereof on Property of Successor Corporation.	84
SECTION 1304.	Release of Company upon Conveyance or Other Transfer.	84
SECTION 1305.	Merger into Company; Extent of Lien Hereof.	84
SECTION 1306.	Transfer of Less than Substantially All.	84

ARTICLE FOURTEEN

SUPPLEMENTAL INDENTURES

SECTION 1401.	Supplemental Indentures Without Consent of Holders.	85
SECTION 1402.	Supplemental Indentures With Consent of Holders.	87
SECTION 1403.	Execution of Supplemental Indentures.	88
SECTION 1404.	Effect of Supplemental Indentures.	88
SECTION 1405.	Conformity With Trust Indenture Act.	88
SECTION 1406.	Reference in Securities to Supplemental Indentures.	88
SECTION 1407.	Modification Without Supplemental Indenture.	89

ARTICLE FIFTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1501.	Purposes for Which Meetings May Be Called.	89
SECTION 1502.	Call, Notice and Place of Meetings.	89
SECTION 1503.	Persons Entitled to Vote at Meetings.	90
SECTION 1504.	Quorum; Action.	90
SECTION 1505.	Attendance at Meetings; Determination of Voting Rights; Conduct and Adjournment of Meetings.	91
SECTION 1506.	Counting Votes and Recording Action of Meetings.	91
SECTION 1507.	Action Without Meeting.	92

ARTICLE SIXTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 1601.	Liability Solely Corporate.	92
estimonium		93
signatures		93
EXHIBIT A –	SCHEDULE OF REAL PROPERTY OWNED IN FEE LOCATED IN THE COMMONWEALTH OF KENTUCKY	A-1
EXHIBIT B –	SCHEDULE OF GENERATING FACILITIES LOCATED IN THE COMMONWEALTH OF KENTUCKY	B-1
EXHIBIT C –	SCHEDULE OF TRANSMISSION LINES LOCATED IN THE COMMONWEALTH OF KENTUCKY	C-1

INDENTURE, dated as of October 1, 2010, between **KENTUCKY UTILITIES COMPANY**, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia (herein called the "Company"), having its principal office at One Quality Street, Lexington, Kentucky 40507 and **THE BANK OF NEW YORK MELLON**, a New York corporation, trustee (herein called the "Trustee"), having its principal corporate trust office at 101 Barclay Street, New York, New York 10286, county of New York.

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debt securities (herein called the "Securities"), to be issued in one or more series as contemplated herein, and to provide security for the payment of the principal of and premium and interest, if any, on the Securities.

All acts necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been performed.

For all purposes of this Indenture, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article One of this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH

For and in consideration of the premises and of the purchase of the Securities by the Holders thereof, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and herein contained, and to declare the terms and conditions on which such Securities are secured, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the following (subject, however, to the terms and conditions set forth in this Indenture):

GRANTING CLAUSES

Granting Clause First

All right, title and interest of the Company, as of the Execution Date, in and to all property, real, personal and mixed, wherever located (other than Excepted Property), including without limitation all right, title and interest of the Company in and the following property so located (other than Excepted Property): (a) all real property owned in fee, easements and other interests in real property which are specifically described or referred to in Exhibit A attached hereto and incorporated herein by this reference; (b) all facilities, machinery, equipment and fixtures used or to be used in or in connection with the generation, transmission and distribution of electric energy including, but not limited to, all plants and powerhouses of any type or character, dams, diversion works, generators, turbines, engines, boilers, fuel handling and transportation facilities, air and water pollution control and sewage and solid waste disposal facilities, carbon capture and sequestration facilities, switchyards, towers, substations, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators and all other property used or to be used for any or all of such purposes, including, but not limited to, the generating stations described in Exhibit B attached hereto and the transmission lines described in Exhibit C hereto, such exhibits being incorporated herein by this reference; (c) all buildings, offices, warehouses, structures or improvements in addition to those referred to or otherwise included in clauses (a) and (b) above; (d) all computers, data processing, data storage, data transmission and/or telecommunications facilities, equipment and apparatus necessary for the operation or maintenance of any facilities, machinery, equipment or fixtures described or referred to in clause (b) above; and (e) all of the foregoing property in the process of construction;

Granting Clause Second

Subject to the applicable exceptions permitted by Section 809(d), Section 1303 and Section 1305, all right, title and interest of the Company in all property, real, personal and mixed, wherever located (other than Excepted Property) which may be hereafter acquired by the Company, it being the intention of the Company that all such property acquired by the Company after the Execution Date shall be as fully embraced within and subjected to the Lien hereof as if such property were owned by the Company as of the Execution Date;

Granting Clause Third

Any Excepted Property, which may, from time to time after the Execution Date, by delivery or by an instrument supplemental to this Indenture, be subjected to the Lien hereof by the Company, the Trustee being hereby authorized to receive the same at any time as additional security hereunder; it being understood that any such subsection to the Lien hereof of any Excepted Property as additional security may be made subject to such reservations, limitations or conditions respecting the use and disposition of such property or the proceeds thereof as shall be set forth in such instrument;

Granting Clause Fourth

All other property of whatever kind and nature expressly subjected to the Lien of this Indenture by any of the terms and provisions hereof; and

EXCEPTED PROPERTY

Expressly excepting and excluding, however, from the Lien of this Indenture all right, title and interest of the Company in and to the following property, whether now owned or hereafter acquired (herein sometimes called "Excepted Property"):

(a) all cash on hand or in banks or other financial institutions, deposit accounts, securities accounts, shares of stock, interests in general or limited partnerships or limited liability companies, bonds, notes, other evidences of indebtedness and other securities, security entitlements and investment property, of whatsoever kind and nature, not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be;

(b) all contracts, leases, operating agreements and other agreements of whatsoever kind and nature; all contract rights, bills, notes and other instruments and chattel paper (except to the extent that any of the same constitute securities, security entitlements or investment property, in which case they are separately excepted from the Lien of this Indenture under clause (a) above); all revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, and all rents, tolls, issues, product and profits, claims, credits, demands and judgments; all governmental and other licenses, permits, franchises, consents and allowances; and all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights and other intellectual property; and all claims, credits, choses in action, commercial tort claims and other intangible property and general intangibles including, but not limited to, computer software;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges, and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other Lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located;

(d) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of the facilities, machinery, equipment or fixtures described or referred to in clause (c), (d) or (e) of Granting Clause First of this Indenture;

(e) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(f) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas;

(g) all property which is the subject of a lease agreement designating the Company as lessee and all right, title and interest of the Company in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security;

(h) all property, real, personal and mixed, which subsequent to the Execution Date, has been released from the Lien of this Indenture and any improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any parts thereof;

(i) all property, real, personal and mixed, which is:

(A) located outside the Commonwealth of Kentucky; and

(B) not specifically subjected or required to be subjected to the Lien of this Indenture by any provision hereof;

and

(j) all property not used by the Company in the business of the generation, transmission and/or distribution of electric energy;

provided, however, that, subject to the provisions of Section 1303, (x) if, at any time after the occurrence of an Event of Default, the Trustee, or any separate trustee or co-trustee appointed under Section 1115 or any receiver appointed pursuant to Section 1016 or otherwise, shall have entered into possession of all or substantially all the Mortgaged Property, to the extent permitted by law, all the Excepted Property described or referred to in the foregoing clauses (b), (c), and (d) then owned or held or thereafter acquired by the Company, to the extent that the same is connected in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall immediately, and, in the case of any Excepted Property described or referred to in clause (g), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, upon demand of the Trustee or such other trustee or receiver, become subject to the Lien of this Indenture, to the extent not prohibited by law or by the terms of any other Lien at that time existing on such Excepted Property, junior and subordinate to any

Liens at that time existing on such Excepted Property, and the Trustee or such other trustee or receiver may, to the extent not prohibited by law or by the terms of any such other Lien (and subject to the rights of the holders of all such other Liens), at the same time likewise take possession thereof, and (y) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the Lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to Granting Clause Third, subject any Excepted Property to the Lien of this Indenture whereupon the same shall cease to be Excepted Property;

TO HAVE AND TO HOLD all such property, real, personal and mixed, unto the Trustee, its successors in trust and their assigns forever; and

SUBJECT, HOWEVER, to Permitted Liens;

IN TRUST, NEVERTHELESS, for the equal and ratable benefit and security of the Holders from time to time of all Outstanding Securities without any priority of any such Security over any other such Security;

PROVIDED, HOWEVER, that the right, title and interest of the Trustee in and to the Mortgaged Property shall cease, terminate and become void in accordance with, and subject to the conditions set forth in, Article Nine hereof, and if the principal of and premium and interest, if any, on the Securities shall have been paid to the Holders thereof, or shall have been paid to the Company pursuant to Section 703 hereof or to the appropriate Governmental Authority pursuant to applicable law after the Maturity thereof, then and in that case this Indenture shall terminate, and the Trustee shall execute and deliver to the Company such instruments as the Company shall require to evidence such termination; otherwise this Indenture, and the estate and rights hereby granted, shall be and remain in full force and effect;

IT IS HEREBY COVENANTED AND AGREED by and between the Company and the Trustee that all the Securities are to be authenticated and delivered, and that the Mortgaged Property is to be held, subject to the further covenants, conditions and trusts hereinafter set forth, and the Company hereby covenants and agrees to and with the Trustee, for the equal and ratable benefit of all holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all terms used herein without definition which are defined in the Trust Indenture Act as in effect on the Execution Date, either directly or by reference therein, have the meanings assigned to them therein;
- (c) all terms used herein without definition which are defined in the Uniform Commercial Code of New York as in effect on the Execution Date shall have the meanings assigned to them therein;
- (d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation or, at the election of the Company from time to time, at the Execution Date; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company;
- (e) any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Indenture; and
- (f) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Eleven, are defined in that Article.

"Accountant" means a Person engaged in the accounting profession or otherwise qualified to pass on accounting matters (including, but not limited to, a Person certified or licensed as a public accountant, whether or not then engaged in the public accounting profession), which Person, unless required to be Independent, may be an employee or Affiliate of the Company.

"Act", when used with respect to any Holder of a Security, has the meaning specified in Section 107.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **"control"** when used with respect to any specified

Person means the power to direct generally the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Authenticating Agent**” means any Person or Persons (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate the Securities of one or more series.

“**Authorized Officer**” means the Chairman of the Board, the President, any Vice President or the Treasurer of the Company, or any other Person duly authorized by the Company to act in respect of matters relating to this Indenture.

“**Authorized Purposes**” means the authentication and delivery of Securities, the release of property and/or the withdrawal of cash under any of the provisions of this Indenture.

“**Board of Directors**” means either the board of directors of the Company or any committee thereof duly authorized to act in respect of matters relating to this Indenture.

“**Board Resolution**” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors of the Company and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**”, when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

“**Commission**” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the Execution Date such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

“**Company**” means the Person named as the “Company” in the first paragraph of this Indenture until a Successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Company” shall mean such Successor Person.

“**Company Order**” and “**Company Request**” mean, respectively, a written order or request, as the case may be, signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

“**Corporate Trust Office**” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the Execution Date is located at 101 Barclay Street, 4E, New York, New York 10286, Attention: Corporate Trust Administration.

“**Corporation**” means a corporation, association, company, joint stock company, limited liability company or business trust, and references to “corporate” and other derivations of “corporation” herein shall be deemed to include appropriate derivations of such entities.

“**Cost**” with respect to Property Additions has the meaning specified in Section 104.

“**Defaulted Interest**” has the meaning specified in Section 307.

“**Discount Security**” means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002.

“**Dollar**” or “**\$**” means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

“**Eligible Obligations**” means:

- (a) with respect to Securities denominated in Dollars, Government Obligations; or
- (b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities, as contemplated by Section 301.

“**Event of Default**” has the meaning specified in Section 1001.

“**Excepted Property**” has the meaning specified in the granting clauses of this Indenture.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Execution Date**” means October 6, 2010.

“**Expert**” means a Person which is an engineer, appraiser or other expert and which, with respect to any certificate to be

signed by such Person and delivered to the Trustee, is qualified to pass upon the matters set forth in such certificate. For purposes of this definition, (a) "engineer" means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (b) "appraiser" means a Person engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property.

"Expert's Certificate" means a certificate signed by an Authorized Officer and by an Expert (which Expert (a) shall be selected either by the Board of Directors or by an Authorized Officer, the execution of such certificate by such Authorized Officer to be conclusive evidence of such selection, and (b) except as otherwise required in Sections 402, 707, 809 and 1306, may be an employee or Affiliate of the Company) and delivered to the Trustee. The amount stated in any Expert's Certificate as to the Cost, Fair Value or fair market value of property shall be conclusive and binding upon the Company, the Trustee and the Holders of the Securities.

"Fair Value", with respect to property, means the fair value of such property as may be determined by reference to (a) the amount which would be likely to be obtained in an arm's-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation, and replacement cost with respect to such property and/or (d) any other relevant factors; provided, however, that (x) the Fair Value of property shall be determined without deduction for any Liens on such property prior to the Lien of this Indenture (except as otherwise provided in Section 803) and (y) the Fair Value to the Company of Property Additions shall not reflect any reduction attributable to such Property Additions being of less value to a Person which is not the owner or operator of the Mortgaged Property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or otherwise available to the Expert certifying the same.

"Funded Cash" has the meaning specified in Section 102.

"Funded Property" has the meaning specified in Section 102.

"Governmental Authority" means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

"Government Obligations" means securities which are (a) (i) direct obligations of the United States where the payment or payments thereunder are supported by the full faith and credit of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Indenture and any such supplemental indenture, respectively. The term "Indenture" shall also include the provisions or terms of particular series of Securities established as contemplated by Section 301.

"Independent", when applied to any Accountant or Expert, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, (c) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (d) is approved by the Trustee in the exercise of reasonable care.

"Independent Expert's Certificate" means a certificate signed by an Independent Expert and delivered to the Trustee.

"interest", when used with respect to a Discount Security, means interest, if any, borne by such Security at a Stated Interest Rate rather than interest calculated at any imputed rate.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Investment Securities" means any of the following obligations or securities on which neither the Company, any other obligor on the Securities nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Paying Agent) or savings and loan association which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (c) bankers' acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without

regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial institution (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two (2) highest rating categories (without regard to modifiers) for short term securities or in any of the three (3) highest rating categories (without regard to modifiers) for long term securities; (h) securities issued by any regulated investment company, as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, the portfolio of which is limited to obligations or securities of the character and investment quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities, including, without limitation, any mutual fund for which the Trustee or any Paying Agent, or an affiliate of either thereof, serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or such Paying Agent or affiliate receives fees from such mutual fund for services rendered, (ii) the Trustee or such Paying Agent receives fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds and (iii) services performed pursuant to this Indenture by the Trustee or such Paying Agent may at times duplicate those provided to such mutual fund by the Trustee or such Paying Agent or affiliate; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

"Lien" means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"Mortgaged Property" means, as of any particular time, all property which at such time is subject to the Lien of this Indenture.

"Notice of Default" means a written notice of the kind specified in Section 1001(c).

"Officer's Certificate" means a certificate signed by an Authorized Officer of the Company and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

- (a) Securities theretofore canceled or delivered to the Trustee for cancellation;
- (b) Securities deemed to have been paid for all purposes of this Indenture in accordance with Section 901 (whether or not the Company's indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and
- (c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Indenture, or the Outstanding Securities of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

- (x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee actually knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, or any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and provided, further, that in no event shall any Security which shall have been delivered to evidence or secure, in whole or in part, the Company's obligations in respect of other indebtedness be deemed to be owned by the Company if the principal of such Security is payable, whether at Stated Maturity or upon mandatory redemption, at the same time as the

principal of such other indebtedness is payable, whether at Stated Maturity or upon mandatory redemption or acceleration, but only to the extent of such portion of the principal amount of such Security as does not exceed the principal amount of such other indebtedness, and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002; and

(z) the principal amount of any Security which is denominated in a currency other than Dollars or in a composite currency that shall be deemed to be Outstanding for such purposes shall be the amount of Dollars which could have been purchased by the principal amount (or, in the case of a Discount Security, the Dollar equivalent on the date determined as set forth below of the amount determined as provided in (y) above) of such currency or composite currency evidenced by such Security, in each such case certified to the Trustee in an Officer's Certificate, based (i) on the average of the mean of the buying and selling spot rates quoted by three banks which are members of the New York Clearing House Association selected by the Company in effect at 11:00 A.M. (New York time) in The City of New York on the fifth Business Day preceding any such determination or (ii) if on such fifth Business Day it shall not be possible or practicable to obtain such quotations from such three banks, on such other quotations or alternative methods of determination which shall be as consistent as practicable with the method set forth in (i) above;

provided, further, that in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

"Paying Agent" means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Securities on behalf of the Company.

"Periodic Offering" means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Securities by the Trustee, as contemplated in Section 301 and clause (b) of Section 401.

"Permitted Liens" means, as of any particular time, any of the following:

- (a) Liens existing at the Execution Date;
- (b) as to property acquired by the Company after the Execution Date, Purchase Money Liens and any other Liens existing or placed thereon at the time of the acquisition thereof;
- (c) Liens for taxes, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;
- (d) mechanics', workmen's, repairmen's, materialmen's, warehousemen's, and carriers' Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;
- (e) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding the greater of (A) Ten Million Dollars (\$10,000,000) and (B) three percent (3%) of the principal amount of the Securities then Outstanding or (ii) with respect to which the Company shall (X) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (Y) have the right to prosecute an appeal or other proceeding for review;
- (f) easements, leases, reservations or other rights of others in, on, over and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not in the aggregate materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;
- (g) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way in favor of the Company or otherwise or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same; (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to flood lands, flooding rights and/or water rights;
- (h) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property acquired by the Company for

the purpose of the transmission or distribution of electric energy, gas or water, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way;

(i) leases existing at the Execution Date affecting properties owned by the Company at said date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by the Company after such date which, in either case, (i) have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(j) Liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(k) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities, upon the Mortgaged Property or any part thereof or the operation or use thereof or upon the Company with respect to the Mortgaged Property or any part thereof or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(l) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, recapture or designate a purchaser of or order the sale of the Mortgaged Property or any part thereof, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the Company correlative to any such rights;

(m) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workmen's compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(n) Liens on the Mortgaged Property or any part thereof which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(o) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(p) (i) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such Persons and the Company if and to the extent that the enforcement of such Liens would not adversely affect the interests of the Company in such property in any material respect;

(q) any restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public service corporation;

(r) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(s) rights and interests granted pursuant to Section 802(c);

(t) Prepaid Liens; and

(u) any Lien of the Trustee granted pursuant to Section 1107.

"Person" means any individual, Corporation, partnership, limited liability partnership, joint venture, trust or unincorporated organization or any Governmental Authority.

"Place of Payment", when used with respect to the Securities of any series, or Tranche thereof, means the place or places, specified as contemplated by Section 301, at which, subject to Section 702, principal of and premium, if any, and interest, if any, on the Securities of such series or Tranche are payable.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Prepaid Liens" means any Lien securing indebtedness for the payment, prepayment or redemption of which there have been

irrevocably deposited in trust with the trustee or other holder of such Lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient for such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

"Property Additions" has the meaning specified in Section 104.

"Purchase Money Lien" means, with respect to any property being acquired or disposed of by the Company or being released from the Lien of this Indenture, a Lien on such property which

- (a) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;
- (b) is granted to one or more Persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;
- (c) is granted to any other Person in connection with the release of such property from the Lien of this Indenture on the basis of the deposit with the Trustee or the trustee or other holder of a Lien prior to the Lien of this Indenture of obligations secured by such Lien on such property (as well as any other property subject thereto);
- (d) is held by a trustee or agent for the benefit of one or more Persons described in clause (a), (b) and/or (c) above, provided that such Lien may be held, in addition, for the benefit of one or more other Persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or
- (e) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law;

and, without limiting the generality of the foregoing, for purposes of this Indenture, the term Purchase Money Lien shall be deemed to include any Lien described above whether or not such Lien (x) shall permit the issuance or other incurrence of additional indebtedness secured by such Lien on such property, (y) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (z) shall have been granted prior to the acquisition, disposition or release of such property, shall attach to or otherwise cover property other than the property being acquired, disposed of or released and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition, disposition or release.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Required Currency" has the meaning specified in Section 311.

"Responsible Officer", when used with respect to the Trustee, means any officer within the corporate trust department of the Trustee having direct responsibility for the administration of this Indenture, or any other officer to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Retired Securities" means any Securities authenticated and delivered under this Indenture which (a) no longer remain Outstanding by reason of the applicability of clause (a) or (b) in the definition of "Outstanding" (other than any Predecessor Security of any Security), (b) have not been made the basis under any of the provisions of this Indenture of one or more Authorized Purposes and (c) have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any securities authenticated and delivered under this Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"Stated Interest Rate" means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other indebtedness the Company's obligations in respect of which are evidenced or secured in whole or in

part by such Security.

"Stated Maturity", when used with respect to any Security or any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"Successor Corporation" has the meaning set forth in Section 1301.

"supplemental indenture" or **"indenture supplemental hereto"** means an instrument supplementing or amending this Indenture executed and delivered pursuant to Article Fourteen.

"Tranche" means a group of Securities which (a) are of the same series and (b) have identical terms, notwithstanding differences as to principal amount, date of issuance, initial Interest Payment Date and/or initial interest accrual date.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"Trust Indenture Act" means, as of any time, the Trust Indenture Act of 1939 as in effect at such time.

"United States" means the United States of America, its territories, its possessions and other areas subject to its jurisdiction.

SECTION 102. Funded Property; Funded Cash.

"Funded Property" means:

- (a) all Property Additions to the extent that the same shall have been made the basis of the authentication and delivery of Securities under this Indenture pursuant to Section 402;
- (b) all Property Additions to the extent that the same shall have been made the basis of the release of Funded Property from the Lien of this Indenture pursuant to Section 803;
- (c) all Property Additions to the extent that the same shall have been substituted for Funded Property retired pursuant to Section 104;
- (d) all Property Additions to the extent that the same shall have been made the basis of the withdrawal of cash held by the Trustee pursuant to Section 404 or 806; and
- (e) all Property Additions to the extent that the same shall have been used as the basis of a credit against, or otherwise in satisfaction of, the requirements of any sinking, improvement, maintenance, replacement or similar fund or analogous provision established with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301; provided, however, that any such Property Additions shall cease to be Funded Property when all of the Securities of such series or Tranche shall cease to be Outstanding.

In the event that, in any certificate filed with the Trustee in connection with any of the Property Additions referred to in clauses (a), (b), (d) and (e) of this Section, only a part of the Cost or Fair Value of the Property Additions described in such certificate shall be required for the purposes of such certificate, then such Property Additions shall be deemed to be Funded Property only to the extent so required for the purpose of such certificate.

All Funded Property that shall be abandoned, destroyed, released or otherwise disposed of shall for the purpose of Section 104 hereof be deemed Funded Property retired and for other purposes of this Indenture shall thereupon cease to be Funded Property but as in this Indenture provided may at any time thereafter again become Funded Property. Neither any reduction in the Cost or book value of property recorded in the plant account of the Company, nor the transfer of any amount appearing in such account to intangible and/or adjustment accounts, otherwise than in connection with actual retirements of physical property abandoned, destroyed, released or disposed of, and otherwise than in connection with the removal of such property in its entirety from plant account, shall be deemed to constitute a retirement of Funded Property.

The Company may make allocations, on a pro-rata or other reasonable basis (including, but not limited to, the designation of specific properties or the designation of all or a specified portion of the properties reflected in one or more generic accounts or subaccounts in the Company's books of account), for the purpose of determining the extent to which fungible properties, or other properties not otherwise identified, reflected in the same generic account or subaccount in the Company's books of account constitute Funded Property or Funded Property retired.

"Funded Cash" means:

- (a) cash, held by the Trustee hereunder, to the extent that it represents the proceeds of insurance on Funded Property (except as otherwise provided in Section 707), or cash deposited in connection with the release of Funded Property pursuant to Article Eight, or the payment of the principal of, or the proceeds of the release of, obligations secured by Purchase Money Lien and delivered to

the Trustee pursuant to Article Eight, all subject, however, to the provisions of Section 707 and Section 806; and

(b) any cash deposited with the Trustee under Section 404.

SECTION 103. [Reserved].

SECTION 104. Property Additions; Cost.

(a) "Property Additions" means, as of any particular time, any item, unit or element of property which at such time is owned by the Company and is Mortgaged Property; provided, however, that Property Additions shall not include:

(i) goodwill, going concern value rights or intangible property except as provided in subsection (c) of this Section; or

(ii) any property the cost of acquisition or construction of which is, in accordance with generally accepted accounting principles, properly chargeable to an operating expense account of the Company.

(b) When any Property Additions are certified to the Trustee as the basis of any Authorized Purpose (except as otherwise provided in Section 803 and Section 806),

(i) there shall be deducted from the Cost or Fair Value to the Company thereof, as the case may be (as of the date so certified), an amount equal to the Cost (or as to Property Additions of which the Fair Value to the Company at the time the same became Funded Property was certified to be an amount less than the Cost as determined pursuant to this Section, then such Fair Value, as so certified, in lieu of Cost) of all Funded Property of the Company retired to the date of such certification (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Cost or Fair Value to the Company of Property Additions theretofore certified to the Trustee, and

(ii) there may, at the option of the Company, be added to such Cost or Fair Value, as the case may be, the sum of

(1) the principal amount of any obligations secured by Purchase Money Lien, not theretofore so added and which the Company then elects so to add, which shall theretofore have been delivered to the Trustee or the trustee or other holder of a Lien prior to the Lien of this Indenture as the basis of the release of Funded Property retired from the Lien of this Indenture or such prior Lien, as the case may be;

(2) three-halves (3/2) of the amount of any cash, not theretofore so added and which the Company then elects so to add, which shall theretofore have been delivered to the Trustee or the trustee or other holder of a Lien prior to the Lien of this Indenture as the proceeds of insurance on Funded Property retired (to the extent of the portion thereof deemed to be Funded Cash) or as the basis of the release of Funded Property retired from the Lien of this Indenture or from such prior Lien, as the case may be;

(3) three-halves (3/2) of the principal amount of any Security or Securities, or portion of such principal amount, not theretofore so added and which the Company then elects so to add, (I) which shall theretofore have been delivered to the Trustee as the basis of the release of Funded Property retired or (II) the right to the authentication and delivery of which under the provisions of Section 403 shall at any time theretofore have been waived under Section 803(d)(iii) as the basis of the release of Funded Property retired;

(4) the Cost or Fair Value to the Company (whichever shall be less) of any Property Additions, not theretofore so added and which the Company then elects so to add, which shall theretofore have been made the basis of the release of Funded Property retired (such Fair Value to be the amount shown in the Expert's Certificate delivered to the Trustee in connection with such release); and

(5) the Cost to the Company of any Property Additions not theretofore so added and which the Company then elects so to add, to the extent that the same shall have been substituted for Funded Property retired;

provided, however, that the aggregate of the amounts added under clause (ii) above shall in no event exceed the amounts deducted under clause (i) above.

(c) Except as otherwise provided in Section 803, the term "Cost" with respect to Property Additions shall mean the sum of (i) any cash delivered in payment therefor or for the acquisition thereof, (ii) an amount equivalent to the fair market value in cash (as of the date of delivery) of any securities or other property delivered in payment therefor or for the acquisition thereof, (iii) the principal amount of any obligations secured by prior Lien upon such Property Additions outstanding at the time of the acquisition thereof, (iv) the principal amount of any other obligations incurred or assumed in connection with the payment for such Property Additions or for the acquisition thereof and (v) any other amounts which, in accordance with generally accepted accounting principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such Property Additions as part of the cost of construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount; provided, however, that,

notwithstanding any other provision of this Indenture,

(i) with respect to Property Additions owned by a Successor Corporation immediately prior to the time it shall have become such by consolidation or merger or acquired by a Successor Corporation in or as a result of a consolidation or merger (excluding, in any case, Property Additions owned by the Company immediately prior to such time), Cost shall mean the amount or amounts at which such Property Additions are recorded in the plant or other property accounts of such Successor Corporation, or the predecessor Corporation from which such Property Additions are acquired, as the case may be, immediately prior to such consolidation or merger;

(ii) with respect to Property Additions which shall have been acquired (otherwise than by construction) by the Company without any consideration consisting of cash, securities or other property or the incurring or assumption of indebtedness, no determination of Cost shall be required, and, wherever in this Indenture provision is made for Cost or Fair Value, Cost with respect to such Property Additions shall mean an amount equal to the Fair Value to the Company thereof or, if greater, the aggregate amount reflected in the Company's books of account with respect thereto upon the acquisition thereof; and

(iii) in no event shall the Cost of Property Additions be required to reflect any depreciation or amortization in respect of such Property Additions, or any adjustment to the amount or amounts at which such Property Additions are recorded in plant or other property accounts due to the non-recoverability of investment or otherwise.

If any Property Additions are shown by the Expert's Certificate provided for in Section 402(b)(ii) to include property which has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company, the Cost thereof need not be reduced by any amount in respect of any goodwill, going concern value rights and/or intangible property simultaneously acquired for which no separate or distinct consideration shall have been paid or apportioned, and in such case the term Property Additions as defined herein may include such goodwill, going concern value rights and intangible property.

SECTION 105. Compliance Certificates and Opinions.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

- (a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of each such individual, such individual has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 106. Form of Documents Delivered to Trustee.

(a) Any Officer's Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants, upon a certificate or opinion of, or representations by, an Accountant, and insofar as it relates to or is dependent upon matters which are required in this Indenture to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless, in any case, such officer has actual knowledge that the certificate or opinion or representations with respect to the matters upon which such Officer's Certificate may be based as aforesaid are erroneous.

Any Expert's Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Experts, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless, in any case, such expert has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any certificate of an Accountant may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and in so far as it relates to or is dependent upon factual

matters, information with respect to which is in the possession of the Company and which are not subject to verification by Accountants, upon a certificate of, or representations by, an officer or officers of the Company, unless, in any case, such Accountant has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company, upon a certificate of, or representations by, an officer or officers of the Company, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants, upon a certificate or opinion of, or representations by, an Accountant, and, insofar as it relates to or is dependent upon matters required in this Indenture to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous. In addition, any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon matters covered in an Opinion of Counsel rendered by other counsel, upon such other Opinion of Counsel, unless such counsel has actual knowledge that the Opinion of Counsel rendered by such other counsel with respect to the matters upon which his Opinion of Counsel may be based as aforesaid are erroneous. Further, any Opinion of Counsel with respect to the status of title to or the sufficiency of descriptions of property, and/or the existence of Liens thereon, and/or the recording or filing of documents, and/or any similar matters, may be based (without further examination or investigation) upon (i) title insurance policies or commitments and reports, lien search certificates and other similar documents or (ii) certificates of, or representations by, officers, employees, agents and/or other representatives of the Company or (iii) any combination of the documents referred to in (i) and (ii), unless, in any case, such counsel has actual knowledge that the document or documents with respect to the matters upon which his opinion may be based as aforesaid are erroneous. If, in order to render any Opinion of Counsel provided for herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officer's Certificate, certificate of an Accountant or Expert's Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request.

(b) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where (i) any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, or (ii) two or more Persons are each required to make, give or execute any such application, request, consent, certificate, statement, opinion or other instrument, any such applications, requests, consents, certificates, statements, opinions or other instruments may, but need not, be consolidated and form one instrument.

(c) Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Expert's Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefits of this Indenture equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 107. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 1101) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1506.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership, principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

(g) The Company may, at its option, by Company Order, fix in advance a record date for the determination of Holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or other Act solicited by the Company, but the Company shall have no obligation to do so; provided, however, that the Company may not fix a record date for the giving or making of any notice, declaration, request or direction referred to in the next sentence. In addition, the Trustee may, at its option, fix in advance a record date for the determination of Holders entitled to join in the giving or making of any Notice of Default, any declaration of acceleration referred to in Section 1002, any request to institute proceedings referred to in Section 1007 or any direction referred to in Section 1012. If any such record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act, or such notice, declaration, request or direction, may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining (i) whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such Act (and for that purpose the Outstanding Securities shall be computed as of the record date) and/or (ii) which Holders may revoke any such Act (notwithstanding subsection (e) of this Section); and any such Act, given as aforesaid, shall be effective whether or not the Holders which authorized or agreed or consented to such Act remain Holders after such record date and whether or not the Securities held by such Holders remain Outstanding after such record date.

SECTION 108. Notices, Etc. to Trustee or Company.

Except as otherwise provided in this Indenture, any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address set forth for such party below or such other address as the parties hereto shall from time to time designate, or transmitted by registered or certified mail or reputable overnight courier, charges prepaid, to the applicable address set forth for such party below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

The Bank of New York Mellon
101 Barclay Street, 4E
New York, New York 10286

Attention: Corporate Trust Administration
Telephone: (212) 815-5857
Telecopy: (732) 667-9474

If to the Company, to:

Kentucky Utilities Company
One Quality Street
Lexington, Kentucky 40507

Attention: Treasurer
Telephone: (502) 627-4956
Telecopy: (502) 627-4742

with a copy to:

PPL Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101-1179

Attention: Treasurer

Telephone: (610) 774-5987
Telecopy: (610) 774-5106

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission, and if transmitted by registered or certified mail or reputable overnight courier, on the date of receipt.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that (a) the party providing such electronic instructions or directions, subsequent to the transmission thereof, shall provide the originally executed instructions or directions to the Trustee in a timely manner and (b) such originally executed instructions or directions shall be signed by an authorized representative of the party providing such instructions or directions. If a party elects to give the Trustee instructions or directions by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, as aforesaid, and the Trustee in its discretion elects to act upon such instructions or directions, the Trustee's understanding of such instructions or directions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions or directions notwithstanding such instructions or directions conflict or are inconsistent with a subsequent written instruction or direction or if the subsequent written instruction or direction is never received. The party providing instructions or directions by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, as aforesaid, agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 109. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided in this Indenture, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 110. Conflict with Trust Indenture Act.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by, or is otherwise governed by, any provision of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 111. Effect of Headings and Table of Contents.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 112. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 113. Separability Clause.

In case any provision in this Indenture or the Securities shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 114. Benefits of Indenture.

Nothing in this Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of any Outstanding Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 115. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the law of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent

that the Trust Indenture Act shall be applicable and except to the extent that the law of any other jurisdiction shall mandatorily govern.

SECTION 116. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities other than a provision in Securities of any series, or any Tranche thereof, or in the indenture supplemental hereto, Board Resolution or Officer's Certificate which establishes the terms of the Securities of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, or Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

SECTION 117. Investment of Cash Held by Trustee.

Any cash held by the Trustee or any Paying Agent under any provision of this Indenture shall, except as otherwise provided in Section 806 or in Article Nine, at the request of the Company evidenced by Company Order, be invested or reinvested in Investment Securities designated by the Company (such Company Order to contain a representation to the effect that the securities designated therein constitute Investment Securities), any interest on such Investment Securities shall be promptly paid over to the Company as received free and clear of any Lien. Such Investment Securities shall be held subject to the same provisions hereof as the cash used to purchase the same, but upon a like request of the Company shall be sold, in whole or in designated part, and the proceeds of such sale shall be held subject to the same provisions hereof as the cash used to purchase the Investment Securities so sold. If such sale shall produce a net sum less than the cost of the Investment Securities so sold, the Company shall pay to the Trustee or any such Paying Agent, as the case may be, such amount in cash as, together with the net proceeds from such sale, shall equal the cost of the Investment Securities so sold, and if such sale shall produce a net sum greater than the cost of the Investment Securities so sold, the Trustee or any such Paying Agent, as the case may be, shall promptly pay over to the Company an amount in cash equal to such excess, free and clear of any Lien. In no event shall the Trustee be liable for any loss incurred in connection with the sale of any Investment Security pursuant to this Section.

Notwithstanding the foregoing, if an Event of Default shall have occurred and be continuing, interest on Investment Securities and any gain upon the sale thereof shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived, whereupon such interest and gain shall be promptly paid over to the Company free and clear of any Lien.

SECTION 118. Waiver of Jury Trial.

Each of the Company, the Trustee and the Holders hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Indenture or the Securities or the transactions contemplated hereby.

SECTION 119. Force Majeure.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

ARTICLE TWO

SECURITY FORMS

SECTION 201. Forms Generally.

The definitive Securities of each series shall be in substantially the form or forms thereof established in the indenture supplemental hereto establishing such series or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such a supplemental indenture or Board Resolution, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof. If the form or forms of Securities of any series are established in an Officer's Certificate pursuant to a supplemental indenture, such Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 401 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 301, the Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____
Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 301. Limitations on Amount Outstanding; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture shall be subject to the provisions of Article Four; provided, however, that the maximum aggregate principal amount of Securities Outstanding at any time shall not, in any event, exceed One Quintillion Dollars (\$1,000,000,000,000,000), which amount may be changed by supplemental indenture in accordance with Section 1401.

The final Stated Maturity of the last to mature of the Securities authenticated and delivered hereunder shall be no later than December 31, 2110, which date may be changed by supplemental indenture in accordance with Section 1401.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental indenture or in an Officer's Certificate of the Company (which need not comply with Section 105) pursuant to a supplemental indenture:

- (a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series); and, if other than the date of its authentication, the date of each Security of such series;
- (b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 506 or 1406 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);
- (c) the Person or Persons (without specific identification) to whom any interest on Securities of such series, or any Tranche thereof, shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;
- (d) the date or dates on which the principal of the Securities of such series or any Tranche thereof, is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension); and the right, if any, to extend the Maturity of the Securities of such series, or any Tranche thereof, and the duration of any such extension;
- (e) the rate or rates at which the Securities of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest after Maturity if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise; the date or dates from which such interest shall accrue; the Interest Payment Dates and the Regular Record Dates, if any, for the interest payable on such Securities on any Interest Payment Date; and the basis of computation of interest, if other than as provided in Section 310; and the right, if any, to extend the interest payment periods and the duration of any such extension;
- (f) the place or places at which and/or methods (if other than as provided elsewhere in this Indenture) by which (i) the principal of and premium, if any, and interest, if any, on Securities of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Securities of such series, or any Tranche thereof, may be effected, (iii) exchanges of Securities of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Securities of such series, or any Tranche thereof, and this Indenture may be served; the Security Registrar and any Paying Agent or Agents for such series or Tranche; and, if such is the case, that the principal of such Securities shall be payable without the presentment or surrender thereof;
- (g) the period or periods within which, or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company and any restrictions on such redemptions;
- (h) the obligation or obligations, if any, of the Company to redeem or purchase or repay the Securities of such

series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased or repaid, in whole or in part, pursuant to such obligation and applicable exceptions to the requirements of Section 504 in the case of mandatory redemption or redemption or repayment at the option of the Holder;

(i) the denominations in which Securities of such series, or any Tranche thereof, shall be issuable if other than denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof;

(j) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made and the manner in which the amount of such coin or currency payable is to be determined;

(k) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series, or any Tranche thereof, shall be payable (if other than Dollars) and the manner in which the equivalent of the principal amount thereof in Dollars is to be determined for any purpose, including for the purpose of determining the principal amount deemed to be Outstanding at any time;

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, may be determined with reference to an index or other fact or event ascertainable outside this Indenture, the manner in which such amounts shall be determined to the extent not established pursuant to clause (e), (g) or (h) of this paragraph;

(n) if other than the entire principal amount thereof, the portion of the principal amount of Securities of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 1002;

(o) the terms, if any, pursuant to which the Securities of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(p) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, and any provisions for satisfaction and discharge of Securities of any series, in addition to those set forth in Article Eight, or any exceptions to those set forth in Article Eight;

(q) if the Securities of such series, or any Tranche thereof, are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of global form and (iii) any other matters incidental to such Securities;

(r) to the extent not established pursuant to clause (q) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series, or any Tranche thereof, to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series, or any Tranche thereof, the amount or terms thereof;

(s) if the Securities of such series, or any Tranche thereof, are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental indenture as contemplated by clause (g) of Section 1401;

(t) any exceptions to Section 116, or variation in the definition of Business Day, with respect to the Securities of such series, or any Tranche thereof;

(u) any other terms of the Securities of such series, or any Tranche thereof, that the Company may elect to specify.

With respect to Securities of a series subject to a Periodic Offering, the indenture supplemental hereto or the Officer's Certificate which establishes such series may provide general terms or parameters for Securities of such series and provide that the specific terms of Securities of such series, or any Tranche thereof, shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated in clause (b) of Section 401.

Unless otherwise provided with respect to a series of Securities as contemplated in clause (b) of Section 301, the aggregate principal amount of a series of Securities may be increased and additional Securities of such series may be issued up to the maximum aggregate principal amount, if any, authorized with respect to such series as increased.

SECTION 302. Denominations.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities of each series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof.

SECTION 303. Execution and Dating; Authentication.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities or any Tranche thereof, the Securities shall be executed on behalf of the Company by an Authorized Officer of the Company, and may have the corporate seal of the Company affixed thereto or reproduced thereon attested by its Secretary, one of its Assistant Secretaries or any other Authorized Officer. The signature of any or all of these officers on the Securities may be manual or facsimile.

A Security bearing the manual or facsimile signature of an individual who was at the time of execution an Authorized Officer of the Company shall bind the Company, notwithstanding that any such individual has ceased to be an Authorized Officer prior to the authentication and delivery of the Security or did not hold such office at the date of such Security.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, each Security shall be dated the date of its authentication.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, no Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or its agent by manual signature of an authorized signatory thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as any officer executing such Securities may determine, as evidenced by such officer's execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

If temporary Securities of any series or Tranche are issued, the Company shall cause definitive Securities of such series or Tranche to be prepared without unreasonable delay. After the preparation of definitive Securities of such series or Tranche, the temporary Securities of such series or Tranche shall be exchangeable for definitive Securities of such series or Tranche, upon surrender of the temporary Securities of such series or Tranche at the office or agency of the Company maintained pursuant to Section 702 in a Place of Payment for such series or Tranche, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series or Tranche, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series or Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and Tranche and of like tenor authenticated and delivered hereunder.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept in one of the offices or agencies designated pursuant to Section 702, with respect to the Securities of each series or any Tranche thereof, a register (the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series or Tranche and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the contrary notwithstanding, the Company may designate one of its offices or an office of any Affiliate as the office in which the Security Register with respect to the Securities of one or more series, or any Tranche or Tranches thereof, shall be maintained, and the Company may designate itself or any Affiliate as the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times. Unless otherwise specified in or pursuant to this Indenture or the Securities, the Trustee shall be the initial Security Registrar for each series of Securities.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, upon surrender for registration of transfer of any Security of such series or Tranche at the office or agency of the Company maintained pursuant to Section 702 in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, any Security of such series or Tranche may be exchanged at the option of the Holder for one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities, which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same obligation, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301, with respect to Securities of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 506 or 1406 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series, or any Tranche thereof, during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Securities of such series or Tranche called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and Tranche, of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and Tranche, of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new security, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Unless otherwise provided as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest (whether or not a Business Day).

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment,

and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall promptly cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and, if not theretofore canceled, shall be promptly canceled by the Trustee. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities held by the Trustee shall be disposed of in accordance with the Trustee's customary procedures and the Trustee shall promptly deliver a certificate of disposition to the Company unless, by Company Order, the Company shall direct that canceled Securities be returned to it.

SECTION 310. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, or Tranche thereof, interest on the Securities of each series shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months, and with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed during such period.

SECTION 311. Payment to Be in Proper Currency.

In the case of any Security denominated in any currency other than Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Security as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium or interest thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct. The Company hereby waives any defense of payment based upon any such tender or recovery which is not in the Required Currency, or which, when exchanged for the Required Currency by the Trustee, is less than the full amount of Required Currency then due and payable.

SECTION 312. Extension of Interest Payment.

The Company shall have the right at any time, to extend interest payment periods on all the Securities of any series hereunder, so specified as contemplated by Section 301 with respect to such Securities and upon such terms as may be specified as contemplated by Section 301 with respect to such Securities.

SECTION 313. CUSIP Numbers.

The Company in issuing the Securities may use CUSIP numbers and/or other similar third-party identifiers (if then generally in use), and, if so, the Company, the Trustee or the Security Registrar may use CUSIP numbers or such other identifiers in notices of redemption as a convenience to Holders; provided; however, that any such notice may state that no representation is made as to the correctness of such numbers or other identifiers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the identification numbers assigned by the Company and printed on the Securities, in which case neither the Company nor, as the case may be, the Trustee or the Security Registrar, or any agent of any of them, shall have any liability in respect of any CUSIP number or other third-party identifier used on any such notice, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall as promptly as practicable notify the Trustee in writing of any change in CUSIP numbers or other identifiers.

ARTICLE FOUR

ISSUANCE OF SECURITIES

SECTION 401. General

Subject to the provisions of Section 402, 403 or 404, whichever may be applicable, the Trustee shall authenticate and deliver Securities of a series for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

- (a) the instrument or instruments establishing the form or forms and terms of the Securities of such series, as provided in Sections 201 and 301;
- (b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of Securities subject to a Periodic Offering shall not have been established in an indenture supplemental hereto or in an Officer's Certificate, as contemplated by Section 301, specifying procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide, to the extent acceptable to the Trustee, for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing), in either case in accordance with the instrument or instruments establishing the terms of the Securities of such series delivered pursuant to clause (a) above;
- (c) Securities of such series, each executed on behalf of the Company by an Authorized Officer of the Company;
- (d) an Officer's Certificate (i) which shall comply with the requirements of Section 105 of this Indenture and (ii) which states that no Event of Default under this Indenture has occurred or is occurring;
- (e) an Opinion of Counsel which shall comply with the requirements of Section 105 of this Indenture and shall be substantially to the following effect:
 - (i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;
 - (ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and
 - (iii) when such Securities shall have been authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Securities will have been duly issued under this Indenture, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to laws relating to or affecting generally the enforcement of mortgagees' and other creditors' rights, including, without limitation, bankruptcy and insolvency laws, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and will be entitled to the benefits provided by this Indenture;

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of Securities of such series and that in lieu of the opinions described in clauses (ii) and (iii) above such Opinion of Counsel may, alternatively, be substantially to the following effect:

- (x) when the terms of such Securities shall have been established pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and
- (y) when such Securities shall have been (1) executed by the Company, (2) authenticated and delivered by the Trustee in accordance with this Indenture, (3) issued and delivered by the Company and (4) paid for, all as contemplated by and in accordance with the procedures specified in the aforesaid Company Order or Orders, such Securities will have been duly issued under this Indenture and will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to laws relating to or affecting generally the

enforcement of mortgagees' and other creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and will be entitled to the benefits provided by this Indenture.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to Sections 201 and 301 and this Section, as applicable, at or prior to the time of the first authentication of Securities of such series, unless and until such opinion or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series, pursuant to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any governmental agency or commission having jurisdiction over the Company.

Anything herein to the contrary notwithstanding, the Trustee shall not be required to authenticate the Securities of any series or Tranche if the issuance of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

SECTION 402. Issuance of Securities on the Basis of Property Additions.

(a) Securities of any one or more series may be authenticated and delivered on the basis of Property Additions which do not constitute Funded Property in a principal amount not exceeding sixty-six and two-thirds percentum (66-2/3%) of the balance of the Cost or the Fair Value to the Company of such Property Additions (whichever shall be less) after making any deductions and any additions pursuant to Section 104(b).

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of Property Additions upon receipt by the Trustee of:

- (i) the documents with respect to the Securities of such series specified in Section 401;
- (ii) an Expert's Certificate dated as of a date not more than ninety (90) days prior to the date of the Company Order referring to it,
 - (1) describing the property designated by the Company, in its discretion, to be made the basis of the authentication and delivery of such Securities (such description of property to be made by reference, at the election of the Company, either to specified items, units and/or elements of property or portions thereof, on a percentage or Dollar basis, or to properties reflected in specified accounts or subaccounts in the Company's books of account or portions thereof, on a Dollar basis), and stating the Cost of such property;
 - (2) stating that all such property constitutes Property Additions;
 - (3) stating that such Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company;
 - (4) stating that such Property Additions, to the extent of the Cost or Fair Value to the Company thereof (whichever is less) to be made the basis of the authentication and delivery of such Securities, do not constitute Funded Property;
 - (5) stating, except as to Property Additions acquired, made or constructed wholly through the delivery of securities or other property, that the amount of cash forming all or part of the Cost thereof was equal to or more than an amount to be stated therein;
 - (6) briefly describing, with respect to any Property Additions acquired, made or constructed in whole or in part through the delivery of securities or other property, the securities or other property so delivered and stating the date of such delivery;
 - (7) stating what part, if any, of such Property Additions includes property which within six months prior to the date of acquisition thereof by the Company had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and stating whether or not, in the judgment of the signers, the Fair Value thereof to the Company, as of the date of such certificate, is less than Twenty-five Thousand Dollars (\$25,000) and whether or not such Fair Value is less than one percent (1%) of the aggregate principal amount of Securities then Outstanding;
 - (8) stating, in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with respect to the Fair Value to the Company of which a statement is to be made in an Independent Expert's Certificate pursuant to clause (iii) below;
 - (9) stating the amount required to be deducted under Section 104(b)(i) and the amounts elected to be added under Section 104(b)(ii) in respect of Funded Property retired of the Company;

(10) if any property included in such Property Additions is subject to a Lien of the character described (I) in clause (f) of the definition of Permitted Liens, stating that such Lien does not, in the judgment of the signers, materially impair the use by the Company of the Mortgaged Property considered as a whole, or (II) in clause (i)(ii) of the definition of Permitted Liens, stating that such Lien does not, in the judgment of the signers, materially impair the use by the Company of such property for the purposes for which it is held by the Company or (III) in clause (p)(ii) of the definition of Permitted Liens, stating that the enforcement of such Lien would not, in the judgment of the signers, adversely affect the interests of the Company in such property in any material respect;

(11) stating the lower of the Cost or the Fair Value to the Company of such Property Additions, after the deductions therefrom and additions thereto specified in such Expert's Certificate pursuant to clause (9) above;

(12) stating the aggregate principal amount of the Securities to be authenticated and delivered on the basis of such Property Additions (such amount not to exceed sixty-six and two-thirds percent (66-2/3%) of the amount stated pursuant to clause (11) above);

(iii) in case any Property Additions are shown by the Expert's Certificate provided for in clause (ii) above to include property which, within six months prior to the date of acquisition thereof by the Company, had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value thereof to the Company, as of the date of such certificate, to be less than Twenty-five Thousand Dollars (\$25,000) or less than one percent (1%) of the aggregate principal amount of Securities then Outstanding, an Independent Expert's Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Expert's Certificate, of (X) such Property Additions which have been so used or operated and (at the option of the Company) as to any other Property Additions included in the Expert's Certificate provided for in clause (ii) above and (Y) in case such Independent Expert's Certificate is being delivered in connection with the authentication and delivery of Securities, any property so used or operated which has been subjected to the Lien of this Indenture since the commencement of the then current calendar year as the basis for the authentication and delivery of Securities and as to which an Independent Expert's Certificate has not previously been furnished to the Trustee;

(iv) in case any Property Additions are shown by the Expert's Certificate provided for in clause (ii) above to have been acquired, made or constructed in whole or in part through the delivery of securities or other property, an Expert's Certificate stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for or for the acquisition of such Property Additions;

(v) an Opinion of Counsel to the effect that:

(1) this Indenture constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will constitute, a Lien on all the Property Additions to be made the basis of the authentication and delivery of such Securities, subject to no Lien thereon prior to the Lien of this Indenture except Permitted Liens (excluding Liens described solely in clause (b) of the definition of Permitted Liens); and

(2) the Company has corporate authority to operate such Property Additions;
and

(vi) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (v) above.

SECTION 403. Issuance of Securities on the Basis of Retired Securities.

(a) Securities of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal amount not exceeding the aggregate principal amount of, Retired Securities.

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of Retired Securities upon receipt by the Trustee of:

(i) the documents with respect to the Securities of such series specified in Section 401; and

(ii) an Officer's Certificate stating that Retired Securities, specified by series, in an aggregate principal amount not less than the aggregate principal amount of Securities to be authenticated and delivered, have theretofore been authenticated and delivered and, as of the date of such Officer's Certificate, constitute Retired Securities and are the basis for the authentication and delivery of such Securities.

SECTION 404. Issuance of Securities on the Basis of Deposit of Cash.

(a) Securities of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal amount not exceeding the amount of, any deposit with the Trustee of cash for such purpose.

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of the deposit of cash when the Trustee shall have received, in addition to such deposit, the documents with respect to the Securities of such series specified in Section 401.

(c) All cash deposited with the Trustee under the provisions of this Section shall be held by the Trustee as a part of the Mortgaged Property and may be withdrawn from time to time by the Company, upon application of the Company to the Trustee, in an amount equal to the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under Section 402 or Section 403 by virtue of compliance with all applicable provisions of this Indenture (except as hereinafter in this subsection (c) otherwise provided).

Upon any such application for withdrawal, the Company shall comply with all applicable provisions of this Article relating to the authentication and delivery of Securities under Section 402 or Section 403, as the case may be, except that the Company shall not in any event be required to deliver the documents specified in Section 401.

Any withdrawal of cash under this subsection (c) shall operate as a waiver by the Company of its right to the authentication and delivery of Securities on which it is based, and such Securities may not thereafter be authenticated and delivered hereunder. Any Property Additions which have been made the basis of any such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of the withdrawal of such cash; and any Retired Securities which have been made the basis of any such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of the withdrawal of such cash.

(d) If at any time the Company shall so direct, any sums deposited with the Trustee under the provisions of this Section may be used or applied to the purchase, payment or redemption of Securities in the manner and subject to the conditions provided in clauses (d) and (e) of Section 806.

ARTICLE FIVE

REDEMPTION OF SECURITIES

SECTION 501. Applicability of Article.

Securities of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche) in accordance with this Article.

SECTION 502. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the series, Tranche and principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

SECTION 503. Selection of Securities to Be Redeemed.

If less than all the Securities of any series, or any Tranche thereof, are to be redeemed, the particular Securities to be redeemed shall be selected by the Trustee from the Outstanding Securities of such series or Tranche not previously called for redemption, by such method as shall be provided for such particular series or Tranche, or in the absence of any such provision, by such method of random selection as the Trustee shall deem fair and appropriate and which may, in any case, provide for the selection for redemption of portions (equal to any authorized denomination for Securities of such series or Tranche) of the principal amount of Securities of such series or Tranche of a denomination larger than the minimum authorized denomination for Securities of such series or Tranche; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, or any Tranche thereof, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Trustee, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 504. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 109 to the Holders of Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

- (a) the Redemption Date,
- (b) the Redemption Price or, if not then ascertainable, the manner of calculation thereof,
- (c) if less than all the Securities of any series or Tranche are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part,
- (d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,
- (f) that the redemption is for a sinking or other fund, if such is the case, and
- (g) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any Securities in accordance with Section 301, with respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 901, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, on Company Request, by the Trustee in the name and at the expense of the Company; provided, however, that, in the case of a notice of redemption, the Company shall have delivered to the Trustee, at least 45 days (or such shorter period as the Trustee may allow) prior to the Redemption Date, a Company Order requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in this Section 504.

SECTION 505. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Sections 305 and 307.

SECTION 506. Securities Redeemed in Part.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series and Tranche, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE SIX

SINKING FUNDS

SECTION 601. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of any series, or any Tranche thereof, except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, or any Tranche thereof, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 602. Each sinking fund payment shall be applied to the redemption of Securities of the series or Tranche in respect of which it was made as provided for by the terms of such Securities.

SECTION 602. Satisfaction of Sinking Fund Payments with Securities.

The Company (a) may deliver to the Trustee Outstanding Securities (other than any previously called for redemption) of a series or Tranche in respect of which a mandatory sinking fund payment is to be made and (b) may apply as a credit Securities of such series or Tranche which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of such mandatory sinking fund payment; provided, however, that no Securities shall be applied in satisfaction of a mandatory sinking fund payment if such Securities shall have been previously so applied. Securities so applied shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 603. Redemption of Securities for Sinking Fund.

Not less than 45 days prior to each sinking fund payment date for the Securities of any series, or any Tranche thereof, the Company shall deliver to the Trustee an Officer's Certificate specifying:

- (a) the amount of the next succeeding mandatory sinking fund payment for such series or Tranche;
- (b) the amount, if any, of the optional sinking fund payment to be made together with such mandatory sinking fund payment;
- (c) the aggregate sinking fund payment;
- (d) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by the payment of cash;
- (e) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by delivering and crediting Securities of such series or Tranche pursuant to Section 602 and stating the basis for such credit and that such Securities have not previously been so credited, and the Company shall also deliver to the Trustee any Securities to be so delivered. If the Company shall not deliver such Officer's Certificate, the next succeeding sinking fund payment for such series or Tranche shall be made entirely in cash in the amount of the mandatory sinking fund payment. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 503 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 504. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 505 and 506.

ARTICLE SEVEN

REPRESENTATIONS AND COVENANTS

SECTION 701. Payment of Securities; Lawful Possession; Preservation of Lien

- (a) The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Indenture.
- (b) At the Execution Date, the Company is lawfully possessed of the Mortgaged Property and has sufficient right and authority to mortgage and pledge the Mortgaged Property, as provided in and by this Indenture.
- (c) The Company shall maintain and preserve the Lien of this Indenture so long as any Securities shall remain Outstanding, subject, however, to the provisions of Article Eight and Article Thirteen.

SECTION 702. Maintenance of Office or Agency.

The Company shall maintain in each Place of Payment for the Securities of each series, or any Tranche thereof, an office or agency where payment of such Securities shall be made and/or where such Securities may be surrendered for payment, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency, and the Company shall thereupon give prompt notice thereof to the Holders in the manner specified in Section 709. If at any time the Company shall fail to maintain any such required office or agency in respect of the Securities of any series, or any Tranche thereof, or shall fail to furnish the Trustee with the address thereof, payment of such Securities may be made, registration of transfer or exchange thereof may be effected and notices and demands in respect of such Securities and this Indenture may be served at the Corporate Trust

Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series or Tranche, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency, and the Company shall thereupon give prompt notice thereof to the Holders in the manner specified in Section 109.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company or an Affiliate of the Company, in which event the Company or such Affiliate, as the case may be, shall perform all functions to be performed at such office or agency.

SECTION 703. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, or interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, or interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of its action or failure so to act.

The Company shall cause each Paying Agent for the Securities of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

- (a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (b) give the Trustee notice of any default by the Company (or any other obligor upon such Securities) in making any payment of principal of or premium, if any, or interest, if any, on such Securities; and
- (c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Seven; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as the Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may, at the expense of the Company, either (a) cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company or (b) cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 704. Existence as a Corporation.

Subject to the rights of the Company under Article Thirteen, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a Corporation.

SECTION 705. Maintenance of Properties.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged Property, considered as a whole, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged Property, considered as a whole, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any portion of the Mortgaged Property if such discontinuance is in the judgment of the Company desirable in the conduct of its business; and provided, further, that nothing in this Section shall prevent the Company from selling, transferring or otherwise disposing of, or causing the sale, transfer or other disposition of, any portion of the Mortgaged Property in compliance with the other Articles of this Indenture.

SECTION 706. Payment of Taxes; Discharge of Liens.

The Company shall pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, or upon any part thereof, or upon the interest of the Trustee in the Mortgaged Property, before the same shall become delinquent, and shall observe and conform in all material respects to all valid requirements of any Governmental Authority relative to the Mortgaged Property and all covenants, terms and conditions upon or under which any of the Mortgaged Property is held; and the Company shall not suffer any Lien to be created upon the Mortgaged Property, or any part thereof, prior to the Lien hereof, other than Permitted Liens and other than, in the case of property hereafter acquired, Purchase Money Liens and any other Liens existing or placed thereon at the time of the acquisition thereof; provided, however, that nothing in this Section contained shall require the Company (i) to observe or conform to any requirement of Governmental Authority or to cause to be paid or discharged, or to make provision for, any such Lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the Mortgaged Property at the Execution Date; and provided, further, that nothing in this Section shall prohibit the issuance or other incurrence of additional indebtedness, or the refunding of outstanding indebtedness, secured by any Lien prior to the Lien hereof which is permitted under this Section to continue to exist.

SECTION 707. Insurance.

(a) The Company shall (i) keep or cause to be kept all the property subject to the Lien of this Indenture insured against loss by fire, to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies, the proceeds of such insurance (except as to any loss of Excepted Property and except as to any particular loss less than the greater of (A) Ten Million Dollars (\$10,000,000) and (B) three percent (3%) of the principal amount of Securities Outstanding on the date of such particular loss) to be made payable, subject to applicable law, to the Trustee as the interest of the Trustee may appear, or to the trustee or other holder of any Lien prior hereto upon property subject to the Lien hereof, if the terms thereof require such payment or (ii) in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against loss by fire of companies similarly situated and operating properties subject to similar fire hazards or properties on which an equal primary fire insurance rate has been set by reputable insurance companies; and if the Company shall adopt such other method or plan of protection, it shall, subject to applicable law (and except as to any loss of Excepted Property and except as to any particular loss less than the greater of (X) Ten Million Dollars (\$10,000,000) and (Y) three percent (3%) of the principal amount of Securities Outstanding on the date of such particular loss) pay to the Trustee on account of any loss covered by such method or plan an amount in cash equal to the amount of such loss less any amounts otherwise paid to the Trustee in respect of such loss or paid to the trustee or other holder of any Lien prior hereto upon property subject to the Lien hereof in respect of such loss if the terms thereof require such payment. Any cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this Indenture be deemed to be proceeds of insurance. In case of the adoption of such other method or plan of protection, the Company shall furnish to the Trustee a certificate of an actuary or other qualified person appointed by the Company with respect to the adequacy of such method or plan.

Anything herein to the contrary notwithstanding, the Company may have fire insurance policies with (i) a deductible provision in a dollar amount per occurrence not exceeding the greater of (A) Ten Million Dollars (\$10,000,000) and (B) three percent (3%) of the principal amount of the Securities Outstanding on the date such policy goes into effect and/or (ii) co-insurance or self insurance provisions with a dollar amount per occurrence not exceeding thirty percent (30%) of the loss proceeds otherwise payable; provided, however, that the dollar amount described in clause (i) above may be exceeded to the extent such dollar amount per occurrence is below the deductible amount in effect as to fire insurance (X) on property of similar character insured by companies similarly situated and operating like property or (Y) on property as to which an equal primary fire insurance rate has been set by reputable insurance companies.

Anything herein to the contrary notwithstanding, the Company need not keep insured or protected by any other method or plan, as contemplated herein, any part of the Mortgaged Property if, in the judgment of the Company, such insurance or protection of such part of the Mortgaged Property is no longer desirable in the conduct of the business of the Company.

(b) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Funded Property, shall, subject to the requirements of any Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company to reimburse the Company for an equal amount expended or committed for expenditure in the rebuilding, renewal and/or replacement of or substitution for the property destroyed or damaged, upon receipt by the Trustee of:

(i) a Company Request requesting such payment,

(ii) an Expert's Certificate:

(A) describing the property so damaged or destroyed;

(B) stating the Cost of such property (or, if the Fair Value to the Company of such property at the time the same became Funded Property was certified to be an amount less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) or, if such damage or destruction shall have affected only a portion of such property, stating the allocable portion of such Cost or Fair Value;

(C) stating the amounts so expended or committed for expenditure in the rebuilding, renewal, replacement of and/or substitution for such property; and

(D) stating the Fair Value to the Company of such property as rebuilt or renewed or as to be rebuilt or renewed and/or of the replacement or substituted property, and if

(a) within six months prior to the date of acquisition thereof by the Company, such property has been used or operated, by a person or persons other than the Company, in a business similar to that in which it has been or is to be used or operated by the Company, and

(b) the Fair Value to the Company of such property as set forth in such Expert's Certificate is not less than Twenty-five Thousand Dollars (\$25,000) and not less than one percent (1%) of the aggregate principal amount of the Securities at the time Outstanding,

the Expert making the statement required by this clause (D) shall be an Independent Expert, and

(iii) an Opinion of Counsel stating that, in the opinion of the signer, the property so rebuilt or renewed or to be rebuilt or renewed, and/or the replacement property, is or will be subject to the Lien hereof to the same extent as was the property so destroyed or damaged.

Any such moneys not so applied within thirty-six (36) months after its receipt by the Trustee, or in respect of which notice in writing of intention to apply the same to the work of rebuilding, renewal, replacement or substitution then in progress and uncompleted shall not have been given to the Trustee by the Company within such thirty-six (36) months, or which the Company shall at any time notify the Trustee is not to be so applied, shall thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806; provided, however, that if the amount of such moneys shall exceed sixty-six and two-thirds percentum (66-2/3%) of the amount stated pursuant to clause (B) in the Expert's Certificate referred to above, the amount of such excess shall not be deemed to be Funded Cash, shall not be subject to Section 806 and shall be remitted to or upon the order of the Company upon the withdrawal, use or application of the balance of such moneys pursuant to Section 806.

Anything in this Indenture to the contrary notwithstanding, if property on or with respect to which a loss occurs constitutes Funded Property in part only, the Company may, at its election, obtain the reimbursement of insurance proceeds attributable to the part of such property which constitutes Funded Property under this subsection (b) and obtain the reimbursement of insurance proceeds attributable to the part of such property which does not constitute Funded Property under subsection (c) of this Section 707.

(c) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to property which does not constitute Funded Property, shall, subject to the requirements of any Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company upon receipt by the Trustee of:

(i) a Company Request requesting such payment;

(ii) an Expert's Certificate stating:

(A) that such moneys were paid to or received by the Trustee on account of a loss on or with respect to property which does not constitute Funded Property; and

(B) if true, either (I) that the aggregate amount of the Cost or Fair Value to the Company (whichever is less) of all Property Additions which do not constitute Funded Property (excluding, to the extent of such loss, the property on or with respect to which such loss was incurred), after making deductions therefrom and additions thereto of the character contemplated by Section 104, is not less than zero (0) or (II) that the amount of such loss does not exceed the aggregate Cost or Fair Value to the Company (whichever is less) of Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Request requesting such payment; or

(C) if neither of the statements contemplated in subclause (B) above can be made, the amount by which zero (0) exceeds the amount referred to in subclause (B)(I) above (showing in reasonable detail the calculation thereof); and

(iii) if the Expert's Certificate required by clause (ii) above contains neither of the statements contemplated in clause (ii)(B) above, an amount in cash, to be held by the Trustee as part of the Mortgaged Property, equal to the amount shown in clause (ii)(C) above.

To the extent that the Company shall be entitled to withdraw proceeds of insurance pursuant to this subsection (c), such proceeds shall be deemed not to constitute Funded Cash.

(d) Whenever under the provisions of this Section the Company is required to deliver moneys to the Trustee and at the same time shall have satisfied the conditions set forth herein for payment of moneys by the Trustee to the Company, there shall be paid to or retained by the Trustee or paid to the Company, as the case may be, only the net amount.

SECTION 708. Recording, Filing, etc.

The Company shall cause this Indenture and all indentures and instruments supplemental hereto (or notices, memoranda or financing statements as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order fully to preserve and protect the security of the Holders of the Securities and all rights of the Trustee, and shall furnish to the Trustee:

(a) promptly after the execution and delivery of this Indenture and of each supplemental indenture, an Opinion of Counsel either stating that in the opinion of such counsel this Indenture or such supplemental indenture (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) has been properly recorded and filed, so as to make effective the Lien intended to be created hereby or thereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective. The Company shall be deemed to be in compliance with this subsection (a) if (i) the Opinion of Counsel herein required to be delivered to the Trustee shall state that this Indenture or such supplemental indenture (or any other instrument, resolution, certificate notice, memorandum or financing statement in connection therewith) has been received for record or filing in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of such counsel (if such is the case), such receipt for record or filing makes effective the Lien intended to be created by this Indenture or such supplemental indenture, and (ii) such opinion is delivered to the Trustee within such time, following the Execution Date or such supplemental indenture, as shall be practicable having due regard to the number and distance of the jurisdictions in which this Indenture or such supplemental indenture (or such other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) is required to be recorded or filed; and

(b) on or before June 1 of each year, beginning June 1, 2011, an Opinion of Counsel stating either (i) that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this subsection (b) or the first Opinion of Counsel furnished pursuant to subsection (a) of this Section, with respect to the recording, filing, re-recording, and re-filing of this Indenture and of each indenture supplemental to this Indenture (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith), as is necessary to maintain the effectiveness of the Lien hereof, and reciting the details of such action, or (ii) that in the opinion of such counsel no such action is necessary to maintain the effectiveness of such Lien.

The Company shall execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as may be necessary or proper to carry out the purposes of this Indenture and to make subject to the Lien hereof any property hereafter acquired, made or constructed and intended to be subject to the Lien hereof, and to transfer to any new trustee or trustees or co-trustee or co-trustees, the estate, powers, instruments or funds held in trust hereunder.

SECTION 709. Annual Officer's Certificate as to Compliance.

Not later than June 1 in each year, commencing June 1, 2011, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with the requirements of Section 105, executed by its principal executive officer, principal financial officer or principal accounting officer, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 710. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant, restriction, condition or other term or provision

(a) specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301 or Section 1401(b), if before the time for such compliance the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches with respect to which compliance is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive such compliance; or

(b) set forth in Section 704, 705, 706 or 707 or in Article Thirteen if before the time for such compliance the Holders of a majority in principal amount of Securities Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition;

provided, however, that no such waiver shall be effective as to any of the matters contemplated in clause (a), (b), (c) or (d) in Section 1402

without the consent of Holders specified in such Section; and provided, further, that in no event shall any such waiver extend to or affect such covenant, restriction, condition, term or provision except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant, restriction, condition, term or provision shall remain in full force and effect.

ARTICLE EIGHT

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

SECTION 801. Quiet Enjoyment.

Unless one or more Events of Default shall have occurred and be continuing, the Company shall be permitted to possess, use and enjoy the Mortgaged Property (except, to the extent not herein otherwise provided, such cash and securities as are expressly required to be deposited with the Trustee).

SECTION 802. Dispositions without Release.

Unless an Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, without any release or consent by, or report to, the Trustee:

(a) sell or otherwise dispose of, free from the Lien of this Indenture, any machinery, equipment, apparatus, towers, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, pumps, mains, pipes, service pipes, fittings, connections, services, tools, implements, computers, data processing, data storage, data transmission or telecommunications equipment, or any other fixtures or personalty, then subject to the Lien hereof, which shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the operations of the Company upon replacing the same by, or substituting for the same, similar or analogous property, or other property performing a similar or analogous function or otherwise obviating the need therefor, having a Fair Value to the Company at least equal to that of the property sold or otherwise disposed of and subject to the Lien hereof, subject to no Liens prior hereto except Permitted Liens and any other Liens to which the property sold or otherwise disposed of was subject;

(b) cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests; and

(c) grant, free from the Lien of this Indenture, easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company.

SECTION 803. Release of Funded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which constitutes Funded Property, and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property and transmitting therewith a form of instrument or instruments to effect such release;

(b) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate made and dated not more than ninety (90) days prior to the date of such Company Order:

(i) describing the property to be released;

(ii) stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) stating the Cost of the property to be released (or, if the Fair Value to the Company of such property at the time the same became Funded Property was certified to be an amount less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost); and

(iv) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof;

(d) an amount in cash to be held by the Trustee as part of the Mortgaged Property, equal to the amount, if any, by which sixty-six and two-thirds percentum (66-2/3%) of the amount referred to in clause (c)(iii) above exceeds the aggregate of the following items:

(i) an amount equal to sixty-six and two-thirds percentum (66-2/3%) of the aggregate principal amount of any obligations secured by Purchase Money Lien delivered to the Trustee, to be held as part of the Mortgaged Property, subject to the limitations hereafter in this Section set forth;

(ii) an amount equal to sixty-six and two-thirds percentum (66-2/3%) of the Cost or Fair Value to the Company (whichever is less), after making any deductions and any additions pursuant to Section 104, of any Property Additions not constituting Funded Property described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such release and complying with clause (ii) and, to the extent applicable, clause (iii) in Section 402(b), delivered to the Trustee; provided, however, that the deductions and additions contemplated by Section 104 shall not be required to be made if such Property Additions were acquired, made or constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(iii) the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under the provisions of Section 403, by virtue of compliance with all applicable provisions of Section 403 (except as hereinafter in this Section otherwise provided); provided, however, that such release shall operate as a waiver by the Company of the right to the authentication and delivery of such Securities and, to such extent, no such Securities may thereafter be authenticated and delivered hereunder; and any Securities which were the basis of such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of such release of property;

(iv) any amount in cash and/or an amount equal to sixty-six and two-thirds percentum (66-2/3%) of the aggregate principal amount of any obligations secured by Purchase Money Lien that, in either case, is evidenced to the Trustee by a certificate of the trustee or other holder of a Lien prior to the Lien of this Indenture to have been received by such trustee or other holder in accordance with the provisions of such Lien in consideration for the release of such property or any part thereof from such Lien, all subject to the limitations hereafter in this Section set forth;

(v) the aggregate principal amount of any Outstanding Securities delivered to the Trustee; and

(vi) any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released;

(e) if the release is on the basis of Property Additions or on the basis of the right to the authentication and delivery of Securities under Section 403, all documents contemplated below in this Section; and

(f) if the release is on the basis of the delivery to the Trustee or to the trustee or other holder of a prior Lien of obligations secured by Purchase Money Lien, all documents contemplated below in this Section, to the extent required.

If and to the extent that the release of property is, in whole or in part, based upon Property Additions (as permitted under the provisions of clause (d)(ii) in the first paragraph of this Section), the Company shall, subject to the provisions of said clause (d)(ii) and except as hereafter in this paragraph provided, comply with all applicable provisions of this Indenture as if such Property Additions were to be made the basis of the authentication and delivery of Securities equal in principal amount to sixty-six and two-thirds percentum (66-2/3%) of the Cost (or, as to property of which the Fair Value to the Company at the time the same became Funded Property was certified to be an amount less than the Cost thereof, such Fair Value, as so certified, in lieu of Cost) of that portion of the property to be released which is to be released on the basis of such Property Additions, as shown by the Expert's Certificate required by clause (c) in the first paragraph of this Section; provided, however, that the Cost of any Property Additions received or to be received by the Company in whole or in part as consideration in exchange for the property to be released shall for all purposes of this Indenture be deemed to be the amount stated in the Expert's Certificate provided for in clause (c) in the first paragraph of this Section to be the Fair Value of the property to be released (x) plus the amount of any cash and the fair market value of any other consideration, further to be stated in such Expert's Certificate, paid and/or delivered or to be paid and/or delivered by, and the amount of any obligations assumed or to be assumed by, the Company in connection with such exchange as additional consideration for such Property Additions and/or (y) less the amount of any cash and the fair market value of any other consideration, which shall also be stated in such Expert's Certificate, received or to be received by the Company in connection with such exchange in addition to such Property Additions. If and to the extent that the release of property is in whole or in part based upon the right to the authentication and delivery of Securities under Section 403 (as permitted under the provisions of clause (d)(iii) in the first paragraph of this Section), the Company shall, except as hereafter in this paragraph provided, comply with all applicable provisions of Section 403 relating to such authentication and delivery. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 401.

If the release of property is, in whole or in part, based upon the delivery to the Trustee or the trustee or other holder of a Lien prior to the Lien of this Indenture of obligations secured by Purchase Money Lien, the Company shall deliver to the Trustee:

(x) an Officer's Certificate (i) stating that no event has occurred and is continuing which entitles the holder of such Purchase Money Lien to accelerate the maturity of the obligations, if any, outstanding thereunder and (ii) reciting the aggregate principal amount of obligations, if any, then outstanding thereunder in addition to the obligations then being delivered in connection with the release of such property and the terms and conditions, if any, on which additional obligations secured by such Purchase Money Lien are permitted to be issued; and

(y) an Opinion of Counsel stating that, in the opinion of the signer, (i) such obligations are valid obligations, entitled to the benefit of such Purchase Money Lien equally and ratably with all other obligations, if any, then outstanding thereunder, (ii) that

such Purchase Money Lien constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in such opinion, will constitute, a Lien upon the property to be released, subject to no Lien prior thereto except Liens generally of the character of Permitted Liens and such Liens, if any, as shall have existed thereon immediately prior to such release as Liens prior to the Lien of this Indenture, (iii) if any obligations in addition to the obligations being delivered in connection with such release of property are then outstanding, or are permitted to be issued, under such Purchase Money Lien, (A) that such Purchase Money Lien constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in such opinion, will constitute, a Lien upon all other property, if any, purporting to be subject thereto, subject to no Lien prior thereto except Liens generally of the character of Permitted Liens and (B) that the terms of such Purchase Money Lien, as then in effect, do not permit the issuance of obligations thereunder except on the basis of property generally of the character of Property Additions, the retirement or deposit of outstanding obligations, the deposit of prior Lien obligations or the deposit of cash.

If the Opinion of Counsel provided to the Trustee pursuant to clause (y) above is conditioned upon the filing and/or recording of any instruments of conveyance, assignment or transfer, the Company shall promptly cause such instruments to be filed and/or recorded in the proper places and manner and shall deliver to the Trustee evidence of such filing and/or recording promptly upon receipt of such evidence by the Company.

If (a) any property to be released from the Lien of this Indenture under any provision of this Article (other than Section 807) is subject to a Lien prior to the Lien hereof and is to be sold, exchanged, dedicated or otherwise disposed of subject to such prior Lien and (b) after such release, such prior Lien will not be a Lien on any property subject to the Lien hereof, then the Fair Value of such property to be released shall be deemed, for all purposes of this Indenture, to be the value thereof unencumbered by such prior Lien less the principal amount of the indebtedness secured by such prior Lien.

Any Outstanding Securities delivered to the Trustee pursuant to clause (d) in the first paragraph of this Section shall, upon receipt of a Company Order, forthwith be canceled by the Trustee. Any cash and/or obligations deposited with the Trustee pursuant to the provisions of this Section 803, and the proceeds of any such obligations, shall be held as part of the Mortgaged Property and shall be withdrawn, released, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

Anything in this Indenture to the contrary notwithstanding, if property to be released constitutes Funded Property in part only, the Company shall obtain the release of the part of such property which constitutes Funded Property under this Section 803 and obtain the release of the part of such property which does not constitute Funded Property under Section 804. In such event, (a) the application of Property Additions in the release under this Section 803 as contemplated in clause (d)(ii) in the first paragraph thereof shall be taken into account in clause (v) or clause (vi), whichever may be applicable, of the Expert's Certificate described in clause (c) in Section 804 and (b) the Trustee shall, at the election of the Company, execute and deliver a separate instrument of release with respect to the property released under each of such sections or a consolidated instrument of release with respect to the property released under both of such Sections considered as a whole.

SECTION 804. Release of Property Not Constituting Funded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which does not constitute Funded Property, and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property and transmitting therewith a form of instrument or instruments to effect such release;

(b) an Officer's Certificate describing the property to be released and stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate, made and dated not more than ninety (90) days prior to the date of such Company Order:

(i) describing the property to be released;

(ii) stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) stating the Cost of the property to be released;

(iv) stating that the property to be released does not constitute Funded Property;

(v) if true, stating either (A) that the aggregate amount of the Cost or Fair Value to the Company (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released), after making deductions therefrom and additions thereto of the character contemplated by Section 104, is not less than zero (0) or (B) that the Cost or Fair Value (whichever is less) of the property to be released does not exceed the aggregate Cost or Fair Value to the Company (whichever is less) of Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Order requesting such release;

(vi) if neither of the statements contemplated in subclause (v) above can be made, stating the amount by which zero (0) exceeds the amount referred to in subclause (v)(A) above (showing in reasonable detail the

calculation thereof); and

(vii) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof; and

(d) if the Expert's Certificate required by clause (c) above contains neither of the statements contemplated in clause (c)(v) above, an amount in cash, to be held by the Trustee as part of the Mortgaged Property, equal to the amount, if any, by which the lower of (i) the Cost or Fair Value (whichever shall be less) of the property to be released and (ii) the amount shown in clause (c)(vi) above exceeds the aggregate of items of the character described in subclauses (iii) and (v) of clause (d) in the first paragraph of Section 803 that the Company then elects to use as a credit under this Section 804 (subject, however, to the same limitations and conditions with respect to such items as are set forth in Section 803).

Any Outstanding Securities delivered to the Trustee pursuant to clause (d) above shall forthwith be canceled by the Trustee.

SECTION 805. Release of Minor Properties.

Notwithstanding the provisions of Sections 803 and 804, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release from the Lien hereof of any part of the Mortgaged Property, or any interest therein, and the Trustee shall whenever from time to time requested by the Company in a Company Order transmitting therewith a form of instrument or instruments to effect such release, and without requiring compliance with any of the provisions of Section 803 or 804, release from the Lien hereof all the right, title and interest of the Trustee in and to the same provided that the aggregate Fair Value of the property to be so released on any date in a given calendar year, together with all other property theretofore released pursuant to this Section 805 in such calendar year, shall not exceed the greater of (a) Ten Million Dollars (\$10,000,000) and (b) three percent (3%) of the aggregate principal amount of Securities then Outstanding. Prior to the granting of any such release, there shall be delivered to the Trustee (x) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing and (y) an Expert's Certificate stating, in the judgment of the signers, the Fair Value of the property to be released, the aggregate Fair Value of all other property theretofore released pursuant to this Section in such calendar year and, as to Funded Property, the Cost thereof (or, if the Fair Value to the Company of such property at the time the same became Funded Property was certified to be an amount less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost), and that, in the judgment of the signers, the release thereof will not impair the security under this Indenture in contravention of the provisions hereof. On or before December 31st of each calendar year, the Company shall deposit with the Trustee an amount in cash equal to the aggregate Cost of the properties constituting Funded Property so released during such year (or, if the Fair Value to the Company of any particular property at the time the same became Funded Property was certified to be an amount less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost); provided, however, that no such deposit shall be required to be made hereunder to the extent that cash or other consideration shall, as indicated in an Officer's Certificate delivered to the Trustee, have been deposited with the trustee or other holder of a Lien prior to the Lien of this Indenture in accordance with the provisions thereof; and provided, further, that the amount of cash so required to be deposited may be reduced, at the election of the Company, by the items specified in clause (d) in the first paragraph of Section 803, subject to all of the limitations and conditions specified in such Section, to the same extent as if such property were being released pursuant to Section 803. Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

SECTION 806. Withdrawal or Other Application of Funded Cash; Purchase Money Obligations.

Subject to the provisions of Section 404 and except as hereafter in this Section provided, unless an Event of Default shall have occurred and be continuing, any Funded Cash held by the Trustee, and any other cash which is required to be withdrawn, used or applied as provided in this Section,

(a) may be withdrawn from time to time by the Company to the extent of an amount equal to sixty-six and two-thirds percentum (66-2/3%) of the Cost or the Fair Value to the Company (whichever is less) of Property Additions not constituting Funded Property, after making any deductions and additions pursuant to Section 104, described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such withdrawal and complying with clause (ii) and, to the extent applicable, clause (iii) in Section 402(b), delivered to the Trustee; provided, however, that the deductions and additions contemplated by Section 104 shall not be required to be made if such Property Additions were acquired, made or constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(b) may be withdrawn from time to time by the Company in an amount equal to the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under the provisions of Section 403 hereof, by virtue of compliance with all applicable provisions of Section 403 (except as hereinafter in this Section otherwise provided); provided, however, that such withdrawal of cash shall operate as a waiver by the Company of the right to the authentication and delivery of such Securities and, to such extent, no such Securities may thereafter be authenticated and delivered hereunder; and any such Securities which were the basis of such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of such withdrawal of cash;

(c) may be withdrawn from time to time by the Company in an amount equal to the aggregate principal amount of any Outstanding Securities delivered to the Trustee;

(d) may, upon the request of the Company, be used by the Trustee for the purchase of Securities in the manner, at the time or times, in the amount or amounts, at the price or prices and otherwise as directed or approved by the Company, all subject to the limitations hereafter in this Section set forth; or

(e) may, upon the request of the Company, be applied by the Trustee to the payment (or provision therefor pursuant to Article Eight) at Stated Maturity of any Securities or to the redemption (or similar provision therefor) of any Securities which are, by their terms, redeemable, in each case of such series as may be designated by the Company, any such redemption to be in the manner and as provided in Article Five, all subject to the limitations hereafter in this Section set forth.

Such moneys shall, from time to time, be paid or used or applied by the Trustee, as aforesaid, upon the request of the Company in a Company Order, and upon receipt by the Trustee of an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing. If and to the extent that the withdrawal of cash is based upon Property Additions (as permitted under the provisions of clause (a) above), the Company shall, subject to the provisions of said clause (a) and except as hereafter in this paragraph provided, comply with all applicable provisions of this Indenture as if such Property Additions were made the basis for the authentication and delivery of Securities equal in principal amount to the cash so to be withdrawn. If and to the extent that the withdrawal of cash is based upon the right to the authentication and delivery of Securities (as permitted under the provisions of clause (b) above), the Company shall, except as hereafter in this paragraph provided, comply with all applicable provisions of Section 403 relating to such authentication and delivery. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 401.

Notwithstanding the generality of clauses (d) and (e) above, no cash to be applied pursuant to such clauses shall be applied to the payment of an amount in excess of the principal amount of any Securities to be purchased, paid or redeemed except to the extent that the aggregate principal amount of all Securities theretofore, and of all Securities then to be, purchased, paid or redeemed pursuant to such clauses is not less than the aggregate cost for principal of, premium, if any, and accrued interest, if any, on and brokerage commissions, if any, with respect to, such Securities.

Any Outstanding Securities delivered to the Trustee pursuant to clause (c) in the first paragraph of this Section shall, upon request by the Company, forthwith be canceled by the Trustee.

Any obligations secured by Purchase Money Lien delivered to the Trustee in consideration of the release of property from the Lien of this Indenture, together with any evidence of such Purchase Money Lien held by the Trustee, shall be released from the Lien of this Indenture and delivered to or upon the order of the Company upon payment by the Company to the Trustee of an amount in cash equal to the aggregate principal amount of such obligations less the aggregate amount theretofore paid to the Trustee (by the Company, the obligor or otherwise) in respect of the principal of such obligations.

The principal of and interest on any such obligations secured by Purchase Money Lien held by the Trustee shall be paid to the Trustee as and when the same become payable. The interest received by the Trustee on any such obligations shall be deemed not to constitute Funded Cash and shall be remitted to the Company; provided, however, that if an Event of Default shall have occurred and be continuing, such proceeds shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived.

The Trustee shall have and may exercise all the rights and powers of any owner of such obligations and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any of the provisions thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold hereunder new obligations, stocks or other securities issued in exchange therefor under any such plan. Any discretionary action which the Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Event of Default shall have occurred and be continuing, in accordance with a Company Order, and, during the continuance of an Event of Default, in its own discretion.

Anything herein to the contrary notwithstanding, the Company may irrevocably waive all right to the withdrawal pursuant to this Section of, and any other rights with respect to, any obligations secured by Purchase Money Lien held by the Trustee, and the proceeds of any such obligations, by delivery to the Trustee of a Company Order:

(x) specifying such obligations and stating that the Company thereby waives all rights to the withdrawal thereof and of the proceeds thereof pursuant to this Section, and any other rights with respect thereto; and

(y) directing that the principal of such obligations be applied as provided in clause (e) in the first paragraph of this Section, specifying the Securities to be paid or redeemed or for the payment or redemption of which payment is to be made.

Following any such waiver, the interest on any such obligations shall be applied to the payment of interest, if any, on the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order, as and when such interest shall become due from time to time, and any excess funds remaining from time to time after such application shall be applied to the payment of interest on any other Securities as and when the same shall become due. Pending any such application, the interest on such obligations shall be invested in Investment Securities as shall be selected by the Company and specified in written instructions delivered to the Trustee. The principal of any such obligations shall be applied solely to the payment of principal of the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order. Pending such application, the principal of such obligations shall be invested in Eligible Obligations as shall be selected by the Company and specified in written instructions delivered to the Trustee. The obligation of the Company to pay the principal of such Securities when the same shall become due at maturity, shall be offset and reduced by the amount of the proceeds of such obligations then held, and to be applied, by the Trustee in accordance with this paragraph.

Should any of the Mortgaged Property, or any interest therein, be taken by exercise of the power of eminent domain or be sold to an entity possessing the power of eminent domain under a threat to exercise the same, and should the Company elect not to obtain the release of such property pursuant to other provisions of this Article, the Trustee shall, upon request of the Company evidenced by a Company Order transmitting therewith a form of instrument or instruments to effect such release, release from the Lien hereof all its right, title and interest in and to the property so taken or sold (or with respect to an interest in property, subordinate the Lien hereof to such interest), upon receiving (a) an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or has been sold to an entity possessing the power of eminent domain under threat of an exercise of such power, (b) an Officer's Certificate stating the amount of net proceeds received or to be received for such property so taken or sold, and the amount so stated shall be deemed to be the Fair Value of such property for the purpose of any notice to the Holders of Securities, (c) if any portion of such property constitutes Funded Property, an Expert's Certificate stating the Cost thereof (or, if the Fair Value to the Company of such portion of such property at the time the same became Funded Property was certified to be an amount less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) and (d) if any portion of such property constitutes Funded Property, a deposit by the Company of an amount in cash equal to the Cost or Fair Value stated in the Expert's Certificate delivered pursuant to clause (c) above; provided, however, that the amount required to be so deposited shall not exceed the portion of the net proceeds received or to be received for such property so taken or sold which is allocable on a pro-rata or other reasonable basis to the portion of such property constituting Funded Property; and provided, further, that no such deposit shall be required to be made hereunder if the proceeds of such taking or sale shall, as indicated in an Officer's Certificate delivered to the Trustee, have been deposited with the trustee or other holder of another Lien prior to the Lien of this Indenture. Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

SECTION 808. Disclaimer or Quitclaim.

In case the Company has sold, exchanged, dedicated or otherwise disposed of, or has agreed or intends to sell, exchange, dedicate or otherwise dispose of, or a Governmental Authority has ordered the Company to divest itself of, any Excepted Property or any other property not subject to the Lien hereof, or the Company desires to disclaim or quitclaim title to property to which the Company does not purport to have title, the Trustee shall, from time to time, disclaim or quitclaim such property upon receipt by the Trustee of the following:

- (a) a Company Order requesting such disclaimer or quitclaim and transmitting therewith a form of instrument to effect such disclaimer or quitclaim;
- (b) an Officer's Certificate describing the property to be disclaimed or quitclaimed; and
- (c) an Opinion of Counsel stating the signer's opinion that such property is not subject to the Lien hereof or required to be subject thereto by any of the provisions hereof and complying with the requirements of Section 105 of this Indenture.

SECTION 809. Miscellaneous.

(a) The Expert's Certificate as to the Fair Value of property to be released from the Lien of this Indenture in accordance with any provision of this Article, and as to the nonimpairment, by reason of such release, of the security under this Indenture in contravention of the provisions hereof, shall be made by an Independent Expert if the Fair Value of such property and of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Indenture, is ten percent (10%) or more of the aggregate principal amount of the Securities at the time Outstanding; but such Expert's Certificate shall not be required to be made by an Independent Expert in the case of any release of property if the Fair Value thereof, as set forth in the certificates required by this Indenture, is less than Twenty-five Thousand Dollars (\$25,000) or less than one percent (1%) of the aggregate principal amount of the Securities at the time Outstanding. To the extent that the Fair Value of any property to be released from the Lien of this Indenture shall be stated in an Independent Expert's Certificate, such Fair Value shall not be required to be stated in any other Expert's Certificate delivered in connection with such release.

(b) No release of property from the Lien of this Indenture effected in accordance with the provisions, and in compliance with the conditions, set forth in this Article and in Sections 105 and 106 shall be deemed to impair the security of this Indenture in contravention of any provision hereof.

(c) If the Mortgaged Property shall be in the possession of a receiver or trustee, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the release of any part of the Mortgaged Property or any interest therein or the withdrawal of cash may be exercised, with the approval of the Trustee, by such receiver or trustee, notwithstanding that an Event of Default may have occurred and be continuing, and any request, certificate, appointment or approval made or signed by such receiver or trustee for such purposes shall be as effective as if made by the Company or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the Mortgaged Property under any provision of this Indenture, then such powers may be exercised by the Trustee in its discretion notwithstanding that an Event of Default may have occurred and be continuing.

(d) If the Company shall retain any interest in any property released from the Lien of this Indenture as provided in Section 803, 804 or 805, this Indenture shall not become or be, or be required to become or be, a Lien upon such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof unless the Company shall execute and deliver to the Trustee an indenture supplemental hereto, in recordable form, containing a grant, conveyance, transfer and mortgage thereof. As used in this subsection, the terms "improvements", "extensions" and "additions" shall be limited set forth in Section 1301.

(e) Notwithstanding the occurrence and continuance of an Event of Default, the Trustee, in its discretion, may release from the Lien hereof any part of the Mortgaged Property or permit the withdrawal of cash, upon compliance with the other conditions specified in this

Article in respect thereof.

(f) No purchaser or grantee of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the instrument or instruments of release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by this Article to be sold, granted, exchanged, dedicated or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange, dedication or other disposition.

ARTICLE NINE

SATISFACTION AND DISCHARGE

SECTION 901. Satisfaction and Discharge of Securities.

Any Security or Securities, or any portion of the principal amount thereof, shall be deemed to have been paid and no longer Outstanding for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof; provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series or Tranche, such Securities or portions thereof shall have been selected by the Trustee as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 703;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, and a written statement of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) and (c) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officer's Certificate stating the Company's intention that, upon delivery of such Officer's Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon Company Request, acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) (if otherwise required) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefits provided by this Indenture or of any of the covenants of the Company under Article Seven (except the covenants contained in Sections 702 and 703) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301 or Section 1401(b), but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Securities of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section, the Trustee shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 503 for selection for redemption of less than all the Securities of a series or Tranche.

In the event that Securities which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the sixty (60) day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 504, 702, 703, 1107 and 1114 and this Article shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied and discharged pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, (i) shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law or (ii) is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 703.

SECTION 902. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Indenture, when:

- (a) no Securities remain Outstanding hereunder; and
- (b) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 901, any Security, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 504, 702, 703, 1107 and 1114 and this Article shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall turn over to the Company any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities (other than money and Eligible Obligations held by the Trustee pursuant to Section 903) and shall execute and deliver to the Company such instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Indenture.

SECTION 903. Application of Trust Money.

Neither the Eligible Obligations nor the money deposited pursuant to Section 901, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 703; provided, however, that any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request and delivery to the Trustee of the documents referred to in clause (y) in the first paragraph of Section 901, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 901 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the proceeds of any other Eligible Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Indenture (except the lien provided by Section 1107); and provided, further, that any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Indenture (except the lien provided by Section 1107); and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be held until such Event of Default shall have been waived or cured.

ARTICLE TEN

EVENTS OF DEFAULT; REMEDIES

SECTION 1001. Events of Default.

“Event of Default”, wherever used herein with respect to Securities, means any one of the following events:

(a) default in the payment of any interest on any Security when it becomes due and payable and continuance of such default for a period of 30 days; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the interest payment period with respect to the Securities of such series, of which such Security is a part, if so provided as contemplated by Section 301; or

(b) default in the payment of the principal of or premium, if any, on any Security when it becomes due and payable; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the Maturity of the Securities of the series, of which such Security is a part, if so provided as contemplated by Section 301; or

(c) default in the performance of, or breach of, any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically addressed) and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) the entry by a court having jurisdiction in the premises of (1) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (2) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency, reorganization or similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of 90 consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors of the Company.

SECTION 1002. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default shall have occurred and be continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities may declare the principal amount (or, if any of the Securities of such series are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all of the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon receipt by the Company of notice of such declaration such principal amount (or specified amount) together with premium, if any, and accrued and unpaid interest shall become immediately due and payable.

At any time after such a declaration of acceleration of the maturity of the Securities then Outstanding shall have been made, but before any sale of any of the Mortgaged Property has been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as hereinafter in this Article provided, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been cured, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

- (a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay
 - (i) all overdue interest, if any, on all Securities then Outstanding;
 - (ii) the principal of and premium, if any, on any Securities then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities;
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities;

(iv) all amounts due to the Trustee under Section 1107;

and

(b) all Events of Default, other than the non-payment of the principal of Securities which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 1013.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 1003. Collection of Indebtedness and Suits for Enforcement by Trustee.

If an Event of Default described in clause (a) or (b) of Section 1001 shall have occurred, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, to the extent permitted by law, interest on premium, if any, and on any overdue principal and interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 1107.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 1004. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 1107) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 1107.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, be a member of a creditors' or similar other committee.

SECTION 1005. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee, without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 1006. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities in respect of which or for the benefit of which such money shall have been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First : To the payment of all amounts due the Trustee under Section 1107;

Second : To the payment of the amounts then due and unpaid for principal of and premium, if any, and interest, if any, on the Outstanding Securities in respect of which or for the benefit of which such money has been collected; or, in case such proceeds shall be insufficient to pay in full such amounts so due and unpaid upon such Securities, then to the payment of the principal thereof and interest, if any, thereon, without any preference or priority of any kind, ratably according to the respective amounts so due and payable for principal and interest, if any, with any balance then remaining to the payment of premium, if any and, if so specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest, if any, on overdue premium, if any, and overdue interest, if any, ratably as aforesaid, all to the extent permitted by applicable law; provided, however, that any money collected by the Trustee pursuant to Section 806 in respect of interest shall first be applied to the payment of interest accrued on the principal of Outstanding Securities; and

Third : To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 1007. Limitation on Suits.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default;
- (b) the Holders of 25% in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities;

being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 1008. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 1009. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 1010. Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Anything in this Article to the contrary notwithstanding, the availability of the remedies set forth herein (on an individual or cumulative basis) and the procedures set forth herein relating to the exercise thereof shall be subject to (a) the law (including, for purposes of this paragraph, general principles of equity) of any jurisdiction wherein the Mortgaged Property or any part thereof is located to the extent that such law is mandatorily applicable and (b) the rights of the holder of any Lien prior to the Lien of this Indenture, and, if and to the extent that any provision of this Article conflicts with any provision of such applicable law and/or with the rights of the holder of any such prior Lien, such provision of law and/or the rights of such holder shall control.

SECTION 1011. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 1012. Control by Holders of Securities.

If an Event of Default shall have occurred and be continuing, the Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 1013. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Outstanding Security, or

(b) in respect of a covenant or provision hereof which under Section 1402 cannot be modified or amended without the consent of the Holder of each Outstanding Security of each affected series or each affected Tranche thereof.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 1014. Undertaking for Costs.

The Company and the Trustee agree, and each Holder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, in each case in the manner, to the extent, and subject to the exceptions provided in the Trust Indenture Act; provided, that the provisions of this Section shall not be deemed to authorize any court to require such an undertaking in, and shall not apply to, any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Securities then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or in the case of redemption, on or after the Redemption Date).

SECTION 1015. Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 1016. Receiver and Other Remedies.

If an Event of Default shall have occurred and, during the continuance thereof, the Trustee shall have commenced judicial proceedings to enforce any right under this Indenture, the Trustee shall, to the extent permitted by law, be entitled, as against the Company, to the appointment of a receiver of the Mortgaged Property and subject to the rights, if any, of others to receive collections from former, present or future customers of the rents, issues, profits, revenues and other income thereof, and whether or not any receiver is appointed, the Trustee shall be entitled to retain possession and control of, and to collect and receive the income from cash, securities and other personal property held by the Trustee hereunder and to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

ARTICLE ELEVEN

THE TRUSTEE

SECTION 1101. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts, statements, opinions or conclusions stated therein).

(b) In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities, as provided herein, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 1102. Notice of Default.

The Trustee shall give notice of any default hereunder in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 1001(c), no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

SECTION 1103. Certain Rights of Trustee.

Subject to the provisions of Section 1101 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, as the case may be, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any Holder pursuant to this Indenture, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge of any default (as defined in Section 1102) or Event of Default unless either (i) a Responsible Officer shall have actual knowledge of such default or Event of Default or (ii) written notice of such default or Event of Default, referring to this Indenture and the Securities, shall have been given to the Trustee by the Company or any other obligor on such Securities, or by any Holder of such Securities;

(i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder;

(j) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(k) the Trustee may request that the Company deliver an Officer's Certificate setting forth the names of the individuals and/or the titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded; and

(l) in no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 1104. Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Indenture and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Mortgaged Property, the title of the Company to the Mortgaged Property, the security afforded by the Lien of this Indenture, the validity or genuineness of any securities deposited with the Trustee hereunder, or the validity or sufficiency of this Indenture or of the Securities. Neither Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 1105. May Hold Securities.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 1108 and 1113, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 1106. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 1107. Compensation and Reimbursement.

The Company agrees

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense,

disbursement or advance as may be attributable to its negligence or willful misconduct; and

(c) to indemnify the Trustee and hold it harmless from and against, any loss, liability or expense reasonably incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a Lien prior to the Securities upon the Mortgaged Property and all property and funds held or collected by the Trustee as such, other than property and funds held in trust under Section 903 (except moneys payable to the Company as provided in Section 903).

In addition and without prejudice to the rights provided to the Trustee under applicable law or any of the provisions of this Indenture, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in clause (d) or (e) of Section 1001, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal and State bankruptcy, insolvency or other similar law.

The Company's obligations under this Section 1107 and the Lien referred to in this Section 1107 shall survive the resignation or removal of the Trustee, the discharge of the Company's obligations under Article Eight of this Indenture and/or the termination of this Indenture.

" Trustee " for purposes of this Section 1107 shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

SECTION 1108. Disqualification; Conflicting Interests.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Securities of any other series.

SECTION 1109. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(a) a Corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal, State or District of Columbia authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a Corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such Corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section and the Trust Indenture Act, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 1110. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 1111.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 1111 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Trustee and the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 1108 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 1109 or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by Board Resolution may remove the Trustee with respect to all Securities or (y) subject to Section 1014, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated by clause (y) in subsection (d) or this Section), the Company, by Board Resolution, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 1111. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 1111, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 1111, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, and except with respect to a Trustee appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities pursuant to subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) Board Resolutions of the Company appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 1111, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 1111, all as of such date, and all other provisions of this Section and Section 1111 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders of Securities in the manner provided in Section 109. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 1111. Acceptance of Appointment by Successor.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its Lien provided for in Section 1107.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in subsection (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 1112. Merger, Conversion, Consolidation or Succession to Business.

Any Corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such Corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 1113. Preferential Collection of Claims Against Company.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust

Indenture Act (a) the term "cash transaction" shall have the meaning provided in Rule 11b-4 under the Trust Indenture Act, and (b) the term "self-liquidating paper" shall have the meaning provided in Rule 11b-6 under the Trust Indenture Act.

SECTION 1114. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a Corporation organized and doing business under the laws of the United States of America, any State or territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any Corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any Corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such Corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

Unless appointed at the request of the Company pursuant to the last paragraph of this Section 1114, the Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, in accordance with and subject to the provisions of Section 1107. The Company shall pay to each Authenticating Agent appointed at its request pursuant to the last paragraph of this Section 1114 from time to time reasonable compensation for its services under this Section 1114.

The provisions of Sections 308, 1104 and 1105 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Securities of such series or Tranche may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON,
As Trustee

By _____
As Authenticating Agent

By _____
Authorized Officer

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 105 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

SECTION 1115. Co-trustee and Separate Trustees.

At any time or times, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least 33% in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, or to act as separate trustee, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder, and the Trustee shall not be personally liable by reason of any act or omission of any such co-trustee or separate trustee; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

ARTICLE TWELVE

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 1201. Lists of Holders.

Semiannually, not later than June 30 and December 31 in each year, and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

SECTION 1202. Reports by Trustee and Company.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the time and in the manner provided pursuant thereto. Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than July 15 in each calendar year with respect to the 12-month period ending on the preceding May 15, commencing July 15, 2011. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each securities exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided, however, that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 30 days after the same is filed with the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt

thereof shall not constitute constructive notice of any information contained therein or determinable therefrom, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

ARTICLE THIRTEEN

CONSOLIDATION, MERGER, CONVEYANCE, OR OTHER TRANSFER

SECTION 1301. Company may Consolidate, etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person, or convey or otherwise transfer, or lease, as or substantially as an entirety the Mortgaged Property to any Person, unless:

(a) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases, the Mortgaged Property as or substantially as an entirety shall be a Corporation organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia (such Corporation being hereinafter sometimes called the "Successor Corporation") and shall execute and deliver to the Trustee an indenture supplemental hereto, in form recordable and reasonably satisfactory to the Trustee, which:

(i) in the case of a consolidation, merger, conveyance or other transfer, or in the case of a lease if the term thereof extends beyond the last Stated Maturity of the Securities then Outstanding, contains an express assumption by the Successor Corporation of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Company, and

(ii) in the case of a consolidation, merger, conveyance or other transfer, contains a grant, conveyance, transfer and mortgage by the Successor Corporation, of the same tenor of the Granting Clauses herein,

(A) confirming the Lien of this Indenture on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the Lien of this Indenture all property, real, personal and mixed, thereafter acquired by the Successor Corporation which shall constitute an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, and,

(B) at the election of the Successor Corporation, subjecting to the Lien of this Indenture such property, real, personal or mixed, in addition to the property described in subclause (A) above, then owned or thereafter acquired by the Successor Company as the Successor Corporation shall, in its sole discretion, specify or describe therein,

and the Lien confirmed or created by such grant, conveyance, transfer and mortgage shall have force, effect and standing similar to those which the Lien of this Indenture would have had if the Company had not been a party to such consolidation, merger, conveyance or other transfer and had itself, after the time such transaction became effective, purchased, constructed or otherwise acquired the property subject to such grant, conveyance, transfer and mortgage;

(b) in the case of a lease, such lease shall be made expressly subject to termination at any time during the continuance of an Event of Default, by (i) the Company or the Trustee and (ii) the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or pursuant to judicial proceedings;

(c) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(d) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each of which shall state that such consolidation, merger, conveyance or other transfer or lease, and such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

As used in this Article and in Section 809(d), the terms "improvement", "extension" and "addition" shall be limited to (a) with respect to real property subject to the Lien of this Indenture, any item of personal property which has been so affixed or attached to such real property as to be regarded a part of such real property under applicable law and (b) with respect to personal property subject to the Lien of this Indenture, any improvement, extension or addition to such personal property which (i) is made to maintain, renew, repair or improve the function of such personal property and (ii) is physically installed in or affixed to such personal property.

SECTION 1302. Successor Corporation Substituted.

Upon any consolidation of the Company with or merger by the Company into any other Person, or any conveyance or other transfer of, as or substantially as an entirety the Mortgaged Property in accordance with Section 1301, the Successor Corporation shall succeed and be substituted for, and may exercise every power and right of, the Company under this Indenture with the same effect as if such Successor Corporation had been named as the "Company" herein. Without limiting the generality of the foregoing:

(a) all property of the Successor Corporation then subject to the Lien of this Indenture, of the character described

in Section 104, shall constitute Property Additions;

(b) the Successor Corporation may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article Four, authenticate and deliver, Securities upon any basis provided in Article Four; and

(c) the Successor Corporation may, subject to the applicable provisions of this Indenture, cause Property Additions to be applied to any other Authorized Purpose.

All Securities so executed by the Successor Corporation, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefit of the Lien of this Indenture equally and ratably with all Securities executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

SECTION 1303. Extent of Lien Hereof on Property of Successor Corporation.

Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 1301, the indenture supplemental hereto contemplated in Section 1301 or in Article Fourteen expressly provides otherwise, neither this Indenture nor such supplemental indenture shall become or be, or be required to become or be, a Lien upon any of the properties:

(a) owned by the Successor Corporation or any other party to such transaction (other than the Company) immediately prior to the time of effectiveness of such transaction or

(b) acquired by the Successor Corporation at or after the time of effectiveness of such transaction,

except, in either case, properties acquired from the Company in or as a result of such transaction and improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any part or parts thereof.

SECTION 1304. Release of Company upon Conveyance or Other Transfer.

In the case of a conveyance or other transfer to any Corporation or Corporations as contemplated in Section 1301, upon the satisfaction of all the conditions specified in Section 1301 the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Indenture and on and under all Securities then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge) and, upon request by the Company, the Trustee shall acknowledge in writing that the Company has been so released and discharged.

SECTION 1305. Merger into Company; Extent of Lien Hereof.

(a) Nothing in this Indenture shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting Corporation or any conveyance or other transfer, or lease, of any part of the Mortgaged Property which does not constitute the entirety or substantially the entirety thereof.

(b) Unless, in the case of a consolidation or merger described in subsection (a) of this Section, an indenture supplemental hereto shall otherwise provide, this Indenture shall not become or be, or be required to become or be, a Lien upon any of the properties acquired by the Company in or as a result of such transaction or any improvements, extensions or additions to such properties or any renewals, replacements or substitutions of or for any part or parts thereof.

SECTION 1306. Transfer of Less than Substantially All.

Without limiting the generality of Section 1305(a), if following a conveyance, transfer or lease by the Company of any part of the Mortgaged Property the Fair Value of the Mortgaged Property retained by the Company exceeds an amount equal to three-halves (3/2) of the aggregate principal amount of all Outstanding Securities then the part of the Mortgaged Property so conveyed, transferred or leased shall, in any event, be deemed not to constitute the entirety or substantially the entirety of the Mortgaged Property. Such Fair Value shall be established by the delivery to the Trustee of an Independent Expert's Certificate stating the Independent Expert's opinion of such Fair Value as of a date not more than 90 days before or after such conveyance, transfer or lease. This Article is not intended to limit the Company's conveyances, transfers or leases of less than the entirety or substantially the entirety of the Mortgaged Property.

ARTICLE FOURTEEN

SUPPLEMENTAL INDENTURES

SECTION 1401. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities all as provided in Article Thirteen; or

(b) to add one or more covenants of the Company or other provisions for the benefit of the Holders of all or any

series of Securities, or any Tranche, thereof or to surrender any right or power herein conferred upon the Company (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series); or

(c) to correct or amplify the description of any property at any time subject to the Lien of this Indenture; or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of this Indenture; or to subject to the Lien of this Indenture additional property (including property of Persons other than the Company), to specify any additional Permitted Liens with respect to such additional property and to modify Section 802 in order to specify therein any additional items with respect to such additional property; or

(d) to add any additional Events of Default, which may be stated to remain in effect only so long as the Securities of any one or more particular series shall remain Outstanding; or

(e) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series or Tranche Outstanding on the date of such supplemental indenture in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only pursuant to the provisions of Section 1402 hereof or when no Security of such series or Tranche remains Outstanding; or

(f) to establish the form or terms of Securities of any series or Tranche as contemplated by Sections 201 and 301; or

(g) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(h) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee or by a co-trustee or separate trustee; or

(i) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all, or any series or Tranche of, the Securities; or

(j) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities, or any Tranche thereof, shall be payable, (2) all or any series of Securities, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Securities, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities, or any Tranche thereof, and this Indenture may be served;

(k) to amend and restate this Indenture, as originally executed and delivered and as it may have been subsequently amended, in its entirety, but with such additions, deletions and other changes as shall not adversely affect the interests of the Holders of the Securities in any material respect;

(l) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect;

(m) to increase or decrease the amount stated in the proviso in the first paragraph of Section 301; or

(n) to change the date stated in the second paragraph of Section 301 to a later date.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the Execution Date or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the Execution Date or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provision of the Trust Indenture Act as in effect at such date, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to this Indenture to effect such changes or elimination or evidence such amendment.

Subject to the provisions of Section 1401, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security of each series or Tranche so directly affected,

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security (other than pursuant to the terms thereof), or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(b) permit the creation of any Lien (not otherwise permitted hereby) ranking prior to the Lien of this Indenture with respect to all or substantially all of the Mortgaged Property, or terminate the Lien of this Indenture on all or substantially all of the Mortgaged Property or deprive such Holder of the benefit of the security of the Lien of this Indenture, or

(c) reduce the percentage in principal amount of the Outstanding Securities of any series or any Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 1504 for quorum or voting, or

(d) modify any of the provisions of this Section, Section 710 or Section 1013 with respect to the Securities of any series or any Tranche thereof, except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security of each series or Tranche affected thereby.

A supplemental indenture which (x) changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Securities of one or more particular series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Securities of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series or Tranche.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Anything in this Indenture to the contrary notwithstanding, if the supplemental indenture or Officer's Certificate, as the case may be, establishing the Securities of any series or Tranche shall provide that the Company may make certain specified additions, changes or eliminations to or from the Indenture which shall be specified in such supplemental indenture or Officer's Certificate, (a) the Holders of Securities of such series or Tranche shall be deemed to have consented to a supplemental indenture containing such additions, changes or eliminations to or from the Indenture which shall be specified in such supplemental indenture or Officer's Certificate, (b) no Act of such Holders shall be required to evidence such consent and (c) such consent may be counted in the determination of whether or not the Holders of the requisite principal amount of Securities shall have consented to such supplemental indenture.

SECTION 1403. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 1101) shall be fully protected in relying upon, an Opinion of Counsel and an Officer's Certificate stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 1404. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

SECTION 1405. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1406. Reference in Securities to Supplemental Indentures.

Securities of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company, and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

SECTION 1407. Modification Without Supplemental Indenture.

To the extent, if any, that the terms of any particular series of Securities shall have been established in or pursuant to an Officer's Certificate as contemplated by Section 301, and not in an indenture supplemental hereto, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Officer's Certificate delivered to, and accepted by, the Trustee in writing; provided, however, that such supplemental Officer's Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Indenture which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental indenture shall have been appropriately satisfied. Upon the acceptance thereof by the Trustee, any such supplemental Officer's Certificate shall be deemed to be effective and constitute part of this Indenture and to be a "supplemental indenture" for purposes of Sections 1404 and 1406.

ARTICLE FIFTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1501. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series or Tranches.

SECTION 1502. Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 1501, to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine, or, with the approval of the Company, at any other place. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 109, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) If the Trustee shall have been requested to call a meeting of the Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of 33% in aggregate principal amount of all of such series and Tranches, considered as one class, for any purpose specified in Section 1401, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series and Tranches in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Securities of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1503. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Securities of such series or Tranches, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1504. Quorum; Action.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches

with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1505(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 1502(a) not less than ten days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series and Tranches which shall constitute a quorum.

Except as limited by Section 1402, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1505. Attendance at Meetings; Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 107 and the appointment of any proxy shall be proved in the manner specified in Section 107. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 107 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1502(b), in which case the Company or the Holders of Securities of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1506. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record, in duplicate, of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any

record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1507. Action Without Meeting.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments as provided in Section 107.

ARTICLE SIXTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 1601. Liability Solely Corporate.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, stockholder, member, officer or director, as such, past, present or future of the Company or of any predecessor or successor of the Company (either directly or through the Company or a predecessor or successor of the Company), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities are solely obligations of the Company, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, member, officer or director, past, present or future, of the Company or of any predecessor or successor of the Company, either directly or indirectly through the Company or any predecessor or successor of the Company, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or to be implied herefrom or therefrom, and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Indenture and the issuance of the Securities.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Dorothy E. O'Brien
Dorothy E. O'Brien
Vice President and Deputy General Counsel – Legal and Environmental Affairs

THE BANK OF NEW YORK MELLON,
as Trustee

By: /s/ Karon Greene
Name: Karon Greene
Title: Vice President

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON) ss.:

On this 6th day of October, 2010, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of KENTUCKY UTILITIES COMPANY, a corporation of the Commonwealths of Kentucky and Virginia and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Betty L. Brinly
Betty L. Brinly
Notary Public, State at Large, KY
My Commission expires 6/21/2014

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 6th day of October, 2010, before me, a notary public, the undersigned, personally appeared Karon Greene, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Danny Lee
Danny Lee
Notary #: 01LE6161129
Qualified in New York County
Commission expires 2/20/2011

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
Global Structured Finance
101 Barclay Street, 4th Floor
New York, New York 10286
Attn: Global Americas

THE BANK OF NEW YORK MELLON, as Trustee

By: Karon Greene
Name: Karon Greene
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas

James J. Dimas

KENTUCKY UTILITIES COMPANY

REAL PROPERTY

Schedule of real property owned in fee located in the Commonwealth of Kentucky

The following described real estate of the Company situated in Adair County, Kentucky:

Item 1. A tract of land in the City of Columbia, more particularly described as follows: Beginning at an iron stake at the intersection of Stanford Road and Oak Street; thence with the north side of said Oak Street N 9½° E 73 feet to a stake; thence a new dividing line N 78¾° W 32 feet to a stake; thence another new line S 27½° W 50 feet to a stake on the North side of Stanford Road; thence with the North side of said Stanford Road S 47½° E 50 feet to the beginning, containing 2501 square feet more or less; being part of the same property acquired by the Company by deed dated August 1, 1950, and recorded in Deed Book 75, page 174, in the Office of the Clerk of Adair County, Kentucky.

Item 2. A parcel of land in the City of Columbia described as follows: Beginning at a stake in the line between the lands of T. E. Jeffries and Salle P. Jeffries, and the lands of Charley Kelsay, which beginning point is about 241 feet S 17 degrees and 30' W of Garnett Avenue; thence S 17 degrees and 30' W for 125 feet along the said Kelsay line to a stake; thence S 71 degrees 35' E for 126.6 feet to a stake; thence N 20 degrees 48' E for 125 feet to a stake; thence N 71 degrees 37' W for 133.9 feet to the beginning; being the property acquired by the Company by deed dated June 14, 1954, and recorded in Deed Book 81, page 499, in the Office of the Clerk of Adair County, Kentucky.

The following described real estate of the Company situated in Anderson County, Kentucky:

Item 1. A certain lot of land lying on the east side of Main street in Lawrenceburg, described as follows: Beginning at a stake on the east side of Main street corner to C. A. Routt; thence with his line and that of Steve Hayden eastwardly to the line of the right of way of the Southern Railway Company in Kentucky, corner to same; thence southwardly with the line of right of way of the said Southern Railway Company in Kentucky two hundred (200) feet to a stake, corner to same and to W. F. Bond; thence westwardly with the line of W. F. Bond, parallel to the line of said Steve Hayden one hundred and fifty (150) feet to a stake, corner to said W. F. Bond; thence with the line of said W. F. Bond northwardly and parallel to the line of said right of way of the Southern Railway Company in Kentucky on hundred and eighty (180) feet to a stake, twenty (20) feet from the line of said Steve Hayden, corner to said stake and to W. F. Bond; thence westwardly by a line parallel to said line of the said C. A. Routt and Steve Hayden as mentioned herein and twenty (20) feet distant therefrom with the line of W. F. Bond to Main street at a point twenty (20) feet from the point of beginning; thence northwardly with Main street twenty (20) feet to the point of beginning; being the property acquired by the Company by deed dated October 15, 1912, and recorded in Deed Book 11, page 540, in the Office of the Clerk of Anderson County, Kentucky.

Item 2. A certain parcel of land lying and being on the North side of the Bonds Mill and Goshen county road, and more particularly described as follows: Beginning at an iron pipe located N. 26 25' W. 315 feet from a corner post in the North right of way line of said county road corner to John G. Riley, which point is also N. 44 45' E. 150 feet from the center line of the existing steel tower transmission line; running thence N. 45 15' W. 300 feet to an iron pipe and parallel to steel tower line; thence S. 44 45' W. 300 feet to an iron pipe passing 25 feet Southeast of the center of steel tower No. 111; thence S 45 15' E. 300 feet to an iron pipe; thence N. 44 45' E. 300 feet to the beginning, containing two and six one hundredths (2.06) acres; being the property acquired by the Company by deed dated December 13, 1947, and recorded in Deed Book 42, page 543, in the Office of the Clerk of Anderson County, Kentucky.

The following described real estate of the Company situated in Ballard County, Kentucky:

Item 1. Beginning in the center of the Barlow and Oscar Gravel Road at a point 25 feet North of the point directly beneath where Kentucky Utilities Company's lines cross said road; thence West 86 feet to a stake; thence South 70 feet to a stake; thence East 86 feet to the center of the Barlow and Oscar Gravel Road at a point 45 feet South of the point directly beneath where the Kentucky Utilities Company's lines cross said road; thence North with center of said road 70 feet to the beginning, containing 4900 square feet, exclusive of roadway; being the property acquired by the Company by deed dated September 6, 1927, and recorded in Deed Book 36, page 331, in the Office of the Clerk of Ballard County, Kentucky.

Item 2. Beginning in the center of the Barlow and Oscar Gravel Road at a point 25 feet North of the point directly beneath where the Kentucky Utilities Company's line crosses said road; thence in a Western direction at right angles with the center of said road a distance of 88 feet to a stake; thence in Southern direction at right angles with the last above described line, a distance of 173 feet to a stake; thence in an Eastern direction at right angles with the last described line a distance of 88 feet to a point in the center of the Barlow and Oscar Road; thence at right angles with the last above described line and the center of the Barlow and Oscar Road a distance of 173 feet to the point of beginning, containing 15,224 square feet; being the property acquired by the Company by deed dated November 8, 1930, and recorded in Deed Book 39, page 173,

in the Office of the Clerk of Ballard County, Kentucky.

Item 3. Beginning at a point in the center of the Barlow and Oscar Road, the northeast corner of the Barlow Cemetery; running thence North 84 degrees 45 minutes West along and with the Northern boundary line of the Barlow Cemetery a distance of 288.0 feet; thence North 2 degrees East a distance of 89.7 feet to a point; thence North 52 degrees East a distance of 266 feet to a point; thence South 2 degrees 30 minutes West a distance of 150 feet to a point; thence South 86 degrees 30 minutes East a distance of 88 feet to a point; thence South 2 degrees 30 minutes West a distance of 124 feet to the point of beginning, containing approximately 1.08 acres.

Item 4. Beginning at a point in the center of the Barlow and Oscar Road 297 feet North 2 degrees 30 minute East of the Northeast corner of the Barlow Cemetery; thence North 86 degrees 30 minutes West a distance of 61.5 feet to a point; thence North 52 degrees East a distance of 81 feet to a point; thence South 2 degrees 30 minutes West along and with the center of the Barlow and Oscar Road a distance of 52.7 feet to the point of beginning, containing approximately 0.04 acre.

The property described above in Items 3 and 4 being the property acquired by the Company by deed dated June 10, 1957, and recorded in Deed Book 62, page 445, in the Office of the Clerk of Ballard County, Kentucky.

Item 5. Beginning at a stake set in the center line of the Company's Wickliffe-Clinton 69 KV transmission line, which stake is set north 37 degrees 38 minutes west 232 feet from the Company's two-pole structure number 116; thence south 52 degrees 22 minutes west 110 feet to a concrete monument; thence north 37 degrees 38 minutes west and parallel to the center line of said transmission line for a distance of 150 feet to a concrete monument; thence north 52 degrees 22 minutes east 250 feet to a concrete monument; thence south 37 degrees 38 minutes east and parallel to the center line of said transmission line for a distance of 150 feet to a concrete monument; thence south 52 degrees 22 minutes west 140 feet to a stake set in the center line of said transmission line, the point of beginning, and containing 0.861 acre; being the property acquired by the Company by deed dated April 22, 1968, and recorded in Deed Book 71, page 481, in the Office of the Clerk of Ballard County, Kentucky.

Item 6. Beginning at a point on the Westerly right-of-way line of U.S. Highway 60, Fourth Street (Main Cross Street), said beginning point being the Southeast corner of the original George W. Tanner home place, said beginning point also being in a Southerly direction and 152.1 feet from the Southwest intersection of the property lines of Broadway Street, or Kentucky 118, and U.S. Highway 60, Fourth Street (Main Cross Street); thence from the point of beginning and in a Southerly direction and along the said Westerly right-of-way line of U.S. Highway 60, Fourth Street (Main Cross Street) for a distance of 62.0 feet to a point; thence with an interior angle of 92° 20' and in a Westerly direction for a distance of 212.25 feet to a point in the Easterly property line of the Woman's Club property; thence with an interior angle of 91° 20' and in a Northerly direction and along the said Easterly property line of the Woman's Club property for a distance of 72.7 feet to a point; said point being in a Southerly direction and 138.0 feet from the original Northwest corner of the Church of Christ property; thence with an interior angle of 89° 36' and in a Easterly direction and along the Southerly property line of the Church of Christ property for a distance of 116.7 feet to a point; thence with an interior angle of 90° 24' and in a Southerly direction for a distance of 11.85 feet to a point; thence with an exterior angle of 88° 27' and in an Easterly direction and along the Southerly line of the Joe Rogers one-story concrete block building for a distance of 100.0 feet to the point of beginning; and being the property acquired by the Company by deed dated July 30, 1985, and recorded in Microfilm Cabinet 1, Drawer, 10, No. 17554, in the Office of the Clerk of Ballard County, Kentucky.

The following described real estate of the Company situated in Barren County, Kentucky:

Item 1. A certain tract of land situated in or near the City of Glasgow, described as follows: Beginning at a point marked by an iron pin in the north line of the Glasgow-Burksville Highway, which point is S. 57 degrees E. 223 feet from the center of South Fork Creek and also being on a line extended parallel with and 29 feet E. of the face of the east brick wall of the ice plant building formerly owned by the Kentucky Utilities Company; thence N. 33 degrees E. and on a line parallel with and 29 feet E. from the east brick wall of the ice plant building for a distance of 252.5 feet more or less to an iron pin; thence S. 57 degrees E. 184 feet more or less to a stone; thence S. 50 degrees W. 264 feet more or less to a stone set in the north line of the Glasgow-Burksville Highway; thence with the north line of the Glasgow-Burksville Highway N. 57 degrees W. 107 feet more or less to the point of beginning, and containing 0.85 acres more or less; being a portion of the property acquired by the Company by deed dated January 2, 1917, and recorded in Deed Book 67, page 347, in the Office of the Clerk of Barren County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to J.P. Gray by Deed dated July 26, 1943, recorded in Deed Book 110, Page 230 in the Office of the Clerk of Barren County, Kentucky.

Item 2. A certain tract of land, described as follows: On the Burksville and Glasgow Road and near South Fork Creek and being Lot No. 49 in Monroe's East End Addition in the Town of Glasgow, as same is platted and the plat thereof recorded in the office of the Clerk of Barren County Court in Plat Book No. 1, page 15, and being all the land lying in said addition between the property now owned by the said John G. Monroe and his wife, Lizzie L. Monroe, and the property owned by Kentucky Utilities Company and the new street dedicated by said Monroes according to the said plat referred to; being the property acquired by the Company by deed dated December 21, 1921, and recorded in Deed Book 77, page 274, in the Office of the Clerk of Barren County, Kentucky.

Item 3. A tract of land situated in the City of Glasgow, described as follows: Beginning at an iron pin corner to Trabue Avenue and Hillcrest Drive; thence running approximately S 22½° W 150 feet to a stake corner to Trabue

Avenue and Front Street; thence along North side of Front Street approximately N 67½° W 200 feet to an iron pipe; thence approximately N 22½° E 163.8 feet to a stake; thence along the South side of Hillcrest Drive S 64° E 200.5 feet to the beginning, being all of lots No. 1, 2, 3, 4, 5, 6, 7 and 8 in Block A of Hillcrest addition to the City of Glasgow, Kentucky, as the same are shown on the plat thereof which is recorded in the office of the Clerk of the Barren County Court in Plat Book 1 at page 143; being the property acquired by the Company by deed dated April 13, 1954, and recorded in Deed Book 135, page 622, in the Office of the Clerk of Barren County, Kentucky.

The following described real estate of the Company situated in Bath County, Kentucky:

Item 1. A tract of land situated in the town of Salt Lick described as follows: Being a small lot fronting on the state highway line or street and being 30 feet wide on front, and running back 35 feet, making a lot 30 by 35 feet, being the same width on back line as on front and there is a set stone on each corner of said lot; said parcel being a portion of the truck patch lying between the lot on which Richard Iles resided on March 19, 1927, and the old school house lot, which belongs to said Richard Iles; being the same property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 101, page 309, in the Office of the Clerk of Bath County, Kentucky.

Item 2. A tract of land in the City of Owingsville, more particularly described as follows: Beginning at the lower Southeast corner of the Crouch lot, where it corners with the Conner and Hutchison lot; thence Northward with the line of the Hutchison lot, 94 feet to the lot of the C. & O. Railroad Depot lot; thence Westward 65 feet to a set stake; thence Southward 94 feet to the line of the Conner lot; thence Eastward to the beginning, containing approximately 6110 square feet; being the property acquired by the Company by deed dated August 1, 1950, and recorded in Deed Book 110, page 450, in the Office of the Clerk of Bath County, Kentucky.

Item 3. A certain parcel of land situated in the New Factory Addition to the Town of Salt Lick, which parcel of land consists of all of Lots Nos. 80 and 81 and 20 feet of the eastern side of Lot No. 79, as shown on plat recorded in the Bath County Court Clerk's office in Deed Book 85, page 226, which two lots and part of lot comprise a boundary described as follows: Beginning at the intersection of U.S. Highway No. 60 at Church Street running S. 34° 21' East 90 feet to an alley; thence S. 55° 38' West a distance of 75 feet along the alley; thence N. 30° 21' West a distance of 95.69 feet; thence North 60° East along U.S. Highway No. 60, a distance of 75.16 feet to the beginning; being the property acquired by the Company by deed dated August 14, 1951, and recorded in Deed Book 111, page 530, in the Office of the Clerk of Bath County, Kentucky.

The following described real estate of the Company situated in Bell County, Kentucky:

Item 1. A certain tract of land in Pineville, bounded and described as follows: Fronting on Park avenue, next south of the lot formerly occupied by the Cumberland Light & Ice Company's power house and more particularly described as follows: Beginning at a point on the northeast side of Park avenue, from which the south corner of said Cumberland Light & Ice Company's brick power house bears N. 45-30 W. 6.4 feet; said point being a corner of a lot formerly owned by said Cumberland Light & Ice Company, and upon which stood the power house and ice factory of said Company; thence with the northeast line of Park avenue, S. 29-34 E. 40.75 feet to a stake at an old fence; thence leaving Park avenue and with said fence line N. 60-27 E. 108.0 feet to a stake; thence leaving said old fence N. 9-15W. 32.9 feet to a stake at the east corner of said lot of the Cumberland Light & Ice Company; thence with a line of the same S. 65-11 W. 120.0 feet to the beginning.

Item 2. A certain tract of land in Pineville, bounded and described as follows: Fronting on Maple street on the east side thereof near its junction with Park avenue and bounding the lot formerly owned by the Cumberland Light & Ice Company on the north and east being composed of portions of the "Rice," "Bingham," "Burchfield" and "Unthank" lots as shown on the Pine Mountain Iron & Coal Company's map of the City of Pineville and being more particularly described as follows: Beginning at a stake, the eastern corner of said lot formerly owned by the Cumberland Light & Ice Company, and also the fourth corner of the first lot herein described; thence N. 29-34 W. 116.0 feet with lines of said Cumberland Light & Ice Company's lot, to a stake; thence S. 65-11 W. 110 feet to a stake on the east line of Maple street; thence leaving the line of said Cumberland Light & Ice Company's lot, and with the East line of Maple street, N. 10-24 E. 81.0 feet to a stake; thence leaving the east line of Maple street and running back at right angles thereto, S. 79-36 E. 125.5 feet to a stake; thence S. 9-15 E. 111.6 feet to the beginning.

Item 3. A certain tract of land in Pineville bounded and described as follows: Beginning at a stake on the east side of Park avenue which bears N. 24 W. 32½ feet from the northwest corner of the electric light house standing on said lot; thence N. 64 E. 120 feet to a stake; thence S. 30¾ E. 76 feet to a stake; thence S. 64 W. 120 feet to a stake; thence with Park avenue N. 24 W. 76 feet to the beginning.

Item 4. A certain tract of land in Pineville, adjoining the tract described in Item 3 next above, and more particularly described as follows: Beginning at a stake in the northwest corner of the tract described in Item 3 next above, which stake bears N. 24 W. 32½ feet from the northwest corner of the electric light building standing on said lot; thence N. 24 W. 40 feet, more or less, to the intersection of Park avenue and Maple street; thence N. 64 E. 120 feet to a stake; thence S. 30¾ E. 40 feet to the northwest corner of said lot; thence with the line of said lot S. 64 W. 120 feet to the beginning.

EXCLUDING FROM ITEMS 1 through 4 above so much as was conveyed to the United States of America by Deed of General Warranty dated February 24, 1987, recorded in Deed Book 250, Page 679, in the Office of the Clerk of Bell County, Kentucky.

The property described above in Items 1 through 4 was acquired by the Company by deed dated June 24, 1914, and recorded in Deed Book 67, page 83, in the Office of the Clerk of Bell County, Kentucky.

Item 5. Lots numbered 1, 2, 3, 4, 5, 6, 7, 8, 17, 18, 19, 20, 21, 22, 23 and 24 in Block 411, Section Northeast in Middlesborough as shown by plat filed in Office of County Clerk of Bell County, Kentucky; being the property acquired by the Company by deed dated July 9, 1913, and recorded in Deed Book 65, page 231, in the Office of the Clerk of Bell County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Western Ice Service Company by Deed dated December 17, 1948, recorded in Deed Book 145, Page 5, in the Office of the Clerk of Bell County, Kentucky.

Item 6. A tract of land known as the Henry Parker tract, and described as follows: Beginning on a chestnut common corner to grants 54,838 and 58,564 and about four poles west of the County road; thence S. 34½ degrees E. 1,921 poles to a beech and sugar tree on the northwest bank of Little Yellow Creek; thence S. 46 degrees 8 minutes W. 24 8/100 poles to a water birch on northwest bank of the creek; thence S. 5½ degrees E. 5 poles to a stake; thence S. 33½ degrees W. 29½ poles to a double water oak and double black oak corner of W. M. Rains to (A. A. A.); thence S. 69½ degrees W. 25 poles to a stake; thence S. 38½ degrees W. 79¼ poles to a black pine about ten feet south of the County road; thence S. 21 degrees and 41 minutes W. 66 46/100 poles to a spruce pine two poles east of Brittain's Mill branch; thence N. 36 degrees and 25 minutes W. 71 5/100 poles to a large flat stone on southeast side of Little Yellow Creek four poles below the mouth of Brittain's Mill branch, same is the beginning corner of grant 58,564; thence N. 64 degrees W. 7 82/100 poles, crossing Little Yellow Creek to a black oak; thence N. 31 degrees W. 40 21/100 poles to two chestnuts; thence N. 63 degrees and 22 minutes E. 14 38/100 poles to a white oak and poplar stump at the lane fence; thence N. 82 degrees 53 minutes W. 54 16/100 poles to a chestnut oak; thence N. 13 degrees and 40 minutes E. 56 35/100 poles to a white oak; thence N. 85 degrees E. 15 72/100 poles to a white oak; thence S. 29 degrees and 9 minutes E. 61 75/100 poles to a white oak stump in lane; thence N. 45 degrees E. 79 poles to a stake; thence N. 52 degrees and 40 minutes E. 96 20/100 poles to the beginning, containing 110.08 acres; EXCLUDING THEREFROM so much as was conveyed to Fern Lake Company by Deed dated as of June 1, 1949, recorded in Deed Book 146, Page 407, in the Office of the Clerk of Bell County, Kentucky.

Item 7. A tract or strip of land 60 feet wide and 30 feet on each side of a center line described as follows: Being a strip of land 60 feet wide and 30 feet on each side of the center line of the road now used and located from the South side of the Middlesborough Belt Railroad right of way at the southern terminus of Twentieth street in the City of Middlesborough and with the meanders of the road to the city corporation line on the South side of said City where said corporation line crosses said road; and also to lay water pipes and to maintain the same in a strip of land 20 feet wide starting at a point in the South side of the above named 60 foot road near the Belt Railroad, the center line of which is 75 feet East of the West line of Twentieth street produced; thence to the North side of the same 60-foot road at or near the top of the first hill and near the corporation line of the City, said strip of land being 10 feet on either side of center line of the main pipe line formerly owned by Middlesborough Water Company, which pipe is not laid, said pipe to be laid not less than 3 feet deep and the trench where laid kept well filled and level with adjacent lands.

Item 8. A strip of land hereinafter described, the road over the same, however, to be kept open to the American Association and to the public in general and said strip of land is to be subject to the use of the American Association and the public in general for road purposes, which road bed and strip of land may be used for the purpose of laying water pipes and any other purpose in the ordinary course of its business for which the Company may desire to use the same, but not to interfere with the use of said road bed and strip of land for road purposes, and it is distinctly understood that the American Association is not to be subject to any expense in maintaining or keeping up or repairing said road. Said strip of land is 60 feet wide, 30 feet on each side of the center line described as follows: Beginning on a stake at the forks of the road, said stake stands South 58½ degrees West 13 feet from a rock marked 17; thence South 50½ degrees East 470 feet; thence South 34 degrees West 216.8 feet; thence South 15½ degrees East 233 1/20 feet; thence South 68½ degrees East 240 1/20 feet to a stake, standing South 46 1/4 degrees West 7 7/10 feet from a rock marked 20; thence South 37 degrees East 154.5 feet; thence South 12 degrees East 102.2 feet; thence South 35 degrees East 113.1 feet to a stake in the Southeast boundary of the land conveyed to Arthur, Trustee, by Mealer. Said stake stands South 32 degrees West 27½ feet from a rock set in the ground marked 21, also beginning on a stake in the Southeast boundary and land conveyed by Mealer to Arthur as referred to above. Said stake stands South 53 degrees East 26 feet from a rock set in the ground and marked 27; thence North 26 degrees West passing the standpipe lot parallel to and 30 feet from its Northeast boundary line, in all 1,063.6 feet to a stake; thence North 20 degrees West 529.3 feet to a stake at the forks of the road, leading to the dam. Said stake stands South 58½ degrees West 13 feet from a rock marked 17; thence North 69¼ degrees West 155.7 feet; thence North 56¼ degrees West 162.6 feet; thence North 7¼ degrees West 375 feet; thence North 8 degrees East 333.4 feet to a stake, standing South 56½ degrees West 16.8 feet from a rock marked 28; thence North 33 degrees 30 minutes West to the Middlesborough corporation line; EXCLUDING THEREFROM so much as was conveyed to Kentucky Water Service by Deed dated as of December 22, 1947, recorded in Deed Book 142, Page 8 "A", in the Office of the Clerk of Bell County, Kentucky.

The property described above in Items 6 through 8 was acquired by the Company by deed dated March 5, 1918, and recorded in Deed Book 72, page 293, in the Office of the Clerk of Bell County, Kentucky.

Item 9. The following described tract of land on the Northeast side of and bordering on the Cumberland River opposite the mouth of Greasy Creek, described as follows: Beginning at a 24 inch Maple on the North bank of said River and about 200 feet above a point opposite the residence of B. F. Creech; thence North 0 degrees 10 minutes East 39 feet to a 24 inch Sycamore on the South side of the old State road; thence along the South side of said road with a fence South 88 degrees 30 minutes West 199 feet; thence North 52 degrees 53 minutes West 65 feet; thence South 88 degrees 14 minutes West 63 feet; thence South 80 degrees 07 minutes West 56.5 feet to a stake in a drain at the corner of said fence; thence North 7 degrees 48

minutes West crossing the Greasy Creek branch of the L. & N. Railroad on the West side of the bridge over said State road, 71 feet to a stake at the fence on the South side of said Road; thence with said fence and approximately with the South line of the right-of-way of the main line of the Cumberland Valley Division of the L. & N. Railroad, so as to include in this conveyance, all the land of the Kentucky Utilities Company adjacent to said State road and said railroad, between said railroad and said river, from the beginning point of this description to and including the 14th call of same, not heretofore conveyed or sold for the use of said railroad and said State road; thence North 54 degrees 25 minutes West 227 feet; thence North 44 degrees 10 minutes West 193.5 feet; thence North 37 degrees 13 minutes West 150 feet; thence North 24 degrees 07 minutes West 136 feet; thence North 15 degrees 03 minutes West 151 feet; thence North 5 degrees 08 minutes West 152.5 feet; thence North 3 degrees 55 minutes West 117 feet; thence North 45 degrees East 31 feet; thence with a fence North 12 degrees 20 minutes West 221 feet to a stake (stone) at a drain; thence down said drain on the North side of same North 76 degrees 50 minutes West 215.5 feet to a stone set in the ground on the South side of said drain; thence North 28 degrees 05 minutes West 988 feet to a point in the middle of said River on a line between the stone set in the ground, above referred to, and the center line of a concrete culvert on the Highway on the Northwest side of the River; thence up the middle of said River with the thread of the stream, when reduced to straight lines, South 59 degrees 55 minutes West 752 feet; thence South 36 degrees 02 minutes West 832 feet to a point about 90 feet below the mouth of a Branch, near Harve King's dwelling; thence South 11 degrees 32 minutes West 571 feet; thence South 7 degrees 50 minutes East 608 feet; thence South 11 degrees 58 minutes East 640 feet to a point 70 feet below the center line of the Greasy Creek Railroad Bridge; thence under the Bridge, South 55 degrees and 40 minutes East 242.5 feet to a point at or near the mouth of Greasy Creek; thence North 86 degrees 55 minutes East 492.6 feet; thence North 69 degrees 34 minutes East 682 feet; thence North 73 degrees 26 minutes East 1400 feet to a point opposite the beginning; thence leaving the middle of the River, North 16 degrees 34 minutes West 100 feet to the place of beginning; except the strip of land heretofore, conveyed by Thomas Goodin and wife to the Bell Jellico Coal Company for right-of-way for the construction and maintenance of a railroad known as the Greasy Creek Branch. The area of the property herein conveyed is 105.88 acres; being the property acquired by the Company by deed dated May 31, 1923, and recorded in Deed Book 86, page 523, in the Office of the Clerk of Bell County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Transportation Cabinet, Department of Highways by Master Commissioner's Deed dated July 19, 1993, recorded in Deed Book 273, Page 725, in the Office of the Clerk of Bell County, Kentucky.

Item 10. The following described tract of land on the Southwest side of and bordering on the Cumberland River, below the mouth of Greasy Creek, described as follows: Beginning on a stake in the east right of way line of the State Highway, said stake being S. 15-30 E. 21 feet from the center of east parapet wall of culvert crossing said highway about 1700 feet below the residence of Belle King and Harve King and 30 feet from the center line of said highway, measured at right angles thereto; thence with a drain S.15-30 E. 127 feet; thence S. 31-15 E. 65 feet to the mouth of said drain, in all 148 feet to the middle of Cumberland River in the line of land conveyed by Mrs. Lizzie Goodin to Kentucky Utilities Company; thence up the River, with line of said land S. 59-55 W. 725 feet; thence S. 36-02 W. 832 feet; thence S. 11-32 W. 66 feet to the line between Belle King and New Bell Jellico Coal Company; thence leaving the River and with the line of the New Bell Jellico Coal Company N. 78-40 W. 120 feet to the mouth of Shoal Branch, in all 190 feet to a stake in the east right of way line of State Highway, 35 feet radially from the center line thereof; thence with said right of way line, a curve of 375 feet radius, a distance of 43 feet; thence N. 34-45 E. 10 feet; thence N. 55-15 W. 5 feet to a stake 30 feet from the center line of said Highway, measured at right angles thereto; thence N. 34-45 E. 668 feet; thence with a curve of 380 feet radius, a distance of 102 feet; thence N. 50-15 E. 411 feet; thence N. 47-43 E. 448 feet; thence N. 44-35 E. 117 feet to the beginning, containing six (6) acres, more or less; being the property acquired by the Company by deed dated June 23, 1923, and recorded in Deed Book 86, page 627, in the Office of the Clerk of Bell County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Transportation Cabinet, Department of Highways by Master Commissioner's Deed dated July 19, 1993, recorded in Deed Book 273, Page 725, in the Office of the Clerk of Bell County, Kentucky.

Item 11. Beginning at a stake in the east line of Cumberland avenue, the fourth corner in a deed from Lynn E. Yoder and wife to Andy Diamond and wife, recorded in Deed Book 67, page 603; thence with the last call in said deed and along the east line of said Cumberland avenue, southward a distance of 30 feet to a stake; thence leaving said street and deed line and running easterly at right angles to said street line to a stake at Cumberland river in the second line of the aforesaid deed; thence with the lines of the said deed northerly for a distance of 30 feet to a stake, the third corner to the said deed; thence westerly with the fourth line of the said deed to the beginning; being the property acquired by the Company by deed dated June 1, 1926, and recorded in Deed Book 94, page 314, in the Office of the Clerk of Bell County, Kentucky.

Item 12. Beginning at a point on the West line of the right of way of the Louisville & Nashville Railroad at the West side of the old State Road; thence with one line of the tract conveyed by Lizzie Goodin to the Kentucky Utilities Company on the West side of said road, N 12-20 W 221 feet to a stake at a drain, said stake being S 76-50 E 215.5 feet from a stone set in the ground corner between the lands of the Kentucky Utilities Company and the Goodin heirs; thence (new line) crossing said road, S 76-50 E 98 feet to the West line of the Louisville & Nashville Railroad right of way, about 150 feet southward from the Goodin dwelling house; thence with said right of way line S 5-57 W. 191.2 feet to a stake; thence recrossing said road, S 83 W 28 feet to the beginning, containing 0.135 acres excluding the aforesaid State Road; being the property acquired by the Company by deed dated April 3, 1925, and recorded in Deed Book 91, page 492, in the Office of the Clerk of Bell County, Kentucky.

Item 13. A certain strip or parcel of land situated in the City of Middlesboro near the Old Belt Line on the North Side of said City and on the West Side of Four Mile Run, which is more particularly described as follows: Beginning at a stake on the second line of said tract approximately S 86-48 W 287 feet from the second corner of same and 62.5 feet eastward from the center line of the Kentucky Utilities Company's transmission line between Middlesboro and the new Four Mile Electric Plant; thence with the outside lines of said tract, S 86-48 W 53 feet to a stake corner; thence N 2-35 W 1166 feet

to a double poplar corner of said tract; thence N 60-33 W 156 feet to a point on the outside line of said tract and approximately 62.5 feet eastward from and measured at right angles to the center line of said transmission line; thence leaving the outside line of said tract and running parallel to said 62.5 feet distant from, on the east side of the center line of said transmission line, S 1-23 W 1233 feet to the beginning, containing 2.6 acres by survey of September 3, 1924; being the property acquired by the Company by deed dated October 14, 1939, and recorded in Deed Book 119, page 203, in the Office of the Clerk of Bell County, Kentucky.

Item 14. Lots numbered 9, 10, 11, 12, 13, 14, 15, 16, 25, 26, 27, 28 and 29 in Block 411 North East section of Middlesboro as shown by Plat filed in office of County Clerk of Bell County, Kentucky; being the property acquired by the Company by deed dated November 18, 1929, and recorded May 23, 1933, in Deed Book 107, page 444, in the Office of the Clerk of Bell County, Kentucky.

Item 15. A tract of land situated on Little Yellow Creek described as follows: Beginning at a black oak stump, thence S. 50; 18 E. 330 feet to a stake near the North bank of Little Yellow Creek; thence S. 36-18 E. 660 feet, crossing the railroad to a stake; thence S. 33-42 W. 660 feet to a small double white oak; thence S. 13-42 W. 891 feet to a double chestnut, an old corner; thence S. 46-42 W. 461 feet to Parker Branch; thence down the meanders of said branch to a stake; thence N. 47-04 E. 75 feet to a stake near a house; thence N. 32-00 E. 140 feet to an iron stake; thence S. 57-12 W. 45 feet to a stone on the road, said stone being South 7-30 E. 13 feet from an oak pointer at the corner of the fence; thence N. 34-30 E. 420 feet to a stake; thence N. 4-30 W. 198 feet to the corner of a 10 acre lot; thence along the line of said tract N. 71-45 E. 344 feet to a stake; thence N. 30-45 E. 792 feet to a stake at the foot of railroad embankment, said stake being N. 30-45 E. 40 feet from a spring; thence N. 37-15 W. 660 feet, crossing the railroad and Little Yellow Creek to the beginning; being the same property acquired by the Company by deed dated March 16, 1940, and recorded in Deed Book 120, page 21, in the Office of the Clerk of Bell County, Kentucky.

Item 16. A tract of land embracing approximately forty-eight (48) acres, lying on the Water Works Hill near Middlesboro, Kentucky, bounded and described as follows: Beginning at a rock marked 27 in the first line of patent to Reuben Gibson No. 6925, also a line of a patent to William Beard No. 15348; running thence, S. 55-10 W., crossing Kentucky Utilities Company's water line right-of-way, 231.8 ft. to a rock marked 10 where formerly stood three Hickories and two large Chestnut Oaks, corner of said patents; thence N. 58-00 W. 138.6 ft. to a rock marked 25 at Southwest corner to the standpipe lot; thence, with the South boundary line of said lot N. 65-30 E. 249 ft. to a stake in Southeast corner to the said lot and in the West right-of-way line of Kentucky Utilities Company's 60 ft. right-of-way for water lines; thence, with the West right-of-way line of the above Company's right-of-way N. 24-30 W., passing the Northeast corner of above said standpipe lot at 333.0 ft., in all a distance of 986.4 ft. to a stake; thence, N. 18-30 W. 371.9 ft. to a stake in the West right-of-way line of the said Company; thence N. 32-36 E., leaving West, right-of-way line of the said Company's right-of-way a distance of 77.1 ft. to a point in East right-of-way line; thence S. 49-50 E. with the West right-of-way line of the said Company's road right-of-way leading to the reservoir a distance of 61.2 ft. to a point in the West right-of-way line of the said road right-of-way; thence N. 34-16 E., leaving the West right-of-way line of the said road right-of-way and crossing same, in all a distance of 347 ft. to a stake where formerly stood a thirty inch Black Oak corner on the North side of a trail as called for in Deed, from J. L. Manning to Fern Lake Realty Company, Deed dated 20th day of December, 1926, recorded in Bell County Court Clerk's Office in Deed Book No. 96, page No. 469; thence S. 53-30 E. with the fourteenth line of the above said Deed for a distance of 1460.5 ft. to a stake at a corner of an old wire fence; thence, continuing with the lines of the above said Deed, N. 52-00 E. 644.8 ft. to a stake, thence, S. 62-00 E., crossing Mingo Mountain at 231.0 ft., in all a distance of 715.1 ft., to a stake in Blevins Hollow; thence, S. 22-15 E. 135.6 ft. to a stake standing in the line of a patent to Henry Parker No. 58654; thence, with said Parker patent S. 54-15 W. 488.1 ft. to a stake; thence, S. 46-30 W., crossing the road leading to the reservoir 1170.8 ft. to a point in the reservoir and in a line of said patent to William Beard No. 15348; thence, leaving the Parker patent and with said Beard Patent N. 19-30 W. 443.8 ft. to a stake where formerly stood a forked Maple; thence, N. 13-30 E., crossing road leading to the reservoir, in all a distance of 429.0 ft. to a stake on top of Mingo Mountain where formerly stood the beginning corner of said Beard patent No. 15348; thence, N. 17-00 E. 231.0 ft. to a stake in a line of the William Beard patent No. 13516; thence, with said patent No. 13516 S. 46-15 W. 24.9 ft. to a large Poplar stump of the Poplar and Post Oak the fifth corner of said Beard patent No. 13516; thence, still with said Beard patent S. 81-28 W. 291.1 ft. to a stake in the line of said patent to Reuben Gibson No. 6925; thence, leaving said Beard patent No. 13516 and with said Gibson patent S. 33-30 W., crossing the road to the reservoir, in all a distance of 574.0 ft. to a rock marked 13 where formerly stood a Hickory and White Oak corner of said Beard patent No. 15348, and a corner to said Gibson patent No. 6925, and in the line of said Parker patent No. 58654; thence, with said Parker patent S. 86-30 W. 60.1 ft. to a White Oak stump corner of said Parker patent; thence, still with said Parker patent S. 15-00 W. 49.5 ft. to a stake in the line of said Gibson patent No. 6925; thence, leaving said Parker patent and with said Gibson patent S. 55-30 W. 90.7 ft. to the beginning, excepting, however, a strip of land sixty (60) feet wide, being that strip described in a deed from the American Association, Limited, to the Middlesboro Water Company, dated February 19, 1894, and recorded in Deed Book 32, page 10 Bell County Court Clerk's Office; the foregoing being the property acquired by the Company by deed dated May 10, 1943, and recorded in Deed Book 126, page 477, in the Office of the Clerk of Bell County, Kentucky.

Item 17. The following described real estate of the Company situated on Willard Knob, Lob Mountain, Bell County, Kentucky:

Unless stated otherwise, any monument referred to herein as a "rod and cap" is a set 5/8" x 18" rebar, with a yellow plastic cap stamped PLS 1850. All bearings are referred to Kentucky State Plane Coordinates (South Zone).

Beginning at a rod and cap set at the southeast corner of Marcus Cable Associates, LP (D.B. 282, P.700 and D.B.312, P.638), a corner between Marcus Cable Associates, LP and Ataya Hardwoods, LLC (D.B. 318, P.520); thence with the line between

Marcus Cable Associates and Ataya Hardwoods N 36 degrees 48 minutes 15 seconds W, 16.38 feet to a rod and cap (set); thence leaving the line of Marcus Cable and severing the property of Ataya Hardwoods the following calls, N 60 degrees 43 minutes 35 seconds E, 100.00 feet to a rod and cap (set); S 36 degrees 48 minutes 16 seconds E, 100.00 feet to a rod and cap (set); S 60 degrees 43 minutes 35 seconds W, 100.00 feet to a rod and cap (set); N 36 degrees 48 minutes 16 seconds W, 83.62 feet to the beginning, containing 0.23 acres, more or less, according to a survey by J.D. Dean, PLS # 1850 in July, 2005 and being a portion of the Ataya Hardwoods, LLC property which is of record in Deed Book 318, page 520 in the office of the Bell County Court Clerk.

The centerline of an existing access road leading from Kentucky 74, through the property of Ataya Hardwoods, LLC, to the above described parcel is described as follows: Beginning at the intersection of the centerline of an existing access road with the north edge of Kentucky 74 (N 36 degrees 38 minutes 25 seconds, W 83 degrees 46 minutes 38 seconds); thence with the approximate centerline the following calls: N 06 degrees 17 minutes 30 seconds E, 157.90 feet; N 31 degrees 38 minutes 07 seconds E, 108.31 feet; N 01 degrees 24 minutes 54 seconds E, 258.76 feet; N 23 degrees 08 minutes 22 seconds W, 533.85 feet; N 14 degrees 33 minutes 40 seconds W, 520.18 feet; N 24 degrees 20 minutes 27 seconds W, 1425.52 feet; N 42 degrees 26 minutes 02 seconds W, 440.67 feet; N 22 degrees 22 minutes 35 seconds W, 616.97 feet; N 45 degrees 46 minutes 33 seconds W, 664.65 feet; N 49 degrees 51 minutes 16 seconds W, 1019.98 feet; N 29 degrees 25 minutes 57 seconds W, 409.18 feet; N 38 degrees 00 minutes 29 seconds W, 641.34 feet; N 07 degrees 29 minutes 55 seconds W, 479.85 feet; N 03 degrees 55 minutes 32 seconds W, 612.35 feet; N 18 degrees 55 minutes 59 seconds W, 558.13 feet; N 04 degrees 01 minutes 35 seconds W, 295.26 feet; N 31 degrees 05 minutes 05 seconds W, 953.41 feet; N 24 degrees 54 minutes 29 seconds W, 349.98 feet; N 48 degrees 56 minutes 44 seconds W, 752.94 feet; N 57 degrees 31 minutes 50 seconds W, 775.41 feet; N 43 degrees 16 minutes 30 seconds W, 809.64 feet; N 23 degrees 31 minutes 56 seconds W, 1133.78 feet; N 40 degrees 27 minutes 07 seconds W, 630.26 feet; N 68 degrees 52 minutes 03 seconds E, 127.98 feet; S 58 degrees 21 minutes 10 seconds E, 530.67 feet; S 35 degrees 16 minutes 07 seconds E, 329.74 feet; N 02 degrees 54 minutes 15 seconds W, 291.39 feet; N 37 degrees 50 minutes 33 seconds W, 417.59 feet; N 59 degrees 08 minutes 47 seconds W, 425.65 feet; N 08 degrees 48 minutes 33 seconds E, 321.61 feet; S 19 degrees 29 minutes 44 seconds E, 279.97 feet; S 77 degrees 25 minutes 09 seconds E, 658.47 feet; S 43 degrees 25 minutes 28 seconds E, 850.90 feet; S 53 degrees 15 minutes 03 seconds E, 319.87 feet; N 76 degrees 28 minutes 21 seconds E, 510.60 feet; S 73 degrees 27 minutes 06 seconds E, 203.29 feet; S 63 degrees 41 minutes 11 seconds E, 512.66 feet; S 35 degrees 26 minutes 47 seconds E, 484.61 feet; S 57 degrees 03 minutes 31 seconds E, 538.71 feet; N 75 degrees 22 minutes 20 seconds E, 579.23 feet; N 89 degrees 36 minutes 33 seconds E, 264.09 feet; S 26 degrees 46 minutes 29 seconds E, 427.91 feet; S 48 degrees 27 minutes 20 seconds E, 531.23 feet; N 82 degrees 41 minutes 32 seconds E, 545.94 feet; S 75 degrees 39 minutes 56 seconds E, 435.46 feet; S 58 degrees 04 minutes 29 seconds E, 753.15 feet; N 80 degrees 30 minutes 32 seconds E, 554.51 feet; N 44 degrees 40 minutes 12 seconds E, 412.98 feet; N 70 degrees 32 minutes 19 seconds E, 383.16 feet; N 51 degrees 20 minutes 41 seconds E, 1131.20 feet; N 68 degrees 52 minutes 48 seconds E, 480.63 feet; N 55 degrees 37 minutes 46 seconds E, 585.44 feet; S 81 degrees 46 minutes 06 seconds E, 466.95 feet; S 59 degrees 44 minutes 41 seconds E, 481.50 feet; S 74 degrees 36 minutes 38 seconds E, 765.36 feet; S 30 degrees 32 minutes 35 seconds E, 898.01 feet; N 52 degrees 46 minutes 22 seconds E, 210.44 feet; N 24 degrees 45 minutes 57 seconds E, 194.37 feet; N 48 degrees 27 minutes 10 seconds E, 427.36 feet; N 61 degrees 27 minutes 03 seconds E, 519.81 feet; N 64 degrees 49 minutes 17 seconds E, 18.06 feet to a point in the west property line of Marcus Cable Associates, LP, said point being S 36 degrees 48 minutes 16 seconds E, 78.43 feet from the northwest corner of the Marcus Cable Associates; thence beginning at a point in the east line of Marcus Cable Associates, said point being S 36 degrees 48 minutes 16 seconds E, 184.88 feet from the northeast corner of said Marcus; thence N 77 degrees 33 minutes 19 seconds E, 33.75 feet; N 83 degrees 10 minutes 19 seconds E, 20.67 feet; S 70 degrees 25 minutes 37 seconds E, 24.91 feet to a point in the north line of the above described parcel, said point being S 60 degrees 43 minutes 35 seconds W, 37.01 feet from the northeast corner of said parcel and being a total of approximately 6.08 miles of road through the Ataya property.

Item 18. Item 17 being the same property conveyed to Kentucky Utilities Company by deed dated February 14, 2006 and recorded in Deed Book 330, Page 559 in the Office of the Clerk of Bell County, Kentucky.

Item 19. A certain parcel of land on and near the waters of Cumberland River, beginning at a stone corner marked "No. 17" set in the ground on the south side of drain (referred to in the description of land acquired by Kentucky Utilities Company by deed dated May 31, 1923, and recorded in Deed Book 86, page 523, Bell County Court Clerk's office); running thence, N 13 degrees 10 minutes E 1,510 feet, more or less, to a point in the middle of Cumberland River, near and west of drain, also north boundary line of Thomas Goodin's heirs property; thence up the middle of said river with the thread of the stream, when reduced to straight line, S 53 degrees 55 minutes W 1,010 feet more or less to a point in the middle of said river on a line between the stone set in the ground, above referred to, and the center line of a concrete culvert on highway No. 25 E on the northwest side of the river; thence S 28 degrees 05 minutes E with Kentucky Utilities Company's present East boundary line 988 feet (referred to in the description of land acquired by Kentucky Utilities Company by deed dated May 31, 1923, and recorded in Deed Book 86, page 523, Bell County Court Clerk's office as the following course "north 28 degrees 05 minutes west 988 feet") to the beginning corner; containing 11.35 acres, more or less, being the property acquired by the Company by deed dated January 24, 1950, and recorded in Deed Book 148, page 139, in the Office of the Clerk of Bell County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Transportation Cabinet, Department of Highways by Master Commissioner's Deed dated July 19, 1993, recorded in Deed Book 273, Page 725, in the Office of the Clerk of Bell County, Kentucky.

Item 20. A certain parcel of land situated in the City of Middlesboro, described as follows: Beginning at an iron stake at the intersection of the east line of Thirty-ninth Street with the south line of Cumberland Avenue; thence with the south line of Cumberland Avenue N 83-43 E one hundred feet to an iron stake in the south line of Cumberland Avenue; thence S 6-17 E one hundred feet to an iron stake; thence south 83-43 W to an iron stake in the east line of Thirty-ninth Street;

thence N 6-17 W one hundred feet to the point of beginning; being the property acquired by the Company by deed dated June 23, 1954, and recorded in Deed Book 159, page 183, in the Office of the Clerk of Bell County, Kentucky.

Item 21. A parcel of land described as follows: Lots numbered fifteen (15) and sixteen (16) in Block numbered eight (8), in the Southeast Section of the City of Middlesboro, Kentucky, each said lot fronting on Cumberland Avenue a distance of twenty-five (25) feet and extending back therefrom a distance of two hundred and forty (240) feet to an alley, said lots being located on the Southwest corner of Cumberland Avenue and Twenty-second Street, as shown by plat of said City on file in the office of the Clerk of the County Court of Bell County, Kentucky; being the property acquired by the Company by deed dated August 31, 1955, and recorded in Deed Book 162, page 153, in the Office of the Clerk of Bell County, Kentucky.

Item 22. A tract of land lying on the waters of Mill Shoals Branch, which empties into Cumberland River about one-half mile below the mouth of Greasy Creek, described as follows: Beginning at a stake on the west right-of-way line of the State Highway designated as US 25-E and 70 feet from the center line thereof; thence S 89-34 W 2106 feet to a stake on the dividing ridge, between Mill Shoals Branch and Dean Branch; thence with said dividing ridge N 31-29 W 296.3 feet; N 49-18 W 107.5 feet; N 40-03 W 191.0 feet; N 43-19 W 62.3 feet; N 58-26 W 140.3 feet; N 65-59 W 160.3 feet to a stake and double chestnut, now a stump, a corner of the W. J. Goodin 134 acre tract; thence leaving the ridge and down the east side of the mountain and with the left fork of Mill Shoals Branch N 31-37 E 34.1 feet; North 19-55 E 72.0 feet; N 35-47 E 56.0 feet; N 33-50 E 89.4 feet; N 34-39 E 166.5 feet; N 30-33 E 108.8 feet; N 59-04 E 94.3 feet; N 85-39 E 130.8 feet; N 57-56 E 130.8 feet; S 75-56 E 82.0 feet; N 82-30 E 112.2 feet; N 73-57 E 194.6 feet; N 86-27 E 277.2 feet; N 64-06 E 71.0 feet to the fork of Mill Shoals Branch; thence down with the main Branch and the meanders thereof 1653 feet to the west right-of-way line of US 25 E; thence with said west right-of-way line southerly 820.5 feet to the beginning, containing 65.75 acres; *subject* to reservation of coal, oil, gas and minerals and mining rights, together with the right of ingress and egress for the purpose of removing such coal and other minerals; and being a part of the property acquired by the Company by deed dated June 24, 1958, and recorded in Deed Book 168, page 91, in the Office of the Clerk of Bell County, Kentucky.

Item 23. The following real estate situated beside U.S. Highway No. 119 near the community of Blackmont, described as follows:

First parcel: Beginning at corner "A" being a stake located in the property line between the land of Arnold Miller and the land of Harvey Taylor and others, also being about 161.1 feet northeast of the center line of the pavement of U.S. Highway No. 119; running thence N 12-37 E along said property line 74.9 feet, more or less, to a stake at corner "B" located about 41 feet southwest of the center line of right-of-way for the Company's 33 KV transmission line between Four Mile electric plant and Rocky Branch; thence S 86-29 E along the north property line of Harvey Taylor and others for a distance of 55 feet, more or less, to a stake at corner "C"; thence S 12-33 W for a distance of 84.3 feet, more or less, to a stake at corner "D"; thence N 77-23 W for a distance of 55 feet, more or less, to the beginning corner "A".

Second parcel: A strip of land 15 feet wide and extending from U.S. Highway No. 119 a distance of 131.9 feet, more or less, to the lot described above as "First parcel", which strip of land is situated 7.5 feet on each side of its center line described as follows: Beginning at a point in the north right-of-way line of U.S. Highway No. 119, which point is 7.5 feet east of a corner to Arnold Wilder and Harvey Taylor and others, and 29.2 feet north of the center line of the pavement of said highway; running thence N 12-37 E for a distance of 131.9 feet, more or less, to a stake in the south boundary line of the lot described above as "First parcel", which said stake is located 7.5 feet east of the beginning corner "A" of said "First parcel".

The property described above as "First parcel" and "Second parcel" was acquired by the Company by deed dated October 11, 1958, and recorded in Deed Book 169, page 127, in the Office of the Clerk of Bell County, Kentucky.

Item 24. A tract of land situated in the Southwest Section of the City of Middlesboro, more particularly described as follows: Beginning at a concrete monument at the southwest property corner of Company's present Substation Lot No. 2 on the corner of Cumberland Avenue and 39th Street; running thence N. 83-43 E. with the South boundary line of the above said Substation Lot No. 2, 100 feet, more or less, to concrete monument at the southeast property corner of the above said lot; thence S. 6-17 E., 122.58 feet, more or less, to stake in wire fence; thence S. 83-43 W. along old wire fence, 100 feet, more or less, to stake in said wire fence; thence N. 6-17 W. along the east boundary line of 39th Street, 122.58 feet, more or less, to the beginning; being the property acquired by the Company by deed dated December 5, 1963, and recorded in Deed Book 181, page 651, in the Office of the Clerk of Bell County, Kentucky.

Item 25. A parcel of real estate which is situated on the right fork of Straight Creek of Cumberland River about 7½ miles from the City of Pineville, more particularly described as follows: Beginning corner, a stake located in the north edge of Kentucky State Highway No. 221 right-of-way and being N 18-04 E. 28.95 ft. from cross cut in the top and center line of the north end of concrete culvert wall, running thence N 54-48 W. 42.12 ft. along the east side of private road to point; thence N 22-47 W. 34.03 ft. along said road to point; thence leaving said road N 2-15 E. 50.0 ft. to point; thence S 87-45 E. 100.0 ft. to point; thence S 2-15 W. 50.0 ft. to point; thence S 37-44 W. 39.0 ft. to point in said north edge of highway right-of-way; thence with said highway right-of-way S 53-39 W. 35.29 ft. to the beginning corner; being the property acquired by the Company by deed dated February 5, 1965, and recorded in Deed Book 185, page 195, in the Office of the Clerk of Bell County, Kentucky.

Item 26. A parcel of real estate which is situated on the north side of U.S. Highway No. 119, between Pineville-Harlan, and on the Cumberland River near Calloway, more particularly described as follows: Beginning corner, a

stake located in the north edge of Highway No. 119 right-of-way, and being N 77-06 E. 163.43 ft. from cross cut in the center line of concrete culvert wall and over the center line of concrete pipe, running thence N 1-45 E. 138 ft. to a point; thence S 88-15 E parallel to said highway right-of-way for a distance of 50 ft. to a point in the center line of Transmission Tap Line to sub-station lot; thence same course (S 88-15 E.) in all a total distance of 100 ft. to a point; thence S 1-45 W. parallel to the west boundary line of sub-station lot 138 ft. to a point in the north edge of said highway right-of-way; thence N. 88-15 W. with said edge of highway right-of-way 60 ft. to concrete highway right-of-way marker; thence same course (N. 88-15 W.) in all a total distance of 100 ft. along said highway, and parallel to the north boundary line of said sub-station lot to the beginning corner; being the property acquired by the Company by deed dated March 8, 1965, and recorded in Deed Book 186, page 224, in the Office of the Clerk of Bell County, Kentucky.

The following described real estate of the Company situated in Bourbon County, Kentucky:

Item 1. Beginning on the South property line of the Louisville and Nashville Railroad Company at a point South 59½ degrees West twenty-five (25) feet from the Northwest corner of the lot conveyed to Newton F. Clark by deed dated April 18, 1896, and recorded in Deed Book 79, Page 20, in said office; thence with said Railroad property line South 59½ degrees West eighty-five (85) feet to the Northeast corner of the lot conveyed to George W. Seiler by deed dated March 19, 1891, and recorded in Deed Book 73, page 342, in said office; thence with said Seiler's line two hundred and seventy-five (275) feet, more or less, to Vine Street; thence with said street North 30½ degrees East ninety-four (94) feet, more or less, to its intersection with a line running Southeast from the beginning point parallel with the West line of the Clark lot aforesaid; and thence Northwest and parallel with the West line of said Clark lot two hundred and thirty (230) feet, more or less, to the beginning, being a part of the property acquired by the Company by deed dated December 27, 1923, and recorded in Deed Book 110, page 535, in the Office of the Clerk of Bourbon County, Kentucky; EXCLUDING THEREFROM so much as may have been conveyed to Comer L. Wills, by Deed dated April 24, 1948, recorded in Deed Book 128, Page 54, in the Office of the Clerk of Bourbon County, Kentucky.

Item 2. A tract of land in or near the City of Paris described as follows: Situated in or near the City of Paris, Bourbon County, Kentucky, between the Maysville Railroad, now Louisville & Nashville Railroad, and the old burying ground and described as follows: Beginning at 1, a point 132 feet in a northeastern direction from the center line of the Louisville & Nashville railroad tracks and at a right angle to the railroad (formerly described as a point at the end of a 14 foot roadway and diagonally 14½ feet from a corner to the old cemetery lot); thence parallel with said lot S 74 W 276 feet to 2, a stake, said roadway to be continued to what is now or formerly was P. Nippert's corner; thence S 17-58 E 159 feet to 3, to right of way of the Louisville & Nashville Railroad; thence with said right of way N 62-50 E 191 feet to 4, a deflection; thence N 56-42 E 109 feet to 5; thence N 32 W 73 feet to beginning, containing 76/100 acres of land, be the same more or less; being a part of the property acquired by the Company by deed dated January 3, 1940, and recorded in Deed Book 120, Page 508, in the Office of the Clerk of Bourbon County, Kentucky.

EXCLUDING FROM ITEM 2 above:

(a) so much as may have been conveyed to Henry J. Santen, Jr., Bernard J. Santen and Alice Santen, by Deed dated November 3, 1948, recorded in Deed Book 128, Page 254, in the Office of the Clerk of Bourbon County, Kentucky; and

(b) so much as may have been conveyed to Western Ice Service Company by Deed dated December 17, 1948, recorded in Deed Book 128, Page 274, in the Office of the Clerk of Bourbon County, Kentucky.

Item 3. Beginning at a point in the southwest corner of the land described herein, said point being a corner to Scott Avenue and Bell Street; thence with the north side of Scott Avenue, S 55° 15 min. E a distance of 140 feet to a new corner to Clough; thence with a new line with Clough, N 36° 45 min. E a distance 133 feet to a new corner with Cundiff and Clough; thence with the Cundiff line N 55° 15 min. W a distance of 140 feet to the E side of Bell Street; thence with the E side of Bell Street, S 36° 45 min. W a distance of 133 feet to the point of beginning, this being the remaining 133 feet of Lots Nos. 22, 23, 24, 25, 26 and the western 15 feet of Lot No. 27 of the Hillcrest Subdivision of Paris, Kentucky, as shown on the Plat of Hillcrest Subdivision, said Plat being recorded in Deed Book 111, page 533, in the office of the County Clerk of Bourbon County; being the property acquired by the Company by deed dated May 12, 1962, and recorded in Deed Book 141, page 708, in the Office of the Clerk of Bourbon County, Kentucky.

Item 4. All that tract or parcel of land situated east of the Clintonville-Paris Pike on the westerly right-of-way of the CSX Railroad (formerly Louisville and Nashville Railroad) at Paris, Bourbon County, Kentucky, and more fully described and bounded as follows, to-wit: Beginning at an iron pin in the west right-of-way of the CSX Railroad, said iron pin being in the common line of Tracts 10 and 11 of Bayless Subdivision; thence with the westerly right-of-way of CSX Railroad N 00° 34' 14" E 171.66 feet to an iron pin corner with Harry M. and Janie H. Davis; thence with the line of Davis S 74° 24' 45" W 280.00 feet to an iron pin, a new corner with Kerr; thence for a new line with Kerr S 00° 26' 23" W 173.01 feet to an iron pin in the common line of the aforementioned Tracts 10 and 11; thence with the common line of the aforementioned Tracts 10 and 11 N 74° 07' 28" E 280.00 feet to the beginning and containing 1.06 acres, and being the same property acquired by the Company by deed dated May 23, 1990, and recorded in Deed Book 207, page 332, in the Office of the Clerk of Bourbon County, Kentucky.

Item 5. That certain house and lot situated in the City of Paris, Kentucky, beginning at the west margin of Main Street, corner to Mrs. Ingels; thence with the west margin of said street in a northerly direction 99 ft. to a corner of Mrs. Elizabeth Cheek; thence with her line in a westerly direction 327 feet to a point in the east margin of High Street; thence with

the east margin of said street in a southerly direction 98 feet to a corner to Mrs. Ingels; thence in an easterly direction 180.7 ft. to a corner to same; thence at right angles in a southerly direction 9½ feet to a corner to same; thence in an easterly direction 184 ft. to the place of beginning.

BUT there is to be EXCEPTED from the above description (Item 5) the following described portion of said property: BEGINNING at a point on the southern border of the herein before described tract 247 ft. west of Main Street; thence in a northerly direction to the northerly margin of said tract to a point 233 ft. west of Main Street; thence in a westerly direction along the margin of said property to High Street; thence along the margin of High Street to the southwest corner of said property, thence in an easterly direction to the point of beginning; and

THERE IS ALSO EXCEPTED from the above described property (Item 5), that portion thereof heretofore conveyed to the City of Paris, which conveyance is recorded in the Office of the Bourbon County Court Clerk in Deed Book 122, Page 414.

THERE IS ALSO EXCEPTED from the above described property (Item 5), so much thereof as was heretofore conveyed by deed recorded in Deed Book 153, Page 497, in said Clerk's Office, to which deed reference is hereby made for a more particular description of said exception.

Item 6 being the same property acquired by the Company by deed dated July 30, 1992, and recorded in Deed Book 213, Page 153, in the Office of the Clerk of Bourbon County, Kentucky

The following described real estate of the Company situated in Boyle County, Kentucky:

Item 1. A tract of land in Danville, described as follows: Beginning at the Northeast corner of Fourth Street and an alley known as Fackler Street; thence East along the North side of said alley or Fackler Street to the Southwest corner of the lot conveyed to Reuben Quinn by deed recorded in Deed Book 15, page 353, in the Boyle County Clerk's office, said corner being described in said deed as being Two Hundred and Fifty-five (255) feet West of Third Street, and extending back North, bounded on the East by said Quinn lot and on the West by Fourth Street, One Hundred and Twenty-Seven and one-half (127½) feet, more or less, to the property formerly owned by the Danville Gas Light Company.

Item 2. A tract of land in Danville, described as follows: Beginning at a stake in the North margin of Fackler's land (lane) and at a distance of 60.8 feet from the Southeast corner of the foundation of the power house of the Kentucky Utilities Company (this point being also 157.9 feet from the West margin, property line, of South Third Street) and running in a Northerly direction with the line of Mrs. Berta N. Bagby 126.8 feet to point in the South property line of the Commonwealth Power Railway and Light Company, this point being 157.9 feet from the West margin, property line, of South Third Street; thence in a Southerly direction with the line of said Commonwealth Power Railway and Light Company, 97.1 feet to a point in same; thence in a Southerly direction with the line of Kentucky Utilities Company 126.8 feet, more or less, to a point marked on the South foundation wall of the power house (this line runs through the power house and intersects the South wall of same at a distance of 36.5 feet from the Southeast corner of the foundation of same); thence in an Easterly direction with the North margin of Fackler's land a distance of 97.1 feet to the beginning.

The property described above in Items 1 and 2 was acquired by the Company by deed dated December 27, 1923, and recorded in Deed Book 52, page 243, in the Office of the Clerk of Boyle County, Kentucky.

Item 3. All of the lands formerly owned by Lunsford P. Yandell in Boyle and Mercer Counties, Kentucky, the greater part thereof lying in Boyle County, on Mock's Creek and Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of Reubin W. Gwinn on Mock's Creek and down said Creek to its mouth at Dix River; thence down Dix River with line of lands of Reubin W. Gwinn and Fidelity Realty Company to line of lands of Vic Rice.

Item 4. All of the lands formerly owned by Emma Haselden on Mock's Creek which lie below a line 750 feet above sea level, and beginning on the West line of Emma Haselden's land at the Danville and Pleasant Hill turnpike road, or at a point on said creek where the line 750 feet above sea level occurs on the South side of said creek; and thence down said creek with the line of lands of R. W. Gwinn (formerly Yandell), and Yandell in the creek bed, to the line of the lands of Grover C. Settles, and this includes all of the lands of Emma Haselden lying in and on said creek which are below a line 750 feet above sea level.

Item 5. All of the lands formerly owned by Grover C. Settles on Wilson's Run and Mock's Creek or Harrod's Run lying below a line seven hundred and fifty (750) feet above sea level, and beginning at line of the land of John Spears (formerly Lee); and thence down Wilson's Run with its meanders and with Harber's line to the mouth of Wilson's Run; thence up Mock's Creek or Harrod's Run with its meanders and with Yandell's line to line of lands of Mrs. Emma Haselden.

Item 6. All of the lands formerly owned by Leslie O. Harber on Wilson's Run and Mock's Creek, in said County, which lie below a line 750 feet above sea level, and beginning near the point on Wilson's Run where the County road crosses same and at or near the line of the lands of Grover C. Settles, et al., and thence with said Run and Settles' line to the mouth of same at Mock's Creek, thence down same about 500 feet to line of the lands of Weisiger estate, at a Branch.

Item 7. Situated on Dix River and beginning at a hub and guard on the line between the lands of M. G. Weisiger and M. J. Farris, and on the contour line 760 feet above sea level; thence South 10° West 171.4 feet to a point 15 feet

from low water mark of Dix River; thence N 65° 55 minutes E 72.8 feet to a point 15 feet from low water mark of Dix River; thence N 73° 19 minutes E 106.1 feet to a point; thence leaving the River N 10° E 130 feet to a point in line between lands of M. G. Weisiger and lands of Weisiger's Estate and on the contour line 760 feet above sea level; thence S 67° 44 minutes W 28 feet to a point on said contour line; thence with said contour line S 78° 55 minutes W 152.1 feet to a point on said contour line; thence S 87° 45 minutes W 83.1 feet to the point of beginning and containing .83 of an acre of land; also, all of the lands of M. G. Weisiger in and on Dix River, which lie between the lines of the boundary hereinabove described and the thread or middle of Dix River.

Item 8. Beginning at a point on the West boundary line of lands of M. G. Weisiger on and near Dix River on the contour line 760 feet above sea level; thence with same S 78° 49 minutes W with said contour line 72.5 feet; thence with same S 76° 55 minutes W 89.1 feet; thence with same S 78° 12 minutes W 161.6 feet; thence with same S 88° 19 minutes W 171.8 feet; thence with same S 84° 16 minutes W 130.7 feet; thence with same S 1° 50 minutes W 17 feet; thence with same 14° 48 minutes E 84.1 feet; thence with same 3° 25 minutes W 72.6 feet; thence with same S 26° 28 minutes E 52.8 feet; thence with same S 7° 42 minutes W 112.8 feet; thence with same S 27 degrees 33 minutes W 110 feet; thence with same 51° 51 minutes W 204 feet; thence with same S 68° 36 minutes W 165.1 feet; thence with same S 88° 10 minutes W 208 feet; thence with same N 80° 55 minutes W 95.2 feet; thence with same S 76° 26 minutes W 74.5 feet; thence with same S 60° 39 minutes W 207.7 feet; thence with same N 77° 3 minutes W 60.7 feet; thence with same S 3° 25 minutes W 64.7 feet; thence with same S 9° 15 minutes E 150.5 feet; thence with same S 10° 19 minutes E 175.5 feet to line between lands of M. G. Weisiger and L. O. Harber on and near branch; thence down said branch N 37° 27 minutes W 54.1 feet; thence with same N 15° 10 minutes W 40.1 feet; thence with same N 27° 12 minutes W 307.5 feet; thence with same N 9° 34 minutes W 280.5 feet to the middle of Mock's Creek; thence with Mock's Creek S 81° 37 minutes 355.3 feet; thence with same S 69 degrees 25 minutes E 398.2 feet; thence with same N 7° 31 minutes E 312.7 feet; thence with same N 7° 8 minutes E 153.5 feet; thence with same N 26° 2 minutes W 148.4 feet; thence with same N 24° 7 minutes W 191.1 feet; thence S 57° 53 minutes E 96.5 feet to a point on Dix River at low water mark; thence with the River N 89° 43 minutes E 493 feet to a point at low water mark; thence N 76° 30 minutes E 231.5 feet to a point at low water mark; thence N 73° 19 minutes E 89 feet to line of lands of M. G. Weisiger at the edge of low water of Dix River; thence N 10° E 130 feet to the beginning, and being a point upon the contour line 760 feet above sea level, and which boundary contains 9.51 acres of land; and also all of the lands of M. G. Weisiger, Emma Weisiger and Lucy W. Harding, in and on Dix River, Mock's Creek and the above mentioned branch emptying into Mock's Creek, which lie between the lines of the boundary herein described and the thread or middle of said three streams.

Item 9. All of the land formerly owned by M. J. Farris, Sr., on Dix River in Boyle County, which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning up stream at the line of the land formerly owned by John Tibbs, and extending down Dix River to the line of the lands owned by Weisiger.

Item 10. All the lands formerly owned by John C. Tibbs lying below a line 750 feet above sea level on Dix River beginning at line of lands of Margaret Davis and extending down the river to line of lands of Jacob White.

Item 11. Beginning on line between Margaret T. Davis and John C. Tibbs at a point on Dix River 13 feet S 4° 36 minutes W from mean low water; thence S 4° 36 minutes W 438.2 feet with line of Tibbs to a point on a line 760 feet above sea level; thence with said line 760 feet above sea level as follows: N 84° 29 minutes E 130.2 feet; S 85° 41 minutes E 269.8 feet; S 76° 35 minutes E 119 feet; thence S 64° 30 minutes E 91.4 feet; S 55° 22 minutes E 163 feet; S 49° 5 minutes E 104.3 feet; S 42° 32 minutes E 179.9 feet; S 32° 51 minutes E 209.5 feet; S 30° E 201.8 feet; S 19° 12 minutes E 248 feet; S 0° 3 minutes W 157.8 feet; S 13° 8 minutes W 121.9 feet; S 20° 3 minutes W 108.7 feet; S 28° 5 minutes W 128.5 feet; S 24° 55 minutes W 126.1 feet; S 27° 16 minutes W 157.6 feet; S 21° 9 minutes W 106.4 feet; S 26° 19 minutes W 131.8 feet; S 29° 16 minutes W 166.1 feet; S 23° 1 minute W 341.8 feet; S 28° 22 minutes W. 190.5 feet; S 41° 30 minutes W 162.4 feet; S 20° 13 minutes E 88 feet; S 4° 54 minutes W 71.1 feet; S 14° 57 minutes W 201.7 feet; S 14° 27 minutes W 291.8 feet; S 12° 50 minutes W 359.4 feet; S 10 degrees 33 minutes W 363.5 feet; S 5° 9 minutes W 307 feet; S 2° 30 minutes W 49.7 feet; S 14° 8 minutes W 192.6 feet; S 20° 30 minutes E 129.7 feet; S 24° 20 minutes E 54 feet; S 0° 34 minutes E 77.5 feet; S 18° 15 minutes W 120.4 feet; S 35° 16 minutes E 66.6 feet; S 38° 18 minutes E 145.2 feet; S 44° 7 minutes E 162.1 feet; S 66° 4 minutes E 116.5 feet; S 74° 29 minutes E 199.8 feet; S 65° 33 minutes E 161 feet; N 72° 3 minutes E 89.9 feet; N 80° 12 minutes E 196.6 feet; N 6° 44 minutes E 94.2 feet; thence crossing a branch N 60° 54 minutes E 27.8 feet to a point on the 760 foot contour line in the property line between Margaret P. Davis and Robert H. Bright; thence leaving said contour line and running to the river N 19° 10 minutes W 176.3 feet to a point on the river 16 feet from the edge of mean low water; thence down the river with the edge of mean low water or at a short distance therefrom as follows: S 69° 27 minutes W 247.4 feet; S 89° 14 minutes W 240.7 feet; N 66° 2 minutes W 222.6 feet; N 34° 22 minutes W 221 feet; N 17° 50 minutes W 224.3 feet; N 8° 47 minutes E 273.6 feet; N 5° 14 minutes E 217.7 feet; N 10° 56 minutes E 114.9 feet; N 10° 22 minutes E 151.8 feet; N 0° 21 minutes E 97.8 feet; N 7° 28 minutes E 143.7 feet; N 17° 24 minutes E 142.4 feet; N 17° 32 minutes E 125.8 feet; N 15° 12 minutes E 176.5 feet; N 24° 29 minutes E 145.5 feet; N 13° 40 minutes E 132 feet; N 33° 8 minutes E 226.8 feet; N 33° 8 minutes E 168 feet; N 19° 5 minutes E 105.6 feet; N 12° 0 minutes E 246.8 feet; N 23° 24 minutes, E 270.7 feet; N 22° 28 minutes E 195 feet; N 15° 27 minutes E 128.3 feet; N 30° 9 minutes E 207.4 feet; N 21° 39 minutes E 189.6 feet; N 21° 47 minutes E 233.9 feet; N 16° 15 minutes E 276.8 feet; N 7° 5 minutes E 224.4 feet; N 28° 19 minutes W passing at 181 feet a point 66 feet from the edge of mean low water, 375.8 feet to a point 11 feet from mean low water; N 45° 16 minutes W 230.9 feet; N 37° 26 minutes W 149 feet; N 56° 19 minutes W 133 feet; N 48° 17 minutes W 237.3 feet; N 62° 14 minutes W 379 feet; N 83° 32 minutes W 390 feet to the point of beginning. Said tract as hereinabove described contains 34.09 acres of land.

Item 12. All of the lands formerly owned by Robt. H. Bright lying on Dix River and Barbee's Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will

not be higher than 750 feet above sea level, and described as follows: Beginning on Barbee's Branch at the line of lands formerly owned by Susie Penman and Charley Jones and extending down Barbee's Branch to its junction with Dix River; and thence down Dix River to line of lands of Margaret T. Davis.

Item 13. Beginning at a stake in Beddow's line; thence East 48 yards and five inches to a stake in Milton Clark's corner in the Branch (Barbee's); thence South 100 yards with the Branch and Clark's line; thence West 48 yards and five inches to a large rock; thence North 100 yards to the beginning, containing one acre, provided, however, that this conveyance does not include so much of the above described tract of one (1) acre as will not be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will be maintained on a line not higher than 760 feet above sea level, which excepted portion of said tract was conveyed to Edwin P. Curry and Evelyn, G. Curry by deed from Kentucky Hydro Electric Company, dated September 5, 1928, and recorded in the office of the Clerk of Boyle County Court.

Item 14. All of the land formerly owned by Evelyn G. Curry and Edwin P. Curry on Barbee's Branch in Boyle County which will be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 15. All of the land formerly owned by Huston Finley on Barbee's Branch in Boyle County which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, which land is near and immediately below the Danville and Lexington Turnpike road and begins at the North or West right-of-way line of said road at a stone wall near a grocery store, and extends down Barbee's Branch in a Westerly or Northwesterly direction on each side thereof to the line of the land formerly owned by Charley Jones.

Item 16. All of the lands formerly owned by Charley Jones in Boyle County, which lie below a line 750 feet above sea level and located on Barbee's or Stony Point Branch of Dix River and adjoining lands of Huston Finley on the left fork of said Branch, and the lands of E. P. Curry and wife, and Susan Penman on the right fork.

Item 17. All of the lands formerly owned by Huston Finley lying below a line 750 feet above sea level, on the East side of Stony Point Branch, and beginning at the property line of the lands of Charley Jones, colored, and extending North down said branch to the property line of the lands of Frank Brown, formerly Hukill, later Dix River Power Company.

Item 18. Beginning on the West Bank of Dix River at a point which is N 32½ degrees E 29.61 chains from two locust trees near a spring, corner to Anderson Davis; thence with the West bank of the River, N 12½ degrees W 0.60 of a chain to Hukill's corner (formerly Jean); thence up the cliff with said line to a point 725 feet above sea level, as the same may run, to the line of Anderson Davis; thence with said line to the beginning.

Item 19. Beginning at a point in the East Bank of Dix River, corner to Hukill (formerly Jean); thence with the river S 42½ degrees E 3.82 chains; thence with same S 50¼ degrees, E 4.46 chains; thence with same S 32¾ degrees E 2.38 chains; thence with same S 31¾ degrees E 2.62 chains; thence with same S 2½ degrees E 2.60 chains; thence with same S 9 degrees W 1.91 chains; thence with same S 30¾ degrees W 2.88 chains; thence with Southeast bank of same S 58 degrees W 5.69 chains; thence with South bank of same S 85¼ degrees W 4.36 chains; thence with same N 75¼ degrees W 3.55 chains; thence with same N 86¼ degrees W 3 chains; thence with same W 2.55 chains; thence with same N 87½ degrees W 1.83 chains; thence with same S 86¼ degrees W 2.68 chains to middle of mouth of Barbee's Branch, or Stony Point Branch; thence with middle of said Branch S. 10¼ degrees E 7.92 chains; thence with middle of same S 18¼ degrees E 9.37 chains to Tucker's (formerly Yeager's) corner; thence up the cliff bank of said branch to a point in line of Tucker, 725 feet above sea level; thence a line continuing at 725 feet above sea level down said branch and around the cliff at mouth of same and continuing on up the river, at said elevation, to the line of Hukill (formerly Jean); thence with Hukill's line to the beginning.

Item 20. Being all of the property formerly owned by J. B. Tucker in Boyle County on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 21. Beginning at a point on the bank of Dix River, corner to Mrs. Anderson Rice's dower (now E. P. Johnson); thence down the river North 29 poles; thence N 31 degrees E 10 poles to the line of W. P. Rice; thence up the cliff with said Rice's line to a point 725 feet above sea level; thence up the river continuing at 725 feet above sea level, as the same may run, to a point in the line of E. P. Johnson; thence with Johnson's line to the beginning.

Item 22. Beginning at a point on Dix River corner to W. P. Rice; thence down the river S 44½ degrees E 88 poles to a stake, corner to E. P. Johnson (formerly Cotton and Rice dower); thence with said line up the cliff to a point 725 feet above sea level; thence up the river a line continuing at 725 feet above sea level, as the same may run, to the line of W. P. Rice; thence with said line to the beginning.

Item 23. Being all of the lands formerly owned by J. W. Walker on Dix River in Boyle County which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level; this tract being located between the lands of W. P. Rice and J. B. Tucker.

Item 24. Beginning at a point on Dix River, corner to Brackett (now Hukill); thence down the river N. 31 E. 20 poles, thence N. 40½ E. 20 poles; thence N. 31¼ W. 33 poles to line of George Graves and Simpson; thence with said line, leaving the river, up the cliff, to a point 690 feet above sea level; thence up the river in a line continuing at 690 feet above

sea level, as the same may run, to the line of Hukill; thence with his line down the cliff to the point of beginning.

Item 25. Beginning at a point on Dix River, the Southwest corner of Lot No. 7 (now T. A. Bradley, formerly Annie M. Rice, see D. B. 10, page 320); thence S 54 W 48 poles, down the river, to corner to Lot No. 5; thence continuing down the river S 54 W 40 poles; thence down the river S 44 $\frac{1}{2}$ E 4 poles to Southwest corner of Lot 5, and corner to Hukill; thence leaving the river, up the cliff, with Hukill's line, to a point 690 feet above sea level; thence up the river a line continuing at 690 feet above sea level, as the same may run, across the Western ends of Lots 5 and 6 to line of Lot 7 (T. A. Bradley); thence with his line, down the cliff to the point of beginning.

Item 26. Being all of the lands formerly owned by W. P. Rice on Dix River in Boyle County which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 27. All of the lands formerly owned by George Simpson and the heirs of George Graves on Dix River which lie below a line 750 feet above sea level and beginning at the line of the lands of Walter Rice and running down Dix River to the line of the lands of T. A. Bradley.

Item 28. Beginning at a point on the bank of Dix River, corner to Lot No. 6 (T. A. Rice, now W. P. Rice); thence down the river N 25 $\frac{1}{2}$ E 35 poles to a corner to Lot No. 8 (Nannie E. Rice, now Floyd Wilson); thence up the cliff with said line to a point 690 feet above sea level; thence up the river a line continuing at 690 feet above sea level, as the same may run, to the line between Bradley et al. and Lot No. 6 (T. A. Rice, now W. P. Rice); thence with said line to the point of beginning.

Item 29. Beginning at a point on the bank of Dix River, corner to Lot No. 8 (Nannie E. Rice, now Floyd Wilson); thence down the river S 75 W 54 poles; thence S 54 W 28 poles to a corner to Lot No. 6 (T. A. Rice, now W. P. Rice); thence with said line up the cliff to a point 690 feet above sea level; thence up the river a line continuing at 690 feet above sea level, as the same may run, to the line of Lot No. 8 (Nannie E. Rice, now Floyd Wilson); thence with said line to the beginning.

Item 30. All of the lands formerly owned by Mary I. Bradley, Virginia Bradley and Frances F. Bradley on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 31. All of the land formerly owned by Floyd Wilson lying below a line 750 feet above sea level and the low water mark of Dix River, and being along Dix River, and described as follows: Beginning at the line of the lands of Thomas Bradley (later property of Dix River Power Company), and extending down the river to the point where the line of Bradley and Dix River Power Company comes to the river lower down, about 326 poles, running down along the river.

Item 32. All the lands below a line 750 feet above sea level which formerly belonged to Stephen Davis and Phoebe Davis and are situated on the waters of Dix River, beginning at the line of Jennie Gay Curtis, et al. (formerly N. K. Tunis), and running down Dix River to the line of the property formerly belonging to Dix River Power Company about 960 feet.

Item 33. All the lands below a line 750 feet above sea level which formerly belonged to the children of J. M. McCallie situated on the waters of Dix River in Boyle County, described as follows: Beginning at the line of B. F. King on Dix River, and extending down Dix River to the lines of Dock Boggs and Stephen Davis on said river.

Item 34. Being all the land situated between the center of the Lexington and Danville Turnpike road and Dix River, described as follows: Beginning at line of James Boner, colored, and extending Eastwardly with the center of the said pike to the line of Jerry Ingram, colored; thence with the line of Ingram, leaving the pike, to low water mark of Dix River; thence up Dix River with its meanders at low water mark, to the line of James Boner; thence with his line, leaving the river and running to the place of beginning, except an easement conveyed by Kentucky Hydro Electric Company to the State Highway Department of the Commonwealth of Kentucky.

Item 35. All the land lying between a line 750 feet above sea level and low water mark of Dix River, beginning at the line of James Warford and extending down Dix River to a line of J. M. McCallie and others.

Item 36. All the lands formerly owned by James Warford that lie below a line 750 feet above sea level on Dix River, and beginning at the line of the property of Mary L. King estate, formerly A. C. King; and thence down Dix River with its meanders to the line of the lands of Ben F. King.

Item 37. All of the lands formerly owned by Janet K. Shreve, on Dix River, in Boyle County and Garrard County, Kentucky, which lie below a line 750 feet above sea level, and beginning upstream at the line of the lands bought by Dix River Power Company from Jerry Ingram and James Warford (on the Boyle County side of said stream) and the line of lands of David Thomas (on the Garrard County side); and thence down said stream, with its meanders, to the line of the lands of Dix River Power Company purchased from James Warford (on Boyle County side) and to the line of lands of Dix River Power Company purchased from Aaron H. Smith (on Garrard County side).

Item 38. Beginning at a stake in the South side of the Danville and Lexington Turnpike road, which stake is situated 2 and 40/100 poles N 67 $\frac{1}{4}$ E from A. Cohen's West line (an old call); thence S 22 $\frac{1}{4}$ E 13.28 poles to a stone; thence N 61 E 18.36 poles to a sugar tree; thence N 21 W 11.16 poles to a stone in the South side of said Turnpike; thence S 67 $\frac{1}{4}$ W 18.28 poles to the beginning, containing 1.39 acres.

Item 39. Adjoining the parcel of land described in Item 38 above and beginning at a point in the Danville and Lexington Turnpike road, corner to the lands of Mrs. A. C. King; thence in a Southerly direction with her line across the river to where the cliff makes a fence; thence with said cliff where it makes a fence to a point thereon Westerly opposite Peter Floyd's (old call) Southwest corner; thence a straight line to said Peter Floyd's Southwest corner; thence with his line to his Southeast corner; thence with this line Northerly to the said turnpike; thence with said turnpike to the beginning, and containing 3 acres, more or less.

Item 40. All of the lands formerly owned by James Boner on Dix River which lie below a line 750 feet above sea level and beginning at line of lands of N. W. May and running down said river to line of lands of B. F. King.

Item 41. Beginning at low water mark of Dix River and running thence in a Northerly direction a distance of about 65 yards to the low wall of the cliff; thence with the low wall of the cliff in a Westerly direction, a distance of about 250 yards to a point; thence in a Northerly direction up a ledge about 65 yards to a point in the line of Joseph Clark; thence in a Westerly direction with said Clark's line to the line of Nelson W. May; thence in a Southerly direction with said May's line a distance of about 150 yards to the said Dix River; thence with said Dix River in an Easterly direction to the point of beginning.

Item 42. All the land between a line 750 feet above sea level and low water mark of Dix River and beginning at the line of F. J. Clark and extending down Dix River to the line of Reed Penman about 2,000 feet.

Item 43. All of the lands formerly owned by F. J. Clark on Clark's Run and Dix River which lie below a line 750 feet above sea level and being in two parcels; one beginning on Clark's Run at line of lands of T. B. Bright (later Dix River Power Company); thence down Clark's Run to line of lands of the City of Danville water works system; and the other beginning on Dix River at line of lands of City of Danville water works system and running downstream to line of lands of N. W. May (later Dix River Power Company).

Item 44. Beginning at a stake and stones, this being 750 feet above mean sea level, and bears N. 43-15 W. 10 feet to a blazed six-inch cedar, also bears N. 32-30 E. 15 feet to a nail in an 8-inch cedar tree; thence with the line between T. B. Bright and S. J. Bowman, formerly Medzker, S. 23 $\frac{3}{4}$ E. 3/10 Chains to North margin of Clark's Run; thence down the creek with metes and bounds of T. B. Bright's lines, and with lines of John Trumbo and Samuel Shelton, to said Bright's corner on South side of Clark's Run; thence crossing the creek N. 22 W. 1.05 chains to stake and stones at elevation of 750 feet above sea level (the point bears N. 69 W. 8 feet to a 12-inch white oak, S. 62 W. 28 feet to a forked hackberry and S. 41 W. 17 feet to an 18-inch elm), this point is 45 feet from the North Margin of the creek; thence following 750 foot level line (contour) to the beginning.

Item 45. Situated on Clark's Run and described thus: Beginning at cross on a large flat rock in the stream bed of Clark's Run; thence N. 20 degrees 10' W. 76.7 feet to a stake; thence N. 21 degrees 35' East 83.7 feet to a stone (15' East of a 24 inch cedar); thence N. 88 W. 238 feet to a cross on rock in Clark's Run; thence S. 9 degrees 30' W. 188 feet to a cross on shelf rock under cliff of the West side of stream; thence S. 61 degrees 15' E. 185 feet to a cross on rock in stream bed; thence N. 41 degrees 45' E. 155 feet to the beginning, and containing 1.2 acres of land, more or less, including in this conveyance a small area of land outside of the above described boundary adjacent to and between it and a line 760 feet above sea level and which sea level line is on the side of the cliffs on West side of Clark's Run and which small strip does not exceed one-half of an acre in area.

Item 46. Being all of the lands formerly owned by John Trumbo lying on the waters of Clark's Run below a line of 750 feet above sea level and running from the line of the lands of Stonewall J. Bowman on the West to the lands of Sam Shelton on the East and being that portion of the bed and banks of Clark's Run which is contiguous to the tract upon which said Trumbo now or formerly lived and which is below said 750 foot line.

Item 47. All the lands between a line 750 feet above sea level and low water mark of Clark's Run and Dix River, beginning at a point in the line of John Trumbo, on Clark's Run 750 feet above sea level, and extending down said Run with the meanders of same to its mouth; thence continuing said line 750 feet above sea level up Dix River with the meanders thereof to the line of the lands of John R. Yeager.

Item 48. All of the lands on Dix River in Boyle County formerly owned by Carl McWaters and the other grantees in the deed from H. B. Hocker and another dated May 19th, 1920, and recorded in Deed Book 50, page 433, in the office of the Clerk of the Boyle County Court, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and which land lies at and immediately above the old dam of the Danville Water Works, extending along Dix River with the land of the City of Danville, and with the line of the land of John R. Yeager above said 750 foot sea level line.

Item 49. All lands between a line 750 feet above sea level and low water mark of Dix River, described as follows: Beginning at a point in the line of Octavius Doram, below the new darn of the Danville Water Works, and extending

down said River with its meanders, to the line of Samuel Shelton, below the old dam of the Danville Water Works, less two tracts of land the first conveyed by W. W. Yeager to the City of Danville by deed dated June 23, 1894, recorded in Deed Book 23, page 551, Boyle County Court Clerk's office, described as beginning at a point on Dix River where stone fence line between W. W. Yeager and Samuel Shelton joins said River; thence up same with its meanders N. 38½ E. 530 feet to a stake; thence N. 49½ E. 725 feet to mouth of small branch; the second tract conveyed to the Porch House Club by John R. Yeager and wife, by deed dated July 1, 1906, recorded in Deed Book 32, page 100, in Boyle County Court Clerk's office, which is a limited fee in one acre, more or less, which begins at a point just opposite the old dam of the Danville Water Works and about 15 yards from the said dam.

Item 50. All land lying below a line 750 feet above sea level and low water mark of Dix River, immediately below the new (No. 2) dam of Danville Water Works, and beginning at the line of land of Henry Walker and extending down said river to the line of land of John R. Yeager.

Item 51. All of the lands formerly owned by Henry Walker on Dix River which lie below a line 750 feet above sea level and beginning at line of lands of William Trumbo and running down said stream with its meanders to the upper or new dam of the Danville Water Works system and the line of the lands of Octavius Doram.

Item 52. All of the lands formerly owned by William Trumbo on Dix River lying below a line 750 feet above sea level and beginning at line of lands of Will Hughes and wife, and running down Dix River to line of lands of Henry Walker.

Item 53. All of the lands formerly owned by William and Mattie Hughes and Martha Ann Rowe on Dix River in Boyle and Garrard Counties lying below a line 750 feet above sea level, and beginning at line of lands of Mary Ann Rowe and running down Dix River to line of lands of William Trumbo, and including some land in Garrard County adjacent to the lands of J. A. Rice.

Item 54. All of the lands formerly owned by Mary Ann Rowe, et al., on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of George Ann Briscoe and running down Dix River to line of lands of William Hughes.

Item 55. All of the lands formerly owned by George Ann Briscoe in Boyle County, lying below a line 750 feet above sea level and beginning on line of lands of James I. Trumbo and running down Dix River to line of lands of Smith Rowe heirs.

Item 56. All of the lands formerly owned by James Trumbo in Boyle County, lying below a line 750 feet above sea level, on Dix River, and beginning at line of lands of J. A. Rice and Martha Ann Rowe and others and running down Dix River to the line of lands of George Ann Briscoe.

Item 57. All of the lands formerly owned by Martha Ann Rowe on Dix River, which lie below a line 750 feet above sea level and beginning at line of lands of Joe Doram and extending down stream to line of lands of James Trumbo.

Item 58. All of the land formerly owned by Clarissa Custard, Allie Doram Owsley and Charles Doram on Dix River which may be submerged by reason of the erection and maintenance of a dam in said River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of the lands formerly owned by J. A. Rice and Pope Brothers and extending down stream to the line of the lands formerly owned by Martha Ann Rowe.

Item 59. All of the lands formerly owned by Eugene W. Pope along Dix River which lie below a line 750 feet above sea level and extending from line of lands of H. McBeath and J. A. Rice, up the river, down to line of lands of Charles Doram and J. A. Rice.

Item 60. All of the lands formerly owned by Hannibal McBeath on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of J. Lee Murphy and running down Dix River to line of lands of Mrs. G. R. Pope.

Item 61. All the land between a line 750 feet above sea level and low water mark of Dix River, beginning at a point in the line of Hugh Wayne and A. J. Rice on Dix River 750 feet above sea level and continuing with said 750 foot line down said river to the line of H. McBeath, in all about a distance of 3000 feet.

Item 62. All of the lands formerly owned by Elihu Wayne on Dix River which lie below a line 750 feet above sea level, and beginning at the line of lands of John T. Anderson and running down Dix River to line of lands of J. Lee Murphy.

Item 63. All of the lands formerly owned by John T. Anderson on Dix River in Boyle and Garrard Counties which may be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will be 750 feet above sea level, and beginning up stream at the Danville and Lancaster Turnpike road at or near the iron bridge across Dix River; thence down stream to line of lands of Jonathan D. Rankin; and also beginning at line of lands of Jonathan D. Rankin up stream and running down stream to line of lands of Elihu Wayne.

Item 64. Being in Boyle and Garrard Counties, and described as follows: Beginning at the line of John T. Anderson where two rock fences come to the river; thence up Dix River passing ford to the line of John T. Anderson again, and including all the lands of Jonathan D. Rankin which lie between the 750 foot line above sea level and the low water mark of Dix River.

Item 65. All of the lands formerly owned by T. English Dunn in Boyle County on Dix River that may be submerged by the erection and maintenance of a dam in Dix River, near its mouth, the spillway floor of which will not be higher than 750 feet above sea level, and the land herein described being in and around what is commonly known as the Frying Pan Bend of Dix River.

Item 66. All of the lands formerly owned by Reubin W. Gwinn, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of said Gwinn in bed of Mock's or Harrod's creek near covered bridge at 760 foot sea level line as above defined; and thence down said creek to its mouth; thence down Dix River and up Huguely Branch to line of lands of Mason Brothers.

Item 67. All of the lands formerly owned by Grover C. Settles lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mrs. A. S. Haselden on Mock Creek; and thence down Mock Creek to mouth of Wilson Run; thence up same to line of lands of John Y. Spears.

Item 68. All of the lands formerly owned by Mayme Haselden, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Kathryn Moore and run down Mock's Creek to line of lands of G. C. Settles.

Item 69. All of the lands formerly owned by John Y. Spears, lying on Herrington Lake or Wilson Run which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin at line of lands of said Spears at said 760 foot sea level line in bed of Wilson Run near line of lands of W. W. Johnson and run down Wilson Run to line of land of G. C. Settles and L. O. Harber.

Item 70. All of the lands formerly owned by L. O. Harber, lying on Herrington Lake or Wilson Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John Y. Spears, near old County Road and run down Wilson Run to its mouth and down Mock's Creek to line of Weisiger estate.

Item 71. All of the lands formerly owned by Tilford Alexander, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of estate of John C. Tibbs, and run down Dix River to line of lands of M. G. Weisiger.

Item 72. All of the lands formerly owned by John C. Tibbs, lying in Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Margaret Davis and run down Dix River to line of lands of Tilford Alexander.

Item 73. All of the lands formerly owned by J. W. Walker, lying on Dix River, which maybe submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. P. Rice and run down Dix River to line of lands of John Underwood.

Item 74. All of the lands formerly owned by W. P. Rice, lying on Dix River, which may be submerged by reason of the erection and maintenance of darn in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. W. Walker and T. A. Bradley's heirs and run down Dix River to line of lands of John D. Jackson and J. W. Walker.

Item 75. All of the lands formerly owned by James Warford, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, the first tract of said lands begins upstream at line of lands formerly owned by B. F. King and runs down Dix River, to line of lands of Janet K. Shreve, and the second tract of said lands begins at line of said Shreve and runs down Dix River to line of lands of B. F. King.

Item 76. All of the lands formerly owned by James Boner, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of N. W. May, and run down Dix River to line of lands of Samuel E. Frazee.

Item 77. All of the lands formerly owned by Nelson W. May, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of land of F. J. Clark, and run down Dix River to line of lands of James Boner.

Item 78. All of the lands formerly owned by F. J. Clark, lying on Herrington Lake, or Clark's Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin on Clark's Run upstream to line of lands of T. B. Bright; thence down to line of Danville Water Works, and from Water Works down Dix River to line of lands of Nelson W. May.

Item 79. All of the lands formerly owned by T. B. Bright, lying on Herrington Lake and Clark's Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of S. J. Bowman and run down Clark's Run to line of lands of F. J. Clark.

Item 80. All of the lands formerly owned by Louis Campbell, lying on Herrington Lake or Clark's Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above Sea level, which lands begin upstream at line lands of John Trumbo, on Clark's Run and run down Clark's Run to Dix River and up Dix River to line of lands of John R. Yeager.

Item 81. All of the lands formerly owned by Octavius S. Doram, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Henry C. Walker and run down Dix River to line of lands of John R. Yeager.

Item 82. All of the lands formerly owned by Henry C. Walker, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of William Trumbo, and run down Dix River to line of lands of Octavius S. Doram, including any land on opposite side of Herrington Lake in Garrard County owned by said Walker next to lands of Pence and J. A. Rice, which may be submerged by said described dam.

Item 83. All of the lands formerly owned by William Trumbo, lying on Dix River, which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which land begin upstream at line of land of William Hughes, and run down Dix River to line of lands of Henry C. Walker.

Item 84. All of the lands formerly owned by William Hughes, lying on Dix River in Boyle and Garrard Counties, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of land of Mary Ann Rowe, and run down Dix River to line of lands of William Trumbo, and include any land on Garrard County bank of Dix River, which may be so submerged.

Item 85. All of the lands formerly owned by Larkin Briscoe, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of James I. Trumbo and run down Dix River to line of lands of Smith Rowe's heirs.

Item 86. All of the lands formerly owned by James I. Trumbo, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. A. Rice and Mary Ann Rowe and others and run down Dix River to line of lands of Georgie Ann Briscoe.

Item 87. All of the lands formerly owned by Elihu Wayne, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. T. Anderson and run down Dix River to line of lands of J. Lee Murphy and J. A. Rice.

Item 88. All of the lands formerly owned by John T. Anderson lying on Dix River in Boyle and Garrard Counties, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. G. Foster and Bright Herring, and run down Dix River to line of land of J. D. Rankin; and another tract begins upstream at line of J. D. Rankin and run down Dix River to line of lands of Elihu Wayne.

Item 89. All of the lands formerly owned by A. G. Rankin lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at the elevation of water raised by the Dam above described and runs down Dix River to line of lands of John G. Foster.

Item 90. All of the lands formerly owned by John G. Foster, lying on Dix River, which may be submerged by reason of the erection and maintenance of a Dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of A. G. Rankin and run down Dix River to line of lands of Danville and Lancaster Turnpike.

Item 91. All of the lands formerly owned by John H. Rowe, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Georgie Ann Briscoe, and run down Dix River to line of lands of William and Mattie Hughes.

Item 92. All of the lands formerly owned by W. T. Jones, lying on Herrington Lake or Barbee's Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Meredith Payne and run down Barbee's Branch to line of lands of Clifford and Robert Jones.

Item 93. All of the lands formerly owned by Huston Finley, lying on Herrington Lake or Barbee's Branch, which may be submerged by reason of the erection and maintenance of a dam 760 feet above sea level, which lands begin upstream at line of Danville and Lexington Pike; thence down Barbee's Branch on both sides to line of lands of Charles Jones estate; also another tract begins at line of Charles Jones estate and runs down said Branch to line of John Underwood.

Item 94. All of the lands formerly owned by Fannie H. Evans, lying on Herrington Lake or Mock's Creek which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of Danville and Shakertown Pike, and run down Mock's Creek to line of lands of Kathryn H. Moore.

Item 95. All of the lands formerly owned by Kathryn Moore lying on Herrington Lake or Mock's Creek, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Fannie H. Evans and run down Mock's Creek to line of lands of Mayme Haselden.

Item 96. All of the lands formerly owned by Fannie Davis, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of McCallie estate and run down Dix River, to line of lands of John W. Walker and others.

Item 97. All of the lands formerly owned by Oliver Craig lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Samuel E. Frazee and run down Dix River to line of lands of Sam Skidmore.

Item 98. All of the lands formerly owned by Samuel E. Frazee lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of James Boner and run down Dix River to line of lands of Oliver Craig.

Item 99. All of the lands formerly owned by Sam Skidmore lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Oliver Craig and run down Dix River to line of lands of Walker and others.

Item 100. All of the lands formerly owned by Robert Jones and Clifford Jones lying on Herrington Lake or Barbee's Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. T. Jones and Huston Finley and run down Barbee's Branch to line of lands formerly owned by Kentucky Hydro Electric Company.

Item 101. All of the land formerly owned by T. English Dunn on what is known as Dunn's Island and formerly known as Frying Pan Bend in Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level.

Item 102. All of the lands formerly owned by Chas. Doram and Allie D. Owsley, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Pope Brothers and run down Dix River to line of lands of estate of Martha Ann Rowe.

Item 103. All of the lands formerly owned by B. F. King, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of James Warford and run down Dix River to line of lands of Jennie Curtis and others.

Item 104. All of the lands formerly owned by John Trumbo, lying on Herrington Lake or Clark's Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Andrew Pope and S. J. Bowman and run down Clark's Run to line of lands of Lewis Campbell.

Item 105. All of the lands formerly owned by John D. Jackson, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. P. Rice Estate and run down Dix River to line of lands of Frances Bradley and others.

Item 106. All of the lands formerly owned by Jonathan D. Rankin, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John T. Anderson and run down Dix River to line of lands of John T. Anderson.

Item 107. An easement, being the right to impound water upon all of the lands formerly owned by Thompson Chinn, lying on Herrington Lake or Barbee's Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Phil McMillan and run down Barbee's Branch to line of Danville and Lexington Turnpike.

Item 108. All of the lands formerly owned by S. H. Nichols as Trustee, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Frances Bradley and others and run down Dix River to line of lands of Frances Bradley and others.

Item 109. All of the lands formerly owned by John R. Yeager, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Octavius Doram and run down Dix River to line of lands of Louis Campbell.

Item 110. All of the lands formerly owned by Mary I. Bradley and others, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John D. Jackson and run down Dix River to the line of Sam Nichols, Trustee, and begin again at the line of Sam Nichols, Trustee, and run down Dix River to land formerly owned by W. P. Rice.

Item 111. All of the lands formerly owned by Silas Mason, Sam A. Mason and H. P. Mason, Jr., lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of R. W. Gwinn and run down Dix River to line of lands of Vic Rice.

Item 112. All of the lands formerly owned by John R. Bright, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. Lee Murphy and run down Dix River to line of lands of Pope Brothers.

Item 113. All of the lands formerly owned by J. Lee Murphy, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Hugh Wayne and J. A. Rice and run down Dix River to line of lands of John R. Bright.

Item 114. All of the lands formerly owned by Samuel B. Pope and Geo. L. Pope, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John R. Bright and A. J. Rice and run down Dix River to line of lands of Doram and Rice.

Item 115. All of the lands formerly owned by the heirs of J. M. McCallie, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of B. F. King and run down Dix River to line of lands of the heirs of Steve Davis.

Item 116. All of the lands formerly owned by Edwin P. Curry, lying on Herrington Lake or Barbee's Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of 760 foot sea level elevation and run down Barbee's Branch to line of lands formerly owned by Susan Penman.

The property described above in Items 3 to 116 was acquired by the Company by deed dated December 31, 1928, and recorded in Deed

Book 57, page 545, in the Office of the Clerk of Boyle County, Kentucky.

Item 117. A certain lot or parcel of ground lying and being in the City of Danville, and bounded as follows, to-wit: On the North by the property described in Item 118 above and Lizzie-Embry; on the East by Third Street; on the South by Fackler Street; and on the West by Fourth Street, less, however, that certain boundary cut off from this boundary and conveyed to John A. Geary by deed dated December 29, 1875, and recorded in Deed Book 13, page 482 of the Boyle County Clerk's office; and being part of the same property acquired by the Company by deed dated June 2, 1924, and recorded in Deed Book 53, page 7, in the Office of the Clerk of Boyle County, Kentucky; EXCLUDING THEREFROM so much as was conveyed by deed dated January 2, 1942, recorded in Deed Book 70, Page 44, in the Office of the Clerk of Boyd County, Kentucky.

Item 118. So much of the lands of John J. Nave, et al. as may be submerged by reason of the erection and maintenance of a dam in Dix River of which the spill-way escape or outlet will be maintained not higher than Seven Hundred and Sixty (760) feet above sea-level, and which lands begin upstream at line of lands of Sam Skidmore and run down Dix River to line of lands of Kentucky Utilities Company; being the property acquired by the Company by deed dated August 12, 1936 and recorded in Deed Book 64, page 90, in the Office of the Clerk of Boyle County, Kentucky.

Item 119. A lot fronting on the North margin of Fackler's Lane, in the City of Danville, 28½ feet and extending back a uniform width 66 feet and bounded on the West by property of the Kentucky Utilities Company; on the north by property of Camper; on the East by property of Reed; and on the South by Fackler's Lane.

Item 120. A lot fronting on the North margin of Fackler's Lane, in the City of Danville, 28½ feet and extending back a uniform width 66 feet and bounded on the West by the lot described in Item 1, above; on the North by property of Camper; on the East by property of Reed and Kelly; and on the South by Fackler's Lane.

The property described above in Items 119 and 120 was acquired by the Company by deed dated September 26, 1949, and recorded in Deed Book 83, page 313, in the Office of the Clerk of Boyle County, Kentucky.

Item 121. A tract of land containing approximately twenty three hundredths (0.23) acre located near the town of Junction City, Kentucky on the West side of Kentucky Highway #35 to Danville, Kentucky, and fronting on public roadway known as Grubbs Lane. Said tract of land is more particularly described as beginning at a point on the North side of Grubbs Lane approximately two thousand and thirty (2030) feet from the center line of Kentucky Highway #35, said point being thirteen (13) feet from center line of Grubbs Lane; thence North 16 degrees 49 minutes East one hundred (100) feet to a point; thence North 71 degrees 30 minutes West one hundred (100) feet to a point in the line between William Thomas Morgan and Henry Lewis; thence South 16 degrees 49 minutes West one hundred (100) feet to a point, corner to Henry Lewis, and being thirteen (13) feet from center line of Grubbs Lane; thence South 71 degrees 30 minutes East and parallel to Grubbs Lane one hundred (100) feet to the point of beginning, being the property acquired by the Company by deed dated November 19, 1951, and recorded in Deed Book 87, page 292, in the Office of the Clerk of Boyle County, Kentucky.

Item 122. A tract of land situated in or near Needsmore Village, described as follows: Beginning at a point in the center line of Cross Pike, that point being 171.07 feet southwest of the intersection of the center lines of Cross Pike and the Danville-Perryville Road; thence in a direction of S 12-00 W along the center line of Cross Pike for a distance of 100.00 feet to a point; thence in a direction of S 78-00 E for a distance of 150.00 feet to a point, a new corner to Prall, passing over the center of a fifteen inch corrugated iron storm drain at the property fence, that point being 12.92 feet from previous corner; thence in a direction of N 12-00 E for a distance of 100.00 feet to a point, a new corner to Prall; thence in a direction of N 78-00 W for a distance of 150.00 feet, passing the above mentioned property fence at 137.54 feet from previous corner to the point of beginning, containing approximately 0.4 acre; being the property acquired by the Company by deed dated October 28, 1958, and recorded in Deed Book 113, page 366, in the Office of the Clerk of Boyle County, Kentucky.

Item 123. A tract of land situated at the southeast corner of Second and Broadway Streets in the City of Danville, described as follows: Beginning at an iron pipe located at the east margin of the sidewalk along North Second Street, corner to property of Joe H. Jennings and Nellie Jennings, his wife, and thence along the east margin of sidewalk along North Second Street N 2 degrees E 108.9 feet to an iron pipe at the intersection of the east margin of sidewalk along Second Street and the south margin of the sidewalk along Broadway; thence with the south margin of the sidewalk along Broadway S 86 degrees 40' E 180.0 feet to an iron pipe at the line of Raleigh D. Crook, said iron pipe being at the south margin of the sidewalk along West Broadway and located in a line one foot from and parallel to the Raleigh Crook Building; running thence S 3 degrees W 93.3 feet to an iron pipe located in line of Mrs. Jessie Bell Estate, said iron pipe being located 1.3 feet west of the west edge of concrete foundation of Crook Building and in line with an old post marking the property line between Crook, the Bell Estate, and Frankel property; thence with the line of the Bell Estate N 86 degrees 40' W 44.2 feet to an iron pipe, corner to Bell Estate; thence with line of Bell Estate S 2 degrees W 10.9 feet to an iron pipe, corner to Joe H. Jennings and Nellie Jennings and Bell Estate properties, said pipe being located 1.5 feet from the north foundation wall of the Jennings' building (not pilasters); thence along a line paralleling the main foundation wall of the Jennings' Building and 1.5 feet north thereof, N 88 degrees 40' W 131.6 feet to an iron pipe located at the east margin of sidewalk along North Second Street, the point of beginning; being the property acquired by the Company by deed dated December 14, 1960, and recorded in Deed Book 124, page 305, in the Office of the Clerk of Boyle County, Kentucky.

Item 124. A tract of land situated in the northwest corner of Lot No. 21 of the Joshua B. Adams Subdivision, as shown by plat of record in New Plat Book, page 9, in Boyle County Court Clerk's office, which tract is

described as follows: Beginning at a point in the rock fence, corner to property of Raleigh D. Crook and wife, Louise C. Crook, and Mary L. Adams, said corner being in the northwest portion of the farm of J. E. Riffe, running thence S 22 degrees 08" W along a fence common to Mary L. Adams a distance of 182.1 feet to a marker, corner to Adams; thence S 84 degrees 00" E 300.6 feet to a corner and marker; thence N 6 degrees 00" E 175.0 feet to a corner in the rock fence common to Raleigh D. Crook and wife and James Elbert Riffe; thence along the rock fence common to Crook N 84 degrees 00" W 250.0 feet to the point of beginning, containing 1.106 acres, more or less; being the property acquired by the Company by deed dated March 7, 1961, and recorded in Deed Book 125, page 202, in the Office of the Clerk of Boyle County, Kentucky.

Item 125. Beginning at an iron pin in the inside margin of sidewalk on South side of Broadway, said pin being six and 5/10 (6.5) feet South of the outside margin of curb on Broadway, and at the established property line of the Company; thence along the inside margin of sidewalk on South side of Broadway South 87 deg. 58 min. East 83.70 feet to an iron pin at the inside margins of sidewalks intersecting Broadway and First Streets; thence with the inside margin of sidewalk along the West side of First Street South 3 deg. 55 min. West 94.0 feet to an iron pin at the property line of Mrs. Otho Bell Estate; thence with the line of Bell Estate North 87 deg. 21 min. West 82.50 feet to an iron pin in line of Bell Estate and corner to the Company property; thence with line of the Company property North 3 deg. 00 min. East 93.30 feet, the point of beginning, as shown by survey dated April 22, 1967, of B. J. Haefling, registered land surveyor of Kentucky, No. 789; subject to the restriction as to the use of property as shown by deed of Coca Cola Bottling Works of Lexington, Ky., Inc. to Raleigh D. Crook, dated December 29, 1955, recorded in Deed Book 101, page 108, Boyle County Court Clerk's office; and being the property acquired by the Company by deed dated June 1, 1967, and recorded in Deed Book 158, page 88, in the Office of the Clerk of Boyle County, Kentucky.

Item 126. Beginning at a new corner of Danville Development Corporation and identified by a marker, which corner is at the edge of the North Side of the railroad fill and is in the East right-of-way line of the proposed Danville by-pass at Station No. 232 + 39.79 of the Department of Highways of Kentucky survey, which corner is 204 feet N 54 deg. 30' East of the center line of the railroad spur as it crosses the center line of the existing Stewart's Lane; thence N 20 deg. 58' W 189.79 feet to a corner in the East right-of-way line of said proposed by-pass; thence N. 69 deg. 02' E 150 feet to a corner to other property of Danville Development Corporation and identified by a marker; thence S 20 deg. 58' E 115.98 feet to a corner in the line of Danville Development Corporation and the Southern Railway System fence line; thence along said property line of Southern Railway System S 39 deg. 00' W 136.92 feet to a corner in line of Railway property line and property of Danville Development Corporation; thence S 59 deg. 51' W 31.97 feet, the point of beginning, containing 0.544 acre; being the property acquired by the Company by deed dated August 24, 1967, and recorded in Deed Book 159, page 248, in the Office of the Clerk of Boyle County, Kentucky.

Item 127. Beginning at a point in the East edge of right-of-way of Danville By-Pass at a point 913.1 feet South of property line of Dulin farm as measured along the By-Pass right-of-way, and also being 37.29 feet South of the By-Pass right-of-way monument at station 82+55 of the By-Pass survey; thence leaving the By-Pass right-of-way South 29 deg. 00 min. East 224.71 feet to a marker, corner to Kinnaird; thence still with the line of Kinnaird South 61 deg. 00 min. West 150.0 feet to a marker and another corner of Kinnaird; thence still with Kinnaird North 29 deg. 00 min. West 175.29 feet to the right-of-way of the Danville By-Pass; thence with the right-of-way of the Danville By-Pass North 43 deg. 11 min. East 157.92 feet to point of beginning, and containing .707 acre; being the property acquired by the Company by deed dated April 4, 1969, and recorded in Deed Book 168, page 225, in the Office of the Clerk of Boyle County, Kentucky.

Item 128. Beginning at a point in the East edge of right-of-way of Danville By-Pass at a point 875.81 feet South of property of Dulin farm as measured along the By-Pass right-of-way, and also being the By-Pass right-of-way monument at Station 82 + 55 of the By-Pass survey; thence leaving the By-Pass right-of-way South 29 deg. 00 min. East 240.78 feet to a marker, corner to Kinnaird; thence still with line of Kinnaird South 61 deg. 00 min. West 186.0 feet to a marker and another corner of Kinnaird; thence still with Kinnaird North 29 deg. 00 min. West 175.29 feet to the right-of-way of the Danville By-Pass; thence to the right-of-way of the Danville By-Pass North 43 deg. 11 min. East 195.21 feet to the point of beginning; and containing .803 acre; being the property acquired by the Company by deed dated August 18, 1970, and recorded in Deed Book 175, page 201, in the Office of the Clerk of Boyle County, Kentucky.

Item 129. Beginning at a post in the East right of way line of Danville By-Pass corner to Wallace; thence leaving Wallace and running with said East right of way line the following courses and distances S 17 degrees 34 feet W 139.4 feet to a concrete right of way marker, S 26 degrees 50 feet W 269.0 feet to a concrete right of way marker, S 35 degrees 55 feet W 165.0 feet to a concrete right of way marker, S 46 degrees 28 feet W 313.4 feet to a post corner to Kentucky Utilities Company; thence leaving said East right of way line and running with Kentucky Utilities Company and other property of Kinnaird S 26 degrees 34 feet E 235.5 feet to a corner thence S 62 degrees 30 feet W 186.3 feet to a corner with Kentucky Utilities Company; thence South 27 degrees 00 feet East 229.0 feet to the line of Sigwald; thence with Sigwald a wire fence line N 32 degrees 59 feet E 1424.9 feet to a point in the South line of Wallace; thence with Wallace N 77 degrees 32 feet W 308.5 feet to the point of beginning and containing 7.04 acres more or less; being the property acquired by the Company by deed dated November 5, 1974, and recorded in Deed Book 198, page 520, in the Office of the Clerk of Boyle County, Kentucky.

Item 130. Beginning at a concrete highway marker in the East right-of-way line of Danville By-Pass, said point being a corner to property of Kentucky Utilities Company; thence with the line of Kentucky Utilities Company South 27° 00' East 404.0 feet to a corner in line of Sigwald; thence with line of Sigwald South 30° 50' West 158.0 feet to a corner with property of Danville-Boyle County Humane Society, Inc.; thence with line of the Humane Society North 47° 07' West 414.0

feet to the East side of Danville By-Pass; thence with the line of the By-Pass North 43° 19' East 282.7 feet to a concrete right-of-way marker; thence North 40° 13' East 10.8 feet to the beginning, containing 2.00 acres, more or less, as per plat recorded in Deed Book 209 page 658, Boyle County Clerk's office; and being the property acquired by the Company by deed dated December 22, 1977 and recorded in Deed Book 217, page 33, in the Office of the Clerk of Boyle County, Kentucky.

Item 131. Beginning at a hub (or iron pin) on the East margin of right of way of Goggin Lane corner to property of Harvey Helm; thence with the line of Helm S 36 deg. 45 min. E 300.0 feet to a hub (or iron pin) a new corner to Helm and Minor; thence a new line with Minor S 49 deg. 00 min. W 300.0 feet to a hub (or iron pin) corner to Minor; thence a new line with Minor N 36 deg. 45 min. W 300 feet to a hub (or iron pin) corner to Minor and East margin of Caldwell Lane; thence with the East margin of Caldwell Lane N 49 deg. 00 min. E 300.0 feet to the beginning, and containing 2.066 acres, plus; and being the property acquired by the Company by deed dated January 3, 1980 and recorded in Deed Book 228, page 208, in the Office of the Clerk of Boyle County, Kentucky.

The following described real estate of the Company situated in Bracken County, Kentucky:

Item 1. A tract of land situated in Augusta described as follows: To the east of Hamilton Avenue, and embracing all that strip of land which is about fifty-two feet wide (but includes all whatever is the width) between the South line of the lot conveyed by Henry Bertrems to the City of Augusta, or to L. V. Marks & Co., and the north line of the real estate conveyed to M. E. Shinkle by the Augusta Canning Co., dated Feb. 7th, 1903, recorded in Deed Book No. 39, page 306, to which reference is here made, and the said strip extending eastwardly same width the full length of the last named real estate, including all the land of J. B. Hamilton and all such rights as he may have in the walkway and rights of way east of Hamilton Avenue; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded, in Deed Book 71, page 119, in the Office of the Clerk of Bracken County, Kentucky.

Item 2. A tract of land situated in the town of Germantown, 17 poles North of the North East corner of the Francis McLean lot in the line of M. E. McLean fronting on Frankfort Street and bounded and described as follows: Beginning in the fence and running 35 feet West, thence 30 feet North, thence 35 feet East, thence 30 feet South to the place of beginning, being a rectangle 35x30 feet and bounded on the North, West and South by the land of M. E. McLean, and on the East by Frankfort Street; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 71, page 119, in the Office of the Clerk of Bracken County, Kentucky.

Item 3. A tract of land situated in the town of Brooksville, marked "B" on plat by Edgar Hargett, Surveyor of June 18th, 1921, which plat is recorded in the Bracken County Records, and bounded and described as follows: Beginning at a stake in a drain corner to John D. Finn, then N. 38° 9' E. 99 feet to a fence post corner to said Finn, then N. 48° 39' E. 52.9 feet to a stake, then N. 47° 18' W. 66 feet to a fence post, then S. 55° 30' W. 162.36 feet to a honey locust tree, then S. 38° 10' E. 101.64 feet to a stake to said Finn and coal yard, then N. 56° 57' E. 34.32 feet to the place of beginning containing 14,469 square feet of land; and also a strip of land fifteen feet (15 ft.) wide running in South West direction from plat "B" and parallel to South side of plat "A" which is marked "Coal Yard" in the same survey, connecting the above described plat "B" and the site of the old power plant; and also an additional strip of land fifteen feet wide and one hundred and one and sixty four hundredths feet (101.64 ft.) long; said strip of land being an addition to the west line or side of the property, said line running in a S. 38° 10' E. direction. The west side of this addition then starts at a point on the north line of the property fifteen feet in a southwesterly direction from the honey locust tree and runs to a point on the south line fifteen feet in a southwesterly direction on said line from a stake corner dividing lot A and B, of said coal yard, said line being shown by a dash and two dot lines on the recorded plat drawn by Edgar Hargett, surveyor; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 71, page 119, in the Office of the Clerk of Bracken County, Kentucky.

Item 4. A tract of land situated in Bracken County described as follows: A tract of land 50 feet long and 50 feet wide known as the Johnsville sub-station site and adjoining the Fair View and Iron Bridge Turnpike Road, the above described property being a part of the 23 acre tract of land along Fair View and Iron Bridge Turnpike Road, in Bracken County, Kentucky, as conveyed to E. Y. Miller from Eliza A. Konkright of Bracken County, Kentucky, by deed recorded in Deed Book 51, page 338, of Bracken County Court Records; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 71, page 119, in the Office of the Clerk of Bracken County, Kentucky.

Item 5. A tract of land situated in Bracken County described as follows: Beginning in center of Germantown and Chatham Pike and corner to Mattie T. Asbury and Wm. Reynolds extending 60 feet North along Dutch Ridge Turnpike; thence East 20 feet, thence South 60 feet; thence West 20 feet to starting point, to have and to hold as long as this lot is used for Electric Light & Power Purposes, to revert to owners whenever it ceases to be used for aforesaid purposes; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 71, page 119, in the Office of the Clerk of Bracken County, Kentucky.

EXCLUDING FROM ITEMS 1 through 5 above:

(a) so much of said property as was conveyed to the United States of America by Deed dated February 12, 1968, recorded in Deed Book 88, Page 369, in the Office of the Clerk of Bracken County, Kentucky; and

(b) so much of said property as was conveyed to Edward F. Hay by Deed dated June 15, 1970, recorded in Deed Book 89, Page 594, in

the Office of the Clerk of Bracken County, Kentucky.

Item 6. A parcel of land situated on the Germantown and Chatham Turnpike road, and also binding upon the Dutch Ridge Turnpike road and described as follows: Beginning at a stake in the line of the aforesaid roads; thence running in the northerly direction along the right of way of Dutch Ridge Turnpike Road, a distance of Two hundred (200) Feet to a stake; thence in an easterly direction a distance of Two Hundred (200) feet to a stake, thence in a southerly direction a distance of Two Hundred (200) Feet to the Germantown and Chatham Turnpike Road, thence following Turnpike in a westerly direction a distance of Two Hundred (200) feet to the place of beginning, excepting and reserving however that portion of the above boundary heretofore conveyed to the Kentucky Power Company on February 20, 1930, by Mattie T. Asbury and husband by deed now of record in Deed Book 65, page 196, Bracken County Court Clerk's Office. The property described above was acquired by the Company by deed dated November 12, 1953, and recorded in Deed Book 78, page 401, in the Office of the Clerk of Bracken County, Kentucky.

Item 7. Situated on the South side of Fourth Street in City of Augusta and fronting 100 feet on Fourth Street and extending in a southerly direction, same width, 174 feet to a strip of land 20 feet wide located on the North side of the land owned by A. D. Pumpelly, and which 20 feet is to be used for the purpose of extending Fifth Street in an Easterly direction between the land conveyed and the land of A. D. Pumpelly; bounded on the West by the lot owned by W. O. Holmes (now Ball), on the East by an alley 12 feet wide which passes between the above described tract to Fifth St., and the lot owned by Reese, subject to reservation of non exclusive use of said alley; being property acquired by the Company by deed dated Aug. 30, 1965, and recorded in Deed Book 87, page 98, in the Office of the Clerk of Bracken County, Kentucky.

Item 8. A certain lot or parcel of land located on the South side of Fourth Street in the City of Augusta, Kentucky, bounded and described as follows: On the West by the Company's lot, on the East by Martin lot, the same fronting forty (40) feet more or less on the South side of Fourth Street and running back, same width, in a southerly direction, ninety-five (95) feet more or less, this property being known as 514 Fourth Street, Augusta, Kentucky; and being the property acquired by the Company by deed dated June 4, 1973, and recorded in Deed Book 91, page 467, in the Office of the Clerk of Bracken County, Kentucky.

The following described real estate of the Company situated in Bullitt County, Kentucky:

Item 1. Being all of Tract 1 as shown on the Boundary Survey of part of S&F Investment Property recorded in Plat Cabinet 3, Slide 71, in the Office of the Clerk of Bullitt County, Kentucky. Being part of the property conveyed to S&F Investments, LLC, by Deed dated June 16, 2005, recorded in Deed Book 642, Page 718, in the Office aforesaid, and being the same property conveyed to Kentucky Utilities Company by deed dated July 21, 2006 and recorded in Deed Book 671, Page 866 in the Office of the Clerk of Bullitt County, Kentucky.

The following described real estate of the Company situated in Caldwell County, Kentucky:

Item 1. A certain lot or parcel of land lying and being, in the City of Princeton, about one-half of a mile from and South of the Court House in said City, and lying on the East side of the Princeton & Cadiz Road, and more particularly described as follows: Beginning at the point of intersection of the Southerly boundary of the Ohio Valley Railroad right-of-way and the center line of the said Princeton & Cadiz Road; thence Southwesterly on an approximate magnetic course of S. 10 W. along said center line of said Princeton & Cadiz Road 156.5 feet, more or less, to a point of intersection of said center line of said Princeton & Cadiz Road with a line running parallel with the Southerly boundary of the said Ohio Valley Railroad right-of-way, and being 50 feet Southwesterly from the Southwest corner of the Power House formerly owned by the Princeton Electric Light & Power Company, said 50 feet to be measured at right angles to the building; thence along said intersection line, said line being parallel to the Southerly boundary of the said Ohio Valley Railroad right-of-way and 50 feet Southwesterly from the above mentioned Power House, on an approximate magnetic course of S. 49 E. 110 feet to a point; thence along a line on an approximate magnetic course of S. 67 degrees and 30 minutes E. 164 feet, more or less, to a point, said point is a point 80 feet in a Southwesterly direction from and at right angles to the Southerly boundary of the said Ohio Valley Railroad right-of-way from a point on said right-of-way that is 350 feet from the point of beginning Southeasterly along said Southerly boundary of said Ohio Valley Railroad right-of-way; thence along an approximate magnetic course of N. 41 degrees E. and at right angles to the Southerly boundary of said Ohio Valley Railroad right-of-way 80 feet to a point on said right-of-way that is 350 feet Southeasterly from the point of beginning along said right-of-way; thence along the Southerly boundary of the said Ohio Valley Railroad right-of-way on an approximate magnetic course of N. 49 W. 350 feet to the point of beginning; being a part of the property acquired by the Company by deed dated February 23, 1926, and recorded in Deed Book 55, page 258, in the Office of the Clerk of Caldwell County, Kentucky.

Item 2. A parcel of land lying and being on Kentucky Highway No. 91, about ¼ mile North of the City of Princeton, and described as follows: Beginning at an iron pin in the Eastern line of right of way in Kentucky Highway #91 in line of property of Hail; thence with said right of way line N 27° 30' E 425.0 feet to an iron pin; thence S 62° 30' E 185.0 feet to an iron pin in the division line between Brown and Hail; thence with said division line S 30° 00' W 223.5 feet to an iron pin at the corner of Cunningham-Lamb and Brown; thence same course continued 222.0 feet along the division line of Cunningham-Lamb and Hail to an iron pin; thence N 62° 30' W 169 feet to the point of beginning, containing 1.73 acres; being the property acquired by the Company by deed dated April 30, 1954, and recorded in Deed Book 93, page 15, in the Office of the Clerk of Caldwell County, Kentucky.

The foregoing property described in Item 2 is subject to an easement for a public road, that part of the property which is

subject to said easement being described as follows: Beginning at a stake located near the City Limits of Princeton, Kentucky, in the South line of Kentucky Highway No. 91, corner to the property now owned by Hattie Hail; thence S 62° 30' E 350 feet along the line of Hail and Cunningham-Lamb to a corner post; thence with the line of Cunningham-Lamb N 27° 30' E 50 feet to a stake; thence crossing the property of Kentucky Utilities Company N 62° 30' W 350 feet to another stake in Kentucky Highway No. 91; thence S 27° 30' W 50 feet to the point of beginning.

EXCLUDING FROM ITEM 2 above:

(a) so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways, by Deed of Conveyance dated April 30, 1962, recorded in Deed Book 107, Page 494 in the Office of the Clerk of Caldwell County, Kentucky; and

(b) so much of said property as was conveyed to the City of Princeton, Kentucky, by Deed of Conveyance dated December 21, 1990, recorded in Deed Book 179, Page 344 in the Office of the Clerk of Caldwell County, Kentucky.

Item 3. A parcel of land lying and being on Kentucky Highway No. 91, about ¼ mile North of the City of Princeton, and described as follows: Beginning at an iron pin in the line of Hattie Hail, corner to Randolph Brown and Cunningham-Lamb property; thence with the property line of Hail S 30° 00' W 222.0 feet to an iron pin in Hail's line; thence S 62° 30' E 181.0 feet to an iron pin; thence N 27° 30' E 189.0 feet to an iron pin in division line between grantors and Randolph Brown; thence with said division line N 58° 00' 174 feet to the point of beginning, containing 0.795 acres; being the property acquired by the Company, by deed dated April 30, 1954, and recorded in Deed Book 93, page 16, in the Office of the Clerk of Caldwell County, Kentucky.

Item 4. A parcel of land lying and being on Kentucky Highway No. 91, about ¼ mile North of the City of Princeton, and described as follows: Beginning at an iron pin in line of Hail and Brown; thence S 62° 30' E 165.0 feet to an iron pin; thence S 27° 30' W 263 feet to an iron pin in line of Brown, Cunningham-Lamb; thence with their line N 58° 00' W 174.0 feet to an iron pin, corner to property of Hail, Cunningham-Lamb; thence with line of Hail N 30° 00' E 235 feet to the point of beginning, containing 0.89 acres; being the property acquired by the Company by deed dated April 27, 1954, and recorded in Deed Book 93, page 18, in the Office of the Clerk of Caldwell County, Kentucky. EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways, by Deed of Conveyance dated April 30, 1962, recorded in Deed Book 107, Page 494 in the Office of the Clerk of Caldwell County, Kentucky.

The following described real estate of the Company situated in Carroll County, Kentucky:

Item 1. The tracts of land situated in Carroll County described as follows: Parts of In-lots Nos. 278 and 279 in Carrollton, in Carroll County, Ky., beginning at the corner of Lot No. 278 at the intersection of Main and Seventh Streets; thence Westwardly with Main Street 67 feet 8½ inches; thence Southwardly 173 feet 8½ inches to Foulk's line; thence Eastwardly with Foulk's line 67 feet 8½ inches to Seventh Street; thence Northwardly with Seventh Street 173 feet 8½ inches to Main Street, the place of beginning; EXCLUDING THEREFROM so much as was conveyed to Kentucky Water Service Company, Inc., by Deed dated as of December 22, 1947, recorded in Deed Book 49, Page 278, in the Office of the Clerk of Carroll County, Kentucky.

Item 2. That part of In-lot 227 in Carrollton, Carroll County, Ky., included in the following boundary, to-wit: Beginning on the Northern side of Main Street 30 feet Westwardly from the Southern corner of the main brick building, situated on the Northwest corner of Main and Seventh Streets; thence Eastwardly with the Northern side of Main Street 74 feet to the Northwest corner of the intersection of Main and Seventh Streets, according to the old measurement of the town, and being the Southeast corner of said building; thence Northwardly with the western side of Seventh Street to the Ohio River; thence Westwardly with the river 74 feet; thence Southwardly parallel with Seventh Street, to the place of beginning.

Item 3. A tract of land situated in the City of Carrollton described as follows: In-Lot No. 277 in Carrollton, Carroll County, Kentucky, fronting 30 feet more or less on the North side of Main Street and extending Northwardly to the Ohio River, which ground lies immediately west of the water works property formerly belonging to the Kentucky Power & Light Company and is immediately East of the lot sold by Charles McCracken, *et al.*, to Jones & Dunn February 11, 1901.

The property described above in Items 1, 2 and 3 was acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 44, page 648, in the Office of the Clerk of Carroll County, Kentucky.

Item 4. A tract of land situated in the City of Ghent, described as follows: Beginning at an iron pin set in the south line of Liberty Street, said pin being the northeast corner of the tract herein described and also a corner to the lands of Scott Thompson, thence with said Thompson's line South 34 degrees 50 minutes East for a distance of seventy-five (75) feet to an iron pin, thence leaving Thompson and running with the lands of Margaret R. Howard South 54 degrees West seventy-five (75) feet to an iron pin, thence North 34 degrees 50 minutes West seventy-five (75) feet to an iron pin set in the south line of Liberty Street, corner to Margaret R. Howard, thence with the south line of Liberty Street North 54 degrees East for a distance of seventy-five (75) feet to the point of beginning, containing 0.13 acre; being the property acquired by the Company by Deed dated March 21, 1955, and recorded in Deed Book 54, page 389, in the Office of the Clerk of Carroll County, Kentucky.

Item 5. Beginning at a point in the line between the land of Nellie G. Lee and Geoffrey Lee, her husband, and the land of the Company, said point being the Southwest corner of the existing substation lot and being South 7 Degrees 45 Minutes East 199.75 feet from the South line of Mason Street, running thence South 7 Degrees 45 minutes East a distance of 100 feet to a steel pin; thence North 82 Degrees 15 Minutes East a distance of 300 feet to a steel pin; thence North 7 Degrees 45 Minutes West a distance of 300 feet to a steel pin in the South right of way line of Mason Street; thence with the South line of said Street South 82 Degrees 15 minutes West a distance of 100 feet to the northeast corner of the existing substation lot now owned by the Company; thence with the East line of said substation lot South 7 Degrees 45 Minutes East a distance of 200 feet to the existing Southeast corner of said substation lot; thence with the South line of said substation lot South 82 Degrees 15 Minutes West a distance of 200 feet to the point of beginning, and containing 1.14 acres; being property acquired by the Company by deed dated January 11, 1961, and recorded in Deed Book 58, page 534, in the Office of the Clerk of Carroll County, Kentucky.

Item 6. Beginning at a stone on the Ohio River, at Lewis Owens corner, thence with his line and the line of H. Diuguid, S 30½ E 234½ poles to a stone corner to Dudley Griffith and the Old Military Line; thence with said line, S 59½ W 109½ poles to a stone; thence N 30½ W 234 poles to the Ohio River; thence up same, N 60 E 109½ poles to the beginning, and containing 159 acres, more or less; being the property acquired by the Company by deed dated July 3, 1969, and recorded in Deed Book 69, page 511, Carroll County Court Clerk's office; excepting from the above described tract the following, to-wit: Beginning at a point in the center of U.S. Highway No. 42, and in the line of Lewis Owens, now owned by Perry C. Froman, and running thence in a northerly direction to a stone on the Ohio River; thence in a westerly direction with the meanderings of said river to the original line described herein, which was established between the lands of Caby M. Froman and H. M. Froman; thence with said line in a southerly direction to the center of U.S. Highway No. 42; and thence with the line of said highway in an easterly direction to the point of beginning, and containing 35 acres, more or less.

Item 7. Beginning at a stone on the Ohio River at the Louis Owens corner, thence with the west corner of Louis Owens' farm, now owned by Perry C. Froman; thence in a westerly direction with the meanderings of the Ohio River to a stone in the line of same, corner to the lands of the R. H. Froman estate; thence in a southerly direction with said line to the center of the Ghent Warsaw Pike, now known as U.S. Highway No. 42; thence with the center of said pike in an easterly direction to a point in the line of the said Louis Owens' farm, now owned by Perry C. Froman; thence in a northerly direction with the line of said farm to the point of beginning, and containing 41 acres, more or less; being the property acquired by the Company by deed dated July 7, 1969, and recorded in Deed Book 69, page 541, in the Office of the Clerk of Carroll County, Kentucky.

Item 8. Beginning at a stone on the Ohio River corner to the land formerly set apart to Nancy A. Froman as her dower in the land of H. Froman, deceased, thence S 30½ E 234 poles to a stone corner to the old military line formerly Dudley Griffith's line; thence with said line S 59½ W 72 poles to a stone; thence N 32½ W 178 poles to the Ohio River; thence with said road S 59½ W 24 poles to the land formerly owned by Nancy A. Froman; thence with her line N 32½ W 66 poles to the Ohio River; thence up same with its meanders N 62 E 102 poles to the beginning, and containing 120 acres; excepting from said tract the following described tract, to-wit: Beginning at a stone on the Ohio River Bank at the northwest corner of the lands of H. M. Froman, thence S 30½ E 13.82 chains with said H. M. Froman's west line to the center of the Ghent Warsaw Pike; thence with said pike S 59 W 4.32 chains; thence N 30½ W 13.82 chains to the Ohio River; thence up the Ohio River with its meanders N 59 E 4.32 chains to the beginning, and containing 6 acres.

Item 9. Beginning at a stake in the Ghent and Gallatin County Turnpike, thence S 59½ W 24 poles to a stake in the Howard and Riggs line; thence with said line S 32½ E 176 2/3 poles to a stone in Griffith's line; thence with Griffith's line N 59 1/3 E 24 poles to a stake; thence N 32 1/3 W 176 2/3 poles to the beginning, and containing 26 acres, more or less.

Item 10. Beginning at a stone on the Ohio River, lower corner of Hiram Froman's land, thence with his land S 34 E 55½ poles to 9, stone in the center of the road; thence down said road S 56½ W 36 poles to a stone in the center of the road near a branch; thence N 34 W and parallel with the first line 55 poles to the Ohio River; thence up said river with its meanders and binding thereon N 64¾ E 36 poles to the beginning, and containing 12 acres and 38 poles, more or less.

Item 11. Beginning at a stone on the bank of the Ohio River, the lower corner of D. P. Craig's farm, thence S 58 W 66½ poles with the meanders of said River to a stone corner to H. Froman's land; thence S 31¼ E 191 poles to a stone corner to Frank North; thence with his line N 75¼ E. 69.4 poles to a stone in said D. P. Craig's line near a branch; thence N 31¼ W with said Craig's line 210.8 poles to the beginning, and containing 83 acres, more or less.

Item 12. Beginning at a point in the center of the old Ghent and Warsaw Pike and corner with R. H. Froman, thence S 32-30 E 1101 feet along the line of R. H. Froman to a corner with Matthews; thence N 89 W along land of Matthews 200 feet; thence S 79 W 200 feet; thence S 89-30 W 200 feet; thence S 81 W 65 feet; thence S 32-30 E 198 feet to a corner with James Tandy Ellis; thence N 65-45 E 238 feet to a corner with Matthews and Ellis; thence N 32-30 W 701.2 feet to a point in the center of Ghent and Warsaw Pike; thence N 65-45 E 371.2 feet to the point of beginning, and containing 9.91 acres, more or less.

Item 13. Beginning at a point in the center of the old Ghent and Warsaw Pike and line with Robert Matthews, S 32-30 E 701.0 feet to a corner, thence S 65-45 W 238 feet to a stake; thence N 32-30 W 682 feet to a point in the center of the Ghent and Warsaw Road; thence along said Road N 65-45 E 236 feet to the point of beginning, and containing 3.81 acres, more or less.

Item 14. Beginning at a stake in right-of-way of U.S. Highway No. 42, and corner to lot conveyed to Nellie M. Lee, and running thence with Lee line N 31½ W 300 feet to the Ohio River, corner to Lee lot; thence with said river N 58 E 200 feet to a stake, corner to Lot No. 5 conveyed to R. H. Froman; thence with line of said lot S 31½ E 320 feet to right-of-way of said highway; thence with same S 72 W 200 feet to the beginning, and being Lot No. 4 in survey of lots made by Curtis Ochs on said river for Belle Crutcher Estate in May, 1936.

Item 15. Beginning at a stake in right-of-way of U.S. Highway No. 42 and corner to above lot No. 4 of R. H. Froman and running with line of same N 31½ W 320 feet to the Ohio River, corner to said lot; thence with said river N 58 E 200 feet to corner to Lot No. 6, conveyed to R. H. Froman; thence with line of same S 31½ E 360 feet to above highway; thence with said highway S 76½ W 200 feet to beginning; and being Lot No. 5 in survey of lot on said river made by Curtis Ochs for Belle Crutcher Estate in May, 1936.

Item 16. Beginning at a stake in right-of-way on U.S. Highway No. 42, and corner to above Lot No. 5 of R. H. Froman and running with the line of same N 31½ W 360 feet to Ohio River, corner to said lot; thence with said river N 63¼ E 200 feet to corner to Lot No. 7 conveyed to R. H. Froman; thence with same S 31½ E 420 feet to right-of-way of above highway; thence with said highway S 82¼ W 200 feet to beginning; and being Lot No. 6 in the survey of lots on said river made by Curtis Ochs for Belle Crutcher Estate in May, 1936.

Item 17. Beginning at a stake in right-of-way on U.S. Highway No. 42, and corner to above Lot No. 6 of R. H. Froman and running with line of same N 31½ W 420 feet to Ohio River, corner to said Lot; thence with said river N 63½ E 136 feet to a stake, corner to R. H. Froman; thence with line of said Froman S 32½ E 492 feet to right-of-way of above highway; thence with said right-of-way S 88½ W 215 feet to beginning; and being Lot No. 7 in survey of lots on said river made by Curtis Ochs for Belle Crutcher Estate in May, 1936.

The property described in Items 8-17 above was acquired by the Company by deed dated August 7, 1969, and recorded in Deed Book 69, page 534, in the Office of the Clerk of Carroll County, Kentucky.

Item 18. Beginning at a stake in right-of-way of U.S. Highway No. 42 on the South side thereof and also corner to the land of C. P. Scott and running thence with said Highway right-of-way, N 59¼ E 400 feet; N 64¼ E 200 feet; N 72 E 200 feet; N 76½ E 200 feet; N 82¼ E 200 feet; N 88¼ E 270 feet, to corner to the land of R. H. Froman; thence with his line, S 32¼ E 352 feet to a stake in center of old road; thence with old road N 65¼ E 236 feet to another stake in center of same; thence S 32½ E 701.25 feet to a stake corner to Matthews' farm; thence with lines of same, S 65 W 429 feet; S 57½ W 247.5 feet; S 46½ W 462 feet; S 61¼ W 693 feet to stake in center of old road; thence with said road, N 36½ W 222.75 feet; N 28¼ W 577.5 feet; N 28 E 214.5 feet to corner of Scott; thence with line of Scott N 31¼ W 480 feet to the beginning, and containing 44 12/100ths acres; less legal highway and excepting from the foregoing boundary 3.81 acres conveyed to R. H. Froman as shown in Deed Book 44, page 353, in the Office of the Clerk of Carroll County, Kentucky, and being the same property acquired by the Company by deed dated March 30, 1971, and recorded in Deed Book 72, page 353, in the Office of the Clerk of Carroll County, Kentucky.

There is excluded from the above described tract of land set forth in Item 18 the following tracts and/or strips of land:

(a) Beginning at a point in the property line between William Scott and E. B. O'Neal, seventy five (75) feet, northwestwardly from and at right angles to the centerline of the proposed track, as staked on the ground, at Construction Station 359+64, more or less; thence North 18° 32' East along a line seventy five (75) feet, northwestwardly from and parallel to the centerline of said proposed track, as staked on the ground, three hundred twenty (320) feet, more or less, to a point opposite Construction Station 362+84.2; thence northeastwardly along a line seventy five (75) feet, northwestwardly from and parallel to the centerline of said proposed track, as staked on the ground, along a curve to the right, with a radius of one thousand five hundred seven and sixty nine hundredths (1507.69) feet, a distance of nine hundred seventy (970) feet, more or less, to a point, opposite Construction Station 372+00; thence southeastwardly along a radial line twenty five (25) feet to a point fifty (50) feet, measured northwestwardly along a radial line from a point in the centerline of said proposed track as staked on the ground at Construction Station 372+00; thence northeastwardly along a line fifty (50) feet northwestwardly from and parallel to the centerline of said proposed track, as staked on the ground, along a curve to the right, with a radius of fourteen hundred eighty two and sixty nine hundredths (1482.69) feet, a distance of one hundred sixteen (116) feet, more or less, to a point opposite Construction Station 373+16.7; thence North 59° 20' East along a line fifty (50) feet northwestwardly from and parallel to the centerline of said proposed track as staked on the ground, three hundred forty (340) feet, more or less, to the property line between E. B. O'Neal and the Company; thence South 30° 43' East along said last mentioned property line, crossing the centerline of said proposed track, as staked on the ground, at fifty (50) feet, at Construction Station 376+57.3, in all one hundred twenty five (125) feet to a point seventy five (75) feet, southeastwardly from and at right angles to the centerline of proposed track, as staked on the ground, said centerline of said proposed track crosses the last mentioned property line, two hundred thirty three and seven tenths (233.7) feet, South 30° 43' East from the centerline of a county road; thence South 59° 20' East, along a line seventy five (75) feet, southeastwardly from and at right angles to the centerline of said proposed track, as staked on the ground three hundred forty (340) feet, more or less to a point opposite Construction Station 373+16.7; thence southwestwardly along a line seventy five (75) feet southeastwardly from and parallel to the centerline of said proposed track, as staked on the ground, along a curve to the left, with a radius of thirteen hundred fifty seven and sixty nine hundredths (1357.69) feet, a distance of one hundred ninety six (196) feet, more or less to a point opposite Construction Station 371+00; thence southeastwardly along a radial line seventy five (75) feet to a point, one hundred fifty (150) feet measured southeastwardly along a radial line from a point in the centerline of said proposed track, as staked on the ground, at Construction Station 371+00; thence southwestwardly along a curve to the left, with a radius of twelve hundred eighty two and sixty nine hundredths (1282.69) feet, a distance of seven hundred forty (740) feet, more or less, to a point opposite

Construction Station 362+84.2; thence South 18° 32' West, along a line one hundred fifty (150) feet southeastwardly from and parallel to the centerline of said proposed track, as staked on the ground, five (5) feet, more or less, to a point in the property line between E. B. O'Neal and William Scott; thence South 56° 02' West along said last mentioned property line, three hundred seventy three (373) feet, more or less, to the point of beginning, and containing six and five hundredths (6.05) acres, more or less;

(b) Beginning at a point in the centerline of an existing county road in the property line between William Scott and E. B. O'Neal; thence northwestwardly along the centerline of said existing county road three hundred sixty (360) feet, to a point, seventy five (75) feet northwestwardly from and at right angles to the centerline of said proposed relocated road at Construction Station 0+06, more or less; thence northwestwardly along a line seventy five (75) feet northwestwardly from and parallel to the centerline of said proposed relocated road, forty two (42) feet, more or less, to a point opposite Construction Station 0+48.1; thence eastwardly along a line seventy five (75) feet, northwardly from and parallel to the centerline of said proposed relocated road along a curve to the right, with a radius of one hundred fifty six (156) feet, a distance of two hundred forty four (244) feet, more or less, to a point opposite Construction Station 2+11.9 ahead and 1 +69.2 back; thence South 32° 49' East, along a line seventy five (75) feet northeastwardly from and parallel to the centerline of said proposed relocated road, thirty five and five tenths (35.5) feet to a point opposite Construction Station 2+48, more or less, said point being seventy five (75) feet, northwestwardly from and at right angles to the centerline of the proposed track, as staked on the ground, at Construction Station 362+21, more or less; thence South 18° 32' West along a line seventy five (75) feet northwestwardly from and parallel to the centerline of said proposed track, as staked on the ground, crossing the centerline of said proposed relocated road at ninety seven (97) feet, more or less, at Construction Station 3+09, more or less, in all two hundred fifty seven (257) feet to a point in said property line between E. B. O'Neal and William Scott, opposite Construction Station 359+64; thence South 56° 02' West along said last mentioned property line fifteen (15) feet, more or less, to the point of beginning, and containing one and fifteen hundredths (1.15) acres, more or less; and

(c) The 24.5 acre tract lying on the northwest side of Louisville & Nashville Railroad property; as shown on a plat of said property annexed to the deed dated March 30, 1971, referred to above, by which the Company acquired the property described above in Item 1 of this paragraph; said 24.5 acre tract being a part of the same property conveyed to Walton O'Neal, a single man, from Nancy Innes Shinrick, a widow, by deed dated July 13, 1966, recorded in Deed Book 64, page 538, in the Carroll County Court Clerk's office, and also being a part of the same property in which Walton O'Neal conveyed an undivided one half interest to Ellis B. O'Neal by deed dated April 13, 1967, recorded in Deed Book 66, page 25, in the Office of the Clerk of Carroll County, Kentucky.

Item 19. Beginning at a stake on the bank of the Ohio River and corner with Lewis S. Owen, thence running back from the river S 31 E 222.4 poles to a stone corner with Jas. Diuguid (11 links S 31 E from a sugar tree marked with corner chops); thence with Diuguid line N 62¼ E 89½ poles to a locust tree; thence N 61¼ E 42.2 poles to a stone in J. S. Frank's line; thence with his line N 30¼ W 228.1 poles to a stake under the river bank; thence down the Ohio River with its meanders and binding thereon to the beginning, and containing 188 acres and 18 poles; being the property acquired by the Company by deed dated November 12, 1970, and recorded in Deed Book 71, page 563, in the Office of the Clerk of Carroll County, Kentucky.

There is excluded from Item 19 above the following: Beginning at two points in the property line between Dixie Craig Froman and the Company, which property line passes through Station 509+54 at the centerline of the survey made by State Highway Department, said two points being intersections of the boundary line of the right-of-way with the property line first above described in this description; running thence in a northeasterly direction 35 feet from and parallel with the centerline of said survey, and on both sides thereof, equally distant therefrom, in and through the property of Dixie Craig Froman to two similarly located points in the property line between said Dixie Craig Froman and Perry C. Froman, which property line passes through Station 531+69 in the centerline of said survey, said two points being intersections of the boundary lines of the right-of-way with the last named property line in this description, as shown by plans on file at the Office of the State Highway Department, Frankfort, Kentucky.

Item 20. Beginning at Point "A", an iron pin set in concrete at the corner of the lands herein described to the lands of William Scott and the lands of Jack O'Neal at the intersection of the Ohio River and Rice Road where a toll house formerly stood; thence with Scott and Walton O'Neal N 31° 30' W 362.7 feet to point "B", a spike in the center of the Ohio River Road; thence with Walton O'Neal N 29° 46' W 528.72 feet to point "G", an iron pin set in concrete on a steep bank, corner to Walton O'Neal and William Scott; thence with Scott S 63° 16' W 124.6 feet to point "H", an iron pin set in concrete at the bottom of the slope; then N 32° 09' W 160.4 feet to point "I", an iron pin set in concrete on the South bank of a deep, wide drain; thence with the South side of said drain S 53° 14' W, crossing Craig's Branch (Black Rock Creek) at 310 feet, a total of 658.4 feet to point "J", an iron pin set in concrete in a fence line between the lands herein described and the lands of William Scott; thence with said fence S 18° 23' E 116.04 feet to point "K", an iron pin set in concrete beside an angle post in said fence; thence S 33° 57' E 415.7 feet to point "M", a spike in the center of the Ohio River Road; thence with said road S 48° 41' E 134.0 feet to point "N", a spike in the center of said road; thence S 50° 40' E 170.2 feet to point "O", a spike in the center of said road; thence with Scott and Jack O'Neal S 63° 12' E 51.4 feet to point "P", a spike in the center of said road in a line with Jack O'Neal; thence continuing with Jack O'Neal and said road N 87° 55' E 54.8 feet to point "Q", a spike in the center of said road; thence N 70° 27' E 95.55 feet to point "R", a spike in the center of said road; thence N 74° 08' E 324.65 feet to point "S", a spike in the center of the road at the West end of the Ohio River Road Bridge over Craig's Branch (Black Rock Creek); thence crossing the bridge N 60° 21' E 198.1 feet to the beginning point, and containing 16.638 acres; being the property acquired by the Company by deed dated March 17, 1970, and recorded in Deed Book 70, page 515, in the Office of the Clerk of Carroll County, Kentucky.

Item 21. Parts of inlots Nos. 278 and 279 in Carrollton, Kentucky, beginning at a point on the South side of Main Street 95 feet northeasterly from the northeastern corner of the Russell Line; thence southwesterly and parallel to

Seventh Street 38 feet; thence southwesterly and parallel to Main Street 20 feet; thence southeasterly and parallel to Seventh Street 55 feet; thence northeasterly and parallel to Main Street 25 feet 8½ inches to Seventh Street; thence northwesterly with Seventh Street 93 feet to Main Street; thence southwesterly with Main Street to the point of beginning; being the property acquired by the Company by deed dated July 20, 1973, and recorded in Deed Book 77, page 197, in the Office of the Clerk of Carroll County, Kentucky.

Item 22. Beginning at an iron pin set in the westerly right of way line of Black Rock Road, said pin having coordinate values of North 506.437', West 8002.821' as related to the Control System for Kentucky Utilities Ghent Generating Station; thence with the westerly right of way line of Black Rock Road the following courses and distances South 49 deg 53 min 25 sec East 18.71 feet to a point; thence along the arc of a curve to the left having a radius of 266.97 feet and a long chord bearing at South 63 deg 17 min 02 sec East 123.69 feet and a length of 124.82 feet to a point; thence South 76 deg 40 min 40 sec East 143.54 feet to a point; thence along the arc of a curve to the right having a radius of 230.43 feet and a long chord bearing at south 47 deg 51 min 51 sec East 222.11 feet and a length of 231.76 feet to a point; thence South 19 deg 03 min 03 sec East 428.22 feet to a point; thence South 15 deg 50 min 48 sec East 98.17 feet to a point; thence South 12 deg 38 min 33 sec East 290.12 feet to a point; thence South 8 deg 25 min 48 sec East 77.58 feet to a point; thence South 4 deg 13 min 03 sec East 159.51 feet to a point; thence along the arc of a curve to the left having a radius of 281.51 feet and a long chord bearing at south 45 deg 00 min 44 sec East 367.85 feet and a length of 400.87 feet to a point; thence South 85 deg 48 min 24 sec East 5.00 feet to an iron pin set at the most westerly corner of a tract of land as conveyed to Todd A. Dermon as recorded in Deed Book 111 Page 92 in the aforementioned County Clerks Office; thence leaving the right of way line of Black Rock Road and with an old fence along the southwest side of a drain and the southwesterly line of the Dermon Tract the following courses and distances, South 13 deg 33 min 10 sec East 241.00 feet to an iron pin; thence South 21 deg 46 min 08 sec East 401.82 feet to an iron pin set next to an old fence post; thence South 38 deg 21 min 06 sec East 108.93 feet to a 15" locust tree; thence South 51 deg 12 min 36 sec East 142.18 feet to a 14" hickory tree; thence South 57 deg 15 min 36 sec East 289.89 feet to a 30" forked tree at the most northerly corner of a tract of land conveyed to Harry Berge as recorded in Deed Book 54 Page 54 in the aforementioned County Clerks Office. There bears a 36" sycamore tree in the center of the drain @ North 57 deg 37 min 34 sec East 9.75 feet; thence leaving the southwest side of the drain and Dermons line and with an old fence and the northwest line of the Berge tract the following courses and distances, South 58 deg 33 min 42 sec West 1114.89 feet to an iron pin; thence South 50 deg 06 min 49 sec West 285.01 feet to an iron pin set next to a fence post; thence South 56 deg 03 min 27 sec West 166.28 feet to a large wooden corner post in the easterly line of a tract conveyed to Betty Hammer as recorded in Deed Book 93 Page 677 in the aforementioned County Clerks Office; thence leaving the line of Berge and with the most easterly line of Hammer and an old fence North 17 deg 08 in 13 sec West 186.99 feet to an iron pin set at the most northerly corner of the Hammer tract; thence with the northerly line of Hammer and an old fence along the northerly side of a drain the following courses and distances, South 73 deg 07 min 27 sec West 828.80 feet to an iron pin; thence South 29 deg 49 min 13 sec West 225.58 feet to an iron pin; thence South 78 deg 11 min 23 sec West 230.12 feet to an 11" walnut tree; thence South 58 deg 28 min 12 sec West 282.09 feet to an iron pin set in the easterly line of a tract of land conveyed to Howard Thompson as recorded in Deed Book 69 Page 341 in the aforementioned County Clerks Office; thence leaving the northerly line of Hammer and with the easterly line of Thompson and an old fence the following courses and distances, North 25 deg 00 min 10 sec West 1168.32 feet to an 8" maple tree; thence North 23 deg 38 min 13 sec West 510.39 feet to a 12" triple Elm tree; thence North 25 deg 28 min 31 sec West 1177.91 feet to an iron pin set at a corner in the Thompson tract; thence continuing with the old fence and with the southerly line of Thompson North 74 deg 23 min 28 sec East 1810.28 feet to an old stone found on the south side of the fence, said stone being an original corner between lots one & two in the division of the lands of Fred H. Schirmer; thence continuing with the south line of Thompson and the old fence North 41 deg 33 min 53 sec East 934.87 feet to the point of beginning and containing 178.738 acres, and being the property acquired by the Company by deed dated October 11, 1991, and recorded in Deed Book 112, page 434, in the Office of the Clerk of Carroll County, Kentucky.

Item 23. Beginning at a point in the north easterly right of way line of Black Rock Road, said point being at the most southerly corner of a tract as conveyed to Elizabeth O'Neal by the will of T. W. O'Neal, appearing of record in Will Book 9 Page 52 in the aforementioned County Clerks Office, and said point having coordinate values of South 2640.318'; West 5344.034' as related to the Control System for Kentucky Utilities Ghent Generating Station, thence with the north easterly right of way line of Black Rock Road the following courses and distances South 81 deg 04 min 36 sec East 78.07 feet to a point; thence South 56 deg 41 min 30 sec East 53.66 feet to a point; thence South 46 deg. 43 min 48 sec East 614.20 feet to a point; thence South 38 deg 52 min 05 sec East 188.78 feet to a point; thence South 46 deg 43 min 16 sec East 301.55 feet to a point; thence South 57 deg 16 min 16 sec East 138.38 feet to a point; thence South 37 deg 31 min 02 sec East 453.26 feet to a point; thence South 36 deg 20 min 00 sec East 338.52 feet to a point; thence South 48 deg 01 min 45 sec East 109.96 feet to an iron pin set on the road side of a wooden corner fence post, said pin being at the most westerly corner of a tract as conveyed to Russell and Mary Dees by deed dated 11 March, 1986 and of record in Deed Book 101 Page 128 in the aforementioned County Clerk's Office; thence leaving the right of way line of Black Rock Road and with a fence line, the northwest line of Dees North 40 deg 43 min 40 sec East 763.78 feet to a wooden fence post; thence with a fence line, the north line of Dees and the north line of two tracts, one conveyed to Bernard B. Owen by deed dated 15 September, 1989 and of record in Deed Book 107 Page 467 and one to Jack and Geraldine Schirmer by deed dated 12 April, 1988 and of record in Deed Book 104 Page 731 in the aforementioned County Clerk's Office North 76 deg 15 min 18 sec East 1134.68 feet to a wooden fence post, thence North 77 deg 06 min 35 sec East 1206.32 feet to a wooden fence post; thence North 76 deg 31 min 26 sec East 1224.60 feet to a wooden fence post in the westerly line of a tract as conveyed to Jacob Seiler by deed dated 3 September, 1943 and of record in Deed Book 45 Page 601 in the aforementioned County Clerk's Office, said post being South 50 deg 30 min 00 sec E 3.2 feet from the center of a 40 inch oak tree; thence with a fence line, the westerly line of Seiler North 33 deg 33 min 04 sec West 508.33 feet to a wooden fence post; thence North 30 deg 22 min 55 sec West 646.80 feet to a wooden fence post; thence North 12 deg 16 min 28 sec West 370.02 feet to a point in the center of Smith's Branch and the westerly line of a tract as conveyed to Louis and Arlene Ward by deed dated 15 March, 1967 and of record in Deed Book 65

page 569 in the aforementioned County Clerk's Office; thence with the meanders of Smith's Branch and the westerly line of Ward North 5 deg 48 min 03 sec West 86.97 feet to a point; thence North 38 deg 42 min 42 sec West 124.35 feet to a point; thence North 41 deg 34 min 34 sec West 391.74 feet to a point; thence North 56 deg 45 min 13 sec West 107.09 feet to a point; thence North 12 deg 56 min 37 sec West 122.13 feet to a point; thence North 33 deg 12 min 10 sec West 230.73 feet to a point; thence North 37 deg 08 min 46 sec West 258.67 feet to a point, thence North 20 deg 59 min 47 sec West 160.46 feet to a point; thence North 42 deg 27 min 31 sec West 125.66 feet to a point; thence North 68 deg 28 min 32 sec West 213.34 feet to a point; thence North 31 deg 41 min 37 sec West 45.76 feet to a point at the southeast corner of a tract conveyed to Froman Brothers by deed dated 2 January, 1976 and of record in Deed Book 82 Page 69 and also deed dated 20 November, 1981 and of record in Deed Book 93 Page 496 in the aforementioned County Clerk's Office; thence leaving the center of Smith's Branch and the westerly line of Ward and with a fence, the south line of Froman Brothers South 77 deg 10 min 11 sec West 458.70 feet to a wooden corner fence post at the southwest corner of Froman Brothers; thence with a fence, the westerly line of Froman Brothers North 23 deg 51 min 25 sec West 542.98 feet to a 8" tree; thence North 22 deg 48 min 16 sec West 877.17 feet to a wooden fence post; thence North 24 deg 27 min 24 sec West 1296.65 feet to a wooden fence post; thence north 24 deg 32 min 52 sec West 1104.04 feet to an iron pin at the southeast corner of the Kentucky Utilities Company tract; thence leaving the line of Froman Brothers with a fence line, the south line of Kentucky Utilities company South 67 deg 47 min 06 sec West 1106.76 feet to a point at the northeast corner of tract #1 as conveyed to Melvin and Irene Snow by deed dated 24 December, 1946 of record in deed Book 48 Page 301 and also by deed dated 23 January 1961 of record in Deed Book 58 Page 549 in the aforementioned County Clerk's Office; thence leaving the line of Kentucky Utilities Company and with a fence, the east line of tract #1 of Snow South 21 deg 11 min 52 sec East 2024.50 feet to a fence post at the southeast corner of Snow; thence with a fence and the south line of Snow South 65 deg 17 min 23 sec West 435.58 feet to a fence post; thence South 80 deg 45 min 36 sec West 387.01 feet to a fence post; thence South 66 deg 47 min 38 sec West 122.32 feet to a fence post; thence North 71 deg 37 min 54 sec West 68.18 feet to a fence post; thence South 79 deg 15 min 54 sec West 111.53 feet to a fence post; thence South 70 deg 40 min 21 sec West 704.83 feet to a wooden fence post; thence North 24 deg 19 min 03 sec West 441.59 feet to a corner fence post at the southeast corner of Tract No. 2 of the aforementioned Snow tract; thence continuing with the south line of Snow and a fence South 79 deg 46 min 29 sec West 760.53 feet to a fence post; thence South 81 deg 24 min 34 sec West 263.05 feet to a corner fence post; thence South 18 deg 57 min 54 sec West 233.77 feet to a point; thence South 65 deg 27 min 56 sec West 610.52 feet to a fence post; thence South 63 deg 23 min 46 sec West 570.34 feet to a point at the southwest corner of tract No. 2 of Snow, said point being in the easterly line of a tract as conveyed to Harold Swango and recorded in Deed Book 98 Page 25 in the aforementioned County Clerks Office; thence leaving the line of Snow and with a severance line thru the Diuguid tract South 67 deg 11 min 00 sec East 3078.36 feet to a point; thence North 68 deg 40 min 13 sec East 318.25 feet to a point; thence South 15 deg 57 min 51 sec East 338.52 feet to a fence post; thence North 81 deg 27 min 22 sec East 68.48 feet to a fence post; thence South 21 deg 03 min 22 sec East 334.72 feet to a point; thence South 13 deg 28 min 10 sec East 189.77 feet to a point in the center of a gravel road; thence with the center of a gravel road South 67 deg 54 min 26 sec West 139.30 feet to a point; thence South 46 deg 08 min 42 sec West 147.10 feet to a point; thence South 41 deg 11 min 52 sec West 228.45 feet to a point; thence South 47 deg 48 min 22 sec West 151.01 feet to a point; thence South 54 deg 00 min 43 sec West 354.28 feet to a point; thence South 37 deg 40 min 18 sec West 115.67 feet to the point of beginning and containing 539.310 acres, and being the description set forth in that Property Line Map of Fuller, Mossbarger, Scott and May, dated April 2, 1992, and being the property acquired by the Company by deed dated December 13, 1994 and recorded in Deed Book 122, Page 516, in the Office of the Clerk of Carroll County, Kentucky.

Item 24. Beginning at a point in the easterly line of a tract as conveyed to Harold Swango and recorded in Deed Book 98, Page 25, in the Carroll County Court Clerk's Office, said point being at the northwest corner of a tract as conveyed to Elizabeth O'Neal by the will of T. W. O'Neal, appearing of record in Will Book 9, Page 52, in the aforementioned County Clerk's Office, and said point having coordinate values of North 841.310'; West 6578.167 as related to the Control System for Kentucky Utilities Ghent Generating Station; thence with the east line of Swango North 20 deg. 37 min. 34 sec. West 1109.63 feet to a point in the south line of the Kentucky Utilities Company tract, said point being at the northeast corner of the Swango tract; thence leaving the line of Swango and with the southerly line of the Kentucky Utilities Company tract North 65 deg. 08 min. 21 sec. East 1991.24 feet to an iron pin; thence North 25 deg. 15 min. 24 sec. West 709.81 feet to an iron pin; thence North 81 deg. 36 min. 54 sec. East 1142.51 feet to an iron pin; thence South 25 deg. 40 min. 46 sec. East 197.82 feet to an iron pin; thence North 67 deg. 47 min. 06 sec. East 1080.39 feet to a point at the Northwest corner of a tract as conveyed to William Gex and Nancy E. Diuguid by deed dated 2 January, 1973 and of record in Deed Book 77, Page 490, and also deed dated 28 March, 1985 and of record in Deed Book 99, Page 71, in the aforementioned County Clerk's Office; thence leaving the southerly line of the Kentucky Utilities Company tract and with a fence, the westerly line of Diuguid South 21 deg. 11 min. 52 sec. East 2024.50 feet to a fence post; thence with a fence, the northerly line of Diuguid South 65 deg, 17 min. 23 sec. West 435.58 feet to a fence post; thence South 80 deg. 45 min. 36 sec. West 387.01 feet to a fence post; thence South 66 deg. 47 min. 38 sec. West 122.32 feet to a fence post; thence North 71 deg. 37 min. 54 sec. West 68.18 feet to a fence post; thence South 79 deg. 15 min. 54 sec. West 111.53 feet to a fence post; thence South 70 deg. 40 min. 21 sec. West 704.83 feet to a wooden fence post in the east line of the previously mentioned O'Neal tract; thence leaving the northerly line of Diuguid and with the easterly line of O'Neal and a fence North 24 deg. 19 min. 03 sec. West 441.59 feet to a corner fence post; thence with the northerly line of O'Neal and a fence South 79 deg. 46 min. 29 sec. West 760.53 feet to a fence post; thence South 81 deg. 24 min. 34 sec. West 263.05 feet to a corner fence post; thence South 18 deg. 57 min. 54 sec. West 233.77 feet to a point; thence South 65 deg. 27 min. 56 sec. West 610.52 feet to a fence post; thence South 63 deg. 23 min. 46 sec. West 570.34 feet to the point of beginning and containing 149.185 acres, being the description set forth in that property line map of Fuller, Mossbarger, Scott and May, which is attached hereto and made a part hereof, and being the property acquired by the Company by deed dated July 20, 1995 and recorded in Deed Book 124, Page 273, in the Office of the Clerk of Carroll County, Kentucky.

Item 25. Beginning at a point in the easterly line of the Kentucky Utilities Company Tract, said point

being South 24 deg. 28 min. 46 sec. East 61.3 feet from the southerly right of way line of U.S. Route 42 and being 25.00 feet south of the centerline of a railroad track spur crossing the Froman Brothers Tract and said point having coordinate values of North 4761.118; West 1173.484, as related to the Control System for the Kentucky Utilities Ghent Generating Station; thence with the easterly line of the Kentucky Utilities Company tract South 24 deg. 28 min. 46 sec. East 2773.21 feet to an iron pin at the southeast corner of the Kentucky Utilities Company tract and at the northeast corner of a tract as conveyed to William and Nancy Diuguid, by deed dated 2 January, 1973 and of record in Deed Book 77, Page 490, and also by deed 28 March, 1985 and of record in Deed Book 99, Page 71 in the aforementioned County Clerk's Office; thence leaving the line of the Kentucky Utilities Company and with the easterly line of Diuguid and a fence line South 24 deg. 32 min. 52 sec. East 1104.04 feet to a wooden fence post; thence South 24 deg. 27 min. 24 sec. East 1296.65 feet to a wooden fence post; thence South 22 deg. 48 min. 16 sec. East 877.17 feet to an 8" tree; thence South 23 deg. 51 min. 25 sec. East 542.98 feet to a wooden corner fence post; thence North 77 deg. 10 min. 11 sec. East 458.70 feet to a point in the center of Smiths Branch and in the west line of a tract as conveyed to Louis and Arlene Ward by deed dated 15 March, 1967 of record in Deed Book 65, Page 569, in the aforementioned County Clerk's Office; thence leaving the line of Diuguid and with the westerly line of Ward, and the meanders of Smiths Branch North 10 deg. 45 min. 08 sec. West 154.36 feet to a point; thence North 32 deg. 25 min. 30 sec. West 173.37 feet to a point; thence North 12 deg. 17 min. 31 sec. West 146.89 feet to a point; thence North 8 deg. 14 min. 33 sec. East 69.54 feet to a point; thence North 27 deg. 23 min. 18 sec. East 164.22 feet to a point; thence North 13 deg. 40 min. 43 sec. West 122.33 feet to a point; thence North 7 deg. 56 min. 14 sec. East 367.68 feet to a point in the westerly line of a tract as conveyed to Billy and Millie Lewis by deed dated 14 March, 1966 of record in Deed Book 34, Page 133, and also by deed dated 13 March, 1954 of record in Deed Book 28, Page 469 in the office of the County Clerk of Gallatin County; thence continuing with the meanders of Smiths Branch and with the westerly line of Lewis North 19 deg. 10 min. 20 sec. West 102.35 feet to a point; thence North 2 deg. 19 min. 05 sec. West 550.18 feet to a point; thence North 38 deg. 04 min. 30 sec. West 159.34 feet to a 52" Sycamore tree in Smiths Branch; thence North 19 deg. 21 min. 20 sec. West 245.55 feet to a point; thence North 9 deg. 01 min. 35 sec. West 266.64 feet to a point; thence North 29 deg. 34 min. 52 sec. West 133.24 feet to a point; thence North 22 deg. 47 min. 27 sec. West 238.60 feet to a point; thence North 26 deg. 01 min. 55 sec. East 100.22 feet to a point; thence North 15 deg. 52 min. 02 sec. West 260.16 feet to a point; thence North 5 deg. 30 min. 06 sec. East 264.19 feet to a point; thence leaving Smiths Branch and continuing with the westerly line of Lewis North 22 deg. 53 min. 05 sec. West 427.33 feet to a point; thence North 27 deg. 56 min. 01 sec. West 2918.59 feet to a point, said point being 25.0 feet south of the centerline of the railroad track spur crossing the Froman Brothers Tract; thence leaving the line Lewis and 25.00 feet south of and parallel to the centerline of the railroad track spur the following courses and distances, with the arc of a curve to left having a radius of 696.03 feet and a long chord at South 80 deg. 32 min. 32 sec. West 390.70 feet and a length of 396.02 feet to a point; thence South 64 deg. 14 min. 33 sec. West 136.58 feet to a point; thence with the arc of a curve to the right having a radius of 1321.62 feet and a long chord at South 65 deg. 34 min. 05 sec. West 61.14 feet and a length of 61.15 feet to a point; thence South 66 deg. 53 min. 36 sec. West 293.10 feet to a point; thence with the arc of a curve to the left having a radius of 1485.38 feet and a long chord at South 65 deg. 45 min. 20 sec. West 59.00 feet and a length of 59.00 feet to a point; thence South 64 deg. 37 min. 03 sec. West 274.06 feet to the point of beginning and containing 170.505 acres. Being the same property acquired by the Company by Deed dated December 8, 1997, recorded in Deed Book 132, Page 513, in the Office of the Clerk of Carroll County, Kentucky.

Item 26. Beginning at a point in the South line of Mason Street in the City of Carrollton, Kentucky, as shown on the plat of said City, recorded in Will Book 4 at page 553 in Carroll County Court Clerk's Office, One Hundred and Fourteen feet (114 ft.) West of where the center line of Eighth Street, if projected, would intersect the South line of Mason Street; thence at right angles with the South line of Mason Street in a Southerly direction Two Hundred feet (200 ft.); thence in an Easterly direction parallel with the South line of Mason Street Two Hundred feet (200 ft.); thence in a Northerly direction and parallel with the Western boundary line hereof Two Hundred feet (200 ft.) to a point in the South line of Mason Street; thence Westwardly with the South line of Mason Street Two Hundred feet (200 ft.) to the point of beginning; being the property acquired by the Company by deed dated October 8, 1947 and recorded in Deed Book 49, page 139, in the Office of the Clerk of Carroll County, Kentucky.

Item 27. This being that property acquired by Kentucky Utilities Company by deed dated December 30, 2009, and of record in Deed Book D181, page 146, in the Office of the Clerk of Carroll County, Kentucky and being more particularly described as follows:

BEGINNING at a 3/4" iron pin found with an identification cap bearing PLS# 1961 at the north east corner of the parent tract of Dustin P. Cormier and Susan Cormier (D.B. 176, Pg. 405), said pin also being the northwest corner of Damon Lewis (D.B. 149, Pg. 489) and being on the southern line of Kentucky Utilities Company (D.B. 122, Pg. 516), said pin having Kentucky North Zone State Plane Coordinates of Northing: 447962.91 feet, Easting 1423064.59 feet), lying in Carroll County, Kentucky and being the Point of Beginning for this description; Thence leaving the line of Kentucky Utilities Company and with the line of Damon Lewis, S09°54'12"E – 112.87 feet to an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments), in the line of Damon Lewis (*said pin being N09° 54'12" W --100.95 feet from a 16" Hickory Tree found, as called for in Deed Book 176, Pg. 405*); Thence leaving the line of Lewis and with a new line across the parent tract of Cormier, N50°24'14"W – 136.15 feet to an iron pin set in the southern line of Kentucky Utilities Company (D.B. 122, Pg. 516) (*said pin being N74° 03'57"E – 783.07 feet from an 3/4" iron pin found with identification cap bearing PLS# 1961*); Thence with the southern line of Kentucky Utilities Company, N74°03'57"E – 88.92 feet to the Point of Beginning and containing 0.115 acres by survey.

Note: The above described tract of land is a land locked parcel and must remain with the parent tract or be combined with an adjoining property.

Item 28. This being that property acquired by Kentucky Utilities Company by deed dated December 23, 2009 of record in in Deed Book D181, Page 116 in the Office of the Clerk of Carroll County, Kentucky and being more particularly described as follows:

BEGINNING at a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the southeast corner of the property being surveyed and being the Southwest corner of Jack Schirmer (D.B. 104, Pg. 731), said nail being approx. 0.48 miles east of the intersection of centerlines of Black Rock Road and Sharon Road and lying in Carroll County, Kentucky and being the Point of Beginning for this description; Thence leaving the line of Jack Schirmer (D.B. 104, Pg. 731) and with the centerline of Black Rock Road, S75°18'31"W - 42.37 feet to a point, S75°18'00"W - 90.28 feet to a point, S75°51'38"W - 172.22 feet to a point, S76°46'45"W - 78.41 feet to a point, S68°40'47"W - 30.93 feet to a point, S55°54'35"W - 50.37 feet to a point, S50°14'57"W - 177.88 feet to a point, S55°34'14"W - 78.91 feet to a point, S62°53'57"W - 27.22 feet to a point, S68°14'11"W - 33.15 feet to a point, S78°31'01"W - 55.20 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118", S87°05'04"W - 28.63 feet to a point, N88°47'22"W - 40.09 feet to a point, N85°03'41"W - 31.04 feet to a point, N82°47'00"W - 109.16 feet to a point, N87°01'05"W - 33.45 feet to a point, S85°33'08"W - 78.19 feet to a point, S87°35'44"W - 56.28 feet to a point, N86°36'23"W - 65.14 feet to a point, N81°04'11"W - 77.54 feet to a point, N78°45'20"W - 306.02 feet to a point, N81°22'24"W - 109.23 feet to a 1/2" X 2" Mag Nail with washer stamped "Gooch PLS# 3118", said nail being the Southeast corner of Victor Proctor (D.B. 120, Pg. 493); Thence leaving the centerline of Black Rock Road and with the line of Proctor, N04°40'11"E - passing a iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments), at 20.00 feet and continuing at the same bearing for a total distance of 100.81 feet to a 3/8" rebar found with no ID Cap and N89°39'58"W - 129.92 feet to a 3/8" rebar found with no ID Cap, said pin being on the western boundary line of Mary Becht Dees (D.B. 89, Pg. 227 and D.B. 176, Pg. 404); Thence leaving the line of Proctor and with the line of Dees, N09°34'58"W - 1245.92 feet to a 3/4" iron rebar found at an 8" Hickory Tree, said pin being the Southwest corner of Dustin P. Cormier (D.B. 176, Pg. 405) and being a corner of Dees; Thence leaving the line of Dees and with the line of Cormier, N09°23'26"W - passing an iron witness pin set at 464.76 and continuing at the same bearing for a total distance of 466.76 feet to the center of a 10" Hickory Tree, N09°31'13"W - passing an iron witness pin set at 1.32 feet and continuing at the same bearing and passing a second iron witness pin set at 179.22 feet, continuing at the same bearing for a total distance of 180.76 feet to the center of a 16" Hickory Tree, and N09°54'12"W - passing an iron witness pin set at 1.30 feet and continuing at the same bearing for a total distance of 213.47 feet to a 3/4" iron rebar found (PLS# 1961), said pin being the Northeast Corner of Cormier and being on the south line of Kentucky Utilities Company (D.B. 122, Pg. 516); Thence leaving the line of Cormier and with the line of Kentucky Utilities Company, N73°54'08"E - 262.96 feet to an iron pin set at the base of a wood post, N74°52'17"E - 1205.10 feet to an iron pin set at the base of wood post, N74°16'31"E - 353.72 feet to an iron pin set at the base of a wood corner post, said pin being the Northwest corner of Jack Schirmer (D.B. 104, Pg. 731) and being on the line of Kentucky Utilities Company; Thence leaving the line of Kentucky Utilities Company and with the western line of Schirmer, S09°11'00"E - 981.68 feet to an iron pin set, S09°11'00"E - 625.19 feet to an iron pin set, S09°11'00"E - 840.76 feet to an iron pin set, and S09°11'00"E - 20.00 feet to the Point of Beginning for this description and containing 101.087 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 7th day of December, 2009.

Said property also being shown on that certain plat entitled "Boundary Survey Plat, Damon Lewis 1 Tract Totaling 101.087 Acres By Survey, Ghent, Carroll County, Kentucky" plotted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 21st day of December, 2009, a copy of which is attached to the Deed of record at Deed Book D181, Page 116, in the Office of the Clerk of Carroll County, Kentucky.

Item 29. BEING Parcel A, as shown on the Plat attached to the Deed of record at Deed Book D181, Page 93, in the Office of the Clerk of Carroll County, Kentucky, and also described as:

COMMENCING at a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the southwest corner of the property being surveyed and being the Southeast corner of Damon Lewis (D.B. 149, Pg. 489), said nail being approx. 0.48 miles east of the intersection of centerlines of Black Rock Road and Sharon Road and lying in Carroll County, Kentucky; Thence leaving the line of Lewis and with the centerline of Black Rock Road, N72°11'21"E - 101.04 feet to a point, N65°58'32"E - 35.98 feet to a point, and N70°25'59"E - 8.42 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the Point of Beginning for this description; Thence leaving the centerline of Black Rock Road and with two new line across the parent tract, N09°11'00"W - passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.33 feet and continuing at the same bearing for a total distance of 469.52 feet to an iron pin set and N75°47'28"E - 435.88 feet to an iron pin set, said pin being a corner of Carl D. Webster (D.B. 152, Pg. 678); Thence with the line of Carl D. Webster (D.B. 152, Pg. 678) the following four (4) courses, S22°49'08"E - 240.66 feet to an iron pin set, S82°45'32"W - 64.79 feet to an iron pin set at a fence corner post, S15°30'36"E - passing an iron pin witness pin set at 272.70 feet, continuing at the same bearing for a total distance of 274.15 feet to the center of a Walnut stump, S25°40'07"W - passing an iron witness pin set at 11.49 feet and continuing at the same bearing for a total distance of 30.20 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being a corner of Webster; Thence leaving the line of Webster and with the centerline of Black Rock Road the following six (6) courses: N64°19'53"W - 24.06 feet to a point, N82°35'46"W - 45.67 feet to a point, S83°55'20"W - 87.21 feet to a point, S84°39'29"W - 133.53 feet to a point, S77°23'10"W - 75.10 feet to a point, and S70°25'59"W - 81.69 feet to the Point of Beginning and containing 4.975 acres by survey.

All bearing are referenced the Kentucky State Plane Coordinate System – North Zone This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 8th day of October, 2009.

Item 29 being the same property acquired by Kentucky Utilities Company by deed dated December 23, 2009, and of record in Deed Book D181, page 93, in the Office of the Clerk of Carroll County, Kentucky.

Item 30. BEING Parcel B, as shown on the Plat attached to the Deed of record at Deed Book D181, Page 98, in the office of the Clerk of Oldham County, Kentucky, and also described as:

BEGINNING at a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the southwest corner of the property being surveyed and being the Southeast corner of Damon Lewis (D.B. 149, Pg. 489), said nail being approx. 0.48 miles east of the intersection of centerlines of Black Rock Road and Sharon Road and lying in Carroll County, Kentucky and being the Point of Beginning for this description; Thence leaving the centerline of Black Rock Road and with the eastern line of Damon Lewis (D.B. 149, Pg. 489), N09°11'00"W – passing an iron witness pins set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.00 feet, 860.76 feet, and 1485.95 feet respectively and continuing at the same bearing for a total distance of 2467.63 feet to an iron pin set at the base of an existing wood fence post, said pin being the Northeast corner of Damon Lewis and being on the line of Kentucky Utilities Company (D.B. 122, Pg. 516); Thence leaving the line of Lewis and with the line of Kentucky Utilities Company, N74°15'55"E – 872.96 feet to an iron pin set at the base of an existing wood post, said post being a corner of Kentucky Utilities Company and being a corner of Robert Victor Maddox (D.B. 157, Pg. 97); Thence leaving the line of Kentucky Utilities Company and with the line of Robert Victor Maddox (D.B. 157, Pg. 97), S18°41'13"E – passing an iron witness pin set at 960.60 feet and continuing at the same bearing for a total distance of 1857.57 feet to an iron pin found (PLS# 2251), said pin being the southwest corner of Maddox and also being the Northwest corner of Kentucky Utilities Company (D.B. 180, Pg. 253); Thence leaving the line of Maddox and with the line of Kentucky Utilities Company, S00°22'25"W – 153.45 feet to an iron pin set, said pin being on the line Kentucky Utilities Company and being the Northeastern corner of Carl D. Webster (D.B. 152, Pg. 678); Thence leaving the line of Kentucky Utilities Company and with the line of Carl D. Webster (D.B. 152, Pg. 678), S75°47'28"W – 573.52 feet to an iron pin set, said pin being a corner of Webster; Thence leaving the line of Webster and with two new lines across the parent tract, S75°47'28"W – 435.88 feet to an iron pin set and S09°11'00"E – 469.52 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road; Thence with the centerline of Black Rock Road, S70°25'59"W – 8.42 feet to a point, S65°58'32"W – 35.98 feet to a point, and S72°11'21"W – 101.04 feet to the Point of Beginning and containing 48.867 acres by survey.

All bearing are referenced the Kentucky State Plane Coordinate System – North Zone This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 8th day of October, 2009.

Item 30 being the same property acquired by Kentucky Utilities Company by deed dated December 23, 2009, and of record in Deed Book D181, page 98, in the Office of the Clerk of Carroll County, Kentucky.

Item 31. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

BEGINNING at a mag nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), said nail being in the centerline of Montgomery Road and being a corner of Sandra McDole (D.B. 56, Pg. 12, Gallatin Co.) and being on the line of Kevin Deaton (D.B. 47, Pg. 202, 4th tract), said pin being approximately 0.46 miles north of the intersection of centerlines of Montgomery Road and Black Rock Road, said nail lying in Gallatin County, Kentucky being the Point of Beginning for this description; Thence leaving the centerline of Montgomery Road and leaving the line of Kevin Deaton and with the line of Sandra McDole, S73°59'44"W - passing an iron witness pin set at wood fence post at 18.95 feet and continuing for a total distance of 284.15 feet to an iron pin found (PLS# 2119), said pin being a corner of Sandra McDole and Kentucky Utilities Company (D.B. 180, Pg. 253, Carroll County); Thence leaving the line of McDole and with the line of Kentucky Utilities Company, S74°23' 18"W - 796.56 feet to an iron pin found (PLS# 2119), S74°30'26"W - 354.68 feet to an iron pin found (PLS# 2251), and S74°48'55"W - 353.47 feet to an iron pin found (PLS# 2251), said pin being a corner of Jack Schirmer (D.B. 104, Pg. 731) and Kentucky Utilities Company; Thence leaving the line of Kentucky Utilities Company and with the line of Schirmer, N18°41'13"W - passing an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments), online at 896.97 feet and continuing for a total distance of 1857.57 feet to an iron pin set adjacent to a wood post found adjacent to a 48" Oak Tree as called for in Kentucky Utilities Company (D.B. 122, Pg. 516) and being a corner of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.); Thence leaving the line of Schirmer and with the line of Kentucky Utilities Company, N35°57'22"W - 508.19 feet to an iron pin found (PLS# 3423 and PLS# 3729), N32°39'34"W - 646.80 feet to an iron pin set adjacent to a fence corner post as called for in D.B. 122, Pg. 516, and N14°33'07"W - 297.00 feet to an iron pin set, said pin being a corner of David C. White and Lorenda White (D.B. 72, Pg. 199, Gallatin Co. and D.B. 129, Pg. 319, Carroll Co.); Thence leaving the line of Kentucky Utilities Company and with the line of White, N73°10'03"E - 396.34 feet to an iron pin set (PLS# 3423), said pin being a corner of White and being a corner of the property being claimed by Mark Kearns (No Deed Found); Thence leaving the corner of White and with property being claimed by Kearns, N75°50'04"E - 270.70 feet to an iron pin found (PLS# 3423), said pin being a corner of the property being claimed by Kearns and being corner of the Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.); Thence leaving the property being claimed by Mark Kearns (No Deed Found) and with the line of Mark Kearns (D.B. 106, Pg. 418), N75°50'04"E - 832.33 feet to an iron pin found (PLS# 3423), said pin being a corner of the property of Mark Kearns and Kentucky Utilities Company (D.B. 107, Pg. 590, Gallatin Co.); Thence leaving the line of Kearns and with the Kentucky Utilities Company Line, N75°50'04"E - passing an iron witness pin found (PLS# 3423) at 142.51 feet continuing for at total distance of 147.51 feet to

an Ash Tree Found, said Ash Tree being a corner of Kentucky Utilities Company and Mark Kearns; thence leaving the line of Kentucky Utilities Company and with the line of Mark Kearns, N75°50'04"E - passing a found P.K. nail in the Montgomery Road at 15.29 feet and continuing for a total distance of 16.90 feet to an mag nail set in the centerline of Montgomery Road; Thence continuing with the first the line of Kearns and second the line of David Brooks (D.B. 47, Pg. 342 Gallatin Co. and D.B. 47, Pg. 304, Gallatin Co.), S17°06'39"E - 187.53 feet to an iron pin set, said pin being 14.32 feet east of the centerline of Montgomery Road and being a corner of David Brooks; Thence continuing with the line of Brooks, S53°24'33"E - 483.25 feet to an iron pin set, said pin being 46.98 feet east of the centerline of Montgomery Road, S20°03'34"E - 826.58 feet to a mag nail set in the centerline of Montgomery Road and S33°08'48"E - 124.58 feet to a mag nail set in the centerline of Montgomery Road; Thence leaving the centerline of Montgomery Road and continuing with the line of David Brooks N73°46'07"E - 749.80 feet to an iron pin set a fence corner post, said pin being a corner of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract); Thence leaving the line of Brooks and with the line of Deaton, S11°38'19"E - 1690.61 feet to an iron pin found (PLS# 3423), said pin being in the northwestern edge of an existing gravel driveway, said pin also being the southeast corner of the parent tract and being a corner of Kevin Deaton (D.B. 47, Pg. 202, 4th tract) and being on the line of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract); Thence leaving the line of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract) and with the line of Kevin Deaton (D.B. 47, Pg. 202, 4th tract), the following thirteen courses: S72°52'10"W - 25.17 feet an iron pin found (PLS# 1961), S12°01'39"E - 4.82 feet to an iron pin found (PLS# 1961), S74°47'21"W - 156.29 feet to an iron pin found (PLS# 1961), N83°18'42"W - 45.40 feet to an iron pin found (PLS# 1961), N58°15'22"W - 29.75 feet to an iron pin set a fence post, N59°33'40"W - 144.87 feet to an iron pin set a fence post, N70°53'50"W - 71.88 feet to an iron pin set at a fence post, N78°52'05"W - 81.07 feet to a Mag Nail found in the centerline of Montgomery Road and continuing with the line of Deaton and with the centerline of Montgomery Road, S36°30'15"E - 34.78 feet to a point, S30°01'34"E - 26.82 feet to a point, S22°21'46"E - 47.61 feet to a point, S18°00'12"E - 94.61 feet to a point and S13°18'49"E - 50.14 feet to the Point of Beginning and containing 152.898 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas Gooch Ky. R.L.S. #3118, dated the 12th day of November, 2009.

Item 31 being all of Parcel III of that property acquired by Kentucky Utilities Company, by deed dated January 7, 2010, and of record in Deed Book D181, page 210, in the Office of the Clerk of Carroll County, Kentucky, and recorded in Deed Book D108, Page 324 in the Office of the Clerk of Gallatin County, Kentucky.

In previous descriptions of the above-described property there is excepted a one acre tract. Its location could not be determined from the description, it is not contained in any of the adjoining properties' current deeded description and it is not being tracked by the Carroll or Gallatin County PVA. The exception is described below:

"Beginning at a stone in the Graham Shirley Road 55 links N. of the corner of L.E. Dusch's land; thence N.65 1/4 E. 2.42 chains, N. 29 1/2 W. 3.40 chains, S.78 1/2 W. 1.75 chains to the center of road; thence down said road S 10 1/2 E. 1.56 chains, S. 13 1/4 E — 2.25 chains to the beginning, containing one acres, more or less."

AGE Engineering cannot determine the location or the current owner of this exception.

Item 32. BEGINNING at a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being a corner of the property being surveyed and being the Northwest corner of Charles Beckham (D.B. 152, Pg. 654), said nail being S81°55'30"W - 10.21 feet from the center of a Walnut tree stump, said nail also being approx. 0.61 miles east of the intersection of centerlines of Black Rock Road and Sharon Road and lying in Carroll County, Kentucky and being the Point of Beginning for this description; Thence leaving the corner of Beckham and with the centerline of Black Rock Road, N17°30'50"W - 36.11 feet to a point, N29°05'05"W - 45.18 feet to a point, N38°18'35"W - 15.87 feet to a point, and N64°19'53"W - 8.61 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the South east corner of Jack Schirmer (D.B. 104, Pg. 731); Thence leaving the centerline of Black Rock Road and with the line of Schirmer, N25°40'07"E - passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 18.71 feet and continuing at the same bearing for a total distance of 30.20 feet to the center of a Walnut Tree Stump; Thence continuing with the line Schirmer, N15°30'31"W - passing an iron witness pin set at 1.45 feet and continuing at the same bearing for a total distance of 274.15 feet to an iron pin set, N82°45'32"E - 64.79 feet to an iron pin set, N22°49'08"W - 240.66 feet to an iron pin set, and N75°47'28"E - 573.52 feet to an iron pin set, said pin being a corner of Jack Schirmer and being on the west line of Kentucky Utilities Company (D.B. 180, Pg. 253); Thence leaving the line of Schirmer and with the west line of Kentucky Utilities Company, S00°22'25"W - 470.50 feet to an iron pin found (PLS# 2251), S12°11'26"E - 524.36 feet to an iron pin found (PLS# 2251), S11°16'39"E - 324.35 feet to an iron pin found (PLS# 2251) and S11°16'39"E - 19.41 feet to a P.K. nail found in the centerline of Black Rock Road, said nail being the Southwest corner of Kentucky Utilities Company; Thence leaving the line of Kentucky Utilities Company and with the centerline of Black Rock Road, S87°43'08"W - 67.45 feet to a point, N84°56'24"W - 36.73 feet to a point, N71°19'51"W - 68.04 feet to a point, and N63°07'56"W - 58.48 feet to a 1/4" X 2" Mag Nail with washer stamped "Gooch PLS# 3118" set in the centerline of Black Rock Road, said nail being the Southeast corner of Charles Beckham (D.B. 152, Pg. 654); Thence leaving the centerline of Black Rock Road and with the line of Beckham, N23°44'00"W - passing an iron witness pin set at 31.50 feet and continuing at the same bearing for a total distance of 587.85 feet to an iron pin set at the base of fence corner post and S81°55'30"W - passing an iron witness pin set at 115.32 feet and passing the centerline of a walnut tree stump (mentioned above) at 125.07 feet and continuing at the same bearing for a total distance of 135.28 feet to the Point of Beginning for this description and containing 11.306 acres by survey

This description, prepared from a physical survey conducted by AGE Engineering, Ky. Douglas Gooch, R.L.S. #3118, dated

the day of December, 2009.

Item 32 being all of that property acquired by Kentucky Utilities Company by deed dated January 14, 2010, and of record in Deed Book D181, page 276, in the Office of the Clerk of Carroll County, Kentucky.

Item 33. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

Parcel 'A'

COMMENCING at a Mag Nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), in the centerline of Wards Run Road, said nail being the northern most corner of the parent tract of David C. & Lorenda White (D.B. 72, Pg. 199; Gallatin Co., D.B. 129, Pg. 319 Carroll Co., D.B. 129, Pg. 416 Carroll Co.) and a corner of the Wards Run Road right-of-way as dedicated in Plat Cabinet B, Slide 3 and Plat Cabinet B, Slide 15, said point being approximately 497 feet south of the intersection of centerlines of Wards Run Road and Montgomery Road, lying in Gallatin County, Kentucky; Thence with the centerline of Wards Run Road and the western edge of a 20' right-of-way that begins at centerline and extends easterly 20' as dedicated in Plat Cabinet B, Slide 3, S34°54'36"E - 48.57 feet to a point, S32°17'13"E - 93.10 feet to a point, S35°41'51"E - 27.66 feet to a point, S36°55'07"E - 28.64 feet to a point, and S42°28'12"E - 90.84 feet to a Mag Nail set in the centerline of the road and being the POINT OF BEGINNING FOR THIS DESCRIPTION; Thence leaving the centerline of Wards Run Road and with six (6) new lines across the parent tract, S46°34'27"W - passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.03 feet and continuing at the same bearing for a total distance of 468.16 feet to an iron pin set, N44°43'25"W - 326.70 feet to an iron pin set, S71°50'01"W - 240.45 feet to an iron pin set, S18°16'43"E - 421.49 feet to an iron pin set, N71°43'17"E - 429.98 feet to an iron pin set, and N51°04'42"E - 489.48 feet to an iron pin set in the centerline of an Old Road Bed, said pin being on the line of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence with the Millie Marie Lewis Testamentary Marital Deduction Trust, N49°36'40"W - 90.41 feet to an iron pin set and N40°13'37"W - passing from the centerline of a dirt road to the centerline of an asphalt paved road, 83.72 feet to the Point of Beginning and containing 4.989 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 16th day of November, 2009.

Said property also being shown on that certain plat entitled "Boundary Survey Plat, David & Lorenda White, 1 Tract Totaling 73.474 Acres By Survey, Ghent, Carroll and Gallatin County, Kentucky" plotted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 21st day of December, 2009.

Item 33 being the same property acquired by Kentucky Utilities Company by deed dated December 23, 2009, and of record in Deed Book D108, page 243, in the Office of the Clerk of Gallatin County, Kentucky, and recorded in Deed Book D181, Page 104 in the Office of the Clerk of Carroll County, Kentucky.

Item 34. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

PARCEL B

BEGINNING at a Mag Nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), in the centerline of Wards Run Road, said nail being the northern most corner of the parent tract of David C. & Lorenda White (D.B. 72, Pg. 199; Gallatin Co., D.B. 129, Pg. 319 Carroll Co., D.B. 129, Pg. 416 Carroll Co.) and a corner of the Wards Run Road right-of-way as dedicated in Plat Cabinet B, Slide 3 and Plat Cabinet B, Slide 15, said point being approximately 497 feet south of the intersection of centerlines of Wards Run Road and Montgomery Road, lying in Gallatin County, Kentucky and being the POINT OF BEGINNING FOR THIS DESCRIPTION; Thence with the centerline of Wards Run Road and the western edge of a 20' right-of-way that begins at centerline and extends easterly 20' as dedicated in Plat Cabinet B, Slide 3, S34°54'36"E - 48.57 feet to a point, S32°17'13"E - 93.10 feet to a point, S35°41'51"E - 27.66 feet to a point, S36°55'07"E - 28.64 feet to a point, and S42°28'12"E - 90.84 feet to a Mag Nail set in the centerline of the road; Thence leaving the centerline of Wards Run Road and with six (6) new lines across the parent tract, S46°34'27"W - passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.03 feet and continuing at the same bearing for a total distance of 468.16 feet to an iron pin set, N44°43'25"W - 326.70 feet to an iron pin set, S71°50'01"W - 240.45 feet to an iron pin set, S18°16'43"E - 421.49 feet to an iron pin set, N71°43'17"E - 429.98 feet to an iron pin set, and N51°04'42"E - 489.48 feet to an iron pin set in the centerline of an Old Road Bed, said pin being on the line of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence with centerline of the old road bed and the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, S62°31'08"E - 46.20 feet to an iron pin set, S61°25'58"E - passing a common corner of the Millie Marie Lewis Testamentary Marital Deduction Trust and Buell & Virginia Shields (D.B. 34, Pg. 440, Pg. 33, Pg. 303) 104.95 feet to an iron pin set, S47°40'15"E - 80.97 feet to an iron pin set, and S35°07'10"E - 44.25 feet to an iron pin set in the line of the Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.) and being a corner of Shields; Thence leaving the line of Shields and with the line of Kearns, S71°43'17"W 1211.85 feet to an iron pin found (PLS# 3423), and S21°13'42"E - 1647.77 feet to an iron pin found (PLS# 3423), said pin being a corner of the property being claimed by Mark Kearns (No Deed Found) and Mark Kearns (D.B. 106, Pg. 418, Gallatin Co.); Thence leaving the line of Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.) and with the property being

claimed by Kearns, S21°51'33"W - 393.25 feet to an iron pin found (PLS# 3423), said pin being on the line of Robert Maddox and Mary L. Seiler Scott (D.B. 92, Pg. 53, Gallatin Co.; D.B. 157, Pg. 97, Carroll Co.; D.B. 45, Pg. 601, Carroll Co.; D.B. 24, Pg. 308, Gallatin Co.; hereinafter referred to as the Maddox & Seiler property) and being a corner of the property being claimed by Kearns; Thence leaving the property being claimed by Kearns and with the line of the Maddox & Seiler property, S73°10'03"W - 396.34 feet to an iron pin set, said pin being on the line of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.); Thence leaving the line of Seiler & Maddox property and with the line of Kentucky Utilities Company, N09°27'35"W - 62.32 feet to a point in the centerline of the creek; Thence continuing with the line of Kentucky Utilities Company property and down the centerline of the creek, N11°58'53"W - 92.60 feet to a point in the centerline of the creek, N24°01'52"W - 72.21 feet to a point in the centerline of the creek, N54°27'33"W - 69.60 feet to a point in the centerline of the creek, N41°56'59"W - 114.61 feet to a point in the centerline of the creek, N59°42'37"W - 26.39 feet to a point in the centerline of the creek, N51°15'45"W - 109.52 feet to a point in the centerline of the creek, N22°01'44"W - 77.82 feet to a point in the centerline of the creek, said point being at the forks of a drain, N58°23'12"W - 98.40 feet to a point in the centerline of the creek, passing a corner of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.) and Kentucky Utilities Company property (D.B. 132, Pg. 513, Carroll Co.), N58°40'15"W - 58.33 feet to a point in the centerline of the creek (said point being referenced by an iron pin set on the east bank of the creek, said pin being N70°12'23"E - 52.27 feet from the point), N21°56'41"W - 188.72 feet to a point in the centerline of the creek, N35°34'19"W - 142.41 feet to a point in the centerline of the creek, N41°53'35"W - 217.54 feet to a point in the centerline of the creek, N33°45'50"W - 104.29 feet to a point in the centerline of the creek, N23°19'01"W - 126.56 feet to a point in the centerline of the creek, N31°28'35"W - 63.16 feet to a point in the centerline of the creek (said point being referenced by an iron reference pin found (PLS# 3423) on the west bank of the creek, S36°51'52"W - 23.35 feet from said point), N65°23'38"W - 211.82 feet to a point in the centerline of the creek, N62°16'6"W - 62.05 feet to a point in the centerline of the creek, N45°34'49"W - 58.66 feet to a point in the centerline of the creek, N05°07'16"W - 83.17 feet to a point in the centerline of the creek, N28°00'23"W - 178.59 feet to a point in the centerline of the creek, N31°47'40"W - 66.64 feet to a point in the centerline of the creek, N13°49'03"W - 145.28 feet to a point in the centerline of the creek, N20°08'27"E - 209.54 feet to a point in the centerline of the creek (said point being referenced by an iron reference pin found (PLS# 3423) on the west bank of the creek, said pin being N26°52'32"W - 33.34 feet from said point), N09°19'10"W - 75.06 feet to a point in the centerline of the creek, N12°52'00"W - 83.56 feet to a point in the centerline of the creek, N24°08'58"E - 51.75 feet to a point in the centerline of the creek, and N06°06'04"W - 15.12 feet to a point in the centerline of the creek, said point being on the eastern line of Kentucky Utilities Company property (D.B. 132, Pg. 513, Carroll Co.) and being a corner of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence leaving the line of Kentucky Utilities Company and with the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, N71°50'01"E - 1674.51 feet to an iron pin found (with no ID Cap), said pin being a corner of Alice M Lafferty (D.B. 85, Pg. 292, Gallatin Co.); Thence leaving the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, and with the line of Lafferty, N71°32'56"E - 262.06 feet to an iron pin (PLS# 1989), said pin being a corner of Lafferty and being a corner of the right-of-way as dedicated on Plat Cabinet B, Slide 15; Thence leaving the line of Lafferty and with the right-of-way as dedicated on Plat Cabinet B, Slide 13, N71°32'56"E - 19.99 feet to the Point of Beginning and containing 68.485 acres by survey

This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L. S. #3118, dated the 16th day of November, 2009.

Said property also being shown on that certain plat entitled "Boundary Survey Plat, David & Lorenda White, 1 Tract Totaling 73.474 Acres By Survey, Ghent, Carroll and Gallatin County, Kentucky" plotted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 21st day of December, 2009.

Item 34 being the same property acquired by Kentucky Utilities Company by deed dated December 23, 2009, and of record in Deed Book D108, page 247, in the Office of the Clerk of Gallatin County, Kentucky, and recorded in Deed Book D181, Page 109 in the Office of the Clerk of Carroll County, Kentucky.

Item 35. PARCEL ONE. A certain tract of land located in Carroll County and Gallatin County, Kentucky, on the west side of Montgomery Road, approximately 0.1 mile north of the intersection of Montgomery Road and Black Rock Road and further described as follows:

Unless noted otherwise any monument referred to as a "set iron pin: is a 1/2 x 18" rebar with a plastic cap stamped "BATTS PLS 2110". The basis of bearings is from a magnetic bearing observed on November 25, 2003.

Beginning at a set mag nail at the intersection of Black Rock Road and Montgomery Road; thence with the centerline of Montgomery Road for the following 2 calls, North 06 degrees 07 minutes 12 seconds East, a distance of 105.05 feet to a set mag nail; thence North 01 degrees 02 minutes 07 seconds a distance of 105.05 feet to a set mag nail; thence North 01 degrees 02 minutes 07 seconds West, a distance of 274.68 feet to a set mag nail corner to Tract 2 created this date and the TRUE POINT OF BEGINNING, thence a new division line with the centerline of Montgomery Road for the following 10 calls, North 00 degrees 23 minutes 37 seconds East, a distance of 216.26 feet to a set mag nail; thence North 01 degrees 03 minutes 32 seconds West, a distance of 278.72 feet to a set mag nail. thence North 03 degrees 56 minutes 56 seconds West, a distance 157.72 feet to asset mag nail, thence North 00 degrees 42 minutes 10 seconds West, a distance 198.80 feet to asset mag nail, thence North 02 degrees 25 minutes 30 seconds East, a distance of 277.13 feet to asset mag nail, thence North 00 degrees 09 minutes 07 seconds East, a distance of 148.09 feet to a set mag nail, thence North 09 degrees 21 minutes 46 seconds East, a distance 117.90 feet to a set mag nail; thence North 19 degrees 28 minutes 16 seconds East, a distance of 142.48 feet to a set mag nail; thence North 23 degrees 58 minutes 34 seconds East, a distance of 36.54 feet, thence North 34 degrees 29 minutes 13 seconds East, a distance of 93.98 feet to a set mag nail corner to Sandra Mcdole (DB 59. PG 434 Gallatin Co); thence with

the line of McDole for the following 3 calls, North 55 degrees 09 minutes 51 seconds West, a distance of 21.01 feet to a set iron pin witnessed by a snag, thence South 68 degrees 07 minutes 50 seconds West, a distance of 230.65 feet to a set iron pin witnessed by a steel post; thence North 07 degrees 32 minutes 52 seconds East, a distance of 362.58 feet to a set iron pin witnessed by a steel post in the line of Robert Victor Maddox (DB 157 PG 97 Carroll Co) (DB 92, PG 53 Gallatin Co) thence with the line of Maddox South 76 degrees 39 minutes 01 seconds West, a distance of 796.25 feet to a set iron pin witnessed by a post; thence a new division line for the following 4 calls, South 12 degrees 27 minutes 42 seconds East, a distance of 908.07 feet to a set iron pin witnessed by a post, thence South 13 degrees 01 minutes 43 seconds East, a distance of 587.54 feet to a set iron pin witnessed by a 12 inch locust; thence South 12 degrees 57 minutes 47 seconds East, a distance of 254.87 feet to a set iron pin witnessed by a post; thence South 11 degrees 55 minutes 13 seconds East, a distance of 45.61 feet to a set iron pin corner to Tract 2 created this date, thence with the line of Tract 2 for the following 2 calls, north 88 degrees 17 minutes 59 seconds East, a distance of 421.95 feet to a set iron pin, thence North 88 degrees 17 minutes 59 seconds East, a distance 11.75 feet to the TRUE POINT OF BEGINNING. The above described parcel contains 26.801 acres and is subject to all right-of-ways, easements, and passways of record and in existence. This legal description is derived from a survey by R.B. Batts PLS #2119 done from November 25, 2003 to December 01, 2003.

PARCEL TWO: Being a certain parcel of real estate located in Carroll County, Kentucky, lying on the northern side of Black Rock Road, approximately 0.1 mile westerly of the intersection of Black Rock Road and Montgomery Road, said parcel being further bounded and described as follows.

Beginning at a set mag nail in the center of Black Rock Road at the southeastern corner of Jack Schirmer and Geraldine Schirmer, Deed Book 104, Page 731; thence with the center of Black Rock Road for the following twelve (12) courses and distances: North 85 degrees 35 minutes 13 seconds East a distance of 247.72 feet to a found mag nail; North 89 degrees 48.22 seconds East, a distance of 54.29 feet to a set mag nail South 83 degrees 31 minutes 29 seconds East a distance of 94.14 feet to a set mag nail; South 76 degrees 11 minutes 09 seconds East, a distance of 59.89 feet to a set mag nail; South 59 degrees 52 minutes 42 seconds East a distance of 61.09 feet to a set mag nail; South 47 degrees 24 minutes 22 seconds East, a distance of 70.50 feet to a set mag nail; South 40 degrees 17 minutes 57 seconds East, a distance of 151.72 feet to a set mag nail; South 45 degrees 19 minutes 14 seconds East, a distance of 71.47 feet to a set mag nail; South 53 degrees 16 minutes 13 seconds East, a distance of 62.23 feet to a set mag nail; South 62 degrees 50 minutes 43 seconds East, a distance of 61.11 feet to a set mag nail; South 72 degrees 59 minutes 46 seconds East, a distance of 73.37 feet to a set mag nail; south 88 degrees 32 minutes 43 seconds East, a distance of 156.75 feet to a set mag nail corner to Steven Owen and Wilhemenia Owen, Deed Book 159, Page 307; thence with the line of Steve Owen North 14 degrees 01 minutes 35 seconds West, passing through a found 1/2 inch rebar with a plastic cap engraved "BATTS PLS 2119" hereafter referred to as a found iron pin with cap, at 18.82 a total distance of 274.12 feet to a found 1/2 inch rebar with no plastic cap corner to Adrian Owen and Norma Owen, Deed Book 71, Page 262 thence with the line of Adrian and Norma Owen for the following four (4) courses and distance; North 14 degrees 20 minutes 44 seconds West, a distance of 45.62 feet to a found iron pin with cap; North 15 degrees 09 minutes 56 seconds West, a distance of 254.96 feet to a found iron pin with cap; North 15 degrees 13 minutes 18 seconds West, a distance of 587.45 feet to a found iron pin with cap, North 14 degrees 39 minutes 00 seconds West, a distance of 908.01 feet to a found iron pin with cap in the line of Robert Victor Maddox, Deed Book 157, Page 97; thence with the line of Maddox for the following two (2) courses and distances:

South 74 degrees 30 minutes 18 seconds West, a distance of 354.91 feet to a set iron pin with cap engraved "ANDREW KY 2251", hereinafter referred to as a "set iron pin with cap", South 74 degrees 50 minutes 17 seconds West, a distance of 353.28 feet to a set iron pin with cap in the line of the aforementioned Schirmer, thence with the line of Schirmer for the following (4) courses and distances: South 00 degrees 23 minutes 07 seconds West, a distance of 623.95 feet to a set iron pin with cap next to a 15 inch walnut, South 12 degrees 10 minutes 20 seconds East, a distance of 524.35 feet to a set iron pin with cap next to a 12 inch walnut South 11 degrees 15 minutes 49 seconds East, a distance 324.59 feet to a set iron pin with a cap next to a post, South 11 degrees 15 minutes 49 seconds East, a distance of 19.33 feet to a point of beginning.

Containing an area of 33.93 acres of land, more or less

Parcels One and Two (Item 35) being the same property conveyed to Kentucky Utilities Company by Deed dated September 17, 2009, and recorded in Deed Book D180, Page 253, in the Office of the Clerk of Carroll County, Kentucky, and recorded in Deed Book D107, Page 584, in the Office of the Clerk of Gallatin County, Kentucky.

Item 36. Parcel #1: Situated in the Commonwealth of Kentucky, Gallatin and Carroll County, east of the City of Ghent, being all of the remaining land heretofore conveyed to Kentucky Utilities Company, by deed dated March 18, 2010 and recorded in Deed Book D108, Page 668 in the Office of the Clerk of Gallatin County, Kentucky, and recorded in Deed Book D181, Page 684 in the Office of the Clerk of Carroll County, Kentucky, and being more particularly described as follows:

Beginning at an existing Ash tree on the northerly line of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 324 (Gallatin Co.) and Deed Book 181, Page 210 (Carroll Co.) and the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 107 Page 590 of said Gallatin County deed records, and a point on the westerly right-of-way line of Montgomery Road being fifteen (15) feet from the center of said road, said tree witnessed by a found 5/8" iron pin stamped One Eleven #3423, N76°34'28"W, 5.00 feet;

Thence along said Kentucky Utilities Company tract of land on the following three (3) courses:

1. along said westerly right-of-way line of Montgomery Road, N24°45'49"E, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
2. leaving said westerly right-of-way line, N76°34'28"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
3. S24°45'49"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423 on the northerly line of said Kentucky Utilities Company tract of land;

Thence along said northerly line, N76°34'28"W, passing a set iron pin and cap, at a distance of 832.50 feet, a total distance of 1103.10 feet to a set iron pin and cap at a southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities, by deed, recorded in Deed Book 108 Page 247 and 108 Page 443 (Gallatin County) as well as Deed Book 181 Page 104 and Deed Book 181 Page 109 (Carroll County)

Thence along the lines of said Kentucky Utilities Company tract of land, on the following three (3) courses:

1. N49°25'56"E, 393.22 feet to a set iron pin and cap;
2. N06°21'30"E, 1647.79 feet to a set iron pin and cap;
3. S80°41'18"E, 1225.11 feet to a set iron pin and cap on a westerly line of a tract of land heretofore conveyed to Buell and Virginia Shields, by deeds, recorded in Deed Book 34 Page 440 and Deed Book 33 Page 303;

Thence along the lines of said Shields' tract of land on the following four (4) courses:

1. S02°40'22"E, 282.87 feet to a set iron pin and cap;
2. S06°36'57"E, 610.38 feet to a set iron pin and cap;
3. S25°24'47"W, passing a set iron pin and cap at a distance of 263.30 feet, a total distance of 268.30 feet to a found fence post;
4. S72°21'10"E, passing a set iron pin and cap at a distance of 5.00 feet, and a distance of 239.70 feet on the westerly right-of-way line of Montgomery Road, a total distance of 298.06 feet to a set mag nail in the center of Montgomery Road and a southwesterly most corner of a tract of land heretofore conveyed to Barry and Alma Shields, by deed, recorded in Deed Book 83 Page 369, of the Gallatin County Deed Records;

Thence along the southerly line of said Barry and Alma Shields' tract of land, on the following four (4) courses;

1. S70°39'09"E, 54.35 feet to a found 1/2" iron pin;
2. S70°39'09"E, passing a set iron pin and cap on the easterly right-of-way line of Montgomery Road, at a distance of 21.59 feet, a total distance of 1119.53 feet to a found fence post;
3. S68°41'56"E, 141.63 feet to a found fence post;
4. S66°40'41"E, passing a found iron pin and cap stamped Mylor #1961, at a southerly corner of said Buell and Virginia Shields' tract of land, a total distance of 127.44 feet to a set iron pin and cap;

Thence along said line of Buell and Virginia Shields' tract on the following two (2) courses:

1. S62°05'58"E, 811.82 feet to a fence post;
2. S29°25'17"W, 1420.15 feet to a found iron pin and cap stamped Mylor #1961 at the northwesterly most corner of a tract of land heretofore conveyed to Kevin and Lucy Deaton, by deed, recorded in Deed Book 47 page 202, and the northeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 334 of the Gallatin County Deed Records;

Thence along the northerly line of said Kentucky Utilities Company tract of land on the following four (4) courses:

1. N63°04'43"W, 1062.48 feet to a set iron pin and cap;
2. N57°26'21"E, 86.04 feet to a set iron pin and cap;
3. N27°55'46"E, 151.59 feet to a found 1/2" iron pin;
4. N62°24'44"W, passing a set iron pin and cap on the westerly right-of-way line of Montgomery Road, a distance of

1436.90 feet a total distance of 1451.92 feet to a set mag nail in the center of Montgomery Road and on the easterly line of said Kentucky Utilities Company tract of land;

Thence along the lines of Kentucky Utilities Company tract of land, on the following two (2) courses:

1. along the center of Montgomery Road, N24°45'49"E, 7.15 feet to a set mag nail;
2. N76°34'28"W, 15.30 feet to the beginning.

Containing 128.3422 acres of land more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way of record.

Further being subject to an existing 30 feet wide right-of-way for Montgomery Road, being 15 feet on either side of the following described centerline:

Beginning at set mag nail at the northeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 108 Page 324 of the Office of the Clerk of Gallatin County, Kentucky, and Deed Book 181, Page 210 in the Office of the Clerk of Carroll County, Kentucky, and being more particularly described as follows:

Thence N24°45'49"E, 192.38 feet to a set mag nail; Thence N25°54'22"E, 113.79 feet to a set mag nail; Thence N25°15'06"E, 342.76 feet to a set mag nail; Thence N31°24'50"E, 87.96 feet to a set mag nail; Thence N46°04'17"E, 36.28 feet to a set mag nail; Thence N64°33'00"E, 38.84 feet to a set mag nail; Thence N73°18'02"E, 114.19 feet to a set mag nail; Thence N74°54'35"E, 64.49 feet to a set mag nail; Thence N77°56'39"E, 53.65 feet to a set mag nail; Thence N83°40'42"E, 53.30 feet to a set mag nail; Thence S86°25'53"E, 50.70 feet to a set mag nail at the southeasterly most corner of a tract of land heretofore conveyed to Barry and Alma Shields, by deed, recorded in Deed Book 83 Page 369 in the Office of the Clerk of Gallatin County, Kentucky; records and the terminus of the centerline description.

Containing 0.7971 of an acre of land more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way of record.

Iron pins called to be set are 5/8" iron pins, twenty-four inches in length, with an orange cap stamped One Eleven #3423.

The above description and bearing system is based on the Kentucky Utilities Plant Grid System. It is further based on a field survey made by One Eleven Engineering and Surveying PLLC dated October 21, 2009.

This survey prepared by One Eleven Engineering and Surveying PLLC, James J. Bertram Jr. PLS, #3423 in the Commonwealth of Kentucky, October 21, 2009 and Revised March 16, 2010.

Item 37. Parcel #2: Situated in the Commonwealth of Kentucky, Gallatin and Carroll County, east of the City of Ghent, being a portion of the land heretofore conveyed to Kentucky Utilities Company, by deed dated March 18, 2010 and recorded in Deed Book D108, Page 668 in the Office of the Clerk of Gallatin County, Kentucky, and in Deed Book D181, Page 684 in the Office of the Clerk of Carroll County, Kentucky, and being more particularly described as follows:

Commencing at an existing Ash tree on the northerly line of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 324 (Gallatin Co.) and Deed Book 181, Page 210 (Carroll Co.) and the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 107 Page 590 of said Gallatin County deed records, and a point on the westerly right-of-way line of Montgomery Road being fifteen (15) feet from the center of said road, said tree witnessed by a found 5/8" iron pin stamped One Eleven #3423, N76°34'28"W, 5.00 feet.

Thence along said Kentucky Utilities Company tract of land on the following three (3) courses:

1. along said westerly right-of-way line of Montgomery Road, N24°45'49"E, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
2. leaving said westerly right-of-way line, N76°34'28"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
3. S24°45'49"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423 on the northerly line of said Kentucky Utilities Company tract of land;

Thence along said northerly line, N76°34'28"W, 832.50 feet to a set iron pin and cap stamped One Eleven 3423, said point being the Principal Point of Beginning.

Thence N76°34'28"W 270.60 feet to a set iron pin and cap stamped One Eleven 3423, in the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities, by deed, recorded in Deed Book 108 Page 247 and 108 Page 443 (Gallatin County) as well as Deed Book 181 Page 104 and Deed Book 181 Page 109 (Carroll County);

Thence along said line of Kentucky Utilities Company, N49°25'56"E 393.22 feet to a set iron pin and cap stamped One Eleven 3423 in the Northerly line of the aforementioned Kearns' property;

Thence along the line of said Kearns' tract, S06°21'30"W 320.53 feet to the Point of Beginning.

Containing 0.9880 total acres of land, more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way of record. The above-described parcel of land contains 0.3936 Acres of land, more or less, in Carroll County, Kentucky and 0.5944 Acres of land, more or less in Gallatin County, Kentucky.

Iron pins called to be set are 5/8" iron pins, twenty-four inches in length, with an orange cap stamped One Eleven #3423.

The above description and bearing system is based on the Kentucky Utilities Plant Grid System. It is further based on a field survey made by One Eleven Engineering and Surveying PLLC dated October 21, 2009. This survey prepared by One Eleven Engineering and Surveying PLLC, James J. Bertram Jr. PLS #3423 in the Commonwealth of Kentucky, October 21, 2009.

The following described real estate of the Company situated in Casey County, Kentucky:

Item 1. A parcel of land lying and being on Highway No. 70, described as follows: Beginning Corner "A" is the southeast property corner of Stanley Lemon's property, which said corner is a small 6 in. locust tree, in the north right of way line of Highway No. 70 and 2½ feet northwest of large fence post also about 30 feet northwest from the center line of the above said highway, running thence N. 42-36 W with the property line between the lands of Stanley Lemon and Ray W. Grider, along old wire fence 198.7 feet more or less to corner "B" in said property line, thence N. 53-30 E. leaving Stanley Lemon's property 125.0 feet more or less to Corner "C"; thence S. 42-36 E. 198.7 feet more or less to corner "D" in the north right of way line also about 30 feet northwest of the center line of the above said highway and about 450 feet west from the center of highways 22' x 33' concrete bridge crossing Bryant's Creek; thence S. 53-30 W with the north right of way line of the above said highway 125.0 feet more or less to the beginning Corner "A"; being the property acquired by the Company by deed dated January 21, 1954, and recorded in Deed Book 64, page 569, in the Office of the Clerk of Casey County, Kentucky.

The following described real estate of the Company situated in Christian County, Kentucky:

Item 1. That certain tract of land known as the "Johnson Tract" described as follows: Beginning at the northwest corner of the bridge across the west fork of Pond River; running thence with bridge S. 16-20 E. 83 feet; thence S. 60-15 W. 143 feet to a stone earner; thence N. 51-15 W. 8 feet to a stone corner near low water of river; thence 20 feet east of the low water mark and parallel with the meanderings of the west fork of Pond River a distance of 1240 feet to a stone corner in the line of the Johnson and Inglefield tracts; thence S. 84-55 W. 20 feet to the low water of said river; thence down said river with the meanderings of the low water line on the east side of the stream and parallel with the above mentioned 20 foot line to the intersection of low water and the line of the Ford tract; thence S. 51-15 E. 5 feet to a stone corner on bank of creek, another Ford corner; thence N. 41 28 E 140 feet to the beginning, containing 76/100 of an acre.

Item 2. That certain tract of land known as the "Inglefield Tract" described as follows: Beginning at the low water line of the west fork of Pond River; running thence N. 84-55 E. 135 feet to a stone in the line of the Johnson and this tract; thence S. 5-47 E. 230 feet to a stone; thence S. 84-50 W. 256 feet to the low water line of said river; thence with said river on the east side with the current a distance of 265 feet to the beginning, which is the Johnson and Inglefield corner, containing 1 acre, more or less.

The property described above in Items 1 and 2 was acquired by the Company by deed dated January 11, 1950, and recorded in Deed Book 154, Page 439, in the Office of the Clerk of Christian County, Kentucky.

Item 3. A parcel of land situated approximately one mile north of the Town of Crofton described as follows: Beginning at a point in the easterly line of U.S. Highway 41, at a corner fence post at the Southwest corner of land now or formerly belonging to Doris B. Lanier and running along the said easterly line S. 26½° E. a distance of one hundred twenty (120) feet to a stake; thence turning and running N. 81 2/5° E. a distance of one hundred seven (107) feet to a stake; thence turning and running N. 26½° W. a distance of one hundred twenty (120) feet to a stake in a wire fence at land now or formerly belonging to Doris B. Lanier; thence turning and running along said wire fence and by land of said Lanier, S. 81 2/5° W. a distance of one hundred seven (107) feet to the point of beginning; containing 0.3 acres, more or less; being the property acquired by the Company by deed dated March 24, 1954, and recorded in Deed Book 240, page 541, in the Office of the Clerk of Christian County, Kentucky.

Item 4. A certain lot or parcel of land in Mannington, Kentucky, Christian County on Highway 407 more particularly described as follows: Beginning at a concrete Monument in the West right of way line of Highway 407, said Monument is located South 79 degrees 36 feet West-124.40 feet from the centerline intersection of Highway 407 and L and H Railroad Spur, (Original Main Line); thence with the right of way line, Highway 407 South 55 degrees 30 feet West-98.00 feet to a concrete Monument; thence leaving said right of way North 59 degrees 30 feet West 150.00 feet to a Corner Stone; thence North 30 degrees 30 feet East-77.75 feet to a Corner Stone; thence South 62 degrees 43 feet East-191.80 feet to the beginning; being the property acquired by the Company by deed dated May 31, 1974, and recorded in Deed Book 368, page 252, in the Office of the Clerk of Christian County, Kentucky.

The following described real estate of the Company situated in Clark County, Kentucky:

Item 1. A ninety-nine year leasehold on a tract of land, described as follows: Beginning at a point eighty (80) feet westwardly at right angles from the center line of the main track of the Kentucky Central Division Line of the Louisville & Nashville Railroad Company, said point being six hundred and forty-nine (649) feet south of Mile Post Ninety-six (96) from Winchester; thence south nineteen (19) degrees thirty (30) minutes west four hundred (400) feet to the east line of a public lane; thence south seventy (70) degrees east with said eastern line of the public lane four hundred and eleven (411) feet to a point eighty (80) feet westwardly at right angles from said center line of the main track; thence north parallel with and eighty (80) feet west from said center line of main track five hundred and seventy-five (575) feet to the place of beginning, containing one and eighty-five hundredths (1.85) acres.

Item 2. A certain tract of land situated in City of Winchester described as follows: Beginning at a point on the Northwest line of the tract of land leased to the Winchester Ry. Light & Ice Co. by the L. & N. Railway Company, by contract dated December 27, 1901, for a term of 99 years, said point being 80 feet southwesterly at right angles from the center line of the main track of the Ky. Division of the L. & N. R. R.; thence south 19° 30' west with said northwesterly line, a distance of 400 feet more or less, to the north line of the Public Land; thence north 70° west with the north line of Public Land a distance of 233 feet to the southwesterly line of a lane or street; thence north 19° 30' east, with said line of lane or street, a distance of 365 feet; thence south 70° east a distance of 100 feet; thence north 19° 30' east, a distance of 40 feet; thence south 69° 30' east, a distance of 133 feet to the place of beginning.

The property described above in Items 1 and 2 was acquired by the Company by deed dated October 15, 1912, and recorded in Deed Book 84, page 330, in the Office of the Clerk of Clark County, Kentucky.

Item 3. Lots numbered Two (2), Three (3), Four (4) and Five (5) in Block "C" Hampton Court Addition to the City of Winchester, Clark County, Kentucky, said lots Nos. Two (2) and Three (3) fronting or facing a total distance of one hundred ninety six and 5/10ths (196.5) feet, more or less, on Short Street, and said Lot No. Four (4) fronting or facing twenty-four and 1/10th (24.1) feet, more or less, and said Lot No. Five (5) fronting or facing twenty-five (25) feet, more or less, on Hood Avenue; and each of said lots running back one hundred fifty (150) feet, more or less, as shown on the Plat of Hampton Court Addition; subject to restrictive covenants of record in Deed Book 94, pages 288-289, Clark County Court Clerk's office; being the property acquired by the Company by deed dated May 18, 1962, and recorded in Deed Book B-165, page 23, in the Office of the Clerk of Clark County, Kentucky.

Item 4. Lots Numbered Six (6), Seven (7) and Eight (8) in Block "C" Hampton Court Addition to the City of Winchester, Clark County, Kentucky, each of said lots fronting or facing Twenty-Five (25) feet on Hood Avenue and running back a distance of One Hundred Fifty (150) feet, more or less, as shown on the Plat of Hampton Court Addition of record in Deed Book 94, pages 288-89, Clark County Court Clerk's office; subject to restrictive covenants of record in Deed Book 94, page 288, in said Clerk's office; and being the property acquired by the Company by deed dated December 2, 1964, and recorded in Deed Book B-173, page 320, in the Office of the Clerk of Clark County, Kentucky.

Item 5. A parcel of land situated on the southerly side of Kentucky Highway No. 15 (Iron Works Turnpike) and north of the C & O Railroad two miles east of Winchester, in Clark County, Kentucky, to-wit: Beginning at a point (an iron pin) in the southerly right-of-way line of Kentucky Highway No. 15, said point being a corner to Gibson, Smith, Gibson Subdivision Extension; thence with the south right-of-way line of Kentucky Highway No. 15 S 86° 02' E 200 feet to an iron pin, a new corner to Mary Clay Ramsey; thence for a new line with Mary Clay Ramsey S 01° 15' W 684.4 feet to an iron pin in the right-of-way of the C & O Railroad and 60 feet north of the center line of the tracks; thence with the right-of-way of the C & O Railroad and 60 feet north of and parallel to the center line of the tracks for five calls; N 81° 34' W 50 feet to a stake, N 82° 25' W 100 feet to a stake, N 82° 50' W 100 feet to a stake, N 83° 20' W 100 feet to a stake, and N 83° 57' W 100 feet to an iron pin in the line of Gibson, Smith, Gibson Subdivision Extension, said pin being 60 feet north of the center line of the tracks; thence with the line of said subdivision N 22° 10' E 694.23 feet to the beginning, and containing 5.014 acres; being the property acquired by the Company by deed dated February 26, 1965, and recorded in Deed Book B-174, page 131, in the Office of the Clerk of Clark County, Kentucky.

Item 6. A parcel of land situated on the north side of U.S. Highway #60 described as follows: Beginning at an iron pipe in the north right-of-way line U.S. #60, said pipe being 197 feet west of the west margin of a passway between property of David J. Huls and Matt Marshall; then with north margin of Highway #60 twenty-five feet from and parallel to the center line of said Highway, North 55 degrees 30 minutes West 125 feet to an iron pipe; thence three division lines through the property of David J. Huls as follows: North 34 degrees 30 minutes East 250 feet to an iron pipe; thence South 55 degrees 30 minutes East 125 feet to an iron pipe; thence South 34 degrees 30 minutes West 250 feet to the beginning, containing an area of 0.717 acre, more or less; being the property acquired by the Company by deed dated March 30, 1965, and recorded in Deed Book B-174, page 292, in the Office of the Clerk of Clark County, Kentucky.

LESS AND EXCEPTING (from Item 6):

Parcel No. 42, Tract A. Being a tract of land lying in Clark County along KY 15 approximately 0.9 kilometers (0.56 miles) east of the intersection of KY 1960 and KY 15, and more particularly described as follows:

Beginning at a point in the east property line, said point 11.122 meters (36.49 feet) left of KY 15 centerline station 5+082.716; thence with said property line South 00 Degrees 59 Minutes 53 Seconds West, a distance of 28.666 meters (94.05 feet) to a point 39.319 meters (129.00 feet) left of KY 15 centerline station 5+084.982, said point being in the proposed right of way;

thence with said right of way line South 89 Degrees 51 Minutes 23 Seconds West, a distance of 7.410 meters (240.85 feet) to a point 39.784 meters (130.52 feet) left of KY 15 centerline station 5+153.120, said point being in the west property line; thence with said property line North 23 Degrees 1 Minutes 26 Seconds East, a distance of 35.104 meters (115.17 feet) to a point 6.758 meters (22.17 feet) left of KY 15; thence with said right of way line South 86 Degrees 45 Minutes 35 Seconds East, a distance of 60.125 meters (197.26 feet) to the point of beginning.

The above described parcel contains 2,043 sq. meters (21,991 sq. ft.)

Parcel No. 42, Tract B. Being a tract of land lying in Clark County along KY 15 approximately 0.9 kilometers (0.56 miles) east of the intersection of KY 1960 and KY 15; and more particularly described as follows:

Beginning at a point in the proposed right of way, said point being 38.387 meters (125.94 feet) left of KY 15 centerline station 5+125.364; thence leaving said right of way line South 00 Degrees 08 Minutes 38 Seconds East, a distance of 4.977 meters (16.33 feet) to a point 43.363 meters (142.27 feet) left of KY 15 centerline station 5+125.277; thence South 89 Degrees 35 Minutes 39 Seconds West, a distance of 13.839 meters (45.40 feet) to a point 43.862 meters (143.90 feet) left of KY 15 centerline station 5+137.998; thence North 00 Degrees 08 Minutes 42 Seconds West, a distance of 5.040 meters (16.54 feet) to a point 38.826 meters (127.38 feet) left of KY 15 centerline station 5+138.205, said point being in the proposed right of way; thence with said right of way line North 89 Degrees 51 Minutes 23 Seconds East, a distance of 13.839 meters (45.40 feet) to the point of beginning.

The above described parcel contains 69 sq. meters (743 sq. ft.) as conveyed by the Company to a third party in September, 2005.

Item 7. A certain lot or parcel of land in Mt. Vernon Place, an addition to the City of Winchester, Kentucky, it being Lot No. 31 in said addition, as is shown fully on plat of said addition, now of record in Deed Book 87, page 532, in the office of the Clerk of the Clark County Court; said lot being more fully described and bounded as follows: Lot No. Thirty one (31) fronts on Lexington Avenue forty-five (45) feet, and runs back the same width to an alley on the south, said alley being shown on the plat above referred to, and is bounded on the east by Lot No. 32 of said addition; on the west by Lot No. 30; on the north by Lexington Avenue; and on the south by an alley; being the property acquired by the Company by deed dated June 7, 1967, and recorded in Deed Book B-180, page 207, in the Office of the Clerk of Clark County, Kentucky.

Item 8. A certain house and lot or parcel of land situated in Winchester, Clark County, Kentucky, on the South side of Lexington Avenue in Mt. Vernon Addition to the City of Winchester and described as follows: Being lot No. 30 in said addition fronting 45 feet on Lexington Avenue and extending back of equal width to an alley at the south side of said lot and being bounded on the North by Lexington Avenue; on the East by Lot No. 31 of said addition; on the South by said alley; and on the West by Lot No. 29 of said addition; all as shown on the plat of Mt. Vernon Addition of record in Deed Book 87, page 532, Clark County Court Clerk's office, to which plat reference is now made for a more particular description of said property; being the property acquired by the Company by deed dated June 22, 1967, and recorded in Deed Book B-180, page 323, in the Office of the Clerk of Clark County, Kentucky.

Item 9. All of that tract or parcel of land located on the northwest side of the new Boonesboro Road (Kentucky Highway No. 627) in Clark County, Kentucky, about six (6) miles southwest of the City of Winchester, described as follows: Beginning at a point in the northwest right of way line of the new Boonesboro Road (Kentucky Highway No. 627); said point being a common corner to the lands of Benjamin Shearer and Ada Shearer, his wife, and the lands of Leona D. Shearer; thence departing from said right of way line and with the property line common to Leona D. Shearer N 56° 47' W 350 feet to a point in same, a new corner; thence with three (3) new division lines through the lands of Benjamin Shearer and Ada Shearer, his wife, S 39° 39' W 250 feet, S 56° 47' E 193 feet and S 39° 19' E 159 feet to a point in the northwest right of way line of the new Boonesboro Road (Kentucky Highway No. 627); thence with the northwest right of way line of said highway N 39° 39' E 298 feet to the point of beginning, containing 2.082 acres, more or less; and being the property acquired by the Company by deed dated April 16, 1981, and recorded in Deed Book 249, page 119, in the Office of the Clerk of Clark County, Kentucky.

Item 10. Beginning at an iron pin in the north right-of-way line of U.S. Highway No. 60, the southeast corner of property of Willie Frances Huls as shown on the record plat aforesaid; thence with the eastern property line of said Huls North 20° 17' East 256.54 feet to an iron pin, a new corner common to the properties of said Huls and Robert Lee Rose; thence with a new division line through the property of said Rose South 57° 03' East 108.66 feet to an iron pin, the northwest corner of the remaining property of Kentucky Utilities Company designated as Parcel B on the record plat aforesaid; thence with the western property line of said Parcel B South 32° 48' West 250.25 feet to an iron pin in the north right-of-way line of U.S. Highway No. 60; thence with said highway right-of-way line North 57° 07' West 53.03 feet to the point of beginning containing 0.465 of an acre, more or less; and being the property acquired by the Company by deed dated March 13, 1985, and recorded in Deed Book 266, page 601, in the Office of the Clerk of Clark County, Kentucky.

Item 11. All that certain parcel or lot of land situated in Winchester, Clark County, Kentucky on the north side of West Lexington Avenue (U.S. Highway No. 60) and the west side of West Side Drive, and being designated as Lot One (1) in Unit 1-A (Revised) of West Side Plaza, as shown by plat thereof of record in Plat Cabinet 1 at Slide 128-A, in the Office of the Clerk of Clark County, Kentucky, and further being more particularly described as follows:

Beginning at the intersecting point of the north right-of-way line of West Lexington Avenue and the west right-of-way line of

West Side Drive, a corner to property of Kentucky Utilities Company; thence with the property line of Kentucky Utilities Company, N 20° 51' E 256.51 feet to an iron pin in the line of Lot No. Two (2) in Unit 1-A (Revised) of West Side Plaza as shown on the plat hereinabove referenced; thence with a line of said Lot No. Two (2), S 55° 22' E 31.70 feet to a point in the west right-of-way line of West Side Drive; thence with said right-of-way line of West Side Drive for two calls, the first call being a curve to the right having a radius of 929.93 feet for a distance of 209.58 feet, the chord of which is S 26° 49' W 209.14 feet, and the second call being S 35° 16' W 41.94 feet to the beginning, and containing an area of 5,264 square feet, more or less, and being the property acquired by the Company by deed dated August 18, 1989, and recorded in Deed Book 290, page 554, in the Office of the Clerk of Clark County, Kentucky.

Item 12. Beginning at an iron pin in the northeast right-of-way line of Tech Drive, a corner to Tract 2D as shown on the Record Plat of the Property of the Winchester-Clark County Industrial Development Authority, of record in Slide No. 876B, Clark County Clerk's office; thence with the property line of said pin, a common corner to Tract 2D as shown on the Record Plat of the Property of the Winchester-Clark County Industrial Development Authority, of record in Slide No. 876B, Clark County Clerk's office; thence with the property line of said Tract 2D S 84° 11' E 389.05 feet to an iron pin, a common corner to Tract 2B-2 as shown on the Record Plat of the Property of H. Gordon Orrell, of record in Slide No. 924, in said Clerk's office; thence with the property line of said Tract 2B-2 for two (2) calls, S 37° 30' E 182.06 feet to an iron pin and S 54° 48' W 190.06 feet to an iron pin in the northeast right-of-way line of Tech Drive, another common corner to said Tract 2B-2; thence with the said right-of-way line of Tech Drive N 49° 25' W 451.08 feet to the place of beginning, containing an area of 1.545 acres, more or less, and being the property acquired by the Company by deed dated August 23, 1991, and recorded in Deed Book 302, Page 77, in the Office of the Clerk of Clark County, Kentucky.

Item 13. A certain lot or parcel of land situated in the City of Winchester, Clark County, Kentucky, being Lot Numbered Twenty-Nine (29), in Mt. Vernon Subdivision to the City of Winchester, Kentucky, said lot being bounded and described as follows: Fronting on Lexington Avenue forty-five (45) feet, and extending back of equal width to an alley on the south, bounded on the north by Lexington Avenue; on the east by Lot Numbered Thirty (30); on the south by an alley; and on the west by Lot Numbered Twenty-Eight (28) of said Mt. Vernon Addition, a plat of said lot and said addition being of record in Deed Book No. 87, Page 532, Clark County Clerk's office, to which reference is made for a more particular description, and being the property acquired by the Company by deed dated September 21, 1993, and recorded in Deed Book 316, Page 803, in the Office of the Clerk of Clark County, Kentucky.

The following described real estate of the Company situated in Clay County, Kentucky:

Item 1. Beginning at a point in the south line of Muddy Gap Road, said point being the northwest corner of the industrial site now owned by Clay County, Kentucky; thence with the line of said industrial site, the following six calls: 1) S 68° 46' 49" W, 20.90 feet to an 8" persimmon and fence corner; thence with the fence 2) S 14° 13' 01" W, 50.80 feet; 3) S 36° 16' 48" W, 37.54 feet; 4) S 15° 58' 37" W, 40.47 feet; 5) S 19° 45' 51" W, 40.54 feet; 6) S 14° 18' 17" W, 42.89 feet; thence leaving the line of said industrial site N 51° 04' 12" W, 214.31 feet to a hub and tack set; thence N 21° 56' 47" E, 208.68 feet to a hub and tack set in the south line of Muddy Gap Road; thence with the south line of Muddy Gap Road, S 55° 30' 29" E, 216.38 feet to the beginning containing 0.992 acres; and being the property acquired by the Company by deed dated June 13, 1977 and recorded in Deed Book 156, page 726 in the Office of the Clerk of Clay County, Kentucky.

The following described real estate of the Company situated in Crittenden County, Kentucky:

Item 1. A certain lot and the improvements thereon situated in Marion, known as the old Steam Power House Lot, adjoining the Illinois Central Railroad right-of-way and bounded on the South by the land of the Paris Coal Company; on the North by an alley 20 feet wide which shall forever remain open as a passage way for the benefit of the owners of this lot and of the adjoining land now or heretofore owned by S. M. Jenkins and Effie Wilson Jenkins; on the East the line shall run with the West edge of the building in which are now situated two oil engines; thence with the property of the Paris Coal Company to the right-of-way of Illinois Central Railroad; being the property acquired by the Company by deed dated February 3, 1926, and recorded in Deed Book 53, page 35, in the Office of the Clerk of Crittenden County, Kentucky.

Item 2. A tract of land situated in the City of Marion, described as follows: Beginning at the intersection of the southwest corner of the tract of land described in Deed Book 68, page 151, Crittenden County Court Clerk's office, and the eastern right-of-way line of the Illinois Central Railroad, and running thence with the eastern right-of-way line of the Illinois Central Railroad and a bearing of N 22 degrees 24' E for a distance of 100.0 feet to an angle point; thence with a bearing of S 67 degrees 36' E for a distance of 100.0 feet to an angle point; thence with a bearing of S 22 degrees 24' W for a distance of 100.0 feet to an angle point; thence with a bearing of N 67 degrees 36' W for a distance of 100.0 feet to the point of beginning, containing 0.230 acre; being the property acquired by the Company by deed dated April 7, 1958, and recorded in Deed Book 88, page 285, in the Office of the Clerk of Crittenden County, Kentucky.

Item 3. Beginning at the intersection of the East Right-of-Way line of county road between U.S. 60 and Claylick Creek and the centerline of the Right-of-Way of the Kentucky Utilities 69 KV transmission line running between Marion and Salem; thence running with the East Right-of-Way of said county road, South 14° 19' East-209.3 feet to a concrete monument, this monument is located 963 feet along said Right-of-Way from the Southwest corner of J. L. Gregory tract; thence leaving Right-of-Way North 75° 41' East-216.70 feet to a concrete monument; thence North 14° 05' West-269.59 feet to a concrete monument; thence South 83° 38' West-220.00 feet to a concrete monument in the East Right-of-Way of said county road; thence with said Right-of-Way South 14° 19' East-90.7 feet to the point of Beginning, containing 1.420 Acres, and being the property acquired by the Company by deed Dated December 10, 1976, and recorded in Deed Book 123, page 337, in the

The following described real estate of the Company situated in Estill County, Kentucky:

Item 1. A tract of land situated near the cities of Irvine and Ravenna, described as follows: Part of Lots Numbers twenty-eight and twenty-nine, Block 2 Evans Addition to Irvine, Kentucky, being the boundary beginning at corner of Grand Avenue and Railroad Street; thence running 117 feet with Grand Avenue; thence at slight acute angle 41½ feet; thence parallel line with Grand Avenue 117 feet to Railroad Street; thence with Railroad Street 41½ feet to the beginning; including all of that certain area facing Railroad Street lying between Grand Avenue and a line of the property formerly belonging to Estill Ice Company; being the same property conveyed to Kentucky Tennessee Light & Power Company by deed of Henry D. Fitch and Stella R. Fitch, his wife, dated January 31, 1924, and recorded in the office of the Clerk of the Estill County Court in Deed Book 55, page 532; being a part of the property acquired by the Company by deed dated May 20, 1943, and recorded in Deed Book 79, page 246, in the Office of the Clerk of Estill, County, Kentucky.

Item 2. Lots 26 and 27 of Block Number 1 of the Evans Addition to Irvine, Kentucky, agreeable to plat of record in Deed Book Y, page 90 Estill County Court Clerk's office; being the property acquired by the Company by deed dated May 10, 1954, and recorded in Deed Book 97, page 509, in the Office of the Clerk of Estill, County, Kentucky.

The foregoing property is subject to an easement for a public road leading from the center of Court Street, in Irvine, Kentucky to the intersection of Seventh and Main Streets in Ravenna, Kentucky, that part of the property which is subject to said easement is described as follows: Beginning at a point, said point being 28 feet left of and opposite station 22 plus 85 in the center line of said public road; thence, running north 51° 00 minutes west along the L&N property line for a distance of 16 feet to a point, said point being 28 feet left of and opposite station 22 plus 64 in the center line of said public road, said point also being in the property line between the Company and the L&N Railroad Company; thence, running in a northeasterly direction along an arc of a circle radius of 17 feet to the center of which lies 45 feet left of and opposite station 22 plus 64, in the center line of said public road, having a distance of 18 feet to a point, said point being 37 feet left of and opposite station 22 plus 85 in the center line of said public road; thence running south 33° 05 minutes west for a distance of 8 feet to a point, said point being the point of beginning.

EXCEPTING FROM ITEM 2 above so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet by Deed dated February 11, 1998, recorded in Deed Book 226, Page 561, in the Office of the Clerk of Estill County, Kentucky.

The following described real estate of the Company situated in Fayette County, Kentucky:

Item 1. A tract of land situated in the City of Lexington described as follows: Beginning on North Limestone Street at the corner of a building designated on the plat as Coal Office being 466.8 feet from Seventh Street; thence in a Northerly direction with the line of Limestone Street a distance of 31.5 feet to a point; thence North 44 degrees 44' W 167.2 feet to a point; thence N 45 degrees, 16' E 289 feet to a point; thence N 43 degrees W 147 feet to a point; thence S 45 degrees 23' W 480½ feet to a point; thence S 45 degrees 37' E 214 feet to a point; thence N 45 degrees 50' E 153½ feet to a point; thence S 44 degrees 44' E 99 feet to a point; also all the pipeline and, rights-of-way therefor running from the property hereinabove described to a cooling pond and described as follows: Beginning at and including the hot well, which well is located on the property of the Kentucky Traction and Terminal Company, approximately 15 feet North of the North line of the stack of the new power station; thence in a Northwesterly direction 45 feet; thence on an angle South and still in a Northwesterly direction, crossing the West line of North Upper Street to a point 102 feet South of the South line of Belt Line Avenue and crossing the East line of Market Street at a point 64 feet South of the line of the Belt Line Avenue, a distance of 452 feet, to a point in the property of Dr. J. E. Neely, 40 feet South of the South line of Belt Line Avenue, and 5 feet East of Dr. Neely's West line; thence on an angle and in a Northerly direction, crossing Belt Line Avenue and the C. & O. Railway, a distance of 160 feet to the screen or intake well in the cooling pond West of the old power station.

Item 2. A tract of land situated in the City of Lexington described as follows: Beginning at a point in the South property line of Loudon Avenue, 2 feet East of the Eastern line of the Eastern brick wall of the Lexington Railway Company's brick power house; thence South on a line parallel with the Eastern line of the Northern portion of said wall 131 feet, more or less, to a stake in the North line of the right-of-way of the Passenger and Belt Railroad; thence East with the Northern line of the said right-of-way 58 feet, more or less, to a point 124½ feet South of the Southern line of Loudon Avenue; thence in an Easterly direction with the Northern line of said right-of-way 253.5 feet, more or less, to a stake, corner to the Belt Land Company and the right-of-way of the Passenger and Belt Railway Company; thence in a Northerly direction with the line of the Belt Land Company 141 feet to a stake in the Southern line of Loudon Avenue; thence Westwardly with the Southern line of Loudon Avenue 308¼ feet, more or less, to the point of beginning.

Item 3. A tract of land in the City of Lexington located on the South side of Cross Street between Maxwell and Pine Streets, described as follows: Beginning 86 feet from Maxwell Street on said Cross Street; thence along Cross Street in a Southerly direction 29½ feet; thence back in an Easterly direction 50 feet to the line of the property formerly owned by McAcey; thence in a Northerly direction and along said line 29½ feet to a stable; thence in a Westerly direction 50 feet to Cross Street, the place of beginning.

Item 4. A tract of land in the City of Lexington described as follows: Located on the East side of Cross Street and fronting on said street for a distance of 45 feet and extending back of equal width a distance of 50 feet to the line of

the property conveyed by Denton to McAcey, whereon is located a frame cottage, which cottage is 412 Cross Street, said property being on the Northeast corner of Cross Street and the alley running between Maxwell and Pine Streets.

Item 5. A tract of land in the City of Lexington fronting on the West side of North Limestone Street 31½ feet and extending back between parallel lines a distance of 150 feet to a 15 foot alley; bounded on the North by the property of Mac Everton and on the South by the property of C. W. Warfield, a part of lot No. 18 of Bruce's Addition to the City of Lexington as shown by plat recorded in Deed Book 41, page 221, Fayette County Court Clerk's office.

Item 6. A tract of land near the city limits of Lexington fronting 33 feet on the West Side of North Limestone Street and running back of equal width 150 feet to an alley, being lot No. 17 of Bruce's addition to the City of Lexington.

Item 7. A tract of land in the City of Lexington located on North Limestone Street, described as follows: Beginning at a stake in the West line of Limestone Street and the South line of the Belt Line Railway; thence with the Belt Line Railway in a Westerly direction 137 feet; thence in a Southwest direction 15 feet to a point in the line of the alley 8 feet South of the Belt Line Railway; thence in a Southerly direction 47 feet, another point in the line of the alley; thence in an Easterly direction 150 feet to Limestone Street; thence with Limestone Street in a Northerly direction 52 feet, more or less, to the place of beginning, being Lot No. 19 of the Bruce's Addition of the City of Lexington and also one and one-half feet off the North side of Lot No. 18 of said Addition; also all the right, title and interest of the Company in and to the 15 foot alley at the rear of said property.

Item 8. A tract of land in the City of Lexington described as follows: Beginning at a point on the Northern side of Winchester or Third Street, 26½ feet from the Southwest corner of Lot No. 3 of the Wilgus subdivision of Lexington, Kentucky, a plat of which is recorded in the Fayette County Court Clerk's office, in Plat Book 1, page 79; thence in a westerly direction with the line of Third Street, 38 feet to the line of Tibbie W. Prather; thence in a Northerly direction about 151 feet to an alley; thence in an Easterly direction with line of said alley about 33 feet; thence in a Southerly direction about 134 feet to the beginning, being part of lots 1 and 2 of said Wilgus subdivision.

Item 9. A tract of land in the City of Lexington, known as 761 North Limestone Street West side and being all that lot or parcel of land and the improvements thereon located on the West side of North Limestone Street, fronting 16 1/3 feet and extending back of equal width in a Westerly direction 150 feet, a part of lot No. 15 in Bruce's Addition to the City of Lexington as shown in Deed Book 41, at page 221.

Item 10. A tract of land in the City of Lexington being all of Lot 9 Block 329 on the City Block Map, said lot fronting 33 feet on the West side of North Limestone Street and running back therefrom in a Westerly direction a distance of 165 feet, more or less, and formerly known as house No. 753.

Item 11. A tract of land in the City of Lexington located on the South Side of Loudon Avenue described as follows: Beginning at a point in the South property line of Loudon Avenue 480½ feet West of the intersection of the West property line of North Limestone Street and the South property line of Loudon Avenue, which said point is 2 feet East of the present brick wall of the Lexington Railway Company's brick power house and corner to the property of the Company; thence West and along the South property line of Loudon Avenue 670¾ feet, more or less, to the East property line of North Broadway; thence South and long the said property, line of North Broadway 190 feet, more or less, to the North line of the right-of-way of the Passenger & Belt Railroad Company; thence with the North line of the right-of-way of the Passenger & Belt Railroad Company and in an Easterly direction 544 feet, corner of the right-of-way of the Passenger & Belt Railway; thence still along the said right-of-way and on a small angle to the right 40 feet, more or less, to a stake; thence still along said right-of-way and same angle to the right 92 feet, more or less, to a stake and corner to the property of the Company; thence in a Northerly direction along the line of the Company and at right angles with Loudon Avenue 131 feet, more or less, to the beginning.

Item 12. A tract of land in the City of Lexington described as follows: A lot of land fronting on N. Limestone Street formerly Mulberry Street, 16½ feet on said street and running back of equal width about 150 feet, more or less, being the Northern half of Lot 12, in Bruce's Addition to the City of Lexington.

Item 13. A tract of land in the City of Lexington described as follows: Situated on the West Side of North Limestone Street, formerly Mulberry Street, between 7th Street and Loudon Avenue, and fronting thereon a distance of 16½ feet and extending back between parallel lines a distance of 165 feet, more or less, and being the Southern half of Lot No. 12 of Bruce's Addition to the City of Lexington, as per Plat of record in Deed Book 41, page 221, Fayette County Court Clerk's Office, the improvements on said Lot being known as Lot No. 747 North Limestone Street.

EXCLUDING FROM ITEMS 1 through 13 above:

(a) so much of said property as was conveyed to Central Kentucky Natural Gas Company by Deed dated September 15, 1948, recorded in Deed Book 448, Page 122 in the Office of the Clerk of Fayette County, Kentucky; and

(b) so much of said property as was conveyed to Western Kentucky Ice Service Company by Deed dated December 17, 1948, recorded in Deed Book 452, Page 436 in the Office of the Clerk of Fayette County, Kentucky; and

(c) so much of said property as was conveyed to Urban Renewal and Community Development Agency of the City of Lexington by Deed dated January 26, 1973, recorded in Deed Book 1069, Page 576 in the Office of the Clerk of Fayette County, Kentucky; and

(d) so much of said property as was conveyed to Rite Aid of Kentucky, Inc., by Deed dated November 13, 1997, recorded in Deed Book 1947, Page 34 in the Office of the Clerk of Fayette County, Kentucky.

The property described above in 1 through 13 was acquired by the Company by deed dated January 3, 1940, and recorded in Deed Book 314, page 27, in the Office of the Clerk of Fayette County, Kentucky.

Item 14. A certain parcel of land with improvements thereon situated in the City of Lexington fronting 16½ feet on the Westerly side of Limestone Street running back of equal width 150 feet to an alley, bounded on the Southwest by the property owned by the estate of George Luigart (formerly William Colbert), and on the Northeast by the lot next below described. The property hereby conveyed being the Southwesterly one-half of Lot 14 of the Bruce Addition to the City of Lexington, as shown by plat thereof recorded in the Office of the Clerk of Fayette County, Kentucky in Deed Book 41, page 221.

Item 15. All that lot of land with improvements thereon situated on the Northwest side of Limestone Street in the City of Lexington between Seventh Street and Loudon Avenue fronting on Limestone Street 16½ feet and extending back of equal width a distance of 150 feet to an alley, bounded on the Southwest by the parcel above described, and on the Northeast side by the lot of Joseph.

Item 16. The following property situated in Lexington, and described as follows: Seventeen feet of the South side of Lot 15 of the Bruce Addition to the City of Lexington, Kentucky, being on the West side of North Limestone Street and beginning at a point thereon at a corner of the lot of Warfield; thence in a Northerly direction and along the line of Limestone Street 17 feet to a new corner of the lot of Mike Moses; thence in a Westerly direction between parallel lines of equal width 150 feet.

The property described above in Items 14, 15, and 16 was acquired by the Company by deed dated June 5, 1940, and recorded in Deed Book 318, page 2, in the Office of the Clerk of Fayette County, Kentucky.

Item 17. A tract of land situated in the City of Lexington, described as follows: Beginning at a point seventy-five feet West of the S. W. inter-section of Limestone Street and Loudon Ave.; thence extending along the line of Loudon Ave. in a westerly direction ninety-seven and twenty-five one-hundredths feet; thence at right angles and in a southerly direction a distance of about one hundred and forty-one feet to the Belt Line Railroad; thence in an easterly direction and along the Belt Line Railroad Ninety-seven and twenty-five one hundredths feet; thence in a northerly direction and at right angles to Loudon Avenue about one hundred and fifty feet to the point of beginning; being the same property acquired by the Company by deed dated April 14, 1941, and recorded in Deed Book 326, page 391, in the Office of the Clerk of Fayette County, Kentucky.

Item 18. A tract of land located in the City of Lexington, described as follows: All that tract of land situated on Limestone Street, fronting on said street thirty-three (33) feet, more or less and running back of equal width with front 165 feet and being Lot No. 16 of Bruce's Addition to the City of Lexington, a plat of which is of record in Deed Book 41, page 221; being the same property acquired by the Company by deed dated December 7, 1940, and recorded in Deed Book 323, page 69, in the Office of the Clerk of Fayette County, Kentucky.

Item 19. That certain tract or parcel of land located about one and one-half miles south of the Court House in Lexington, on the east side of the Danville-Lancaster-Nicholasville turnpike, described as follows: Beginning at a point in the east property line of the Kentucky Traction and Terminal Company's right-of-way, where said right-of-way intersects the division line of said right-of-way property, and the property of J. W. Patterson; thence with said fence line south 62 degrees and 30 minutes east 125 feet to a stake corner to said Patterson; thence north 15 degrees east with the division line between Patterson and the within described property 75 feet to a stake corner to Patterson and 14 foot driveway owned by Patterson; thence north 62 degrees and 30 minutes west with the division line between the 14 foot driveway owned by Patterson and the within described property 125 feet to a point in the eastern line of the right-of-way of the Kentucky Traction and Terminal Company; thence with said line of said right-of-way south 15 degrees west 76 feet to the point of beginning, containing 209/1000 acres of land, more or less; being the property acquired by the Company by deed dated January 7, 1941, and recorded in Deed Book 325, page 117, in the Office of the Clerk of Fayette County, Kentucky.

Item 20. A parcel of land situated in the City of Lexington on the West side of North Limestone Street, fronting 24 feet on the West side of North Limestone Street and extending back in a westerly direction from Limestone Street between parallel lines 99.6 feet and being lot No. 13, Block No. 329, on the Block Map of the City of Lexington; being the property acquired by the Company by deed dated February 17, 1944, and recorded in Deed Book 354, page 261, in the Office of the Clerk of Fayette County, Kentucky.

Item 21. A tract of land lying along the Higby Mill Road and Southern Railroad, described as follows: Beginning at a point in the West line of the Southern Railroad Company's right of way in the center of the Higby Mill Road, which point is the Northeast corner of the tract of land herein described and a corner to the land of James A. Hulett; thence with the center of Higby Mill Road and Hulett's line North 56 degrees 21 minutes West 300 feet; thence leaving the Higby

Mill Road and running with William S. Dale's line South 14 degrees 26 minutes West 638 feet to a stone; thence South 66 degrees 34 minutes East 200 feet to a stone set in West line of Southern Railroad Company's right of way, which point is the Southeast corner of the tract described herein; thence with the West line of the Southern Railroad Company's right of way by a curve to the right, having a radius of 22,993.3 feet, parallel with and 75 feet West of common center line of double track 378.3 feet to a point of tangent; thence North 23 degrees 26 minutes East parallel with and 75 feet West of common center line of double track 199.7 feet to the center line of Higby Mill Road and point of beginning, containing 3.44 acres; being the property acquired by the Company by deed dated July 10, 1946, and recorded in Deed Book 399, page 38, in the Office of the Clerk of Fayette County, Kentucky.

Item 22. All that lot located in the City of Lexington known as Nos. 420-422-424 and 426 Correll Street, and more particularly described as follows: Beginning at the Southwest corner of the intersection of Correll and Race Streets; thence in a Northwesterly direction with Correll Street seventy (70) feet to a point; thence in a Southwesterly direction at right angles to Correll Street and parallel to Race Street, one hundred (100) feet to a point in the line of William J. Foley; thence at right angles in a Southeasterly direction with Foley's line seventy (70) feet to Race Street; thence in a Northeasterly direction with Race Street one hundred (100) feet to the point of beginning; being the property acquired by the Company by deed dated September 2, 1947, and recorded in Deed Book 426, page 330, in the Office of the Clerk of Fayette County, Kentucky.

Item 23. A lot situated in the City of Lexington, Fayette County, Kentucky, and more particularly described as follows: Beginning at a point on the South side of Correll Street corner to Foley 70 feet from the corner of Race Street; thence with Foley's line 100 feet to William J. Foley; thence with William J. Foley's line 40 feet to Domestic Realty Corporation; thence with Domestic Realty Corporation's line 100 feet to Correll Street; thence with Correll Street 40 feet to the point of beginning; being the property acquired by the Company by deed dated September 12, 1947, and recorded in Deed Book 426, page 333, in the Office of the Clerk of Fayette County, Kentucky.

Item 24. The following described tracts located in Lexington, Kentucky, and acquired by the Company by deed dated September 16, 1970, and recorded in Deed Book 998, page 38, in the Office of the Clerk of Fayette County, Kentucky:

All that lot or parcel of land, together with the improvements thereon and appurtenances thereunto belonging, situated near the corner of High and Merino Streets, and being on the North side of West High Street at corner to property sold to Adolph Greeble; thence along the North side of West High Street in a Westerly direction 30 feet, more or less, to the line of the property sold and conveyed by Courtney Moore Helm to Lucy W. Hardy; thence back between parallel lines of equal width with the front and in a Northerly direction to the factory property formerly owned by R. B. Hamilton; the improvements on said property being known as 723 West High Street.

All that tract or parcel of land located on the North side of West High Street near the Jefferson Street Viaduct, and now known as residence No. 721 West High Street, beginning at the corner of (now or formerly) Lewis; said point being 59.5 feet West of the Jefferson Street Viaduct; thence in a westerly direction along West High Street 25.8 feet to a point in the line with the center of a division wall, and corner to Tract Y of this division; thence in a northerly direction with said Tract Y of this division and through the center of said wall 38.3 feet to a point in the Northeast line of a wall; thence along said wall in a northwesterly direction 7 feet, more or less, to the West side of a concrete block wall; thence in a northwesterly direction 47.7 feet, more or less, to a point in the corner of the line of (now or formerly) Lewis; thence in a southeasterly direction with said Lewis's line 30 feet, more or less, to another corner with Lewis; thence in a southerly direction with Lewis 42 feet, more or less, to the rear wall of a service station; thence with said rear wall of said service station in a westerly direction 8 feet, more or less, to the West wall of said service station; thence in a southerly direction with the west wall of said service station 14 feet, more or less, to the line of Lewis; thence in a southerly direction with the line of Lewis 35 feet, more or less, to the beginning.

EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Department of Transportation by Deed dated December 12, 1979, recorded in Deed Book 1245, Page 300 in the Office of the Clerk of Fayette County, Kentucky.

Item 25. Beginning at a point in the North property line of West High Street, Lexington, Kentucky, said point being 124.7 feet West of the viaduct and corner to Homer B. Royse; thence in a Westerly direction with said North property line of West High Street thirty (30) feet to the line of Katie Harrison; thence in a Northerly direction with Harrison's line 146.7 feet to the line of Union Transfer (formerly R. B. Hamilton); thence in an Easterly direction with the Union Transfer's line thirty (30) feet, more or less, to the line of Royse; thence in a Southerly direction with the line of Royse 145.5 feet to the beginning, and being known as 725 West High Street; being the property acquired by the Company by deed dated September 30, 1970, and recorded in Deed Book 999, page 61, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Department of Transportation by Deed dated December 12, 1979, recorded in Deed Book 1245, Page 300 in the Office of the Clerk of Fayette County, Kentucky.

Item 26. Being known and designated as Lot No. 727 West High Street, Lexington, Kentucky, and situated near the corner of High and Merino Streets; beginning on the north side of West High Street at the corner of the property sold by Mrs. Courtney M. Helm to Lucy M. Hardy; thence along the north side of High Street toward Merino Street a distance of thirty (30) feet, more or less, to the corner of the property sold and conveyed by Mrs. Courtney M. Helm to Lucy M. Hardy; thence back between parallel lines and of equal width with the frontage in a northerly direction toward the Louisville & Nashville Railroad tracks to the factory property formerly owned by R. B. Hamilton; being the property acquired

by the Company by deed dated October 7, 1970, and recorded in Deed Book 999, page 554, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Department of Transportation by Deed dated December 12, 1979, recorded in Deed Book 1245, Page 300 in the Office of the Clerk of Fayette County, Kentucky.

Item 27. Beginning at a point on the south side of Manchester Street, Lexington, Kentucky, which is 220 feet from the west line of Merino Street (measured with the angle in Manchester Street); thence with the south line of Manchester Street in a westerly direction 300 feet to the line of a ten-foot passway; thence in a southerly direction with the east line of said passway forty-seven (47) feet; thence in an easterly direction and nearly parallel with Manchester Street three hundred (300) feet to a point on the concrete wall at the viaduct; thence with that line in a northerly direction forty-one (41) feet to the beginning, being the property acquired by the Company by deed dated October 15, 1970, and recorded in Deed Book 1000, page 119, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Department of Transportation by Deed dated December 12, 1979, recorded in Deed Book 1245, Page 300 in the Office of the Clerk of Fayette County, Kentucky.

Item 28. One certain house and lot in Lexington, Kentucky, known as 729 West High Street, situated near the corner of High and Merino Streets, beginning on the north side of High Street at a corner to the property sold to D. H. Warren; thence along the north side of High Street in an easterly direction toward Merino Street 30 feet, more or less, to a corner to T. N. Arthur and Frankie Arthur; thence back from said two points between the lines of Warren and T. N. Arthur and Frankie Arthur of even width with the front toward the Louisville & Nashville Railroad tracks to the line of the factory lot formerly owned by R. B. Hamilton; being the property acquired by the Company by deed dated October 30, 1970, and recorded in Deed Book 1001, page 185, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, Department of Transportation by Deed dated December 12, 1979, recorded in Deed Book 1245, Page 300 in the Office of the Clerk of Fayette County, Kentucky.

Item 29. Beginning in the line between Gus Gay and Laura S. Welch in the north edge of the Lexington Winchester Road right-of-way as now widened; thence along the Gay-Welch line North 7 degrees 30 minutes East 150 feet; thence North 85 degrees 37 minutes West 100 feet; thence South 7 degrees 30 minutes West to the north edge of said Lexington-Winchester Road right-of-way as now widened; thence along said right-of-way line South 85 degrees 37 minutes East 100 feet to the place of beginning, containing 0.34 acre, more or less; being the property acquired by the Company by deed dated March 5, 1951, and recorded in Deed Book 497, page 343, in the Office of the Clerk of Fayette County, Kentucky. The foregoing property is subject to a restriction that no mining or drilling operations for oil, gas or minerals will be conducted on the premises.

Item 30. All that tract or parcel of land in the City of Lexington, being tract No. 7 of the W. H. Phillips property according to plat recorded Plat Book No. 3, pages 186 and 187, Fayette County Court Clerk's office, and more particularly described as follows: Beginning at an iron pin at the southwest corner of Vine Street and Combs Alley; thence with the northwest property line of Combs Alley in a southwesterly direction 59.4 feet to an iron pin in the southwest line of said alley at its junction with the northeast line of a 12-foot alley which separates this property from that of Owen Ratliff (said 12-foot alley is to be used jointly or in part with said Owen Ratliff, Tract #6 and this property and extends back from Combs Alley in a northwesterly direction 35.7 feet); thence in a northwesterly direction in part with the line of said 12-foot alley and Tract #6 45.1 feet to an iron pin, corner to Tract #6; thence with the line of Tract #6 in a northeasterly direction 11.55 feet to the corner of a brick wall, corner to Tract #6; thence again with the line of Tract #6 and that of the brick wall in a northwesterly direction 32 feet to the corner of said brick wall, corner to Tract #6, said point being in the rear line of Tract #2; thence with the rear line of Tract #2 along the brick wall in a northeasterly direction 8 feet to a point in the line of Tract #1, corner to Tract #2, said point being a wall corner; thence with the line of Tract #1 in a southeasterly direction 1 foot to a brick wall, corner to Tract #1; thence in part with Tract #1 and the C & O Railroad property in northeasterly direction 39.75 feet to an iron pin in the south property line of East Vine Street; thence with the south property line of East Vine Street in a southeasterly direction 76 feet to the point of beginning; being the property acquired by the Company by deed dated June 14, 1951, and recorded in Deed Book 502, page 349, in the Office of the Clerk of Fayette County, Kentucky.

Item 31. All that parcel of land in the City of Lexington, situated on the Northeast side of Bowyer Street, now Scott Street, and more fully described as follows: Beginning at a point in the Northeast property line of Scott Street, said beginning point being 56.5 feet Northwest of the right-of-way line of the Southern Railroad; thence in a Northeast direction 100 feet to an iron pin in the line of Margaret D. Kirk's property, said point being 28.5 feet Northwest of the right-of-way line of the Southern Railroad; thence with the line of Margaret D. Kirk and in a Northwest direction 20.5 feet to an iron pin; thence in a Southwest direction 100 feet to the Northeast property line of Scott Street; thence with the Northeast property line of Scott Street and in a Southeast direction 20.5 feet to the point of beginning; being the property acquired by the Company by deed dated August 17, 1951, and recorded in Deed Book 506, page 219, in the Office of the Clerk of Fayette County, Kentucky.

Item 32. All that tract or parcel of land situated on the North side of Scott Street between South Broadway and South Upper Streets in the City of Lexington, and more fully bounded and described as follows, to-wit: Beginning at a point on the North property line of Scott Street, said point being in the West right-of-way line of the Southern Railroad freight tracks and 33 feet from center of same; thence in a Westerly direction with the North property line of Scott Street 36 feet to a point in the east line of Barney Tracy's property; thence in a Northerly direction with the East line of said Tracy 100 feet, more or less, to a point one foot South of a brick building, a new corner to Kirk; thence in an Easterly direction, a new line with Kirk, 8 feet to a point in the West right-of-way line of the aforesaid Southern Railroad freight track, said point being one foot South of said brick building and 33 feet from center of said Southern Railroad freight track; thence in

a Southerly direction with the West right-of-way line of said Southern Railroad 105 feet, more or less, to the beginning.

Item 33. All that tract or parcel of land in the City of Lexington, situated on the Northeast side of Bowyer Street, now Scott Street, and described as follows: Beginning at a point in the Northeast property line of Scott Street a corner to Margaret D. Kirk, said beginning point being 36 feet Northwest of the right-of-way line of the Southern Railroad; thence running with the line of Margaret D. Kirk and in a Northeast direction 100 feet to an iron pin in an old fence line being a corner to Margaret D. Kirk, said point being 8 feet Northwest of the right-of-way line of the Southern Railroad; thence with Margaret D. Kirk's line and in a Northwest direction and parallel to Scott Street 20.5 feet to an iron pin; thence in a Southwest direction 100 feet to the Northeast property line of Scott Street; thence with the Northeast property line of Scott Street in a Southeast direction 20.5 feet to the point of beginning.

The property described above in Items 32 and 33 was acquired by the Company by Deed dated August 28, 1951, and recorded in Deed Book 506, page 404, in the Office of the Clerk of Fayette County, Kentucky.

Item 34. All that tract or parcel of land known as Lot No. 24 of Unit 2 of the Journal Hill Subdivision, an addition to the City of Lexington, a plat of which is of record in the Fayette County Court Clerk's office in Plat Book No. 4 at page 103; being the property acquired by the Company by Deed dated October 3, 1951, and recorded in Deed Book 509, page 168, in the Office of the Clerk of Fayette County, Kentucky. The foregoing property is subject to a utility easement three feet in width extending across the rear of the premises which includes the right to overhang the premises for the purpose of serving adjacent lots with electric current; and is subject to restrictions with respect to the type of residence which may be erected.

Item 35. Beginning at a stone corner to Henley Johnson; thence with Johnson's line North 21° 36' East for a distance of 260 feet; thence North 84° 10' West, a new line for a distance of 91 feet, more or less, to the East line of a private roadway; thence with said private roadway South 3° 10' West for 250 feet, more or less, to the point of beginning, being the property acquired by the Company by deed dated April 2, 1952, and recorded in Deed Book 519, page 232, in the Office of the Clerk of Fayette County, Kentucky.

Item 36. A tract of land situated near the City of Lexington, described as follows: Beginning at a point in Mt. Tabor Pike, in the property line of Bogie and Queen, which said point is also in the right of way line of said Mt. Tabor Pike; running thence in a westerly direction along said Mt. Tabor Pike right of way a distance of 150 feet; thence at about a 90° angle and in a southerly direction a distance of 100 feet; thence at about a 90° angle and in an easterly direction for a distance of 150 feet, more or less, to Queen's line; thence at about a 90° angle and in a northerly direction along the line of Queen for a distance of 100 feet, more or less, to the point of beginning; being the property acquired by the Company by deed dated July 29, 1953, and recorded in Deed Book 544, page 45, in the Office of the Clerk of Fayette County, Kentucky.

EXCLUDING FROM ITEM 36 above:

(a) so much of said property as was conveyed to Lexington-Fayette Urban County Government by Deed dated May 1, 1997, recorded in Deed Book 1922, Page 315 in the Office of the Clerk of Fayette County, Kentucky; and

(b) so much of said property as was conveyed to Lexington-Fayette Urban County Government by Deed dated August 2, 2004, recorded in Deed Book 2487, Page 198 in the Office of the Clerk of Fayette County, Kentucky.

Item 37. A tract of land situated on the northerly side of the Leestown Pike about 4½ miles northwest of the City of Lexington, and described as follows: Beginning at a point in the north property line of the Leestown Pike, corner to Nancy Lisle; thence with the north property line of the Leestown Pike N 47° 51' W 100 feet to an iron pin, said point being a new corner to the United States Government (Narcotic Farm); thence with the United States Government for two new lines N 35° 31' E 100 feet to an iron pin and S 47° 51' E 100 feet to an iron pin in the line of Nancy Lisle; thence with the line of Nancy Lisle S 35° 31' W 100 feet to the beginning, and containing 9,933 square feet; being the property acquired by the Company by deed dated April 21, 1954, and recorded in Deed Book 556, page 463, in the Office of the Clerk of Fayette County, Kentucky. There is excepted from the foregoing property and reserved for use by the United States of America, all uranium, thorium and all other materials determined pursuant to applicable laws to be peculiarly essential to the production of fissionable material.

Item 38. A parcel of land situated on the North side of Iron Works Pike about one mile East of the intersection of the Iron Works Pike with the Newton Pike, described as follows: Beginning at a point in the center line of the Iron Works Pike corner to D. M. Look; thence with the center line of the Iron Works Pike S. 68-50 E 40' to a point in the center line of the Iron Works Pike, a new corner to Elihu Adams; thence with a new line with Adams N. 23-05 E. 51' to an iron pin a new corner to Adams; thence again with Adams N. 68-50 W. 40' to an iron pin in the line of D. M. Look, said point being a new corner to Adams; thence with the line of D. M. Look S. 23-05 W. 51' to the point of beginning; being the property acquired by the Company by deed dated May 3, 1941, and recorded in Deed Book 329, page 445, in the Office of the Clerk of Fayette County, Kentucky.

Item 39. A parcel of land located on Hughes Lane, described as follows: Beginning at a point on the north side of the Hughes Lane, which point is at the corner of Tract No. 1 now or formerly owned by Luther Rice and the corner of Tract No. 2 formerly owned by Robert Foster, and which point is approximately 297 feet west of the Paris Road; thence N 46 E 100 feet along the line between Tract No. 1 and Tract No. 2 to a new corner; thence N 42 20 W 75 feet to a new corner;

thence S 46 W 100 feet to the north line of Hughes Lane; thence with the north side of Hughes Lane S 42 20 E 75 feet to the place of beginning; being the property acquired by the Company by deed dated August 30, 1954, and recorded in Deed Book 563, page 434, in the Office of the Clerk of Fayette County, Kentucky.

Item 40. A tract of land situated on the Northwest side of the Lexington and Maysville Turnpike, about 2½ miles from the City of Lexington, described as follows: Beginning at a point in the center of the said Lexington-Maysville Turnpike which beginning point is the northern or northeastern corner of a tract of land containing 19.37 acres conveyed to Joyland, Inc., by deed from Joyland Park, Inc., dated January 3, 1953, and recorded in Deed Book 544 at page 355 in the Office of the Clerk of Fayette County, Kentucky, said beginning point also being a corner to a tract of land now owned by H. C. Robinson, and also being a point which lies 632 feet in a northeasterly direction along the center line of the Lexington-Maysville Turnpike from the beginning point designated in the description of the aforesaid 19.37 acre tract set out at length in the above mentioned deed; running thence from said beginning point North 30°, 30 minutes West for a distance of 133 feet to a point in the line of the lands of first party herein and the lands of said Robinson; thence in a new line South 48°, 45 minutes West for a distance of 100 feet; thence in a new line South 30°, 30 minutes East for a distance of 133 feet to a point in the center line of the Lexington-Maysville road; thence North 48°, 45 minutes East along the center line of the Lexington-Maysville road for a distance of 100 feet to the point of beginning; being the property acquired by the Company by deed dated February 8, 1955, and recorded in Deed Book 573, page 93, in the Office of the Clerk of Fayette County, Kentucky ice; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways by Deed dated October 30, 1962, recorded in Deed Book 758, Page 28 in the Office of the Clerk of Fayette County, Kentucky.

Item 41. A certain tract of land situated on the Northern Belt Line, in or near the City of Lexington, described as follows: Beginning at a point in south right-of-way line of a lane (owned by Jacob F. Stilz heirs), said point being corner to Rector Allen and Robert C. Stilz; running thence South 15 degrees 15 minutes East for a distance of 100 feet to a point in the property line between Robert C. Stilz and Rector Allen; thence with two new lines South 74 degrees 45 minutes West for a distance of 100 feet to a corner; thence North 15 degrees 15 minutes West for a distance of 100 feet to a point in the south right-of-way line of said lane; thence along said right-of-way line North 74 degrees 45 minutes East for a distance of 100 feet to the point of beginning, and containing approximately 0.23 acre of land; being the property acquired by the Company by deed dated April 13, 1956, and recorded in Deed Book 601, page 352, in the Office of the Clerk of Fayette County, Kentucky.

Item 42. A tract of land situated in the City of Lexington, described as follows: Beginning at an Iron Pin in the East property line of South Ashland Avenue, said Iron Pin being 318.5 feet South of Euclid Avenue, and corner to May (now or formerly); thence running with South Ashland Avenue South 46 degrees 42 minutes West for a distance of 44 feet to an Iron Pin; thence along a street, property of the City of Lexington, South 29 degrees 48 minutes East 132.7 feet to an Iron Pin; thence South 70 degrees 06 minutes East 13.1 feet to an Iron Pin; thence with three new lines with R. E. Viall North 51 degrees 15 minutes East for a distance of 106.3 feet to an Iron Pin South 60 degrees 50 minutes East for a distance of 43.4 feet to a new corner with R. E. Viall; thence continuing with Viall's line North 51 degrees 15 minutes East for a distance of 10.8 feet to an Iron Pin corner to May (now or formerly); thence North 60 degrees 50 minutes West for a distance of 200 feet to the beginning; being the property acquired by the Company by deed dated October 30, 1956, and recorded in Deed Book 611, page 67, in the Office of the Clerk of Fayette County, Kentucky.

Item 43. A tract of land situated on the westerly side of the CNO&TP Railroad, in the City of Lexington, described as follows: Beginning at a point in the west right-of-way of the CNO&TP Railroad, a corner to Boiling Springs Country Club (formerly Hugh R. Taylor); thence with the line of Boiling Springs Country Club N 55° 45' W 266.2 feet to an iron pin in concrete, a corner with the Mengel Company; thence with the line of the Mengel Company and its line continued S 19° 59' W 513 feet, more or less, to the north right-of-way of the CNO&TP Railroad lead track; thence with the north right-of-way of the aforesaid track as it curves to the right (clock wise) 645 feet, more or less; thence again with said right of way 63 feet, more or less, to the west right-of-way of the main line of the CNO&TP Railroad; thence with the west right-of-way of the CNO&TP Railroad for five calls N 03° 41' E 105.7 feet, more or less, N 04° 05' E 200 feet, N 03° 10' E 200 feet, N 01° 10' E 200 feet, and N 00° 33' W 200 feet to the beginning, and containing 4.5 acres, more or less; being the property acquired by the Company by deed dated October 16, 1957, and recorded in Deed Book 634, page 242, in the Office of the Clerk of Fayette County, Kentucky.

Item 44. A tract of land situated south of the City of Lexington, described as follows: Beginning at an iron pin at the intersection of the South right-of-way line of the new county road (Reynolds Road) and the West right-of-way line of the Southern Railroad; thence South 23 Degrees West along the West right-of-way line of said railroad for a distance of 150 feet to an iron pin; thence with a new line North 67 degrees West for a distance of 150 feet to an iron pin; thence with a new line North 23 Degrees East for a distance of 150 feet to an iron pin in the South right-of-way line of the new county road; thence with the South right-of-way line of the said road South 67 degrees East for a distance of 150 feet to the point of beginning, and containing .5165 acre; being the property acquired by the Company by deed dated December 12, 1957, and recorded in Deed Book 637, page 480, in the Office of the Clerk of Fayette County, Kentucky.

Item 45. A tract of land situated in the City of Lexington, described as follows: Beginning at an iron pin in the South right-of-way line of the L & N R. R., said point being S 63-00 W a distance of 50 feet from the Northwest corner of Northern Belt Line Industrial Subdivision when measured along the South right-of-way line of said L & N R. R.; thence with the South right-of-way line of said L & N R. R. S 63-00 W 125.0' to an iron pin in the South right-of-way line of said Railroad and a new corner to Eastland, Inc.; thence with a new line of Eastland, Inc. for three calls; S 27-00 E 125.0' to an iron pin, a new corner to Eastland, Inc.; thence N 63-00 E 125.0' to a point, a new corner to Eastland Inc.; thence N 27-00 W 125.0'

to the point of beginning and containing 15,625 sq. ft.; *subject* to an exception and reservation of a three foot easement for sewer along the east property line; being the property acquired by the Company by deed dated May 20, 1958, and recorded in Deed Book 645, page 539, in the Office of the Clerk of Fayette County, Kentucky.

Item 46. A parcel of land fronting on the Northwesterly side of North Limestone Street, in the City of Lexington, described as follows: Beginning at a point in the line of Backer and Bert Bird, thence in a Northerly direction with the line of North Limestone Street a distance of 64 feet, be it more or less, to a point 348½ feet North of the line of Seventh Street; thence running back of equal width with the front, a distance of 99 feet, be it more or less; being the property acquired by the Company by deed dated November 8, 1961, and recorded in Deed Book 729, page 207, in the Office of the Clerk of Fayette County, Kentucky.

Item 47. A certain lot situated on the West side of North Limestone Street in the City of Lexington, fronting on said street 24.8 feet, and running back in a Westerly direction from said street between parallel lines 99.6 feet, being Lot No. 14, Block 329 on the Block Maps of the said city.

Item 48. A certain lot situated on the West side of North Limestone Street in the City of Lexington, fronting on said street 24.5 feet, more or less, running back in a Westerly direction from said street between parallel lines 99.6 feet, more or less, being Lot No. 15, Block 329, as shown on the Block Maps of the said city.

The property described above in Items 47 and 48 being the property acquired by the Company by deed dated May 31, 1962, and recorded in Deed Book 742, page 170, in the Office of the Clerk of Fayette County, Kentucky.

Item 49. A tract of land near the City of Lexington described as follows: Beginning at a point in the center of Parkers Mill Road, corner to Mattie Smith, running thence with the South line North 17 degrees 53 minutes West 650.3 feet to the line of the Colony Subdivision; thence with the Colony's line North 70 degrees 19 minutes East 150 feet; thence with three (3) new lines South 17 degrees 53 minutes East 150 feet; South 70 degrees 19 minutes West 119.9 feet; South 17 degrees 53 minutes East 502.7 feet to the center of Parkers Mill Road; thence with the center of said road South 75 degrees West 30.4 feet to the point of beginning, containing 0.865 acre, and being a portion of Lot No. 1 of Lane Allen Park Subdivision; being the property acquired by the Company by deed dated September 18, 1962, and recorded in Deed Book 750, page 551, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Lexington-Fayette Urban County Government by Deed dated December 3, 2003, recorded in Deed Book 2431, Page 147 in the Office of the Clerk of Fayette County, Kentucky .

Item 50. A tract of land on the Higby Mill Road described as follows: Beginning at a point in the center of Higby Mill Road which point is North 56 degrees 21 minutes West 300 feet from the intersection of the Higby Mill Road centerline with the West line of the Southern Railroad Company's right-of-way and said point being the Northwest corner of a 3.44 acre tract conveyed to the Company by deed dated July 10, 1946, and recorded in Deed Book 399, page 38, Fayette County Court Clerk's office; thence leaving the Higby Mill Road and running with the line of said 3.44 acre tract South 14 degrees 24 minutes West 638 feet to a stone; thence south 66 degrees 34 minutes East 200 feet to a stone set in West line of Southern Railroad Company's right-of-way, which point is the Southeast corner of the 3.44 acre tract; thence with West line of the Southern Railroad Company's right-of-way South 22 degrees 31 minutes West 100 feet to an iron pin set in concrete in West line of Southern Railroad Company's right-of-way and corner to William S. Dale; thence two new lines with William S. Dale, North 66 degrees 34 minutes West 400.9 feet to an iron pin set in concrete; thence North 23 degrees 27 minutes East 745.52 feet to a point in center of Higby Mill Road corner to Dale in Hulett's line; thence with the center of Higby Mill Road and Hulett's line South 57 degrees 45 minutes East 100 feet to the point of beginning, containing 3.092 acres; being the property acquired by the Company by deed dated April 22, 1963, and recorded in Deed Book 764, page 599, in the Office of the Clerk of Fayette County, Kentucky.

Item 51. A tract of land situated near the south side of Harrodsburg Pike, between Bob-O-Link Drive and Springhill Drive, near the City of Lexington, described as follows: Beginning at an iron pin, said iron pin being in the rear property line of Lot 3 of South Grove Subdivision, as shown in Plat Book 4, page 70, in the Fayette County Clerk's Office; thence at right angles to the rear property line of Lot 3 of said South Grove Subdivision S 37° 20' E 100 feet to an iron pin, a new corner to Fayette Builders, Inc.; thence for three calls with said Fayette Builders, Inc. N 52° 40' E 70 feet to an iron pin, N 07° 40' E 42.44 feet to an iron pin, and N 37° 20' W 70 feet to an iron pin in the rear line of Lot 2 of said South Grove Subdivision; thence along the rear line of Lot 2 and continuing along the rear line of Lot 3 S 52° 40' W 100 feet to the beginning, and containing 0.219 acre; being the property acquired by the Company by deed dated November 12, 1963, and recorded in Deed Book 782, page 415, in the Office of the Clerk of Fayette County, Kentucky.

Item 52. A tract or parcel of land situated on South side of Wilson-Downing Road in Fayette County, Kentucky, and more fully described and bounded as follows, to-wit: Beginning at a point in the new South right-of-way line of Wilson-Downing Road, said point being North 59 Degrees 17 Minutes West 626 feet, as measured along center line of said road, from the intersection of Tates Creek and Wilson Downing Roads and South 30 Degrees 43 Minutes West 40 feet from the center line of the present Wilson-Downing Road; thence with three new calls with H. E. Coons South 30 Degrees 43 Minutes West 160 feet to a corner to H. E. Coons, North 59 Degrees 17 Minutes West 125 feet to a corner with H. E. Coons, North 30 Degrees, 43 Minutes East 160 feet to a point in the new South right-of-way line of Wilson-Downing Road and a corner with H. E. Coons, said point being South 30 Degrees 43 Minutes West, 40 feet from a point in the center line of Wilson-Downing Road; thence with the new South right-of-way line of Wilson-Downing Road South 59 Degrees 17 minutes East 125 feet to the beginning, and containing 0.46 acre; being the property acquired by the Company by deed dated March 26, 1966,

and recorded in Deed Book 863, page 187, in the Office of the Clerk of Fayette County, Kentucky.

Item 53. A tract or parcel of land situated approximately 800 feet East of Tates Creek Road in the City of Lexington, Kentucky, and more fully described and bounded as follows, to-wit: Beginning at an iron pin, said pin being the Northeast corner of said tract and being South 28 Degrees 23 Minutes East 269.92 feet from a corner common to Lot 14 and Lot 15 in Lansdowne-Merrick Subdivision, Unit 1; thence with four new calls with Lansdowne Company, Inc., South 65 Degrees 50 Minutes West 200 feet to a corner to Lansdowne Company, South 24 Degrees 10 Minutes East 200 feet to a corner to Lansdowne Company, North 65 Degrees 50 Minutes East 200 feet to a corner to Lansdowne Company, North 24 Degrees 10 Minutes West 200 feet to the beginning, and containing 0.918 acre; being the property acquired by the Company by deed dated April 25, 1966, and recorded in Deed Book 871, page 1, in the Office of the Clerk of Fayette County, Kentucky.

Item 54. Beginning at a point in the property line of E. W. Huber, Harold L. Huber and Robert L. Huber, said point being a corner common to C. M. Flynn, thence with a new line with E. W. Huber, Harold L. Huber and Robert L. Huber North 03 degrees 42 minutes East 119.35 feet to a point in the center line of the Louisville and Southern Railroad right-of-way; thence with the center line of said railroad for two calls, North 73 degrees 23 minutes West 34.31 feet, North 72 degrees 41 minutes West 98.32 feet; thence with the line of Province Subdivision South 03 degrees 42 minutes West 150.17 feet to the line of C. M. Flynn; thence with the line of C. M. Flynn South 86 degrees 18 minutes East 129 feet to the point of beginning, and containing 0.399 acre; being the property acquired by the Company by deed dated December 14, 1966, and recorded in Deed Book 887, page 378, in the Office of the Clerk of Fayette County, Kentucky.

Item 55. Tract No. 1; Being all of Lot No. 1 in the Sullivan Park Subdivision Addition to the City of Lexington, Kentucky, as shown by plat of record in Plat Book 2, page 121, in the Fayette County Court Clerk's office, said lot fronting 97.3 feet on the North side of American Avenue and being adjacent to the property of the Southern Railway Company.

Tract No. 2: Being all of Lot No. 2 in the Sullivan Park Addition to the City of Lexington, Kentucky, as shown by plat of record in Plat Book 2, page 121, in the Fayette County Court Clerk's office, said lot fronting 40 feet on the North side of American Avenue and extending back therefrom between parallel lines a distance of 225 feet to Burley Avenue.

The property described above as Tract No. 1 and Tract No. 2 (Item 55) was acquired by the Company by deed dated January 6, 1967, and recorded in Deed Book 888, page 180, in the Office of the Clerk of Fayette County, Kentucky.

Item 56. Lot No. 4 in Sullivan Park Addition to the City of Lexington, Kentucky, as shown by plat of record in Plat Book 2, page 121, in the Fayette County Court Clerk's Office, said lot fronting on the North side of American Avenue, with a width of 40 feet, and extending back between parallel lines in a Northerly direction a distance of 127.5 feet; the house on said premises being known and designated as No. 107 American Avenue; being the property acquired by the Company by deed dated February 4, 1967, and recorded in Deed Book 890, page 262, in the Office of the Clerk of Fayette County, Kentucky.

Item 57. All that tract or parcel of land with improvements thereon located near the City of Lexington, Kentucky, and described as follows, to-wit: Lot No. 14 in Sullivan Park Addition to the City of Lexington, Fayette County, Kentucky, recorded in Plat Book 2, page 121, in the Fayette County Court Clerk's office, said lot fronting 40 feet on Burley Avenue and extending back in a southerly direction between parallel lines, a distance of 127.5 feet; the improvements on said premises being known and designated as No. 96 Burley Avenue; being the property acquired by the Company by deed dated February 4, 1967, and recorded in Deed Book 890, page 268, in the Office of the Clerk of Fayette County, Kentucky.

Item 58. Being all of Lot No. 3 in the Sullivan Park Subdivision Addition to the City of Lexington, Fayette County, Kentucky, as shown by plat of record in Plat Book 2, page 121, in the Fayette County Court Clerk's office, said lot fronting on the north side of American Avenue with a width of forty (40) feet and extending back between parallel lines in a northerly direction a distance of one hundred and twenty seven and five tenths (127.5) feet; the house on said premises being known and designated as 105 American Avenue; being the property acquired by the Company by deed dated January 30, 1967, and recorded in Deed Book 889, page 519, in the Office of the Clerk of Fayette County, Kentucky.

Item 59. All of Lot #15 in Sullivan Park Addition to the City of Lexington, Fayette County, Kentucky, said lot fronting on the South side of Burley Avenue a distance of 40 feet; thence running back in parallel lines a distance of 127½ feet and being designated as Lot #15 upon the plat of the Sullivan Park Addition to the City of Lexington, as the same appears of record in Plat Book 2, page 121, in the office of the Clerk of the Fayette County Court, now known as No. 98 Burley Avenue; being the property acquired by the Company by deed dated February 4, 1967, and recorded in Deed Book 890, page 265, in the Office of the Clerk of Fayette County, Kentucky.

Item 60. All that tract or parcel of land situated on the east side of Loudon Avenue and on the southerly side of the L. & N. Railroad, in Lexington, Kentucky, and more fully described and bounded as follows, to-wit: Beginning at a point in the east right-of-way line of Loudon Avenue where it intersects the southerly right-of-way line of the L. & N. Railroad; thence with the southerly right-of-way line of the L. & N. Railroad N 59° 30' E 548.44 feet to a corner with Central Kentucky Supply Co.; thence with Central Kentucky Supply Co. S 39° 48' E 190.21 feet; thence again with Central Kentucky Supply Co. and continuing with the Picklesimer Subdivision S 45° 29' W 645.06 feet to a corner with Helen Palmer; thence with Palmer S 87° 19' W 118.0 feet to the aforesaid east right-of-way line of Loudon Avenue; thence with the east right-of-way line of Loudon Avenue for three calls, N 02° 54' W 121.7 feet, N 03° 24' E 138.0 feet and N 15° 37' W 68.72 feet to the

beginning, and containing 3.974 acres. Also all the right, title and interest of Rodney Dennis in and to an appurtenant easement providing the right of ingress and egress from Eastland Drive, said appurtenant easement being described as follows, to-wit: Beginning at a point in the southerly right-of-way line of the L. & N. Railroad, said point being 548.44 feet east of the east right-of-way line of Loudon Avenue, and said point being a common corner of Rodney Dennis and Central Kentucky Supply Co.; thence with the division line between Dennis and Central Kentucky Supply Co. for two calls, S 39° 48' E 190.21 feet and S 45° 29' W 20 feet, more or less, to the line of Picklesimer Subdivision; thence with Picklesimer Subdivision in a southeasterly direction 409.8 feet, more or less, to the northwest right-of-way line of Eastland Drive; thence with the northwest right-of-way line of Eastland Drive in a northeasterly direction 40 feet, more or less, to a corner with Central Kentucky Supply Co.; thence with Central Kentucky Supply Co. in a northwesterly direction 600 feet, more or less, to the aforesaid southerly right-of-way line of the L. & N. Railroad; thence with the southerly right-of-way line of the L. & N. Railroad in a southwesterly direction 20 feet, more or less, to the point of beginning.

The above described 3.974 acre tract being the property acquired by the Company by deed dated November 1, 1966, and recorded in Deed Book 883, page 372, in the Office of the Clerk of Fayette County, Kentucky.

LESS AND EXCEPTING from Item 60 above:

(a) so much of said property as was conveyed to Commonwealth of Kentucky for the use and benefit of the Department of Transportation by Deed dated March 11, 1977, recorded in Deed Book 1168, Page 22 in the Office of the Clerk of Fayette County, Kentucky; and

(b) so much of said property as was conveyed to Myrtle M. Deaton-Milburn by Special Warranty Deed dated July 31, 2003, recorded in Deed Book 2383, Page 361 in the Office of the Clerk of Fayette County, Kentucky; and

(c) so much of said property as was conveyed to B.W. Prather and Buddy W. Prather, Jr., by Deed dated July 31, 2003, recorded in Deed Book 2383, Page 377 in the Office of the Clerk of Fayette County, Kentucky; and

(d) 811 Loudon Avenue, Lexington, Kentucky:

Being all of Parcel 1 of the Consolidation Minor Record Plat of Kentucky Utilities Company Property of Record in Plat Cabinet L, Slide 977, in the Office of the Clerk of Fayette County, Kentucky, as conveyed by the Company to a third party in September, 2005.

Item 61. A tract or parcel of land situated north of Eastland Drive and east of Loudon Avenue, in Lexington, Kentucky: Beginning at a point in the division line between Lots 9 and 10, Block A of Picklesimer Subdivision Unit 1 Revised, as recorded in Plat Book 13, page 17, in the Fayette County Court Clerk's office, said point being 200 feet north of the north right-of-way line of Eastland Drive as measured along said division line between said Lots 9 and 10; thence with the division line between said Lots 9 and 10 and continuing with the division line between Lots 8 and 10 of said subdivision N 37° 48' W 154.96 feet to a corner with Lot 7, Block A of said subdivision; thence with said Lot 7 N 04° 22' W 44.14 feet to the line of the Company; thence with the Company N 46° 04' E 115.76 feet to a point, said point being the rear common corner between Lots 12 and 13, Block A of the aforesaid subdivision; thence with the division line between said Lots 12 and 13, Block A of said subdivision S 39° 18' E 204.3 feet to a point; thence crossing Lots 12, 11 and 10, Block A of said subdivision S 52° 13' W 144.76 feet to the beginning, containing 0.633 acre and being a part of Lots 10, 11 and 12, Block "A" of the Picklesimer Subdivision, Unit 1 as shown by plat thereof of record in Plat Book 13, page 17, in said Clerk's office and being the property acquired by the Company by deed dated August 28, 1967, and recorded in Deed Book 908, page 258, in the Office of the Clerk of Fayette County, Kentucky.

Item 62. Beginning at a point in the new westerly right-of-way line of Redd Road, said point being 15 feet west of the center line of said road, said point being approximately 480 feet north of the center line of the Elkchester Pike and said point being a new corner to Wade; thence with said new westerly right-of-way line of Redd Road N 23° 32' W 1000.0 feet to another new corner with Wade; thence with Wade for two new calls, S 66° 28' W 960 feet and S 28° 25' E 568.37 feet to a point in the northerly right-of-way line of the Southern Railroad, said point being 33 feet north of the center line of said Railroad; thence with said northerly right-of-way line of the Southern Railroad for six calls, S 87° 06' E 57.7 feet, S 81° 52' E 121.3 feet, S 74° 58' E 103.5 feet, S 68° 49' E 104.1 feet, S 62° 30' E 103.3 feet and S 55° 42' E 149.0 feet to another new corner with Wade; thence with a line with Wade N 66° 28' E 457.5 feet to the beginning, and containing 18.50 acres; being the property acquired by the Company by deed dated July 3, 1968, and recorded in Deed Book 936, page 39, in the Office of the Clerk of Fayette County, Kentucky.

Item 63. Beginning at a point in the line between Indian Hills Subdivision and Edgar Zantker, said point being in the northerly right of way line of Arrowhead Drive; thence with the lands of Zantker S 65° 46' E 411.8 feet to the southwesterly right of way line of the New Circle Road, S. W.; thence with said southwesterly right of way line of the New Circle Road, S.W., for six calls, N 26° 03' W 99.4 feet, N 24° 28' W 102.6 feet, N 22° 54' W 102.54 feet; N 21° 28' W 102.8 feet; N 19° 57' W 102.67 feet, N 18° 46' W 54.7 feet; thence with the easterly line of Indian Hills Subdivision S 24° 19' W 386.32 feet to the beginning, and containing 1.74 acres, more or less; being the property acquired by the Company by deed dated August 8, 1968, and recorded in Deed Book 940, page 51, in the Office of the Clerk of Fayette County, Kentucky.

Item 64. Beginning at a point in the center line of Stone Road, corner to Hempel; thence with the line of Hempel S 72° 56' E 246.5 feet; thence again with the line of Hempel and continuing with the line of Kaesler S 21° 06' W 211.3 feet to a point in the line of the Big Run Coal & Clay Company; thence with the line of the Big Run Coal & Clay Company; S

78° 33' E 1028.2 feet to a point in the west right-of-way line of the Southern Railroad; thence with the west right-of-way line of the Southern Railroad N 03° 11' E 767.8 feet to a corner with Smedley; thence with the line of Smedley N 68° 31' W 580.5 feet to a corner with the Stone Road Baptist Church; thence with the aforesaid Stone Road Baptist Church for two calls, S 21° 43' W 100 feet and N 68° 31' W 435.6 feet to the center line of Stone Road; thence with the center line of Stone Road S 21° 43' W 615.2 feet to the beginning, and containing 19.98 acres; being the property acquired by the Company by deed dated April 4, 1968, and recorded in Deed Book 927, page 555, in the Office of the Clerk of Fayette County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Frank Sadler and Ann C. Sadler by Deed dated March 23, 1971, recorded in Deed Book 1010, Page 537 in the Office of the Clerk of Fayette County, Kentucky.

Item 65. Beginning at a point in the center of the Liberty Pike or its intersection with the northwesterly property line of Christian Road; thence with said northwesterly property line of Christian Road N 41-23 E 133.3 feet to a point corner to the property of Eastlex Machine Corporation; thence with the property line of said Eastlex Machine Corporation N 48-01 W 294.66 feet to a point corner to said Eastlex Machine Corporation and the property of Donacot, Inc., which point is also in the center line of a 75 foot transmission line easement of the Company; thence with said property line of Donacot, Inc. (which property line is also the center line of said transmission line easement) S 9-37 W 199.7 feet to the northerly right-of-way line of the Liberty Pike; thence with said northerly property line of the Liberty Pike S 76-48 E 113 feet; thence S 13-29 W 60 feet to the center line of the Liberty Pike; thence with said center line S 76-33 E 70 feet to the point of beginning; all as shown upon that plat of said property made by Rowe & Company, Engineers, under date of September, 1963, which plat was approved by the Lexington-Fayette County Planning Commission on September 18, 1963, a copy of which plat is attached to that deed of record in Deed Book 778, page 242, in the Fayette County Court Clerk's office; there being excepted from the foregoing, however, so much of said property as is subject to use for highway and roadway purposes; being the property acquired by the Company by deed dated December 30, 1971, and recorded in Deed Book 1035, page 135, in the Office of the Clerk of Fayette County, Kentucky.

Item 66. The following described tracts located in Lexington, Kentucky, and acquired by the Company by deed dated November 26, 1973, and recorded in Deed Book 1096, page 247, in the Office of the Clerk of Fayette County, Kentucky:

All that tract or parcel of land on the west side of North Limestone Street; beginning 364 feet North of Seventh Street and extending north along Limestone Street 28.4 feet to corner of brick grocery and extending back between parallel lines 99 feet to the line of Loughridge.

All that tract or parcel of land located on the west side of Limestone Street and beginning at a point 348½ feet from Seventh Street; thence in a northerly direction with Limestone Street 15½ feet; thence running back between parallel lines of equal width 99 feet, more or less.

Item 67. Beginning at a point on the North side of American Avenue at a point 217.3 feet west of the intersection of the Sullivan Park Addition to the City of Lexington with the property line of the Southern Railway Company; extending thence in a westerly direction along the North side of American Avenue a distance of 40 feet; extending thence in a northerly direction between parallel lines and at right angles to American Avenue a distance of 127½ feet and being all of Lot No. 5 of the Sullivan Park Addition to the City of Lexington, Kentucky, as recorded in Plat Book 2, page 121, in the Fayette County Court Clerk's office, and being known and designated as 109 American Avenue; being the property acquired by the Company by deed dated March 12, 1974, and recorded in Deed Book 1101, page 38, in the Office of the Clerk of Fayette County, Kentucky.

Item 68. Lot No. 16 of the Sullivan Park Addition to the City of Lexington, as shown on plat of record in Plat Book 2, page 121, in the Fayette County Court Clerk's office; said lot fronts forty (40) feet on the south side of Burley Avenue and extends back therefrom between parallel lines a distance of one hundred and twenty-seven and five-tenths (127.5) feet; the house on said premises being known and designated as No. 100 Burley Avenue; being the property acquired by the Company by deed dated March 12, 1974, and recorded in Deed Book 1101, page 36, in the Office of the Clerk of Fayette County, Kentucky.

Item 69. Beginning at a point in the property line between the lands of the University of Kentucky and George Willmott, et al, said point being North 41 degrees 37 minutes West 380.6 feet from a corner common to the University of Kentucky and George Willmott, et al, thence through the property of the University of Kentucky for three (3) calls, North 48 degrees 28 minutes East 250 feet to an iron pin, North 41 degrees 37 minutes West 250 feet to an iron pin in the East boundary of Viley Road, with the East boundary of Viley Road South 48 degrees 28 minutes West 250 feet to an iron pin in the line between the University of Kentucky and George Willmott, et al, thence with said line South 41 degrees 37 minutes East 250 feet to the point of beginning and containing 1.4348 acres; and being the property acquired by the Company by deed dated January 10, 1979, and recorded in Deed Book 1191, page 40, in the Office of the Clerk of Fayette County, Kentucky.

Item 70. A certain lot of ground situated on Corral Street in Goodloes Addition to the City of Lexington, and bounded as follows: Beginning at a stake in edge of Corral Street and corner to Emely Jackson, thence with Emely Jackson's line south one hundred feet to a stake corner to Emely Jackson, thence, East with Murphey's line thirty feet to stake in edge of Murphey's line, thence N. parallel with Emely Jackson's line one hundred feet to stake in edge of Corral Street, thence South with Corral Street to beginning; and being the property acquired by the Company by deed dated May 23, 1979 and recorded in Deed Book 1226, page 828, in the Office of the Clerk of Fayette County, Kentucky.

Item 71. Parcel No. 9X. Beginning at a point in the east property line of the Company's West High Street Substation Lot, said point being located North 28 degrees 26 minutes 42 seconds East, 37.40 feet from the Southern corner of said Substation Lot and being in the West right of way line of Jefferson Street, and being 70.39 feet left (West) of Jefferson Street Station 91+37.03; thence with the Substation Lot line for two calls; North 1 degree 52 minutes 48 seconds East, 14.00 feet to a point 81.21 feet left of Jefferson Street Station 91.45.92 and South 88 degrees 07 minutes 12 seconds East, 7.00 feet to a point 76.76 feet left of Jefferson Street Station 91+51.33, thence with the right of way line South 28 degrees 26 minutes 42 seconds West, 15.65 feet to the point of beginning and containing 49 square feet.

Parcel No. 9X1. Beginning at a point in the east property line of the Company's West High Street Substation Lot, said point being located North 28 degrees 26 minutes 42 seconds East, 92.75 feet from the Southern corner of said Substation Lot and being in the West right of way line of Jefferson Street, and being 92.92 feet left (West) of Jefferson Street Station 91+87.59; thence with the Substation Lot line for three calls; North 57 degrees 48 minutes 24 seconds West, 30.00 feet to a point 121.06 feet left of Jefferson Street Station 91+77.20, North 30 degrees 22 minutes 49 seconds East, 50.00 feet to a point 139.85 feet left of Jefferson Street Station 92+23.54, and South 57 degrees 08 minutes 10 seconds East, 10.59 feet to a point 129.88 feet left of Jefferson Street Station 92+27.09; thence with the right of way line South 09 degrees 21 minutes 16 seconds West, 54.09 feet to the point of beginning and containing 1012 square feet.

The property described above as Parcel No. 9X and Parcel No. 9X1 (Item 71) was acquired by the Company by deed dated August 21, 1981, and recorded in Deed Book 1281, page 143, in the Office of the Clerk of Fayette County, Kentucky.

Item 72. Beginning at a point in the south right of way of U.S. Highway No. 25 (Richmond Road), 75 feet right of Station 99+45, said point being common to the lands of John A. Fears and Margaret Fears and the lands of the undersigned. Thence along the line common to the above mentioned lands South 65° 50' West 460.00 feet to an angle point. Thence through the property of the undersigned for two new calls as follows: South 24° 10' East 180.0 feet and North 65° 50' East 516.0 feet to a point in the South right-of-way line of U.S. Highway No. 25 (Richmond Road). Thence along said right-of-way line as it curves, a chord of North 41° 27' West approximately 189.0 feet, to the point of beginning and containing approximately 2.016 acres; and being the property acquired by the Company by deed dated February 23, 1982, and recorded in Deed Book 1306, page 242, in the Office of the Clerk of Fayette County, Kentucky.

Item 73. Beginning at a point in the North right of way of U.S. 60 (Versailles Road) 108.15 feet right of center line Station 218+55.56, said point being common to the Madeline McDowell Fresh Air Camp and the lands of first party; thence along the line common to said Fresh Air Camp and first party North 24° 01' East 250.0 feet to a point, thence through the lands of first party for two (2) calls: South 65° 59' East 250.0 feet and South 24° 01' West 250.00 feet to a point in the North right-of-way line of U.S. 60, said point being 100 feet right of Station 221+05.4; thence along said right of way North 67° 52' West 5.4 feet to an angle point, said point being 100 feet right of Station 221+00; thence along said right of way North 85° 37' West 52.5 feet to an angle point, said point being 84 feet right of Station 220+50; thence along said right of way North 67° 52' West 50.0 feet to an angle point, said point being 84 feet right of Station 220+00; thence along said right of way North 45° 05' West 54.2 feet to an angle point, said point being 105 feet right of Station 219+50; thence along said right of way North 65° 57' West 94.6 feet to the point of beginning; containing 1.4779 Acres; and being the property acquired by the Company by deed dated March 31, 1983, and recorded in Deed Book 1311, page 454, in the Office of the Clerk of Fayette County, Kentucky.

Item 74. Beginning at a point on the Westerly side of Race Street 100 feet South from the South side of Corral Street; running thence South along the West side of Race Street 23 feet; thence West at right angles to Race Street 100 feet; thence North and parallel with Race Street 23 feet; thence East and the right angles with Race Street 100 feet to the point of beginning; the improvements on said premises being known and designated as No. 165 Race Street, and being the property acquired by the Company by deed dated April 8, 1986, and recorded in Deed Book 1400, page 225, in the Office of the Clerk of Fayette County, Kentucky.

Item 75. Beginning on the north side of High Street at the corner of the property sold and to be conveyed by first parties to H. K. Bell, Executor, running thence along the north side of High Street towards Merino Street thirty (30) feet more or less to the line of the property sold and conveyed by first parties to Mrs. T. N. Arthur, thence back between the lines of said Bell and Arthur in a northerly direction towards the L & N Railroad tracks to the line of the factory lot property formerly owned by R. D. Hamilton, and being the property acquired by the Company by deed dated October 24, 1988, and recorded in Deed Book 1497, page 645, in the Office of the Clerk of Fayette County, Kentucky.

Item 76. Beginning at a point in the south property line of Loudon Avenue, said point being 316.67 feet west of the west property line of North Limestone Street and said point being corner to the Kentucky Utilities Company; thence along the south property line of Loudon Avenue N 41° 49' 00" W 163.83 feet to an iron pin corner to the Kentucky Utilities Company; thence along the line of Kentucky Utilities Company S 48° 17' 14" W 136.88 feet to an iron pin in the north right-of-way of the C & O Railroad; thence along the north right-of-way way of the C & O Railroad S 39° 23' 51" E 163.02 feet to an iron pin, corner to the Kentucky Utilities Company; thence along the line of Kentucky Utilities Company N 48° 39' 47" E 143.76 feet to the beginning and containing 0.526 acre; the improvements thereon being known and designated as 120 Loudon Avenue, the same according to a new survey of Wheat & Ladenburger dated March 16, 1978, and being the property acquired by the Company by deed dated July 13, 1989, and recorded in Deed Book 1517, page 421, in the Office of the Clerk of Fayette County, Kentucky.

Item 77. The following described tracts located in Lexington, Kentucky and acquired by the Company by

Deed dated May 5, 1989 and recorded in Deed Book 1510, Page 465, in the Office of the Clerk of Fayette County, Kentucky:

Tract I. Beginning at an iron pin in the intersection of the east right-of-way line of Quality Street with the north right-of-way line of New Vine Street, said pin being in the intersection of the back of sidewalk of Quality Street with the back of sidewalk of New Vine Street; thence running with the back of sidewalk and east right-of-way line of Quality Street for three calls, N 48° 21' 40" E, 89.54 feet to a railroad spike, N 71° 48' 20" E, 19.84 feet to an iron pin, and N 69° 22' 20" E, 79.72 feet to an iron pin in the south right-of-way line of Service Entrance No. 5; thence running with the south right-of-way line of Service Entrance No. 5 for two calls, S 43° 53' 40" E, 10.15 feet to a railroad spike at the edge of a concrete curb inlet, and S 41° 54' 30" E, 133.12 feet to a "P.K." nail in the west property line of Christ Church, Inc.; thence running with the west property line of Christ Church, Inc. S 48° 40' 30" W, 183.99 feet to an iron pin in the north right-of-way line of New Vine Street; thence running with the north right-of-way line of New Vine Street N 41° 22' 40" W, 178.77 feet to the point of beginning, and containing 31,095 square feet, and being all of parcels 1 and 2 of a Consolidation Record Plat for Urban Renewal and Community Development Agency of the City of Lexington, of record in Plat Book 31, Page 20, of record in the Office of the Clerk of Fayette County, Kentucky.

Tract II. Beginning at an iron pin in the intersection of the north right-of-way line of New Vine Street with the west right-of-way line of Quality Street, said pin being in the intersection of the back of sidewalk of New Vine Street with the back of sidewalk of Quality Street; thence running with the north right-of-way line of New Vine Street 41° 09' 21" W, 386.52 feet to an iron pin; thence running N 48° 43' 49" E 67.37 feet to a "P.K." nail in the south right-of-way line of Service Entrance No. 3; thence running with the south right-of-way line of Service Entrance No. 3 for three calls, S 41° 32' 31" E 107.25 feet to a "P.K." nail, N 48° 27' 29" E, 0.45 feet to a railroad spike, and S 41° 22' 01" E, 278.88 feet to an iron pin in the west right-of-way line of Quality Street; thence running with the west right-of-way line of Quality Street S 48° 23' 59" W, 69.49 feet to the point of beginning, and containing 26,504 square feet, and being all of parcels 1 and 2 of a Consolidation Record Plat for Urban Renewal and Community Development Agency of the City of Lexington, of record in Plat Book 31, Page 19, of record in the Office of the Clerk of Fayette County, Kentucky.

Item 78. Being all of Parcel 2 as shown on the final record plat of the R. J. Reynolds Tobacco Co. property, which plat is of record at Plat Cabinet I, Slide 355, in the Fayette County Clerk's office, and being the property acquired by the Company by deed dated June 25, 1991, and recorded in Deed Book 1594, page 186, in the Office of the Clerk of Fayette County, Kentucky.

Item 79. Beginning at an iron pin in the southerly property line of Corral Street, 140 feet westerly from Race Street and corner to property conveyed to Kentucky Utilities Company in Deed Book 1226, Page 828, in the Fayette County, Kentucky, Clerk's office; thence along the southerly property line of Corral Street in a westerly direction 60 feet to an iron pin corner to Mary Katherine Foley (Deed Book 524, page 402); thence at right angles with Mary Katherine Foley and continuing with Malcolm Blevins (Deed Book 734, page 331) in a southerly direction 100 feet to an iron pin; thence at right angles and with another line of Blevins in an easterly direction 60 feet to an iron pin corner with Kentucky Utilities Company (Deed Book 1226, page 828); thence at right angles and with the line of Kentucky Utilities Company in a northerly direction 100 feet to the beginning; being known as 406-408-410 Corral Street, and the foregoing new description having been prepared from a survey made by William H. Finnie & Associates, Lexington, Kentucky, April, 1992, and being the property acquired by the Company by deed dated June 10, 1992, and recorded in Deed Book 1634, Page 351, in the Office of the Clerk of Fayette County, Kentucky.

Item 80. All of Parcel 1 of the Consolidation Minor Final Record Plat, Kentucky Utilities Company Lansdowne Substation Property of record in Plat Cabinet J, Slide 705, in the Office of the Fayette County Clerk being known and designated as a portion of Lansdowne-Merrick Park, Lexington, Fayette County, Kentucky, and being the property acquired by the Company by deed dated July 19, 1995 and recorded in deed Book 1797, Page 598, in the Office of the Clerk of Fayette County, Kentucky.

Item 81. Being all of Lot 3C as shown on the 6th Amended Final Record Plat of Bluegrass Business Park (Pemberton Farm), Lexington, Fayette County, Kentucky, as shown by the plat of record in Plat Cabinet N, Slide 303, in the Fayette County Clerk's office; and being the same property conveyed to Kentucky Utilities Company, pursuant to deed dated December 20, 2007, recorded in Deed Book 2799, Page 688, in the Office of the Clerk of Fayette County, Kentucky.

Item 82. Being all of Lot No. 165 as shown on the Final Record Plat of Unit 3G of the Greendale Hills Subdivision, which plat is recorded in Plat Cabinet M, Slide 749, in the Fayette County Clerk's office; the improvements thereon being known and designated as 729 Lucille Drive, Lexington, Kentucky, and being the same property conveyed to Kentucky Utilities Company, by deed dated April 14, 2009 of record in Deed Book 2867, Page 509, of record in the Office of the Clerk of Fayette County, Kentucky.

Item 83. Being all of Unit 1-E of the SIKURA-JUSTICE (Gleneagles) Subdivision as shown by plat of record in Plat Cabinet L, Slide 138, in the Fayette County Clerk's Office, and being the same property conveyed to Kentucky Utilities Company by deed dated October 7, 2008, of record in Deed Book 2837, Page 1, in the Office of the Clerk of Fayette County, Kentucky.

Item 84. Tract 1 (Fee Simple):

Being all of Tract 1, containing 6.13 acres, as shown on the Final Record Plat of the Madden property of record in Plat Cabinet. J, Slide 551, in the Office of the Clerk of Fayette County, Kentucky.

Tract 2 (Easement):

Beginning at an iron pin in the west right of way of Man O' War Boulevard, said pin also being the northeast corner of Tract 1; thence with the line of Tract 1 north 81 degrees 56 minutes 26 seconds west, 2257.03 feet to a P. K. nail in the centerline of Liberty Road; thence with said centerline north 36 degrees 22 minutes 18 seconds west, 35.01 feet to a point; thence leaving Liberty Road and continuing 25 feet north of and parallel with the north line of Tract 1, south 81 degrees 56 minutes 26 seconds east, 2279.66 feet to a point in the west right of way of Man O' War Boulevard; thence with said right of way, south 03 degrees 44 minutes 31 seconds west, 25.07 feet to the point of beginning and containing 1.30 acres, this being a description prepared by Wesley B. Witt, L.S. Number 2187 on August 5, 1994, and is the 25' KU Easement shown on that Final Record Plat of the Madden property in Plat Cabinet J, Slide 551, in the Fayette County Court Clerk's office, and Item 102 being the property acquired by the Company by deed dated December 28, 1994 and recorded in Deed Book 1767, Page 179, in the Office of the Clerk of Fayette County, Kentucky.

The following described real estate of the Company situated in Fleming County, Kentucky:

Item 1. Beginning at a corner post, said post being a corner common to Les D. Arnold and John Lewis Taylor; running thence with the line of Arnold and Taylor North 72 degrees West a distance of 162 feet to an iron pin; thence with two new lines, South 18 degrees West a distance of 100 feet to an iron pin; thence South 72 degrees East a distance of 147.1 feet to an iron pin located in the property line of Arnold and Taylor; thence with said line which is the north boundary of a 12 foot lane, North 26 degrees 30 minutes East a distance of 101 feet to the point of beginning, and containing 0.3546 acre; being the property acquired by the Company by deed dated July 1, 1959, and recorded in Deed Book 116, page 538, in the Office of the Clerk of Fleming County, Kentucky.

The following described real estate of the Company situated in Franklin County, Kentucky:

Item 1. A tract of land described as follows: Situated on the Frankfort and Versailles turnpike road 2 miles East of Frankfort, and beginning at the Northwest corner of D. M. Woodson's land (now Clanton) on the South line of the Kentucky Traction and Terminal Company's right-of-way; thence West with said line of the Traction Company 168.8 feet to Shaw's line; thence in a Southerly direction with Shaw's line and parallel to the dividing line between Yeary and Woodson 215 feet; thence in an Easterly direction 168.8 feet to a point in the line between Yeary and Woodson 215 feet from the point of beginning; thence with said division line between Yeary and Woodson North 215 feet to the point of beginning, being the property acquired by the Company by deed dated January 3, 1940, and recorded in Deed Book 89, page 545, in the Office of the Clerk of Franklin County, Kentucky.

Item 2. Beginning at a point in the common line of Rice and Mandy Smith, said property line being the common line of Lots 17 and 18 of the Cedar Grove Acres Subdivision as recorded in Deed Book 126, pages 324, 325 and 326 in the Franklin County Court Clerk's Office and said point of beginning being the intersection of the center line of the Kentucky Utilities Company's Frankfort to Carrollton 138 KV transmission line and the aforesaid property line; thence with the aforesaid property line N 83 degrees 30 feet W 89.18 feet to an iron pin; thence through the property of Mandy Smith for five lines, N 26 degrees 15 feet W parallel to and 75 feet west of the center of the aforesaid transmission line 101.76 feet to an iron pin, N 63 degrees 45 feet E at right angles to and crossing the aforesaid transmission line 130.45 feet to an iron pin, S 82 degrees 50 feet E 23.42 feet to an iron pin, S 26 degrees 15 feet E parallel to and 75 feet east of the center line of the aforesaid transmission line 137.1 feet to an iron pin, and S 63 degrees 45 feet W 75 feet to the beginning and containing 0.4721 acres and being a portion of Lots 18 and 19 of the aforesaid Cedar Grove Acres Subdivision; being the property acquired by the Company by deed dated April 15, 1974, and recorded in Deed Book 258, page 353, in the Office of the Clerk of Franklin County, Kentucky.

Item 3. Beginning at a point in the north right of way boundary of U.S. Highway #60, which point is a corner of first parties' lands and the lands of Woolridge; running thence South 88° 40' West along said highway boundary 616 feet to a corner, thence North 1° 20' West 20 feet to a corner, thence with highway right of way South 88° 40' West 169 feet to a new corner, thence leaving the highway and running North 1° 20' West 930 feet to a new corner, thence North 87° 24' East 610.9 feet to a new corner in the line of Kirk, thence with the line of Kirk and Woolridge South 8° 51' East 965.6 feet to the point of beginning, containing 15.24 acres more or less; and being the property acquired by the Company by deed dated September 25, 1979, and recorded in Deed Book 300, page 670, in the Office of the Clerk of Franklin County, Kentucky.

The following described real estate of the Company situated in Fulton County, Kentucky:

Item 1. A certain lot or parcel of ground lying and being in the City of Fulton on the North side of Walnut Street therein, and more particularly described as follows: Beginning at a stake 59 feet West of the Northwest corner of the intersection of said Walnut Street and McComb Street; thence North 100 feet to an alley; thence West with the South line of said alley to the Illinois Central Railroad Company's right-of-way; thence Southward with the East line of said Railroad Company's right-of-way to Walnut Street; thence East along the North, line of said Walnut Street to the place of beginning, being Lots Nos. 1 and 2 and a part of Lot No. 3, in Block No. 9 of Paschall's Addition to the Town of Fulton.

Item 2. A certain lot or parcel of land lying and being in the City of Fulton, and more particularly

described as follows: Beginning at a point in the North line of Walnut Street, which point is the Northwest corner of the intersection of Walnut Street and McComb Street; thence North and along the West line of said McComb Street 100 feet to an alley; thence West and along the South line of said alley 60 feet more or less to the East line of the property formerly owned by the Kentucky Light & Power Company, a corporation; thence South and along the East line of said Kentucky Light & Power Company's property 100 feet to the North line of Walnut Street; thence East and along the North line of Walnut Street 60 feet more or less to the place of beginning.

The property described above in Items 1 and 2 above was acquired by the Company by deed dated February 23, 1926, and recorded in Deed Book 45, page 58, in the Office of the Clerk of Fulton County, Kentucky.

Item 3. Certain lots or parcels of land lying in the City of Hickman and described as follows: Being lots numbers 255, 256 and 257 in Block 2 of the East Hickman Addition to the City of Hickman, Kentucky as same is shown on the plat of said Addition in D. B. 3 at pages 1, 2 and 3, recorded in the Fulton County Court Clerk's office; being the property acquired by the Company by deed dated January 25, 1955, and recorded in Deed Book 73, page 56, in the Office of the Clerk of Fulton County, Kentucky.

The following described real estate of the Company situated in Gallatin County, Kentucky:

Item 1. Beginning at a point, said point being in the North right of way line of the Glencoe-Sparta Road and common to Howard and Virginia Gullion and the property of Jacob Hedger; thence N 30° -15' W 130.0 feet; thence making two new lines through the property of Gullions: S 53° -15' W 130.0 feet and S 30° -15' E 130.0 feet to a point in the North right of way line of the Glencoe-Sparta Road; thence along said right of way N 53° -15' E 130 feet to the beginning, and containing 0.385 acre; and being the property acquired by the Company by deed dated June 22, 1981, and recorded in Deed Book 45, page 309, in the Office of the Clerk of Gallatin County, Kentucky.

Item 2. Beginning in the North right-of-way of U.S. No. 42 and property line of Dollar General (d.b. 64, pg. 340) and being original property line of Tract 6-1-D; thence leaving the North side of 40 foot right-of-way of U.S. No. 42 and along the original property line of Tract 6-1-D and Dollar General, North twenty degrees twelve minutes fifty one seconds West (N 20° 12' 51" W) a distance of two hundred seventy eight and 19/100 (278.19) feet to an Iron Pin and original property corner of Dollar General and the South side of 40 foot right of way of Roberta Drive and Being the True Point of Beginning of Tract 6-1-D-1 to be conveyed by American Racing Equipment, Inc. to Kentucky Utilities; thence leaving the property corner of Dollar General and along line of Tract 6-1-D-1 also crossing the end of Roberta Drive being the true end of said Roberta Drive as recorded on plat of High School Court, north twenty degrees twelve minutes fifty one seconds West (N 20° 12' 51" W) a distance of forty-one and 60/100 (41.60) feet to an Iron Pin by a Railroad tie post and being the North end of 40 foot right-of-way of Roberta Drive and property corner of Floyd Seaver Lot No. 29 (deed book no. 36, pg. 530); thence leaving the North side of 40 foot right of way of Roberta Drive and along property line of Seavers North twenty degrees twelve minutes fifty one seconds West (N 20° 12' 51" W) a distance of one hundred thirty three and 19/100 (133.19) feet to an Iron Pin set and being the Southwest corner of Sewer easement to the City of Warsaw; thence leaving the original property line of Tract 6-1-D and Seavers and along new division line of Tract 6-1-D, North fifty nine degrees twenty minutes thirty eight seconds East (N 59° 20' 38" E) a distance of seventy two and 16/100 (72.16) feet to an Iron Pin set; thence with another new division line of Tract 6-1-D South eighty four degrees twenty minutes zero seconds East (S 84° 20' 00" E) a distance of one hundred ninety six and 40/100 (196.40) feet to an Iron Pin set; thence with another new division line of Tract 6-1-D, South five degrees forty minutes zero seconds West (S 05° 40' 00" W) a distance of two hundred (200.00) feet to an Iron Pin set; thence with another new division line of Tract 6-1-D North eighty four degrees twenty minutes zero seconds west (N 84° 20' 00" W) a distance of one hundred seventy eight and 24/100 (178.24) feet to an Iron Pin and South side of 40 foot right of way of Roberta Drive and the true point of beginning; and containing one and 24/10,000 (1.0024) acres, or forty three thousand six hundred sixty six and 57/100 (43666.56757) square feet, being subject to legal right-of-ways and legal easements on record and/or in existence, and being the same property acquired by the Company by deed dated April 20, 1995 and recorded in Deed Book 68, Page 22, in the Office of the Clerk of Gallatin County, Kentucky.

Item 3. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

BEGINNING at a mag nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), said nail being in the centerline of Montgomery Road and being a corner of Sandra McDole (D.B. 56, Pg. 12, Gallatin Co.) and being on the line of Kevin Deaton (D.B. 47, Pg. 202, 4th tract), said pin being approximately 0.46 miles north of the intersection of centerlines of Montgomery Road and Black Rock Road, said nail lying in Gallatin County, Kentucky being the Point of Beginning for this description; Thence leaving the centerline of Montgomery Road and leaving the line of Kevin Deaton and with the line of Sandra McDole, S73°59'44"W - passing an iron witness pin set at wood fence post at 18.95 feet and continuing for a total distance of 284.15 feet to an iron pin found (PLS# 2119), said pin being a corner of Sandra McDole and Kentucky Utilities Company (D.B. 180, Pg. 253, Carroll County); Thence leaving the line of McDole and with the line of Kentucky Utilities Company, S74°23'18"W - 796.56 feet to an iron pin found (PLS# 2119), S74°30'26"W - 354.68 feet to an iron pin found (PLS# 2251), and S74°48'55"W - 353.47 feet to an iron pin found (PLS# 2251), said pin being a corner of Jack Schirmer (D.B. 104, Pg. 731) and Kentucky Utilities Company; Thence leaving the line of Kentucky Utilities Company and with the line of Schirmer, N18°41'13"W - passing an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments), online at 896.97 feet and continuing for a total distance of 1857.57 feet to an iron pin set adjacent to a wood post found adjacent to a 48" Oak Tree as called for in Kentucky Utilities Company (D.B. 122, Pg. 516) and being a corner of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.); Thence leaving the

line of Schirmer and with the line of Kentucky Utilities Company, N35°57'22"W - 508.19 feet to an iron pin found (PLS# 3423 and PLS# 3729), N32°39'34"W - 646.80 feet to an iron pin set adjacent to a fence corner post as called for in D.B. 122, Pg. 516, and N14°33'07"W - 297.00 feet to an iron pin set, said pin being a corner of David C. White and Lorenda White (D.B. 72, Pg. 199, Gallatin Co. and D.B. 129, Pg. 319, Carroll Co.); Thence leaving the line of Kentucky Utilities Company and with the line of White, N73°10'03"E - 396.34 feet to an iron pin set (PLS# 3423), said pin being a corner of White and being a corner of the property being claimed by Mark Kearns (No Deed Found); Thence leaving the corner of White and with property being claimed by Kearns, N75°50'04"E - 270.70 feet to an iron pin found (PLS# 3423), said pin being a corner of the property being claimed by Kearns and being corner of the Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.); Thence leaving the property being claimed by Mark Kearns (No Deed Found) and with the line of Mark Kearns (D.B. 106, Pg. 418), N75°50'04"E - 832.33 feet to an iron pin found (PLS# 3423), said pin being a corner of the property of Mark Kearns and Kentucky Utilities Company (D.B. 107, Pg. 590, Gallatin Co.); Thence leaving the line of Kearns and with the Kentucky Utilities Company Line, N75°50'04"E - passing an iron witness pin found (PLS# 3423) at 142.51 feet continuing for at total distance of 147.51 feet to an Ash Tree Found, said Ash Tree being a corner of Kentucky Utilities Company and Mark Kearns; thence leaving the line of Kentucky Utilities Company and with the line of Mark Kearns, N75°50'04"E - passing a found P.K. nail in the Montgomery Road at 15.29 feet and continuing for a total distance of 16.90 feet to an mag nail set in the centerline of Montgomery Road; Thence continuing with the first the line of Kearns and second the line of David Brooks (D.B. 47, Pg. 342 Gallatin Co. and D.B. 47, Pg. 304, Gallatin Co.), S17°06'39"E - 187.53 feet to an iron pin set, said pin being 14.32 feet east of the centerline of Montgomery Road and being a corner of David Brooks; Thence continuing with the line of Brooks, S53°24'33"E - 483.25 feet to an iron pin set, said pin being 46.98 feet east of the centerline of Montgomery Road, S20°03'34"E - 826.58 feet to a mag nail set in the centerline of Montgomery Road and S33°08'48"E - 124.58 feet to a mag nail set in the centerline of Montgomery Road; Thence leaving the centerline of Montgomery Road and continuing with the line of David Brooks N73°46'07"E - 749.80 feet to an iron pin set a fence corner post, said pin being a corner of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract); Thence leaving the line of Brooks and with the line of Deaton, S11°38'19"E - 1690.61 feet to an iron pin found (PLS# 3423), said pin being in the northwestern edge of an existing gravel driveway, said pin also being the southeast corner of the parent tract and being a corner of Kevin Deaton (D.B. 47, Pg. 202, 4th tract) and being on the line of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract); Thence leaving the line of Kevin Deaton (D.B. 47, Pg. 202, 2nd tract) and with the line of Kevin Deaton (D.B. 47, Pg. 202, 4th tract), the following thirteen courses: S72°52'10"W - 25.17 feet an iron pin found (PLS# 1961), S12°01'39"E - 4.82 feet to an iron pin found (PLS# 1961), S74°47'21"W - 156.29 feet to an iron pin found (PLS# 1961), N83°18'42"W - 45.40 feet to an iron pin found (PLS# 1961), N58°15'22"W - 29.75 feet to an iron pin set a fence post, N59°33'40"W - 144.87 feet to an iron pin set a fence post, N70°53'50"W - 71.88 feet to an iron pin set at a fence post, N78°52'05"W - 81.07 feet to a Mag Nail found in the centerline of Montgomery Road and continuing with the line of Deaton and with the centerline of Montgomery Road, S36°30'15"E - 34.78 feet to a point, S30°01'34"E - 26.82 feet to a point, S22°21'46"E - 47.61 feet to a point, S18°00'12"E - 94.61 feet to a point and S13°18'49"E - 50.14 feet to the Point of Beginning and containing 152.898 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas Gooch Ky.

R.L.S. #3118, dated the 12th day of November, 2009.

In previous descriptions of the above-described property there is excepted a one acre tract. Its location could not be determined from the description, it is not contained in any of the adjoining properties' current deeded description and it is not being tracked by the Carroll or Gallatin County PVA. The exception is described below:

"Beginning at a stone in the Graham Shirley Road 55 links N. of the corner of L.E. Dusch's land; thence N.65 1/4 E. 2.42 chains, N. 29 1/2 W. 3.40 chains, S.78 1/2 W. 1.75 chains to the center of road; thence down said road S 10 1/2 E. 1.56 chains, S. 13 1/4 E — 2.25 chains to the beginning, containing one acres, more or less."

AGE Engineering cannot determine the location or the current owner of this exception.

Item 3 being all of Parcel III of that property acquired by Kentucky Utilities Company by deed dated January 7, 2010, and of record in Deed Book D108, page 324, in the Office of the Clerk of Gallatin County, Kentucky, and of record in Deed Book D181, page 210, in the Office of the Clerk of Carroll County Kentucky.

Item 4. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

PARCEL A: COMMENCING at a Mag Nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), in the centerline of Wards Run Road, said nail being the northern most corner of the parent tract of David C. & Lorenda White (D.B. 72, Pg. 199; Gallatin Co., D.B. 129, Pg. 319 Carroll Co., D.B. 129, Pg. 416 Carroll Co.) and a corner of the Wards Run Road right-of-way as dedicated in Plat Cabinet B, Slide 3 and Plat Cabinet B, Slide 15, said point being approximately 497 feet south of the intersection of centerlines of Wards Run Road and Montgomery Road, lying in Gallatin County, Kentucky; Thence with the centerline of Wards Run Road and the western edge of a 20' right-of-way that begins at centerline and extends easterly 20' as dedicated in Plat Cabinet B, Slide 3, S34°54'36"E - 48.57 feet to a point, S32°17'13"E - 93.10 feet to a point, S35°41'51"E - 27.66 feet to a point, S36°55'07"E - 28.64 feet to a point, and S42°28'12"E - 90.84 feet to a Mag Nail set in the centerline of the road and being the POINT OF BEGINNING FOR THIS DESCRIPTION; Thence leaving the centerline of Wards Run Road and with six (6) new lines across the parent tract, S46°34'27"W - passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.03 feet and continuing at the same bearing for a total distance of 468.16 feet to an iron pin set, N44°43'25"W - 326.70 feet to an iron pin set, S71°50'01"W - 240.45 feet to an iron pin set, S18°16'43"E - 421.49 feet to an iron pin set, N71°43'17"E -

429.98 feet to an iron pin set, and N51°04'42"E – 489.48 feet to an iron pin set in the centerline of an Old Road Bed, said pin being on the line of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence with the Millie Marie Lewis Testamentary Marital Deduction Trust, N49°36'40"W – 90.41 feet to an iron pin set and N40°13'37"W – passing from the centerline of a dirt road to the centerline of an asphalt paved road, 83.72 feet to the Point of Beginning and containing 4.989 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 16th day of November, 2009.

Said property also being shown on that certain plat entitled "Boundary Survey Plat, David & Lorenda White, 1 Tract Totaling 73.474 Acres By Survey, Ghent, Carroll and Gallatin County, Kentucky" plotted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 21st day of December, 2009.

Item 4 being that property acquired by Kentucky Utilities by deed dated December 23, 2009 and of record in Deed Book D108, page 243, in the Office of the Clerk of Gallatin County Kentucky, and recorded in Deed Book D181, Page 104 in the Office of the Clerk of Carroll County, Kentucky.

Item 5. Note: The property being described below lies both in Gallatin County and Carroll County, Kentucky:

PARCEL B: BEGINNING at a Mag Nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), in the centerline of Wards Run Road, said nail being the northern most corner of the parent tract of David C. & Lorenda White (D.B. 72, Pg. 199; Gallatin Co., D.B. 129, Pg. 319 Carroll Co., D.B. 129, Pg. 416 Carroll Co.) and a corner of the Wards Run Road right-of-way as dedicated in Plat Cabinet B, Slide 3 and Plat Cabinet B, Slide 15, said point being approximately 497 feet south of the intersection of centerlines of Wards Run Road and Montgomery Road, lying in Gallatin County, Kentucky and being the POINT OF BEGINNING FOR THIS DESCRIPTION; Thence with the centerline of Wards Run Road and the western edge of a 20' right-of-way that begins at centerline and extends easterly 20' as dedicated in Plat Cabinet B, Slide 3, S34°54'36"E - 48.57 feet to a point, S32°17'13"E - 93.10 feet to a point, S35°41'51" E - 27.66 feet to a point, S36°55'07"E - 28.64 feet to a point, and S42°28'12"E - 90.84 feet to a Mag Nail set in the centerline of the road; Thence leaving the centerline of Wards Run Road and with six (6) new lines across the parent tract, S46°34'27"W – passing an iron witness pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments) at 20.03 feet and continuing at the same bearing for a total distance of 468.16 feet to an iron pin set, N44°43'25"W -326.70 feet to an iron pin set, S71°50'01"W – 240.45 feet to an iron pin set, S18°16'43"E – 421.49 feet to an iron pin set, N71°43'17"E – 429.98 feet to an iron pin set, and N51°04'42"E – 489.48 feet to an iron pin set in the centerline of an Old Road Bed, said pin being on the line of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence with centerline of the old road bed and the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, S62°31'08"E - 46.20 feet to an iron pin set, S61°25'58"E – passing a common corner of the Millie Marie Lewis Testamentary Marital Deduction Trust and Buell & Virginia Shields (D.B. 34, Pg. 440, Pg. 33, Pg. 303) 104.95 feet to an iron pin set, S47°40'15"E - 80.97 feet to an iron pin set, and S35°07'10"E – 44.25 feet to an iron pin set in the line of the Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.) and being a corner of Shields; Thence leaving the line of Shields and with the line of Kearns, S71°43'17"W 1211.85 feet to an iron pin found (PLS# 3423), and S21°13'42"E - 1647.77 feet to an iron pin found (PLS# 3423), said pin being a corner of the property being claimed by Mark Kearns (No Deed Found) and Mark Kearns (D.B. 106, Pg. 418, Gallatin Co.); Thence leaving the line of Mark Kearns property (D.B. 106, Pg. 418, Gallatin Co.) and with the property being claimed by Kearns, S21°51'33"W - 393.25 feet to an iron pin found (PLS# 3423), said pin being on the line of Robert Maddox and Mary L. Seiler Scott (D.B. 92, Pg. 53, Gallatin Co.; D.B. 157, Pg. 97, Carroll Co.; D.B. 45, Pg. 601, Carroll Co.; D.B. 24, Pg. 308, Gallatin Co.; hereinafter referred to as the Maddox & Seiler property) and being a corner of the property being claimed by Kearns; Thence leaving the property being claimed by Kearns and with the line of the Maddox & Seiler property, S73°10'03"W - 396.34 feet to an iron pin set, said pin being on the line of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.); Thence leaving the line of Seiler & Maddox property and with the line of Kentucky Utilities Company, N09°27'35"W - 62.32 feet to a point in the centerline of the creek; Thence continuing with the line of Kentucky Utilities Company property and down the centerline of the creek, N11°58'53"W - 92.60 feet to a point in the centerline of the creek, N24°01'52"W - 72.21 feet to a point in the centerline of the creek, N54°27'33"W – 69.60 feet to a point in the centerline of the creek, N41°56'59"W - 114.61 feet to a point in the centerline of the creek, N59°42'37"W - 26.39 feet to a point in the centerline of the creek, N51°15'45"W - 109.52 feet to a point in the centerline of the creek, N22°01'44"W - 77.82 feet to a point in the centerline of the creek, said point being at the forks of a drain, N58°23'12"W - 98.40 feet to a point in the centerline of the creek, passing a corner of Kentucky Utilities Company (D.B. 122, Pg. 516, Carroll Co.) and Kentucky Utilities Company property (D.B. 132, Pg. 513, Carroll Co.), N58°40'15"W - 58.33 feet to a point in the centerline of the creek (said point being referenced by an iron pin set on the east bank of the creek, said pin being N70°12'23"E – 52.27 feet from the point), N21°56'41"W -188.72 feet to a point in the centerline of the creek, N35°34'19"W - 142.41 feet to a point in the centerline of the creek, N41°53'35"W - 217.54 feet to a point in the centerline of the creek, N33°45'50"W - 104.29 feet to a point in the centerline of the creek, N23°19'01"W - 126.56 feet to a point in the centerline of the creek, N31°28'35"W - 63.16 feet to a point in the centerline of the creek (said point being referenced by an iron reference pin found (PLS# 3423) on the west bank of the creek, S36°51'52"W – 23.35 feet from said point), N65°23'38"W - 211.82 feet to a point in the centerline of the creek, N62°16'06"W - 62.05 feet to a point in the centerline of the creek, N45°34'49"W – 58.66 feet to a point in the centerline of the creek, N05°07'16"W - 83.17 feet to a point in the centerline of the creek, N28°00'23"W - 178.59 feet to a point in the centerline of the creek, N31°47'40"W - 66.64 feet to a point in the centerline of the creek, N13°49'03"W - 145.28 feet to a point in the centerline of the creek, N20°08'27"E - 209.54 feet to a in the centerline of the creek (said point being referenced by an iron reference pin found (PLS# 3423) on the west bank of the creek, said pin being N26°52'32"W –33.34 feet

from said point), N09°19'10"W - 75.06 feet to a point in the centerline of the creek, N12°52'00"W - 83.56 feet to a point in the centerline of the creek, N24°08'58"E - 51.75 feet to a point in the centerline of the creek, and N06°06'04"W - 15.12 feet to a point in the centerline of the creek, said point being on the eastern line of Kentucky Utilities Company property (D.B. 132, Pg. 513, Carroll Co.) and being a corner of the Millie Marie Lewis Testamentary Marital Deduction Trust (D.B. 93, Pg. 600, Gallatin Co.); Thence leaving the line of Kentucky Utilities Company and with the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, N71°50'01"E - 1674.51 feet to an iron pin found (with no ID Cap), said pin being a corner of Alice M Lafferty (D.B. 85, Pg. 292, Gallatin Co.); Thence leaving the line of the Millie Marie Lewis Testamentary Marital Deduction Trust, and with the line of Lafferty, N71°32'56"E - 262.06 feet to an iron pin (PLS# 1989), said pin being a corner of Lafferty and being a corner of the right-of-way as dedicated on Plat Cabinet B, Slide 15; Thence leaving the line of Lafferty and with the right-of-way as dedicated on Plat Cabinet B, Slide 13, N71°32'56"E - 19.99 feet to the Point of Beginning and containing 68.485 acres by survey

This description prepared from a physical survey conducted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 16th day of November, 2009.

Said property also being shown on that certain plat entitled "Boundary Survey Plat, David & Lorenda White, 1 Tract Totaling 73.474 Acres By Survey, Ghent, Carroll and Gallatin County, Kentucky" plotted by AGE Engineering, Douglas G. Gooch Ky. R.L.S. #3118, dated the 21st day of December, 2009.

Item 5 being that property acquired by Kentucky Utilities Company by deed dated December 23, 2009, and of record in Deed Book D108, page 247, in the Office of the Clerk of Gallatin County, Kentucky, and recorded in Deed Book D181, Page 109 in the Office of the Clerk of Carroll County, Kentucky.

Item 6. PARCEL ONE: A certain tract of land located in Carroll County and Gallatin County, Kentucky, on the west side of Montgomery Road, approximately 0.1 mile north of the intersection of Montgomery Road and Black Rock Road and further described as follows:

Unless noted otherwise any monument referred to as a "set iron pin: is a 1/2 x 18" rebar with a plastic cap stamped "BATTS PLS 2110". The basis of bearings is from a magnetic bearing observed on November 25, 2003.

Beginning at a set mag nail at the intersection of Black Rock Road and Montgomery Road; thence with the centerline of Montgomery Road for the following 2 calls, North 06 degrees 07 minutes 12 seconds East, a distance of 105.05 feet to a set mag nail; thence North 01 degrees 02 minutes 07 seconds a distance of 105.05 feet to a set mag nail; thence North 01 degrees 02 minutes 07 seconds West, a distance of 274.68 feet to a set mag nail corner to Tract 2 created this date and the TRUE POINT OF BEGINNING, thence a new division line with the centerline of Montgomery Road for the following 10 calls, North 00 degrees 23 minutes 37 seconds East, a distance of 216.26 feet to a set mag nail; thence North 01 degrees 03 minutes 32 seconds West, a distance of 278.72 feet to a set mag nail, thence North 03 degrees 56 minutes 56 seconds West, a distance 157.72 feet to asset mag nail, thence North 00 degrees 42 minutes 10 seconds West, a distance 198.80 feet to asset mag nail, thence North 02 degrees 25 minutes 30 seconds East, a distance of 277.13 feet to asset mag nail, thence North 00 degrees 09 minutes 07 seconds East, a distance of 148.09 feet to a set mag nail, thence North 09 degrees 21 minutes 46 seconds East, a distance 117.90 feet to a set mag nail; thence North 19 degrees 28 minutes 16 seconds East, a distance of 142.48 feet to a set mag nail; thence North 23 degrees 58 minutes 34 seconds East, a distance of 36.54 feet, thence North 34 degrees 29 minutes 13 seconds East, a distance of 93.98 feet to a set mag nail corner to Sandra Mcdole (DB 59, PG 434 Gallatin Co); thence with the line of Mcdole for the following 3 calls, North 55 degrees 09 minutes 51 seconds West, a distance of 21.01 feet to a set iron pin witnessed by a snag, thence South 68 degrees 07 minutes 50 seconds West, a distance of 230.65 feet to a set iron pin witnessed by a steel post; thence North 07 degrees 32 minutes 52 seconds East, a distance of 362.58 feet to a set iron pin witnessed by a steel post in the line of Robert Victor Maddox (DB 157 PG 97 Carroll Co) (DB 92, PG 53 Gallatin Co) thence with the line of Maddox South 76 degrees 39 minutes 01 seconds West, a distance of 796.25 feet to a set iron pin witnessed by a post; thence a new division line for the following 4 calls, South 12 degrees 27 minutes 42 seconds East, a distance of 908.07 feet to a set iron pin witnessed by a post, thence South 13 degrees 01 minutes 43 seconds East, a distance of 587.54 feet to a set iron pin witnessed by a 12 inch locust; thence South 12 degrees 57 minutes 47 seconds East, a distance of 254.87 feet to a set iron pin witnessed by a post; thence South 11 degrees 55 minutes 13 seconds East, a distance of 45.61 feet to a set iron pin corner to Tract 2 created this date, thence with the line of Tract 2 for the following 2 calls, north 88 degrees 17 minutes 59 seconds East, a distance of 421.95 feet to a set iron pin, thence North 88 degrees 17 minutes 59 seconds East, a distance 11.75 feet to the TRUE POINT OF BEGINNING. The above described parcel contains 26.801 acres and is subject to all right-of-ways, easements, and passways of record and in existence. This legal description is derived from a survey by R.B. Batts PLS #2119 done from November 25, 2003 to December 01, 2003.

PARCEL TWO: Being a certain parcel of real estate located in Carroll County, Kentucky, lying on the northern side of Black Rock Road, approximately 0.1 mile westerly of the intersection of Black Rock Road and Montgomery Road, said parcel being further hounded and described as follows:

Beginning at a set mag nail in the center of Black rock Road at the southeastern corner of Jack Schirmer and Geraldine Schirmer, Deed Book 104, Page 731; thence with the center of Black Rock Road for the following twelve (12) courses and distances: North 85 degrees 35 minutes 13 seconds East a distance of 247.72 feet to a found mag nail; North 89 degrees 48.22 seconds East, a distance of 54.29 feet to a set mag nail South 83 degrees 31 minutes 29 seconds East a distance of 94.14 feet to a set mag nail; South 76 degrees 11 minutes 09 seconds East, a distance of 59.89 feet to a set mag nail; South 59 degrees 52 minutes 42 seconds East a distance of 61.09 feet to a set mag nail; South 47 degrees 24 minutes 22 seconds East, a distance of

70.50 feet to a set mag nail; South 40 degrees 17 minutes 57 seconds East, a distance of 151.72 feet to a set mag nail; South 45 degrees 19 minutes 14 seconds East, a distance of 71.47 feet to a set mag nail; South 53 degrees 16 minutes 13 seconds East, a distance of 62.23 feet to a set mag nail; South 62 degrees 50 minutes 43 seconds East, a distance of 61.11 feet to a set mag nail; South 72 degrees 59 minutes 46 seconds East, a distance of 73.37 feet to a set mag nail; south 88 degrees 32 minutes 43 seconds East, a distance of 156.75 feet to a set mag nail corner to Steven Owen and Wilhemenia Owen, Deed Book 159, Page 307; thence with the line of Steve Owen North 14 degrees 01 minutes 35 seconds West, passing through a found 1/2 inch rebar with a plastic cap engraved "BATTS PLS 2119" hereafter referred to as a found iron pin with cap, at 18.82 a total distance of 274.12 feet to a found 1/2 inch rebar with no plastic cap corner to Adrian Owen and Norma Owen, Deed Book 71, Page 262 thence with the line of Adrian and Norma Owen for the following four (4) courses and distance; North 14 degrees 20 minutes 44 seconds West, a distance of 45.62 feet to a found iron pin with cap; North 15 degrees 09 minutes 56 seconds West, a distance of 254.96 feet to a found iron pin with cap; North 15 degrees 13 minutes 18 seconds West, a distance of 587.45 feet to a found iron pin with cap, North 14 degrees 39 minutes 00 seconds West, a distance of 908.01 feet to a found iron pin with cap in the line of Robert Victor Maddox, Deed Book 157, Page 97; thence with the line of Maddox for the following two (2) courses and distances:

South 74 degrees 30 minutes 18 seconds West, a distance of 354.91 feet to a set iron pin with cap engraved "ANDREW KY 2251", hereinafter referred to as a "set iron pin with cap", South 74 degrees 50 minutes 17 seconds West, a distance of 353.28 feet to a set iron pin with cap in the line of the aforementioned Schirmer, thence with the line of Schirmer for the following (4) courses and distances: South 00 degrees 23 minutes 07 seconds West, a distance of 623.95 feet to a set iron pin with cap next to a 15 inch walnut, South 12 degrees 10 minutes 20 seconds East, a distance of 524.35 feet to a set iron pin with cap next to a 12 inch walnut South 11 degrees 15 minutes 49 seconds East, a distance 324.59 feet to a set iron pin with a cap next to a post, South 11 degrees 15 minutes 49 seconds East, a distance of 19.33 feet to a point of beginning.

Containing an area of 33.93 acres of land, more or less

Parcels One and Two (Item 6) being the same property conveyed to Kentucky Utilities Company by Deed dated September 17, 2009, and recorded in Deed Book D180, Page 253, in the Office of the Clerk of the Carroll County, Kentucky, and recorded in Deed Book D107, Page 584, in the Office of the Clerk of the Gallatin County, Kentucky.

Item 7. Situated in the Commonwealth of Kentucky, Gallatin and Carroll County, east of the City of Ghent, and being more particularly described as follows:

Beginning at an existing Ash tree on the northerly line of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 324 (Gallatin Co.) and Deed Book 181, Page 210 (Carroll Co.) and the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 107 Page 590 of said Gallatin County deed records, and a point on the westerly right-of-way line of Montgomery Road being fifteen (15) feet from the center of said road, said tree witnessed by a found 5/8" iron pin stamped One Eleven #3423, N76°34'28"W, 5.00 feet;

Thence along said Kentucky Utilities Company tract of land on the following three (3) courses:

1. along said westerly right-of-way line of Montgomery Road, N24°45'49"E, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
2. leaving said westerly right-of-way line, N76°34'28"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
3. S24°45'49"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423 on the northerly line of said Kentucky Utilities Company tract of land;

Thence along said northerly line, N76°34'28"W, passing a set iron pin and cap, at a distance of 832.50 feet, a total distance of 1103.10 feet to a set iron pin and cap at a southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities, by deed, recorded in Deed Book 108 Page 247 and 108 Page 443 (Gallatin County) as well as Deed Book 181 Page 104 and Deed Book 181 Page 109 (Carroll County)

Thence along the lines of said Kentucky Utilities Company tract of land, on the following three (3) courses:

1. N49°25'56"E, 393.22 feet to a set iron pin and cap;
2. N06°21'30"E, 1647.79 feet to a set iron pin and cap;
3. S80°41'18"E, 1225.11 feet to a set iron pin and cap on a westerly line of a tract of land heretofore conveyed to Buell and Virginia Shields, by deeds, recorded in Deed Book 34 Page 440 and Deed Book 33 Page 303;

Thence along the lines of said Shields' tract of land on the following four (4) courses:

1. S02°40'22"E, 282.87 feet to a set iron pin and cap;

2. S06°36'57"E, 610.38 feet to a set iron pin and cap;
3. S25°24'47"W, passing a set iron pin and cap at a distance of 263.30 feet, a total distance of 268.30 feet to a found fence post;
4. S72°21'10"E, passing a set iron pin and cap at a distance of 5.00 feet, and a distance of 239.70 feet on the westerly right-of-way line of Montgomery Road, a total distance of 298.06 feet to a set mag nail in the center of Montgomery Road and a southwesterly most corner of a tract of land heretofore conveyed to Barry and Alma Shields, by deed, recorded in Deed Book 83 Page 369, of the Gallatin County Deed Records;

Thence along the southerly line of said Barry and Alma Shields' tract of land, on the following four (4) courses;

1. S70°39'09"E, 54.35 feet to a found 1/2" iron pin;
2. S70°39'09"E, passing a set iron pin and cap on the easterly right-of-way line of Montgomery Road, at a distance of 21.59 feet, a total distance of 1119.53 feet to a found fence post;
3. S68°41'56"E, 141.63 feet to a found fence post;
4. S66°40'41"E, passing a found iron pin and cap stamped Mylor #1961, at a southerly corner of said Buell and Virginia Shields' tract of land, a total distance of 127.44 feet to a set iron pin and cap;

Thence along said line of Buell and Virginia Shields' tract on the following two (2) courses:

1. S62°05'58"E, 811.82 feet to a fence post;
2. S29°25'17"W, 1420.15 feet to a found iron pin and cap stamped Mylor #1961 at the northwesterly most corner of a tract of land heretofore conveyed to Kevin and Lucy Deaton, by deed, recorded in Deed Book 47 page 202, and the northeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 334 of the Gallatin County Deed Records;

Thence along the northerly line of said Kentucky Utilities Company tract of land on the following four (4) courses:

1. N63°04'43"W, 1062.48 feet to a set iron pin and cap;
2. N57°26'21"E, 86.04 feet to a set iron pin and cap;
3. N27°55'46"E, 151.59 feet to a found 1/2" iron pin;
4. N62°24'44"W, passing a set iron pin and cap on the westerly right-of-way line of Montgomery Road, a distance of 1436.90 feet a total distance of 1451.92 feet to a set mag nail in the center of Montgomery Road and on the easterly line of said Kentucky Utilities Company tract of land;

Thence along the lines of Kentucky Utilities Company tract of land, on the following two (2) courses:

1. along the center of Montgomery Road, N24°45'49"E, 7.15 feet to a set mag nail;
2. N76°34'28"W, 15.30 feet to the beginning.

Containing 128.3422 acres of land more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way of record.

Further being subject to an existing 30 feet wide right-of-way for Montgomery Road, being 15 feet on either side of the following described centerline:

Beginning at set mag nail at the northeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 108 Page 324 of the Gallatin County Deed Records and Deed Book 181, Page 210 of the Carroll County Deed Records and being more particularly described as follows:

Thence N24°45'49"E, 192.38 feet to a set mag nail; Thence N25°54'22"E, 113.79 feet to a set mag nail; Thence N25°15'06"E, 342.76 feet to a set mag nail; Thence N31°24'50"E, 87.96 feet to a set mag nail; Thence N46°04'17"E, 36.28 feet to a set mag nail; Thence N64°33'00"E, 38.84 feet to a set mag nail; Thence N73°18'02"E, 114.19 feet to a set mag nail; Thence N74°54'35"E, 64.49 feet to a set mag nail; Thence N77°56'39"E, 53.65 feet to a set mag nail; Thence N83°40'42"E, 53.30 feet to a set mag nail; Thence S86°25'53"E, 50.70 feet to a set mag nail at the southeasterly most corner of a tract of land heretofore conveyed to Barry and Alma Shields, by deed, recorded in Deed Book 83 Page 369 of the Gallatin County Deed Records; records and the terminus of the centerline description.

Containing 0.7971 of an acre of land more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way

of record.

Iron pins called to be set are 5/8" iron pins, twenty-four inches in length, with an orange cap stamped One Eleven #3423.

The above description and bearing system is based on the Kentucky Utilities Plant Grid System. It is further based on a field survey made by One Eleven Engineering and Surveying PLLC dated October 21, 2009.

This survey prepared by One Eleven Engineering and Surveying PLLC, James J. Bertram Jr. PLS, #3423 in the Commonwealth of Kentucky, October 21, 2009 and Revised March 16, 2010.

Item 7 being all of the remaining land heretofore conveyed to Kentucky Utilities Company, by deed dated March 18, 2010 and recorded in Deed Book D108, Page 668 in the Office of the Clerk of Gallatin County, Kentucky, and recorded in Deed Book D181, Page 684 in the Office of the Clerk of Carroll County, Kentucky.

Item 8. Situated in the Commonwealth of Kentucky, Gallatin and Carroll County, east of the City of Ghent, and being more particularly described as follows:

Commencing at an existing Ash tree on the northerly line of a tract of land heretofore conveyed to Kentucky Utilities Company by deed, recorded in Deed Book 108 Page 324 (Gallatin Co.) and Deed Book 181, Page 210 (Carroll Co.) and the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities Company, by deed, recorded in Deed Book 107 Page 590 of said Gallatin County deed records, and a point on the westerly right-of-way line of Montgomery Road being fifteen (15) feet from the center of said road, said tree witnessed by a found 5/8" iron pin stamped One Eleven #3423, N76°34'28"W, 5.00 feet.

Thence along said Kentucky Utilities Company tract of land on the following three (3) courses:

1. along said westerly right-of-way line of Montgomery Road, N24°45'49"E, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
2. leaving said westerly right-of-way line, N76°34'28"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423;
3. S24°45'49"W, 147.50 feet to a found iron pin and cap stamped One Eleven 3423 on the northerly line of said Kentucky Utilities Company tract of land;

Thence along said northerly line, N76°34'28"W, 832.50 feet to a set iron pin and cap stamped One Eleven 3423, said point being the Principal Point of Beginning.

Thence N76°34'28"W 270.60 feet to a set iron pin and cap stamped One Eleven 3423, in the southeasterly most corner of a tract of land heretofore conveyed to Kentucky Utilities, by deed, recorded in Deed Book 108 Page 247 and 108 Page 443 (Gallatin County) as well as Deed Book 181 Page 104 and Deed Book 181 Page 109 (Carroll County);

Thence along said line of Kentucky Utilities Company, N49°25'56"E 393.22 feet to a set iron pin and cap stamped One Eleven 3423 in the Northerly line of the aforementioned Kearns' property;

Thence along the line of said Kearns' tract, S06°21'30"W 320.53 feet to the Point of Beginning.

Containing 0.9880 total acres of land, more or less, subject to easements, conditions, covenants, restrictions, and rights-of-way of record. The above-described parcel of land contains 0.3936 Acres of land, more or less, in Carroll County, Kentucky and 0.5944 Acres of land, more or less in Gallatin County, Kentucky.

Iron pins called to be set are 5/8" iron pins, twenty-four inches in length, with an orange cap stamped One Eleven #3423.

The above description and bearing system is based on the Kentucky Utilities Plant Grid System. It is further based on a field survey made by One Eleven Engineering and Surveying PLLC dated October 21, 2009.

This survey prepared by One Eleven Engineering and Surveying PLLC, James J. Bertram Jr. PLS #3423 in the Commonwealth of Kentucky, October 21, 2009.

Item 8 being a portion of the land heretofore conveyed to Kentucky Utilities Company, by deed dated March 18, 2010 and recorded in Deed Book D108, Page 668 in the Office of the Clerk of Gallatin County, Kentucky, and in Deed Book D181, Page 684 in the Office of the Clerk of Carroll County, Kentucky.

Item 9. Situated in the Commonwealth of Kentucky, Gallatin County, east of the City of Ghent, and being more particularly described as follows:

Beginning at an existing Ash tree at the northeasterly most corner of a tract of land heretofore conveyed to Robert V. Maddox, by deed, recorded in Deed Book 157 Page 97 of said County deed records, and a point on the westerly right-of-way line of

Montgomery Road being fifteen (15) feet from the center of said road;

Thence along said northerly line of said Maddox's tract, N76°34'28"W, passing a set witness iron pin and cap at a distance of 5.00 feet, a total distance of 147.50 feet to a set iron pin and cap at a southeasterly corner of a tract of land heretofore conveyed to Mark E. and Ruth R. Kearns, by deed, recorded in Deed Book 106 Page 418 of said County deed records;

Thence along the southerly line of said Kearn's tract of land on the following two (2) courses:

1. N 24°45'49"E 147.50 feet to a set iron pin and cap;
2. S76°34'28"E 147.50 feet to a set iron pin and cap, on said westerly right-of-way line of Montgomery Road; Thence leaving said southerly line, along said westerly right-of-way line, said right-of-way line being fifteen (15) feet west of and parallel to the center of said Montgomery Road, S24°45'49"W, 147.50 feet to the beginning.

Containing 0.4897 of an acre of land more or less.

Item 9 being the same property conveyed to Kentucky Utilities Company by Deed dated September 27, 2009, of record in Deed Book 107, Page 590, in the Office of the Clerk of Gallatin County, Kentucky.

Item 10. The following described real property located in Gallatin County, Kentucky:

BEGINNING at a mag nail set (1/4" x 2" Mag Nail with washer Stamped "Gooch P.L.S. # 3118", as will be typical for all Mag Nails set), said nail being a common corner of the parent tract of Scott & Brooks and being a corner of Robert Maddox and Mary L. Seiler Scott (D.B. 92, Pg. 53, Gallatin Co.; D.B. 157, Pg. 97, Carroll Co.; D.B. 45, Pg. 601, Carroll Co.; D.B. 24, Pg. 308, Gallatin Co.; hereinafter referred to as the Maddox & Seiler property), said point being approx. 0.79 miles north of the intersection of centerlines of Montgomery Road and Black Rock Road, said nail lying in the centerline of Montgomery Road, Gallatin County, Kentucky and being the Point of Beginning for this description; Thence with the centerline of Montgomery Road and the line of the Maddox & Seiler property, N33°08'48"W - 124.58 feet to a Mag nail set in the centerline of said road; Thence leaving the centerline of the road but continuing with the line Maddox & Seiler property, N20°03'34"W - 826.58 feet to an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS# 3118, as will be typical for all set corner monuments), said pin being 46.98 feet east of the centerline of Montgomery Road, N53°24'33"W - 483.25 feet to an iron pin set, said pin being 14.32 feet east of the centerline of Montgomery Road and N17°06'39"W - 179.61 feet to a point in Montgomery Road, said point being 1.51 feet east of the centerline of Montgomery Road, said point being on the eastern line of the Maddox & Seiler property and being a corner of Mark Kearns (D.B. 106, Pg. 418, Gallatin Co.); Thence leaving the line of the Maddox & Seiler property and with the line of Kearns, S89°59'53"E - passing an iron witness pin found (PLS# 3423) at 11.48 feet and continuing at the same bearing for a total distance of 1448.41 feet to an iron pin found with no ID cap, S00°21'02"W 151.50 feet to an iron pin found, (PLS# 3423), S29°54'30"W - 86.01 feet to an iron pin found (PLS# 3423), and N89°21'44"E - 1062.54 feet to an iron pin found (PLS# 1961), said pin being a four way corner of the parent tract, Mark Kearns, Buell and Virginia Shields (D.B. 34, Pg. 440, Pg. 33, Pg. 303), and Kevin Deaton (D.B. 47, Pg. 202, Gallatin Co.); Thence leaving the line of Kearns and Shields and with the line of Deaton, S01°41'53"W - passing pins found online at 90.99 feet, 190.02 feet, 390.04 feet, 490.02 feet, 689.92 feet and 789.87 feet all with an identification cap bearing PLS# 1961, and continuing 100.04 feet to an iron pin found (PLS# 1961) a total distance of 889.91 feet, said pin being a common corner of the parent tract and Deaton; Thence continuing with the line of Deaton S88°19'41"W - passing pins found online at 128.77 feet, 228.80 feet, 428.72 feet, and 928.70 feet to an iron pin set, said pin being a total distance of 928.70 feet, said pin being a common corner of the parent tract, Deaton, and the Maddox & Seiler property (D.B. 92, Pg. 53, Gallatin Co.; D.B. 157, Pg. 97, Carroll Co.; D.B. 45, Pg. 601, Carroll Co.; D.B. 24, Pg. 308, Gallatin Co.); Thence leaving the line of Deaton and with the line of Maddox & Seiler property, S73°46'07"W - 749.80 feet to the Point of Beginning and containing 49.898 acres by survey.

This description prepared from a physical survey conducted by AGE Engineering, Douglas Gooch, Ky. R.L.S. #3118, dated the 10th day of November, 2009.

Item 10 being all of that property acquired by Kentucky Utilities Company by deed dated January 7, 2010, and of record in Deed Book D108, page 334, in the Office of the Clerk of Gallatin County, Kentucky.

The following described real estate of the Company situated in Garrard County, Kentucky:

Item 1. A tract of land in Lancaster described as follows: Those two certain lots located and being on the east side of Hamilton Avenue and beginning in the middle of said Avenue at the Northwest corner of Lot No. 2 in the division of the Fisher Herring land; thence Northwardly with the middle of said Avenue 66 feet; thence Eastwardly in a straight line 229 feet; thence Southwardly in a straight line 66 feet; thence Westwardly in a straight line to the beginning; and the other lot beginning in the middle of said Avenue at the Northwest corner of Lot No. 3 in said division; thence with the middle of said Avenue Northwardly 66 feet; thence Eastwardly in a straight line 240 feet; thence Southwardly in a straight line 66 feet; thence Westwardly in a straight line 240 feet to the beginning. These two lots adjoin and are lots Nos. 3 and 4 in the division of the Fisher Herring land; being the property acquired by the Company by deed dated April 30, 1923, and recorded in Deed Book 42, page 431, in the Office of the Clerk of Garrard County, Kentucky.

EXCLUDING THEREFROM so much as was conveyed to Kentucky Water Service Company, Inc., by Deed dated as of January 10, 1949, recorded in Deed Book 67, Page 27 and by Deed of Correction dated February 28, 1952, recorded in Deed

Item 2. Beginning at a point 5 feet E. of a hickory marked with three hacks and 12 feet N. of the middle of a clump of three elms standing at edge of clearing on top of east cliff of Dix River, a new corner to J. I. Hamilton; thence new lines to said Hamilton N. $4\frac{3}{4}$ W. 238 feet; thence N. 21 E. 422 feet to a point near edge of clearing (a beech 20 inches in diameter marked with three hacks on S. E. side bears N. $48\frac{1}{2}$ W. 13 feet); thence N. $9\frac{1}{2}$ E. 544 feet to a black locust 6 inches in diameter marked with hacks on either side; thence N $2\frac{3}{4}$ W. passing a cedar 4 inches in diameter fore and aft at 273 feet and passing another cedar fore and aft at 350 feet, in all 447 feet to a stake in a pile of stones on the top of sheer cliff on the South side of a deep drain; thence (by triangulation) N. $56\frac{3}{4}$ W. 525 feet to the middle of Dix River to a point opposite the mouth of before mentioned drain; thence up Dix River S. $10\frac{3}{4}$ E. 258 feet; thence S. $3\frac{3}{4}$ W. 825 feet; thence S. 34 W. 792 feet; thence S. 50 W. 412 feet to a point in the middle of River and at the mouth of Rocky Fork Branch; thence up Rocky Fork S. $51\frac{1}{4}$ E. 176 feet; S. $22\frac{1}{2}$ E. 396 feet to the point in branch and at turn of same (a box elder growing nearly horizontally from the North bank bears 2 feet North); thence N. $74\frac{3}{4}$ E. passing corner to William Brown and John Ison at 396 feet, still on same course leaving Rocky Fork and with Brown up cliff passing a marked cedar fore and aft 948 feet, in all 1080 feet to a point near edge of a clearing in line to said Brown and a new corner now made to James I. Hamilton; thence new line to same N. $48\frac{1}{4}$ W. 424 feet to the beginning, containing 31.13 acres.

Item 3. Lying and being along the North side of Rocky Fork, and described as follows: Beginning at the line of the land of Isaac Hamilton's estate on a small branch at a point 750 feet above sea level; thence down said branch to Rocky Fork and the line of John S. Ison; thence down Rocky Fork with the line of said Ison to the line of land formerly owned by Dix River Power Company purchased from James I. Hamilton, including all lands lying below 750 feet above sea level.

Item 4. All of the land formerly owned by Sallie Hamilton in Garrard County on Rocky Ford Branch, a tributary of Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 5. All of the lands formerly owned by John S. and Elizabeth Ison on Dix River which lie below a line 750 feet above sea level, described as follows: Beginning at a line on Dix River next to and below the line of W. H. Brown; thence down the river to the mouth of Rocky Fork, line of the tract formerly owned by Dix River Power Company purchased from J. I. Hamilton; thence up Rocky Fork with line of Georgia Dunn and line of Ike Hamilton's heirs, to a line 750 feet above Sea level.

Item 6. All of the land formerly owned by W. H. Brown on the North fork of Spillman's Branch and on Dix River in Garrard County, which will be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 7. All that portion of lands formerly owned by W. H. Brown lying between the line of M. H. Johnson, formerly a part of the estate of C. J. Spillman, deceased, and the line of John S. Ison, and below 750 feet above sea level, including all right, title and interest to lands lying adjacent to and in the Cliffs below the lands conveyed to W. H. Brown by G. R. Barnett and wife by deed of record in Garrard County Court Clerk's Office, in Deed Book 34, page 409.

Item 8. All of the land formerly owned by J. Harlan Smith and S. K. Fallis on the South fork of Spillman's Branch in Garrard County, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 9. All of the lands formerly owned by John R. Scott on Dix River in Garrard County which will be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and described as follows: Beginning at the line of the land purchased by Dix River Power Company from Millie Ann Smith and extending down Dix River to the line of the land purchased by Dix River Power Company from William Brown.

Item 10. All of the lands formerly owned by Millie Ann Smith, situated in Garrard County, which lie between a line 750 feet above sea level and the low water mark of Dix River, and beginning at the line of the land of Abe McMurtry and running down Dix River with its meanders, to the line of Burton and Thomas, formerly C. P. Currens.

Item 11. All the lands below a line 750 feet above sea level which formerly belonged to Abe McMurtry and others, and situated on the waters of Dix River, described as follows: Beginning at the line of Thomas McMurtry tract, later owned by Dix River Power Company; thence down the river to the line of the Millie Ann Smith tract, later owned by Dix River Power Company.

Item 12. Beginning at a point on the West bank of Dix River, in original line thence crossing the said River N. 25 E. 4.24 chains to a point in the old line; thence N. 50 W. 4 chains to a point near or at the place where stood a cedar on a point of the cliff, called for in the original survey; thence N. 15 E. 200 poles to a sugar tree on the North side of a cliff about 18 poles from low water mark at the end of a picket fence; thence East as called for in an old deed 32 poles to a buckeye; thence North 4 poles to low water mark of Dix River; thence up same as it meanders N. 76 E. 54 poles; thence S. 50 W. 16 poles; thence S. 10 W. 22 poles; thence S. 10 E. 26 poles; thence S. 27 W. 100 poles; thence along the West bank of Dix River S. 5 W. 26 poles; thence S. 22 E. 37 poles; thence S. 43 E. 32 poles to the beginning, containing 43.11 acres, including the right of way of the King's mill turnpike which runs through said land.

Item 13. A certain lot or parcel of land lying in Kingston on Dix River, and bounded as follows: Beginning at a stone in the road; thence up a small drain S. 70 E. 17.5 poles to a cedar near the road; thence with the road S. 34 W. 10.5 poles to a stone near the corner of the stable; thence North 81, W. 10 poles to a stone in the road; thence with the road N. 13 poles to the beginning, containing 164 square poles, and known as Lot No. 4.

Item 14. All of the lands formerly owned by Daniel L. Huff, which lie between a line 750 feet above sea level and the low water mark of Dix River, and beginning in the line of the land formerly owned by Dix River Power Company (being same purchased by it from C. P. Kennedy) and extending down said river, with its meanders, to line of the lands of Abe McMurtry.

Item 15. On Dix River Cliff and being all of the lands formerly owned by Daniel L. Huff which may be submerged or affected by the impounded waters of a dam built and maintained in Dix River near its mouth, the spillway top of which will be 750 feet above sea level, and beginning upstream at line of lands of Silas McMurtry and extending downstream to line of lands formerly owned by Dix River Power Company.

Item 16. Beginning at the corners of Dan Huff and Thomas McMurtry, Sr.; thence with the lines of Thomas McMurtry and C. P. Kennedy in a Southeastward direction to Dix River; thence with the River Northwest about 535 feet, cornering at a sycamore tree at River bank; thence Northeast 250 feet cornering at a stone fence; thence North with Kennedy's stone fence to the wall at turn in the turnpike; thence following Dan Huff's line East to the beginning, containing 2½ acres, more or less.

Item 17. As much of the land hereinafter described as may be submerged by the creation of a reservoir in Dix River by the erection of a dam to the height of 725 feet above sea level, said land lies on the waters of Dix River and is described as follows: Beginning at a point in the middle of the Bryantsville and Cane Run Turnpike road over a culvert and corner to Smith; thence with Smith's line S. 5½ E. 66.32 poles to cedar, corner to same; thence S. 77¾ W. 16 poles to white oak; thence N. 87¼ W. 47¼ poles to a cedar; thence N. 5½ E. 42.80 poles to a stake 12 links Southeast from a cedar pointer; thence S. 89¼ E. passing corner to church lot at 5.80 poles, in all 15.80 poles to a stake, corner to same; thence with another line of Church lot N. 4 E 24 poles to middle of the aforesaid turnpike; thence with middle of said turnpike N. 79 E. 6 poles S. 81¼ E. 21 poles to South edge of metal N. 72 E. 9.32 poles to the beginning, containing in the survey 21½ acres.

Item 18. All of the land lying between said McMurtry's 21½ acres and the mill tract formerly owned by E. J. Thisler, and also all of the land lying between said mill tract and the colored church lot, said land being bounded as follows: Beginning at a stake in middle of the turnpike; thence with church lot line S. 4 W. 5.25 chains to a stake, corner to same and in line to Thomas McMurtry; thence his line N. 89¼ W. 1.45 chains to a stake 12 links Southeast from a cedar, corner to said McMurtry; thence S. 5½ W. 10.70 chains to a cedar, his corner; thence on same course 3.95 chains more making in all 14.65 chains to a stake in line to the mill tract; thence with same N. 48½ W. 3.50 chains to a large cedar, corner to same; thence still with same N. 16½ E. 17.75 chains to the middle of turnpike, corner in said mill tract line; and thence with middle of pike N. 73 E. 1 chain to the beginning, containing 3 acres more or less.

Item 19. All of the land formerly owned by Silas and Abner McMurtry on Dix River which may be covered by water impounded on account of the erection and maintenance of a dam in Dix River near its mouth, the spillway top of which will be 750 feet above sea level, and beginning upstream at the line of the lands formerly owned by Dix River Power Company, and extending downstream to line of lands formerly owned by Dix River Power Company.

Item 20. All of the lands formerly owned by Henry T. and Sarah E. Smith on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of Samuel Sechrist (later Dix River Power Company); and thence down Dix River to line of lands of Thomas McMurtry (later Dix River Power Company).

Item 21. All of the lands formerly owned by B. F. Sechrist on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of D. M. Lay (formerly Brown), and running down Dix River to line of lands of Henry T. Smith.

Item 22. All of the lands formerly owned by D. M. Lay on Dix River which will be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and described as follows: Beginning at the line of the land purchased by Dix River Power Company from John Nooe, and extending down Dix River to the line of the lands purchased by Dix River Power Company from Sam Sechrist.

Item 23. All of the lands formerly owned by John Nooe on Dix River which lie below a line 750 feet above sea level, beginning at the line of C. W. Coulter and extending down Dix River to the line of D. M. Lay.

Item 24. All the lands below a line 750 feet above sea level which formerly belong to C. W. Coulter and are situated on the waters of Dix River, beginning at the line of Charles D. Dunn and running down Dix River to the line of John Nooe.

Item 25. All of the lands formerly owned by Theodore L. Dunn and Charles Dunn on Tan Yard Branch and on Dix River which lie below a line 750 feet above sea level, beginning at said 750 feet above sea level line, or elevation, on a left fork of said Tan Yard Branch; thence down same with the lines of William Sherrow to the main Tan Yard Branch,

thence down same with the lines of A. L. Sanders to the mouth of said branch at Dix River, thence down Dix River to the line of C. W. Coulter.

Item 26. All of the lands formerly belonging to William M. Sherrow which lie below a line 750 feet above sea level and on Tan Yard Branch, and on two forks thereof; thence on the East fork with line of the lands of W. H. Swope and on the North fork with line of lands of Theodore Dunn.

Item 27. All the lands between a line 750 feet above sea level and bed of Tan Yard Branch and the land of William Sherrow, beginning at said 750 feet sea level elevation and extending down Tan Yard Branch with its meanders to line of lands of A. F. Sanders.

Item 28. All the lands formerly owned by A. F. Sanders that lie below a line 750 feet above sea level on the waters of Scott's Branch, Dix River and Tan Yard Branch, described as follows: Beginning at the line of Ed Taylor, deceased, estate on North side of Scott's Branch; thence running down said branch, its meanders, with line of Wm. McKechnie estate to Dix River; thence down Dix River, its meanders, to mouth of Tan Yard Branch; thence up Tan Yard Branch, with its meanders, with the lines of Charles Dunn and Theodore Dunn and William Sherrow to the line of W. H. Swope.

Item 29. Situated on Baughman's or Scott's Branch, and being all of the lands formerly owned by Sophia Taylor and others on said branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of lands of W. T. Doolin and extending down said branch to the line of lands formerly owned by Dix River Power Company.

Item 30. All of the land formerly owned by W. T. Doolin in Garrard County on Scott's Branch and Smith's Branch, which may be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 31. A parcel of land lying and being in Garrard County, on the waters of Dix River and bounded as follows: Beginning at a point in a drain, about 25 feet up the drain from an ash tree on the West side of same in line to Joshua Dunn; thence with said Dunn S. 2 $\frac{3}{4}$ W. 37.83 chains to a stake, corner to same and Geo. B. Robinson; thence with said Robinson S. 62 E. 19.60 chains to a stake on the West side of a gate, corner to same S. 61 E. 23.83 chains to a stake, corner to same; thence North 32 E. with Tomlinson 12 chains to the middle of Scott's Branch 13 links South of a marked sycamore, corner to Tom Taylor; thence down said branch with said Taylor N. 35 $\frac{1}{4}$ W. 3 chains S. 81 W. 5.72 chains to a sycamore on South bank of branch; thence N. 40 $\frac{1}{2}$ W. 80.90 chains to the upper and near corner of a large rock at the West bank of branch; thence N. 9 $\frac{3}{4}$ W. 3.50 chains N. 34 W. 7.75 chains to foot of cliff on West Side; thence N. 40 E. 3 chains N. 77 $\frac{1}{4}$ E. 6 chains near the foot of cliff on North side; thence S. 65 $\frac{1}{4}$ E. 3 chains S. 25 $\frac{1}{4}$ E. 4.85 chains S. 44 $\frac{1}{2}$ E. 3 chains S. 57 $\frac{1}{2}$ E. 2.43 chains N. 71 $\frac{1}{2}$ E. 3.37 chains N. 18 E. 1.60 chains N. 35 W. 4 chains N. 3 W. 7.50 chains to a young black walnut on the West bank; thence N. 37 $\frac{1}{4}$ E. 2.70 chains to a point at the foot of the cliff on the West side of the branch and $\frac{1}{2}$ pole down the branch from a young hickory pointer; thence leaving the branch N. 72 W. 27.77 chains (passing the top of the cliff at a leaning black oak at 3.30 chains) to a stake, corner to Nathan Noe; thence with said Noe N. 9 E. 15.74 chains to a sugar tree on top of the cliff of Dix River; thence along the top of said cliff and up the River S. 66 $\frac{1}{4}$ W. 6.22 chains to a cedar N. 87 W. 6.50 chains to a young dead elm S. 77 W. 8.25 chains to the beginning, containing in the survey 158.16 acres, and this description contains all the land lying between the Frazier tract and Dix River and is bounded by the line aforesaid which extends from the sugar tree to the beginning corner.

Item 32. A parcel of land adjoining the parcel described in Item 31 above and bounded as follows: Beginning at a stake, corner to the Totten tract and the land herein described; thence West 5 E. 78 poles to a sugar tree on the cliff on Dix River; thence the same course down the cliff to the said River 30 poles to a stone; thence with the meanders of said River N. 69 $\frac{1}{2}$ E. 42 poles N. 79 E. 34 poles S. 81 E. 20 poles S. 40 E. 20 poles S. 20 E. 40 poles S. 40 E. 29 poles to a line on the East bank of Scott's Branch, near the mouth; thence S. 74 W. 51 poles to a Spanish oak stump; thence S. 18 poles to a rock on the top of the cliff of Scott's Branch; thence S. 1 E. 20 poles to a stone; thence W. 67.44 poles to the beginning, containing 77 acres, 3 rods, 24 poles.

Item 33. A parcel of land adjoining the parcel described in Item 32 above and bounded as follows: Beginning at a stone, corner to the above boundary; thence N. 1 W. 20 poles, corner to same (a stone); thence S. 34 poles to a stone, corner to same; thence S. 20 poles to a stone; thence W. 34 poles to the beginning, containing 4 acres.

Item 34. All of the lands formerly owned by D. A. Thomas, J. E. Robinson and L. L. Walker, lying on Dix River and Scott's Fork which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream on Dix River at line of lands formerly owned by Frank Folger; thence extending down Dix River and up Scott's Fork to line of lands formerly owned by W. T. Doolin.

Item 35. Situated upon or near Dix River and Scott's Branch, and beginning at a point on the line 760 feet above sea level, on line between lands of William McKechnie Estate and those purchased by D. A. Thomas, and which point is above Dix River near a hackberry tree bearing N. 72 $\frac{3}{4}$ ° W; thence N. 34° 30 minutes E. 1.86 chains to an ash; thence N 17° 00 minutes E 1.88 chains to a hackberry; thence N 15° E 1.62 chains; N 6° 30 minutes E 1.31 chains; N 5° W 1.56 chains; N 1° E. 1.88 chains to an elm stub; N 12° W 1.62 chains to a cedar; N 52 E .5 of a chain to a cedar stub; S 50° 30 minutes E 1.3 chains to a cedar; S 41° 30 minutes E 1.26 chains to a cedar; S 23° E 1.11 chains to a maple; S 31° 30 minutes E 1.25 chains to a

maple; S 42° E 1.32 chains; S 61° 45 minutes E 1.16 chains; S 72° 45 minutes E 2.17 chains; N 87° 30 minutes E 1.04 chains to a hackberry; N 82° E 2.54 chains; N 74° E 1.81 chains to a 12 inch cedar stump; N 71° E 2.45 chains to a twin ash; N 50° 15 minutes E 1.99 chains; N 26° E 1.21 chains; N 1° W 1.52 chains; N 19 degrees W 1.37 chains to a sugar tree; N 28° 30 minutes W 1.84 chains to a hackberry; N 42° 30 minutes W .97 of a chain; N 35° 40 minutes W 1.52 chains; N 30° W 2.32 chains to a cedar; N 20° W 2.29 chains to an ash; N 7° W .73 of a chain to a buckeye and poplar; N 18° W 1.37 chains to a 36 inch leaning white oak; N 38° 15 minutes W 2.18 chains; N 44° 30 minutes W 1.88 chains to a buckeye; N 36° 45 minutes W 1.59 chains; N 58° 30 minutes W 1.52 chains to a stake; N 35° 30 minutes W 1.63 chains to a buckeye; N 72° 15 minutes W 1.62 chains; S 84° 30 minutes W .79 of a chain to a maple; N 62° 30 minutes W .86 of a chain to a red bud; S 76° 15 minutes W 1.8 chains to an ash; N 67° 15 minutes W 1.88 chains; N 68° W .95 of a chain to a mark on a large boulder; N 30° 15 minutes W 1.38 chains to property line between William McKechnie Estate and land of William Doolin on the 760 foot contour line; thence with Doolin's line N 32° 30 minutes E 1.32 chains to a contour line 725 feet above sea level and being the property line of Kentucky Utilities Company, formerly Dix River Power Company line; thence with the 725 foot sea level line with Scott's Branch to the property line of land of Dave A. Thomas (formerly McKechnie Heirs); thence leaving the 725 foot contour line, and with Thomas' property line to the 760 foot contour line, the point of beginning.

Item 36. All of the lands formerly belonging to Margaret S. Elliott, William M. Elliott and Frank Folger on Dix River which may be submerged on account of the erection and maintenance of a dam therein, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at line of lands of Mattie Hampton, et al., (later Dix River Power Company), and extending to lands of McKechnie (later Dix River Power Company).

Item 37. All of the lands formerly belonging to Mattie L. Hampton on Dix River, which lie below a line 750 feet above sea level, and beginning at line of lands of E. C. McWhorter and extending down Dix River to the line of the lands of Frank Folger (formerly owned by M. Elliott and sold by him to Dix River Power Company).

Item 38. Situated in and near Dix River and beginning in the property line between lands of Maxaline McWhorter and others and lands of . . . at a line 760 feet above sea level, being marked by blazed timber line; thence with said sea level line S 43 E 16.9 feet to a point in said sea level line; thence N 58-4 E with said sea level line 89.9 feet; thence with same N 60 E 111.5 feet; thence N 73-2 E 80.7 feet; thence S 58-45 E 78.7 feet; thence S 51-44 E 142.6 feet with same to a 14 inch elm; thence S 54-12 E 409.9 feet with same to a 10 inch white ash; thence with same S 76-13 E 104.6 feet; thence with same S 72-18 E 274 feet; thence S 59-23 E 144 feet; thence S 30 E 98.9 feet; thence S 70-32 E 867 feet; thence N 65-37 E with same 186.1 feet; thence N 66-23 E 58.5 feet; thence N 73-38 E 198.5 feet; thence N 56-7 E 72.5 feet; thence N 89-46 E 125.7 feet to a point on rock in branch; thence N 54-47 E with same 310.8 feet to a 30 inch hackberry on property line between McWhorter and . . . ; thence with said sea level line S 82-42 W 133.2 feet; thence with same N 52-21 W 103.4 feet; thence with same N 11-10 W 16.8 feet to a tack in a 12 inch cedar; thence N 74-55 W leaving the 760 foot sea level line 98 feet to the edge of mean low water on Dix River; thence upstream with the edge of mean low water of Dix River as it meanders to a point at the edge of mean low water at the boundary line between McWhorter and . . . ; thence leaving the River with said boundary line S 35 W 368 feet and with the wire fence; thence S 38-17 W 150.8 feet with said boundary line and fence line to the point of beginning, and containing 9.45 acres of land; also all of the lands which lie between the lines of the boundary herein-above described and the thread, or middle, of Dix River.

Item 39. All the land formerly owned by J. T. Pope that lies below a line 750 feet above sea level, along Dix River, beginning at the line of G. V. Pence land (also at the line of property formerly owned by Dix River Power Company purchased from said Pence); thence down Dix River with its meanders a distance of about two miles to the line of land of McWhorter.

Item 40. All of the lands formerly owned by G. V. Pence on Dix River which lie below a line 750 feet above sea level, and beginning at the line of lands of Nancy E. Beaty, and thence down Dix River to line of lands of J. T. Pope.

Item 41. All of the lands formerly owned by Nancy E. Beaty on Dix River that lie below a line 750 feet above sea level, and beginning at line of lands of I. M. Dunn, and extending down Dix River to line of lands of G. V. Pence.

Item 42. The right of easement and use, so long as the dam shall be maintained, so much of the lands of I. M. Dunn hereinafter described along the channel of Dix River within the cliffs forming the embankment and along side said river channel, as will be submerged by the erection of said dam to a height of not exceeding 750 feet above sea level near the mouth of Dix River for the development of water power by Dix River Power Company, its successors or assigns, of the following described land: Beginning at the line of Green Bowling property and extending down Dix River within and below the cliff line above the river bed along side said river to the neck of "Frying Pan Bend"; thence across same with line of T. E. Dunn to Dix River on lower side of said bend; thence with Dix River within and below the cliff line above the river bed and along side said river to line of property of Cecil Beatty (a distance of about one mile) be the same, more or less.

Item 43. All of the land formerly owned by G. A. Bowling on Dix River lies below a line 750 feet above sea level, and beginning at line of the lands of R. L. Rose and extending to line of lands of I. M. Dunn.

Item 44. Upon Dix River and being all of the lands formerly owned by Robert L. Rose lying below a line 750 feet above sea level and beginning at the line of the lands of Obe Garnett or Henry and Jane Dunn, and thence down Dix River to line of lands of G. A. Bowling.

Item 45. All of the lands formerly owned by Obe Garnett on Dix River which may be submerged on

account of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at line of the lands of Lee Pierce and extending down Dix River to line of the Robert Rose lands.

Item 46. All of the lands formerly owned by Lee Pierce and wife on Dix River in Garrard County, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of the lands known as the Rube Garnett lands, and extending down Dix River to the line of the lands known as the Obe Garnett lands.

Item 47. All of the lands formerly owned by Rube Garnett and Mattie Garnett in Garrard County on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above, sea level.

Item 48. All lands formerly owned by Malcolm Kincaid on Dix River which lie below a line 750 feet above sea level, and between the lands of Silas and Bell Ready (later property of Dix River Power Company) and land of estate of Ed. and Jane Dunn, deceased, situated in lower end of the Davistown settlement.

Item 49. Being all of the lands formerly owned by Sallie Bell Ready on Dix River which lie below a line 750 feet above sea level, and being a portion of the following described tract of land: Beginning at an elm on the bank of Dix River, corner to Kincaid and Morehead; thence up the cliff with their line S. 72 E. 36 poles to a corner to a stake on the side of the road; thence S. 17 $\frac{3}{4}$ W. 22 poles to a stake 6 feet South of a double elm; thence down the River to the beginning, excluding a one-half acre school house lot conveyed by Boner to the school trustee.

Item 50. In the Davistown settlement, being all the lands below a line 750 feet above sea level which formerly belonged to Frances Smith and are situated on the waters of Dix River, which lands are more particularly described as follows: Beginning at the line of George Simpson upstream; thence to the line of the lands of the heirs of Commodore Dunn, down-stream, and being a part of the land inherited by them from Lot Smith, deceased.

Item 51. In the Davistown settlement, being all of the tract lying below a line 750 feet above sea level and the bed of Dix River, which tract is more particularly described, as follows: Beginning at a corner to Sam Morehead's line; thence S. 70 yards to corner of Lot Smith's; thence W. 70 yards to cliff of Dix River; thence N. 70 yards to Sam Morehead's line; thence East 70 yards to the beginning, which deed is to be found of record in the office of the County Court Clerk of Garrard County, Deed Book 18, page 95 of the date September 10, 1902.

Item 52. In the Davistown settlement, being all of that part of the tract lying below a line 750 feet above sea level and the bed of Dix River, which tract is bounded as follows: Beginning at a stake on bank of Dix River, corner to Sol and Morocco Smith; thence up the cliff with their line N. 46 E. to a stake, corner to same; thence S. 46 $\frac{1}{2}$ E. 52 poles to a stake, corner to Ned Graves and George Graves; thence S. 34 W. 36 poles to a stake on the bank of Dix River; thence down the river to the beginning.

Item 53. All the lands below a line 750 feet above sea level which formerly belonged to Margaret White and are situated on the waters of Dix River in Garrard County, and described as follows: Beginning at the line of William Dunn, of color, up stream, and running to the line of the Oscar Gaines heirs, of color, down stream, being a part of the lands inherited by Margaret White from her mother, Victoria Logan, and conveyed to Victoria Logan by James H. Davis and wife, by deed dated May 15, 1876, and recorded in Deed Book 2, page 236, in the office of the Clerk of the Garrard County Court.

Item 54. All the lands formerly owned by Mary Jane Graves and Delilah J. Embry on Dix River which lie below a line 750 feet above sea level and which are situated between the lands of Oscar Gaines and George Simpson in the Davistown settlement.

Item 55. All of the land formerly owned by William Dunn and Sam Dunn and Peachie Davis lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream at line of land formerly owned by Jane Burnam, and running downstream to line of lands of George Segar or Swope and adjoining land of Margaret White.

Item 56. All of the lands formerly owned by Willie C. Dunn, Georgia Davis and Cecil Dunn, lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning at line of lands formerly owned by Lot Smith's heirs upstream and running downstream to line of lands formerly owned by Henry Dunn's heirs.

Item 57. All of the lands formerly owned by the heirs of Oscar Gaines lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning at the line of lands formerly owned by Margaret White upstream and extending down to line of lands formerly owned by George Gaines' heirs downstream.

Item 58. All of the lands formerly owned by Mary Tarrance, lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher

than 760 feet above sea level, and beginning upstream at line of lands of Henry Dunn's heirs and extending down-stream to line of lands of Buck Dunn's heirs.

Item 59. All of the lands formerly owned by Dave Dunn lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream in line of lands formerly owned by Lot Smith's heirs and running downstream to line of lands formerly owned by Henry Dunn's heirs.

Item 60. Beginning at a post in line of the property formerly owned by Kentucky Hydro Electric Company, which property was conveyed to Dix River Power Company by J. I. Hamilton by deed dated March 25, 1913, and recorded in Deed Book 30, page 111, in the office of the Garrard County Court Clerk; thence with lines in said deed as follows: N. 48° 30 minutes W. 424 feet to a post; N. 4° 45 minutes W. 238 feet to a post; N. 21° E. 84 feet to a stake; S. 27° 10 minutes E. 666 feet to the beginning, and containing 1.3 acres.

Item 61. All of the land formerly owned by Jane Burnam, lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream at line of lands of Henry Dunn's heirs and running downstream to line of lands of Buck Dunn's heirs.

Item 62. All of the land formerly owned by Mary Jane Graves, lying in Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream at line of land of Will Dunn and others and running downstream to line of lands of Segar heirs.

Item 63. All the land formerly owned by Bertha Lee McGarvin, lying on Dix River at Davistown, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning at the lands of Mack Kincaid upstream and running thence downstream to the lands of Rube Garnett.

Item 64. All the lands formerly owned by Jas. H. Edwards which lie below a line 750 feet above sea level on Dix River, and beginning at the line of land of estate of David Rankin, deceased, and extending down said River to the land of William Dunn, being situated immediately above the Davistown settlement, said land being all the cliff land below the 750-foot sea level appurtenant and adjoining the land of said Edwards.

Item 65. All of the land formerly owned by Ellen Dunn lying below a line 750 feet above sea level on Dix River, and beginning at line of lands of William Bronston and extending down the River to a line drawn from corner of land of Dave Rankin on the cliff directly to the Dix River Bank, being a portion of the same land formerly occupied by Ellen Dunn and of which real estate said Ellen Dunn had open, notorious, adverse, peaceable, and continuous possession for a period of forty years before the sale of the property.

Item 66. All of the lands formerly owned by William Bronston on Dix River lying below a line 750 feet above sea level and between lines of the lands of C. K. Poindexter and Ellen Dunn.

Item 67. All the lands between line 750 feet above sea level and low water mark of Dix River, beginning at a point in the line of Ed Ready on Dix River 750 feet above sea level and continuing with said 750-foot line down the river, with its Meanders, to the line of William Bronston, in all about 600 feet in distance.

Item 68. All of the lands formerly owned by Ed Ready on Dix River which lie below a line 750 feet above sea level and beginning at line of lands of Jeff Ready and running down Dix River to line of lands of C. K. Poindexter.

Item 69. All of the lands formerly owned by Jeff Ready on Dix River, that lie below a line 750 feet above Sea level, and beginning at line of lands of Aaron Smith, at a sycamore on bank of Dix River; thence down the River N. 66¼ degrees East 22 poles to a stake; thence North 29½ degrees East, 18.25 poles to a sycamore, corner to Ed Ready.

Item 70. All of the lands formerly owned by Aaron Smith lying on Dix River and which lie below a line 750 feet above sea level, and which are a portion of the following described real estate: Beginning at a stone, corner to Aaron E. Smith; thence N. 56 W. 23 poles to a stake at the River bank; thence N. 66¼ E. 10 poles to a sycamore; thence S. 56 E. 23 poles to a stone on line of lands of Mary Ready, deceased; thence S. 48½ W. 10 poles to the beginning.

Item 71. All the lands formerly owned by Aaron H. Smith on Dix River which lie below a line 750 feet above sea level and beginning at the line of John Wallace or Mrs. A. C. King and extending down the River to the line of Aaron Smith, called also Aaron C. Smith, and which land is described in the deed of Mary Ready to Aaron H. Smith as follows: Beginning at a stone; thence S. 48¼ W. 45.50 poles to a stake at the water's edge of Dix River, 14 links South of an elm; thence down the river with its meanders N. 9½ W. 18 poles, N. 20 E. 21.60 poles to a point near a large sycamore; thence N. 66¼ E. 11.52 poles to a stake marked B.

Item 72. All of the lands formerly owned by T. English Dunn on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet

above sea level, and lying between the lands formerly owned by Mrs. J. K. Shreve upstream and the lands formerly owned by Aaron Smith downstream.

Item 73. Being all of the lands formerly owned by T. C. Rankin on Dix River which may be submerged on account of the erection and maintenance of a dam in Dix River near its mouth, the spillway floor of which will be 750 feet above sea level, and beginning at line of lands of David A. Thomas upstream, and extending down to line of property formerly owned by Dix River Power Company.

Item 74. All of the lands formerly owned by D. A. Thomas on Dix River which may be submerged by a dam constructed therein, the spillway floor of which will not be higher than 750 feet above sea level.

Item 75. Beginning on the North Bank of Dix River, Boyle County, at a stone in George Beddow's line (now Reed Penman); thence South with Beddow's line across the river to a sugar tree in Ichabod Price's (now G. H. Jarvis) line in Garrard County; thence East with Price's line to a walnut stump in William Caldwell's line (now D. H. Thomas) hard iron tree; thence in a Northeast direction to an elm on the South bank of the river, corner to Floyd (now B. F. King); thence with Floyd's line across the river to a stake, corner to Cohen; thence with Cohen's line to the beginning.

Item 76. All of the land formerly owned by Granville Jarvis on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of the land formerly owned by Sallie F. Pence and sons, and thence down Dix River to the line of the land formerly owned by Bettie W. Ely.

Item 77. All the land formerly owned by Granville Jarvis on Dix River in Garrard County, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of the land formerly owned by Bettie W. Ely, and thence down Dix River to the line of the land formerly owned by the estate of James A. Green, and also to the line of land formerly owned by D. A. Thomas.

Item 78. All of the lands formerly owned by Bettie W. Ely on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of G. H. Jarvis and extending down the River with its meanders to line of lands of G. H. Jarvis, provided, however, that there are excepted from this description the easements, rights and interests in this tract of land which the Dix River Power Company has conveyed to the Board of Council of the City of Danville, Kentucky, by appropriate deed.

Item 79. All the lands formerly owned by A. M. Pence and others that lie below a line 750 feet above sea level on the waters of Dix River, and beginning at the line of J. A. Rice above the upper dam of the Danville waterworks and extending down the river, with its meanders, to the line of G. H. Jarvis, which is on the pool above the old dam of the Danville Waterworks.

Item 80. All of the land formerly owned by John Andrew Rice on Dix River in Garrard County and Boyle County, which may be submerged by reason of the erection and maintenance of a dam in said river, the spillway floor of which will not be higher than 750 feet above sea level, and beginning up stream at the line of the land formerly owned by A. M. and W. H. Pence in Garrard County and at the line of the land formerly owned by Hugh Wayne in Boyle County, and thence down stream to the line of the land formerly owned by Sallie F. Pence in Garrard County, and to the line of the land formerly owned by Charles Doram in Boyle County.

Item 81. All of the lands below a line 750 feet above sea level which formerly belonged to Adam M. Pence and William H. Pence and are situated on the waters of Dix River, Boone and Clear Creeks in Garrard County, beginning at the line of J. B. Hughes on Dix River and extending down the said river to the line of the lands of J. A. Rice.

Item 82. All of the lands formerly owned by John B. Hughes on Dix River which lie below a line 750 feet above sea level, and running from the mouth of Boone's Creek down the river to line of lands of Pence Brothers, and including both sides of Boone's Creek, and up same.

Item 83. All of the lands formerly owned by T. B. Robinson, which lie below a line 750 feet above sea level on Dix River, and beginning at the line of the land formerly owned by Dix River Power Company, and extending down the said river to the line of the land sold by said Robinson to Jim Boner (Deed Book 32, page 429, in the office of the Clerk of the Garrard County Court), said land being all the cliff land below the 750 foot sea level appurtenant and adjoining the lands of said Robinson which are derived from the deed of Eph. Leavell, Deed Book 29, page 368, in the office of the Clerk of the Garrard County Court, being a part of Tract Three of said conveyance.

Item 84. All of the lands formerly owned by James M. and Addie White on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of Bright Herring at the iron bridge and Lancaster and Danville turnpike road, and thence down Dix River to line of lands of T. B. Robinson, or originally part of the Sallie Herring dower tract.

Item 85. All of the lands formerly owned by Georgia Dunn, lying on Herrington Lake or Rocky Fork Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of

which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of B. A. Dunn and Hamilton Estate on North Fork of said branch and run down said North Fork and down said branch to line of lands formerly owned by Kentucky Hydro Electric Company.

Item 86. All of the lands formerly owned by W. H. Brown, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Fallis and Smith on Spillman Branch, and run down same to Dix River and down Dix River to line of lands of John S. Ison.

Item 87. All of the lands formerly owned by J. Harlan Smith, and S. K. Fallis, lying on Herrington Lake or Spillman Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John R. Scott on Spillman Branch, and extend to the line of lands of W. H. Brown.

Item 88. All of the lands formerly owned by Millie Ann Smith Jenkins, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Abe McMurtry, and run down Dix River to line of lands of John R. Scott.

Item 89. All of the lands formerly owned by Eugene Dismeaux, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Lula Gash (formerly Dan Huff) and run down Dix River to line of lands of Abe McMurtry.

Item 90. All of the lands formerly owned by Abe McMurtry, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Eugene Dismeaux, and run down Dix River to line of lands of Millie Ann Jenkins.

Item 91. All of the lands formerly owned by A. M. Daughters, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of H. T. and Sarah E. Smith, and run down Dix River to line of lands of T. E. Dunn and Buena Vista Road.

Item 92. All of the lands formerly owned by Henry T. Smith, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of B. F. Sechrest estate, and run down Dix River to line of land of A. M. Daughters.

Item 93. All of the lands formerly owned by B. F. Sechrest, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of D. M. Lay, and run down Dix River to line of lands of Henry T. Smith.

Item 94. All of the lands formerly owned by D. M. Lay, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John Noe, and run down Dix River to line of lands of Sechrest estate.

Item 95. All of lands formerly owned by John Noe, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Charles Coulter, and run down Dix River to line of lands of D. M. Lay.

Item 96. All of the lands formerly owned by C. W. Coulter, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of C. D. Dunn and run down Dix River to line of lands of John Noe.

Item 97. All of the lands formerly owned by Charley D. Dunn, lying on Herrington Lake or Dix River or Tan Yard Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Theodore L. Dunn on Tan Yard Branch, and run down said branch and down Dix River to line of lands of Charles Coulter.

Item 98. All of the lands formerly owned by Theodore L. Dunn lying on Herrington Lake or Dix River and Holtzclaw Branch and Tan Yard Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Charles Coulter on Holtzclaw Branch, and run down said Branch and Tan Yard Branch to line of lands of Charley D.

Dunn.

Item 99. All of the lands formerly owned by W. H. Swope, lying on Herrington Lake or Dix River and Tan Yard Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of said sea level elevation above defined in bed of Tan Yard Branch, and run down said Tan Yard Branch (on both sides in places) to line of lands of Al. F. Saunders.

Item 100. All of the lands formerly owned by W. T. Doolin, lying on Herrington Lake or Scott's Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream on said Branch at line of lands of G. A. Bowling, and run down said branch on each side thereof to line of lands of Ed. Taylor's estate and McKechnie's estate.

Item 101. All of the lands formerly owned by Frank N. Folger, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands formerly owned by Kentucky Hydro Electric Company, and run down Dix River to line of lands of William McKechnie's estate.

Item 102. All of the lands formerly owned by J. T. Pope, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of G. V. Pence, and run down Dix River to line of lands of Maxilene McWhorter and others.

Item 103. All of the lands formerly owned by G. V. Pence, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. L. Wood and John G. Lynn, and run down Dix River to line of lands of Pope estate.

Item 104. All of the lands formerly owned by W. Logan Wood and John G. Lynn, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of I. M. Dunn, and run down Dix River to line of lands of G. V. Pence.

Item 105. All of the lands formerly owned by Robert L. Rose, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at, line of lands of Obe Garnett, and run down Dix River to line of lands of Green Bowling.

Item 106. All of the lands formerly owned by William Bronston lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of C. K. Poindexter, and run down Dix River to line of lands of Ellen Dunn's heirs.

Item 107. All of the lands formerly owned by C. K. Poindexter, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Ed Ready and run down Dix River to line of lands of William Bronston.

Item 108. All of the lands formerly owned by D. A. Thomas, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of G. H. Jarvis and run down Dix River to line of lands of J. A. Robinson.

Item 109. All of the lands formerly owned by T. B. Robinson, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Lewis Mannini, formerly James M. White, and run down Dix River to line of lands of J. B. Hughes, and others.

Item 110. All of the lands formerly owned by Bright Herring lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of said Herring at the sea level elevation above defined, and run down Dix River to line of lands of L. T. Mannini at the iron bridge.

Item 111. All of the lands formerly owned by G. A. Bowling, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River the spillway floor of which will not be higher than 760 feet above sea level, which lands consist of two tracts, one beginning at the line of lands of Robert L. Rose and running down Dix River to line of lands of I. M. Dunn, and the other tract beginning at line of lands of W. T. Doolin on Scott's Branch and extending upstream to the 760 foot sea level elevation.

Item 112. All of the lands formerly owned by Obe Garnett, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Lee Pierce, and run down Dix River to line of lands of Robert L. Rose.

Item 113. All of the lands formerly owned by Lee Pierce, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mattie Garnett, and run down Dix River to line of lands of Obe Garnett.

Item 114. All of the lands formerly owned by Ed Ready, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of estate of Jeff Ready, and run down Dix River to line of lands of C. K. Poindexter.

Item 115. All of the lands formerly owned by Mattie Garnett lying On Dix River, which may be submerged by reason of the erection and maintenance of a data in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Malcolm Kincaid, and run down Dix River to line of lands of Lee Pierce.

Item 116. All of the lands formerly owned by T. E. Muggeridge, lying on Herrington Lake or Tan Yard Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of D. M. Lay or at the sea level elevation as above described, and run down Tan Yard Branch to another Fork thereof and up that Fork to said sea level elevation, as above described.

Item 117. All of the lands formerly owned by Bettie W. Ely, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of G. H. Jarvis, and run down Dix River to line of lands of G. H. Jarvis.

Item 118. All of the lands formerly owned by Sallie F. Pence, W. F. Pence and A. M. Pence, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. A. Rice, and run down Dix River to line of lands of G. H. Jarvis.

Item 119. All of the lands formerly owned by W. H. Pence and A. M. Pence, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. B. Hughes, and run down Dix River to line of lands of J. A. Rice.

Item 120. All of the lands formerly owned by Dan Huff, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands formerly owned by C. P. Kennedy, and run down Dix River to line of lands of Abe McMurtry or Eugene Dismeaux.

Item 121. All of the lands formerly owned by Jeff Ready, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of estate of Aaron C. Smith, and run down Dix River to line of lands of Ed Ready.

Item 122. All of the lands formerly owned by George Simpson, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of George Graves' heirs, and run down Dix River to line of lands of Lot Smith's heirs.

Item 123. All of the lands formerly owned by John S. Ison, lying on Herrington Lake, Dix River and Rocky Fork, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. H. Brown and run down Dix River to line of lands formerly owned by Kentucky Hydro Electric Company at old mouth of Rocky Fork; thence up said Rocky Fork opposite lands of Georgia Dunn and Hamilton estate to the bed of the stream at a line where the water impounded by the aforesaid dam will reach its highest level, except an undivided one-fifth interest in apart of this particular tract which undivided interest is now or formerly owned by Dora Bogle.

Item 124. All of the lands formerly owned by L. J. Mannini, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which, lands begin upstream at line of lands of Bright Herrin at Iron Bridge and Lancaster and Danville

Turnpike, and run down Dix River to line of lands formerly owned by T. B. Robinson.

Item 125. All of the lands formerly owned by Margaret White, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Wm. Dunn, and run down Dix River to line of lands of Oscar Gaines' heirs.

Item 126. All of the lands formerly owned by Silas Ready lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John C. Segar, and run down Dix River to line of lands of Malcolm Kincaid.

Item 127. All of the lands formerly owned by Malcolm Kincaid, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Sallie B. Ready, and run down Dix River to line of lands of Ed and Jane Dunn.

Item 128. All of the lands formerly owned by J. B. Hughes, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of T. B. Robinson, and run down Dix River to line of lands of Pence Brothers, including mouth of Boone's Creek.

Item 129. All of the lands formerly owned by the heirs of Geo. Graves, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Oscar Gaines, and run down Dix River to line of lands of Geo. Simpson.

Item 130. All of the lands formerly owned by J. A. Robinson, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of D. A. Thomas, and run down Dix River to line of lands of Janet K. Shreve or Lena Smith.

Item 131. All of the lands formerly owned by the heirs of Isham Hamilton, Jr., lying on Herrington Lake or Rocky Fork, which lands begin upstream at line of 760 foot sea level elevation, and run down Dix River to line of lands of Georgia Dunn.

Item 132. All of the lands formerly owned by Thomas Allcorn, lying on Dix River which land may be submerged by reason of the erection, maintenance and operation of the hydro electric power plant, dam and spillway formerly owned by Kentucky Hydro Electric Company situated in and on said River a short distance below the spillway used in connection with said hydro electric plant, which lands of said Allcorn are situated in Dix River and on the East bank thereof and begin at line of lands of J. C. Williams, and run down Dix River to line of lands of Nettie Scott.

Item 133. All of the lands formerly owned by J. C. Williams on the Dix River bottom and the cliff thereof which lie below the high water level on Dix River as heretofore established or that may hereafter occur from natural causes or by the operation of the electric power plant formerly owned by Kentucky Hydro Electric Company or by the overflow of water through the spillway used in connection with said power plant, which lands begin upstream at a point below the property line between the lands formerly owned by Kentucky Hydro Electric Company and one Mrs. Hill, and run thence downstream passing the mouth of the spillway to the property line between the lands of J. C. Williams and Thomas Allcorn.

Item 134. All of the lands formerly owned by Granville H. Jarvis, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Sallie F. Pence and sons, and run down Dix River to line of lands of Bettie W. Ely, and also begin upstream at line of Bettie W. Ely and run down Dix River to line of D. A. Thomas.

Item 135. All of the lands formerly owned by John R. Scott, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at lines of land of Millie Ann Smith Jenkins, and run down Dix River and on Spillman's Branch to line of lands of W. H. Brown.

Item 136. All of the lands formerly owned by A. F. Sanders, lying on Dix River and Tan Yard and Scott's Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream on Scott's Branch at line of lands of Ed Taylor's Heirs, and run thence down to Dix River and down Dix River to Tan Yard Branch; thence up Tan Yard Branch to line of land of W. H. Swope.

Item 137. All of the lands formerly owned by the heirs of Edward Taylor, lying on Herrington Lake or Scott's Branch, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor

of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. T. Doolin, and run down Scott's Branch to line of lands of Al Sanders.

Item 138. All of the lands formerly owned by the heirs of Lot Smith, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Geo. Simpson, and run down Dix River to line of lands of Commodore Dunn's Heirs.

Item 139. All of the lands formerly owned by the Heirs of Aaron C. Smith, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Aaron H. Smith, and run down Dix River to line of lands of the Heirs of Jeff Ready.

Item 140. All of the lands formerly owned by Aaron H. Smith and others, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands consist of two (2) tracts and begin upstream at line of old Danville and Lexington Turnpike, and run down Dix River to line of lands of T. E. Dunn; and also begin upstream at line of lands of T. E. Dunn, and run down Dix River to line of lands of the Heirs of Aaron C. Smith.

Item 141. All of the lands formerly owned by Rebecca Hampton and others, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Maxine McWhorter, and run down Dix River to line of lands of Frank Folger.

Item 142. An easement, being the right to use the lands formerly owned by I. M. Dunn which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at the line of lands of G. A. Bolling, and run down Dix River to the lands of Wood and Lynn, a distance of about one (1) mile.

Item 143. All of the lands formerly owned by T. English Dunn, lying on Dix River just below Kennedy's Bridge, which will be submerged by the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at the right-of-way line of the Burgin and Buena Vista State Highway and bridge, and run downstream to what was the old Burgin and Buena Vista Turnpike Road.

Item 144. An easement, being the right to overflow and to impound water upon all of the lands formerly owned by T. English Dunn which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands are near the old Nicholasville and Danville Turnpike road, and begin upstream at the line of the lands of Lena Smith or Wallace, and run downstream to the line of lands of Aaron H. Smith.

The property described above in Items 2 to 144 was acquired by the Company by deed dated December 31, 1928, and recorded in Deed Book 47, page 331, in the Office of the Clerk of Garrard County, Kentucky. EXCLUDING THEREFROM so much as was conveyed to George Land and Georgia Lane, husband and wife, by Deed of Conveyance dated April 7, 1989, recorded in Deed Book 148, Page 756, in the Office of the Clerk of Garrard County, Kentucky.

Item 145. Beginning at a marker between the lands of Mary Davis Hays and Robert H. Hays, the Morrow Addition to the City of Lancaster (which marker is 120 feet northeast of a post in the south property line of Morrow Addition) and running South 42 deg. 30 min. E 195.0 feet to a marker; thence turning and running N 57 deg. 30 min. E 34.02 feet to a marker; thence turning and running N 48 deg. 30 min E 150.0 feet to a marker; thence turning and running N 40 deg. 41 min. E 68.0 feet to a marker; thence turning and running N 24 deg. 20 min. W 200.0 feet to a marker in fence line of Morrow Addition; thence turning and running with the fence line of Morrow Addition S 47 deg. 30 min. W 309.64 feet to the beginning, and containing 1.28 acres, more or less; being the property acquired by the Company by deed dated May 9, 1961, and recorded in Deed Book 81, page 96, in the Office of the Clerk of Garrard County, Kentucky.

Item 146. All land laying to the West of the following described division line, and beginning at an iron pin located at the northern most corner between Kentucky Utilities and George Lane: Thence, S 1° 21' 02" W, a distance of 86.00 feet to an iron pin; S 15° 51' 02" W, a distance of 158.00 feet to an iron pin; S 35° 21' 02" W, a distance of 46.00 feet to an iron pin; S 26° 38' 58" E, a distance of 216.00 feet to an iron pin; S 23° 38' 58" E, a distance of 338.00 feet to an iron pin; S 5° 38' 58" E, a distance of 46.00 feet to an iron pin; S 76° 21' 02" W, a distance of 155.00 feet to an iron pin; N 88° 38' 58" W, a distance of 118.00 feet to a rock with a scratch on it; N 87° 08' 58" W, a distance of 70.01 feet to an iron pin, located at the 760 elevation of Herrington Lake; and acquired by the Company by deed dated April 7, 1989, and recorded in Deed Book 148, page 756, in the Office of the Clerk of Garrard County, Kentucky.

The following described real estate of the Company situated in Grayson County, Kentucky:

Item 1. One certain lot in the City of Leitchfield, and being the West part of lot known on the plat of said City, on file in the Grayson County Court Clerk's office, as Lot No. 9, of "Conklins Addition" to Leitchfield, Kentucky, and this lot is bounded as follows: Beginning at a stake, the West corner of said Lot No. 9, and in the original North line of said

Leitchfield and South line of said "Conklins Addition," and in the Southeast line of the I. C. Railroad right-of-way; thence with said right-of-way N. 41¼ degrees E. 273 feet to a stake in line of said right-of-way; thence S. 3° W. about 205 feet to a stake in the said original North line of said Leitchfield and South line of said "Conklins Addition," and in Worthams line; thence with said line West 171 feet to the beginning, containing 41/100 of an acre; all lines run by the Leitchfield Meridian; being the property acquired by the Company by deed dated June 30, 1925, and recorded in Deed Book 10, page 505, in the Office of the Clerk of Grayson County, Kentucky.

Item 2. A certain parcel of land on Highway No. 88, near the City of Clarkson, more particularly described as follows: Beginning at the property line on the east side of Highway #88 at the northwest corner of the John T. Avery tract, which is also the southwest corner of the Stratton lot; thence running in a southern direction with Highway #88 a distance of 100 feet to a stone; thence running in an eastern direction 100 feet to a stone; thence running in a northern direction and parallel with the first line for a distance of 100 feet to the said Avery and Elbert Key line; thence in a western direction with the Avery, Key and Stratton line, and parallel with the south line, for a distance of 100 feet to the beginning, containing 10,000 sq. ft.; being the property acquired by the Company by deed dated February 11, 1950, and recorded in Deed Book 43, page 237, in the Office of the Clerk of Grayson County, Kentucky.

Item 3. Beginning at a stake on the west side of the County Road leading from Ky. Highway 105 to U.S. Highway 62, which beginning point is approximately 0.3 mile from Ky. Highway 105 running along the west edge of the above mentioned county road; running thence approximately S 73½ W for a distance of about 251 feet 4 inches to a stake in a field; thence approximately N 23 W for a distance of about 250 feet to a stake in a field; thence approximately N 67 E for a distance of about 250 feet to a stake on the west side of the above mentioned county road; thence with the County Road approximately S 23 E for a distance of about 278 feet 8 inches to the beginning; being the property acquired by the Company by deed dated November 29, 1954, and recorded in Deed Book 49, page 436, in the Office of the Clerk of Grayson County, Kentucky.

Item 4. Beginning at a point in the South margin of U.S. Highway 62 approximately one-half (½) mile Southwest of the Community of Millwood in Grayson County and more explicitly 781 feet Southwest of the centerline of the Old Caneyville-Millwood dirt road, beginning being an old corner common to D. C. Crawford; running thence S 61° 21' W and parallel to the South margin of the 60 foot right of way of aforesaid U.S. 62 for a distance of 175.00 feet to a concrete monument, new corner to Campbell; running thence with Campbell S 23° 45' E for a distance of 200.00 feet to a concrete monument, new corner to Campbell; thence with Campbell, N 61° 21' E for a distance of 175.00 feet to a concrete monument, new corner to Campbell in the property line of Crawford; thence along the existing property line fence with Crawford, in a direction of N 23° 45' W for a distance of 200.00 feet to the point of beginning and containing 0.799 acre; being the property acquired by the Company by deed dated June 9, 1972, and recorded in Deed Book 119, page 95, in the Office of the Clerk of Grayson County, Kentucky.

Item 5. A tract of land located on the north side of Kentucky Highway 54, and also being adjacent to and running contingent with the north property line of a lot owned by the Kentucky Utilities Company in Grayson County, Kentucky, and being more particularly described as follows: Beginning in the northwest property corner of a lot described in Deed Book 95, page 94, also, being the south property line of property owned by the Commonwealth of Kentucky; thence with a line N 3 degrees 00 feet 00 inches W for a distance of 25.00 feet to a point, thence N 85 degrees 26 feet 00 inches E for a distance of 150.15 feet to a point, thence S 2 degrees 19 feet 00 inches E for a distance of 25.00 feet to a point, thence S 85 degrees 26 feet 00 inches W for a distance of 150.15 feet to the point of beginning, containing 3747.11 square feet or 0.086 acre; being the property acquired by the Company by deed dated September 12, 1972, and recorded in Deed Book 133, page 86, in the Office of the Clerk of Grayson County, Kentucky.

Item 6. A tract or parcel of land lying and being in the City of Leitchfield, Grayson County, Kentucky, which tract is more particularly described as follows, to-wit: beginning at an iron pipe in the east edge of the sidewalk in the east side of English Street said pipe being in the northwest corner of the English Street Baptist Church lot; thence N 4° - 15' E 120.5 feet to an iron pipe; thence S 86° E 107 feet to an iron pipe; thence S 4° - 15' W 120.5 feet to an iron pipe; thence N 86° W 107 feet to the point of beginning; and being the property acquired by the Company by deed dated May 8, 1980, and recorded in Deed Book 169, page 495, in the Office of the Clerk of Grayson County, Kentucky.

BEGINNING at a stake in the east right of way of Wallace Avenue, thence N 63 degrees 00' 02" E, 153.24 feet to a stake, thence 56 degrees 56' 55" E, 193.60 feet to a stake, thence S 18 degrees 36' 07" W 230.42 feet to a stake, thence N 71 degrees 30' 56" W, 155.56 feet to a stake in the east right of way of Wallace Avenue, thence along the meanders of Wallace Avenue N 17 degrees 51' 17" W 104.65 feet to a stake, thence N 23 degrees 26' 22" W 114.65 feet to the point of beginning, containing 1.36 acres, more or less, as determined by a survey made August 12, 1994 by Clemons Lane Surveying, Inc. R.L.S. 2811, and being the property acquired by the Company by deed dated April 13, 1995 and recorded in Deed Book 252, Page 55, in the Office of the Clerk of Grayson County, Kentucky.

The following described real estate of the Company situated in Green County, Kentucky:

Item 1. Beginning at a point on Kentucky State Highway No. 61 at the Kentucky Utility Substation corner; thence with the line of the Kentucky Utilities substation N 41 E 105 feet; thence N 48 W 103 feet; thence S 42 W 104 feet to a point on said State highway No. 61; thence S 47 E 105 feet to the, beginning point, containing about one-fourth acre more or less; being the property acquired by the Company by deed dated November 5, 1954, and recorded in Deed Book 83, page 471, in the Office of the Clerk of Green County, Kentucky.

The following described real estate of the Company situated in Hardin County, Kentucky:

Item 1. A certain parcel of land on U.S. Highway No. 62, at the intersection of Old Glendale Road, about one mile south of the City of Elizabethtown, and more particularly described as follows: Beginning at a stake on the southeast side of the Old Glendale Road via Gaither's Station and 120 feet northeast from corner of lot owned by L. Roy Gore and wife; thence parallel with Gore's line S 41 E 491 feet to the line of L. & N. Railroad right-of-way; thence with the said right-of-way N 44 E 290 feet and 7 inches to a stake, corner to Luther Stark; thence with his line N 24 W 209 feet and 11 inches to a stake, corner to Kirtley and Stark; thence with Kirtley's lines S 76 W 146 feet and 10 inches to a stake, Kirtley's corner; thence N 21 W 148 feet and 8 inches to a stake on the south side of Highway 62; thence with the right-of-way S 80 W 165 feet and 5 inches to the intersection with Old Glendale Road; thence with said Road S 38½ W 140 feet and 10 inches to the point of beginning, containing three and 1/10 acres, more or less; being the property acquired by the Company by deed dated March 28, 1949, and recorded in Deed Book 127, page 164, in the Office of the Clerk of Hardin County, Kentucky.

EXCLUDING from Item 1 above so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, by Deed of Conveyance dated February 8, 1988, recorded in Deed Book 624, Page 186, and by Deed of Conveyance dated February 8, 1988, recorded in Deed Book 624, Page 188, both in the Office of the Clerk of Hardin County, Kentucky.

Item 2. A parcel of land situated on the South side of Crutcher Street and adjacent to the Cardwell Addition to the City of Vine Grove, described as follows: Beginning at a stake in the South line of Crutcher Street and the West line of lot owned by H. R. and Vera Mercer, formerly referred to as an alley; thence Southward with Mercers' line 85 feet, more or less, to Wilson's corner; thence Westward with said line 85 feet, more or less to a stake; thence parallel with the first line 85 feet, more or less, to the South line of Crutcher Street; thence with said street 85 feet to the beginning; being the property acquired by the Company by deed dated July 5, 1950, and recorded in Deed Book 131, page 180, in the Office of the Clerk of Hardin County, Kentucky.

Item 3. A lot on Kentucky Highway 84 near East View, described as follows: Beginning at a stake in the North right of way line of said Highway about 333 feet East of the intersection of said Highway with Kentucky Utilities Company 33 K.V. line, running thence approximately N 54½ E 77 feet along the right of way line of said Highway to a stake, thence turning and running N 45½ W 132 feet to a stake; thence turning and running S 44½ W 75 feet to a stake; thence turning and running S 45½ E 119 feet to the beginning, and a right of way for a road to said lot 16 feet wide, the center line of which begins at a point in said Highway 112 feet southwest of the corner of lot herein described and extends to a point where Kentucky Utilities Company's electric line enters the aforesaid lot, being the property acquired by the Company by deed dated April 26, 1952, and recorded in Deed Book 136, page 629, in the Office of the Clerk of Hardin County, Kentucky.

Item 4. A parcel of land situated in the City of Elizabethtown, described as follows: Beginning at the west corner of a tract of land owned by Hardin County and on which is situated the Hardin County Memorial Hospital, now under construction, in the line of the Right of Way of the Old 31 W highway, where said Hospital property corners with the land of grantor herein, running thence N. 70½ East with the line between said Hospital land and that of this grantor 100 feet to a stone set as a corner, thence N. 21 W 95 feet to a stone; thence S. 70½ West 129 feet 4 inches, to the Old 31W highway, known as the Dixie Highway; thence with the east side of same along the line of the right of way S. 32½ E. 42 feet 4 inches; thence S. 42 E. 58 feet 3 inches to the beginning corner; being the property acquired by the Company by deed dated September 4, 1953, and recorded in Deed Book 141, page 517, in the Office of the Clerk of Hardin County, Kentucky.

Item 5. A parcel of land situated on the North side of Kentucky Highway 220, and described as follows: Beginning at a stake at the intersection of the east right-of-way line of a farm road and the north right-of-way line of Kentucky Highway 220; running thence along the north right-of-way line of Kentucky Highway 220 approximately N 72 E about 158 feet to a stake; thence approximately N 18 W about 150 feet to a stake; thence approximately S 72 W about 128 feet 11 inches to a stake in the east right-of-way line of the above mentioned farm road; thence following the east right-of-way line of the farm road approximately S 4 E about 127 feet to a stake and approximately S 17 E about 26 feet 1 inch to the beginning; being the property acquired by the Company by deed dated April 4, 1955, and recorded in Deed Book 146, page 276, in the Office of the Clerk of Hardin County, Kentucky.

Item 6. A parcel of land described as follows: Beginning at a point in the west right-of-way line of Old U.S. 31W, which point is a corner to Bolten, running thence along the West right-of-way line, (a curve, the chord of which runs approximately N 18½° W for a distance of about 120 feet) of said Highway for a distance of about 122 feet to a point in the west right-of-way line of said highway; thence approximately S 79° W for a distance of about 146 feet 4½ inches to a stake in a fence; thence with the fence approximately S 24¾° E for a distance of about 200 feet to a corner post, corner to Bolten; thence with Bolten's line N 45° E for a distance of about 137 feet 2½ inches to the beginning; being the property acquired by the Company by deed dated August 24, 1955, and recorded in Deed Book 147, page 606, in the Office of the Clerk of Hardin County, Kentucky.

Item 7. A parcel of land situated Southwest of the City of Elizabethtown, and described as follows: Beginning at a post original corner to the Kentucky Utilities Company and Lee Roy Gore on the northern right-of-way line of the L. & N. Railroad; running thence with the above mentioned right-of-way line approximately S 44 W for a distance of about 192.8 feet to a post in a fence; thence with the fence approximately N 45½ W for a distance of about 276 feet to a stake in the fence; thence approximately N 44 E for a distance of 194.1 feet to a stake in the property line between the Kentucky Utilities

Company and Lee Roy Gore; thence with Kentucky Utilities Company's line approximately S 45 E for a distance of 276 feet to the beginning; being the property acquired by the Company by deed dated September 28, 1955, and recorded in Deed Book 148, page 119, in the Office of the Clerk of Hardin County, Kentucky.

Item 8. A parcel of land situated in the City of Elizabethtown, described as follows: Beginning at a stake 80.48 feet southeast of the junction of Helm Avenue with Dixie Avenue and running thence with the southern edge of Dixie Avenue S 58° E 70.0 feet to a stake, corner to Methodist Church property; thence turning and running along Methodist Church property line S 30° W 205.0 feet to a point on the northern edge of Strawberry Alley; thence turning and running along the northern edge of said alley N 58° W 60.0 feet to a point corner to R. A. Miller; thence turning and running along the eastern edge of a retaining wall which marks the eastern property line of R. A. Miller N 27° E 206.25 feet to the point of beginning; being the property acquired by the Company by deed dated May 9, 1957, and recorded in Deed Book 153, page 496, in the Office of the Clerk of Hardin County, Kentucky.

Item 9. Beginning at a point on the southern edge of the L. & N. Railroad right-of-way directly across the railroad from the easternmost corner of the Company's switching station lot, which beginning point is 588 feet southwest of L. & N. Railroad Mile Post No. 44; running thence S 46° E perpendicular to the tracks of the L. & N. Railroad 365 feet to the center line of Valley Creek; thence turning and running with the meanders of said creek in a southwesterly direction to a point in the center line of said creek, which point is S 60½° W 498 feet from the last turning point in the creek; thence turning and running perpendicular to the tracks of the L. & N. Railroad N 46° W 240 feet to a point in the southern edge of the L. & N. Railroad right-of-way directly across the railroad from the southernmost corner of the Company switching station lot; thence turning and following the southern edge of the L. & N. Railroad right-of-way N 44° E 483 feet 2 inches to the point of beginning, and containing 3.72 acres, more or less; being the property acquired by the Company by deed dated June 7, 1957, and recorded in Deed Book 153, page 491, in the Office of the Clerk of Hardin County, Kentucky.

Item 10. Beginning at a point in the line between the lands of Alva Corder and Ruth Corder and the lands of Colonel S. B. Renshaw, which beginning point is in the West right-of-way line of Old Highway U.S. 31 W, running thence along said highway right-of-way S 31° 26' W 200 feet to a stake; thence N 64° 26' W 200 feet to a stake; thence N 31° 26' E 200 feet to a stake in the property line of Colonel S. B. Renshaw; thence along said property line S 64° 26' E 200 feet to point of said highway right-of-way and beginning, containing .918 acre; being the property acquired by the Company by deed dated May 23, 1960, and recorded in Deed Book 165, page 27, in the Office of the Clerk of Hardin County, Kentucky.

Item 11. A certain plot of land situated about 400 feet North of U.S. Highway 62 and about 200 feet West of Valley Creek; beginning at a marker in the line between the lands of Elizabethtown Industrial and Development Foundation, Inc. and the lands of William E. Murphy, which beginning point is about 440 feet North of U.S. Highway 62 and 160 feet East of the property of Magnatronics, Inc.; running thence S 89° 33' W 151.3 feet to a marker; thence turning and running S 0° 27' E 199.8 feet along the eastern edge of a right of way to a marker; thence turning and running N 70° 15' E 91.1 feet to a marker; thence turning and running N 23° 17' E 126.6 feet to a marker; thence turning and running N 14° 52' E 55.3 feet to the point of beginning, containing .505 acre, more or less; being the property acquired by the Company by deed dated August 1, 1960, and recorded in Deed Book 166, page 480, in the Office of the Clerk of Hardin County, Kentucky.

Item 12. A parcel of land described as follows: Beginning at a stake in the South right-of-way line of Kentucky Highway #1500, corner to Marvin Rhew; thence S 19° 16' E 166.1 feet to a stake; thence a new line S 71° 45' W 127 feet to a stake; thence a new line N 18° 15' W 150 feet to a stake in the South right-of-way line of Kentucky Highway #1500; thence with said right-of-way line N 64° 22' E 125 feet to the beginning; and containing .46 acre, more or less, and being the Northeast corner of the William Goldie property; being the property acquired by the Company by deed dated May 23, 1964, and recorded in Deed Book 185, page 163, in the Office of the Clerk of Hardin County, Kentucky.

Item 13. A parcel of land situated in Radcliff, Kentucky, described as follows: Beginning at an iron pin in the North right-of-way line of Central Parkway at its intersection with the West right-of-way line of Wilson Road (Kentucky 447), said pin being 37 feet West of the center line of Wilson Road; thence with the North right-of-way line of Central Parkway, S 56° 12' W 107.5 feet to an iron pin, and S 68° 48' W 42.5 feet to an iron pin, corner to property retained by T. Brown Logsdon; thence with Logsdon's line, N 21° 12' W 106.15 feet to an iron pin in Anthony Kieta's line; thence with his line N 56° 22' E 81.11 feet to an iron pin in the West right-of-way line of Wilson Road (Kentucky 447), said iron pin being 40 feet from the center line of said Wilson Road; thence with the West right-of-way line of Wilson Road (Kentucky 447) S 55° 30' E 121.2 feet to the beginning; being the property acquired by the Company by deed dated April 6, 1967, and recorded in Deed Book 203, page 510, in the Office of the Clerk of Hardin County, Kentucky.

EXCLUDED from Item 13 above so much as was conveyed to Nolin Rural Electric Cooperative Corporation by Special Warranty Deed dated as of September 5, 2000, recorded in Deed Book 976, Page 722, in the Office of the Clerk of Hardin County, Kentucky.

Item 14. Beginning at a point located in the north right of way line of the Sunset Lake Road, said point being 30 feet from the center line of said road; thence leaving said highway right of way line North 12 degrees 40 minutes East 300.00 feet to a point; thence South 77 degrees 20 minutes East 250.00 feet to a point; thence South 12 degrees 40 minutes West 300.31 feet to a point situated in the center line of an abandoned road, said point also being situated in a property line of the original tract and the Ed French property; thence with said property line also being the center line of said abandoned road North 77 degrees 25 minutes 22 seconds West 60.30 feet to the point of intersection of said property line and the north right of way line of the aforesaid Sunset Lake Road; thence running with said north right of way line, 30 feet removed from the center

line of said road, by chords North 66 degrees 02 minutes West 31.57 feet; North 72 degrees 55 minutes 26 seconds West 52.14 feet; North 79 degrees 20 minutes 24 seconds West 53.25 feet; thence North 84 degrees 38 minutes 40 seconds West 53.78 feet to the point of beginning, containing 83,504.52 square feet or 1.917 acres calculated by the Double Meridian Distance method, and being the property acquired by the Company by deed dated July 24, 1974, and recorded in Deed Book 267, page 5, in the Office of the Clerk of Hardin County, Kentucky.

Item 15. Tract 103-A. Beginning at a point in the proposed right of way and access control line of the proposed Ky. Hwy. 61, said point being 140.00 feet right of the proposed Ky. Hwy. 61 construction centerline station 136+50.00; thence with the proposed right of way and access control line South 36 degrees 08' 55" East, 283.55 feet to a point in the southeast property line, said point being 125.00 feet right of the proposed Ky. Hwy. 61 construction centerline station 139+47.02; thence with the southeast property line North 66 degrees 16' 00" West, 258.01 feet to a point 268.74 feet right of the proposed Ky. Hwy. 61 construction centerline station 137+16.81; thence North 28 degrees 51' 20" East, 142.90 feet to the point of beginning and containing 0.421 acre or 18,356 square feet, more or less.

Item 16. Tract 105-A. Beginning at a point in the existing and proposed right of way line of the existing Ky. Hwy. 1031, said point being 25.00 feet left of the proposed Ky. Hwy. 1031 construction centerline station 47+00; thence N 44 degrees 23' 00" W, 212.19 feet to a point in the north property line, being also the east property line corner of the Company's substation property; thence with the north property line S 66 degrees 16' E, 172.33 feet to a point in the proposed Ky. Hwy. 1031 right of way line said point being 52.5 feet left of station 47+75.3; thence with the proposed right of way line of the proposed Ky. Hwy. 1031, S 21 degrees 59' 53" W, 26.8 feet to a point 50.00 feet left of station 47+50.00; thence with the proposed right of way line of the proposed Ky. Hwy. 1031 S 00 degrees 41' 37" E, 57.44 feet to the point of beginning and containing 0.150 acre or 6,518 square feet, more or less.

Tract 105-B. Beginning at a point in the north property line, being also the west property line corner of the Company's substation property; thence N 39 degrees 42' 00" W, 221.80 feet to a point 357.91 feet right of the proposed Ky. Hwy. 1031 construction centerline station 137+67.63; thence N 28 degrees 51' 20" E, 100.00 feet to a point in the North property line, said point being 268.74 feet right of the proposed Ky. Hwy. 1031 construction centerline station 137+16.81; thence with the North property line and the land of J. M. F. Hays S 66 degrees 16' 00" E, 211.07 feet to the northeast property corner; thence with the east property line and the Company's substation land S 29 degrees 56' 00" W, 200.0 feet to the point of beginning and containing 0.718 acre or 31,306 square feet, more or less.

The property described as Tract No. 103-A, Tract No. 105-A and Tract No. 105-B (Items 15 and 16 above) was acquired by the Company by deed dated March 17, 1982 and recorded in Deed Book 446, Page 271, in the Office of the Clerk of Hardin County, Kentucky.

Item 17. Beginning at a point in the North right of way line of Kentucky Highway No. 84, said point begin the southeast corner of the tract conveyed to Kentucky Utilities Company by deed from Howard Hoover and Edith Hoover, his wife, dated April 26, 1952, recorded in Deed Book 136, page 629, in the Office of the Clerk of the Hardin County Court, and said point also being approximately 189 feet northeastwardly from the intersection of said north right of way line of Kentucky Highway No. 84 with the east side of a 16-foot roadway over the land retained by the Pierces and Hendersons, and mentioned in the previous deed to Kentucky Utilities Company; thence with said right of way line approximately N 54° 30' E 50 feet; thence with lines of land retained by the Pierces and Hendersons, N 45° 30' W 157 feet and S 44° 30' W 125 feet and S 45° 30' E 25 feet to the northwest corner of said tract previously conveyed to Kentucky Utilities Company; thence with lines of said tract N 44° 30' E 75 feet and S 45° 30' E 132 feet to the point of beginning, and being the property acquired by the Company by deed dated September 6, 1985, and recorded in Deed Book 550, page 301, in the Office of the Clerk of Hardin County, Kentucky.

Item 18. Beginning at a point in the north right-of-way line of Mulberry Street, U.S. Highway 62, Corner to John Greenwell; then with the north right-of-way line of said highway S. 53° 29' 20" W, 219 feet; thence N. 34° 31' 30" W, 179.97 feet, corner to Merrit Kerrick; thence with Kerrick's line N. 32° 08' E, 130 feet, corner to Kerrick; thence with the lines of Kerrick and John Greenwell S. 58° 29' 10" E, 245 feet to the point of beginning, containing 0.823 acres, but excluding a strip of land conveyed off for highway purposes by deed dated August 2, 1956 and recorded in Deed Book 151, Page 517 in the office of the Clerk of Hardin County, Kentucky, and being the property acquired by the Company by deed dated March 12, 1992, and recorded in Deed Book 730, Page 265, in the Office of the Clerk of Hardin County, Kentucky.

Item 19. Being Lot 28 of Section 7 of the Hughes Center for Commerce, as recorded in Plat Cabinet 1, Sheet 1516, of record in the Office of the Hardin County Court Clerk, and being the property acquired by the Company by deed dated December 5, 1994 and recorded in Deed Book 803, page 8, in the Office of the Clerk of Hardin County, Kentucky.

EXCLUDING FROM Item 19 above so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, Department of Highways, by Deed of Conveyance dated June 8, 1999, recorded in Deed Book 944, Page 24, in the Office of the Clerk of Hardin County, Kentucky.

Item 20. This being a description of a consolidated parcel consisting of all of that property acquired by Kentucky Utilities Company by deed from Jessie Bush, dated the 16th day of December, 1970, and of record in Deed Book 229, page 230, and being all of that property acquired by Kentucky Utilities Company by deed from William R. Bush, dated the 31st day of May, 2007, and of record in Deed Book 1228, Page 629, in the Hardin County Court Clerk's Office, as consolidated by Deed dated as of May 31, 2007, recorded in Deed Book 1228, Page 633, in the Office of the Clerk of Hardin County, Kentucky:

BEGINNING at an iron pin set (518" x 18" rebar with aluminum cap bearing PLS-3118, as will be typical for all set corner monuments), on the east edge of right-of-way of KY Hwy 1904 (A.K.A. Bacon Creek Road), said pin being 30' east of centerline and being the Southwest corner of Carl E. Bush, Jr. & Teresa Bush (D.B. 319, Pg. 300) and being the Northwest corner of Kentucky Utilities Company (D.B. 229, Pg. 230), said pin also being approx 0.40 miles south of the intersection of centerlines of Bacon Creek Road and Hwy 62, lying in Hardin County; Kentucky and being the Point of Beginning for this description; Thence leaving said right-of-way and with the line of Carl E. Bush, S70°06' 14"E - 848.76 feet to an iron pin set, said pin being at a corner fence post and also being on the line of Joseph L. Thomas (D.B. 793, Pg. 426) and being a corner of Carl E. Bush; Thence leaving the corner of Bush and with the line of Thomas, S25°11'08"W - 849.45 feet to an iron pin set, said pin being the original Southeast corner of Kentucky Utilities Company (D.B.229, Pg. 230) and being the Northeast corner of Kentucky Utilities Company (D.B. 1228, Pg. 629) and being on the line of Joseph L. Thomas; Thence leaving said corner and continuing with the line of Thomas, S25°11'08"W - 564.29 feet to an iron pin set, said pin being on the line of the Commonwealth of Kentucky (D.B. 1205, Pg. 566, being right-of-way purchased for the construction of Ring Road) and being on the line of Joseph L. Thomas; Thence leaving the line of Thomas and with the line of the Commonwealth of Kentucky, N59°09'49"W - 705.87 feet to an iron pin set, said pin being a corner of the Commonwealth of Kentucky, said pin also being 109.79 feet east of the centerline of Bacon Creek Road; Thence continuing with the lines of the Commonwealth of Kentucky, N12°40'03"E - 212.85 feet to an iron pin set, said pin being 74.67 feet east of centerline of Bacon Creek Road and N17° 31'07"E - 199.33 feet to a point being a corner of the Commonwealth of Kentucky (D.B. 1205, Pg. 566) and also being a corner of the Commonwealth of Kentucky (D.B. 1200, Pg. 448); Thence with the lines of the Commonwealth of Kentucky (D.B. 1200, Pg. 448), N17°31'07"E - 14.28 feet to an iron pin set, said pin being a corner of Kentucky Utilities Company (D.B. 229, Pg. 230) and being a corner of Kentucky Utilities Company (D.B. 1228, Pg. 629 and being 56.85 feet from centerline of Bacon Creek Road; Thence continuing with the Commonwealth of Kentucky, N17°31'07"E - 293.20 feet to an iron pin set, said pin being 32.73 feet from centerline of Bacon Creek Road and N67°38'53"W -2.66 feet to an iron pin set, said pin being 30' from centerline of Bacon Creek Road and being a corner of Commonwealth of Kentucky (D.B. 1200, Pg. 448); Thence leaving the corner of Commonwealth of Kentucky (D.B. 1200, Pg. 448) and continuing with the right-of-way of Bacon Creek Road, N22°13'36"E - 79.38 feet to a point, N22°16'51"E - 249.77 feet to point and N22°46'56"E - 227.54 feet to the Point of Beginning for this description and containing 24.428 acres by survey.

The following described real estate of the Company situated in Harlan County, Kentucky:

Item 1. A tract of land situated in Cumberland described as follows: Beginning at a post on the Southeast bank of the River, said post being 50 feet at right angles from the center line of the railroad and on the Northwest line of the railroad right-of-way; thence North 48° West 50 feet to a point in the center of the River; thence down and with the center line of the River South 64° West 72 feet; thence South 53° 15' West 211 feet; thence South 33° West 67 feet to a point 105 feet above the center line of a pipe line; thence leaving the center line of the River, and parallel with and 5 feet from the center line of the pipe line, South 47° 15' East 100 feet, passing a stake on the Southeast bank of the River at 50 feet to a stake 105 feet from said center of pipe line, and on the Northwest right-of-way line of said railroad, said stake being 50 feet from the center line of the railroad; thence with said right-of-way line which is parallel to and 50 feet from the center line of the railroad, North 35° 45' East 77 feet; North 40° 35' East 89 feet; North 44° 35' East 98½ feet; North 52° East 73 feet to the beginning; being the property acquired by the Company by deed dated January 13, 1928, and recorded in Deed Book 59, page 550 in the Office of the Clerk of Harlan County, Kentucky.

Item 2. Fronting on Main Street in the City of Harlan, 205 feet and more particularly described as follows: Beginning at a stake in West side of Coal Bank Branch and South side of L & N Railroad right of way; thence Westward with South side of said railroad right of way to a stone in East side of road or alley leading up Coal Bank Branch; thence up and with East side of said road to a point where this road intersects Coal Bank Branch at a clump of trees; thence Northward with West side of said branch to the beginning; being the property acquired by the Company by deed dated May 22, 1935, and recorded in. Deed Book 74, page 246, in the Office of the Clerk of Harlan County, Kentucky.

Item 3. A tract of land described as follows: Beginning at a point in the East right-of-way line of Martin's Fork Branch of the Louisville and Nashville Railroad Company, at the Harlan "Wye" of above said Railroad; thence, leaving said right-of-way line S. 49-15 E. for a distance of 112.0 feet to the Northeast corner of the Kentucky Utilities Company's substation and switching lot; thence, S. 40-45 W. for a distance of 85 feet to the Southeast corner of the above said lot; thence, N. 79-25 W. for a distance of 129.5 feet to the Southwest corner of the above said lot, said corner being in the East right-of-way line of the above said Railroad Company, which said corner is located S. 49-45 E. for a distance of 110.3 feet from a point in the center line of main track of Martin's Fork Branch of the Louisville and Nashville Railroad and at a distance along center line of the said main track of 1240 feet South from Mile Post No. 242; thence, a Northeastwardly course with the said Railroad Company's East right-of-way line to the beginning point; being the property acquired by the Company by deed dated February 2, 1943, and recorded in Deed Book 91, page 250, in the Office of the Clerk of Harlan County, Kentucky.

Item 4. A tract of land described as follows: Beginning at a point in the East right-of-way line of the Martin's Fork Branch of the Louisville and Nashville Railroad Company, at the Harlan "Wye" of the above said Railroad Company, and said beginning point, being the northwest corner of Kentucky Utilities Company's original substation lot, which is covered by deed from Mollie Croushorn and her husband, J. H. Croushorn, to the Kentucky Utilities Company, dated 2nd day of February, 1943 and recorded in deed book No. 91, page 250 of the County Court Clerk's office of Harlan County, Kentucky; thence N. 60-21 E. with the east right-of-way line of the said Railroad Company 122.1 feet to a point in the said right-of-way line, thence S. 49-15 E. leaving said right-of-way 121.0 feet to a stake corner, thence S. 40-45 W. 170.9 feet to a stake corner, thence N. 79-25 W. 57.9 feet to the southeast corner of said Kentucky Utilities Company's original substation lot,

thence N. 40-45 E. 85.0 feet with the East boundary line of the said substation lot to the northeast corner of the said lot, thence N. 49-15 W. 112.0 feet with the north boundary line of the said lot to the beginning corner; being the property acquired by the Company by deed dated September 16, 1946 and recorded in Deed Book 106, page 235, in the Office of the Clerk of Harlan County, Kentucky.

Item 5. Lots Nos. 7 and 8 in Block No. 9 in the C.F.C. Nolan Addition to the Town of Evarts; being the property acquired by the Company by deed dated January 15, 1918, and recorded in Deed Book 35, page 31, in the Office of the Clerk of Harlan County, Kentucky.

Item 6. A parcel of land situated on and along the East side of Martin's Fork of Cumberland River near building of Memorial Hospital, South of the City of Harlan, and described as follows: Beginning at a stake about 200 feet East of the center of Martin's Fork of Cumberland River and in the boundary line between the lands of P. N. Bays and Ray Browning, running thence S. 4-35 E. one hundred and ten (110) feet, more or less, to a stake; thence S. 85-25 W. two hundred (200) feet, more or less, to a point in the center of Martin's Fork of Cumberland River; thence with the center of said Martin's Fork north one hundred and eleven and one half (111½) feet, more or less, to a point in the center of said Martin's Fork; thence N. 85-25 E. with the boundary line between lands of P. N. Bays and Ray Browning to the beginning; excepting and reserving the right of ingress and egress over road right-of-way twelve (12) feet in width, along North side of the foregoing property; being the property acquired by the Company by deed dated July 6, 1955, and recorded in Deed Book 129, page 315, in the Office of the Clerk of Harlan County, Kentucky.

Item 7. A tract of land situated west of Kentucky State Highway No. 160, between the unincorporated towns of Cumberland and Benham, on Laurel Branch of Looney Creek, described as follows: Beginning Corner "A" on stake in Laurel Branch, also in the International Harvester Company's boundary line; said corner "A" located N. 00°-39' E. down said branch, 219.70 feet, more or less, from said Harvester Company's station 105; running thence N. 00°-39' E. with said boundary line 192.75 feet, more or less, to said Harvester Company's station 106; thence N. 13°-04' W 109.30 feet, more or less, to said Harvester Company's station 107; thence N. 6°-39' E 191.1 feet, more or less, to stake corner "D" in said Harvester Company's boundary line, west of Laurel Branch, also about 62 feet south of the center line of Old State Road and south of the L&N Railroad Company's right-of-way; thence S. 45°-47' E. 304.83 feet, more or less, with and along the south side of the Old State Road to stake corner "C" in the west right-of-way line of State Highway No. 160 and 35 feet from the center line of said Highway, and said corner "C" located about 86 feet south of the south end (Highway Station 112+10.4 feet) of Kentucky State Highway Concrete Bridge crossing L&N Railroad Company's tracks; thence in a southwardly direction with the west right-of-way line of said highway to a point located 35 feet west of the center line of said highway at Highway Station 109+00.0 feet; thence in westwardly direction with said highway right-of-way line 25 feet to a point in said west right-of-way line; thence in a southwardly direction leaving the said highway west right-of-way line about 95 feet to stake corner "B", said corner being in a southwardly direction of S 12°-37' E., some 337.43 feet from stake corner "C"; thence N. 80°-01' W. 296.98 feet, more or less, to stake corner "A", the beginning corner; being the property acquired by the Company by deed dated January 21, 1957, and recorded in Deed Book 133, page 357, in the Office of the Clerk of Harlan County, Kentucky; *subject* to the right of reversion in the event said property should cease to be used by the Company, its successors and assigns for the construction, operation and maintenance of transmission and/or distribution substation facilities, lines and other property necessary to its electric utility operation.

Item 8. A tract of land lying on the waters of Cumberland River, near Wilhoit Station, described as follows: Beginning at a point in east right-of-way line of Highway No. 119, 30 feet east of center line of said highway; running thence S. 84 E. along old wire fence, with the north boundary line of National Electric Service Corporation's property 496.2 feet, more or less, to point in middle of Cumberland River; thence with the middle of said river, N. 26 W. 152 feet, more or less, to point; thence N. 50 W 219 feet, more or less, to a point; thence N. 59-30 W. 193 feet, more or less, to a point; thence N. 50-30 W. 251 feet, more or less, to a point N. 28-30 W 262 feet, more or less, to a point; thence N. 10-45 W 643 feet, more or less, to a point in middle of said river opposite a culvert in W. E. Cornett's line; thence due west with Cornett's line 86 feet, more or less, to point in the east right-of-way line of said highway; thence in a southwardly direction with the east right-of-way line of said highway 1363 feet, more or less, to point of beginning; being the property acquired by the Company by deed dated January 26, 1957, and recorded in Deed Book 133, page 288, in the Office of the Clerk of Harlan County, Kentucky.

Item 9. A tract of land situated east of the right-of-way of Louisville & Nashville Railroad Company at Kentenia Camp, near the mouth of Meadow Creek about two miles south of the Town of Wallins Creek, described as follows: Beginning corner "A" being a locust fence post located east of the Louisville & Nashville Railroad Company's track, also in the property line between the lands of George Moses and James L. Howard and others; running thence N 82-42 E with the south property line of George Moses' property for a distance of 130.7 feet, more or less, to stake corner "B" in the west edge of an old twelve-foot road; thence S 18-15 E with the west edge of said road 133.7 feet, more or less, to stake corner "C" in old wire fence and located about 6½ feet west of the center of said road; thence S 76-40 W with the said wire fence and the north property line of Charles Blanton's property 139.2 feet, more or less, to stake corner "D"; thence S 68-10 W 10.3 feet, more or less, to stake corner "E" located in the east right-of-way line of the Louisville & Nashville Railroad Company's right-of-way and about thirty feet east of the center of the railroad track of said company; thence with the east right-of-way line of said company, a course N 10-03 W and a distance of 147.8 feet, more or less, to beginning corner "A"; being the property acquired by the Company by deed dated November 25, 1958, and recorded in Deed Book 138, page 167, in the Office of the Clerk of Harlan County, Kentucky.

Item 10. A tract of land lying on Puckett Creek described as follows: Beginning at corner "A", being about 30 feet North of the center line of Highway No. 70, and being a corner common to the lands of Austin and Katie Saylor

and Mary Jane Smith (Widow), also being in the North right-of-way line of Highway No. 70, running thence N. 23°-45 E., 75.0 feet, more or less, with Mary Jane Smith's East property line, to a corner "B"; leaving said line and running S. 77°-15 E., for a distance of 64.25 feet, more or less, to a corner "C"; running thence S. 19°-40 W., for a distance 75.0 feet, more or less, to a corner "D", which said corner being about 30 feet North of the center line of pavement of said highway, also being in the North right-of-way line of said highway; running thence N. 76°-34 W., with the North right-of-way line of said highway for a distance of 69.54 feet, more or less, to the beginning corner "A"; being the property acquired by the Company by deed dated October 13, 1960, and recorded in Deed Book 143, page 321, in the Office of the Clerk of Harlan County, Kentucky.

Item 11. A tract of land on Clover Fork of the Cumberland River in the town of Verda, described as follows: Lots numbered Three (3), Four (4), Five (5) and Six (6) and the northern twenty-five feet of lots numbered Twelve (12), Thirteen (13), Fourteen (14) and Fifteen (15) of Block A of the Chester Smith Addition to Verda, Harlan County, Kentucky, as shown by map of said addition dated January 6, 1951, and filed of record with the Harlan County Court Clerk on October 30, 1964, said lots and parts of lots combined are bounded as follows: Beginning at a locust stump in the south edge of Main Street and at the northeast corner of said lot numbered Three (3); thence with the eastern edge of said lot S 11-50 E 100 feet and continuing same course with the eastern edge of lot numbered Twelve (12) 25 feet to a stake; thence S 78-10 W across lots numbered Twelve (12), Thirteen (13), Fourteen (14) and Fifteen (15) 100 feet to a stake in the western edge of lot numbered fifteen (15); thence with the western edge of lot Fifteen (15) N 11-50 W 25 feet, and continuing same course with the western edge of lot Six (6) 100 feet to a stake in the south edge of Main Street; thence with the south edge of Main Street N 78-10 E along lots Six (6), Five (5), Four (4) and Three (3) 100 feet to the beginning; being the property acquired by the Company by deed dated November 24, 1964, and recorded in Deed Book 159, page 312, in the Office of the Clerk of Harlan County, Kentucky.

Item 12. Beginning at a stone in the east line of Bourbon Street, at the northwest corner of Lot No. 126; thence southwardly with the east line of Bourbon Street, 87 feet 8 inches, to a stone at fence corner; thence eastwardly with said fence to the meanders of the Cumberland River; thence northwardly with the meanders of said river to a stone in south line of Bourbon Street; thence westwardly with the south line of Bourbon Street to the beginning; being the property acquired by the Company by deed dated June 13, 1969, and recorded in Deed Book 180, page 11, in the Office of the Clerk of Harlan County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Transportation by Deed dated August 30, 1976, recorded in Deed Book 225, Page 235, in the Office of the Clerk of Harlan County, Kentucky.

Item 13. Beginning at a point in the southeast right-of-way of the L & N Railroad Company's Harlan "Wye" property and west of said railroad company's bridge and at the northwest property corner of the Company's property; running thence with the L & N right-of-way, N 88-57 E, a chord of 327.0 feet along and with the southeast right-of-way of said railroad company to a point in the center of Martin's Fork of Cumberland River, south of said bridge of the railroad company; thence with the center of said river running upstream, S 13-14 W, 275.78 feet; S 2-06 E, 158.39 feet; S 15-42 E, 172.65 feet; S 13-09 E, 116.42 feet; S 3-59 E, 157.35 feet to a point in the center of Martin's Fork; thence leaving said river and running N 72-58 W, 129.5 feet along the north edge of Bourbon Avenue (width 40 feet) of the Sunshine Addition to Harlan to a point, corner to the lands of Earl Croushorn; thence N 13-10 W, 387.48 feet with the east property line of Croushorn's property to a point; thence N 79-25 W, 423.7 feet with the north property line of said Croushorn's property to a point in the east edge of said railroad company's right-of-way and the northwest property corner of said Croushorn's property; thence N 13-49 E, a chord of 81.35 feet with the said railroad company's right-of-way to a point in the right-of-way, a corner to a tract heretofore conveyed to James and Barbara Croushorn; thence with the line of the James and Barbara Croushorn tract, N 62-26 E, 191.8 feet to a corner in the Company's south property line; thence with the line of the Company, S 79-25 E, 65.4 feet; thence N 40-45 E, 170.9 feet to the northeast property corner of the Company's property; thence N 49-15 W, 121.0 feet with the north property line of said property to the beginning corner, and containing 4.85 acres; being the property acquired by the Company by deed dated August 28, 1969, and recorded in Deed Book 181, page 87, in the Office of the Clerk of Harlan County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Transportation by Deed dated August 30, 1976, recorded in Deed Book 225, Page 235, in the Office of the Clerk of Harlan County, Kentucky.

Item 14. Beginning at a stake at the intersection of the Company's lines and the L & N Railroad right-of-way; thence in an easterly direction with the Company's lines a distance of 122 feet to a stake at the top of the bank to Earl F. Croushorn's line a distance of 146 feet to the L & N Railroad right-of-way; thence from said point back along the L & N Railroad right-of-way to the point of beginning, a distance of 122 feet, more or less, forming a triangle; being the property acquired by the Company by deed dated August 28, 1969, and recorded in Deed Book 181, page 84, in the Office of the Clerk of Harlan County, Kentucky.

Item 15. Beginning at the corner of Duffield Avenue and Bourbon Street and running with said Bourbon Street about 66 feet, measured from the curb of Duffield Avenue to I. Prewitt line; thence with said Prewitt line to the river; thence with said river back to Duffield Avenue; thence with Duffield Avenue to the point of beginning, about 125 feet, which is situated in the Sunshine Addition to Harlan, Kentucky; being the property acquired by the Company by deed dated October 30, 1969, and recorded in Deed Book 182, page 105, in the Office of the Clerk of Harlan County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Transportation by Deed dated August 30, 1976, recorded in Deed Book 225, Page 235, in the Office of the Clerk of Harlan County, Kentucky.

Item 16. Beginning at a point in the Northwest corner of an easement for a transmission line which bears N 02° 00' E 179 feet from a point in the L & N Railroad Company right-of-way; said right-of-way point being 40 feet Northward and at a right angle from the center line of the track and 2,631 feet Eastward from Mile Post 252; thence N 88° 00' W, 4,355 feet to a Hub and Tack; thence N 02° 00' E, 208.71 feet to a Hub and Tack; thence S 88° 00' E, 208.71 feet to a Hub and Tack; thence S 02° 00' W, 208.71 feet to a Hub and Tack; thence N 88° 00' W, 204.355 feet to the beginning, containing one acre more or less and being the property in which the Company acquired an undivided one-half interest by deed dated September 8, 1977 and recorded in Deed Book 231, page 263, Harlan County Court Clerk's office and an additional undivided one-half interest by deed dated March 21, 1978 and recorded in Deed Book 233, page 131, in the Office of the Clerk of Harlan County, Kentucky.

Item 17. BEGINNING at the intersection of the north line of the right-of-way of Kentucky Utilities Company's main power line as originally constructed from Harlan to Varilla with the centerline of the line to Cardinal as originally constructed; thence with the centerline of the line to Cardinal as originally constructed N 32° 00' W, 294.10 feet to a point in Rocky Branch; thence N 89° 31' 43" E, 293.02 feet to a steel pin in the center of Rocky Branch; thence S 17° 53' 00" E, 243.62 feet to a point in north right-of-way of the originally constructed line from Harlan to Varilla; thence with said right-of-way S 84° 37' W, 212.91 feet to the point of beginning, containing 1.42 acres, so as to include that tract described as first tract in a deed dated 26th day of June 1924, between Kentenia-Puckett Corporation and Kentucky Utilities Company, recorded in Deed Book 50, at page 415, in the records of the Harlan County Clerk, and a tract 62.5 feet in width lying immediately west of the said first tract, and the 62.5 foot wide tract was the east half of the right-of-way of the line to Cardinal as originally constructed, and being the property acquired by the Company by deed dated June 9, 1993, and recorded in Deed Book 304, Page 470, in the Office of the Clerk of Harlan County, Kentucky.

Item 18. Beginning at a steel pin set in the line of the Cornelius property and at the northwest corner of the Jeffrey Howard property; thence N 11° 50' 31" W, 670.87 feet to a steel pin found on a spur, the northeast corner of the Cornelius property; thence continuing up the spur N 54° 23' 32" E, 276.42 feet to a steel pin and cap set on top of the ridge between Coxs Branch and Rock Branch, said point has a blazed 24" oak tree as a witness; thence with the ridge between Coxs Branch and Rock Branch, S 83° 32' 34" E, 440.76 feet to a steel pin set on top of the ridge under a 500kv electric transmission line of the Kentucky Utilities Company and at the south right-of-way of an old electric transmission line which has been removed; thence with the south right-of-way of said transmission line which has been removed, S 12° 34' 42" E, 881.45 feet to a steel pin in the center of Coxs Branch; thence down and with the center of Coxs Branch, the following five courses: S 42° 33' 28" W, 57.76 feet to a point in ledge rock in the center of Coxs Branch; thence S 77° 28' 16" W, 147.87 feet to a point in ledge rock in the center of Coxs Branch; thence S 14° 56' 17" W, 24.63 feet a point in ledge rock in the center of Coxs Branch; thence S 82° 37' 17" W, 92.73 feet to a point in ledge rock in the center of Coxs Branch; thence N 76° 28' 08" W, 40.84 feet to a point in ledge rock in the center of Coxs Branch, a common corner with Jeffrey Howard, a steel pin and cap witness on the bank bears N 10° 26' 35" E, 10.28 feet; thence with the line of Jeffrey Howard, N 63° 58' 46" W, 440.17 feet to the point of beginning, containing 14.32 acres as surveyed by David A. Atwell, Kentucky Registered Surveyor, License Number 2063, June 16, 1995, and being the property acquired by the Company by deed dated August 10, 1995 and recorded in Deed Book 320, Page 37, in the Office of the Clerk of Harlan County, Kentucky.

Item 19. Beginning at a steel pin found in the north right-of-way of Kentucky Highway 72, at the southeast corner of the Cornelius property; thence with the Cornelius property line N 11° 38' 28" W, 323.29 feet to a steel pin set this survey; thence leaving the Cornelius line and with the line of a tract to be conveyed by Josh Howard to the Kentucky Utilities Company; S 63° 58' 46" E, 440.17 feet to a mark on ledge rock in the center of Coxs Branch, a steel pin witness set on the bank of Coxs Branch bears N 10° 26' 35" W, 10.28 feet; thence down and with the center of Coxs Branch the following six courses: N 71° 13' 01" W, 14.41 feet to a mark on ledge rock in the center of Coxs Branch; thence S 72° 01' 34" W, 70.88 feet to a mark on ledge rock in the center of Coxs Branch; thence S 69° 04' 11" W, 62.00 feet to a mark on ledge rock in the center of Coxs Branch; thence S 58° 08' 49" W, 78.43 feet to a mark on ledge rock in the center of Coxs Branch; thence S 62° 54' 14" W, 48.59 feet to a mark on ledge rock in the center of Coxs Branch; thence S 53° 30' 25" W, 63.73 feet to a steel pin set in the center of Coxs Branch at the north right of way of Kentucky Highway 72; thence with the said right of way N 60° 17' 26" W, 34.83 feet to the point of beginning, containing 1.28 acres by survey of David, A. Atwell, Kentucky Registered Surveyor License Number 2063, June 16, 1995, and being the property acquired by the Company by deed dated August 10, 1995 and recorded in Deed Book 320, Page 41, in the Office of the Clerk of Harlan County, Kentucky.

The following described real estate of the Company situated in Harrison County, Kentucky:

Item 1. The following described real estate in the City of Cynthiana: Beginning at a point on the N. E. side of Water street, which point is 99 feet and 11 inches, as measured along the N. E. side of Water street, S. E. of a mark on the corner of Henry Taylor's stable, which mark on the corner of Henry Taylor's stable is the extreme N. W. corner of the lot conveyed to Daniels & Ewing by deed from Cynthiana Electric Light & Artificial Ice Company dated the 21st day of February, 1894, and recorded in Deed Book 56, page 24, in the office of the Clerk of County Court of Harrison County, Kentucky, and which beginning point is at the intersection of the N. E. line of Water street with an eastern line of the lot conveyed to Daniels & Ewing by the deed aforesaid; thence along the N. E. side of Water street S. 45 degrees E. 108 feet to an

iron pin; thence N. 19¼ degrees E. 81 feet 10 inches to a point 3 inches outside of a brick wall of the Power Plant; thence N. 70¾ degrees W. 95 feet to an iron pin; thence S. 19¼ degrees W. 37 feet 11 inches to the beginning; being the property acquired by the Company by deed dated October 27, 1915, and recorded in Deed Book 80, page 83, in the Office of the Clerk of Harrison County, Kentucky.

Item 2. A tract of land in Cynthiana, described as follows: Beginning at a stake in the line of Ed Hill and Kentucky Utilities Company's property on the West side of Water Street; thence with Water Street in a Northwesterly direction 48 feet to a stake; thence at right angles through the property of Ed Hill to the low water mark of South Licking River; thence up said River with the low water mark to the corner of the property of Kentucky Utilities Company; thence in an Easterly direction with the line of the Kentucky Utilities Company's property to Water Street the place of beginning; being the property acquired by the Company by deed dated March 21, 1939, and recorded in Deed Book 101, page 372, in the Office of the Clerk of Harrison County, Kentucky.

Item 3. A certain tract or parcel of land situated within the corporate limits of the City of Cynthiana described as follows: Beginning at low water mark and Martin's corner, thence leaving river N. 49¼ E. with said Martin's line about 85 feet to the west side of Cynthiana Manufacturing Company's street; thence with said street 24 feet; thence with a line parallel to the first described line from said street to low water mark about 85 feet; thence with low water mark line about 24 feet to the beginning; being the property acquired by the Company by deed dated January 8, 1925, and recorded in Deed Book 90, page 552, in the Office of the Clerk of Harrison County, Kentucky.

Item 4. A parcel of land situated in the City of Cynthiana, described as follows: Beginning at a point in the Southern margin of Water Street, corner to Kentucky Utility property; thence with the Southern margin of said Street, S 31-16' 89.6 feet to an iron pin corner to Poindexter and Harter; thence with their line S. 59-23' W 85 feet to a point at low water mark of South Licking River, said line being 15' from and parallel to Old Mill Building now owned by said Poindexter and Harter; thence with the low water line of said River N. 30-40' W. 75 feet to a point corner to the said Utility Company; thence with their line N 49-15' E. 55' to the point of beginning; being the property acquired by the Company by deed dated April 18, 1949, and recorded in Deed Book 111, page 187, in the Office of the Clerk of Harrison County, Kentucky.

Item 5. Beginning at an iron pin in the southerly fence line of an unimproved road, west of Martins Lane and approximately one-half mile northwest of U.S. Highway No. 62, said iron pin being a corner to Smith; thence with Smith for two calls, S 43 degrees 45 feet 50 inches W 317.3 feet to an iron pin, and N 46 degrees 14 feet 10 inches W 421.73 feet to an iron pin in the easterly fence line of the aforesaid unimproved road; thence with the easterly fence line of said unimproved road N 55 degrees 15 feet 38 inches E 239.44 feet to an iron pin in the southerly fence line of the aforesaid unimproved road; thence with the southerly fence line of said unimproved road S 58 degrees 42 feet E 383.03 feet to the beginning and containing 2.498 acres; being the property acquired by the Company by deed dated May 28, 1974, and recorded in Deed Book 142, page 102, in the Office of the Clerk of Harrison County, Kentucky.

The following described real estate of the Company situated in Hart County, Kentucky:

Item 1. A certain tract or parcel of land lying on the north side of Green River and just north of the town of Bonneville, and bounded and described as follows: Bounded on the West by U.S. 31 W, bounded on the North by the lands of B. H. Gaddie, bounded on the East by the lands of B. H. Gaddie and bounded on the South by lands of W. B. Reynolds, same to be 300 feet in length facing on U.S. 31 W and to be 400 feet in depth, or to be 300 feet by 400 feet and containing 2.75 acres and being a portion of the same owned by B. H. Gaddie and being situated on the Southwest corner of said B. H. Gaddie's land; being the property acquired by the Company by Deed dated December 3, 1947 and recorded in Deed Book 60, page 405, in the Office of the Clerk of Hart County, Kentucky.

Item 2. A tract of land in the Town of Horse Cave, lying on the South side of Green River, described as follows: Being Lot No. 103, which contains 3½ acres, more or less, in the Shewey Addition No. 2 to the Town of Horse Cave and as shown on the plat of Shewey Addition No. 2 of record in the office of the Clerk of Hart County Court; being the property acquired by the Company by deed dated August 28, 1947, and recorded in Deed Book 60, page 46, in the Office of the Clerk of Hart County, Kentucky.

Item 3. A parcel of land situated on Gorin's Mill Road at its intersection with the L & N Railroad Company's right of way, and described as follows: Beginning at a point in the West right-of-way line of the L & N Railroad, which point is in the North right-of-way line of Gorin's Mill Road 50 feet from the center line of said railroad main line tracks and 446 feet south of L & N Mile Post No. 73; thence with the West right-of-way line of Railroad North 21° 30' West, a distance of 100 feet; thence south 70° West 150 feet; thence South 21° 30' East 100 feet to the North right of way line of Gorin's Mill Road; thence North 70° East 150 feet to the point of beginning, containing approximately 0.34 acre; being the property acquired by the Company by deed dated May 3, 1956, and recorded in Deed Book 80, page 56, in the Office of the Clerk of Hart County, Kentucky.

The following described real estate of the Company situated in Henry County, Kentucky:

Item 1. The following described interest in real estate in the town of Eminence: The leasehold of The Henry County Light and Power Company for the term of ninety-nine (99) years from the 18th day of December, 1903, upon the following described lot or parcel of land in or near the City of Eminence, to-wit: Beginning at a point in the line of the front fence of H. A. Brewer's farm, formerly known as Williams' farm eighty (80) feet from the Paul corner; thence eighty (80) feet

East along the Eminence and Smithfield pike to the said Paul's line corner to Brewer; thence Northwardly two hundred (200) feet to a point in Paul and Brewer's division line; thence at right angles with said division line eighty (80) feet to a point in H. A. Brewer's farm; thence Southwardly two hundred (200) feet more or less, to the point of beginning, together with the improvements thereon and the appurtenances thereto, and the right to enter upon said Brewer's farm West of said described property for the purpose of obtaining water for the operation of the Light and Ice plant in Eminence; being the property acquired by the Company by deed dated April 28, 1914, and recorded in Deed Book 64, page 24, in the Office of the Clerk of Henry County, Kentucky.

Item 2. Ninety-nine (99) year leasehold on a certain lot or parcel of ground 18 feet in length and 16 feet in width, located at the Northeastern end of Chilton Court in or near Campbellsburg, such leasehold having been acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 83, page 332, in the Office of the Clerk of Henry County, Kentucky.

Item 3. Beginning at a point in the center line of Turner's Station Road, said point being in a northeasterly direction 449.5± feet from a corner to Tandy and Bickers; thence with the center line of said road North 49 degrees 45 minutes East for a distance of 150 feet to an iron pin; thence through the property of Bickers for three calls: South 40 degrees 15 minutes East for a distance of 185 feet to an iron pin, South 49 degrees 45 minutes West for a distance of 150 feet to an iron pin, North 40 degrees 15 minutes West for a distance of 185 feet to the beginning and containing 0.637 acre; and being the property acquired by the Company by deed dated September 1, 1976, and recorded in Deed Book 129, page 127, in the Office of the Clerk of Henry County, Kentucky.

The following described real estate of the Company situated Hickman County; Kentucky:

Item 1. Beginning at a stake, corner No. 3 in the southerly right of way of a county road, said point being 487 feet eastward from a corner common to the lands of L. P. Yates, Sr. and Walter Farabough, Jr. as described in deed recorded in Deed Book 56, page 79 in the office of the Clerk of Hickman County, Kentucky; thence south 29 degrees 37 minutes east 300.28 feet, paralleling and 150 feet removed from the existing Paducah-Fulton transmission line to a stake, corner No. 2; thence North 82 degrees 10 minutes east 394.98 feet to a stake, corner No. 1; thence north 7 degrees 50 minutes west 284.50 feet to corner No. 4, a stake in the southerly right of way of said county road, thence with same south 81 degrees 29 minutes west 461.33 feet to the point of beginning, containing 2.627 acres; being the property acquired by the Company by deed dated June 2, 1953, and recorded in Deed Book 56, page 89, in the Office of the Clerk of Hickman County, Kentucky.

Item 2. A tract of land situated in the City of Clinton, described as follows: Beginning at a point, the southeast corner of D. W. Ringo and the southwest corner of the Blanche Moss Johnson tract; thence with the D. W. Ringo east line North 337.5 feet to a point, being the southwest corner of Myrla Peck; thence with the south line of Myrla Peck south 88 degrees 38 minutes East 140.0 feet to a point in the west line of Moss Street, being the southeast corner of Myrla Peck; thence with the west line of Moss Street South 337.5 feet to a point, the northeast corner of Clinton Development Foundation, Inc.; thence with the north line of Clinton Development Foundation, Inc. North 88 degrees 38 minutes West 140.0 feet to the point of beginning; such tract being Lots 12, 13, 14, 15 and the South one-half of Lot 16 of the Moss Side Addition to the City of Clinton, as shown by plat of record in Deed Book 57, page 27, in the Hickman County Court Clerk's office; being the property acquired by the Company by deed dated February 25, 1959, and recorded in Deed Book 61, page 265, in the Office of the Clerk of Hickman County, Kentucky.

The following described real estate of the Company situated in Hopkins County, Kentucky:

Item 1. A parcel of ground situated in the City of Madisonville, and bounded as follows: Beginning at a stake in the line of Broadway Street at the intersection of the West line of the L. & N. Railway right-of-way; thence with said line of right-of-way nearly North about 200 feet to the lot now or formerly owned by Ruby Lumber Company; thence with said lot West 84 feet to the West line of a 16 foot alley; thence with said line nearly South to the North line of Broadway Street; thence with said Street nearly East 81 feet to the beginning, said boundary including the alley; being a part of the property acquired by the Company by deed dated January 2, 1925, and recorded in Deed Book 118, page 170, in the Office of the Clerk of Hopkins County, Kentucky.

EXCLUDING FROM ITEM 1 above:

(a) so much as was conveyed to Mary Comer Rudy by Deed dated April 4, 1945, recorded in Deed Book 162, Page 212, in the Office of the Clerk of Hopkins County, Kentucky; and

(b) so much as was conveyed to Henry L. James and Evelyn James by Deed dated June 28, 1950, recorded in Deed Book 199, Page 319, in the Office of the Clerk of Hopkins County, Kentucky.

Item 2. A certain parcel of land in or near the City of Earlington, bounded and described as follows: Beginning at a stake north of the power plant switch and in the west line of North McEwen Avenue, as extended, running S. 45 W. with line of West Kentucky Electric Power Co. 275 ft. to a stake; thence N. 73 W. with another line of West Kentucky Electric Power Co. 799.70 to a stake; thence N. 45 E. 501.95 to a stake; thence S. 45 E. 653.93 ft. to a stake; thence N. 45 E. 150 ft. to a stake; thence S. 45 E. with line of said street 50 ft. to beginning, containing 5 acres more or less, excepting, however, all the coals, gas, oils and other minerals of the same or other kinds, of, in and to the said property and there is further reserved and excepted an artesian well located on said property; being the property acquired by the Company by deed dated

March 26, 1926, and recorded in Deed Book 121, page 71, in the Office of the Clerk of Hopkins County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Magdalene Newby by Deed dated June 8, 1995, recorded in Deed Book 539, Page 570, in the Office of the Clerk of Hopkins County, Kentucky.

Item 3. A tract or parcel of land, together with the power plant and other structures and improvements thereon situated in the City of Earlington and described as follows: Beginning in the West line of North McEwen Avenue at a stake, corner of lots numbers 3 and 4, block 18, in said City of Earlington; thence with West line of North McEwen Avenue N. 45 W. 255 feet to a stake; thence N. 45 E. 40 feet to a stake; thence N. 45 W. 100 feet to a stake; thence S. 45 W 275 feet to a stake; thence S. 45 E 140 feet to a stake; thence N. 45 E. 25,feet to a stake; thence S. 45 E 215 feet to a stake; thence N. 45 E 210 feet to the beginning.

Item 4. A tract of land on which are located the reservoirs known as Loch Mary and Brown Meadow lake in Hopkins County, bounded and described as follows: Beginning at the Northwest corner, Lot No. 4, Block 18, situated in the City of Earlington; thence with an alley South 45 degrees West 210 feet to a stake; thence South 45 degrees E 250 feet to a stake; thence S 45 degrees W 190 feet to a stake; thence S 45 degrees E 160 feet to a stake; thence S 45 degrees W 200 feet to a stake; thence S 45 degrees E 300 feet to a stake in the North side of West Main Street; thence S 45 degrees W 490 feet to a stake; thence S 45 degrees E 460 feet to a stake; thence N 45 degrees E 170 feet to a stake; thence S 45 degrees E 720 feet to a stake; thence S 45 degrees W 590 feet to a stake; thence S 45 degrees E 610 feet to a stake; thence N 45 degrees E 650 feet to a stake; thence S 45 degrees E 772.13 feet to a stake in South Oakwood Avenue; thence S 2 degrees 35' W 302.52 feet to a stake; thence S 23 degrees 30' W 2097.9 feet to a stake; thence S 38 degrees E 3580 feet to a stake; thence S 1 degree 48' W 4849 feet to a stake; thence South 66 degrees 36' W 460 feet to a stone, the Southwest corner of the Batey Tract No. 114; thence S 16 degrees 4' W 380.7 feet to a black oak; thence S 50 degrees 48' W 638.42 feet to a stake; thence S 30 degrees 41' W 2341.92 feet to a stake; thence N 62 degrees 44' W 674 feet to a stake; thence N 44 degrees 34' W 353.24 feet to a stake; thence N. 35 degrees 21' E. 1736.3 feet to a stake; thence S. 87 degrees 56' W. 4621.9 feet to a stake; thence N. 19 degrees 56' W. 1666.65 feet to a stake; thence N. 2 degrees 53' E. 577.79 feet to a stake; thence N. 54 degrees 21' W. 1446.42 feet to a stake; thence N. 9 degrees 20' W. 2044.26 feet to a black gum; thence N. 89 degrees 53' E. 2229.29 feet to a stake; thence N. 42 degrees 50' W. 821 feet to a stake; thence N. 58 degrees 7' W. 527.16 feet to a stake in the Old Dawson Road; thence with the Old Dawson Road N. 51 degrees 50' E. 390.22 feet to a stake; thence N. 32 degrees 50' E. 704.6 feet to a stake; thence N. 60 degrees 40' E. 352 feet to a stake; thence N. 30 degrees 52' E. 444.68 feet to a stake; thence N. 61 degrees 6' W. 835.3 feet to a stake; thence N. 25 degrees 58' E. 212.4 feet to a stake; thence N. 82 degrees 2' W. 1659.23 feet to a stake; thence N. 15 degrees 59' W. 972.86 feet to a stake; thence N. 82 degrees 12' W. 1270.64 feet to a stake; thence S. 2 degrees 58' W. 1915.47 feet to a stake; thence due West 752.34 feet to a stake; thence N. 2 degrees 8' E. 4667.87 feet to a stake; thence N. 87 degrees 13' W. 320 feet to a stake; thence N. 30 degrees E. 2100 feet to a stake; thence N. 79 degrees 30' E. 3640 feet to a stake; thence S. 68 degrees 12' E. 1713.84 feet to a stone; thence N. 29 degrees E. 320 feet to a stake; thence S. 73 degrees E. 1130 feet to a stake, now or formerly the Southwest corner of the Central Power Plant lot; thence N. 45 degrees E. 275 feet to a stake; thence S. 45 degrees E. 150 feet to a stake; thence S. 45 degrees W. 40 feet to a stake; thence S. 45 degrees E. 205 feet to the beginning, containing 2479.99 acres, more or less, excepting however, the following tract of land known as the McLeod tract: Beginning at a corner approximately 700 feet East of Brown Meadow Lake, a point in the line between the tracts Nos. 91 and 113; thence S. 77 degrees 32' E. 1228.15 feet to a stake; thence S. 1 degree W 890 feet to a stake; thence S 6 degrees 3' W. 3874.21 feet to a stake; thence N. 82 degrees 29' W. 477.27 feet to a stake; thence N. 6 degrees 19' W. 562.09 feet to a stake; thence N. 8 degrees 44' W. 707.32 feet to a white oak; thence N. 7 degrees 56' West 2215.99 feet to a stake; thence N. 6 degrees 34' E. 1512 feet to a stake to the beginning, containing 111.65 acres more or less; and being the tract conveyed to Wm. McLeod by deed from D. T. Roberts and wife dated August 1, 1898, and recorded in Deed Book No. 59, page 405, in the office of the Clerk of Hopkins County Court.

EXCLUDING FROM ITEMS 3 and 4 above:

(a) a parcel of land conveyed to West Kentucky Coal Company by Kentucky Utilities Company by deed dated May 26, 1942, and described as follows: Beginning at a stake near the Southeast corner of Oakwood Cemetery; thence N. 45° 00' E. 650.00 feet to a stake in the Southwest line of South Oakwood Avenue; thence S. 45° 00' E. 772.13 feet to a stake in South Oakwood Avenue; thence S. 2° 35' W. 302.52 feet to a stake; said stake being corner of Kentucky Utilities Company and West Kentucky Coal Company; thence with West Kentucky Coal Company line S. 23° 30' W. 458.57 feet to a stake in said line; thence N. 45° 00' W. 1,144.26 feet more or less to the beginning containing 14.67 acres more or less; and

(b) so much as was conveyed to West Kentucky Coal Company by Deed dated November 1, 1948, recorded in Deed Book 186, Page 251, in the Office of the Clerk of Hopkins County, Kentucky.

The property described above in Items 3 and 4 was acquired by the Company by deed dated June 17, 1926, and recorded in Deed Book 121, page 147, in the Office of the Clerk of Hopkins County, Kentucky.

Item 5. A tract of land lying in and near the City of Nortonville and described as follows: Beginning at the southeast corner of Lot in the line of the W. B. Kennedy tract, running thence N. 78 W. 720 feet to a corner, thence N. 12 E. 400 feet, thence S.78 E. 655 feet to a corner in the right of way line of the L. & N. R. R.; thence with the said railroad S. 13 15 E. 75 feet, thence S. 77 E. 8 feet, thence S. 13 15 E. 315 feet to another Kennedy corner, thence N. 78 W. 110 feet, thence S. 12 W. 45 feet to the beginning, containing 6.87 acres.

Item 6. A tract of land lying in and near the City of Nortonville and described as follows: Beginning at the southeast corner of the block running thence N. 78 W. 300 feet; thence N. 12 E. 400 feet, thence S. 78 E. 320 feet, thence

S. 12 W. 190 feet; thence N. 78 W. 20 feet; thence S. 12 W. 210 feet to the beginning, containing 2.85 acres.

Item 7. All right, title and interest in and to the surface of a certain lot or parcel of land, being part of the property leased and demised by the Old Crabtree Coal Mining Company under a Deed of Lease dated August 2, 1920, and bounded and described as follows: Beginning at a point in the center of the abandoned tramroad leading to the tipple of the old Crabtree Coal Mining Company No. 1 Mine at Ilsley, Kentucky, and at a distance of 186 feet on the center line of said tipple from the center line of the lump, or west track under tipple (which point is 100 and 33 on the point of the I. C. R. R. and along the Ilsley switch), running thence S. 17 30 E. 700 feet to a point, thence S. 72 30 W. 193 feet to a point eight feet west of the center line of said lump track and opposite the point of switch; thence N. 17 30 W. parallel with lump track 635 feet to another point; thence S. 72 30 W. 105 feet to a point; thence N. 17 30 W. 100 feet to another point; thence N. 72 30 E. 105 feet to a point 8 feet west of the center line of the lump track and 50 north of the center line of tipple; thence N. 17 30 W. 200 feet; running parallel with the lump track and on the west side to a point opposite the point of the empty track switch; thence N. 72 30 E. 193 feet to a point northeast of tipple; thence S. 17 30 E. 235 feet to the beginning, containing three and four-tenths (3.4) acres in which area is the present tipple and all machinery, also the three railroad tracks in which there is approximately 2200 lineal feet of track and necessary switches, together with all right, title and interest of Old Crabtree Coal Mining Company in and to the tipple, shaking screens and all other improvements and appurtenances situated upon or appurtenant to the last above-described-land subject, however, to the right and privilege of Norton Coal Mining Company to use a certain track passing over said land for access to the Number Nine Mine of said Norton Coal Mining Company and for all other mining operations and to have said track at all times open and unobstructed.

There is excepted from the property described above a parcel of land situated near the City of Nortonville described as follows: Beginning at the second or southwest corner of said lot conveyed to the Kentucky Electric Power Company; running thence with the west line thereof N. 0-49 E. 433.49 feet to the third corner of said well lot; thence N. 30-9 W. 278.54 feet to the original northeast corner of the Salem Churchyard lot; thence with the line of Salem Churchyard lot S. 3-58 W. 639.36 feet to the concrete marker at the southeast corner of the Salem Churchyard lot on the Daniel Boone Road; thence with the Daniel Boone Road S. 77-55 E. 179.72 feet to the Second corner of the first named tract, which is the beginning corner of this tract.

Item 8. Beginning at a point in the south right-of-way line of the Illinois Central Railroad right-of-way, said point being 33 feet from the center line of said Railroad, and N. 78 deg. 00' W. 276.00' from its intersection with the L. & N. Railroad at Nortonville, and running S. 12 deg. 00' W. 145.87 feet to the southeast corner of said lot; thence N. 78 deg. 00' W. 435.50 feet to a concrete monument; thence N. 59 deg. 58' W. 323.51 feet; thence N. 12 deg. 00' E. 45.00 feet to a point in the south right-of-way line of the Illinois Central Railroad; thence with said right-of-way S. 78. deg. 00' E. 743.00 to the point of beginning, containing 2.08 acres, more or less. There are excluded from this item the mineral rights conveyed by Grantor to the Norton Coal Corporation by deed dated March 16, 1937 and recorded in Deed Book 141 at Page 206 in the Office of the Clerk of Hopkins County, Kentucky.

EXCLUDING FROM ITEMS 5, 6, 7 and 8 above:

(a) so much as was conveyed to Hopkins County Board of Education by Deed dated January 18, 1961, recorded in Deed Book 270, Page 234 in the Office of the Clerk of Hopkins County, Kentucky; and

(b) so much as was conveyed to Gulf Oil Corporation by Deed dated September 1, 1977, recorded in Deed Book 392, Page 453 in the Office of the Clerk of Hopkins County, Kentucky.

The property described above in Items 5, 6, 7 and 8 was acquired by the Company by deed dated January 11, 1950, and recorded in Deed Book 195, page 15, in the Office of the Clerk of Hopkins County, Kentucky.

Item 9. Beginning at a point in the southerly line of the new White Plains-Mortons Gap road, said point being S. 74° 55' E. and 1777 feet from a fence corner at the northeast corner of a tract of land now or formerly belonging to O'Bryant and Medlock, and running thence S. 20° 90' E. 97.8 feet to a stake; thence S. 74° 55' E. 76.6 feet to a stake; thence N. 33° 40' E. 84.5 feet to a stake in the wire fence at the southerly line of the new White Plains-Mortons Gap road; thence running with and along the southerly line of said road N. 74° 55' W. 160 feet to the point of beginning; containing a calculated area of 9464 square feet, more or less; subject, however, to the reservation contained in the deed from Ruby Dixon and Bessie Dixon to the Company, being the property acquired by the Company by deed dated May 12, 1954, and recorded in Deed Book 226, page 521, in the Office of the Clerk of Hopkins County, Kentucky.

There is excepted from the foregoing property an undivided one-half interest in and to oil mineral rights.

Item 10. A parcel of land lying in the City of Madisonville, described as follows: Beginning on the inside of the sidewalk at the northeast corner of the lot of which this is a part, running thence about south with the inside of the sidewalk line of Scott Street 1363 feet, more or less, to the northwest corner of the intersection of Scott Street and Lake Street extended; thence about west with the inside sidewalk line of Lake Street extended 64 feet to a stake; thence about north and parallel with Scott street 136½ feet, more or less to a stake; thence about east and parallel to Lake Street extended 64 feet to the beginning; being the property acquired by the Company by deed dated January 8, 1955, and recorded in Deed Book 230, page 430, in the Office of the Clerk of Hopkins County, Kentucky.

Item 11. A parcel of land lying in the City of Madisonville, described as follows: Beginning at a stake in the southwest corner of a lot this day conveyed to Kentucky Utilities Company by E. D. Bartlett; running thence west 36 feet

to a stake; thence North 136½ feet to a stake; thence East 36 feet to a stake, northwest corner of the above mentioned lot; thence with the West line of said lot South 136½ feet to the point of beginning; being the property acquired by the Company by deed dated January 8, 1955, and recorded in Deed Book 230, page 439, in the Office of the Clerk of Hopkins County, Kentucky.

Item 12. A tract of land situated in the City of Earlington, Kentucky, described as follows: Beginning at a point on the north side of West Main Street, said point being located S 45° W 253.0 feet from the centerline of the present location of Louisville and Nashville Railroad Company's main track, said point also being the southeast corner of Charles Price lot, formerly Barnett and Price; thence with north line of West Main Street S 45° W 237.0 feet to a point on Stewart's Creek and in east line of North Sebree Avenue; thence with line of same N 45° W 413.25 feet to an iron stake on creek, corner Louisville and Nashville Railroad Company; thence with line of said property N 72° 53 feet E about 266.0 feet to an iron stake corner Charles Price lot; thence with line of said lot S 45° E 293.0 feet to the beginning; being the property acquired by the Company by deed dated March 14, 1966, and recorded in Deed Book 303, page 531, in the Office of the Clerk of Hopkins County, Kentucky.

Item 13. A certain house and lot in the town of Earlington, Kentucky, described as follows: Beginning at a stake located N. 45 W. 2359 feet, N. 50-18 W. 80 feet, N. 58-27 W. 171 feet, N. 20-27 W. 225 feet, and S. 79-33 W. 80 feet from the intersection of the center lines of West Main Street and McEwen Avenue; thence with said street S. 79-33 W. 60 feet to a stake; thence N. 10-27 W. 190 feet to a stake, thence N. 79-33 E. 60 feet to a stake; thence S. 10-27 E. 190 feet to the beginning, being the lot on which dwelling #94 is situated; and being the property acquired by the Company by deed dated November 27, 1973, and recorded in Deed Book 360, page 99, in the Office of the Clerk of Hopkins County, Kentucky.

Item 14. Beginning at a concrete monument; said concrete monument being North 76° 46' West-796.10 feet from the original Northeast corner of this tract originally owned by James W. Russ and now owned by Morgan Pepper; thence with the fence of a line between Pepper and the C. W. Holloman Estate North 76° 46' West-150.00 feet to a concrete monument; thence leaving said fence line South 5° 11' West-357.96 feet to a concrete monument in the North Right-of-Way of a proposed street; thence with said Right-of-Way South 84° 56' East -150.00 feet to a concrete monument; thence leaving said Right-of-Way North 4° 56' East-336.54 feet to the Beginning, Containing 1.19 Acres, and being the property acquired by the Company by deed dated December 23, 1976, and recorded in Deed Book 384, page 656, in the Office of the Clerk of Hopkins County, Kentucky.

Item 15. Beginning at an iron pin in the center of a ditch; said iron pin is located in the East right-of-way of Parker Street and is at the East end of a 30" pipe which passes under said street; thence with the East right-of-way of said street North 41° 25' West-72.00 feet to a concrete monument; said monument being a corner to the Dawson Springs General Company's tract; thence with the South line of said tract North 55° 16' East-130.28 feet to a concrete monument; thence North 58° 05' East-400.00 feet to a concrete monument in the West, line of Lester Schwab; thence with the West line of Lester Schwab South 29° 57' East-165.00 feet to a concrete monument in a ditch; said monument being the Northeast corner of Champie Bratcher; thence with the North line of Bratcher South 67° 46' West-520.00 feet to the beginning, containing 1.438 acres; and being the property acquired by the Company by deed dated May 8, 1981, and recorded in Deed Book 421, page 174, in the Office of the Clerk of Hopkins County, Kentucky.

Item 16. Beginning at the intersection of the centerline of Kentucky Highway 109 with the southeast right-of-way line of a 60 foot wide access road; thence N 52° 35' 30" E, 765.00 feet along the southeast right-of-way line of said access road to an iron pin; thence S 35° 23' 29" E, 60.04 feet to an iron pin, said pin also being the "true" point of beginning for this survey; thence S 35° 23' 29" E, 150.99 feet along a line common to the Nestier Corporation to an iron pin; thence N 52° 36' 46" E, 257.85 feet along a line common to West Hopkins Industries, Inc., to an iron pin; thence N 37° 23' 04" W, 60.00 feet along a line common to West Hopkins Industries, Inc., to an iron pin, said pin also a corner to Kentucky Utilities Company's substation lot; thence S 52° 33' 56" W, 125.00 feet along the southeast property line of the Kentucky Utilities Company's substation lot to an iron pin; thence N 37° 23' 04" W, 91.05 feet along the southwest property line to the Kentucky Utilities Company's substation lot to an iron pin; thence S 52° 35' 30" W, 127.61 feet along a line common to the West Hopkins Industries, Inc., property to the "true" point of beginning, containing .623 acres more or less, and being property acquired by the Company by deed dated February 12, 1988, and recorded in Deed Book 472, page 80, in the Office of the Clerk of Hopkins County, Kentucky.

Item 17. Beginning at a stake located N. 45 W. 450 feet, S. 45 W. 220 feet, N. 45 W. 500 feet from the north corner formed by the intersection of Main and Sebree Streets (which is also N. 45 W. 30 feet from the centerline of Powerhouse switch), running thence N. 45 W. 200 feet to a stake; thence N. 45 E. 190 feet to a stake; thence S. 45 E. 200 feet to a stake; thence S. 45 W. 190 feet to the beginning, thereby making a rectangular parcel of ground fronting 200 feet on the east side of North Sebree by 190 feet. This conveyance is made subject to all reservations, exceptions and conditions contained in the deeds to Earlington Ice Company from St. Bernard Mining Company dated February 17, 1922, of record in Deed Book 109, page 393, Hopkins County Court Clerk's Office, and from West Kentucky Coal Company dated February 23, 1926, of record in Deed Book 120, page 492, aforesaid office, except for those exceptions and conditions restricting the sale of alcohol or alcoholic beverages upon the premises, said exceptions and conditions having been released on the property herein conveyed by virtue of a deed from West Kentucky Coal Company to John S. Mitchell dated April 10, 1963, of record in Deed Book 282, page 365, aforesaid office, and being the property acquired by the Company by deed dated June 29, 1989, and recorded in Deed Book 483, page 378, in the Office of the Clerk of Hopkins County, Kentucky.

Item 18. Beginning at a point in the South right-of-way of Shadetree Road; said beginning point is

located North 68 degrees 36' 38" West 609.92 feet from the original northeast corner of the tract which is a part; thence with the South right-of-way of Shadetree Road North 73 degrees 51' 01" West 220.00 feet; thence leaving said right-of-way with a new division line South 16 degrees 08' 59" West 250.00 feet; thence South 73 degrees 51' 01" East 220.00 feet; thence North 16 degrees 08' 59" East 250.00 feet to the beginning, containing 1.26 acres, and being the property acquired by the Company by deed dated April 15, 1993, and recorded in Deed Book 517, Page 236, in the Office of the Clerk of Hopkins County, Kentucky.

Item 19. Beginning at an iron pin, said pin being the Northeast corner of the existing substation property and in the South right-of-way of Highway 502; thence South 16 deg. 08' 59" West 250.00 feet with the East line of the existing property to an iron pin; thence South 73 deg. 51' 01" East 34.91 feet to an iron pin to be set in the right-of-way of the gas main; thence North 44 deg. 01' 30" East 275.10 feet with said gas line right-of-way to an iron pin to be set in the South right-of-way of Highway 502; thence with the right-of-way of Highway 502 North 69 deg. 39' 33" West 54.78 feet; North 72 deg. 21' 35" West 109.37 feet to the point of beginning, containing 0.57 acres, and being the property acquired by the Company by deed dated October 25, 1993, and recorded in Deed book 522, Page 559, in the Office of the Clerk of Hopkins County, Kentucky.

Item 20. Beginning at the South corner of the original Kentucky Utilities Company power plant lot; said point being located South 45 deg. 00' West 210.00 feet from the West right-of-way of North McEuen Avenue; thence South 45 deg. 00' West 5.56 feet to a point; thence with a new division line North 46 deg. 53' 33" West 162.28 feet; thence with another new division line North 59 deg. 55' 44" West 54.65 feet to an original corner of Kentucky Utilities Company power plant lot; thence with said lot North 45 deg. 00' East 25.00 feet; South 45 deg. 00' East 215.00 feet to the beginning, containing 0.052 acres.

Item 21. Beginning at the original Southwest corner of the Kentucky Utilities Company power plant lot; said point being located South 45 deg. 00' West 275.00 feet from the West right-of-way of North McEuen Avenue; thence with the South line of Kentucky Utilities Company 5 acre tract North 73 deg. 10' 08" West 278.70 feet; thence with a new division line South 19 deg. 06' 55" West 36.00 feet; thence with another new division line South 71 deg. 13' 29" East 200.29 feet; thence South 66 deg. 37' 38" East 204.71 feet to a corner in Kentucky Utilities Company power plant lot; thence with said lot North 45 deg. 00' West 140.00 feet to the beginning, containing 0.340 acres.

Items 20 and 21 being the same property acquired by the Company by deed dated January 17, 1994 and recorded in Deed Book 526, Page 147, in the Office of the Clerk of Hopkins County, Kentucky.

Item 22. Beginning at a point located South 72 deg 34' 13" East 281.23 feet and North 17 deg 25' 47" East 50.00 feet from the intersection of the North right-of-way of the Connector Road and the East right-of-way of U.S. Highway 41A, thence with a new division line North 17 deg 25' 47" East 546.50 feet; thence South 72 deg 07' 23" East 799.93 feet; thence south 17 deg 25' 47" West 546.50 feet to a point located 50 feet North on the North right-of-way of the Connector Road, thence with a curve to the left, located 50 feet North of and parallel with the North right-of-way of the Connector Road, having a radius of 5879.58 feet, an arc of 270.99 feet; and a chord of North 71 deg 15' 00" West 270.97 feet; thence North 72 deg 34' 13" West 529.01 feet to the beginning, containing 10.00 acres as per survey by Associated Engineers, Inc. dated June 7, 1994, and being the property acquired by the Company by deed dated October 4, 1994 and recorded in Deed Book 532, page 607, in the Office of the Clerk of Hopkins County, Kentucky.

The following described real estate of the Company situated in Jessamine County, Kentucky:

Item 1. A tract of land located in Nicholasville, on the West side of North Main Street described as follows: Beginning at a point on the division lines between the lots of the Company and those formerly owned by Nicholasville Ice & Cold Storage Company 119 feet from the inside line of the pavement on Main Street; thence in a Southerly direction at a right angle to the said division line 17½ feet to a post; thence in a Westerly direction and parallel with said division line 42½ feet to a stone; thence in a Northeasterly direction to a point in said division line 36 feet from the point of beginning.

Item 2. A tract of land in the City of Nicholasville described as follows: Beginning at a point in the line between the lots now or formerly belonging to Q. L. Louridge and C. A. Kenney, 130 feet West from Main Street; thence with said line Southwest 25 feet to a corner in the line of Louridge & Kenney; thence with said line Southwest 25 feet, more or less, to the Northeast corner of lot now or formerly belonging to Henry Crow; thence with the rear line of the lots now or formerly belonging to Henry Crow, F. P. Taylor, the City of Nicholasville and J. T. Brogle to Mulberry Street; thence in a northerly direction with Mulberry Street 61 feet, corner to the lot now or formerly belonging to J. P. Turner; thence East with J. P. Turner's line 213 feet, more or less, to corner to lots now or formerly belonging to Kenney and Turner; thence S. 16 feet to a stone corner to said Kenney; thence East 42 feet to a corner of the lot of said Kenney; thence South 24 feet to the point of beginning, also a right of perpetual use of a ten foot passway from East side of the lot herein described and over the lot now or formerly belonging to the said C. A. Kenney to Main Street.

Item 3. A tract of land in the City of Nicholasville on the West side of North Main Street described as follows: Beginning at a corner on the West side of North Main Street, corner to property now or formerly belonging to the Simpson and Willis Lumber Company and to the property now or formerly belonging to C. A. Kenney; thence in a Westerly direction with Simpson and Willis Lumber Company's North line 130 feet, corner to the property now or formerly belonging to Nicholasville Ice & Cold Storage Company; thence North 22 feet to a stake; thence East 130 feet to Main street, parallel with the North line of the Simpson and Willis Lumber Company's lot; thence South 22 feet to the point of beginning; also the right to the perpetual use of a 10 foot passway along the North side of said lot herein described from Main Street West to the

property now or formerly belonging to Nicholasville Ice and Cold Storage Company.

Item 4. A tract of land in the City of Nicholasville described as follows: Beginning at a stake in the South line of the lot now or formerly belonging to Fannie Smither 101 feet West of Main Street; thence West 71 feet along the said South line of Fannie Smither to corner to said Smither and the property now or formerly belonging to J. H. and H. G. Turner; thence South 56 feet to a corner to the property now or formerly belonging to said C. A. Kenney and the Nicholasville Ice & Cold Storage Company; thence East 71 feet parallel to the South line of Fannie Smither to a stake; thence North 56 feet to the point of beginning.

The property described above in Items 1 to 4 above was acquired by the Company by deed dated January 3, 1940, and recorded in Deed Book 50, page 285, in the Office of the Clerk of Jessamine County, Kentucky.

Item 5. A certain tract of land situated in Jessamine County, Kentucky, on the western side of the Danville, Lancaster and Nicholasville turnpike about one mile and a quarter north of the town of Nicholasville, being a strip of land 25 feet wide, the western line of which strip is a straight line beginning at a point in the division line between the lands of Serena Price and others and the lands of Conrad C. Price and wife 25 feet west of the present fence along the western line of the Danville, Lancaster and Nicholasville Turnpike, running thence in a straight line and in a southerly direction to a point in the division line between the lands of Henry Mackey, and the lands of Conrad C. Price and wife 25 feet west of the present fence along the western line of said pike.

Item 6. That certain tract of land situated about one and one-half miles north of the Court House in Nicholasville, and located on the west side of the Danville-Lancaster-Nicholasville turnpike, particularly described as follows: Beginning at a point in the western line of the right-of-way of the Kentucky Traction and Terminal Company at the intersection of the division line between the lines of E. E. Price, et. al., and the property herein described; thence with the said division line north 74 degrees and 19 minutes west 187.9 feet, more or less, to a stake corner to said Price; thence north 16 degrees and 39 minutes east 210.9 feet, more or less, to a point corner to said Price; thence, south 72 degrees and 29 minutes east 196.1 feet, more or less, with the division line between the herein described property and the property of the said Price to a point in the western line of the right-of-way of the Kentucky Traction and Terminal Company; thence south 18 degrees and 49 minutes west 209 feet, more or less, with the said western right-of-way line of said Traction Company to the point of beginning.

The property described above in Items 5 and 6 above was acquired by the Company by deed dated January 7, 1941, and recorded in Deed Book 51, page 267, in the Office of the Clerk of Jessamine County, Kentucky.

Item 7. A triangular tract of land situated near the southwest side of the intersection of Shun Pike and Jessamine Creek, described as follows: Beginning at the northeast common corner to Herbert and Agnes Cayse and Jack Corman, running thence South 40 degrees West along the West side of the Shun Pike for a distance of 100 feet; thence a new line, North 24 degrees West for a distance of 88 feet to a point in the property line between Herbert and Agnes Cayse and Jack Corman; thence South 88 degrees East with the said property line for a distance of 100 feet to the point of the beginning, and containing approximately 3960 square feet; being Deleted out-conveyances from title report 6-21-10 g the property acquired by the Company by deed dated August 1, 1957, and recorded in Deed Book 66, page 283, in the Office of the Clerk of Jessamine County, Kentucky.

Item 8. Being all of Lot 1A of the Jewell Heights Subdivision as shown by map and plat thereof of record in Plat Cabinet One, Page 188, in the office of the Clerk of the Jessamine County Court, and containing 0.3518 acre; and being the property acquired by the Company by deed dated July 14, 1980, and recorded in Deed Book 170, page 412, in the Office of the Clerk of Jessamine County, Kentucky.

Item 9. Beginning at an iron pin (set), a common corner of Switzer and Maddox, said iron pin being in the easterly right of way of Clays Mill Road; thence with the easterly right-of-way of Clays Mill Road N 21° 11' 42" E 216.59 feet to an iron pin (set); thence through the lands of Switzer for two calls, S 69° 57' 04" E 220.00 feet to an iron pin (set) and S 25° 25' 54" W 265.00 feet to an iron pin (set) in the common line of Switzer and Maddox; thence with said common line N 56° 37' 00" W 205.00 feet to the beginning and containing .1164 acres. Being further described as parcel 2 on the Plat attached to the Deed of record in Deed Book 312, Page 244, Jessamine County Clerk's office, and marked Exhibit A. Also conveyed herein is a temporary twenty-foot access easement ("Access Easement") for ingress and egress to the above Real Property utilizing an existing entrance. The Easement is more particularly described on said Exhibit A and is identified thereon as a "temporary access for ingress and egress", and being the property acquired by the Company by deed dated November 12, 1993 and recorded in Deed Book 312, Page 244, in the Office of the Clerk of Jessamine County, Kentucky.

The following described real estate of the Company situated in Knox County, Kentucky:

Item 1. A parcel of land situated on the south side of U.S. Highway No. 25 E., about one and three-quarters miles from the City of Corbin, described as follows: Beginning Corner "A" at a stake in South right-of-way line of U.S. Highway No. 25 E., West of the intersection of Siler Street and the said Highway, also being 30 feet Southwest of the right-of-way center line of the said Highway and approximately twenty-five (25) feet South from Culvert crossing under the said Highway; running thence S. 50-26 E., with the South right-of-way line of said Highway thirty-two (32) feet, more or less, to stake; thence S. 52-25 E., 88.9 feet, more or less, to stake; thence S. 54-14 E., 63.7 feet, more or less, to stake; thence S. 61-34 E., 24.4 feet, more or less, to stake; thence S. 68-13 E., 93.3 feet, more or less, to stake in the South right-of-way line of the

said Highway and West of the intersection of County Road and said Highway; thence S. 22-10 W. leaving the said Highway right-of-way line 8.4 feet, more or less, to stake on the North edge of Old County Road; thence S. 86-13 W. along the above said edge of Old County Road 300.7 feet, more or less, to stake; thence N. 14-29 E. leaving said County Road 191.0 feet, more or less, to the Beginning Corner "A"; being the property acquired by the Company by deed dated October 23, 1961, and recorded in Deed Book 120, page 431, in the Office of the Clerk of Knox County, Kentucky.

Item 2. Beginning at an existing Creosote Gate Post 12 feet northwest of centerline of Goodin Branch Road, approximately 1000 feet north of Old Kentucky 25E and Goodin Branch Intersection; thence S 47° 59' 36" W, 53.28 feet with the same gravel road to a fence post; thence S 28° 51' 50" W, 68.23 feet with the same gravel road to a corner fence post; thence leaving road and running with existing fence S 82° 01' 50" W, 197.22 feet to a corner fence post; thence N 28° 20' 58" W, 383.94 feet to a corner fence post; thence N 36° 28' 46" W, 10.85 feet to a corner fence post; thence continuing with a line of post, not fenced S 89° 38' 04" E, 49.81 feet to a post; thence N 80° 23' 58" E, 85.00 feet to a post; thence S 88° 22' 02" E, 155 feet to a post; thence S 71° 06' 41" E, 30.60 feet to a post; thence S 59° 56' 15" E, 230.61 feet to a post; thence S 73° 27' 20" E, 55.60 feet to a post; thence S 35° 30' 40" W, 98.68 feet to a post; thence N 87° 33' 00" W, 20.23 feet to a post; thence with a gravel road S 81° 39' 50" W, 21.73 feet to a gate post; thence S 57° 26' 07" W, 17.51 feet to beginning gate post, containing 2.818 acres, and being the property acquired by the Company by deed dated December 7, 1988, and recorded in Deed Book 240, page 604, in the Office of the Clerk of Knox County, Kentucky.

Item 3. Commencing at a point in the west right-of-way of the CSX railroad, said point being 50 feet west of the railroad centerline and 291 feet north of milepost #190; thence running generally parallel to a county road S 53 21 25 W, 234.22 feet to a steel pin (found) the southeast corner of the Paul Elswick property, also being in the north right-of-way of the county road; thence with said right-of-way and Paul Elswick line S 53 21 25 W, 125.66 feet to a steel pin (found); thence S 55 55 W, 46.46 feet to a steel pin (found); thence S 67 21 31 W, 60.67 feet to a steel pin (found); thence S 71 15 38 W, 86.25 feet to a steel pin (found) being at the southwest corner of the Paul Elswick property and the southeast corner of a roadway easement conveyed to the Kentucky Utilities Co.; thence with said easement line and right-of-way S 72 54 06 W, 25.09 feet to the southwest corner of said easement; thence continuing with said right-of-way S 72 54 06 W, 157.53 feet; thence S 70 15 11 W, 100.92 feet to a steel pin (found) the southwest corner of the George R. Smith property; thence S 67 10 22 W, 221.54 feet; thence S 70 49 08 W, 129.28 feet; thence S 73 46 14 W, 115.88 feet, thence S 77 13 22 W, 72.13 feet to a steel pin (set) the point of beginning of this tract; thence S 80 48 16 W, 210.00 feet to a steel pin (set); thence N 09 11 44 W, 210.00 feet to a steel pin (set); thence N 80 48 16 E, 210.00 feet to a steel pin (set); thence S 09 11 44 E, 210.00 feet to the point of beginning, containing 44,100 square feet or 1.012 acres, and being the same property acquired by the Company by deed dated March 14, 1989, and recorded in Deed Book 242, page 147, Knox County Court Clerk's Office and said property description being corrected by Deed of Correction dated October 15, 1989, and recorded in Deed Book 245, page 333, in the Office of the Clerk of Knox County, Kentucky.

Item 4. Commencing at a point in the west right-of-way of the CSX railroad, said point being 50 feet west of the railroad centerline and 291 feet north of milepost #190; thence running generally parallel to a county road S 53° 21' 25" W, 234.22 feet to a steel pin (found) the southeast corner of the Paul Elswick property, also being in the north right-of-way of the county road; thence with said right-of-way and Paul Elswick line S 53° 21' 25" W, 125.66 feet to a steel pin (found); thence S 55° 55' 55" W, 46.46 feet to a steel pin (found); thence S 67° 21' 32" W, 60.67 feet to a steel pin (found); thence S 71° 15' 38" W, 86.25 feet to a steel pin (found) being at the southwest corner of the Paul Elswick property, the point of beginning of this tract, thence, continuing with the north right-of-way of county road, S 72° 54' 06" W, 25.09 feet to a steel pin (set); thence, N 22° 14' 46" W, 92.09 feet to a steel pin (set); thence N 26° 49' 42" W, 64.51 feet to a steel pin (set); thence, N 26° 49' 42" W, 16.04 feet to a steel pin (set); thence, with a curve to the left having a radius of 37.50 feet (chord bears N. 67° 58' 14" W, 49.33 feet) to a steel pin (set); thence, S. 70° 46' 36" W, 106.64 feet to a steel pin (found) the northeast corner of the George R. Smith property; thence, with George R. Smith north property line S. 70° 55' 26" W, 100.92 feet to a steel pin (found); thence, leaving said George R. Smith property S. 68° 45' 46" W, 504.13 feet to a steel pin (set) in the east line of a track of land conveyed to the Kentucky Utilities Company; thence, with said Kentucky Utilities tract N. 09° 11' 44" W, 25.56 feet to a steel pin (found) being the northeast corner of Kentucky Utilities Company's tract; thence, leaving said Kentucky Utilities Company tract N. 68° 45' 46" E, 499.27 feet to a steel pin (set); thence N. 70° 55' 26" E, 101.36 feet to a steel pin (set); thence, N 70° 46' 36" E, 106.61 feet to a steel pin (set); thence with a curve to the right having a radius of 62.50 feet (chord bears S. 67° 57' 59" E, 82.22 feet) to a steel pin (set); thence, S. 26° 07' 04" E, 13.92 feet to a steel pin (set) the northwest corner of the Paul Elswick line S. 26° 56' 33" E, 68.10 feet to a steel pin (set); thence, S. 22° 14' 17" E, 94.88 feet to the point of beginning, containing 25,188 square feet or .058 acres, and being the property acquired by the Company by deed dated November 6, 1989, and recorded in Deed Book 245, page 336, in the Office of the Clerk of Knox County, Kentucky.

The following described real estate of the Company situated in Larue County, Kentucky:

Item 1. A certain lot or parcel of land fronting on the Illinois Central Railroad right of way for 19 feet and 4 inches, and extending back westwardly from said right of way a distance of 60 feet, of uniform width of 19 feet and 4 inches, between property of D. E. Patterson, on the South, and the passway mentioned below, on the North, and the right or easement to use, jointly with the owner of the lot lying immediately North of above lot, the passway ten feet in width and adjoining above lot on the North side; being the property acquired by the Company by deed dated July 12, 1938, and recorded in Deed Book 52, page 194, in the Office of the Clerk of Larue County, Kentucky.

Item 2. A certain plot of land at the West end of Hill Street in Hodgenville, Kentucky, being described as follows: Beginning at a stake adjacent to Illinois Central Railroad corner to present Kentucky Utilities Company substation lot and running thence N. 59½ W. 125 feet to a stake; thence turning and running S. 30½ W. 75 feet to a stake in a fence line;

thence turning and running S. 47 30 minutes E. 127 feet six inches to Illinois Central Railroad; thence turning and following right-of-way of Illinois Central Railroad approximately N. 30½ E. 100 feet to point of beginning, being the property acquired by the Company by deed dated April 18, 1952, and recorded in Deed Book 65, page 253, in the Office of the Clerk of Larue County, Kentucky.

Item 3. A parcel of land situated on Kentucky Highway 462, near the Community of Attila, and described as follows: Beginning at a stake on the North side of Kentucky Highway 462, which beginning point is a corner between Fred E. Burkholder and the heirs of George Skaggs and said Highway, running thence along the North side of said Highway approximately S 54 W about 250 feet to a stake on the north side of said Highway; thence approximately N 36 W about 322.2 feet to a stake; thence approximately N 54 E about 342.7 feet to a stake; thence approximately S 36 E about 194.5 feet to a stake in the property line between Fred E. Burkholder and the heirs of George Skaggs; thence with said property line running approximately due South about 158.7 feet to the beginning; being the property acquired by the Company by deed dated November 1, 1954, and recorded in Deed Book 67, page 532, in the Office of the Clerk of Larue County, Kentucky.

Item 4. The following described real estate situated near Hodgenville, Kentucky: Beginning at the corner of J. R. Edwards and Carrie Lee Edwards and the Company in the line of the Illinois Central Railroad Company, which corner is the southeast corner of the Company's existing substation lot, running thence South 30 deg. 30 min. West with line of the railroad 50 feet to a new corner; thence North 59 deg. 30 min. West 150 feet to a new corner; thence North 30 deg. 30 min. East 150 feet to a new corner; thence South 59 deg. 30 min. East 25 feet to an existing corner of J. R. Edwards and Carrie Lee Edwards and the Company; thence South 30 deg. 30 min. West with the line of the Company 75 feet to an existing corner; thence South 47 deg. 30 min. East 127 feet 6 inches to the point of beginning; being the property acquired by the Company by deed dated January 5, 1967, and recorded in Deed Book 81, page 211, in the Office of the Clerk of Larue County, Kentucky.

The following described real estate of the Company situated in Laurel County, Kentucky:

Item 1. Beginning at a stake at a corner between the lands now or formerly of Nellie Foster Ebner and W. Y. Johnson at the north side of a private road, from which a black oak pointer bears south 18 feet; thence with the line between said Nellie Foster Ebner and D. Y. Johnson N 30 E 300 feet to a stake; thence leaving said line N 77-30 W 100 feet to a stake; thence S 30 W 300 feet to a stake at the north side of the aforesaid private road; thence with same S-77-30 E 100 feet to the beginning, containing .69 acres, being the property acquired by the Company by deed dated June 5, 1924, and recorded in Deed Book 67, page 265, in the Office of the Clerk of Laurel County, Kentucky.

Item 2. A certain tract of land more particularly described as follows: Beginning at a stone corner, 20 feet north of Fosters' old line thence S. 77.30 E. 181.8 feet to a stake at edge of road; thence N. 29.50 E. 594.7 feet to a stake; thence N. 59.30 W. 186.3 feet to a stone in Nellie Foster's line; thence S. 30.00 W. 652.0 feet to the point of beginning, containing 2.6 acres more or less; being the property acquired by the Company by deed dated May 8, 1950, and recorded in Deed Book 111, page 527, in the Office of the Clerk of Laurel County, Kentucky.

Item 3. Lot Number 4 in the Howard sub-division or the Lynhurst Tourist Camp as shown by plat of record in Deed Book 107, page 101, Laurel County Court Clerk's office; being the property acquired by the Company by deed dated May 4, 1954, and recorded in Deed Book 126, page 34, in the Office of the Clerk of Laurel County, Kentucky.

There are excepted from the foregoing property all coal and oil mineral rights.

Item 4. A parcel of land situated about five miles south from the City of London, described as follows: Beginning Corner "A" at a stake located in the East right-of-way line of U.S. Highway No. 25 and the South right-of-way line of Rural Highway, about 100 feet East of the center of U.S. Highway No. 25 pavement and about 25 feet South of the center of Rural Highway pavement, running thence N. 49-06 E. with the South right-of-way line of said Rural Highway 107.55 feet, more or less, to stake Corner "B"; thence S. 2-40 E. leaving said Rural Highway right-of-way line 176.25 feet, more or less, to a stake Corner "C"; thence S. 87-03 W. 74.0 feet, more or less, to a stake Corner "D" in said East right-of-way line of U.S. Highway No. 25; thence N. 8-15 W. a chord 110.66 feet, more or less, along the East right-of-way line of said U.S. Highway No. 25 to the beginning Corner "A"; being the property acquired by the Company by deed dated September 25, 1961, and recorded in Deed Book 153, page 321, in the Office of the Clerk of Laurel County, Kentucky.

Item 5. Beginning at a point in the East right-of-way line of Old Whitley Road, said point being located N. 23°-05 W. 146.43 ft., more or less, from a corner stone common to the lands of the Jenkins, Drigger Construction Company and Old Whitley Road, running thence N. 23°-05 W. with the East right-of-way line of Old Whitley Road for a distance of 200.0 ft. to a point in said right-of-way line; thence leaving said right-of-way line and running N. 66°-55 E. for a distance of 200.0 ft. to a point; thence S 23°-05 E. for a distance of 200.0 ft. to a point; thence S 66°-55 W. for a distance of 200.0 ft. to the point of beginning; being the property acquired by the Company by deed dated January 10, 1970, and recorded in Deed Book 198, page 31, in the Office of the Clerk of Laurel County, Kentucky.

Item 6. Beginning at an iron pin in the northeast right-of-way fence line of a county road and 50 feet southeast of the center line of an electric transmission line owned by East Kentucky R.E.C.C. and a new corner to Mrs. Flora Adams; thence with Mrs. Flora Adams for three new lines, N 42° 00' E parallel to and 50 feet southeast of the aforesaid transmission line 194.15 feet to an iron pin, S 48° 00' E 50 feet to an iron pin, and parallel to and 100 feet southeast of the aforesaid transmission line N 42° 00' E 413.92 feet to an iron pin in the southwest fence line of an old abandoned road; thence with the aforesaid southwest fence line of the old abandoned road for three calls, N 48° 03' W 153.51 feet to an iron pin, N 44°

42' W 122.13 feet to an iron pin and N 46° 03' W 189.78 feet to a nail in an 18" hard maple, corner to Roy Carr; thence with Roy Carr for two calls, S 41° 24' W 204.17 feet to an iron pin, and S 42° 21' W 216.71 feet to an iron pin, a new corner to Mrs. Flora Adams; thence with Mrs. Flora Adams for two new lines, S 46° 50' E 314.4 feet to an iron pin 50 feet northwest of the center line of the aforesaid transmission line, and S 42° 00' W parallel to and 50 feet northwest of the aforesaid transmission line 205.85 feet town iron pin in the northeast right-of-way fence of a county road; thence with the aforesaid northeast right-of-way fence of a county road S 54° 40' E 100.68 feet to the beginning and containing 4.896 acres; being the property acquired by the Company by deed dated September 7, 1973, and recorded in Deed Book 223, page 463, in the Office of the Clerk of Laurel County, Kentucky.

Item 7. Beginning at a stake in old fence running on the North side of the Old Whitley Road, stake and beginning corner being on a bearing of S. 82° 50' E. 99.3' from a 24" maple and said maple being an original corner common to R. H. Medlin and Elmer Wyatt; thence N. 7° 10' E. 150' to a stake corner common to Medlin and Kentucky Utilities; thence S. 82° 50' E. 150' to a stake, corner common to Medlin and Kentucky Utilities; thence S. 7° 10' W. 150' to a stake in old fence line on the North side of the Old Whitley Road, corner common to Medlin and Kentucky Utilities; thence with old fence line on the North side of the Old Whitley Road N. 82° 50' W. 150' to the beginning corner containing 0.5 acre, more or less. Above description is a previously staked area by Kentucky Utilities. Said description being just off Old US 25 and Ky. 2392. Survey by Larry W. Jervis, Registered Land Surveyor # 1535, dated August 3, 1987, and being the property acquired by the Company by deed dated August 16, 1987, and recorded in Deed Book 351, page 49, in the Office of the Clerk of Laurel County, Kentucky.

Item 8. BEGINNING at corner 1, an iron pin located on the south side of Coolidge Street, common to the Maxie Sasser parcel; thence S. 06° 52' E. 177.87 feet to corner 1, a 40-inch red oak common to the Maxie Sasser and the York parcel; thence S. 83° 00' W. 97.85 feet to corner 3, a steel fence post common to the Standard Oil Company parcel; thence N. 21° 30' W. 30.00 feet to corner 4, a crosstie common to the Standard Oil Company and Kentucky Utilities parcel; thence N. 42° 30' E. 15.00 feet to corner 5, an iron pin common to the Kentucky Utilities Company parcel; thence N. 08° 55' W. 70.49 feet to corner 6, an iron pin common to the Kentucky Utilities parcel; thence S. 84° 15' W. 29.61 feet to corner 7, an iron pin common to the Kentucky Utilities and Lela Goldie parcel; thence N. 08° 42' W. 65.19 feet to corner 8, an iron pin located on the south side of Coolidge Street common to the Lela Goldie parcel; thence N. 83° 23' E. 126.92 feet to corner 1, the place of beginning, containing 0.43 acre more or less, and being the property acquired by the Company by deed dated July 1, 1992, and recorded in Deed Book 405, Page 212, in the Office of the Clerk of Laurel County, Kentucky.

Item 9. Lying and being in Laurel County, Kentucky, and fronting on Myers-Baker Road in the City of London, and more particularly described as follows: Beginning at an iron pin found (stamped LS #2834) located in the north right-of-way of Myers-Baker Road approximately 800 feet in a westerly direction from aforementioned road and Ky. Highway 363, said corner also being the southwest corner of a tract of land conveyed to Robert Hasty (Deed Book 98, Pages 95 and 100). Thence leaving the north right-of-way of Myers-Baker Road N 15-44-56 E, 123.65 feet to an iron pin found (stamped LS #2834); thence N 16-31-13 E, 107.33 feet to an iron pin found (stamped LS #2834); thence N 74-12-52 W, 149.96 feet to an iron pin set (stamped LS #3007); thence S 16-28-20 W, 272.65 feet to an iron pin set (stamped LS #3007) located in the north right-of-way of Myers-Baker Road; thence with said right-of-way in an easterly direction 160 feet to the point of beginning, containing 0.88 acres, more or less. Being the same property conveyed to the Company by deed dated April 28, 1998, recorded in Deed Book 481, Page 364, in the Office of the Clerk of Laurel County, Kentucky.

The following described real estate of the Company situated in Lee County, Kentucky:

Item 1. A lot in the City of Beattyville described as follows: beginning at a stone where the southeast corner of the John Best lot intersects with the J. M. Tharp lot; thence in a northerly direction along the Best-Tharp line fence for a distance of One Hundred Feet (100'); thence in an Eastward direction for a distance of sixty feet (60') to a stone; thence in a Southward direction for a distance of One Hundred Feet (100') to a stone in the fence line between the Tharp lot and the old L. & A. right-of-way; thence along the fence line in a Westerly direction, a distance of Sixty Feet (60') to the place of beginning; being the property acquired by the Company by Deed dated November 12, 1948, and recorded in Deed Book 65, page 552, in the Office of the Clerk of Lee County, Kentucky.

Item 2. A parcel of land lying and being on the head waters of Mike's branch on Highway No. 52, described as follows: Beginning at an iron stake in what is known as the Flahaven line, a corner common to Charlie Green Wade and the Tackett heirs; thence with a line of said Tackett heirs, N 75.30 E 290 feet to a stake in the south right of way line of State Highway No. 52; thence with said right of way line S 80 E. 60 feet; thence leaving said right of way line and with the north line of the proposed Wade ridge road change, S 39 W 460 feet to a 28 inch black oak at the present road; thence N 7 W. 108 feet to a pine corner to said Wade; thence with his lines N. 14 W. 150 feet to a stake in said Flahaven line; thence with said line N. 5.30 W. 45 feet to the place of beginning, containing One and one-fourth (1¼) acres, excepting however, out of said parcel of land all minerals; being the property acquired by the Company by deed dated 20th day of May, 1954, and recorded in Deed Book 69, page 590, in the Office of the Clerk of Lee County, Kentucky.

There are excepted from the foregoing property all mineral rights.

Item 3. Beginning at a concrete post in the west right of way line of State Highway No. 52, a corner to Lizzie Pitman and in what is known as the Flahaven line; thence with said line and in part with said Pitman and C. G. Wade, S 5-30 E 257 feet to a hickory and pile of stones, corner to said Wade and party of the second part; thence with said Kentucky Utilities Company line N 75-30 E 290 feet to a stake in the west right of way line of said Highway; thence northwesterly 370

feet to the beginning, containing seven-tenths (7/10) acre, excepting however, out of said parcel of land all minerals; being the property acquired by the Company by deed dated June 3, 1954, and recorded in Deed Book 70, page 457, in the Office of the Clerk of Lee County, Kentucky.

There are excepted from the foregoing property all mineral rights.

Item 4. A tract of land situated on the waters of Stone Coal Branch, a tributary of Sturgeon Creek, described as follows: Beginning at an iron pin set in concrete, said pin being in the center of Company's Richmond-Lynch 138 KV electric transmission line and being North 48° 51' West 265 feet from the center of Kentucky Highway No. 587; thence South 41° 09' West 100 feet to an iron pin set in concrete; thence North 48° 51' West and being parallel to and 100 feet from the center line of Company's Richmond-Lynch 138 KV transmission line 200 feet to an iron pin set in concrete; thence North 41° 09' East 200 feet to an iron pin set in concrete; thence South 48° 51' East and being parallel to and 100 feet from the center line of Company's Richmond-Lynch 138 KV transmission line 200 feet to an iron pin set in concrete; thence South 41° 09' West 100 feet to the point of beginning, and containing 0.92 acre, being the property acquired by the Company by deed dated December 5, 1962, and recorded in Deed Book 82, page 395, in the Office of the Clerk of Lee County, Kentucky.

Item 5. A tract of land located in the Bear Track Section of Lee County, Kentucky; on North side of Kentucky Highway No. 52 and described as follows: Beginning at a point in the centerline of the Company's existing Irvine to Beattyville transmission line, said point being 220 feet North 85 degrees 39 minutes West of a point in the line between the lands of Sipple, et al., and the lands of Conrad College, as measured along the above mentioned centerline; thence S 16 degrees 30 minutes East 155 feet to a point in the North right-of-way of Kentucky Highway No. 52, said point being 190 feet S 85 degrees 39 minutes West of the Southwest corner of the Conrad College tract; thence Westwardly with Kentucky Highway No. 52 on the North edge of the right-of-way thereof, for a distance of 300 feet to a point on the North right-of-way line of Kentucky Highway No. 52; thence North 13 degrees East 320 feet to a point in the centerline of the Company's above mentioned transmission line; thence running with said centerline S 85 degrees 39 minutes East, a distance of 150 feet to the point of beginning, containing one acre, more or less; being the property acquired by the Company by deed dated May 8, 1964, and recorded in Deed Book 84, page 609, in the Office of the Clerk of Lee County, Kentucky.

The following described real estate of the Company situated in Lincoln County, Kentucky.

Item 1. A parcel of land situated approximately one-half mile north of the City of Crab Orchard, on the west side of Kentucky Highway No. 39 (Crab Orchard-Lancaster road) described as follows: Beginning at a point in the property line of Charlie Saylor, corner to Roscoe Saylor, said point being approximately thirty feet from center line of Kentucky Highway 39; thence parallel with said highway North 45 degrees 30 minutes West one hundred twenty-five (125) feet to a point approximately 32 feet from center line of Highway 39; thence South 60 degrees 55 minutes West one hundred twenty-five (125) feet to a point; thence South 45 degrees 30 minutes East one hundred twenty-five (125) feet to a point in the property line common to Roscoe Saylor; thence North 60 degrees 55 minutes East one hundred twenty-five (125) feet to the point of beginning, containing three hundred forty-four thousandths (0.344) of an acre; being the property acquired by the Company by deed dated May 21, 1954, and recorded in Deed Book 118, page 182, in the Office of the Clerk of Lincoln County, Kentucky.

Item 2. A tract of land situated in the City of Stanford, described as follows: Beginning at a marker 30 feet North of the center line of Kentucky Highway #78, and 35 feet East of the center line of St. Asaph's Creek, corner to property of the City of Stanford (Water and Sewer Commission); thence N. 00 deg. 45 min. E 150.0 feet to a marker in line of City of Stanford (Water and Sewer Commission), a new corner to Elliott; thence turning and running N 89 deg. 45 min. W 150.0 feet to a marker; thence turning and running S 10 deg. 00 min. W 152.5 feet to a marker in the Northern right-of-way line of Ky. Highway No. 78, a new corner to Elliott; thence turning and running along the Northern right-of-way line of Ky. Highway No. 78 S 89 deg. 45 min. E 175.0 feet to the point of beginning, containing 0.560 of an acre, more or less; being the property acquired by the Company by deed dated December 19, 1961, and recorded in Deed Book 137, page 310, in the Office of the Clerk of Lincoln County, Kentucky.

Item 3. Beginning at a point located N 83° 48' East 25 feet from a railroad spike set in the centerline of Ky. 1247, said spike 485.5' from the south property line of Marvin L. Wesley, thence with the right of way of Ky. 1247 N 06° 12' W 150.0 feet to a point located N 83° 48' E 25 feet from a railroad spike set in the centerline; thence with Wesley for three calls N 83° 48' E 150 feet to an iron pin, S 06° 12' E 150.0 feet to an iron pin, S 83° 48' W 150 feet to the beginning containing 0.52 acres, and being the property acquired by the Company by deed dated June 9, 1978 and recorded in Deed Book 194, page 78, in the Office of the Clerk of Lincoln County, Kentucky.

The following described real estate of the Company situated in Livingston County, Kentucky:

Item 1. Beginning at a concrete monument in the South right-of-way line of Black Bottom Road 605 feet East along right-of-way line from the Northwest corner of this property; thence a new line South 9° 10' West 400.00 feet to a concrete monument; thence South 80° 50' East 400.00 feet to a concrete monument; thence North 9° 10' East 400.00 feet to a concrete monument in the South right-of-way line of Black Bottom Road; thence with said right-of-way North 80° 50' West 400.00 feet to the point of beginning, containing 3.67 acres and being the property acquired by the Company by deed dated May 3, 1977, and recorded in Deed Book 128, page 113, in the Office of the Clerk of Livingston County, Kentucky.

The following described real estate of the Company situated in Lyon County, Kentucky:

Item 1. A tract of land described as follows: Beginning at a stake on the West side of Highway #62, in the right-of-way line of Highway #62, 766 feet South 41 degrees 30 minutes East from the right-of-way line of Highway #489 at its intersection with Highway #62; thence running with Highway #62 South 41 degrees 30 minutes East, a distance of 150 feet to a stake; thence running at right angles to Highway #62, South 48 degrees 30 minutes West, a distance of 150 feet to a stake; thence North 41 degrees 30 minutes West 150 feet to a stake; thence North 48 degrees 30 minutes East, a distance of 150 feet to the beginning, containing 0.51 plus acre; being the property acquired by the Company by deed dated May 11, 1963, and recorded in Deed Book 52, page 477, in the Office of the Clerk of Lyon County, Kentucky.

Item 2. From a point where the centerline of Grantor's Paducah District main track as presently located intersects the centerline of the U.S. Hwy. #641 overhead bridge at Railroad Valuation Station 1874+08.5 (Mile Post J-189 plus 5197.5 feet), run easterly along the centerline of said main track, 2332.5 feet to a point at Railroad Valuation Station 1897+41; thence South 0° 22' East, 160 feet, more or less, to a point 155 feet perpendicularly distant southerly from said centerline of main track, said point being Grantor's property corner and the point of beginning, thence North 0° 22' West along Grantor's East property line, 65 feet, more or less, to Grantor's property corner at a point 90 feet perpendicularly distant southerly from said centerline of main track; thence northerly along a line that lies perpendicular to said centerline of main track, 65 feet to a line that lies parallel with and 25 feet normally distant southerly from said centerline of main track; thence westerly along said parallel line, 125 feet to a point and corner; thence southerly at a right angle to the last described course, 130 feet, to a point and corner in a line that lies parallel with and 155 feet normally distant southerly from said centerline of main track; thence easterly along the last said parallel line, being along Grantor's South property line, 140 feet, more or less, to return to the point of beginning; and being the property acquired by the Company by deed dated November 30, 1982, and recorded in Deed Book 85, page 537, in the Office of the Clerk of Lyon County, Kentucky.

Item 3. Lot Nos. Eighteen (18), Nineteen (19) and Twenty (20) in the Sarah's Lane Subdivision, and being as shown by plat of record in Plat Cabinet 1, slide 88, (formerly Plat Book 4, page 23) Lyon County Court Clerk's Office, and being the same property acquired by the Company by deed dated October 17, 1994 and recorded in Deed Book 108, page 628, in the Office of the Clerk of Lyon County, Kentucky.

EXCLUDING FROM Item 3 so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, Department of Highways, by Deed of Conveyance dated December 23, 2003, recorded in Deed Book 133, Page 499, in the Office of the Clerk of Lyon County, Kentucky.

And less and excepting (from Item 3) the following described real property conveyed away by the Company in January, 2006:

Tract A. Being a tract of land lying in Lyon County along U.S. 62 approximately 2.07 miles west of the Western Kentucky Parkway, and more particularly described as follows:

Beginning at a point in the proposed right of way line 46.64 feet left of PROP. U.S. 62 station 61+98.58; thence with the west property line North 30 degrees 56 minutes 11 seconds West, 58.36 feet to a point in the proposed right of way line 105.00 feet left of PROP. U.S. 62 station 61+97.75; thence with the proposed right of way line North 64 degrees 24 minutes 29 seconds East, 253.04 feet to a point in the proposed right of way line 8.500 feet left of PROP. U.S. 62 station 64+50.00; thence with the proposed right of way line North 49 degrees 53 minutes 12 seconds East, 46.39 feet to a point in the east property line 93.05 feet left of PROP. U.S. 62 station 64+95.68; thence with the east property line South 29 degrees 40 minutes 54 seconds East, 46.27 feet to a point in the existing right of way line 46.78 feet left of PROP. U.S. 62 station 64+95.33; thence with the existing right of way line South 59 degrees 50 minutes 55 seconds West, 296.75 feet to the point of beginning.

The above described parcel contains 0.323 acres (14,082 sq. ft.).

Tract B. Being a tract of land lying in Lyon County along U.S. 62 approximately 2.05 miles west of the Western Kentucky Parkway, and more particularly described as follows:

Beginning at a point in the proposed right of way line 95.31 feet left of PROP. U.S. 62 station 63+20.00; thence with the proposed easement line North 30 degrees 07 minutes 31 seconds West, 9.69 feet to a point in the proposed easement corner 105.00 feet left of PROP. U.S. 62 station 63+20.00; thence with the proposed easement line North 59 degrees 52 minutes 29 seconds East, 55.00 feet to a point in the proposed easement corner 105.00 feet left of PROP. U.S. 62 station 63+75.00; thence with the proposed easement line South 30 degrees 07 minutes 31 seconds East, 14.05 feet to a point in the proposed right of way line 90.55 feet left of PROP. U.S. 62 station 63+75.00; thence with the proposed right of way line South 64 degrees 24 minutes 29 seconds West, 55.17 feet to the point of beginning.

The above described parcel contains 0.015 acres (653 sq. ft.).

Tract C. Being a tract of land lying in Lyon County along U.S. 62 approximately 2.05 miles west of the Western Kentucky Parkway, and more particularly described as follows:

Beginning at a point in the proposed right of way line 103.63 feet left of PROP. U.S. 62 station 62+15.00; thence with the proposed easement line North 30 degrees 07 minutes 31 seconds West, 16.37 feet to a point in the proposed easement corner 120.00 feet left of PROP. U.S. 62 station 62+15.00; thence with the proposed easement line North 59 degrees 52 minutes 29 seconds East, 50.00 feet to a point in the proposed easement corner 120.00 feet left of PROP. U.S. 62 station 62+65.00; thence

with the proposed easement line South 30 degrees 07 minutes 31 seconds East, 20.33 feet to a point in the proposed right of way line 99.67 feet left of PROP. U.S. 62 station 62+65.00; thence with the proposed right of way line South 64 degrees 24 minutes 29 seconds West, 50.16 feet to the point of beginning.

The above described parcel contains 0.021 acres (917 sq. ft.).

The above described property (Item 3) being a portion of the same property conveyed to KENTUCKY UTILITIES COMPANY, INC. by FAULKNER ENGINEERING & CONSTRUCTION, INC. by Deed dated October 17, 1994 and recorded in Deed Book 108, Page 628 in the Office of the Clerk of Lyon County, Kentucky.

The following described real estate of the Company situated in Madison County, Kentucky:

Item 1. A certain tract of land on the West side of Laurel street in Richmond, bounded and described as follows: Beginning at a point in Lot No. 33, 10 feet from the South line of Lot No. 34 on Laurel street; thence with Laurel street 10 feet to the line of Lot No. 34; thence with the line of Lot No. 34, 150 feet; thence with the rear lines of Lots Nos. 34, 35 and 36 to the right of way of the R. N. I. & B. R. R.; thence in the Westwardly direction with the said right of way, 167 feet, more or less, to the line of C. D. Chenault; thence at right angles with Chenault's line to a point where the extension of the South line of Lot No. 34 would strike same; thence with the supposed extended line of Lot No. 34, crossing the pond to a point at low water mark; thence with low water mark, 10 feet; thence a new line running from low water mark and through Lot No. 33, so as to include 10 feet off the North side of same, to the point of beginning.

Item 2. A tract of land in Richmond described as follows, to-wit: On the West side of Laurel street in Richmond fronting 30 feet on the said Laurel street, and running back, the same width, 150 feet to the property of Elmer Deatherage; and bounded on the North by the property formerly owned by the Richmond Electric & Power Company; and on the South by the property of Charlie Oakes, being 30 feet off South side of Lot No. 33 in Brooks & Evans Subdivision of the McCreary property, plat of which is recorded in Deed Book 39, page 200.

Item 3. A tract of land in Richmond, thus described: A certain parcel of land in Brooks, McCreary & Evans Addition to the City of Richmond plat of which is of record in Deed Book 39, page 200, and being 50 feet off of the rear or West end of Lots Nos. 34, 35 and 36 of said Addition and thus bounded: Beginning at the Southwest corner of Lot No. 34, adjoining the property formerly owned by the Richmond Electric & Power Company; thence in the direction of Laurel street along the South line of Lot No. 34 a distance of 50 feet; thence at right angles a distance of 108 feet, more or less, to the right of way of the Louisville & Nashville R. R.; thence with the said right of way to the line of the property formerly owned by Richmond Electric & Power Company; thence along the line of the property formerly owned by Richmond Electric & Power Company a distance of 100 feet to the beginning.

The property described above in Items 1 to 3 was acquired by the Company by deed dated February 3, 1913, and recorded in Deed Book 77, page 409, in the Office of the Clerk of Madison County, Kentucky.

Item 4. A certain small plat of land situated in the Brooks, McCreary and Evans addition to the City of Richmond, bounded and described as follows: Beginning 10 feet Northwest from the back corner of Lots No. 32 and 33 of the said addition, plat of which is recorded in Deed Book No. 39, at page 200, in the Office of the Clerk of Madison County, Kentucky, a corner to properties now or formerly of R. B. Mullins and Kentucky Utilities Company; thence in a northwesterly direction along the line between lots No. 32 and 33, produced, 10 feet; thence in a southwesterly direction, on a line parallel to the back line of Lot No. 32, and 10 feet therefrom, a distance of 4 feet; thence in a northwesterly direction, on a line parallel to the division line between Lots No. 32 and 33, produced, to a point in line with the face of the concrete wall along the edge of the pond, and about 4 feet from the corner of same; thence to and with the face of said wall, to the former line of the Kentucky Utilities Company's property, thence with said line to the beginning; being the property acquired by the Company by deed dated April 28, 1925, and recorded in Deed Book 100, page 362, in the Office of the Clerk of Madison County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Gene T. Parks and Edith B. Parks by Special Warranty Deed dated as of October 1, 2003, recorded in Deed Book 563, Page 681 in the Office of the Clerk of Madison County, Kentucky.

Item 5. A certain tract of land situated on the headwaters of Otter Creek, and west of the Brooks, McCreary and Evans subdivision in the city of Richmond described as follows: Beginning at a post corner to Rice Brothers and in the south right of way line of the L & A division of the L & N Railroad, thence with said right of way line, S 71 E 352 feet to a stake corner to the Kentucky Utilities Company's Power House lot, with lines of same, S 29 W 73 feet to a point in a pond, S 61¼ E 110 feet to a point in a concrete wall on the edge of pond, with said wall S 9 W 10 feet, S 28½ W passing the end of said wall at 28 feet and continuing the line of same, the same course, in all 32 feet to another corner of the Power House lot, continuing lines of same, S 61¼ E 43 feet, N 28¾ E 4 feet, S 61¼ E 10 feet, to a post at the corner of Lots 32 and 33 of the Brooks, McCreary and Evans subdivision, thence with the west or rear line of the lots of said subdivision which face the west side of Laurel Street, S 28¾ W 318 feet to a post in the rear line of Lot No. 25 and corner to James Walker, thence Walker's line, N 74 5/8 W, passing the corner of Walker and B. C. Stotts and continuing with Stotts the same course in all 422 feet to a post corner to Stotts, thence new lines dividing this tract and the remainder of the Hamilton land, to be conveyed to the Richmond Water & Gas Works, N 26½ E 298.5 feet, N 67½ W 98 feet to a post corner to Rice Brothers, thence their line, N 29½ E 180 feet to the beginning, containing four and 53/100 (4.53) acres, as per survey made by H. deB. Forbes, a Civil Engineer, on May 15, 1948; being the property acquired by the Company by deed dated May 22, 1948, and recorded in Deed Book 141, page 375, in the Office of the Clerk of Madison County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Gene T. Parks and Edith B. Parks by Special Warranty Deed dated as of October 1, 2003, recorded in Deed Book

Item 6. A tract of land situated in Dillingham Addition to the City of Richmond, and described as follows: On the East side of Fairview Street and beginning at a point common to Fairview Street and an Alley, said point being 225 feet North of the corner of Fairview Street and Race Street, thence parallel with Fairview Street, South 13 degrees, West 100 feet to a corner with land of Allen Morgan; thence South 77 degrees East 90 feet to a common corner with Allen Morgan and B. C. Richardson; thence North 13 degrees East 100 feet to a point common to the alley and B. C. Richardson; thence parallel to the alley, North 77 degrees, West 90 feet to the point of beginning, containing two thousand and sixty-six ten-thousandths (0.2066) of an acre; being the property acquired by the Company by deed dated April 15, 1955, and recorded in Deed Book 161, page 100, in the Office of the Clerk of Madison County, Kentucky.

Item 7. A tract of land situated on the water of Tates Creek adjacent to the Goggins Lane, and described as follows: Beginning at an iron pin set in the center of Goggins Lane, corner to the lands of John M. and Strother Park and heirs of George Gumbert; thence with Gumbert's line North 77 degrees 30 minutes East 228.7 feet to an angle in the fence; thence North 72 degrees 00 minutes East 171.3 feet to an iron pin corner to heirs of George Gumbert and Thomas J. and Naomi Clouse; thence with Clouse's line North 34 degrees, 21 minutes West 483.4 feet to an iron pin; thence South 56 degrees 14 minutes West 350 feet to the center of Goggins Lane, corner to the lands of John M. and Strother Park; thence with Park's line and the center of Goggins Lane, South 38 degrees 26 minutes East 154.8 feet; South 37 degrees 28 minutes East 140.4 feet; South 2 degrees 55 minutes West 74.8 feet to the point of beginning and containing 3.387 acres; being the property acquired by the Company by deed dated April 27, 1955, and recorded in Deed Book 161, page 169, in the Office of the Clerk of Madison County, Kentucky.

Item 8. A tract of land lying on the waters of Silver Creek, described as follows: Beginning at a stake in the east right-of-way line of the Kirksville-Kentucky River Road or Kentucky Highway No. 595, and 114 feet south from a corner to Burton Hale; running thence approximately North 62½° East 100 feet; thence South 27½° East 100 feet; thence South 62½° West 100 feet to a point in the east right-of-way line of said highway; thence with right-of-way line of highway North 27½° West 100 feet to the point of beginning; being the property acquired by the Company by deed dated November 3, 1956, and recorded in Deed Book 167, page 316, in the Office of the Clerk of Madison County, Kentucky.

Item 9. A tract of land situated in the City of Richmond, described as follows: Beginning at an iron pin in the west line of Laurel Street at the northeast corner of five lots previously sold from the Walker land; thence with the west line of Laurel Street, N 28°-20' E 96.0 feet to a post in said line and corner to Floyd McQueen; thence leaving Laurel Street with two of McQueen's lines N 68°-20' W 148.5 feet to a post, N 20°-35' E 29.4 feet to a post in McQueen's line and corner to the Company; thence with line of same N 74°-55' W 312.5 feet to a post in said line and corner to Ray Wilson; thence Wilson's line, S 26°-0' W 40 feet to a stake at corner to the Walker land sold to Eldridge Carrier, Jr., et al.; thence line of same S 62°-10' E, passing an iron pin at the northwest corner of the previously mentioned five lots sold off of the Walker land at 306.0 feet and continuing the north line of said lots the same course, in all 453.5 feet to the beginning; being the property acquired by the Company by deed dated July 20, 1957, and recorded in Deed Book 171, page 510, in the Office of the Clerk of Madison County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to Gene T. Parks and Edith B. Parks by Special Warranty Deed dated as of October 1, 2003, recorded in Deed Book 563, Page 681 in the Office of the Clerk of Madison County, Kentucky.

Item 10. A tract of land situated on Edwards Avenue, adjacent to the City of Richmond, described as follows: Beginning at a point, corner to A. H. Thomas heirs, John Henson and below described, which point is 236.75 feet in an easterly direction from the A. H. Thomas heirs corner to Jett and Parrish properties; thence in a direction of S 72°-37' E with A. H. Thomas heirs for a distance of 52.33 feet to a point, corner to Mrs. Katherine McClintock; thence in a direction of S 17°-43' W with Mrs. Katherine McClintock for a distance of 168.42 feet to a point, the North margin of Edwards Avenue; thence in a direction of N 71°-30' W with the north margin of Edwards Avenue for a distance of 50.00 feet to a point, corner to John Henson; thence in a direction of N 17°-33' E with John Henson for a distance of 168.50 feet to point of beginning, containing approximately 0.2 acre; being the property acquired by the Company by deed dated January 2, 1959, and recorded in Deed Book 178, page 249, in the Office of the Clerk of Madison County, Kentucky.

Item 11. A tract of land situated near the western limits of the City of Richmond, described as follows: Beginning at a marker in the property of Eastern Kentucky State College, said marker being South 68 deg. 49 min. East 1160 feet from centerline of Ky. Highway 52 and 60 feet South of the centerline (and on the Southern edge) of the access road into Eastern Kentucky State College property; thence at right angles to the proposed access road South 21 deg. 11 min. West 150 feet to a marker; thence South 68 deg. 49 min. East 150 feet to a marker; thence North 21 deg. 11 min. East 150 feet to a marker at the edge of the right-of-way, of said access road; thence 60 feet from and parallel with the centerline of said access road along the Southern right-of-way of said road North 68 deg. 49 min. West 150 feet to the point of beginning, containing 0.516 acre, more or less; being the property acquired by the Company by deed dated May 31, 1961, and recorded in Deed Book 192, page 27, in the Office of the Clerk of Madison County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways by Deed dated October 26, 1963, recorded in Deed Book 206, Page 173 in the Office of the Clerk of Madison County, Kentucky.

There is further excepted from the above-described property, the following described tract of land: Beginning at a point in the Company's northwest property line corner, said point also being in the existing south right-of-way line of the Eastern College By-pass; thence running S 68 degrees 49 minutes E in the Company's northeast property line, said property line also being the existing south right-of-way line of the Eastern College By-pass, for a distance of 150 feet to a point in the Company's northeast

property line corner; thence running southwesterly in the Company's southeast property line and crossing the centerline of proposed service road at Station 13+18.3 for a distance of 47 feet; thence running N 68 degrees 49 minutes W 47 feet southwest of and parallel to the Company's north property line, for a distance of 150 feet to a point in the Company's northwest property line; thence running northeasterly in the Company's northwest property line and crossing the centerline of proposed service road at Station 11+66.3 for a distance of 47 feet, to the point of beginning.

Item 12. A tract of land described as follows: Beginning at a point in the line between the lands of Clay Duncan Witt, Beulah D. Jones and Bernard G. Jones and the lands of the Kentucky Department of Highways #52 (new), said point being 282.5 feet east of the center of Big Hill Road, and said point being station #75 + 26 of the Kentucky Highway Department survey of Kentucky Highway #52 (new); running thence North 14° 30' East for a distance of 152.8 feet to a corner; thence South 75° 30' East for a distance of 200 feet to a corner; thence South 14° 30' West for a distance of 155 feet to a corner, said corner being in the north boundary of the Kentucky Department of Highways #52 right-of-way (new); thence North 74° 30' West with the Highway right-of-way for a distance of 201.5 feet to the point of beginning, containing .69 acre, more or less; being the property acquired by the Company by deed dated May 17, 1963, and recorded in Deed Book 202, page 289, in the Office of the Clerk of Madison County, Kentucky.

Item 13. All that tract or parcel of land situated on Kentucky Highway No. 52, two miles east of Richmond, Madison County, Kentucky, and more fully described and bounded as follows: Beginning at a point at the northeast corner of the intersection of Kentucky Highway No. 52 and the Concord Road, said point being 70 feet north of the center line of Kentucky Highway No. 52 and 30 feet east of the center line of Concord Road; running thence with the east edge of the Concord Road right-of-way N 11° 38' E 189.13 feet; thence S 78° 21' E 81.30 feet; thence N 18° 38' E 110.87 feet; thence S 81° 51' E 220.85 feet; thence S 14° 14' W 299.08 feet to the north edge of Kentucky Highway No. 52 right-of-way; thence with said right-of-way line of Kentucky Highway No. 52 for three calls, N 80° 24' W 100.40 feet, N 80° 33' W 100.59 feet and N 82° 00' W 101.5 feet to the point of beginning, and containing 1.871 acres, more or less; being the property acquired by the Company by deed dated November 22, 1968 and recorded in Deed Book 239, Page 199, in the Office of the Clerk of Madison County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, Department of Highways by Deed of Conveyance dated December 13, 2004, recorded in Deed Book 584, Page 512 in the Office of the Clerk of Madison County, Kentucky.

FURTHER LESS AND EXCEPTING (from Item 13) that certain tract of land lying in Madison County along KY 52 approximately 1.55 KM (1.0 miles) East of the intersection of KY 52 and KY 876, and more particularly described as follows:

Parcel No. 119 Tract A: Beginning at a point in the southwest property corner and existing right of way corner 18.190 meters (59.68') left of Relocated KY 52 station 4+455.542; thence with the west property line and the existing right of way line N8°06'24"E 5.180 meters (19.06') to a point in the proposed right of way 24.000 meters (78.74') left of Relocated KY 52 station 4+455.557; thence with the proposed right of way line S58°05'18"E 12.600 meters (41.34') to a point in the existing right of way line and south property line 18.906 meters (62.03') left of Relocated KY 52 station 4+467.000; thence with the existing right of way line and south property line 11.551 meters (37.90') along an arc to the left, having a radius of 1767.711 meters (5799.58') the chord of which is N85°29'14"W 11.551 meters (37.90') to the point of beginning. The above described parcel contains 0.003 hectares (33 sq. meters), 0.008 acres (360 sq. ft.) of right of way as conveyed by the Company to a third party in December, 2005.

Item 14. Beginning at an iron pin in South R/W edge of Kentucky Highway 52 and common corner to Lewis Howard, thence with said R/W S 80° 15' W 352.3 to an iron pin, thence with said R/W S 51° 27' W 78.9 to an iron pin, thence with said R/W S 02° 12' E 91.8 to center line Paint Lick Creek, common corner to Joe Adams, thence with center line said creek and Adams line N 79° 07' E 439.3 to the intersection of the center line Paint Lick Creek and center line of drain, common corner to Joe Adams and to Lewis Howard, thence with center line drain and Howard Line N 12° 28' W 120.6 to the beginning and being the property acquired by the Company by deed dated June 6, 1978, and recorded in Deed Book 311, page 544, in the Office of the Clerk of Madison County, Kentucky.

Item 15. Beginning at a point in the west right-of-way line of Kentucky #388 which point is the line between the lands of Dorothy Richards, et al., and the right of way of Ky. 388 and which point is South 19° 30' East 232 feet from a corner of Sowers and Dorothy Richards, et al., in said west right of way, running thence South 30° 30' West 40 feet, North 88° 00' West 66 feet, South 2° 00' West 100 feet, South 88° 00' East 137.9 feet to the west line of Ky. #388, thence North 19° 30' West 148 feet to the beginning, and being the property acquired by the Company by Commissioner's Deed dated April 1, 1982, and recorded in Deed Book 342, page 257, in the Office of the Clerk of Madison County, Kentucky.

Item 16. Beginning at a point marked by nail in the centerline of Clouse Lane, corner to Hamilton & Olds, Inc.; thence with the line of Hamilton & Olds, Inc. South 75° 24' East 607.1 feet to a post, a corner at the line of Estonia Estates South 11° 00' West 450.0 feet to a new corner of Edward Mullikin, marked by an iron pin; thence with a new line of Edward Mullikin North 75° 28' West 640.4 feet to a nail in the centerline of Clouse Lane; thence with the centerline of Clouse Lane; North 15° 14' East 450.0 feet to the point of beginning, containing 6.44 acres; and being the property acquired by the Company by deed dated March 14, 1983, and recorded in Deed Book 349, page 312, in the Office of the Clerk of Madison County, Kentucky.

Item 17. And being Lot 3A on the attached map, which is officially of record in Plat Book 8, at page 362, in the records of the Madison County Court Clerk's office, and being the property acquired by the Company by deed dated

April 25, 1989, and recorded in Deed Book 64, page 579, in the Office of the Clerk of Madison County, Kentucky.

The following described real estate of the Company situated in Marion County, Kentucky:

Item 1. Bounded on the Northwest by the lot formerly owned by Mrs. McAtee and later by R. T. Melton; on the Southwest by the mill lot formerly owned by the Lebanon Roller Mills Company and later by J. M. Rains; on the Southeast by the right-of-way of the Louisville & Nashville Railroad Company; and on the Northeast by Forest Street; being the property acquired by the Company by deed dated January 25, 1924, and recorded in Deed Book 45, page 188, in the Office of the Clerk of Marion County, Kentucky.

Item 2. A tract of land on the East side of the Old Lebanon-Springfield Road more particularly described as follows: Beginning at a point at the Southeast corner of the tract of land herein conveyed; thence N. 45 degrees 15 minutes East (in old Deed N. 40 degrees E.) along the North side of a private road belonging to Will Murphy a distance of 287 feet to an iron pin; thence N. 28 degrees 15 minutes West with the present line of fence a distance of 650 feet to an iron pin; thence S. 60 degrees 28 minutes West to an iron pin set in the fence on the Eastern side of the said Lebanon-Springfield Road a distance of 523 feet; thence along the East side of said road S. 32 degrees 35 minutes East a distance of 70 feet; S. 42 degrees East a distance of 56 feet; S. 45 degrees 20 minutes East a distance of 148 feet; S. 53 degrees East a distance of 225 feet; S. 48 degrees 45 minutes East a distance of 267 feet to the point of beginning, containing 6.65 acres; being the property acquired by the Company by deed dated April 1, 1950, and recorded in Deed Book 67, page 200, in the Office of the Clerk of Marion County, Kentucky.

Item 3. A parcel of land lying in the City of Lebanon described as follows: Beginning at a point on property line of Jessie J. Caskey, which beginning point is identified by steel pin and lies on ROW line of Water Street about 165.5 feet, more or less, N. 61½° E of stone corner post of Caskey property at Lake and Water Street, running thence from beginning point N 61½° E with Water Street for 263.5 feet to a point at corner of Water Street and Woodlawn Avenue, running thence N. 41° W for 78.4 feet along Woodlawn Avenue to a point at property line of L & N Railroad; thence S 63° 22' with Railroad Company ROW for 256.46 feet to a steel pin; thence S. 35° 9' E for 85.5 feet to the point of beginning; being the property acquired by the Company by deed dated October 13, 1953, and recorded in Deed Book 70, page 628, in the Office of the Clerk of Marion County, Kentucky.

Item 4. A tract of land situated in the City of Lebanon, described as follows: Beginning at a point in the line of the lands of C. S. Hill and in the Southern right-of-way line of the L & N Railroad Company, running thence N. 63 degrees 15 minutes East with said Railroad line 77 feet to a point; thence turning and running S. 44 degrees 43 minutes East with said Railroad Company's line 57.5 feet to a point; thence turning and running S. 46 degrees 53 minutes North with the property line of May & Lancaster 95.6 feet to a point; thence turning and running N. 28 degrees 27 minutes West with the property of C. S. Hill 81.9 feet to the point of beginning; being the property acquired by the Company by deed dated July 16, 1963, and recorded in Deed Book 80, page 165, in the Office of the Clerk of Marion County, Kentucky.

Item 5. Beginning at a point in the southern edge of Ky. Highway #84 right of way which point is 441 feet from the Northwest corner of Isaacs and abandoned roadway, South 80° 33' East for a distance of 165.6 feet along the southern edge of Ky. #84 right of way to a marker thence South 78° 51' East for a distance of 265.0 feet also along the southern edge of Ky. #84 right of way to a marker thence South 66° 45' West for a distance of 358.1 feet to a marker thence North 23° 15' West for a distance of 239.1 feet to the point of beginning; and being the property acquired by the Company by deed dated October 6, 1983, and recorded in Deed Book 133, page 296, in the Office of the Clerk of Marion County, Kentucky.

The following described real estate of the Company situated in Mason County, Kentucky:

Item 1. A certain lot of ground situated on the corner of Court Street and West Second Street in the City of Maysville and fronting on said Second Street thirty-three (33) feet and bounded on the East by Court Street and running South with Court Street eighty-one (81) feet to the property of the Cochran estate which bounds it on the South, thence with the line of said property to the property owned by Robert Newell estate (now George Fishter) which bounds it on the West, thence with Newell's (now Fishter's) line to Second Street, this being the lot upon which the building formerly occupied by the State National Bank is located.

Item 2. That certain tract or parcel of land situated and being on the North side of Second Street between Wall Street and Vine Alley in the City of Maysville, being the corner lot of the three lots deeded to Percy L. Mannon by A. M. J. Cochran, Commissioner, by deed dated January 14, 1889, and recorded in Deed Book 90, page 315, Mason County Court Clerk's Office and bounded on the East by the property conveyed to Edward Glenn and on the West by Vine Alley, together with the buildings, privileges and appurtenances thereunto belonging.

Item 3. A certain lot of land situated in the City of Maysville, being on the South side of Front Street between Wall and Short Streets and lying on the East side of Gray Alley, fronting sixty-six and two-thirds (66 2/3) feet on Front Street and running back the same width along Gray Alley one hundred (100) feet and six (6) inches to an alley in the rear.

Item 4. A certain lot of land situated in the First Ward of the City of Maysville; beginning at a point on

the North side of Second Street and sixty-six (66) feet West of the West side of Vine Alley, being the corner between H. J. Cochran and January and Wood Company and running with said H. J. Cochran line and at right angles with Second Street one hundred thirty-two (132) feet, thence Eastwardly at right angles sixty-six (66) feet to the West side of Vine Alley, thence at right angles and running with the West line of Vine Alley one hundred sixty-three (163) feet to the Northeast corner of the Electric Power plant on the river front, thence Westwardly in line with the North end of the present mill building on said January and Wood Company sixty-two (62) feet and ten (10) inches to a point twelve (12) feet six (6) inches East from said building, thence running towards Second Street parallel to and twelve (12) feet and six (6) inches from the East side of the building of January and Wood Company two hundred ninety-eight (298) feet to a point in the North side of Second Street, thence East with Second Street three (3) feet nine (9) inches to the point of beginning.

Item 5. A certain lot of land situated in the City of Maysville, on the North side of West Second Street and bounded as follows: Beginning at the corner of Vine Alley on West Second Street, thence through said Alley down Second Street and fronting thereon sixty-six (66) feet, thence at right angles one hundred thirty-two (132) feet toward Front Street, thence at right angles sixty-six (66) feet more or less to Vine Alley, thence with said alley to the place of beginning.

Item 6. That certain parcel of land situated in the City of Maysville on the North side of Blue Run Turnpike Road on Second Street and bounded by a line beginning at a point on said turnpike road precisely one hundred (100) feet Westwardly from the Southwest corner of a lot owned by Ellen Cunningham in whole or in part upon which lot there is now standing a brick building occupied as a furniture factory or planning mill, the line running thence Westwardly with said turnpike road and binding thereon a distance of one hundred (100) feet, thence Northwardly by a line parallel with the line of Cunningham lot to the Ohio River at low water mark, thence up the Ohio River to a point one hundred (100) feet from the Cunningham lot at low water mark, thence Southwardly parallel with said Cunningham lot and one hundred (100) feet from it to the place of beginning, the lot hereby conveyed being one hundred (100) feet in width at all points between the turnpike road and the Ohio River.

Item 7. A lot of land in the City of Maysville and just below and adjoining the lot of one hundred (100) feet sold and conveyed by the Maysville Cooperage Company to the Citizens Gas Company and just below said lot and bounded by it, fronting fifty (50) feet on the Blue Run Turnpike Road and extending back that width to the South or upper line of the right of way conveyed by the said cooperage company to the Maysville and Big Sandy Railroad Company, said lot to be fifty (50) feet in width from the turnpike road down to the line of the railway company right of way and immediately below and adjoining the one hundred (100) foot lot conveyed heretofore to the gas company.

Item 8. That certain lot or parcel of land situated in the West end of the City of Maysville and lying between the lot of Ellen Cunningham on the East and the Citizens Gas Light Company lot on the West and fronting on the Blue Run Turnpike Road fifty (50) feet and running back the same width to the right of way, heretofore granted to the Maysville and Big Sandy Railroad.

Item 9. That certain parcel of land in the Northeast of the City of Maysville on the North side of Second Street or the Germantown and Blue Run Turnpike, beginning at the West side of a lot sold to Wm. A. Loyd and Edward Foster on the North edge of Germantown Turnpike and running thence with the North line of said lot and the Blue Run Turnpike North a distance of ninety-seven (97) feet more or less to the line of Maysville Gas Company, thence Northwardly with said line to the low water mark at the Ohio River, thence Eastwardly to the low water mark to said Foster's line, thence Southwardly to the beginning. The Easterly fifty (50) feet whereof was conveyed by George W. Loyd to John Cunningham in 1859 by deed recorded in Deed Book 67, page 31, from whence it has passed to the said I. N. Foster as to one-half by deed from William Kirkpatrick, devisee of Roxma Cunningham, and heir-at-law of John Cunningham and J. R. Morgan recorded in Deed Book 80, page 562, and from John R. Morgan and wife to Ellen Cunningham by deed recorded in Deed Book 82, page 149, from whom the same passed by descent to the said I. N. Foster, and as to the other half by deed from Margaret Hutsell, another heir-at-law of said Cunningham, said deed recorded in Deed Book 112, page 222, and the Westerly fifty (50) feet whereof was conveyed as part of the fifty (50) feet by Maysville Cooperage Company to said Ellen Cunningham by deed recorded in Deed Book 87, page 361, from whom same passed by descent to said I. N. Foster, the other three (3) feet having been heretofore conveyed to Maysville Gas Company except that portion thereof North of the railroad heretofore conveyed to the railroad company as shown in the said deed of record, it being intended to convey thereby all the land conveyed by said deed from Loyd to John C. Cunningham and from Maysville Cooperage Company to Ellen Cunningham, except the three (3) feet heretofore conveyed to the Maysville Gas Company and that part conveyed to the railroad company.

Item 10. A certain parcel of land situated in the West end of Maysville, and beginning at the Southeast corner of the property of Maysville Gas Company fronting on the Blue Run Road, thence with said lot in an Easterly direction three (3) feet, thence extending back the same width of three (3) feet to the right of way of the Maysville and Big Sandy Railroad.

Item 11. A tract of land situated in the City of Maysville described as follows: Beginning at a point on the North side of Forest Ave., 60 feet East of the East margin of Brick wall of R. J. Reynolds building; thence North 120 feet parallel with aforementioned brick wall of R. J. Reynolds to a point in the South line of Carnation Company; thence East with Carnation Company's South line 40 feet to a point in said line; thence at right angles 120 feet South to North margin of Forest Avenue; thence 40 feet West with Forest Avenue to the point of beginning, being in the sixth Ward of the City of Maysville, including the right of use of a passage-way 12 feet wide over the North end of the two forty-foot lots, lying just East of lot herein described and along the South line of the Carnation, Company, and the use of a concrete roadway owned by the Carnation Company for ingress and egress.

EXCLUDING FROM ITEMS 1 through 11 above:

(a) so much of said property as was conveyed to W.W. Ball and Henry H. Boone by Deed dated May 25, 1948, recorded in Deed Book 145, Page 592 in the Office of the Clerk of Mason County, Kentucky; and

(b) so much of said property as was conveyed to Frank A. Britten and Mabel C. Britten by Deed dated July 26, 1948, recorded in Deed Book 146, Page 63 in the Office of the Clerk of Mason County, Kentucky; and

(c) so much of said property as was conveyed to January and Wood Company by Deed dated October 13, 1960, recorded in Deed Book 161, Page 153 in the Office of the Clerk of Mason County, Kentucky;

(d) so much of said property as was conveyed to January and Wood Company by Deed dated March 1, 1966, recorded in Deed Book 173, Page 239 in the Office of the Clerk of Mason County, Kentucky;

(e) so much of said property as was conveyed to William A. Hay by Deed dated November 28, 1969, recorded in Deed Book 182, Page 35 in the Office of the Clerk of Mason County, Kentucky; and

(f) so much of said property as was conveyed to January and Wood Company by Deed dated March 15, 1973, recorded in Deed Book 189, Page 370 in the Office of the Clerk of Mason County, Kentucky.

The property described above in Items 1 through 11 was part of the same property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 139, page 197, in the Office of the Clerk of Mason County, Kentucky.

Item 12. A certain parcel of land described as follows: Beginning at a point 384 feet east of the combination corner and gate post in the right-of-way fence on the north side of U.S. Route No. 62 in Mason County, Kentucky, opposite the residence of John I. Claybrooke and running north $85^{\circ} 30'$ east, a distance of 51 feet; thence north $4^{\circ} 2' E.$, a distance of 46 feet; thence N. $86^{\circ} 0' W.$, a distance of 50 feet; thence S. $4^{\circ} 2' W.$, a distance of 54 feet to the point of beginning; being the property acquired by the Company by deed dated August 10, 1942, and recorded in Deed Book 139, page 486, in the Office of the Clerk of Mason County, Kentucky.

Item 13. Beginning at a steel pin set in the center of the Kenton Station Pike, said pin being set S. 70 deg., 55 minutes E. 134.2 feet from a point in Center of Kenton Station Pike corner to W. P. Hawkins, Julia Owens and James Nicholas; thence leaving the pike and running N. 44 deg. E 480.4 feet to a steel pin; thence S. 46 deg. E. 400 feet to a steel pin; thence S. 44 deg. W. 335.8 feet to a steel pin set in center of Kenton Station Pike corner to W. P. Hawkins and James Nicholas; thence with center of Kenton Station Pike and Nicholas' line N. 77 deg. 46 minutes W. 265 feet; thence N. 47 deg. 51 minutes W. 175.7 feet to the point of beginning and containing 4.01 acres; being the property acquired by the Company by deed dated March 30, 1950, and recorded in Deed Book 148, page 249, in the Office of the Clerk of Mason County, Kentucky.

Item 14. That certain lot of ground lying and being in the City of Maysville and situated on the west side of Wall Street, said lot known and designated as 213-215 Wall Street, and more particularly described as follows: Beginning at a point at the inside edge of the concrete sidewalk on the West Side of Wall Street corner to No. 207 Wall Street, the property of Worthington; thence leaving said sidewalk and with the North face of a stone wall, the line of Worthington, and passing the line of Ritchey North $50^{\circ} 32'$ West 101.94 feet to a fence, corner to Ritchey and in the line of Lynch; thence leaving the line of Ritchey and with the line of Lynch, South $39^{\circ} 28'$ West 7 feet to a point corner to Lynch; thence North $50^{\circ} 32'$ West 141.03 feet with and passing the lines of Lynch, Trazel, Stewart and Greenlee to a point corner to the Maysville Board of Education; thence leaving the line of Greenlee and with the line of the Maysville Board of Education South $39^{\circ} 33' 30''$ West 89.87 feet to a point corner to Vize; thence leaving the line of the Maysville Board of Education and with the line of Vize and Blankenship South $47^{\circ} 42' 30''$ East 54.14 feet to a point corner to Blankenship; thence South $42^{\circ} 17'$ West 14.78 feet with the line of Blankenship to a point corner to Easton; thence South $48^{\circ} 40'$ East 204.92 feet with and passing the line of Easton and with the line of McEuen, to a point on the inside edge of a concrete sidewalk which point is also the East face of a small concrete corner curb; thence North 31° East 122.5 feet with the inside edge of the sidewalk to the point of beginning; being the property acquired by the Company by deed dated October 28, 1963, and recorded in Deed Book 167, page 95, in the Office of the Clerk of Mason County, Kentucky.

Item 15. Those certain two lots located on the east side of Lexington Street, Maysville, Kentucky, and known and designated as 312 and 314 Lexington Street and more particularly described as follows: Beginning at an iron pin, a corner of Walker, located in the right-of-way line of Lexington Street, 42.5 feet from the centerline of said street, in Maysville; thence, with the right-of-way line of Lexington Street, North $09^{\circ} 40' 00''$ East, a distance of 66.0 feet to an iron pin 8.5 feet from the centerline of Strawberry Alley, and in the right-of-way line of said alley; thence, with the right-of-way line of Strawberry Alley South $80^{\circ} 20' 00''$ East, a distance of 132.0 feet to an iron pin the right-of-way line of Red Plum Alley; thence, with the right-of-way of Red Plum Alley South $09^{\circ} 40' 00''$ West, a distance of 66.0 feet to an iron pin, a corner of Walker; thence in the line of Walker North $80^{\circ} 20' 00''$ West, a distance of 132.0 feet to the point of beginning, containing 0.20 acre, more or less; being the property acquired by the Company by deed dated July 29, 1968, and recorded in Deed Book 178, page 141, in the Office of the Clerk of Mason County, Kentucky.

Item 16. Beginning at an iron pin, a corner to the Company and lands of Parker Tobacco Company, said point being, as measured along a line between the aforesaid parties, North 47 degrees-38 minutes East 337.27 feet from a point

in the center of the Simon Kenton Station Road; thence with the Company North 42 degrees-32 minutes West 398.10 feet to an iron pin, corner to the Company and lands of the Parker Tobacco Company leased to the United States Government; thence with the same bearing and Parker Tobacco Company 152.26 feet to a monument in the south right-of-way line of a public road; thence with the south right-of-way line of said public road and any curvature thereof for a distance of 459.66 feet to an iron pin in the east edge of an electric transmission line easement from Wm. Pickett Hawkins and India Hawkins dated March 30, 1950, and recorded in Deed Book 148, page 306, Mason County Court Clerk's office; thence with the east edge of said easement and a new line with Parker Tobacco Company South 9 degrees-15 minutes East 486.16 feet to an iron pin; thence South 50 degrees-35 minutes West 164.50 feet to the point of beginning, and containing 3.611 acres, more or less; being the property acquired by the Company by deed dated July 1, 1971, and recorded in Deed Book 185, page 264, in the Office of the Clerk of Mason County, Kentucky.

Item 17. That certain parcel of real estate lying and being on the South side of West Second Street in Maysville, Kentucky, between Wall Street and Short Street and beginning at the southeast edge of Vine or Gray Alley and West Second Street; thence along Gray Alley in a southerly direction a distance of 203 feet to a point corner with Cooney; thence at approximate 90 degree angle and in an easterly direction a distance of 113 feet to a point corner with the Company; thence in a general Northerly direction along the line of the Company and Purdon a distance of 203 feet to West Second Street; thence along the edge of West Second Street in a Westerly direction a distance of 113 feet to the point of beginning; being the property acquired by the Company by deed dated March 15, 1973, and recorded in Deed Book 189, page 376, in the Office of the Clerk of Mason County, Kentucky.

Item 18. Beginning at a point, said point being the centerline Station 82 + 30 of U.S. Highway No. 62, thence with the centerline of gravel road N. 0 deg. 10' E. 180 feet to a point, thence through the property of party of the first part for two calls; S. 86 deg. 30' E. 113 feet to an iron pin and S. 0 deg. 10' W. 180 feet to a point in the centerline of U.S. Highway No. 62, said point being centerline Station 84 + 10; thence with the centerline of U.S. Highway No. 62, N. 86 deg. 30' W. 113 feet to the point of beginning and containing approximately 0.47 acre; and being the property acquired by the Company by deed dated September 14, 1979, and recorded in Deed Book 207, page 203, in the Office of the Clerk of Mason County, Kentucky.

Item 19. Beginning at a point, said point being in the East right-of-way line of KY 11 85' right of Station 219+72; thence N 7° 32' 48" E 164.18' to a point in the South right-of-way of Mill Creek Road, said point being 56.56' left of Station 48+89.27; thence along the South right-of-way of Mill Creek Road for five (5) calls: N 77° 57' 48" E 120.32', S 73° 42' 42" E 37.78', S 74° 02' 22" E 114.68', S 52° 21' 06" E 126.33', S 18° 30' 35" E 88.00' to a point in the centerline of abandoned Mill Creek Road; thence along the centerline of abandoned Mill Creek Road S 88° 57' 31" W 408.94' to a point in the East right of way of KY 11; thence N 12° 15' 55" W 22.82' to the point of beginning and containing 1.514 acres, and being the property acquired by the Company by deed dated March 25, 1988, and recorded in Deed Book 232, page 176, in the Office of the Clerk of Mason County, Kentucky.

Item 20. The following described parcels located in Maysville, Kentucky acquired by the Company by deed dated January 4, 1990, and recorded in Deed Book 237, page 45, in the Office of the Clerk of Mason County, Kentucky:

Parcel No. I: Situated and being in Maysville, Mason County, Kentucky, and known as Lots Nos. 24 and 26 in that parcel of ground known as Barbour, Rogers, Wall, and Smoot's Addition to the Town of Chester, plat of which is recorded in Deed Book 78, page 44, in the Office of the Clerk of Mason County, Kentucky, to which reference is hereby made for a more particular description.

Parcel No. II: Situated and being in Maysville, Mason County, Kentucky, and known as Lot No. 28 in that parcel of ground known as Barbour, Rogers, Wall, and Smoot's Addition to the Town of Chester, plat of which is recorded in Deed Book 78, page 44, in the Office of the Clerk of Mason County, Kentucky, to which reference is hereby made for a more particular description.

The following described real estate of the Company situated in McCracken County, Kentucky:

Item 1. Beginning at a point in said City of Paducah on the South side of Broadway at the Northwest corner of a lot or parcel of land now or formerly owned by Ambrose Mercer, this point being the Northeast corner of what is known as Lot No. 4 in the William Morrow Division, Plat "B," as per plat of said Division of record in Deed Book "V," page 372, McCracken County Court Clerk's Office; thence at right angles to Broadway and in a Southerly direction along the East line of said Lot No. 4 a distance of 346 feet 6 inches to a stake on the North side of Kentucky Avenue, this point being the Southwest corner of a lot now or formerly owned by Lilliam Greenhaigh; thence in a Westerly direction and with the North line of Kentucky Avenue 151 feet, more or less, to a stake the Southeast corner of a lot now or formerly owned by Herman Woody; thence in a Northerly direction and with the line of said Woody a straight line 346½ feet to a stake on the South side of Broadway; thence with the South line of Broadway in an Easterly direction 152½ feet to the point of beginning; being a part of the property acquired by the Company by deed dated February 23, 1926, and recorded in Deed Book 149, page 242, in the Office of the Clerk of McCracken County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to the Electric Plant Board of the City of Paducah, Kentucky, by Deed dated August 31, 1961, recorded in Deed Book 427, Page 413, in the Office of the Clerk of McCracken County, Kentucky.

Item 2. A certain lot known and designated as Lot #13, in Block #3, Town "D," Paducah, described as follows: Beginning at the Northeast corner of 2nd and Madison Streets; thence Northwardly, fronting 2nd Street, 57¾ feet and

back to Water Street on the side next to Madison Street 199 feet; except the right-of-way, for any system of flood protection works, conveyed by the Company to the City of Paducah, by deed dated February 23, 1940, and recorded in Deed Book 206, page 1, in the Office of the Clerk of McCracken County, Kentucky; being the property acquired and except that portion of said lot heretofore conveyed to the Illinois Central Railroad Company by deed dated June 22, 1897, and recorded in Deed Book 54 at page 170 in the Office of the Clerk of McCracken County, Kentucky.

Item 3. Beginning at a stake on the West side of Smith Avenue, said stake being S. 10 degrees 15 minutes W. a distance of 336 feet from the right-of-way of the Illinois Central Railroad; thence with the West line of said Avenue S. 10 deg. 15 min. W. 394 feet to a stake; thence N. 79 deg. 45 min. W. 552 feet 9 inches to the middle of Island Creek; thence with the middle of said Creek downstream approximately 394 feet parallel with a stake on the bank; thence S. 79 degrees 45 min. E. 552 feet 9 inches to the beginning, containing five acres, more or less. Survey made of said five acres, more or less, by B. F. Sears May 23, 1929, and survey made on Magnetic Meridian Magnetic Variation N. 10° 1' E.

Item 4. Beginning at a stake in the center of Island Creek at intersection of Southern line of the I. C. Railroad; thence with said line So. 65 deg. E. 650 feet to a stake on west side of Smith Avenue; thence So. 10 Deg. and 15 min. W. 336 feet to a stake on Smith's N. E. corner; thence No. 79 Deg. and 45 minutes W. 552 feet to the center of Island Creek; thence with center of said Creek No. 500 feet to beginning, containing 5.07 acres.

The property described above in Items 3 and 4 was acquired by the Company by Deed dated June 20, 1951, and recorded in Deed Book 303, page 14, in the Office of the Clerk of McCracken County, Kentucky.

Item 5. Beginning at a point, which point is South 15 deg. W. 662 feet and South 70 deg. East 325.6 feet from the intersection of the center line of the Woodville-Heath Road with the East right-of-way line of the Rice Springs Road, now called the A.E.C. Access Road; thence South 20 deg. West 100 feet to a stake; the Southwest corner of the tract herein conveyed; thence at right angles South 70 deg. E. 100 feet to a stake, the Southeast corner of the tract herein conveyed; thence at right angles North 20 deg. East 100 feet to the South line of the Property of the McCracken County Board of Education, which is also the Northeast corner of the tract herein conveyed; thence North 70 deg. West 100 feet to a stake, the Northwest corner of the tract herein conveyed, and the point of beginning, containing approximately 0.23 acres, being the property acquired by the Company by deed dated August 13, 1952, and recorded in Deed Book 322, page 426, in the Office of the Clerk of McCracken County, Kentucky.

Item 6. A tract of land located near the Southwest boundary of Farley Addition or Farley Village and beginning at a point on the West side of the Paducah and Oaks Road, which point is approximately 125 feet Northwest of the Northwest intersection of the Paducah and Oaks Station Road and the Hovenkamp Road, corner to property of B. Thweatt; thence running Westwardly with the North line of the Thweatt property in a line parallel to the North line of the Hovenkamp Road 240 feet, more or less; thence at right angles and in a Northerly direction 62 feet, more or less, to a point, common corner to property of M. P. King and property conveyed by Ernest Bell Lockwood and wife to O. E. Allen and E. R. Ladd, said point being the Northwest corner of this described tract; thence at right angles and in an Easterly direction with the line of said property of Allen and Ladd and in a line parallel to the North line of the Hovenkamp Road 219 feet, more or less, to the line of the right of way of the Paducah and Oaks Station Road; thence Southwardly and following the West line of the Paducah and Oaks Station Road 65 feet, more or less, to the point of beginning.

Item 7. A tract of land known as Lots Nos. 3 and 4 in the Subdivision of the Crenshaw property, and beginning at a stake on the East side of the Oaks Road 100 feet Northward from the intersection of the Oaks Road with the Hovenkamp Road; running thence South 78 degrees and 20 minutes East 150 feet to a stake; thence in a Northwesterly direction and parallel with the Oaks Road 100 feet to a stake; thence North 78 degrees and 20 minutes West 150 feet to a stake on the East side of the Oaks Road; thence with said road in a Southeasterly direction 100 feet to the point of beginning.

Item 8. Lot No. 30 in Crenshaw and Smith's Subdivision as shown by unrecorded plat of survey by H. F. Henson dated September 15, 1948, and beginning at a point in the West line of Smith Avenue, 150 feet North of the intersection of said West line of Smith Avenue and the North line of Hovenkamp Road; thence Northwardly with the said West line of Smith Avenue 50 feet to a point; thence at right angles in a Westerly direction a distance of approximately 150 feet to the East line of a six foot alley; thence Southwardly with the East line of said alley to a point at the intersection of said East line of said alley and the North line of Lot No. 29; thence Eastwardly with the North line of said Lot 29 (being the South line of Lot No. 30) a distance of 150 feet, more or less, to the point of beginning, together with a perpetual easement over the alleys abutting the property herein described.

Item 9. A tract of land comprising Lots Nos. 1, 2, 3, 4 and 5 in the Crenshaw and Smith's Subdivision, as shown by unrecorded plat of survey by H. F. Henson dated September 15, 1948, and beginning at a point in the East line of Smith Avenue, at the intersection of the North line of Hovenkamp Road and running thence in a Northerly direction with the East line of Smith Avenue, 200 feet to a point in said line; thence at right angles in an Easterly direction, 200 feet to the West line of an 8 foot alley; thence at right angles in a Southerly direction 200 feet to a point in the Northerly line of the Hovenkamp Road; thence at right angles in a Westerly direction, 200 feet to the point of beginning; excluding, however, from the foregoing tract, the south 90 feet of the aforesaid Lots Nos. 1, 2, 3, and 4 described as follows: Beginning at a point in the East line of Smith Avenue at the intersection of the North line of Hovenkamp Road, and running thence in a Northerly direction with the East line of Smith Avenue 90 feet to a point in said line; thence at right angles in an Easterly direction 200 feet to the West line of an 8 foot alley; thence at right angles in a Southerly direction 90 feet to a point in the Northerly line of the Hovenkamp Road; thence at right angles in a Westerly direction 200 feet to the point of beginning.

The property described above in Items 6 to 9 was acquired by the Company by deed dated January 26, 1961, and recorded in Deed Book 422, page 258, in the Office of the Clerk of McCracken County, Kentucky.

Item 10. Beginning at a point North 10 degrees 36 minutes East 264.81 feet from the Northwest intersection of Hovenkamp Road and Yarbrow Lane; thence with the West line of Yarbrow Lane in a Northerly direction 150 feet to a point common, corner with the land herein described with the Southeast corner of the land of Dean Baugh; thence with Baugh's line and in a Westerly direction a distance of 424.45 feet, more or less, to a point, common corner with the lands herein described and the Northeast corner of the lands of J. E. Harrington; thence with Harrington's East line and in a Southerly direction a distance of 150 feet to a point; thence in an Easterly direction and along a line parallel with the North line of Hovenkamp Road a distance of 424.45 feet, more or less, to the point of beginning on Yarbrow Lane; EXCLUDING THEREFROM so much as was conveyed to John Hoyle and Mona Hoyle by Deed dated April 5, 1993, recorded in Deed Book 788, Page 242, in the Office of the Clerk of McCracken County, Kentucky.

Item 11. Beginning at a point on the East side of the Butler Road 270 feet Northward from the Northeast corner of the intersection of the Butler Road and Hovenkamp Road; thence in an Easterly direction and parallel with the North line of the Hovenkamp Road a distance of 450 feet to a point; thence at right angles in a Southerly direction toward the Hovenkamp Road for a distance of 60 feet to a point; thence at right angles and in an Easterly direction and on a line parallel with the North line of the Hovenkamp Road a distance of 677 feet to a point; thence at right angles and in a Southerly direction a distance of 210 feet to a point in the North line of the Hovenkamp Road; thence at right angles and in an Easterly direction and with the North line of the Hovenkamp Road a distance of 225 feet to the West property line of B. Thweatt, which point is 410 feet West of the Northwest intersection of the Oaks Road with the Hovenkamp Road; thence in a Northerly direction and with the West line of B. Thweatt a distance of 120 feet to a point, this being the Northwest corner of B. Thweatt; thence at right angles and in an Easterly direction with the North property line of B. Thweatt a distance of 142 feet to a point; thence at right angles and in a Northerly direction a distance of 62 feet to the Southwest corner of the O. E. Allen property; thence continuing in the same direction along the West property line of O. E. Allen and Joe Lamb's property for a distance of 88 feet to a point; thence at right angles in a Westerly direction along the line parallel with the North line of the Hovenkamp Road a distance of 312 feet to a point; thence at right angles and in a Northerly direction a distance of 94 feet to a point; thence at right angles and in a Westerly direction along a line parallel with the North line of the Hovenkamp Road a distance of 782 feet to a point; thence at right angles and in a Northerly direction a distance of 26 feet to a point; thence at right angles and in a Westerly direction and along the line parallel to the Hovenkamp Road a distance of 400 feet to a point on the East line of the Butler Road; thence at right angles in a Southerly direction and with the East line of the Butler Road a distance of 120 feet to the point of beginning.

There is excluded from the above described tract of land the following tracts and/or strips of land:

(a) Beginning at a point in the North line of Hovenkamp Road a distance of 170 feet West of the intersection of the West property line of B. Thweatt and Hovenkamp Road, said point being at the intersection of the West line of Spruce Street and the North line of Hovenkamp Road; thence West with the North line of Hovenkamp Road 55 feet; thence at right angles and in a Northerly line parallel to the West line of Spruce Street 145 feet to a point; thence in a Southeasterly direction to a point in the West line of Spruce Street 137.5 feet North of the North line of Hovenkamp Road; thence in a Southerly direction with the West line of Spruce Street 137.5 feet to the point of beginning.

(b) Beginning at a point 410 feet West of the Northwest intersection of the Oaks Road with the Hovenkamp Road, which point is also 120 feet East of Northeast intersection of Spruce Street with the Hovenkamp Road; thence in a Northerly direction along the West property line of James Rhodes and Nell Lowman Rhodes a distance of 120 feet to a point, this being the Northwest corner of James Rhodes and Nell Lowman Rhodes; thence at right angles and in a Westerly direction a distance of 120 feet to Spruce Street; thence at right angles and in a Southerly direction along the East side of Spruce Street 120 feet to a point, which point is the Northeast intersection of Spruce Street with the Hovenkamp Road; thence at right angles in an Easterly direction 120 feet along the North side of Hovenkamp Road to the point of beginning.

(c) Three strips of land described in the deed from M. P. King and wife, Allene King, to R. C. Bennett, dated November 2, 1951, and recorded in Deed Book 310, page 125, McCracken County Court Clerk's office, which said three strips of land are described as follows:

(i) A fifty (50) foot tract or strip running Northwardly from Hovenkamp Road, the center line of which is 425 feet East of and parallel to the East line of Butler Road;

(ii) A fifty (50) foot tract or strip running Northwardly from Hovenkamp Road, the center line of which is 827 feet East of and parallel to the East line of Butler Road; and

(iii) A fifty (50) foot tract or strip running Northwardly from Hovenkamp Road, the center line of which is 1207 feet East of and parallel to the East line of Butler Road.

The property described above in Items 10 and 11 was acquired by the Company by deed dated February 18, 1961, and recorded in Deed Book 422, page 263, and a Deed of Correction dated February 18, 1961, recorded in Deed Book 422, Page 581, both in the Office of the Clerk of McCracken County, Kentucky.

Item 12. Beginning at an iron pin set in the line between the lands of Mary Ellen Nowicki, Joseph Nowicki and William R. Hall and the lands of Zelotes Lentz, which pin is set south 14 degrees west 209 feet from the northwest corner of the land of Mary Ellen Nowicki, Joseph Nowicki and William R. Hall to the lands of Beulah and Ralph Mathis and Zelotes Lentz; thence with the line of Lentz south 14 degrees west 215 feet to a point in the center of a 30 foot roadway known as Hall Road, corner to Noble Moore; thence with centerline of Hall Road and Moore's line south 74 degrees east 160 feet; thence leaving Hall Road north 14 degrees east 215 feet to an iron pin; thence north 74 degrees west 160 feet to the point of beginning, and containing 0.75 acre, more or less; being the property acquired by the Company by deed dated March 27, 1968, and recorded in Deed Book 496, page 568, in the Office of the Clerk of McCracken County, Kentucky.

Item 13. Beginning at a point which is the intersection of the centerline of the Woodville-Heath Road (KY 725) with the east R/W line of Rice Springs Road (KY 995); thence S 15 degrees 00' W 662.00 feet along the east R/W line of Rice Springs Road to a point; thence S 70 degrees 00' E 425.6 feet to an iron pin, said iron pin being the northeast corner of Grantee's 100' x 100' substation lot and also the "true" point of beginning for this survey; thence S 20 degrees 00' W 100.00 feet along the east side of Grantee's lot to an iron pin; N 70 degrees 00' W 100.00 feet along the south side of Grantee's lot to an iron pin; S 20 degrees 00' W 22.47 feet along a line common to the Grantors' property to an iron pin; S 71 degrees 37' 49" E 150.06 feet along a line common to the James E. Beasley, Jr., property to an iron pin; N 20 degrees 00' E 118.20 feet along a line common to Grantors' property to an iron pin; N 70 degrees 00' W 50.00 feet along a line common to Grantors' property to the "true" point of beginning, containing .185 acres, and being the property acquired by the Company by deed dated June 19, 1995 and recorded in Deed Book 834, Page 836, in the Office of the Clerk of McCracken County, Kentucky.

Item 14. Beginning at a boat spike in the centerline of the Heath and Grahamville Road at the northeast corner of a tract conveyed to Fleet Waltmon by Deed of record in Deed Book 207, Page 407; said point being 267 feet in a Northerly direction (measured along the centerline of said Road) from the southeast intersection of a 38 ½ acre tract known as the J.M. Simmons land; thence with the centerline of said road North 16 deg 15' East 133.5 feet; thence North 65 deg West 489.5 feet; thence South 16 deg 15' West 133.5 feet; thence South 65 deg 489.5 feet to the point of beginning; being the same property acquired by the Company by Deed dated June 4, 2010, of record in Deed Book 1189, Page 554 in the Office of the Clerk of McCracken County, Kentucky.

Item 15. Being a certain tract of land that abuts the Northern 50.00 foot Right-of-Way line of Hall Road approximately 0.25 mile Northwest of the intersection of Hall Road and Bradford Road. Said tract being the Western portion of the Chad and Paula Sue Jackson property Deed Book 846, Page 72, Lot 1 Bradford Place Subdivision plat section K, Page 1155, all in the McCracken County Clerk's office.

A more particular description follows:

Unless stated otherwise, any monuments referred to herein as iron pin (set) is a 5/8 inch diameter rebar iron pin, 24 inches in length, with a 1 ½ inch diameter aluminum cap stamped "AEI PLS # 3723", also, unless stated otherwise, any monuments referred to herein as existing iron pin is a 5/8 inch diameter rebar iron pin, 24 inches in length, with a 1 ½ inch diameter aluminum cap stamped "AEI PLS # 3723." All bearings stated herein are referenced to the Kentucky State Plane Coordinate System, NAD 83, South Zone.

BEGINNING at an iron pin (set) in the Northern 50.00 foot Right-of-Way line of Hall Road, said iron pin being a new division corner within the original Lot 1 of the Chad and Paula Sue Jackson property, Bradford Place Subdivision, Plat Section K, Page 1155, Deed Book 846, Page 72, having Kentucky State Plane Coordinates of North 1,932,402.22 feet and East 757,138.03 feet and being referenced North 67°48'10" West – 52.14 feet from an existing ½ inch rebar pin, cap #1955, located at the original corner of Lots 1 and 2 of the Chad and Paula Sue Jackson property, Bradford Place Subdivision, Plat Section K, Page 1155, Deed Book 846, Page 72, said beginning iron pin also being referenced South 69°59'19" East – 246.28 feet from the center of the North end of a 15 inch RCP under Hall Road; thence with the Northern 50.00 foot Right-of-Way line of Hall Road North 67°48'10" West – 75.00 feet to an existing iron pin located at the Southeast corner of Kentucky Utilities Company Substation, Deed Book 496, Page 568; thence leaving Hall Road with Kentucky Utilities Company, Deed Book 496, Page 568, the following two (2) courses and distances: North 22°46'14" East – 190.00 feet to a point, said point being referenced South 22°46'14" West – 3.00 feet from an existing offset iron pin; thence North 67°48'10" West – 160.00 feet to an existing iron pin located at the Northwest corner of Kentucky Utilities Company, Deed Book 496, Page 568 and being in the Eastern boundary of Hugh T. and Nancy Davis; thence with a portion of the Eastern boundary of Hugh T. and Nancy Davis, Deed Book 868, Page 204, North 22°46'14" East – 208.76 feet to an existing 1 inch axle located in the Eastern boundary of Hugh T. and Nancy Davis and being the Southwest corner of William Edward Mathis, Deed Book 1076, Page 671; thence with the Southern boundary of William Edward Mathis, Deed Book 1076, Page 671, South 67°42'18" East – 235.00 feet to an iron pin (set), having Kentucky State Plane Coordinates of North 1,932,769.53 feet and East 757,292.21 feet and being referenced North 67°42'18" West – 48.14 feet from an existing ½ inch rebar iron pin, cap # 1955, located at the original corner of Lots 1 and 2 of the Chad and Paula Sue Jackson property, Bradford Place Subdivision, Plat Section K, Page 1155, Deed Book 846, Page 72; thence forming a new division line through the original Lot 1 of the Chad and Paula Sue Jackson property, Bradford Place Subdivision, Plat Section K, Page 1155, Deed Book 846, Page 72, and being a common boundary with revised Lot 2, South 22°46'14" West – 398.35 feet to the point of beginning.

Above description is subject to any and all electric, telephone, gas, and water easements and to all other easements and Right-

of-Ways that may exist, both recorded and unrecorded.

Containing 1.452 acres as surveyed by James D. Cansler, LPLS # 3723, with Associated Engineers, Inc. on July 16, 2009.

Such property also being described as a portion of Lot 1 as shown on that certain Minor Plat of Chad and Paula Sue Jackson Property Lots 1 and 2 Bradford Place Subdivision drawn by James Cansler, Licensed Land Surveyor #3723 on July 16, 2009, and approved by the McCracken County Planning Commission on July 22, 2009, said plat recorded on December 21, 2009, in Plat Section M, Page 256, in the Office of the Clerk of McCracken County, Kentucky, a copy of which is attached to the Deed of record at Deed Book 1180, Page 437 in the Office of the Clerk of McCracken County, Kentucky.

Item 15 being the same property acquired by the Company by Deed dated December 21, 2009, of record in Deed Book 1180, Page 437 in the Office of the Clerk of McCracken County, Kentucky.

The following described real estate of the Company situated in McLean County, Kentucky:

Item 1. A parcel of land situated in the City of Livermore described as follows: Beginning at a point 98 feet East of Willow Street along the South boundary of an alley that runs parallel with 2nd and 3rd Streets and running thence, East 75 feet to a stake; thence, South between parallel lines to 2nd street a distance of approximately 150 feet more or less; being the property acquired by the Company by deed dated February 2, 1954, and recorded in Deed Book 46, page 96, in the Office of the Clerk of McLean County, Kentucky.

The following described real estate of the Company situated in Mercer County, Kentucky:

Item 1. Beginning at a locust post corner to Ulysses G. Epperson and running with his line, the west edge of a road, S. 21 degrees W. 2.58 chains; thence S. 2 degrees W. 7.2 chains; thence S. 24½ degrees E. 3 chains; thence S. 31½ E. 8 chains; thence S. 54 E. 2.32 chains; thence leaving the road still with Epperson's line S. 12 degrees W. 8.93 chains to his corner in John Warren Curd's line; thence with his line N. 88½ E. 47 chains to Dix River; thence down same as it meanders N. 8 degrees W. 5 chains; thence N. 30 W. 7.5 chains; thence N. 48 W. 5 chains; thence N. 66 W. 7 chains; thence S. 84 W. 18 chains; thence N. 76 W. 12 chains; thence N. 15 W. 5 chains and N. 28 E. 12.5 chains to the old L. P. Worley corner in said River; thence leaving the River and running with the old L. P. Worley line N. 74 W. to the point of beginning.

Item 2. A 100-foot strip of land extending 50 feet on each side of the center line herein described, to-wit: From a point 904.5 feet N. of the S. W. corner of the property of Epperson in Mercer County, by a curve to the right of 22292.01 radius (2 degrees, 30 minutes) for a distance of 71.62 feet in an easterly direction; thence Easterly 351.76 feet; thence 147.92 feet by a curve of 478.34 radius (12 degrees) to the left; thence 64.70 feet; thence 200.00 feet southeasterly by a curve to the right of 410.28 feet radius (14 degrees); thence 500.00 feet southeasterly and southerly by a curve to the right of 359.26 radius (16 degrees); thence southerly 192.50 feet; thence southerly 27.50 feet to the East and West line between the property of said Epperson and the property of Warren Curd at a point 1139 feet from the N. W. corner of the latter, all above described curves being tangent to the straight lines connecting same, being a total length of 1556 feet and comprising 3.57 acres.

Item 3. Beginning at a point in the line of fence and property line between John Curd and U. G. Epperson, which point is 47.4 feet on a line N. 35½ E. from the fence line between J. Warren Curd and U. G. Epperson at the East end of the roadway of U. G. Epperson; thence through the land of U. G. Epperson, as follows: N. 66 degrees 14 minutes E. 524 feet to fence corner of U. G. Epperson and J. Warren Curd; thence with their line S. 3 degrees 14 minutes E. 45.00 feet to a stake in the fence line between said parties; thence leaving the line of said Curd S. 66 degrees 14 minutes W. 517 feet again to the line between J. Warren Curd and U. G. Epperson; thence with same N. 85½ W. 32 feet to a stake; thence crossing the East end of roadway of said Epperson, and extending with the line of John Curd and U. G. Epperson N. 35½ E. 47.4 feet to the beginning, this strip of land having a uniform width of 40 feet from end to end, and containing .49 of one acre.

Item 4. The perpetual right to use, improve and maintain in common with others, the following described passway: Beginning at a stone original corner to the land of J. V. M. Curd, deceased, and corner to the Green B. Harvey lands; thence with said J. V. M. Curd line N. 85 W. 10 chains to the center of the Danville and Dix River Turnpike; thence with the center of same at right angles N. 5 E. 30 links or 20 feet to corner to Artis Curd land; thence leaving the Turnpike and running with said Artis Curd line S. 85 E. 10 chains to a stone, corner to same; thence S. 55½ W. 30 links or 20 feet to the beginning, and containing .3 of an acre.

Item 5. Beginning at the Eastern termination of the division line between J. Warren Curd and Joseph T. Curd, which is in the middle of Dix River; thence with the Eastern line of J. Warren Curd, being the middle of said river, Northwardly to a point in the arc of a circle whose center is a nail driven in a sycamore tree on the East bank of said river and in line of dam as shown by blue print of Dix River Power Company and whose radius is Nine Hundred feet (900 feet); thence leaving the center of said river and running in a Westerly course with the arc of said circle drawn with said radius of 900 feet until it intersects the said division line between said J. Warren Curd and Joseph T. Curd, which point is about 840 feet West of the beginning point, more or less; and thence from said point of intersection S. 89 degrees West to the point of beginning, containing 4.10141 acres.

Item 6. On Dix River and lying between the lands formerly owned by Dix River Power Company on the North and the same Company on the south (formerly Joseph T. Curd) and particularly described as follows: Beginning at a point in the arc of a circle, the radius of which is 900 feet and its center is a sycamore tree on the east bank of Dix River, being the sycamore tree and the arc of a circle mentioned in deed from Joseph T. Curd to Dix River Power Company, recorded in Deed Book No. 86, page 139, Mercer County Clerk's Office, and which is the beginning point called for in deed from said Joseph T. Curd to Dix River Power Company, dated July

24, 1923; thence extending with the arc of said circle a Northeasterly and Easterly direction 985 feet, more or less, to high water line on the bank of Dix River; thence down Dix River with high water line N. 5 degrees East 475 feet; thence N. 15½ degrees W. 315 feet; thence N. 5¼ degrees W. 265 feet to an intersection with the line of land purchased by Dix River Power Company by deed dated July 24, 1023 from David Motley; thence with said line S. 88½ degrees W. 1292 feet to a stone monument in said line; thence leaving said Motley line and extending a new line through land of J. Warren Curd S. 6¾ degrees W. 1347 feet to a stone monument in line between lands of J. Warren Curd and lands formerly owned by Dix River Power Company; thence with the line between the land formerly owned by Joseph T. Curd and the tract herein described S. 88½ degrees East 595 feet to the point of beginning, and containing 39.52 acres of land, more or less.

Item 7. A strip of land 40 feet wide lying adjacent to and immediately south of the South line of U. G. Epperson's farm and the David Motley land, later owned by Dix River Power Company, and being East of the Curdsville Turnpike and described as follows: Beginning at a fence post, corner to U. G. Epperson and also corner to a roadway conveyed by U. G. Epperson to Dix River Power Company; thence with the line of said roadway and line of J. Warren Curd South 3 degrees 14 minutes E. 45 feet to a corner to said roadway; thence Eastwardly through the J. Warren Curd land and parallel with the South line of Epperson's farm at a uniform distance of 40 feet from said South line, for a distance of 36.76 chains, more or less, plus 100 feet, to a point 100 feet Eastwardly from a point projected 40 feet directly South of a stone corner between the Epperson and David Motley lands, later Dix River Power Company, which stone is Epperson's South-East corner; thence due North a distance of 40 feet to the South line of said Motley tract; thence N. 88 degrees W. 100 feet with the South line of the said Motley lands; and thence continuing with the South line of Epperson's farm 36.76 chains, more or less, to the point of beginning, and containing 2.2 acres of land, more or less; subject to the reservation and agreement contained in the deed to Dix River Power Company.

Item 8. A strip of land 100 feet wide and 2044.5 feet long comprising 4.69 acres and extending a distance of 50 feet on each side of a center line herein described, to-wit: From a point on the North line and 1139 feet from the Northwest corner of the property of Warren Curd, southerly a distance of 30 feet by a curve to the left of 983.59 feet radius (5 degrees 49 minutes 20 seconds); thence South 300 feet; thence South and Southeasterly 500 feet by a curve of 521.67 feet radius (11 degrees); thence Southeasterly 525.29 feet; thence 246.71 feet by a curve to the left of 1146.28 feet radius (5 degrees); thence 253 feet by a curve to the left of 546.44 feet radius (10 degrees 30 minutes); thence 189.5 feet by a curve to the right of 359.26 feet radius (16 degrees) to a point on the line between the property of Warren Curd and Joe T. Curd, later Dix River Power Company, and 65 feet West of the Northeast corner of the property of the latter, all lines and curves herein described being tangent to each other at their points of junction; subject to the reservation and agreement contained in the deed to Dix River Power Company.

Item 9. Beginning at the Eastern termination of the division line, between Joseph T. Curd and the heirs of J. V. M. Curd which is in the center of Dix River; thence with said division line S. 89 degrees W. to a point in said division line where it intersects the arc of a circle drawn with a radius of Nine Hundred feet (900 feet) from a nail driven in the root of a sycamore tree on the East bank of said River and in line of the dam as is shown on the blue print of Dix River Power Company, which point is about 840 feet West of beginning point, more or less; thence with the circumference of a circle drawn with a radius of 900 feet as aforesaid in a Southwesterly direction to a point where said circle or arc intersects a line drawn on the Western cliffs of Dix River exactly Seven Hundred and Twenty-five feet above sea level; thence from said point with the said line Seven Hundred and Twenty-five feet above sea level along the banks of said River and ravines running into same to a point where said sea level line intersects the division line between the lands of said Jos. T. Curd and Andy Hardin; thence with said division line in an Easterly direction to the center of said river, and thence with the Eastern line of said Jos. T. Curd which is the center of said river to the point of beginning.

Item 10. Beginning at a point in the arc of a circle, the radius of which is 900 feet and its center is a sycamore tree on the East bank of Dix River, being the sycamore and arc of a circle mentioned in deed from Joseph T. Curd to Dix River Power Company, recorded in Deed Book 86, page 139, Mercer County Clerk's Office, which point is near the edge of the clearing on top of Dix River cliff and in the line between Joseph T. Curd and J. Warren Curd; thence with the division line between same S. 89 W. 3270 feet to the center of a branch about 20 feet above a water gate; thence leaving the line of J. Warren Curd and running down said branch S. 60 E. 218 feet; S. 56¼ E. 160 feet; N. 89 E. 238 feet; S. 49¼ E. 78 feet; S. 14 E. 96 feet; S. 53 E. 156 feet; N. 56¼ E. 170 feet to a point 725 feet above sea level, which is in line of deed above mentioned from Joseph T. Curd to Dix River Power Company; thence with said 725 foot above sea level contour, first in a Southeast and then in a Northeast direction to an intersection with the before mentioned arc of a circle with a 900 foot radius from said sycamore tree; and thence with same in a North and Northeast direction to the beginning, containing 45 acres, more or less.

Item 11. All of the lands of Joseph T. Curd and Nancy R. Curd, East of the Curdsville Turnpike and on the West side of Dix River and on branches running into Dix River and along the cliff of Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will be 750 feet above sea level.

Item 12. Beginning in the center of Dix River in the line between Andy W. Hardin and Joseph Curd; thence with the said division line between said Curd and Hardin in a Westerly course to a point on the cliffs of Dix River 725 feet above sea level; thence on the cliffs of Dix River along a line 725 feet above sea level until said line strikes the division line between Holman Kurtz and Sallee (now Homer Kurtz); thence with the line of said Kurtz in an Easterly direction to the center of Dix River; thence with the center of Dix River in a Northeasterly and Northerly direction to the point of beginning.

Item 13. All of the lands formerly owned by A. W. Hardin and Betsy Hardin on Dix River and Steinbergen Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning upstream at a line of the lands formerly owned by W. O. Lyons and Lyons' estate, and thence downstream to line of lands formerly owned by Joseph T. Curd.

Item 14. All of the lands formerly owned by the heirs of W. F. Lyons lying on Dix River and Steinberger Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning on Steinberger Branch at a line of lands formerly owned by A. W. Hardin, and thence down said branch to Dix River, and up said Dix River to line of lands formerly owned by W. O. Lyons.

Item 15. All of the lands below a line 750 feet above sea level which belong to Oscar Lyons and are situated on the waters of Cane Run Creek and Dix River, beginning at the line of Holman Kurtz on Cane Run Creek, and running down same to its mouth; thence down Dix River to the line of the property of the W. F. Lyons heirs, and derived from the conveyance of Holman Kurtz and J. G. Sallee March 3, 1913, and found in the office of the Clerk of the Mercer County Court of record in Deed Book 86, page 103.

Item 16. A strip of land along Cane Run Creek and Wallace's Branch and bounded as follows: Beginning in the center of Cane Run opposite Achinquapin and Horn Bean corner between James H. Waggener and Holman Kurtz (now Oscar Lyons); thence with the line of said Kurtz (now Lyons) in a Westerly course until it strikes a point 725 feet above sea level on the cliff; thence along the Western edge of the cliff of said Cane Run Creek along a line 725 feet above sea level to a point on the North side of Wallace's Branch 725 feet above sea level; thence along the line on the north edge of the cliff of Wallace's Branch 725 feet above sea level until it strikes the division line between the said James H. Waggener and Holman Kurtz; thence with the said division line in a Southerly direction to the center of Wallace's Branch; thence with the center of said Branch to the center of Cane Run; thence with the center of Cane Run to the point of beginning.

Item 17. All of the land formerly owned by S. L. Scott on Cane Run Creek and Wallace's Branch in Mercer County, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which shall not be higher than 750 feet above sea level.

Item 18. All land lying below a line 750 feet above sea level situated on Cane Run Creek, near its mouth, and beginning at the line of land of John Denny (formerly James Waggener, who deeded same to Dix River Power Company) and extending down Crane Run Creek to the line of W. O. Lyons.

Item 19. All land lying below a line 750 feet above sea level situated on Wallace Run, a tributary of Denny's Branch, beginning at the line of John Denny, or James Waggener and the former line of Dix River Power Company; thence up said Wallace Run with the center thereof to a level of 750 feet above sea level, being a part of the land conveyed to Holman Kurtz, et al., by deed dated August 28, 1905, and recorded in Deed Book 74, page 81, Mercer County Court Clerk's Office.

Item 20. All of the lands formerly owned by W. H. Bower and wife and Alvin C. Glascock and wife on Denny and Glow Branches, tributaries of Cane Run Creek, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and adjoining the lands formerly owned by J. W. Denny and Holman Kurtz,

Item 21. All of land formerly owned by J. W. Denny lying below a line 750 feet above sea level on Denny's Branch and Wallace Run Branch of Cane Run Creek, and extending from the junction of said Branches up to a line 750 feet above sea level, and including all land that may be overflowed by water impounded to said level on the right-hand side of Denny's spring branch and the left-hand side of Wallace Run Branch and Glow Branch, ascending in each instance.

Item 22. All of the land formerly owned by Andrew D. Divine on Cane Run Creek which may be submerged by reason of the erection and maintenance of a dam in the Dix River near its mouth, the spillway floor of which will not be higher than 750 feet above sea level.

Item 23. A strip of land along Cane Run Creek and bounded as follows: Beginning at a point in the center of the said Cane Run Creek in line between Virgil White and Thos. Washington Carr; thence with the line of said Carr in a Westerly direction to a point on the cliff of said Cane Run 725 feet above sea level; thence along the West line of said creek along a line 725 feet above sea level to a point in the line between the said White and J. W. Denny; thence with the line between said White and said Denny in a Northerly direction to the center of Cane Run Creek; thence with the center of said Cane Run Creek to the point of beginning.

Item 24. Beginning in the center of Cane Run in the division line between Virgil White and Tom Washington Carr; thence with the said line of said Carr in an Easterly direction to a point on the cliff 725 feet above sea level; thence along the line 725 feet above sea level in a Northwesterly direction until said line strikes the center of Cane Run Creek; thence with the center of said creek to the point of beginning.

Item 25. All of the lands of Cas Lovett and wife on Cane Run and Denny Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which dam will not be higher than 750 feet above sea level and between such level and 725 feet above sea level and to the line of the land heretofore conveyed by Virgil White to Dix River Power Company described as follows: Beginning on Cane Run at a line of the lands formerly owned by M. M. Dossett; thence down Cane Run to line of lands formerly owned by Andy Estes; and beginning again at the line of lands formerly owned by Andy Estes; thence down Cane Run and up Denny's Branch to the line of lands formerly owned by Andrew Divine.

Item 26. A strip of land on Cane Run, and bounded as follows: Beginning at a point in the center of Cane Run Creek in the division line between Alexander Miller and Thomas Washington Carr; thence with the line of said Carr in a Westerly direction to a point on the cliff of said creek 725 feet above sea level; thence along the cliff along a line 725 feet above sea level and in a Southerly and Southwesterly direction until said line strikes the division line between said Miller and said Thomas Washington Carr; thence with

the line of said Carr to the center of said creek; and thence with the center of said creek to the point of beginning.

Item 27. Being all of the land formerly owned by Andy Estes on Cane Run Creek in Mercer County, which may be submerged by reason of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 28. A strip of land along Cane Run Creek, described as follows: Beginning at a point in the middle of said Creek in the line between Carr and Virgil White; thence with the line of said White in a Westerly direction to a point 725 feet above sea level; thence along the cliff of said creek along a line 725 feet above sea level in a Westerly direction until said line again strikes the division line between said White and said Carr; thence with the line of the said Carr in a Westerly direction to the center of Cane Run Creek; and thence with the center of said Creek to the point of beginning, excepting one acre sold to Alexander Miller (Deed Book 83, page 596).

Item 29. Being all of the land formerly owned by Henry T. Ison that will be covered by the erection and maintenance of a dam in Dix River near its mouth, the spillway crest of which shall not exceed a height of 750 feet above sea level, and further described as follows: Beginning at the place in the bed of Cane Run Creek where the back water from said spillway will reach; thence down said Creek on both sides thereof with said 750 feet above sea level line to the line of the land purchased by Dix River Power Company from M. M. Dossett, and later conveyed by Dix River Power Company to Kentucky Hydro Electric Company.

Item 30. All of the lands formerly owned by M. M. Dossett which lie below the level of the bench of the cliff on Bowman's Branch on which the pump of M. M. Dossett now stands immediately above his spring, and situated on the waters of Cane Run Creek and Bowman's Branch, and beginning at the line of Henry T. Ison near the old Stone Mill, on Cane Run and extending down Cane Run Creek to the line of lands of S. W. Johnson, at or near the mouth of Bowman's Branch, thence with the line of said Johnson up Bowman's Branch to the level of the aforesaid bench of the cliff.

Item 31. All of the lands formerly owned by S. W. Johnson on Cane Run Creek and Bowman's Branch that lie below a line 750 feet above sea level, and running down Bowman's Branch with the line of lands of M. M. Dossett and down Cane Run Creek with the line of lands formerly owned by Dix River Power Company, being the Tom Washington Carr tract, to the line of the lands of I. S. Brown.

Item 32. All of the lands formerly owned by R. L. Black, acquired by him from I. S. Brown, which may be submerged by reason of the construction and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level. Said lands are on Cane Run Creek and begin at the line of the lands owned by S. W. Johnson and said lands extend down Cane Run Creek to the lands of Sam Hager for a distance of about one mile.

Item 33. All the lands formerly owned by S. W. Hager that lie below a line 750 feet above sea level on Cane Run and Dix River; and bounded on the North and West by Cane Run Creek; and by Dix River on the East; and beginning with the line of I. S. Brown and running down Cane Run Creek to its mouth; thence up Dix River to the line of the lands formerly owned by Ida and Jesse Hawkins.

Item 34. Beginning at a point in the center of Dix River in the line between Ida M. and Jesse Hawkins and W. M. Proctor; thence south with line of said Proctor to a point on the cliffs of Dix River 725 feet above sea level; thence in an Easterly and Southeasterly direction along a line 725 feet above sea level until it strikes the division line between the said Hawkins and R. T. Wilds; thence with the division line between said Hawkins and said Wilds in an Easterly direction to the center of Dix River; thence with the center of Dix River to the point of beginning.

Item 35. Situated in Mercer County, and being all of the lands formerly owned by Ida M. and Jesse Hawkins on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at line of R. T. Wilds or Charlie Perkins and running thence down stream as it meanders to line of lands formerly owned by Dix River Power Company.

Item 36. All of the land of C. O. Perkins and wife which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of lands formerly owned by Atwood Proctor or C. P. Kennedy, and extending downstream with its meanders to the Burgin and Kings Mill turnpike; thence with the turnpike to the River; thence back up the River to the Kennedy-Proctor line; thence to the beginning.

Item 37. All the following land adjoining the tract described in Item 36 above, and described as follows: Beginning at a crossmark cut in a stone near the fence along the Burgin and Kings Mill Turnpike; and thence N 24° 21' E 36 feet; N 28° 40' E 29 feet; N 46° 35' E 62 feet; N 44° 25' E 78 feet; N 66° 15' E 66 feet; N 39° 20' E 72 feet; N 27° 50' E 34 feet; N 11° 15' E 34 feet; N 21° 40' E 26 feet; N 5° E 70 feet; N 1° E 10° W 72 feet; N 1° 30' W 64 feet; N 0° 30' E 124.5 feet; N 11° 30' E 100 feet; N 0° 30' W 88 feet; N 5° 36' W 80 feet; N 7° 20' W 46 feet; N 2° 6' W 66 feet; N 3° 50' E 106 feet; N 27° 28' E 86 feet; N 18° 20' E 80 feet; N 28° 30' E 46 feet; N 19° 25' E 95 feet; N 21° 50' E 52 feet; N 15° 10' E 70 feet; N 18° 16' E 102 feet; N 36° 25' E 64 feet; N 38° E 102 feet; N. 62° 28' E 60 feet; N 82° 20' E 40 feet to a point another crossmark cut in stone in vertical cliff of Dix River; thence along this vertical cliff Northeastwardly about 300 feet to a mark in said cliff at the end of the vertical portion thereof; thence N 56° 30' E 160 feet; N 61° 35' E 111 feet; N 37° 50' E 154 feet; N 33° 40' E 280 feet; N 16° 25' E 161 feet; N 17° 45' E 159 feet, to a point in the present fence line between the land of C. O. Perkins and R. T. Wilds, thence between said fence and river N 8° 56' E 120 feet; N 10° 5' E 153 feet; thence N 25° E 67 feet; N 0° 15' E 100 feet; N 7° 5' W 95 feet; N 3° 25' W 86 feet; N 5° 40' E 107 feet; N 18° 10' W 94 feet; N 23° 50' W 96 feet to a stone set near the corner of R. T. Wilds in the line of C. O. Perkins, and near the corner to land purchased from Dora Hager by C. O. Perkins; thence N 38° W 89 feet; N 52° 30' W 167 feet; N 47° 12' W 205 feet; N 63° 30' W 180 feet; N 65° 28' W 168 feet; N 44° 10' W 161 feet; N 46° 30' W 133 feet; N 56° 60' W 166 feet; N 51° 46' W 143 feet; N 50° 32' W 84 feet; N 49° 25' W 92 feet; N

57° 32' W 98 feet; N 56° 15' W 144 feet; N 74° 50' W 83 feet; N 61° 10' W 192 feet; N 70° 35' W 138 feet; N 86° 6' W 116 feet; S 82° 35' W 114 feet; S 80° 10' W 150 feet to a stone set in the line between C. O. Perkins and Hawkins; thence with their line to Dix River; thence with Dix River to the Burgin and Kings Mill Turnpike; thence with the same as it meanders to the beginning.

Item 38. Beginning in the center of Dix River in the line between the lands of R. T. Wilds and the lands of Ida M. Hawkins; thence Westerly with the line of said Hawkins to a point on the cliffs of Dix River 750 feet above sea level; thence with a line 750 feet above sea level along said Dix River cliffs in a Southerly, Southeasterly and Easterly direction to the dividing line between the lands of said Wilds and the lands of John A. Nooe; thence with the line of said Nooe in a Southern direction to the center of Dix River; thence with the center of said river to the beginning.

Item 39. An undivided three-fourths interest in the following tract of land: Beginning at a point in the middle of Dix River in the line between John A Nooe and R. T. Wilds; thence with the line of said Wilds in a Northerly direction to a point on the cliffs of Dix River to a point 725 feet above sea level; thence along the cliffs of Dix River along a line 725 feet above sea level in a Westerly and Southerly course to a point on the cliff where said line intersects a division line between said Nooe and Chas. P. Kennedy; thence with the line of said Chas. P. Kennedy in an Easterly direction to the center of Dix River; thence with the center of Dix River to the point of beginning.

Item 40. All the land formerly owned by Atwood Proctor that lie below a line 750 feet above sea level on Dix River, and beginning at a line of the Thomas J. Curd estate, and extending up Foley Spring Branch with said Thomas J. Curd estate to the 750 foot sea level, also down Dix River to line of the property formerly owned by C. P. Kennedy and others, later property of Dix River Power Company, same being the property conveyed by Atwood Proctor by deed dated Oct. 5th, 1898, and recorded in Commissioner's Deed Book 2, page 209 in the office of the Clerk of Mercer County Court, Commissioner's Deed to John W. Proctor and Atwood Proctor, and also by deed of John W. Proctor and Nora, his wife, to Atwood Proctor dated August 31, 1907, and recorded in Deed Book 77, page 67, Mercer County Court Clerk's Office.

Item 41. Being all of the lands of the heirs of Thomas J. Curd on Foley Spring Branch and Dix River, which lie below a line Seven Hundred and Fifty (750) feet above sea level, and running along Foley Spring Branch with line of lands of Atwood Proctor from 750 foot sea level line to the mouth of said Branch, and thence up Dix River to line of the lands of E. G. Guttery.

Item 42. All of the lands formerly owned by E. G. Guttery on Dix River which lie below a line 750 feet above sea level, and, beginning on Dix River at line of land of M. H. Johnson and running down Dix River with its meanders to line of lands of the estate of T. J. Curd, and being a portion of the same real estate conveyed to E. G. Guttery by J. T. Huguely and wife by deed dated February 1, 1909, and recorded in Deed Book 80, page 424, in the office of the Clerk of the Mercer County Court.

Item 43. All of the lands formerly owned by M. F. Johnson, on Dix River, which lie below a line 750 feet above sea level, as designated by a three inch cross on face of cliff at North edge of three foot diameter cave, and beginning at line of lands of Mrs. John Hutchison, and extending down Dix River to line of lands formerly owned by Dix River Power Company.

Item 44. All of the land formerly owned by Wash Payne on Dix River, which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the lands formerly owned by J. B. Perkins upstream, and running to the lands formerly owned by Lucille Hutchison down stream.

Item 45. All of the lands formerly owned by Lucille P. Hutchison which may be submerged on account of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning upstream at line of lands of Joe Perkins, and running downstream to line of lands of William Carmikle; and also beginning at line of lands of Roger's estate upstream and running downstream to line of lands of M. F. Johnson.

Item 46. All of the lands formerly owned by Sara Rogers on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of Mack Merriman, and running down Dix River to line of lands of C. M. Paxton (formerly Sallee's land).

Item 47. All of the lands formerly owned by Mack Merriman on Dix River that lie below a line 750 feet above sea level, and beginning at line of the lands of Hiram Collier, and extending down Dix River to line of lands of the Alfred Roger's estate to a distance of about 3,000 feet.

Item 48. All of the lands formerly owned by Hiram and Maggie Collier that lie below a line 750 feet above sea level on Dix River, and beginning at line of lands of William Carmikle on Dix River, on the opposite side, and above the mouth of Baughman's Branch, and running down the river to line of lands of Mack Merriman below the mouth of Tan Yard Branch on opposite side of Dix River, about 3,500 feet.

Item 49. All of the lands formerly owned by J. W. Carmikle on Dix River which lie below a line 750 feet above sea level, and beginning at line of lands of C. M. Paxton (formerly Sallee) and running down Dix River to line of lands of Hiram and Maggie Collier.

Item 50. All of the lands formerly owned by J. B. Perkins lying below a line 750 feet above sea level, adjacent to two lots in Bushtown Settlement, next to lines of lands of Jordan Taylor's heirs, Mose Floyd's heirs, George Smith and Shelby Smith, and part of a twenty-seven and a half acre tract which begins at line of Mose Floyd's heirs and running down Dix River to the line of lands of C. M. Paxton.

Item 51. All of the lands formerly owned by the heirs of Mose Floyd, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River the spillway floor of which will not be higher than 750 feet above sea level, and beginning upstream at line of lands formerly owned by Jordan Taylor's estate, and running downstream to line of lands formerly owned by J. B. Perkins.

Item 52. All the lands formerly owned by George Smith that lie below a line 750 feet above sea level on Dix River, and beginning at line of Joseph Perkins and running down the river to the line of Hunn's Chapel property, about 350 feet.

Item 53. All the lands formerly owned by John Sanders that lie below a line 750 feet above sea level on Dix River, and being that portion of two tracts of land in Bushtown Settlement more particularly described as follows: All the lands lying below a line 750 feet above sea level on Dix River beginning at line of Grant Gayton, and running down Dix River to line of Cary Hunn's heirs, and conveyed to said parties by deed of J. T. Huguely, dated Nov. 13, 1917, and recorded in Deed Book 94, page 388, in the office of the Clerk of the Mercer County Court.

Item 54. All the lands lying below a line 750 feet above sea level on Dix River, beginning at line of Cary Hunn's heirs, and running down Dix River to line of Walker Woodford, and conveyed to John Sanders by deed of E. J. Thistler, dated May 2, 1916, and recorded in Deed Book 91, page 599, in the office of the Clerk of Mercer County Court.

Item 55. All the lands formerly owned by Shelby Smith that lie below a line 750 feet above sea level on Dix River; and first lot beginning at a line of Hunn's Chapel, and running down Dix River to line of Thomas Floyd's heirs, about 220 feet; and second lot, strip as above, beginning on line of Floyd's heirs, and running down Dix River to line of Joseph Perkins, about 220 feet.

Item 56. All the lands formerly owned by Grant Gayton that lie below a line 750 feet above sea level on Dix River, and beginning on the line of Nannie Poor, and extending down Dix River to the line of John Sanders, about 300 feet, said tract being known as Lot 5 in the division of the estate of Harvey Gayton, and situated in the Bushtown settlement.

Item 57. All of the land formerly owned by the Trustees for the Colored Church of Hunn's Chapel of Bushtown, on Dix River, which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning up stream at the line of the lands formerly owned by George Smith, and running down stream to the line of the lands formerly owned by Shelby Smith.

Item 58. All of the lands formerly owned by the heirs of Jordan Taylor, deceased, in, on and near Dix River, which may be submerged by reason of the erection and maintenance of a dam in said River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream at line of land formerly owned by Price Dunn, and extending downstream to line of lands formerly owned by Joe Perkins.

Item 59. All of the lands formerly owned by the heirs of Harvey Gayton, deceased, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in said River, the spillway floor of which will not be higher than 760 feet above sea level, and beginning upstream at line of lands formerly owned by George Ellis, and running downstream to line of lands formerly owned by Jack Sanders.

Item 60. All of the land formerly owned by Price Dunn and wife lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which shall not be higher than 750 feet above sea level, and lying between the line of lands formerly owned by Jack Sanders upstream and line of lands formerly owned by Jordan Taylor's heirs downstream.

Item 61. Beginning in the center of Dix River in the line between George and James Ellis and the land of Lorinda Gaither and others; thence with the said division line between said Ellis and said Gaither and others in a Westerly course to a point on the cliffs of Dix River 725 feet above sea level; thence along the cliffs of Dix River along a line 725 feet above sea level in a Southerly direction until the said line strikes the division line between said George Ellis and J. W. Hicks; thence with the division line between said George and James Ellis and said J. W. Hicks along a branch and Dix River in an Easterly course to the center of Dix River; thence with the center of said River in a Northerly or Northwesterly direction to the point of beginning.

Item 62. Being all of the lands formerly owned by George W. Ellis on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River near its mouth, the spillway floor of which will not be higher than 750 feet above sea level.

Item 63. Beginning in the center of Dix River in the line between Hicks and Emily Scott; thence with the line of said Scott in a Westerly direction to a point on the cliffs of Dix River 725 feet above sea level; thence along the cliffs of Dix River along a line 725 feet above sea level in a Northerly and Northwesterly direction until said line strikes the division line between the lands of said Erasmus Hicks and the land of R. T. Hicks; thence with the division line between them in an Easterly direction to the center of Dix River; thence with the center of Dix River to the point of beginning.

Item 64. All of the lands formerly owned by Emily Baker and the other devisees of Erasmus Hicks on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at or near the line of the lands of Vic Rice upstream, and running down to the line of R. T. Hicks' devisees downstream; and also beginning at the line of the land of R. T. Hicks' devisees upstream, and running down to the line of lands of J. W. Hicks downstream.

Item 65. Beginning in the center of Dix River in the line between J. W. Hicks and George Ellis; thence with the line of said Ellis in a Westerly direction to a point on the cliffs of Dix River 725 feet above sea level; thence along the cliffs of Dix River along a line 725 feet above sea level in a Southerly and Southeasterly direction until said line strikes the division line between said J. W. Hicks and Erasmus Hicks; thence with the said division line between said J. W. and Erasmus Hicks to the center of Dix River; thence with the center of said river in a Northerly direction or Northwesterly direction to the point of beginning.

Item 66. All of the lands formerly owned by J. W. Hicks on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level, and beginning at the line of the lands formerly owned by Erasmus Hicks, and running thence down Dix River to the line of lands of George W. Ellis.

Item 67. All of the lands lying on and in Dix River about 3 miles Southeast of Burgin, described as follows: Beginning at a point on the line between the lands of Neal Warren and Louisville Baptist Orphans' Home which point is a hub ten feet above the edge of mean low water mark on the Mercer County side of said River, and from which hub a witnessed twin ash 12 inches in diameter bears S 61° W 10 feet; thence S 48° 34' E 102.4 feet to a point 15 feet above the edge of mean low water; thence S 51° 56' E 202.1 feet to a point 12 feet above the edge of mean low water; thence S 46° 42' E 276.2 feet to a point 15 feet above the edge of mean low water; thence S 44° 53' E 161.3 feet to a point 20 feet above the edge of mean low water; thence S 39° 19' E 109.6 feet to a point 19 feet above the edge of mean low water; thence S 48° 30' E 221.1 feet to a point 15 feet above the edge of mean low water; thence S 40° 51' E 441 feet to a point 40 feet above the edge of mean low water; thence S 40° 40' E 391.6 feet to a point 12 feet above the edge of mean low water; thence S 58° 50' E 255.6 feet to a point 11 feet above the edge of mean low water; thence S 82° 35' E 255 feet to a point 26 feet above the edge of mean low water; thence S 79° 35' E 164.6 feet to a point 31 feet above the edge of mean low water; thence S 65° 33' E 166.4 feet to a point 2 feet above the edge of mean low water; thence North 69° E 146.4 feet to a point 5 feet above the edge of mean low water; thence N 34° 37' E 199.6 feet to a point 3 feet above the edge of mean low water; thence N 8° 53' E 204.2 feet to a point 8 feet above the edge of mean low water; thence N 12° 15' E 179 feet to a point 10 feet above the edge of mean low water; then N 15° 46' E 319.5 feet to a point 5 feet above the edge of mean low water; thence N 7° 57' W 217.5 feet to a point 8 feet above the edge of mean low water; thence N 21° 27' W 143 feet to a point 3 feet above the edge of mean low water; thence N 44° 20' W 220 feet to a point 10 feet above the edge of mean low water; thence N 47° 2' W 222.1 feet to a point 10 feet above the edge of mean low water; thence N 66° 27' W 326.5 feet to a point 5 feet above the edge of mean low water; thence N 48° 16' W . . . feet to a point 3 feet above the edge of mean low water; thence N 34° 16' W 177.9 feet to a point 3 feet above the edge of mean low water; thence N 29° 21' W 264 feet to a point 10 feet above the edge of mean low water; thence N 16° 42' W 218.7 feet to a point 11 feet above the edge of mean low water; thence N 9° 59' W 132 feet; thence continuing the same line to a point at the edge of mean low water, on the boundary line between the lands of Emily Baker and of Louisville Baptist Orphans' Home, formerly Hicks; thence leaving the River and running with the line of said Emily Baker and Louisville Baptist Orphans' Home S 59° 23' W 175 feet to a line 760 feet above sea level; thence with said line 760 feet above sea level S 16° 12' E 138 feet to a point; thence S 15° 1' W 64.2 feet to a point; thence S 21° 14' East 55 feet to a point; thence S 12° 55' E 86.1 feet to a point; thence S 54° 13' E 76.1 feet to a point; thence S 31° 35' E 94.2 feet to a point; thence S 25° 45' E 101.2 feet to a point; thence S 19° 23' E 169.7 feet to a point; thence S 23° 32' E 156 feet to a point; thence S 28° 33' E 279.2 feet to a point; thence S 23° 27' E 185.7 feet to a point; thence S 13° 50' E 121.3 feet to a point; thence S 7° 7' E 192.8 feet to a point; thence S 32° 40' W 230.3 feet to a point; thence S 74° 48' W 128 feet to a point; thence N 82° 40' W 94 feet to a point; thence N 68° 31' W 80.4 feet to a point; thence N 64° 28' W 123.2 feet to a point; thence N 56° 20' W 167.7 feet to a point; thence N 51° 6' W 119 feet to a point; thence N 49° 56' W 99.8 feet to a point; thence N 47° 39' W 139.6 feet to a point; thence N 49° 22' W 157.7 feet to a point; thence N 48° 31' W 92.5 feet to a point; thence N 46° 49' W 201 feet to a point; thence N 50° 40' W 106.4 feet to a point; thence N 52° 4' W 103.5 feet to a point; thence N 49° 22' W 159.7 feet to a point; thence N 29° 35' W 81.8 feet to a point; thence N 47° 45' W 110 feet to a point on said 760 foot contour line on the line between the lands of Louisville Baptist Orphans' Home, formerly Hicks, and the land of Neal Warren; thence with the line between the lands of said Louisville Baptist Orphans' Home and Warren S 45° 32' W 178 feet to the point of beginning, and containing 41.78 acres of land as surveyed by H. L. Claggett in 1924.

Item 68. All of the lands of Louisville Baptist Orphans' Home, formerly Hicks, in and on Dix River which lie between the lines and boundary of the parcel described in Item 67 next above and the thread or middle of Dix River.

Item 69. All of the lands formerly owned by Victor M. Rice lying on Dix River which lie below a line 750 feet above sea level and beginning at line of lands of Fidelity Realty Company (formerly L. P. Yandell), and extending down Dix River to line of lands of Mrs. Emily Baker (formerly Erasmus Hicks), about 3000 feet.

Item 70. Being all of the lands formerly owned by Neal Warren on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 750 feet above sea level.

Item 71. Beginning in the center of Dix River, corner to Victor Rice; thence with the line of said Rice in a Northerly direction to a point on the cliffs of Dix River 725 feet above sea level; thence with the cliffs of said river and along a line 725 feet above sea level in an Easterly direction until said line strikes the division line between said Stagner to the dower land formerly belonging to estate of Richard Hicks, deceased; thence with the said division line of said Richard Hicks' tract in a Southerly direction to the center of Dix River; thence with the center of said River in a Westerly direction to the point of beginning.

Item 72. Situated on the Curdsville Turnpike and the Ballard Turnpike and described thus: Beginning in the center of the Ballard Turnpike at the East edge of the right of way of Cincinnati, N. O. & T. P. R. Co.; thence with the center of the Ballard Turnpike S. 81 degrees E. 316.8 feet to the intersection of same with New Curdsville Turnpike; thence with center of New Curdsville Turnpike S. 3½ degrees W. 1195.6 feet to corner to John Curd; thence leaving the turnpike and running with his line with a wire fence S. 71 degrees W. 188 feet to a walnut tree; thence S. 64½ degrees W. 103.5 feet to a dead honey locust; thence S. 88 degrees W. 42.7 feet to a walnut; thence N. 80 degrees W. 114.8 feet to a walnut; thence N. 62¾ degrees W. 122.1 feet to the East edge of the right of way of the

railroad; thence with said right of way N. 23½ degrees E. 162 feet to a fence post; thence N. 65 degrees W. 38.7 feet to a corner post; thence with the East right of way line curving to the left, said course being Northeastwardly, and about 1200 feet to the beginning, containing 11.77 acres of land.

Item 73. A strip of land 100 feet wide throughout its length, the center line of which is described as follows: Beginning at a stake which is Station 12 plus 50 of the branch railroad formerly owned by Kentucky Hydro Electric Company from the Cincinnati Southern Railroad at Herrington Station to the dam on Dix River, said point being in the center of the Curdsville Turnpike; thence N. 86 degrees 15' E. 1064.29 feet to a stake; thence with a 2 degree and 30' curve to the right a distance of 99.21 feet to a stake in Epperson's line. The line thus described is the center line of a strip of land 100 feet wide, the width of which is obtained by measuring at right angles a distance of 50 feet on each side of said line. Said parcel contains 2.67 acres of land, more or less.

Item 74. A strip of land 20 feet wide throughout its entire length, and beginning at a stone which is the East end on the North side of the roadway belonging to U. G. Epperson and formerly by Kentucky Hydro Electric Company, also corner of John Curd's land; thence with the North line of said roadway N. 85 W. 10 chains to the center of the Curdsville Turnpike; thence with the center of said turnpike N. 5 E. 20 feet to corner to John Curd; thence leaving pike S. 85 E. a new line with John Curd 10 chains to the new corner in line of Curd and Epperson; thence with Epperson's West line Southwardly 20 feet, more or less, to the beginning, and containing .3 of an acre of land, more or less.

Item 75. All of the lands formerly owned by Joseph T. Curd lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Andy Hardin, and run down Dix River to mouth of Spring Branch near Dix Dam, and then up said Branch to the 760 foot sea level elevation as above defined.

Item 76. All of the lands formerly owned by Ida M. Hawkins, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin at line of lands of C. O. Perkins, and run down Dix River to line of lands of S. W. Hager.

Item 77. All of the lands formerly owned by S. W. Hager lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands formerly owned by Ida Hawkins, and run down Dix River to Cane Run Creek, and up Cane Run to line of lands of R. L. Black.

Item 78. All of the lands formerly owned by R. L. Black, lying on Herrington Lake or Cane Run Creek which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of R. W. Clark, and run down Cane Run Creek to line of lands of S. W. Hager.

Item 79. All of the lands formerly owned by R. W. Clark, lying on Herrington Lake or Cane Run Creek, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which shall not be higher than 760 feet above sea level, which lands begin upstream at line of lands of S. W. Johnson, and run down Cane Run Creek to line of lands of R. L. Black.

Item 80. All of the lands formerly owned by S. W. Johnson, lying on Herrington Lake or Dix River which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of said S. W. Johnson and M. M. Dossett at said 760 foot level in bed of Bowman's Branch, and run down Bowman's Branch to its mouth, and down Cane Run to line of Ruther Clark or R. L. Black.

Item 81. All of the lands formerly owned by M. M. Dossett, lying on Herrington Lake and Cane Run Creek and Bowman's Branch which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin at line of Henry T. Ison near the Old Stone Mill on Cane Run Creek, and run down said Creek to lands of S. W. Johnson at or near the mouth of Bowman's Branch, and thence up said Branch with line of Johnson to the 760 foot level as above defined.

Item 82. An easement, being the right to submerge and impound water upon so much of the lands of Guilford K. Cox on Cane Run Creek or Herrington Lake as may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level. The lands with respect to which this easement is granted begin at line of lands of Henry T. Ison downstream and run upstream on each side of Cane Run Creek, including said stream.

Item 83. All of the lands formerly owned by Henry T. Ison lying on Herrington Lake or Cane Run Creek which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Guilford K. Cox, and run down said Cane Run Creek on both sides thereof to line of lands formerly owned by M. M. Dossett.

Item 84. All of the lands formerly owned by Andy Estes lying on Herrington Lake or Cane Run Creek which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Cas Lovett, and run down Cane Run to line of lands of Cas Lovett.

Item 85. All of the lands formerly owned by R. T. Wilds lying on Dix River which will be submerged by reason of the

erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of C. O. Perkins, and run down Dix River to line of lands of C. O. Perkins.

Item 86. All of the lands formerly owned by C. O. Perkins lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Atwood Proctor, and run down Dix River to line of lands of R. T. Wilds; and again from said Wilds' line to line of lands formerly owned by Ida Hawkins.

Item 87. All of the lands formerly owned by E. G. Guttery lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of M. H. Johnson, and run down Dix River to line of lands of Curd Estate.

Item 88. All of the lands formerly owned by Sarah Rogers lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Justice and Gay and run down Dix River to line of lands of Lucile P. Hutchison.

Item 89. All of the lands formerly owned by J. D. Gay and wife and Paul M. Justice and wife lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Hiram Collier, and run down Dix River to line of lands of Sarah Rogers.

Item 90. All of the lands formerly owned by Hiram Collier lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of William Carmikle, and run down Dix River to line of lands of Justice and Gay.

Item 91. All of the lands formerly owned by J. W. Carmikle lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at the line of lands of Lucile P. Hutchison, and run down Dix River to line of lands of Hiram Collier.

Item 92. All of the lands formerly owned by J. B. Perkins, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mose Floyd's Heirs and run down Dix River to line of lands of Lucille P. Hutchison.

Item 93. All of the lands formerly owned by Webb Moulder, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of land of Hunn Heirs, Bushtown Settlement, and run down Dix River to line of lands of Price Dunn.

Item 94. All of the lands formerly owned by E. M. Hardin and wife and Van B. Carter and wife, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mollie Hicks, and run down Dix River to line of lands of Gayton Heirs.

Item 95. All of the lands formerly owned by Mollie Hicks, Lylian Hicks and Florence Hosken and husband, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Victor Rice and Neal Warren, and run down Dix River to line of lands of Neal Warren and E. M. Hardin and others.

Item 96. All of the lands formerly owned by Neal Warren, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mollie Hicks, and run down Dix River to line of lands formerly owned by Richard Hicks.

Item 97. All of the lands formerly owned by Robt. M. Dillehay, lying on Dix River, which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Victor Rice, and run down Dix River to line of lands of Mollie Hicks.

Item 98. All of the lands formerly owned by Victor M. Rice and wife, Mary N. Rice, and Stella R. Ballard and husband, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mason Brothers, and run down Dix River to line of lands of R. M. Dillehay.

Item 99. All of the lands formerly owned by John Sanders, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Grant Gayton, and run down Dix River to line of lands of Cary Hunn's Heirs.

Item 100. All of the lands formerly owned by Lucille P. Hutchison lying on Dix River which will be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. B. Perkins, and run down Dix River to line of lands of William Carmikle; and also which lands begin upstream at line of lands of Rogers Estate, and run down Dix River to line of lands of M. F. Johnson.

Item 101. All of the lands formerly owned by M. F. Johnson lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Lucille P. Hutchison, and run down Dix River to line of lands of E. G. Guttery.

Item 102. All of the lands formerly owned by Cas Lovett, lying on Herrington Lake or Cane Run Creek, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream on Cane Run at line of lands formerly owned by M. M. Dossett, and run down Cane Run to line of lands of Andy Estes; also from Estes' line down Cane Run, and up Denny's Branch to 760 foot level as above described.

Item 103. All of the lands formerly owned by George Smith lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. B. Perkins, and run down Dix River to line of lands of Hunn's Chapel.

Item 104. All of the lands formerly owned by Shelby Smith lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Hunn's Chapel or J. B. Perkins, and down Dix River to line of lands of Thomas Floyd's Heirs; and also from said last mentioned line down to line of lands of J. B. Perkins.

Item 105. All of the lands owned by Grant Gayton lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Nannie Poor, and run down Dix River to line of lands of John Sanders.

Item 106. All of the lands formerly owned by Wash Payne, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of J. B. Perkins, and run down Dix River to line of lands of Lucille Hutchison.

Item 107. All of the lands formerly owned by Rice Dunn lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John Sanders, and run down Dix River to line of lands of Jordan Taylor's Heirs.

Item 108. All of the lands formerly owned by Trustees of Hunn's Chapel Church lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of George Smith, and run down Dix River to line of lands of Shelby Smith.

Item 109. All of the lands formerly owned by Holman Kurtz, lying on Dix River or Cane Run which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of 760 foot sea level above described, and run down Wallace Branch to line of lands of J. F. Rupley; and also begin at line of Rupley and run down Cane Run to lands of W. O. Lyons.

Item 110. All of the lands formerly owned by Andy W. Hardin, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. F. Lyons' heirs on Sternbergen Branch, and run down same to Dix River and down Dix River to line of lands of Jos. T. Curd.

Item 111. All of the lands formerly owned by W. H. Bower and Alvin W. Glascock, lying on Herrington Lake or Denny and Glow Branches which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at 760 foot level as above defined at line of lands of Holman Kurtz, and run down to line of lands of R. W. Denny.

Item 112. All of the lands formerly owned by John Fred Rupley, lying on Herrington Lake or Cane Run, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Holman Kurtz, and run down Cane Run to line of lands of Holman Kurtz.

Item 113. All of the lands formerly owned by D. E. Mills and wife, C. H. Noel and wife, and R. G. Noel, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Atwood Proctor, and run downstream to line of lands of W. E. Scott.

Item 114. All of the lands formerly owned by J. M. Murphy and others, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of W. E. Scott, and run down Dix River to line of lands of Campbell and Foushee.

Item 115. All of the lands formerly owned by W. E. Scott, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Mills, and run downstream to line of lands of Murphy.

Item 116. All of the lands formerly owned by W. Oscar Lyons, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of Holman Kurtz on Cane Run, and run down same and down Dix River to line of lands of W. F. Lyons' estate.

Item 117. All of the lands formerly owned by Thomas Floyd and other heirs of Mose Floyd, lying on Dix River, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of estate of Jordan Taylor, and run down Dix River to line of lands of J. B. Perkins.

Item 118. All of the lands formerly owned by the widow and heirs of Carey Hunn, deceased, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of John Sanders, and run down Dix River to line of lands of Price Dunn.

Item 119. The following described tract of land on Dix River: Beginning at a stake or stone in the line of Atwood Proctor, which point is in the fence line between the heirs of Thomas J. Curd and Atwood Proctor, 57½ feet South from Foley Spring and 20½ feet vertically above said Spring; and continuing therefrom on a level line and with the remaining land of Curd et al. S. 85-15 E. 120 feet; S. 81-10 E. 192 feet; N. 87 E. 170 feet; S. 82-30 E. 165 feet; S. 72-30 E. 175 feet; S. 83-30 E. 90 feet; S. 69-20 E. 145 feet; S. 79-30 E. 108 feet; N. 83-30 E. 150 feet; N. 85-30 E. 275 feet; N. 73 E. 166 feet; N. 87-50 E. 204 feet; N. 66-40 E. 120 feet; N. 45-40 E. 136 feet; N. 68-25 E. 100 feet; N. 84-35 E. 135 feet; N. 87-50 E. 175 feet; N. 84-10 E. 190 feet; N. 85-10 E. 250 feet; N. 78-30 E. 156 feet; N. 85-25 E. 165 feet; N. 89-25 E. 225 feet; N. 83-30 E. 200 feet; N. 87-15 E. 221 feet to a point in the line of E. G. Guttery; thence leaving said line and running North with Guttery's old line to middle of Dix River; thence down same to mouth of Foley Spring Branch; thence up said Branch with line of Atwood Proctor to center of Foley Spring; thence South with Proctor's line to the point of beginning.

Item 120. All of the lands formerly owned by Atwood Proctor, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level which lands begin upstream at line of lands of T. J. Curd Estate; thence up Foley Spring Branch; thence down same and down Dix River to line of lands of Elmore Mills and others.

Item 121. All of the lands formerly owned by R. Walter Denny, lying on Herrington Lake or Denny's, Wallace's and Glow's Branches, which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin at line of land of Cas Lovett on Denny's Branch, and extend down said Branch to lands of Bower and Glascock on Glow Branch.

Item 122. All of the lands formerly owned by Nellie C. Campbell and others, lying on Dix River which may be submerged by reason of the erection and maintenance of a dam in Dix River, the spillway floor of which will not be higher than 760 feet above sea level, which lands begin upstream at line of lands of O. W. Murphy Co., and run down Dix River to line of lands of S. O. Vanarsdall.

The property described above in Items 1 to 122 was acquired by the Company by deed dated December 31, 1928, and recorded in Deed Book 104, page 465, in the Office of the Clerk of Mercer County, Kentucky.

There is excluded and excepted from the foregoing Items 1 to 122 above:

(a) the hydroelectric plant of Kentucky Utilities Company located at Dam No. 7 in the Kentucky River in Mercer County, Kentucky, together with all rights-of-way, structures, buildings, property rights, privileges and easements directly comprising such hydroelectric plant; but excluding any distribution systems and transmissions lines related thereto; being part of the same property acquired by the Company in Paragraph "Third" of that certain Deed dated December 31, 1928, of record in Deed Book 104, Page 465, in the Office of the Clerk of Mercer County, Kentucky.

(b) so much of said property as was conveyed to Lock 7 Hydro Partners, LLC, a Kentucky limited liability company, by Quitclaim Deed dated as of December 29, 2005, recorded in Deed Book 305, Page 195, in the Office of the Clerk of Mercer County, Kentucky.

Item 123. A tract of land in Harrodsburg, described as follows: Situated on the Southeast corner of Chiles and Factory Streets in Harrodsburg, on which is situated the Municipal Lighting Plant, and beginning at a point where the east line of Chiles Street intersects with the South line of Factory Street; thence with the East line of Chiles Street South Eighty and one-half (80½) feet to a point, corner to Emma L. Francis; thence with her line East One Hundred and Thirty-eight (138) feet to her corner in line of Clell Coleman, formerly Chinn; thence with his line North Eighty and one-half (80½) feet to the South edge of Factory Street; thence with the South edge thereof West One Hundred and Thirty-eight (138) feet to the beginning; being the property acquired by the Company by deed dated November 16, 1926, and recorded in Deed Book 102, page 539, in the Office of the Clerk of Mercer County, Kentucky.

Item 124. Beginning at a point in the northwest margin of Shaker Ferry road where it turns eastwardly toward the river and which point is approximately in line with the center line of said road as it runs southwardly from the angle therein above the river toward Shakertown; thence N. 22-52 W. 458.3 feet; N. 3-22 W. 100 feet; N. 1-46 W. 200 feet; N. 0-45 E. 100 feet; N. 6-35 E. 500 feet; N. 6-21 E. 200 feet; N. 6-35 E. 236 feet; N. 3-00 E. 189 feet; N. 1-26 W. 250.4 feet; N. 0-45 E. 200 feet this point being at the extreme north end of said tract and in line of U.S. Government property; thence S. 84-30 E. 30 feet; S. 0-45 W. 200 feet; S. 1-26 E. 250.4 feet; S. 3-00 W. 189 feet; S. 6-35 W. 236 feet; S. 6-21 W. 200 feet; S. 6-35 W. 500 feet; S. 0-45 W. 100 feet; S. 1-46 E. 200 feet; S. 3-22 E.

95 feet; S. 22-52 E. 442 feet to the northwest margin of said Shaker Ferry road as it leads to the ferry; thence S. 47-15 W. 30 feet to the point of beginning, and containing 1.6 acres; being the property acquired by the Company by deed dated January 31, 1930, recorded in Deed Book 105, page 580, in the Office of the Clerk of Mercer County, Kentucky.

Item 125. That certain property located in Mercer County, Kentucky, on both sides of the Danville and Dix River Road and on the Ballard Turnpike and more particularly described as follows:

BEGINNING at a stone in the center of the Danville and Dix River Road, corner to Martin Noel, opposite Motley's Passway, and running with the center thereof South 32-1/2° West 4.2 chains and South 19° West 3.8 chains to corner to Newton Curd; thence leaving the road with his lines North 78-1/4° West 5 chains to a stone and South 51-1/2° West 55 links to the east edge of the right of way of the Cincinnati Southern Railway, as newly located; thence with the east line thereof with the fence Southwardly 1080 feet to the north edge of the Ballard Turnpike at the intersection with the railway; thence with the north edge of the turnpike South 84° East 4.75 chains to the center of the Danville and Dix River Road; thence with the center of said road North 2-3/4° W 10.45 chains to an iron pin corner to H. T. Ison, formerly Artis W. Curd; thence with his line South 84° East 21.63 chains to a stone corner to Grant Epperson; thence with his line North 56-1/2° East 2.6 chains to an iron pin corner to David Motley and Epperson; thence with Motley's lines North 6° West 10.36 chains to a stone, North 86-1/2° West 9 chains to a stone, North 3° E 3.7 chains to the edge of Motley's 20 foot roadway, and thence with the south line thereof South 84° West 10.5 chains to the beginning, containing 36 acres, be the same more or less.

There is excepted from the above-described Parcel 1 (Item 125) the following: Property conveyed to A. G. Peavler and Rosie Lee Peavler, his wife, by deed of Grover Peavler, a single man, et al, dated October 17, 1979, recorded in Deed Book 236, Page 674; Property conveyed to Kentucky Utilities Company, Inc., a Kentucky corporation, by deed of Grover Peavler, a single man, et al, dated November 8, 1991, recorded in Deed Book 237, Page 103.

All of the foregoing references are to the Mercer County Clerk's office.

Item 126. All of that tract of land, with improvements thereon, near Dix Dam in Mercer County, Kentucky, on the Curdsville Road, described as: BEGINNING on the West side of the Curdsville Road in the center of an old lane corner to J.D. WALLACE (or Willis); thence with his line N 76.08 W 330 feet continuing with Willis and crossing the C.N.O. and T.P. Railway Company right of way and continuing with Virgil Houp S 52.53 W 891 feet to a point in the Dix Dam Road in line of F.C. Slama; thence with Slama's line up a hill N 22.49 W 282 feet along a stone fence, N 22.41 W 198 feet, N 23.14 W 444 feet to a mulberry tree, and along the creek bank N 50.09 W 109 feet, and around the top of the brow of the bluff N 7.01 W 264 feet; N 9.50 W 263 feet; N 14.24 E 264 feet to an elm on the side of the bluff and S 82.16 W 143 feet to an elm tree on top of bluff, and along the top of the bluff N. 0.46 W 488 feet to the line of Gwinn; thence with Gwinn for four calls along the side of the bluff and along an old stone fence N 11.40 E 229 feet, N 44.42 E 330 feet, and leaving stone fence and crossing creek and said railroad N 88.55 E 528 feet to a point on the East side thereof, thence at an angle across said right of way N 5.27 W 392 feet to a point on the west side of said C.N.O. and T.P. Railway Company double tracks and corner to John Buckley; thence with Buckley S 58.49 E 1963 feet to the West side of the Curdsville Road; thence along the West side thereof S 28.21 W 524 feet, S 26.04 W 640 feet S 38.36 W 363 feet, and S 18.55 W 274 feet to the beginning. There is excepted from the above-described Parcel 2 (Item 126) the following:

- (a) (Railroad right-of-way conveyed in Deed Book 43, Page 459, Deed Book 44, Pages 175 and 404; and deed to Trustees of the Cincinnati Southern Railway, dated September 14, 1928, recorded in Deed book 104, Page 205; and
- (b) Property conveyed by Clarene A. Rose to F.C. Slama, by deed dated April 30, 1952, and recorded in Deed Book 128, Page 412; and
- (c) Property conveyed to Commonwealth of Kentucky, by deed dated October 9, 1936, recorded in Deed book 110, Page 637.

All of the foregoing references are to the records of the Mercer County Clerk's office.

Item 127. The foregoing two parcels having been surveyed by Estes Engineering, prepared November 28, 2000, and are described pursuant to the survey in three separate tracts as follows: A description of tract 'D' from Houp located on KY 342 and Curdsville road in the county of Mercer, state of Kentucky and bounded as follows: unless stated otherwise, any monument referred to herein as an iron pin set 11/2000 is a 5/8" x 24" rebar with a 2" aluminum cap stamped L.W. Estes LPLS 1880; beginning at an iron pin (set 11/2000) located in the west right of way of Curdsville Road and being a corner to Major et al; thence, along the west right of way of Curdsville road (20' to CI) for the following calls, S34°27'24"w, a distance of 184.05 feet to a point; S32°04'07"w, a distance of 308.88 feet to a point; S28°07'56"w, a distance of 272.12 feet to an iron pin (set 11/2000); S26°51'37"w, a distance of 185.81 feet to a point; S26°16'48"w, a distance of 168.28 feet to a point; S30°08'53"w, a distance of 56.37 feet to a point; S37°54'22"w, a distance of 88.05 feet to a point; S38°49'36"w, a distance of 94.54 feet to a point; S36°18'15"w, a distance of 90.01 feet to a point; S28°49'15"w, a distance of 76.20 feet to a point; S20°40'55"w, a distance of 108.61 feet to a point; S16°01'26"w, a distance of 113.54 feet to an iron pin (set 11/2000); S14°12'06"w, a distance of 60.92 feet to a point; S12°06'15"w, a distance of 107.64 feet to a point; S07°03'13"w, a distance of 159.31 feet to a point; S05°58'57"w, a distance of 143.54 feet to a point; SO4° 10'57"w, a distance of 183.40 feet to a point; SO4°33'22"w, a distance of 180.41 feet to an iron pin (set 11/2000); SO4°30'14"w, a distance of 277.58 feet to an iron pin (set 11/2000), located in the north right of way of KY 342; thence, N57°25'57"w, along the north right of way of KY 342 (r/w variable), a distance of 184.15 feet to an iron pin (set 11/2000) located in the east right of way of Southern Railroad; thence, along the east right of way of Southern Railroad (DB 104-205 and DB 104-250) for the following calls, along a curve to the left having a radius of 2964.90 feet, a curve length of 1182.75 feet, the chord of which is n6°03'51"w, a chord length of 1174.92 feet to an iron pin (set 11/2000); N18° 52'08"w, a distance of 662.00 feet to an iron pin (set 11/2000); along a curve to the right having a radius of 2764.90 feet, the curve length of 1698.86 feet, the chord of which is N3°11'47"w, a chord distance of 1672.26 feet to an iron pin (set 11/2000), a corner to

Major et al; thence, s58°49'00"e, along the line of Major et al (DB 230-267) and along or near a fence, a distance of 1828.71 feet to point of beginning. Containing 58.237 acres more or less. All bearings are referred to bearing of record along the line of Major et al as shown in DB 176-18 (S58°49'00"e) tract 'D' is a portion of DB 176-18 and a portion of DB 237-590. Tract 'D' was surveyed by Lindon W. Estes, Lpls 1880 (Estes Engineering and Surveying, Inc.) on 11/28/2000.

Item 128. A description of tract 'E' from Houp located on Southern Railroad in the county of Mercer, state of Kentucky and bounded as follows: unless stated otherwise, any monument referred to herein as an iron pin set 11/2000 is a 5/8" x 24" rebar with a 2" aluminum cap stamped L.W. Estes LPLS 1880; beginning at an iron pin (set 11/2000) located in the west right of way of Southern Railroad and a corner to Shakertown at Pleasant Hill, Kentucky, Inc. (Said point located S35°08'09"w, a distance of 520.58 feet from the north west most corner of tract 'D' of Houp; thence, along the west right of way of Southern Railroad (DB 43-459 and DB 44-175 (DB 44-404) for the following calls, S10°09'05"w, a distance of 56.20 feet to an iron pin (set 11/2000); along a curve to the left having a radius of 2342.00 feet, the curve length of 1497.38 feet, the chord of which is S8°57'52"e, the chord length of 1472.01 feet to an iron pin (set 11/2000); S28°21'31"e, a distance of 301.67 feet to an iron pin (set 11/2000); along a curve to the right having a radius of 1382.70 feet, the curve length of 157.42 feet, the chord of which is S23°57'04"e, the chord length of 157.33 feet to an iron pin (set 11/2000); S69°18'37"w, a distance of 50.00 feet to an iron pin (set 11/2000); S17°15'09"e, a distance of 271.52 feet to an iron pin (set 11/2000), a corner to Baker; thence, S52°53'00"w, along the line of Baker (DB 266402), a distance of 314.56 feet to the center of 14" W.F. I beam (found), a corner to Lot '14' of Pleasant Hill Farm; thence, along the line of Pleasant Hill Farm (Lots 14 thru 9 PC 'A-570') for the following calls, N30°57'29"w, a distance of 31.15 feet to the center of 14" W.F. I beam (found); N32°21'45"e, a distance of 161.60 feet to the center of 12" wood post witness pin (set 11/2000) N28°00'12"e, a distance of 1.14 feet; N3°14'27"w, a distance of 200.07 feet to the center of 14" corner post witness pin (set 11/2000) N1°08'37"e, a distance of 1.42 feet; N40°01'48"w, a distance of 175.61 feet to the center of 14" wood post witness pin (set 11/2000) S59°06'47"e, a distance 0.98 feet; N51°52'29"w, a distance of 266.26 feet to the center of 12" wood post witness pin (set 11/2000) S74°18'58"e, a distance of 0.91 feet; N84°01'18"w, a distance of 281.03 feet to the center of 10" wood post witness pin (set 11/2000) S89°49'47"e, a distance of 0.75 feet; N53°49'46"w, a distance of 84.33 feet to a 14" white oak tree witness pin (set 11/2000) S2°22'55"e, a distance of 1.77 feet; S47°22'53"w, a distance of 71.83 feet to an iron pin (set 11/2000 in snag); N35°07'25"w, a distance of 114.11 feet to a 24" oak tree witness pin (set 11/2000) S69°56'54"e, a distance of 1.87 feet; N8°15'24"e, a distance of 252.25 feet to a 30" sycamore tree witness pin (set 11/2000) S51°14'27"e, a distance of 1.55 feet; N24°39'36"e, a distance of 201.83 feet to a 18" hickory tree witness pin (set 11/2000) N68°50'36"w, a distance of 0.79 feet; N8°27'09"e, a distance of 153.01 feet to the center of 12" walnut stump, witness pin (set 11/2000) N1°28'16"e, a distance of 0.70 feet; N23°59'04"w, a distance of 129.81 feet to a 20" walnut tree, witness pin (set 11/2000) S39°40'16"e, a distance of 1.16 feet; N21°57'48"w, a distance of 205.36 feet to a 14" oak stump (3' tall) witness pin (set 11/2000) N88°14'58"e, a distance of 0.98 feet, a corner to H.U.S. of Ky., Inc.; thence, N4°24'53"w, along the line of H.U.S. of Ky., Inc. (DB 239-599), a distance of 297.54 feet to an iron pin (set 11/2000) at corner to Shakertown at Pleasant Hill, Kentucky, Inc.; thence, along the line of Shakertown at Pleasant Hill, Kentucky, Inc. (DB 157-149 tract III) for the following calls, N11°44'16"e, a distance of 217.80 feet to an iron pin (set 11/2000); N47°14'16"e, a distance of 330.00 feet to a point on rock ledge on west side of cedar run witness pin (set 11/2000) N17°17'42"e, a distance of 14.40 feet; S83°30'44"e, a distance of 244.31 feet to point of beginning. Containing 23.186 acres more or less. All bearings are referred to bearing of record along the line of Major et al as shown in DB 176-18 (S58°49'00"e). Tract 'E' is a portion of DB 176-18. Tract 'E' was surveyed by Lindon W. Estes, LPLS 1880 (Estes Engineering and Surveying, Inc.) on 11/28/2000.

Item 129. A description of tract 'F' from Houp located on KY 342 in the county of Mercer, state of Kentucky and bounded as follows: Unless stated otherwise, any monument referred to herein as an iron pin set 11/2000 is a 5/8" x 24" rebar with a 2" aluminum cap stamped L.W. Estes LPLS 1880; beginning at an iron pin (set 11/2000) located in the south right of way of KY 342 and the east right of way of Southern Railroad; thence, S47°29'58"e, along the south right of way of KY 342 (r/w variable), a distance of 131.29 feet to an iron pin (set 11/2000) located in the west right of way of Curdsville road and a corner to Kentucky Utilities, (said iron pin located S44°12'55"w, a distance of 95.94 feet from the south east most corner of tract 'D' of Houp; thence, N82°49'14"w, along the line of Kentucky Utilities (DB 190-396), a distance of 104.35 feet to an iron pin (set 11/2000) located in the east right of way of Southern Railroad; thence, N5°05'13"e, along Southern Railroad (DB 104-250), a distance of 75.96 feet to point of beginning. Containing 0.091 acres more or less. All bearings are referred to bearing of record along the line of Major et al as shown in DB 176-18 (S58°49'00"e) tract 'F' is a portion of DB 237-590 tract 'F' was surveyed by Lindon W. Estes, LPLS 1880 (Estes Engineering and Surveying, Inc.) on 11/28/2000.

Item 130. Parcel 3 – Ky River Tract:

BEGINNING in the west right-of-way line of C.N.O. and T.P. Railway in or near High Bridge and running thence westwardly a straight line paralleling Kentucky River and with line of the second (2) tract herein to a beech snag on the east bank of Cedar Run Creek, and thence continuing said line to the center of said creek; thence down same with the center thereof to the mouth of said creek at Kentucky River; thence up Kentucky River eastwardly to the west right-of-way of said railway and with the same southwardly to the beginning.

Item 131. A certain boundary of land lying in Mercer County, Kentucky, on the waters of Cedar Run Creek near the mouth thereof and between said creek and the right-of-way of the Cincinnati-Southern Railroad and bounded as follows: BEGINNING at the figure 1 cut in a large rock in the edge of said creek and running thence a straight line in an easterly direction 165 feet more or less to figure 7 cut in the face of the cliff, thence a straight line in a southerly direction 294 feet more or less to figure 4 cut in the face of the cliff, thence a straight line in a westerly direction 100 feet more or less to a cross cut in a large rock on the edge of the creek, thence down the creek as it meanders 298 feet more or less to figure 1, the place of beginning.

There is excepted from the foregoing description of Parcel 3 (Items 130 and 131), property conveyed to Cincinnati Southern Railway, by deed dated August 29, 1908, recorded in Deed Book 78, Page 379, in the Office of the Clerk of Mercer County, Kentucky.

Parcels 1, 2 and 3 (Items 127 – 131 above) being the same property conveyed to Kentucky Utilities Company, by deed from Clifford W. Houp and Patricia J. Houp, dated March 22, 2001, recorded in Deed Book 282, Page 266, in the Office of the Clerk of Mercer County, Kentucky.

Item 132. A tract of land located near the town of Salvisa, Kentucky, fronting on the East side of Kentucky Highway No. 35 and described as follows: Beginning at point of intersection of lands of Ernest Riley and Lillie Riley with Highway #35, corner to Ray Cassell; thence in a southerly direction and parallel to center line of Highway #35 eighty feet to a corner; thence at right angles in an easterly direction 80 feet to a corner; thence at right angles in a northerly direction 80 feet to a corner; thence at right angles in a westerly direction 80 feet to the point of beginning, containing approximately 15/100ths of an acre, being the property acquired by the Company by deed dated March 29, 1952, and recorded in Deed Book 128, page 300, in the Office of the Clerk of Mercer County, Kentucky. EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, Department of Highways, by Deed of Conveyance dated May 5, 1952, recorded in Deed Book 239, Page 562, in the Office of the Clerk of Mercer County, Kentucky.

Item 133. A tract of land on the waters of Dix River and touching on the Curdsville and Dix Dam Roads, described as follows: Beginning at a point in the center of the Curdsville Road, said point being approximately 400 feet South of the intersection of said Curdsville Road and Dix Dam Road; running thence with line of W. O. Lyons South 84 degrees 21 minutes East 449.3 feet; South 85 degrees East 695.8 feet to a Walnut tree; North 55 degrees 39 minutes East 74.5 feet to a coffee bean tree; South 30 degrees 10 minutes East 109.9 feet; South 82 degrees 44 minutes West 111.0 feet; South 5 degrees 56 minutes West 604.1 feet to a corner to said W. O. Lyons and King (formerly Wm. D. King); thence with line of King South 89 degrees 31 minutes East 660.7 feet; South 89 degrees 48 minutes East 436.2 feet; North 88 degrees 34 minutes East 128.0 feet; thence with line of Kentucky Utilities Company South 89 degrees 30 minutes East 1227.9 feet; South 88 degrees 52 minutes East 646.5 feet; South 89 degrees 14 minutes East 763.3 feet to a concrete marker, corner to Kentucky Utilities Company; thence North 5 degrees 13 minutes East 1355.3 feet to a concrete marker corner to Kentucky Utilities Company; thence continuing with line of Kentucky Utilities Company North 89 degrees 21 minutes West 1333.2 feet to a point on the South side of the Dix Dam Road, said road conveyed to Dix River Power Company in deed from J. Warren Curd dated August 20, 1923; thence with the South side of said road South 74 degrees 40 minutes West 148.7 feet; North 89 degrees 33 minutes West 2398.9 feet corner to Lucas; thence leaving said road and running with line of Lucas South 5 degrees 19 minutes West 245.3 feet; North 83 degrees 35 minutes West 489.3 feet to a point on the South side of said Dix Dam road; thence with road North 85 degrees West 485.4 feet, corner to Hargis Flannery; thence with line of Flannery South 3 degrees 37 minutes West 303.5 feet; North 84 degrees 35 minutes West 169.4 feet corner to Flannery at the center of the Curdsville Road; thence South 2 degrees 44 minutes West along the center of said road 100.0 feet to the point of beginning, containing 126.4 acres; being the property acquired by the Company by deed dated January 8, 1954, and recorded in Deed Book 132, page 69, in the Office of the Clerk of Mercer County, Kentucky.

Item 134. A tract of land situated at the Northeast intersection of the Dix Dam Road and Curdsville Pike, described as follows: Beginning at a point where the east property line of the Curdsville Pike intersects the north property line of the Dix Dam Road; thence with the north property line of Dix Dam Road S 84 deg. 23' E 656.8 feet to a corner with Kentucky Utilities Company (formerly Webb); thence with Kentucky Utilities Company for 4 lines N 35 deg. 50' E 870.6 feet, N 04 deg. 50' E 270.6 feet, N 43 deg. 53' E 743.6 feet, and N 18 deg. 00' W 316 feet to the line of Palmer (now or formerly); thence with Palmer for 5 lines, S 53 deg. 02' W 167 feet, N 80 deg. 40' W 460 feet, N 81 deg. 35' W 440 feet, N 82 deg. 15' W 333.7 feet and N 83 deg. 35' W 192.8 feet to the center line of the Curdsville Pike; thence with the center line of the Curdsville Pike S 03 deg. 09' W 715.8 feet; thence S 86 deg. 51' E 30 feet to the east property line of the Curdsville Pike; thence with the east property line of the Curdsville Pike for 2 lines S 02 deg. 48' W 664.4 feet and S 02 deg. 45' W 470 feet to the beginning and containing 49.6 acres.

Item 135. A tract of land situated on the Westerly side of the Curdsville Pike near Dix Dam Road, described as follows: Beginning at a railroad spike in the center of the Curdsville Pike; thence with the center of the Curdsville Pike S 04 deg. 18' W 830.6 feet and S 04 deg. 21' W 931.4 feet to an iron pin, corner to Curd (now or formerly); thence with the line of Curd N 75 deg. 58' W 69.7 feet to an iron pin in the east right of way of the CNO&TP Railway; thence with the east right of way of the CNO&TP Railway for 18 calls N 18 deg. 20' W 100 feet, N 16 deg. 00' W 100 feet, N 15 deg. 00' W 100 feet, N 13 deg. 15' W 100 feet, N 12 deg. 01' W 100 feet, N 10 deg. 27' W 100 feet, N 08 deg. 54' W 100 feet, N 07 deg. 13' W 100 feet, N 05 deg. 39' W 100 feet, N 04 deg. 31' W 100 feet, N 02 deg. 45' W 100 feet, N 01 deg. 17' W 100 feet, N 00 deg. 29' E 100 feet, N 01 deg. 59' E 100 feet, N 03 deg. 16' E 100 feet, N 04 deg. 55' E 100 feet, N 06 deg. 45' E 100 feet, and N 07 deg. 56' E 32.3 feet to an iron fence post, corner to Kentucky Utilities Company; fence with Kentucky Utilities Company for 4 lines N 87 deg. 30' E 122.9 feet, N 65 deg. 19' E 75 feet, N 66 deg. 40' E 104.9 feet and N 81 deg. 01' E 54.9 feet to an iron pin in the west property line of the Curdsville Pike; thence with the west property line of the Curdsville Pike S 04 deg. 18' W 56.5 feet to an iron pin; thence S 85 deg. 42' E 30 feet to the beginning, and containing 11.462 acres.

Item 136. A tract of land situated near the Curdsville Pike, described as follows: Beginning at a point in the west right of way of the CNO&TP Railway, said point being an iron fence post common to the aforesaid CNO&TP Railway right of way and the east right of way of the old Cincinnati-Southern Railway; thence along the west right of way of the CNO&TP Railway for 17 calls S 07 deg. 00' W 45.1 feet, S 06 deg. 26' W 100 feet, S 04 deg. 56' W 100 feet, S 03 deg. 23' W 100 feet, S 01 deg. 53' W 100 feet, S 00 deg. 22' W 100 feet, S 01 deg. 37' E 100 feet, S 02 deg. 48' E 100 feet, S 04 deg. 33' E 100 feet, S 06 deg. 06' E 100 feet, S 07 deg. 26' E 100 feet, S 08 deg. 55' E 100 feet, S 10 deg. 26' E 100 feet, S 11 deg. 54' E 100 feet, S 13 deg. 27' E 100 feet, S 14 deg. 34' E 100 feet and S 16 deg. 04' E 100 feet to an iron pin in the line of W. O. Lyon; thence along Lyon's line N 75 deg. 58' W 1097.2 feet to an iron pin in the aforesaid east right of way of the old abandoned Cincinnati-Southern Railway; thence along the east line of the old abandoned Cincinnati-Southern Railway right of way for 5 calls N 38 deg. 53' E 227.8, N 34 deg. 43' E 166 feet, N 31 deg. 22' E 1107.8 feet, S 56 deg. 35' E 40 feet, and N 33 deg. 25' E 148.2 feet, to the beginning, and containing 17.355 acres.

Item 137. A tract of land situated on the old Ballard Pike near its intersection with the Curdsville Pike, described as follows: Beginning at an iron pin in the center of the old Ballard Pike (now abandoned), said iron pin being corner to W. O. Lyon;

thence along the center of the old Ballard Pike and W. O. Lyon N 83 deg. 55' W 338.6 feet to an iron pin; thence leaving said Ballard Pike S 03 deg. 20' W 23.1 feet to an iron pin; thence N 82 deg. 13' W 125.6 feet to a cedar post, said post being on the east bank of the Cedar Run Creek; thence along the east bank of the Cedar Run Creek for five lines S 00 deg. 11' W 159.5 feet, S 17 deg. 25' W 85.3 feet, S 04 deg. 38' W 201.6 feet, S 07 deg. 06' W 179 feet, S 08 deg. 12' W 53.8 feet to a large tree which is corner to a rock fence, said point being corner to Mrs. Sudie Kincaid; thence along the center of said rock fence and Mrs. Sudie Kincaid for five lines S 08 deg. 00' E 181.5 feet, S 33 deg. 15' E 150 feet, S 30 deg. 55' E 138 feet, S 14 deg. 17' E 73.5 feet and N 85 deg. 55' E 68 feet to an iron pin in the west right of way of the abandoned Cincinnati-Southern Railway; thence along the west right of way of the abandoned Cincinnati-Southern Railway N 27 deg. 19' E 67 feet to an iron post; thence along the north line of the abandoned Cincinnati-Southern right of way S 62 deg. 41' E 40 feet to another iron post in the west right of way of the CNO&TP Railway; thence along the west right of way of the CNO&TP Railway for seven calls N 19 deg. 52' E 153.7 feet, N 17 deg. 08' E 149 feet, N 13 deg. 46' E 131.8 feet, N 11 deg. 27' E 157.2 feet, N 08 deg. 13' E 150 feet, N 05 deg. 04' E 178.4 feet and N 02 deg. 23' E 197 feet to the beginning, and containing 10.659 acres.

The property described above in Items 134 to 137 was acquired by the Company by deed dated March 17, 1954, and recorded in Deed Book 132, page 299, in the Office of the Clerk of Mercer County, Kentucky.

Item 138. A tract of land situated near the Curdsville Pike and being a portion of the right of way abandoned by the Cincinnati-Southern Railway, described as follows: Beginning at an iron pin in the east line of the abandoned Cincinnati-Southern Railway right of way, said iron pin being corner to Curd (now or formerly); thence along Curd's line N 54 deg. 16' W 85 feet to an iron pin in the line of E. G. Guttery, said iron pin being in the west right of way of the abandoned Cincinnati-Southern Railway; thence with the west right of way of the abandoned Cincinnati-Southern Railway and E. G. Guttery for three lines N 38 deg. 53' E 223.2 feet, N 34 deg. 43' E 165 feet, and N 31 deg. 22' E 487.1 feet to an iron post in the center line of a rock fence; thence along the center line of said rock fence N 70 deg. 28' W 19 feet to an iron pin, said iron pin being in the line of Mrs. Sudie Kincaid; thence along Mrs. Kincaid's line for four lines N 31 deg. 22' E 621.7 feet, N 54 deg. 52' W 38 feet, N 28 deg. 49' E 130 feet and N 27 deg. 19' E 259.3 feet to an iron fence post, corner to Kentucky Utilities property (formerly Ison Bros.); thence S 62 deg. 41' E 105.5 feet to an iron pin in the west right of way of C.N.O.&T.P. Railway; thence along the west right of way of the C.N.O.&T.P. Railway S 08 deg. 49' W 270.8 feet to an iron fence post common to the C.N.O.&T.P. Railway west right of way and the east right of way of the old abandoned Cincinnati-Southern Railway and Kentucky Utilities Company (formerly Ison Bros.); thence along the east right of way of the abandoned Cincinnati-Southern Railway and Kentucky Utilities Company for five calls S 33 deg. 25' W 148.2 feet, N 56 deg. 35' W 40 feet, S 31 deg. 22' W 1107.8 feet, S 34 deg. 43' W 166 feet and S 38 deg. 53' W 227.8 feet to the beginning, and containing 4.642 acres; being the property acquired by the Company by deed dated March 17, 1954, and recorded in Deed Book 132, page 298, in the Office of the Clerk of Mercer County, Kentucky.

Item 139. A tract of land situated near the Curdsville Pike on the north side of Dix Dam Road, described as follows: Beginning at a point in the north property line of the Dix Dam Road, said point being 656.8 feet east of the Curdsville Pike (Danville-Shakertown Pike) and corner to Kentucky Utilities (formerly Ison); thence with Kentucky Utilities Company (formerly Ison) for four lines N 35 deg. 50' E 870.6 feet, N 4 deg. 50' E 270.6 feet, N 43 deg. 53' E 743.6 feet and N 18 deg. 00' W 316 feet to a point in the center of an old road; thence with the center of said road N 53 deg. 43' E 882.5 feet to a sassafras stump, corner to Motley (now Webb Brothers); thence with said Webb Brothers' line N 87 deg. 11' E 31 feet, S 76 deg. 43' E 482.5 feet, and S 75 deg. 40' E 577.4 feet to a point in the west side of an old road and corner to Kentucky Utilities Company; thence with Kentucky Utilities Company for six lines, S 21 deg. 00' W 170.3 feet, S 12 deg. 37' W 486.2 feet, S 24 deg. 30' E 198 feet, S 31 deg. 30' E 528 feet, S 54 deg. 00' E 153.1 feet and leaving the old road S 13 deg. 53' W 70 feet to a corner with Cy Williams; thence with said Williams for four lines N 88 deg. 51' W 187.4 feet, N 88 deg. 55' W 532.6 feet, N 88 deg. 25' W 159.8 feet and S .03 deg. 26' W 514.9 feet to the north property line of Dix Dam Road; thence with the north property line of Dix Dam Road for two lines N 88 deg. 51' W 1634.5 feet and S 68 deg. 24' W 525.9 feet to the beginning and containing 85.903 acres, and including original railroad right of way leading to Dix Dam, of 3.57 acres; being the property acquired by the Company by deed dated March 17, 1954, and recorded in Deed Book 132, page 302, in the Office of the Clerk of Mercer County, Kentucky.

Item 140. A tract of land on the Dix Dam Road, described as follows: Beginning at a point on the North side of the Dix Dam roadway, corner to the property of Kentucky Utilities Company; thence leaving said roadway N 12 E 519.5 feet to corner to Kentucky Utilities Company; thence with line of same N 88° 51' W 187.4 feet; N 88° 55' W 532.6 feet; N 88° 25' W 159.8 feet; S 3° 26' W 514.9 feet to the north side of Dix Dam roadway; thence with same S 89° 33' 810 feet to the point of beginning and containing ten (10) acres more or less; being the property acquired by the Company by deed dated April 22, 1954, and recorded in Deed Book 132, page 402, in the Office of the Clerk of Mercer County, Kentucky.

Item 141. A tract of land situated on the road leading from the Curdsville Turnpike to Dix Dam, described as follows: Beginning at an iron pin on the South side of the above-mentioned road leading to Dix Dam and corner to Kentucky Utilities Company (formerly P. O. Thacker), running thence with Kentucky Utilities Company south 5 degrees 19 minutes west 246 feet; thence with line of same north 83 degrees 35 minutes west 467 feet; thence with the south right-of-way line of said roadway to Dix Dam north 68 degrees 24 minutes east 523 feet to the beginning, and containing 1.31 acres; being the property acquired by the Company by deed dated September 17, 1954, and recorded in Deed Book 133, page 351, in the Office of the Clerk of Mercer County, Kentucky.

Item 142. A tract of land situated on the easterly side of the new Curdsville Pike, described as follows: Beginning at a point in the new east right of way line of the new Curdsville Pike, corner to W. O. Lyons; thence with said Lyons for two calls S 79 deg. 15 min. E 957.1 feet and N 10 deg. 19 min. E 528.6 feet to a corner with Kentucky Utilities Company; thence with Kentucky Utilities Company for three calls S 89 deg. 31 min. E 660.7 feet, S 87 deg. 35 min. E 694 feet to a point in a branch and down said branch S 52 deg. 29 min. E 194.2 feet to the 760 foot contour above sea level; thence with said contour and the Kentucky Utilities Company for eighteen calls S 47 deg. 21 min. E 127.3 feet, S 78 deg. 33 min. E 220.5 feet, S 33 deg. 05 min. E 177.2 feet, S 40 deg.

47 min. E 108.4 feet, S 73 deg. 29 min. E 73.5 feet, N 79 deg. 17 min. E 187.1 feet, S 64 deg. 20 min. E 92.5 feet, S 63 deg. 48 min. E 97 feet, S 71 deg. 09 min. E 157.1 feet, S 48 deg. 18 min. E 233 feet, S 33 deg. 02 min. E 429 feet, S 21 deg. 29 min. W 128 feet, S 48 deg. 44 min. W 168 feet, S 63 deg. 17 min. W 273 feet, S 49 deg. 16 min. E 236 feet, S 76 deg. 08 min. E 140 feet, S 54 deg. 29 min. E 63 feet and S 21 deg. 50 min. W 149 feet to a corner with Mrs. A. W. Hardin; thence with Mrs. A. W. Hardin for ten calls S 84 deg. 21 min. W 183.6 feet, S 85 deg. 15 min. W 375.9 feet, S 82 deg. 12 min. W 423.8 feet, S 85 deg. 02 min. W 232 feet, S 83 deg. 59 min. W 408.3 feet, S 83 deg. 43 min. W 447.4 feet, N 05 deg. 42 min. E 749 feet, N 87 deg. 21 min. W 1569.6 feet, N 86 deg. 45 min. W 185.3 feet and N 21 deg. 11 min. W 139 feet to the new east right of way of the Curdsville Pike; thence with the new east right of way of the Curdsville Pike for eight calls N 5 deg. 44 min. E 100 feet, N 5 deg. 53 min. W 100 feet, N 16 deg. 59 min. W 100 feet, N 23 deg. 38 min. W 100 feet, N 19 deg. 26 min. W 100 feet, N 7 deg. 06 min. W 100 feet, N 1 deg. 06 min. E 100 feet and N 4 deg. 22 min. E 96.4 feet to the beginning, and containing 117.797 acres.

Item 143. A tract of land situated between the new location of the Curdsville Pike and the old location of the Curdsville Pike and the property of the C. N. O. & T. P. Railroad Company, described as follows: Beginning at a point where the new west right of way of the Curdsville Pike intersects the east line of the old Curdsville Pike; thence with the new west right of way line of the Curdsville Pike for four calls S 23 deg. 19 min. E 132.8 feet, S 18 deg. 58 min. E 78.6 feet, S 8 deg. 19 min. E 87.9 feet S 3 deg. 20 min. W 89.6 feet to the right of way line of the CNO&TP Railroad; thence with the right of way line of the CNO&TP Railroad N 21 deg. 11 min. W 265.9 feet to the old east line of the Curdsville Pike; thence with the old east line of the Curdsville Pike N 3 deg. 57 min. E 124.4 feet to the beginning, and containing 0.33 acres.

The property described above in Items 142 and 143 was acquired by the Company by deed dated September 7, 1954, and recorded in Deed Book 133, page 336, in the Office of the Clerk of Mercer County, Kentucky.

Item 144. Beginning at a point on the south side of the Dix Dam road corner to Kentucky Utilities Company (formerly P. O. Thacker); running thence south 30 deg. 37 min. west 303.5 feet; thence north 84 deg. 25 min. west 169.4 feet to a point in the center of the Curdsville Road; thence with the center of said road north 2 deg. 44 min east 302 feet; thence with the south line of the Dix Dam road south 85 deg. east 176 feet to the beginning, containing 1.2 acres; being the property acquired by the Company by deed dated December 8, 1954, and recorded in Deed Book 134, page 61, in the Office of the Clerk of Mercer County, Kentucky.

Item 145. Beginning at a point in the lands of Clarence Kurtz, Jr., said point being 581 feet South of the intersection of the Harrodsburg-Lexington Road (U.S. Highway 68) and the Shakertown-Danville Road (Ky. Highway 33), and 28 feet West of the center line of the Shakertown-Danville Road; thence North 84 degrees West 100 feet to a corner; thence South 6 degrees West 100 feet to a corner; thence South 84 degrees East 100 feet to a point, said point being 29 feet West of the center line of the Shakedown-Danville Road; thence parallel to said road North 6 degrees East 100 feet to the point of beginning, containing 0.229 acre, more or less; being the property acquired by the Company by deed dated January 8, 1957, and recorded in Deed Book 138, page 145, in the Office of the Clerk of Mercer County, Kentucky.

Item 146. Beginning at a fence post corner to Estes; thence in a direction of N 3 deg. 21 minutes E for a distance of 148.5 feet with Estes to a fence post corner to Caudill; thence in a direction of N 33 deg. 29 min. west for a distance of 38.0 feet with Caudill to a corner in a wild cherry tree; thence in a direction of N 49 deg. 50 min. west for a distance of 159.0 feet with Caudill to a stake in the fence; thence in a direction of S 3 deg. 21 min. West for a distance of 277.3 feet bordering other Henry T. Ison property to a stake in a fence bordering a gravel road; thence along the North margin of the gravel road in a direction of N 88 deg. 00 min. West for a distance of 150.0 feet to the point of beginning; being the property acquired by the Company by deed dated May 20, 1958, and recorded in Deed Book 140, page 356, in the Office of the Clerk of Mercer County, Kentucky.

Item 147. Beginning on East Street northwest corner of Johnson property, now Darland, thence north with said street 82 feet 4 inches to corner to George Stopher; thence east with Stopher's line 204 feet 8 inches to line of Loys Litsey heirs; thence south with Loys Litsey heir's line 82 feet 4 inches to line of said Darland; thence with Darland's line west 204 feet 8 inches to the beginning, and being the property acquired by the Company by deed dated December 9, 1966, and recorded in Deed Book No. 158, page 421, in the Office of the Clerk of Mercer County, Kentucky.

Item 148. All that tract or parcel of land situated near the east side of the New Curdsville Pike about seven miles east of Harrodsburg, near Dix Dam, in Mercer County, Kentucky, and more fully described as follows: Beginning at an iron pin in the common line of May Lyons et al and the Company, said iron pin being 549.91 feet, more or less, east of the east right-of-way line of the New Curdsville Pike; thence through the lands of May Lyons et al for six calls, N 21° 45' 01" E 168.52 feet to an iron pin, N 08° 55' 30" E 191.59 feet to an iron pin, N 27° 55' 30" E 231.82 feet to an iron pin, N 08° 22' 30" W 344.64 feet to an iron pin, N 36° 47' 30" E 167.36 feet to an iron pin, and N 57° 52' 30" E 187.21 feet to an iron pin in the common line of Lyons and the Company; thence with the common line of the aforesaid Lyons and the Company for nine calls, S 83° 29' 04" E 278.18 feet, N 56° 14' 44" E 74.83 feet, S 28° 26' 43" E 109.20 feet, S 84° 07' 20" W 111.62 feet, S 07° 44' 02" W 377.10 feet, S 07° 12' 01" W 227.89 feet, N 88° 09' 23" W 106.14 feet, S 11° 31' 43" W 530.26 feet, and N 77° 29' 42" W 407.19 feet to the beginning and containing 11.5879 acres; being the property acquired by the Company by deed dated September 7, 1973, and recorded in Deed Book 178, page 278, in the Office of the Clerk of Mercer County, Kentucky.

Item 149. Beginning at a point in the center of the New Curdsville Pike, a corner of Lyons et al and the Kentucky Utilities Company property; thence with the Kentucky Utilities Company property S 83° 09' 30" E 867.19 feet to an iron pin another corner with the Kentucky Utilities Company property; thence with the Kentucky Utilities Company property acquired from May Lyons et al in Deed Book 178 Page 278 in the Mercer County Clerk's Office for six calls S 57° 52' 30" W 187.21 feet, S 36° 47' 30" W 167.36 feet, S 08° 22' 30" E 344.64 feet, S 27° 55' 30" W 231.82 feet, S 08° 55' 30" W 191.59 feet and S 21° 45' 01" W 168.52 feet; thence again with the Kentucky Utilities Company property N 78° 14' W 576.35 feet to the center of the New Curdsville Pike; thence with the center of

the New Curdsville Pike for two calls N 05° 12' E 844.8 feet and N 07° 36' E 272.0 feet to the beginning and containing 17.6596 acres, subject to rights-of-way for New Curdsville Pike, and being the property acquired by the Company by deed dated August 22, 1976, and recorded in Deed Book 189, page 151, in the Office of the Clerk of Mercer County, Kentucky.

Item 150. Beginning at a stake in the east line of the old Cincinnati Southern Railway right of way, commonly called the Cincinnati, New Orleans, & Texas Pacific Railway Company, corner to H. T. Ison, and running with said railway line S 41° W 1.5 chains and S 42½° W 5.5 chains to corner to Duncan, thence with his lines S 20½° E 16.92 chains and S 83½° E 5.85 chains to the edge of the turnpike; thence at right angles North 23 links; thence with the center of the turnpike East 3 chains; thence N 84° E 8.5 chains, and thence N 4° E 14.8 chains to a stone in the center of the turnpike, corner to H. T. Ison; thence leaving the turnpike and running with his line N 75½° W 20.5 chains to the beginning, containing 37.06575 acres, but there is excepted therefrom 2.17 acres conveyed to the Trustees of the Cincinnati Southern Railway, for a right of way, by deed dated September 26, 1928, and of record in Deed Book 104, page 252, in the Mercer County Court Clerk's office, and there is further excepted therefrom a small parcel conveyed to Mercer County, for a right-of-way for Curdsville Road, by deed dated January 31, 1974, and of record in Deed Book 181, page 39, in the aforesaid Clerk's Office, and being property acquired by the Company by deed dated March 4, 1977 and recorded in Deed Book 190, page 396, in the Office of the Clerk of Mercer County, Kentucky.

Item 151. Beginning at an iron pin in East margin of Dry Branch Road, this point being 312.4 feet North 33° 00' West from May and Patterson corner in East margin of Dry Branch Road; thence with said margin North 33° 00' West 310.3 feet to an iron pin, a new corner common to May; thence North 71° 50' East 346.0 feet to an iron pin, a new corner common to May; thence S 18° 10' East 300.0 feet to an iron pin, a new corner common to May; thence South 71° 50' West 266.5 feet to the beginning, containing 2.1 acres; and being the property acquired by the Company by deed dated October 20, 1978, and recorded in Deed Book 196, page 541, in the Office of the Clerk of Mercer County, Kentucky.

Item 152. Containing 80.109 acres more or less; and being the property acquired by the Company by deed dated December 27, 1989, and recorded in Deed Book 230, page 201, in the Office of the Clerk of Mercer County, Kentucky.

Item 153. Beginning at an iron pin located in the intersection of the east right of way of Curdsville Road and the south right of way of a 20 foot roadway, said iron pin having the Kentucky State Plane co-ordinates of X=1,863,012.486 Y=108,697.6758; Thence, S85 deg 36'07"E, along a 20 foot roadway, a distance of 319.75 feet to a point, a corner to Tract "B"; Thence, along Tract "B" for the following calls, S8 deg 15'15"W, a distance of 150.00 feet to a point; S85 deg 36'07"E, a distance of 66.00 feet to a point; N36 deg 59'54"E, a distance of 120.00 feet to a point; N13 deg 22'20"W, a distance of 51.00 feet to a point, located in the south right of way of a 20 foot roadway, said point having the Kentucky State Plane co-ordinates of X=1,863,435.985 Y=108,665.1038; Thence, S85 deg 36'07"E, along the south right of way of a 20 foot roadway, a distance of 241.09 feet to an iron pin, a corner to Tract "C"; Thence, along Tract "C" for the following calls, S3 deg 30'54"W, a distance of 236.19 feet to an iron pin; S86 deg 55'25"E, a distance of 607.17 feet to an iron pin, corner to Webb; Thence, along the line of Webb (DB 234-16) for the following call, S0 deg 33' 44"W, a distance of 677.47 feet to an iron pin, a corner to other property of Kentucky Utilities; Thence, along the line of other property of Kentucky Utilities for the following calls, S53 deg 41'02"W, a distance of 166.25 feet to a wood post; N80 deg 50'08"W, a distance of 1405.69 feet to an iron pin, located in the east right of way of Curdsville Road, passing an iron pin at 1.00 feet; Thence, along the east right of way of Curdsville Road for the following calls, N5 deg 56'18"E, a distance of 304.84 feet to an iron pin; N13 deg 06'16"E, a distance of 184.85 feet to an iron pin; N17 deg 30'33"E, a distance of 190.46 feet to an iron pin; N29 deg 80'22"E, a distance of 87.31 feet to an iron pin; N37 deg 09'05"E, a distance of 163.77 feet to a point of beginning. Being the property acquired by the Company by deed dated December 27, 1989, and recorded in Deed Book 230, page 201, in the Office of the Clerk of Mercer County, Kentucky

Item 154. Beginning at an iron pin located in the south right of way of a 20 foot roadway and being the north east most corner of Tract "A", said iron pin having the Kentucky State Plane co-ordinates of X=1,863,676.365 Y=108,646.6158; Thence, along the south right of way of a 20 foot roadway for the following calls, S86 deg 24'05"E, a distance of 537.96 feet to an iron pin, S54 deg 08'26"E, a distance of 44.77 feet to an iron pin; S35 deg 44'58' E, a distance of 34.97 feet to an iron pin; a corner to Webb; Thence, S0 deg 15'13"W, along the line of Webb (DB 234-160), a distance of 180.03 feet to an iron pin, a corner to Tract "A", Thence, along Tract "A"; for the following calls, N86 deg 55'25"W, a distance of 607.17 feet to an iron pin; N3 deg 30'54"E, a distance of 236.19 feet to point of beginning.

The bearings are referred to grid north and being the same property acquired by the Company by deed dated November 8, 1991, and recorded in Deed Book 237, page 107, in the Office of the Clerk of Mercer County, Kentucky.

Item 155. Beginning at a point located in the south right of way of a 20 foot roadway and being a corner to Tract "A", said point located N85 deg 36'07" W, a distance of 241.09 feet from an iron pin, a corner to Tract "C", said point having the Kentucky State Plane co-ordinates of X=1,863,435.985 Y=108,665.1038; Thence, along Tract "A" for the following calls, S13 deg 22'20" E, a distance of 51.00 feet to a point; S36 deg 59'54" W, a distance of 120.00 feet to a point; N85 deg 36'07" W, a distance of 66.00 feet to a point; N8 deg 15'15" E, a distance of 150.00 feet to a point; located in the south right of way of a 20 foot roadway; thence, S85 deg 36'07" E, along the south right of way of a 20 foot roadway, a distance of 105.00 feet to a point of beginning, containing 0.348 acres more or less. All bearings are referred to grid north, and being the same property acquired by the Company by deed dated December 31, 1991, and recorded in Deed Book 237, page 616, in the Office of the Clerk of Mercer County, Kentucky.

The following described real estate of the Company situated in Montgomery County, Kentucky:

Item 1. A certain tract of land situated upon Hinkston Creek, bounded as follows: Beginning at a point 50 feet south of the line fence between Mrs. Mary R. Meguiar and the land formerly owned by Fannie L. Jones and Thos. D. Jones and 24 feet from the center of the E. L. & B. S. R. R. track as it now runs; thence running in a southerly direction and

parallel with said railroad about 1,305 feet to a stake, corner on the line between said Jones and John T. Woodford; thence an easterly angle 88 degrees 31 minutes with said line for 250 feet to a stake; thence a northerly course angle 88 degrees 46 minutes a distance of about 1,309 $\frac{3}{4}$ feet to a point 50 feet from the line between said Meguiar and said Jones; thence with angle 89 degrees and 30 minutes for 250 feet to the beginning, containing about 7 $\frac{52}{100}$ acres.

EXCLUDING FROM ITEM 1 above:

(a) so much of said property as was conveyed to The Home Tobacco Warehouse Company, Inc., by Deed dated June 1, 1948, recorded in Deed Book 92, Page 498 in the Office of the Clerk of Montgomery County, Kentucky; and

(b) so much of said property as was conveyed to Western Ice Service Company by Deed dated December 17, 1948, recorded in Deed Book 93, Page 263 in the Office of the Clerk of Montgomery County, Kentucky; and

(c) so much of said property as was conveyed to A.E. Walker by Deed dated May 3, 1956, recorded in Deed Book 102, Page 149 in the Office of the Clerk of Montgomery County, Kentucky

The property described above in Item 1 was acquired by the Company by deed dated October 15, 1912, and recorded in Deed Book 66, page 311, in the Office of the Clerk of Montgomery County, Kentucky

Item 2. Beginning at a point in the East right-of-way line of the Mt. Sterling-Camargo Road, said point being a corner common to Courtney Horton and Lemaster and being 30 feet East of the center line of the Mt. Sterling-Camargo Road; running thence with the line of Courtney Horton South 82 degrees 35 minutes East a distance of 79.95 feet to an iron pin; thence South 13 degrees 45 minutes East a distance of 47.35 feet to an iron pin; thence South 76 degrees 15 minutes West a distance of 75 feet to an iron pin in the East right-of-way line of the Mt. Sterling-Camargo Road; thence with the East line of said road North 13 degrees 45 minutes West a distance of 75 feet to the point of beginning, and containing .1053 acre of land; being the property acquired by the Company by deed dated June 23, 1960, and recorded in Deed Book 107, page 437, in the Office of the Clerk of Montgomery County, Kentucky.

Item 3. The following described tracts located in Mt. Sterling, Kentucky, and acquired by the Company by deed dated December 17, 1970, and recorded in Deed Book 130, page 688, in the Office of the Clerk of Montgomery County, Kentucky:

That certain house and lot on the north side of Locust Street and bounded by beginning at a stake on the north edge of said street, corner Theodore Hood lot; thence leaving said street N 19 W 11.6 poles to a stake corner with Julia F. Evans lot; thence S 7 $\frac{1}{4}$ W 3 poles nine links, corner with Stofer; thence S 17 $\frac{1}{4}$ E 11.4 poles to a stake in North edge of street corner with said Stofer lot N 7 $\frac{1}{4}$ E 3.3 poles to the beginning, and containing 39 poles, more or less.

That certain lot of land lying on the north side of East Locust Street and having a frontage of 30 feet and a depth of 125 feet, same width, and bounded on the North by the property of Corinne Lindsay, on the South by Locust Street and on the West by the property of R. H. Payne, together therewith and a part thereof, as appurtenant to the lot herein described, the right of ingress and egress to and from same over the alley lying on the East side of the lot hereby conveyed, and extending from Locust Street Northward to the property of Mrs. Corinne Lindsay.

Item 4. Beginning at a point in the center of the Company's Clark County and Rodburn 138 KV line, said point being fifty feet west of structure number 191 on said line; thence through the lands of Ollie H. and Maggie G. Caudill for five calls N. 17° 00' W. 200 feet to an iron pin, N. 73° 00' E. 300 feet to an iron pin, S. 17° 00' E. 300 feet to an iron pin, S. 73° 00' W. 300 feet to an iron pin and N. 17° 00' W. 100 feet to the beginning and containing 2.066 acres; being the property acquired by the Company by deed dated June 27, 1973, and recorded in Deed Book 138, page 387, in the Office of the Clerk of Montgomery County, Kentucky.

Item 5. Beginning at a pin set corner to McNew and Cline said pin being located South 12 degrees 54 minutes 00 seconds East 403.93 feet from the South right of way of the Old Owingsville Road and with Tract 2 for the following calls: South 12 degrees 54 minutes 09 seconds East, 130.00 feet to a pin set corner to Tract 3B of Cline and with Tract 3B; South 76 degrees 52 minutes 06 seconds West, 279.97 feet to a pin set corner to Cline and Hatton leaving Cline and with said Hatton the following call: North 13 degrees 45 minutes 25 seconds West, 140.00 feet to a pin set corner to Hatton and McNew leaving Hatton and with said McNew the following call: North 78 degrees 53 minutes 52 seconds East, 282.19 feet to the point of beginning and being subject to right of ways, easements, etc. of record or otherwise. Based on a field survey done by R.D. Jones General Surveys in May of 1994 and being further described as Tract 3C on the said survey made a part of the Deed of record in Deed Book 213, Page 377, in the Office of the Clerk of Montgomery County, Kentucky. The above described parcel contains .87 acres.

Also conveyed herein is a permanent 16 foot access easement ("Access Easement") for ingress and egress to the above Real Property which will also accommodate a distribution utility line which will be conveyed to party of the second part by separate instrument. This access easement is described as follows:

Beginning at a point in the South right of way of the Old Owingsville Road said point being located 8 feet east of and parallel to Tract 3 and 4 and parallel to said tract line; and thence, South 12 degrees 54 minutes 04 seconds East 533.93 feet to a point said point being located south 76 degrees 52 minutes 06 seconds West 8.0 feet from the Southeast corner of lot 3C.

Item 5 being the same property acquired by the Company by deed dated August 5, 1994 and recorded in Deed Book 213, Page 377, in the Office of the Clerk of Montgomery County, Kentucky.

The following described real estate of the Company situated in Muhlenberg County, Kentucky:

Item 1. A certain tract of land located in Central City, described as follows: Beginning at a stake, S. W. corner of First and Pendleton streets; thence with the W. line of First street in a southeasterly direction 50 feet to a stake; thence at right angles and in a southwesterly direction 166 feet to a stake in the E. line of the O. & N. right of way; thence at right angles and with the E. line of said O. & N. right of way in a northwesterly direction 50 feet to a stake in the S. line of Pendleton street; thence at right angles and with the S. line of Pendleton Street in a northeasterly direction 166 feet to the beginning, containing 8,300 square feet, excepting, however, the coal and mineral rights.

Item 2. A certain tract of land located in Central City, described as follows: Beginning at a planted rock on the W. side of First street and 50 feet from the intersection of First and Pendleton streets; thence with said First street S. 33 E. 60 feet; thence S. 56 W. 166 feet; thence N. 33 W. 50 feet; thence N. 56 E. 166 feet to First street, the place of beginning, excepting, however, the coal and mineral rights.

The property described above in Items 1 and 2 was acquired by the Company by deed dated October 3, 1916, and recorded in Deed Book 91, page 417, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 3. Beginning at the intersection of the right-of-way of the N. N. and M. V. R. R. Company, now Illinois Central Railroad Company, with the West side of Third Street; thence with Third Street in a Northerly direction 104 feet to a rock, the corner of the Christian Church lot; thence Westerly with the Church lot line 166 feet to a rock in the line of the alley between Second and Third Street; thence with said alley 101.5 feet to the right-of-way of the N.N. and M. V. R. R. Company (now the Illinois Central Railroad Company); thence Eastward with the meanders of the said right-of-way line 168 feet to the beginning, containing 34,113 square feet, more or less; save and except all coal and minerals of every description under the described premises, being the property acquired by the Company by deed dated March 8, 1923, and recorded in Deed Book 114, page 227, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 4. A tract of land on which is situated the Company's electric power house; three residences; spray pond and tram road leading from said power house to the W. G. Duncan Coal Company's tipple, said tract of land being described as follows: Beginning at an iron pipe which is 677.35 feet South and 112.69 feet East of the Northwest corner of the Graham power house; thence N. 17-38 W. 815.1 feet to a point in the center of the road N. 62-07 E. 14.0 feet from an iron pipe on the West side of the road; thence S. 62-07 W. 150.3 feet to an iron pipe; thence S. 76-42 W. 100.0 feet to an iron pipe; thence N. 76-07 W. 126.8 feet; thence N. 59-04 W. 178.2 feet to an iron pipe; thence N. 26-16 W. 409.2 feet to an iron pipe; thence N. 78-25 E. 56.8 feet; thence S. 34-35 E. 373.8 feet; thence N. 64-47 E. 132.0 feet to an iron pipe; thence S. 23-09 E. 209.0 feet to an iron pipe; thence N. 55-49 E. 236.1 feet to a point in the center of the road N. 55-49 E. 15.0 feet from an iron pipe on the West side of the road; thence N. 17-38 W. 102.8 feet to a point in the center of the road; thence N. 11-25 E. 239.7 feet to an iron pipe; thence N. 21-18 W. 111.4 feet to an iron pipe, corner to the new Graham School lot; thence with the school lot N. 71-52 E. 331.5 feet to an iron pipe; thence N. 50-59 E. 197.8 feet to an iron pipe; thence N. 7-37 E. 552.9 feet to an iron pipe; thence N. 12-11 E. 511.4 feet to a stake; thence S. 12-21 E. 323.3 feet to a stake; thence S. 16-57 W. 132.3 feet; thence S. 16-48 E. 126.7 feet to a stake; thence S. 5-52 E. 126.2 feet to a stake; thence N. 59-08 E. 107.5 feet to a stake; thence S. 11-34 W. 202.6 feet to a stake; thence S. 82-35 E. 140.6 feet to a stake; thence S. 51-20 W. 186.7 feet to a stake; thence S. 14-33 W. 121.9 feet to a stake; thence S. 3-53 E. 110.3 feet to a stake; thence S. 60-16 E. 62.08 feet to a stake; thence S. 66-53 E. 141.7 feet to a stake; thence N. 89-38 E. 84.0 feet to a stake; thence N. 76-25 E. 130.7 feet to a stake; thence S. 40-13 W. 108.2 feet to a stake; thence S. 9-01 E. 54.0 feet to a stake; thence N. 81-35 W. 76.3 feet to a stake; thence N. 89-44 W. 238.0 feet to a stake; thence S. 82-48 W. 79.4 feet to a stake; thence S. 28-45 W. 53.5 feet to a stake; thence S. 16-02 E. 78.7 feet to a stake; thence N. 70-13 W. 115.6 feet to a stake; thence S. 28-04 W. 84.6 feet to a stake; thence S. 14-23 E. 60.6 feet to a stake; thence S. 23-01 W. 87.7 feet to a stake; thence N. 63-23 W. 116.1 feet to a stake; thence S. 41-03 W. 170.7 feet to a stake in the line of the old Graham school lot 32.0 feet from the corner which is a stake set N. 11-0 E. 43.7 feet from the Southeast corner of the overflow of the Graham pond; thence with the line of the school lot S. 21-32 E. 356.0 feet to an iron pipe; thence N. 68-28 E. 172.0 feet to an iron pipe; thence S. 3-17 E. 444.1 feet to an iron pipe; thence S. 68-56 W. 363.6 feet to the beginning, containing 22.77 acres; except there is reserved from the above description, for the use and benefit of the W. G. Duncan Coal Company, its successors and assigns, an easement in this tract of land.

Item 5. All the No. 11 and No. 12 veins of coal in the following tract: Beginning at an iron pipe which is 677.35 feet South and 112.69 feet East of the Northwest corner of the Graham powerhouse; thence N. 17-38 W. 1009.4 feet to a point in the middle of the street; thence N. 30-07 W. 517.6 feet to a point in the street and in the North fault line; thence with the line of the North fault N. 56-31 E. 583.7 feet to an iron pipe; thence N. 50-13 E. 1113.0 feet to an iron pipe; thence N. 65-06 E. 1376.0 feet to an iron pipe; thence N. 62-06 E. 724.4 feet to an iron pipe in the North fault line; thence S. 18-27 E. 210.8 feet to an iron pipe; thence S. 29-29 W. 619.9 feet to an iron pipe; thence S. 23-0 W. 768.5 feet to an iron pipe; thence S. 44-57 W. 2523.1 feet to an iron pipe; thence S. 68-56 W. 363.6 feet to the beginning, containing 100 acres. In accordance with the terms of the deed by which the No. 11 and No. 12 veins of coal in said tract of lands were conveyed to the Company, the same shall be used by it, its successors and assigns solely for its or their own consumption.

EXCLUDING FROM ITEMS 4 and 5 above:

(a) so much of said property as was conveyed to Norman Hayes Howell by Deed dated April 16, 1965, recorded in Deed Book 245, Page 586 in the Office of the Clerk of Muhlenberg County, Kentucky; and

(b) so much of said property as was conveyed to Buland Owens and Barbara Coleman Owens by Deed dated May 10, 1965, recorded in Deed Book 246, Page 245 in the Office of the Clerk of Muhlenberg County, Kentucky; and

(c) so much of said property as was conveyed to Muhlenberg County Water District No. 1 by Deed dated May 3, 1965, recorded in Deed Book 248, Page 330 in the Office of the Clerk of Mason County, Kentucky.

The property described above in Items 4 and 5 was acquired by the Company by deed dated September 1, 1925, and recorded in Deed Book 120, page 408, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 6. Beginning at a stake which is N. 11 E. 43.7 feet from the Southeast corner of the Cornette Overflow of the Graham Reservoir; thence N. 67-50 E. 324 feet to a stake; thence S. 22-10 E. 388 feet to a stake; thence S. 67-50 W. 324 feet to a stake; thence N. 22-10 W. 388 feet to the beginning, containing 2.86 acres, subject to the reservations contained in the deed conveying the same from W. G. Duncan Coal Company to Kentucky Utilities Company; EXCLUDING THEREFROM so much as was conveyed to Muhlenberg County Water District No. 1 by Deed dated May 3, 1965, recorded in Deed Book 248, Page 330 in the Office of the Clerk of Muhlenberg County, Kentucky. Being the same property acquired by the Company by deed dated September 7, 1926, and recorded in Deed Book 122, page 154, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 7. Beginning at a stake, corner to Lot 2, a sassafras and a dogwood marked as pointers at the most Northerly corner of the 61-acre tract conveyed to Retta Devire (now Thompson), by deed dated October 5, 1906 and recorded in Deed Book 67, page 78, in the office of the Clerk of the County Court of Muhlenberg County, Kentucky; thence North 40 degrees East 84 poles to a beech; thence South 50 degrees East 217 poles to a cluster of small elms on the bank of Green River; thence up the river to a corner to Lot 2, another corner of the aforesaid 61-acre tract; thence with the Northeast line of said 61-acre tract North 50 degrees West 184 poles to the beginning, containing 105 acres; Together with as an appurtenance to said property the right to use the 30 ft. roadway described in deed to Anna McDowell dated April 26, 1934 and recorded in Deed Book 138, Page 115, in the Office of the Clerk of Muhlenberg County, Kentucky. The property described above in Item 19 of this paragraph was acquired by the Company by deed dated May 27, 1947, and recorded in Deed Book 162, page 479, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 8. Beginning at a hickory, corner to the tract of 128 acres conveyed to Claude Nicholls by Deed of Partition dated July 16, 1898 and recorded in Deed Book 47, Page 117, in the office of the Clerk of the County Court of Muhlenberg County, Kentucky; thence with a line of said tract North 47½ degrees West 82 poles; thence South 75 degrees East 91 poles to a line of the aforesaid 128 acre tract; thence with a line of said tract South 42 degrees West 39 poles to the beginning, containing 10 acres.

Item 9. Beginning at a stake witnessed by a cottonwood on the bank of Green River, one of the original corners of a 95-acre tract, being also a corner to the tract of 61 acres conveyed to Retta Devire (now Thompson) by deed dated October 5, 1906 and recorded in Deed Book 67, page 78, in the office of the Clerk of the County Court of Muhlenberg County, Kentucky; thence with the Southwest line of said 61-acre tract North 48 degrees West 178 poles, another corner to said 61-acre tract; thence South 41 degrees West 94 poles to a corner of a 10 acre-tract; thence with a line of said 10-acre tract North 47½ degrees West 82 poles; thence South 42½ degrees West 26 poles, more or less, to the center line of State Highway No. 75; thence in a Southeasterly direction with the center line of said Highway 85 poles, more or less, to a point in the South line of the aforesaid 128-acre tract conveyed to Claude Nicholls by Deed of Partition dated July 16, 1898 and recorded in Deed Book 47, page 117, in the aforesaid Clerk's Office; thence with said South line South 81 degrees East 190 poles, more or less, to a stake witnessed by 2 elms and a sycamore on the bank of Green River, another corner to said 128-acre tract; thence down the river with its meanders about 28 poles to the beginning, and being all of the aforesaid 128-acre tract lying Eastwardly of the center line of State Highway No. 75.

The property described above in Items 8 and 9 was acquired by the Company by deed dated May 27, 1947, and recorded in Deed Book 162, page 522, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 10. Beginning at a stake, second corner to Lot 1, being a corner of the 128-acre tract conveyed to Thomas Geary by deed dated July 11, 1942, and recorded in Deed Book 148, page 393, in the office of the Clerk of the County Court of Muhlenberg County, Kentucky; thence North 40 degrees East 54 poles to a corner of the tract of 105 acres conveyed to Mrs. Lula Smith by deed dated April 30, 1940 and recorded in Deed Book 145, page 137, in the aforesaid Clerk's Office; thence with the Southwest line of said 105-acre tract South 50 degrees East 184 poles to a stake at the mouth of a drain on the bank of Green River; thence up the river with its meanders to a stake, corner to Lot 1, also corner to the aforesaid tract of 128 acres; thence with the Northeast line of said last mentioned tract North 50 degrees West 178 poles to the point of beginning, containing 61 acres. There is excepted the 30 foot roadway granted to Anna McDowell by instrument dated April 26, 1934, and recorded in Deed Book 138, page 115, in the Office of the Clerk of Muhlenberg County, Kentucky. The property described above in Item 22 was acquired by the Company by deed dated May 28, 1947 and recorded in Deed Book 162, page 482, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 11. Beginning at a beech at the Northeast corner of the 105-acre tract described in deed from Anna McDowell to Mrs. Lula Smith, dated April 30, 1940, recorded in Deed Book 145, page 137, in the office of the Clerk of the

County Court of Muhlenberg County, Kentucky; thence North 40 degrees East 52 poles to a small walnut; thence South 50 degrees East 220 poles to a small mulberry on the bank of Green River; thence up the river bank and binding thereon, to the Southeast corner of the aforesaid 105 acre tract; thence with the Northeast line of said 105-acre tract, North 50 degrees West, 217 poles to the beginning, containing 69 acres.

Item 12. Beginning at the Northeast corner of the above described tract of 69 acres (said tract being the 69 acres conveyed by Anna McDowell to Mrs. Lula Smith by deed dated April 30, 1940 and recorded in Deed Book 145, page 137, in the office of the Clerk of the County Court of Muhlenberg County, Kentucky), thence North 40 degrees East 54 poles to a beech; thence South 50 degrees East 250 poles to a rock at the mouth of a run on the bank of Green River; thence up the river and binding thereon, to the Southeast corner of said 69-acre tract; thence with the Northeast line of said 69-acre tract, North 50 degrees West, 220 poles to the beginning, containing 70 acres.

There is excepted from the property described above in Items 11 and 12, a tract of about 40 acres, which was conveyed to Henry and Bettie Nicholas by deed dated about December 1, 1912, as referred to in the deed from Mrs. Retta Thompson, et al, to T. Q. Fortney, dated December 23, 1915, and recorded in Deed Book 90, page 533, in the Office of the Clerk of Muhlenberg County, Kentucky.

The property described above in Items 11 and 12 was acquired by the Company by deed dated January 19, 1948, and recorded in Deed Book 165, page 99, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 13. Beginning at a stake situated in the north right-of-way line of East Depot Street in the City of Greenville, which stake is exactly 45 feet from the southwest corner of the existing substation of the Company, South 84 degrees 32 minutes East, 273.36 feet from the center line of Main Street and the intersection with the center line of Depot Street and running thence North 5 degrees 28 minutes East, 80.00 feet to a stake; thence South 84 degrees 32 minutes East, 63.04 feet to a stake in the west bank of sewer ditch, which is a branch of Caney Creek; thence with the meanders of the west bank of sewer ditch South 0 degrees 58 minutes West, 38.93 feet; South 3 degrees 45 minutes West, 41.22 feet to a stake, the Southeast corner of the existing Substation on the bank of the sewer ditch and in the north right-of-way line of Depot Street; thence with the north right-of-way line of Depot Street and the south line of the existing Substation lot North 84 degrees 32 minutes West, 22.32 feet to the Southwest corner of the existing Substation lot; thence continuing with the north right of way line of Depot Street North 84 degrees 32 minutes West 45.00 feet to the point of beginning; being the property acquired by the Company by deed dated September 30, 1963, and recorded in Deed Book 238, page 89, in the Office of the Clerk of Muhlenberg County, Kentucky; excepting from the aforesaid tract the following: Beginning at a stake in the north right-of-way line of East Depot Street, in the west bank of sewer ditch and the southeast corner of the above described tract, running with the north right-of-way line of East Depot Street North 84 degrees 32 minutes West, 20 feet to a stake; thence North 5 degrees 28 minutes East, 23.00 feet to a stake; thence South 84 degrees 32 minutes East, 20.00 feet to a stake in the west bank of sewer ditch; thence South 5 degrees 28 minutes West, 23.00 feet to the point of beginning.

Item 14. A tract of land situated in the City of Greenville described as follows: Beginning at a stake in the West right-of-way line of Walton Street, corner to John Lewis heirs, and running thence with the West right-of-way line of Walton Street S 1-09 W 102.00 feet to an iron pin in the West right-of-way line of Walton Street, which iron pin would also be at the intersection of Walton Street and West Campbell Street if West Campbell Street were extended; thence S 72-24 W 105.6 feet to a stake (this call running with the North right-of-way line of West Campbell Street if West Campbell Street were extended); thence N 1-09 E 233.20 feet to an iron pin in the line of the property of the heirs of John Lewis; thence with the line of said Lewis heirs S 44-40 E 139.00 feet to the place of beginning; being the property acquired by the Company by deed dated October 22, 1963, and recorded in Deed Book 238, page 359, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 15. A tract of land situated in Central City, Kentucky, and bounded and described as follows: Beginning at an iron pin on the East side of West Second Street, said iron pin being N. 42-34 W. 162.20 feet from the Northwest corner of a lot previously sold to Central City Produce Company; thence with West Second Street N. 42-34 W. for a distance of 100 feet to an iron pin; thence leaving West Second Street N. 46-15 E. for a distance of 100 feet to an iron pin; thence S. 42-34 E. for a distance of 100 feet to an iron pin; thence S. 46-15 W. for a distance of 100 feet to an iron pin, the point of beginning; containing 0.23 acre; being a part of Block C-55 of the "Lands of W. T. Pyne and Central Land Company", an addition to Central City, said lands, or a part thereof, conveyed by deed dated November 8, 1921, and having been subdivided into said addition; a map or plat of said addition being of record in Deed Book 90, page 10, Muhlenberg County Court Clerk's office; excepting all coal, oil, gas and other minerals in and underlying said property to the extent the same may have been excepted, reserved, conveyed or leased by former deeds or instruments of record; being the property acquired by the Company by deed dated July 30, 1966, and recorded in Deed Book 254, page 186, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 16. Beginning at a concrete monument in the West right-of-way line of Boggess Avenue; said monument being North 45-42 West 50.40 feet from the centerline intersection of Boggess Avenue and Mae Avenue; thence with J. E. Robards South property line North 88-47 West 200.00 feet to a concrete monument; thence South 01-13 West 125.00 feet to a concrete monument; thence with Robert Lee Tucker's North property line South 88-47 East 200.00 feet to a concrete monument in the West right-of-way of Boggess Avenue; thence with said right-of-way North 01-13 East 125.00 feet to the point of beginning; being Lots 17, 18, 19, 20 and 21, all fronting on Boggess Avenue, in Boggess Heights Subdivision in Greenville, Muhlenberg County, Kentucky, a map of which subdivision is of record in the office of the Clerk of the Muhlenberg County Court in Deed Book 159, page 405; being the property acquired by the Company by deed dated September 7, 1972, and recorded in Deed Book 291, page 113, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 17. Beginning at a dogwood and white oak, John Nicholls, Jr., Edgar Nicholls and A. C. Moorman's corner and running thence with A. C. Moorman's line N 41 E 104 poles to a stake in W. P. Robertson's line; thence with W. P. Robertson's line S 49 E 76 poles to a small beech in R. W. King's line; thence with R. W. King's line S 41 W 104 poles to a poplar, dogwood and black oak, all down; thence with John Nicholls, Jr. N 49 W 76 poles to the beginning, containing 49 acres and 64 rods, more or less; being the property acquired by the Company by deed dated April 16, 1973, and recorded in Deed Book 294, page 257, in the Office of the Clerk of Muhlenberg County, Kentucky. EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky, for the use and benefit of the Transportation Cabinet, Department of Highways, by Deed of Conveyance dated July 19, 2005, recorded in Deed Book 512, Page 772, in the Office of the Clerk of Muhlenberg County, Kentucky.

Item 18. Beginning at a point in the South right-of-way of the Airport Road; said point is located South 79° 41' 40" East 373.28 feet from the intersection of the East right-of-way of Kentucky Highway 189 (Greenville-Central City By-Pass) and the South right-of-way of the Airport Road; thence with the South right-of-way of the Airport Road South 80° 20' 00" East 400.00 feet to the original Northeast corner of the tract of which this is a point; thence with the original East line South 05° 25' 00" West 298.97 feet; thence with the original South line South 55° 43' 00" West 586.37 feet; thence with a new division line North 09° 40' 00" East 705.11 feet to the beginning, containing 4.786 acres, as per survey by Associated Engineers, Inc. dated March 22, 1994, and being the property acquired by the Company by deed dated June 30, 1994 and recorded in Deed Book 430, Page 69, in the Office of the Clerk of Muhlenberg County, Kentucky.

The following described real estate of the Company situated in Nelson County, Kentucky:

Item 1. A lot or parcel of land situated in the Town of New Haven and described as follows: Beginning at a post, corner to J. Harry Bowling on the North side of Bowling Avenue, and running thence with the line of said Bowling in a Northerly direction, sixty feet to a stake, thence in an Eastern direction, thirty feet to a stake; thence in a Southern direction sixty feet to a stake in Bowling Avenue; thence with said Avenue in a Western direction, thirty feet to the beginning; being the property acquired by the Company by deed dated February 29, 1944, and recorded in Deed Book 114, page 162, in the Office of the Clerk of Nelson County, Kentucky.

Item 2. A tract of land situated in the town of Bloomfield, described as follows: Beginning in center of the Springfield road 28 feet N 66 degs. 30 E of an iron pin near corner of Porter's Mill; thence with said pike S 20 degs. 30 min. E 76.56 feet; thence S 66 degs. 30 min. W 46 feet to an iron pin set in concrete corner of the Bloomfield Amusement Company; thence with the line of same N 20 degs. 30 min. W. 44.9 feet to an iron pin; thence with the same S 66 degs. 30 min. W 69.3 feet to a point in Simpson's Creek; thence down same N 20 degs. 30 min., 30 feet to a point in creek corner Frank Porter in P. R. McMakin's line; thence with Porter N 66 degs. 30 min. E 106 feet to the beginning, passing an iron pin set in creek bed at 15 feet and another mentioned in the first place at 78 feet; being a part of the property acquired by the Company by deed dated May 20, 1943, and recorded in Deed Book 112, page 615, in the Office of the Clerk of Nelson County, Kentucky.

Item 3. A parcel of land situated in the City of New Haven, described as follows: Beginning at the Southwest corner of Company's sub-station lot on the North side of Bowling Avenue and running West on Bowling Avenue 60 feet to a stake; thence North 64 feet to a stake; thence East 60 feet to the Northwest corner of the aforesaid lot of the Company; thence South bordering on said lot 60 feet to the point of beginning; being the property acquired by the Company by deed dated December 16, 1953, and recorded in Deed Book 129, page 44, in the Office of the Clerk of Nelson County, Kentucky.

Item 4. A parcel of land near the town of Fairfield, described as follows: Beginning at a point on the South side of Highway No. 48, which point is 168 feet East of the Northwest corner of the farm of Simms' Estate, at an iron stake, and extending along and with said highway S 50 E 75 feet; thence S 40 W 70 feet; thence N 60 W 70 feet; thence North 36 E 82.7 feet to the beginning, and containing about one eighth (1/8) acre, being the property acquired by the Company by deed dated May 25, 1945, and recorded in Deed Book 115, page 634, in the Office of the Clerk of Nelson County, Kentucky.

Item 5. A parcel of land situated near the unincorporated Town of Boston, and described as follows: Beginning at a stake which is the intersection of the north right-of-way line of Kentucky Highway 56 and the south right-of-way line of U.S. Highway 62, running thence along the south right-of-way line of U.S. Highway 62 approximately North 60½ East about 400 feet to a stake, thence approximately South 29½ East about 195 feet 5 inches to a stake in the north right-of-way line of Kentucky Highway 56, thence following the north right-of-way line of Kentucky Highway 56, approximately South 79 West about 171 feet 8 inches to a stake and approximately North 89 West about 274 feet 1/2 inch to the beginning; being the property acquired by the Company by deed dated May 25, 1955, and recorded in Deed Book 130, page 510, in the Office of the Clerk of Nelson County, Kentucky.

Item 6. Beginning at a spike in the center of the Old Bloomfield-Bardstown Road, which point is N. 17° 49' W. 51 feet from corner to Boone's Slaughter House and R. S. Trigg in the Old Bloomfield-Bardstown Road; thence with the center of said road N. 17° 49' W. 171.6 feet to a spike; thence N. 5° 22' W. 90 feet to a spike in the center of said road; thence a new line S. 88° 32' E. 194.5 feet to a stake; thence a new line S. 8° 00' W. 212 feet to a stake; thence a new line S. 69° 00' W. 109 feet to the point of beginning, containing 0.85 acre, more or less; being the property acquired by the Company by deed dated April 15, 1957, and recorded in Deed Book 134, page 39, in the Office of the Clerk of Nelson County, Kentucky; subject to a right-of-way granted to the City of Bardstown by deed dated February 14, 1964.

Item 7. Beginning at a railroad spike set in the west edge of a 15 foot lane and in the north right-of-way line of the L & N Railroad; thence S 76 deg. 50' W 151.28 feet, S 76 deg. 23' W 69.68 feet, S 75 deg. 53' W 50.00 feet S 75 deg. 25' W 50.00 feet S 74 deg. 53' W 50.00 feet to a stake, a corner to Whelan, all of said calls following the north right-of-way line of the L & N Railroad; thence with Whelan N 13 deg. 10' W 305.50 feet to a stake in a corner; thence N 76 deg. 50' E 541.4 feet to a railroad spike set in the West Edge of said lane; thence with the West edge of said lane S 16 deg. 25' W 345.50 feet to the point of beginning, containing 3.162 acres, more or less; being the property acquired by the Company by deed dated December 30, 1967, and recorded in Deed Book 160, page 442, in the Office of the Clerk of Nelson County, Kentucky.

The following described real estate of the Company situated in Nicholas County, Kentucky:

Item 1. Beginning at the lower end of the North abutment of the Turnpike bridge across Brushy Fork Creek; thence down the Creek on the North side thereof N. 40 W. 2 poles to a stake; thence still down the Creek N. 52 $\frac{3}{4}$ W. 10.80 poles to a stake on the North margin of said Creek, corner to No. 1, now Cal Darnell; thence with the division line of same S. 18 W. 12.12 poles crossing the Railroad to a stake on the North margin of the turnpike road and a corner to same; thence with the North margin of said Turnpike N. 87 E. 8.76 poles; thence N. 59 $\frac{1}{4}$ E. 5.72 poles crossing Brushy Fork Creek to the beginning; excepting, however, out of and from the foregoing boundary a small portion of the lot above described heretofore conveyed by Simpson and wife to H. N. Rankin, by deed dated September 22, 1900, recorded in Deed Book 18, page 326, to which reference is made for a description of said exception.

Item 2. Beginning at a stake on the North margin of the Carlisle and Plum Lick Turnpike Road, and corner to Tom Simpson's lot; thence with the line of Simpson's lot N. 18 E. 12.12 poles to a stake in the North margin of Brushy Fork, a corner to said Simpson's lot; thence down the Creek on the North side thereof N. 53 $\frac{3}{4}$ W. 2.20 poles to a stone in said side of the Creek, a corner to the balance of Mary P. Darnell's lot; thence S. 18 W. 13 poles to a stake on the North Margin of said Turnpike road; thence with the North margin of said road N. 78 E. 2.12 poles to the beginning, containing 26 square poles; together with a private passway from the foot of Sycamore Street across the North end of Mary P. Darnell's lot to the lot herein described, said passway to be for the purpose of hauling coal.

Item 3. A certain lot or parcel of land, lying and being in the City of Carlisle, and immediately on the line of the L. & N. right-of-way, and bounded by said railroad; the lot of Mrs. Mollie Darnell (now Kentucky Utilities Company); R. C. King Hardware Company (now Kentucky Utilities Company); and the heirs of Joe Hall, colored, said lot fronting said Railroad 66 $\frac{1}{2}$ feet, more or less; the Eastern boundary line being 125 feet, more or less; the Northern boundary line being 73 $\frac{1}{2}$ feet, more or less; and the Western boundary line being 153 $\frac{1}{2}$ feet, more or less.

Item 4. A certain lot or parcel of land lying in the City of Carlisle, and being a portion of Lot No. 128 on the plat of said City, and including the Creek and a small strip of land on the opposite side of same, and bounded by Sycamore Street of said City; Sugar Tree Alley; the Livery Stable lot of Rogers Bros.; the lot of Mrs. Mollie Darnell and the lot of Emma Bristoo, colored.

The property described above in Items 1 to 4 was acquired by the Company by deed dated December 27, 1923, and recorded in Deed Book 36, page 564, in the Office of the Clerk of Nicholas County, Kentucky.

Item 5. All that tract or parcel of land situated in Carlisle, Kentucky, and more fully described and bounded as follows, to-wit: Beginning at a point in the center of the Louisville and Nashville Railroad tracks marked by a railroad spike in a tie and corner to the Company's property; thence with the Company's property N 13 Degrees 15' E 160 feet to an iron pin, said iron pin being S 13 Degrees 15' W 31.5 feet from the center of Brushy Fork Creek; thence N 82 Degrees 17' W 50 feet to an iron pin in the line of Kenneth Hardwick, said iron pin being S 13 Degrees 15' W 49.5 feet from the center of Brushy Fork Creek; thence with the line of Kenneth Hardwick S 13 Degrees 15' W 160 feet to an iron pin in the center of the Louisville and Nashville Railroad tracks; thence with the center line of the Louisville and Nashville Railroad tracks S 82° 17' E 50 feet to the beginning, said property being subject to the right-of-way of the Louisville and Nashville Railroad; being the property acquired by the Company by deed dated September 21, 1965, and recorded in Deed Book 61, page 367, in the Office of the Clerk of Nicholas County, Kentucky.

The following described real estate of the Company situated in Ohio County, Kentucky:

Item 1. Beginning at an iron rail in the South line of the Beaver Dam Coal Company and also in the North line of Mrs. Smith's lot, said rail being 16.5 feet West of an 18-inch black oak corner common to Mrs. Smith's lot and Lawson Byers' lot; thence with the Beaver Dam Coal Company's line N. 71-00 W. 249.5 feet to a large black oak in Reynold's North line; thence N. 22-00 E. 75.5 feet to an iron rail; thence S. 68-00 E. 249.1 feet to an iron rail; thence S. 22-00 W. 62.5 feet to the point of beginning, containing 0.36 acres; being the property acquired by the Company by deed dated October 30, 1923, and recorded in Deed Book 66, page 249, in the Office of the Clerk of Ohio County, Kentucky.

Item 2. A tract of land on Lewis Creek described as follows: Beginning at a stake in the West Right of Way Line of Kentucky Highway No. 369 and in the property line between the Grantor herein and E. A. Mercer; thence with said Mercer's line S. 88-56 W. 299.09 feet to a stake in said line; thence leaving Mercer's line N. 00-32 E. 251.8 feet to a stake; thence N. 85-48 E. 300 feet to a stake in the West Right of way line of Highway No. 369; thence with said Highway Right of Way line S. 00-32 W. 268.2 feet to the point of beginning, containing 1.78 acres, being the property acquired by the Company by deed dated June 12, 1953, and recorded in Deed Book 118, page 143, in the Office of the Clerk of Ohio County, Kentucky.

Item 3. A tract of land on the Beaver Dam and Rochester public highway, described as follows: Beginning at a stake on the west side of said Beaver Dam and Rochester public highway, corner to property of the Beaver Dam Coal Company; thence S 88 Degrees 56 min. West 299.09 feet to a stake, corner to Beaver Dam Coal Company property; thence South 00 Degrees 32 min. East 48.20 feet to a stake; thence North 85 Degrees 48 min. East 300 feet to a stake on the West side of the right-of-way of the Beaver Dam and Rochester public highway; thence North 00 Degrees 32 min. East 31.80 feet to the beginning, containing 0.28 acres, more or less, being the property acquired by the Company by deed dated June 30, 1953, and recorded in Deed Book 118, page 140, in the Office of the Clerk of Ohio County, Kentucky.

There are excepted from the foregoing property all mineral rights.

Item 4. A certain tract or parcel of land situated in the City of Beaver Dam, Kentucky: Beginning at the intersection of the North right-of-way line of Third Street and the West right-of-way line of Ridgecrest Drive, running thence with the West right-of-way line of Ridgecrest Drive N. 7° 00' W. for a distance of 108.00 feet to an angle point being the Northeast corner of Lot Number 35; thence with a bearing of S. 79° 50' W. for a distance of 350.06 feet to an angle point being the Northwest corner of Lot Number 29; thence with a bearing of S. 6° 00' W. for a distance of 91.00 feet to an angle point in the North right-of-way line of Third Street and being the Southwest corner of Lot Number 29; thence with the Northern right-of-way line of Third Street N. 83° 00' E. for a distance of 370.00 feet to the point of beginning, containing 0.81 acre; being all of Lots 29, 30, 31, 32, 33, 34 and 35, in Section "B" of the Oldham Addition, which is a subdivision of town lots near Beaver Dam, Kentucky, a plat of which addition is recorded in the Ohio County Court Clerk's office in Deed Book 101, page 337, to which reference is hereby made for a more complete description thereof; and being the property acquired by the Company by deed dated December 30, 1966, and recorded in Deed Book 172, pages 250-51, in the Office of the Clerk of Ohio County, Kentucky.

Item 5. A certain lot or parcel of land in the Northwest section of Beaver Dam fronting on a new street which leads to a Sewage Pumping Station, more particularly described as follows: Beginning at a stone, the original Southwest Corner of Tract 2; thence with the original West line of Tract 2 North 10 deg. 24' 40" East 141.36 feet to the South right-of-way of the above mentioned street; thence with said right-of-way North 89 degrees 57' 23" East 150.00 feet to a concrete monument; thence South 10 degrees 30' West 140.20 feet to a point in the South line of said tract; thence South 89 degrees 30' 23" West 150.00 feet to the beginning, containing .476 acre; being the property acquired by the Company by deed dated April 16, 1973, and recorded in Deed Book 202, page 529, in the Office of the Clerk of Ohio County, Kentucky.

The following described real estate of the Company situated in Oldham County, Kentucky:

Item 1. Beginning at an iron rod in the easterly right of way line of Walnut Street 104.98 feet south of its intersection with Washington Street and being a common corner with the remaining lands of James W. Pike; thence north 74 degrees 41 minutes 40 seconds east 163.00 feet to an iron rod being the northeasterly most corner of the tract herein described, and being in the line of Robert J. Noel; thence with the line of Robert J. Noel south 15 degrees 55 minutes 05 seconds east 76.59 feet to an iron rod in the line of Russell F. Williams Estate and being the southeasterly most corner of the tract herein described; thence with the line of the Russell F. Williams Estate south 74 degrees 41 minutes 40 seconds west 163.00 feet to an iron rod in the easterly most right of way of Walnut Street and being the southwesterly most corner of the tract herein conveyed; thence with the easterly most line of Walnut Street north 15 degrees 55 minutes 05 seconds west 76.59 feet to the point of beginning, containing 0.29 acre; and being the property acquired by the Company by deed dated July 21, 1980, and recorded in Deed Book 201, page 257, in the Office of the Clerk of Oldham County, Kentucky.

Item 2. Being all of Tract 2 containing 0.4070 acres and Tract 3 containing 0.3640 acres, as shown by survey for Kentucky Utilities Co. attached to the Deed of record in Deed Book D546, Page 279, in the Office of the Clerk of Oldham County, Kentucky, and being the same property acquired by the Company by Deed dated July 29, 1997, of record in Deed Book D546, Page 279, in the Office of the Clerk aforesaid.

The following described real estate of the Company situated in Owen County, Kentucky:

Item 1. A tract of land in the Town of Owenton, being the East one-half of Lot 87, designated by said number in the plat of said town, being 50½ feet front and 96 feet 10½ inches deep.

Item 2. A tract of land in the Town of Owenton, designated as lot 88 on the plat of said town, being 50½ feet front and 193 feet 9 inches back to Cherry Alley.

Item 3. A tract of land in the Town of Owenton, more particularly described as follows: Lot No. 18 in Block C in Parkway Addition in Owenton, which lot fronts 63 feet on Gayle Avenue, runs back 188 feet on the North side, 186 feet on the South side and 62 feet across the back end, excepting a strip 50 feet wide, running along the South side thereof.

Item 4. A tract of land in the Town of Owenton, more particularly described as follows: Lot No. 19 in Block C in Parkway Addition in Owenton, which lot fronts 64 feet on Gayle Avenue, runs back 191 feet on the North side, 188 feet on the South side, and 70 feet across the back end.

The property described above in Items 1 to 4 was acquired by the Company by Deed dated August 1, 1950, and recorded in Deed Book 88, page 570, in the Office of the Clerk of Owen County, Kentucky.

Item 5. A parcel of land described as follows: Beginning at a point in the center of Owenton-Sparta Road (State Highway #35) corner to John Samford, Esmond Gronemier and Forsee Lee Jackson; running thence along the center line of said road N 1° 30' E for a distance of 200 feet to an iron pin; thence S 89° 3' W for a distance of 350 feet to an iron pin; thence S 1° W for a distance of 200 feet to a point in the property line fence of John Samford and Forsee Lee Jackson; thence with the property line fence S 88° E for a distance of 350 feet to the beginning and containing approximately 1.6 acres; being the property acquired by the Company by deed dated November 25, 1955, and recorded in Deed Book 98, page 91, in the Office of the Clerk of Owen County, Kentucky.

Item 6. Beginning at a point in the northeast right-of-way line of KY St. Rt. #355, said point being at the southwest corner of a tract of land as conveyed to William V. Duvall, Jr., and Anna C. Duvall by deed dated 2 December, 1985 of record in Deed Book 152, Page 40 in the Owen County Clerk's office; thence with the westerly line of Duvall and a fence North 36 deg. 35 min. 11 sec. East 1097.03 feet to a corner fence post thence North 40 deg. 37 min. 20 sec. West 436.61 feet to an iron pin set at fence corner, a corner in the westerly line of Duvall, the true point of beginning; thence from the true point of beginning and with a severance line through the Butcher tract North 44 deg. 40 min. 21 sec. West 677.99 feet to an iron pin; thence North 6 deg. 21 min. 15 sec. West 414.45 feet to an iron pin; thence North 37 deg. 41 min. 15 sec. East 233.44 feet to an iron pin; thence North 83 deg. 56 min. 55 sec. East 327.94 feet to an iron pin; thence North 80 deg. 47 min. 53 sec. East 345.79 feet to an iron pin; thence North 75 deg. 26 min. 42 sec. East 186.81 feet to an iron pin set in a fence line, the westerly line of the Duvall tract, said pin being South 4 deg. 08 min. 05 sec. East 83.64 feet from the northwest corner of said Duvall tract; thence with the westerly line of Duvall and a fence South 5 deg. 34 min. 40 sec. East 680.36 feet to an iron pin set next to a corner fence post; thence South 44 deg. 47 min. 35 sec. West 758.75 feet to the true point of beginning and containing 19.992 acres, and the foregoing description having been prepared from a physical survey conducted by A. C. Hughes, Jr., Ky. P.L.S. #2340, February, 1992, and being the property acquired by the Company by deed dated August 13, 1992, and recorded in Deed Book 168, Page 153, in the Office of the Clerk of Owen County, Kentucky.

The following described real estate of the Company situated in Pendleton County, Kentucky:

Item 1. A tract of land situated in the City of Butler described as follows: Beginning at a stake the Southwest corner of Matilda and Mill Streets, thence with Mill Street about ninety-eight (98) feet to a point in line with the West side of Bridge Street, thence diagonally in a Southeasterly direction toward Matilda Street along a line that extended strikes a stake driven in the West side of Matilda Street at the corner of the shed attached to the Odd Fellows Building and which is about forty-two (42) feet toward the river from the N.W. corner of Matilda and High Streets to the rear line of said Odd Fellows property, thence with said Odd Fellows line to Matilda Street; thence with Matilda Street to the place of beginning; excepting therefrom the street and sidewalk which runs over and through said lot, and an easement for roadway purposes granted to the City of Butler by Kentucky Power & Light Company by contract dated June 30, 1937; being the same property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 86, page 1, in the Office of the Clerk of Pendleton County, Kentucky.

Item 2. A parcel of land lying in the City of Falmouth, described as follows: Beginning at a point in the South margin of 4th Street 160 feet East from intersection of Fourth and Main Streets; thence with 4th Street S 66-00 E 190 feet to a point; thence S 24-00 W 157½ feet to a point; thence N 69-00 W 190 feet to a point in Woolery's line; thence N 24-00 E 155½ feet to place of beginning; being the property acquired by the Company by deed dated November 1, 1954, and recorded in Deed Book 97, page 577, in the Office of the Clerk of Pendleton County, Kentucky.

Item 3. Situated in Pendleton County, Commonwealth of Kentucky and lying on the west side of U.S. Highway #27 approximately one mile north of the Butler Intersection, bounded and described as follows: BEGINNING at a stone in the corner of a woods, said point being the northwest corner of an original 103 1/3 acres of land recorded in Deed Book 77, Page 401 of the Pendleton County Records; thence with the north line of said original 103 1/3 acre tract north 75-05'-38" east, a distance of 426.77 feet to an iron pin in the west right-of-way line of U.S. Highway #27, said point being 80.0 feet from the center-line when measured at right angles, said point also being a corner to a tract owned by Reedus and Carrie Back; thence with the right-of-way line and a distance of 80.0 feet west and parallel to center-line south 02-09'-55" west, a distance of 45.25 feet; thence with the arc of a circle with a radius of 1717.0 feet, a chord south 00-49'-55" east, a distance of 180.40 feet; thence continuing with said right-of-way north 86-08'-23" east, a distance of 10.00 feet to a point 70.0 feet from said center line when measured at right angles; thence with the arc of a circle with a radius of 1707.0 feet and a line 70.0 feet west and parallel with said center-line, a chord south 08-14'-10" east, a distance of 261.55 feet; thence south 77-23'-13" west, a distance of 30.0 feet to a point 100.00 feet from said center-line when measured at right angles; thence with the arc of a circle with a radius of 1737.0 feet continuing with said right-of-way line 100.0 feet west and parallel to said center line a chord south 16-50'-15" east, a distance of 253.68 feet; thence continuing with said right-of-way line south 20-59'-55" east, a distance of 84.69 feet to an iron pin, corner to a tract of land owned by Reedus and Carrie Back; thence with the line of the original 103 1/3 acre tract north 37-12'-40" west, a distance of 886.85 feet to the point of beginning containing 3.54 acres, and being the property acquired by the Company by deed dated October 26, 1993, and recorded in Deed Book 185, Page 24, in the Office of the Clerk of Pendleton County, Kentucky.

The following described real estate of the Company situated in Pulaski County, Kentucky:

Item 1. A certain house and tract of land on Sinking Creek on the west side of the Cincinnati Southern depot, bounded as follows: Beginning at a stone, William Wright's corner, and running with the west line of the railway right of way in a southerly direction 100 feet to a stone, corner of a lot formerly owned by Joe Parker, and later owned by Beecher Smith; thence with the north line of said lot in a westerly direction 213 feet to Sinking Creek; thence up said creek in a

northerly direction 100 feet to a stone, corner of the William Wright lot; thence with his line to the beginning, excepting 22 feet along Sinking Creek for a street.

Item 2. A certain tract of land bounded as follows: Beginning at a stake in the west boundary of the depot grounds 100 feet south of William Wright's lot and running west to the middle of Sinking Creek; thence down the creek to a point 50 feet at a right angle from the former line; thence east in a line parallel with the first line to said boundary of depot lot; and thence with said boundary to the beginning.

Item 3. A certain tract of land bounded as follows: Beginning at the north corner of the lot of Joe C. Parker, at a stone in the right of way of the C. N. O. & T. P. Ry. Company; thence with said right of way S. 4½ E. 110 feet to a stone, corner to lot of George Sheartz; thence with his line N. 89 W. to Sinking Creek; thence up said creek with its meanders to the Joe C. Parker lot; thence S. 89 E. 222 feet to the beginning, excepting 50 feet front running back to Sinking Creek belonging to David Bard.

EXCLUDING FROM ITEMS 1 to 3 above:

(a) so much of said property as was conveyed by Deed dated December 22, 1947, recorded in Deed Book 157, Page 47 in the Office of the Clerk of Pulaski County, Kentucky; and

(b) so much of said property as was conveyed by Deed dated December 17, 1948, recorded in Deed Book 163, Page 1 in the Office of the Clerk of Pulaski County, Kentucky; and

(c) so much of said property as was conveyed by Deed dated December 17, 1948, recorded in Deed Book 163, Page 329 in the Office of the Clerk of Pulaski County, Kentucky; and

(d) so much of said property as was conveyed by Deed dated May 5, 1949, recorded in Deed Book 399, Page 188 in the Office of the Clerk of Pulaski County, Kentucky.

The property described in Items 1 to 3 above was acquired by the Company by deed dated October 15, 1912, and recorded in Deed Book 71, page 574, in the Office of the Clerk of Pulaski County, Kentucky.

Item 4. A certain tract or parcel of land in the City of Somerset lying about one mile south of the Court House in said City, on the waters of Sinking Creek, and bounded and described as follows: Beginning at a stone, Mary Gilmore's line; thence 50 feet up the C. N. O. & T. P. Railway line to a stake; said lot being 50 feet wide and running from the said railroad line back to Sinking Creek. For further particulars as to boundary reference is here made to Deed Book 31, page 123, in the office of the Clerk of the Pulaski County Court; being the property acquired by the Company by deed dated April 14, 1924, and recorded in Deed Book 93, page 633, in the Office of the Clerk of Pulaski County, Kentucky.

EXCLUDING FROM ITEM 4 above:

(a) so much of said property as was conveyed by Deed dated December 22, 1947, recorded in Deed Book 157, Page 47 in the Office of the Clerk of Pulaski County, Kentucky; and

(b) so much of said property as was conveyed by Deed dated December 17, 1948, recorded in Deed Book 163, Page 1 in the Office of the Clerk of Pulaski County, Kentucky; and

(c) so much of said property as was conveyed by Deed dated December 17, 1948, recorded in Deed Book 163, Page 329 in the Office of the Clerk of Pulaski County, Kentucky.

Item 5. A ninety-nine year lease on a tract of land situated on Jasper Knob, near the City of Somerset, bounded as follows: Beginning at a stake in the old Jasper north line, at a point designated as Hub No. 3, according to a recent survey made by engineers of the Company, also being the corner described as 3 dogwood pointers in prior deeds, it being the northeast corner of the lot, which is common to the northwest corner of the lot conveyed under date March 9, 1946, to the Company by Beecher Smith, et al; thence running with the west line of the Beecher Smith lot S. 19 degrees 16' E. 658 feet to the southwest corner of said Smith lot, it being Hub No. 6; thence S. 70 degrees 44' W. 278 feet, to the east line of another B. Smith lot, it being Hub No. 7; thence with said line N. 19 degrees 16' W. 318 feet to a point in the old Jasper back line, it being Hub No. 1, thence with said line N. 16 degrees 00' E. 55.8 feet, to a point in said line, it being Hub No. 2; thence still with said line N. 21 degrees 20' E. 380 feet to the beginning, it being a portion of the parcel of land, on the north end thereof, conveyed to T. E. Jasper by Rebecca Jasper on the 9th day of May, 1899, by deed now of record in the Pulaski County Court Clerk's Office in Deed Book No. 49 at page 86; being the property acquired by the Company by Deed dated March, 1946, and recorded in Deed Book 143, page 477, in the Office of the Clerk of Pulaski County, Kentucky.

Item 6. BEGINNING at an iron pin found on the south edge of right-of-way of KY Hwy 635 near the community of Science Hill in Pulaski County, Kentucky approximately 261' East of the intersection of KY Hwy 635 and US Hwy 27, said pin being the Northeast Corner of the Parent Tract and the Northwest Corner of Thomas Poynter (D.B. 479, Pg. 267), and being 20.83' Right of Sta. 42+70.98 (as based upon Kentucky D.O.T. proposed right-of-way plans for proposed US Hwy 27, as will be typical for all Stationing); Thence leaving the South edge of right-of-way and with the division line of the parent tract and Poynter S09°09'23"W - 21:16 feet to an iron pin set, (5/8" x 18" iron pin with orange plastic survey cap

bearing P.L.S. #3623 set as will be typical for all set corner monuments) being Sta. 50.05' Right of Sta. 42+81.59 of KY Hwy 635, said pin being the Northeast Corner of the Parcel being created and being on the south edge of the proposed right-of-way of KY Hwy 635, said point also being the POINT OF BEGINNING for this description; Thence continuing with the line of Poynter S09°09'23"W - 132.15 feet to an iron pin set, said pin being the Southeast Corner of the Parcel being created and being on the line of Poynter and also being the Northeast Corner of Gladys Lovell Taylor (D.B. 678, Pg. 513); Thence leaving the line of Poynter and with the line of Taylor, N82°51'09"W - 101.53 feet to an iron pin set, said pin being the Southwest corner of the Parcel being created and being 141.74 feet Right of Sta. 4465+03.12 of Proposed US Hwy 27 and being on the east edge of the proposed right-of-way, Thence with a new line to the parent tract and being the east edge of the proposed right-of-way of US Hwy 27, N13°48'37"E - 147.71 feet to an iron pin set, said pin being the Northwest Corner of the Parcel being created and being 70.00' Rt. of Sta. 41+93.67 of proposed KY Hwy 635; Thence leaving the east edge of Proposed right-of-way of US Hwy 27 and with the Proposed right-of-way of KY Hwy 635, S73°30'54"E - 90.22 feet to the point of beginning and containing 0.307 acres by survey.

Item 7. All bearings are referred to the bearing of reference. Being that tangent section of Centerline along the proposed alignment of Hwy 635, north of the property being surveyed and taken to be S60°44'01"E as shown on KY D.O.T. Right-of-way plans for US Hwy 27 (File: R0110pl.dgn, Date 16-DEC-02).

Item 8. Being the remainder of that parcel of property acquired by Kentucky Utilities Company, a Kentucky corporation, by General Warranty Deed from Ronnie James Wesley and Geneva Wesley, husband and wife, and Steven Denton and Roseanna Denton, husband and wife, dated 6th day of October, 2004.

Items 6, 7 and 8 above being the same property acquired by the Company pursuant to deed of record in Deed Book 747, Page 214, in the Office of the Clerk of Pulaski County, Kentucky.

Item 9. A tract of land on the waters of Pitman Creek, described as follows: Beginning at an iron pipe in the line of G. G. Faulkner, corner to J. H. Godby; running thence with the line of G. G. Faulkner North 51° 00' East 653 feet to an iron pin set in rock; thence with the line of Sherman Faulkner North 28° 10' West 595 feet to an iron pipe corner to Pearl Colyer's; thence with the new division line of Pearl Colyer South 52° 30' West 748 feet to an iron pipe corner to J. H. Godby; thence with Godby's line South 37° 30' East 600 feet to the beginning, containing 9.5 acres; subject to the reservation of a strip of right-of-way 16 feet in width and 600 feet long, lying along the West side of the above described tract and adjacent to the property of J. H. Godby, said strip to be used only for a roadway, or passageway, to and from property of Pearl Colyer; and, also subject to the reservation of a strip of right-of-way 12 feet in width and 653 feet long lying along the South side of the above described tract as a passageway to the property of Sherman Faulkner. EXCLUDING THEREFROM so much as was conveyed by Master Commissioner Deed dated October 15, 1993, recorded in Master Commissioner's Deed Book 18, Page 278, in the Office of the Clerk of Pulaski County, Kentucky.

The property described in Item 9 above was acquired by the Company by Deed dated September 26, 1951, and recorded in Deed Book 181, page 461, Pulaski County Court Clerk's office.

Item 10. A parcel of land North of the City of Somerset and lying on the North side of Tandy Avenue and about 335 feet West of the center of U.S. Highway 27, described as follows: A certain lot or parcel of land fronting on Tandy Avenue 100 feet by 146 feet, being westernmost twenty (20) feet of Lot No. 9, all of Lots 10, 11 and 12, and the easternmost five (5) feet of Lot No. 13, in Block "B" of Tandy addition as shown by plat dated May 23, 1923, recorded in Deed Book No. 92, page 354, Pulaski County Court Clerk's office; being the property acquired by the Company by deed dated June 8, 1954, and recorded in Deed Book 194, page 48, in the Office of the Clerk of Pulaski County, Kentucky.

Item 11. A certain parcel of land lying on the South side of Union Church Road, about 0.6 miles East from U.S. Highway No. 27, near the Town of Science Hill, described as follows: Beginning at a fence post corner in the south right of way line of Union Church Road, which said Fence post is in the property line between the lands of Thomas Dick and the lands of Green Whites, running thence S. 86-04 E. with the said south right of way line 48.75 feet more or less to a point; thence S. 4-44 E. leaving the said right of way line 40.0 feet more or less to a point; thence S. 85-16 W. 40.0 feet more or less to a point in the property line between the lands of Thomas Dick and the lands of Green Whites; thence N 8 W. with the said property line between the lands of Thomas Dick and the lands of Green Whites 61.95 feet to the beginning; being the property acquired by the Company by deed dated June 11, 1952, and recorded in Deed Book 185, page 473, in the Office of the Clerk of Pulaski County, Kentucky.

Item 12. A certain parcel of land situated in the City of Somerset, on Railroad Drive, described as follows: Beginning on western boundary of C. S. Railway Depot ground at point of intersection of Parker, and Porch and Tomlinson line; thence S 5 E 120 feet with said railway; thence to Spradlin's corner in middle of Sinking Creek; thence S 85 W 57 feet to Spradlin's corner, continuing same course 100 feet with line of Beecher Smith and Dr. Wahle's lots to corner Wahle's and Parker's corner; thence southward with Wahle's 108 feet to Denham Street; thence westwardly with Denham Street 98 feet to Cynthia Denham's corner; thence northwardly with Cynthia Denham's line 114 feet to corner on Sutherland now W. D. Gover's lot and corner to Parker's lot; thence eastwardly with line of Sutherland lot 72 feet to corner of Sutherland and Parker lots; thence northward with Sutherland, Parker and Wahle's line 91 feet to Parker corner on Sol Jones line; thence with Sol Jones and Parker's line eastwardly 145 feet to a stone corner (old corner between Parker, Porch and Tomlinson and Denham lands); thence N 50 E 127 feet with old line to place of beginning; being the property acquired by the Company by deed dated November 25, 1959, and recorded in Deed Book 226, page 426, in the Office of the Clerk of Pulaski County, Kentucky.

Item 13. A tract of land situated north of Southern Railway System's property, and on the west side of State Highway from Ferguson to Crane plant (old Ferguson Shop), south of the Town of Ferguson, described as follows: Beginning at a concrete monument located in the North property line of the Southern Railway System and in the South property line of J. J. B. Williams, also in the West right-of-way line of the Kentucky State Highway right-of-way and being 30 feet West from the Center Line of said highway right-of-way; running thence N. 67-25 W., 185.15 feet along said Railway System property line to concrete monument; thence leaving said property line of said Railway System N. 22-35 E., 100.0 feet to concrete monument; thence S. 67-25 E. 100.0 feet to stake in said West highway right-of-way line; thence S. 17-53 E. 131.7 feet with said West right-of-way line to the place of beginning; being the property acquired by the Company by deed dated February 27, 1963, and recorded in Deed Book 247, page 168, in the Office of the Clerk of Pulaski County, Kentucky.

Item 14. A tract of land situated in the City of Somerset, described as follows: Beginning at an iron pin set 22 feet North from the northwest corner of Ice Plant Building and 54 feet West from the westerly right-of-way limits of the C.N.O. & T.P. Railroad Company; thence South 22 feet to the northwest corner of the Ice Plant Building; thence continuing same course with the west wall of said building 50 feet to a point; thence West 50 feet to an iron pin; thence North 72 feet to an iron pin; thence East 50 feet to the point of beginning, and containing .0827 acre; being the property acquired by the Company by deed dated July 3, 1963, and recorded in Deed Book 251, page 332, in the Office of the Clerk of Pulaski County, Kentucky.

Item 15. A tract of land situated in the City of Somerset, described as follows: Beginning corner, iron pin located in the east edge of Young Street (extended) and 25 feet east of Kate Shadoan's property line and also about 850 ft. north of Highway 80, running N. 40-03 W along the east edge of Young Street 90 ft., more or less, to stake; thence N 55-00 E. leaving said street 125 ft., more or less, along the south edge of road right-of-way of Clifford Tarter to stake; thence S 40-03 E, and parallel to the above west boundary line of said tract of land, 90 ft., more or less, to stake in the north property line of Eulis Price's property; thence S 55-00 W along said north property line of Eulis Price and parallel to the above north boundary line of said tract of land, 125 feet, more or less, to the beginning corner; being the property acquired by the Company by deed dated October 26, 1966, and recorded in Deed Book 273, page 129, in the Office of the Clerk of Pulaski County, Kentucky.

Item 16. Beginning at the intersection of the west line of North Main Street with the south line of West Cherry Street, and running with said south line of West Cherry Street in a westerly direction a distance of 302.1 feet, more or less, to the point of intersection of said south line of West Cherry Street with the east line of North Vine Street; thence turning and running with said east line of North Vine Street in a southerly direction a distance of 110.0 feet, more or less, to an iron pipe in said east line of North Vine Street; thence turning and running along a line approximately parallel to West Cherry Street in an easterly direction a distance of 240.6 feet, more or less, to a point in the west line of a lot owned by the City of Somerset; thence turning and running with said west line in a northerly direction a distance of 40.0 feet, more or less, to the northwest corner of said City of Somerset lot; thence turning and running along the north line of said City of Somerset lot in an easterly direction, a distance of 60.0 feet, more or less, to a point in the west line of North Main Street; thence turning and running with said west line of North Main Street in a northerly direction a distance of 70.0 feet, more or less, to the point of beginning; being the property acquired by the Company by deed dated May 31, 1968, and recorded in Deed Book 283, page 547, in the Office of the Clerk of Pulaski County, Kentucky.

Item 17. Beginning at a point which is the common property corner of The Cincinnati, New Orleans and Texas Pacific Railway Company and Lear-Siegler, Inc., said point being located on the westerly right-of-way or boundary line of said Railway Company at a point 63 feet, measured at a right angle, from the center line of the existing main track of said Railway Company running between Chattanooga and Cincinnati; and run thence, North 86° 11' West along the common property or boundary line of said Railway Company and Lear-Siegler, Inc., 108 feet, more or less, to a point marked by concrete marker with steel pin set, said point being the common property corner of said Railway Company, Lear-Siegler, Inc. and Tecumseh Products Company; thence, South 03° 49' West along the common property or boundary line of said Railway Company and Tecumseh Products Company, 472.4 feet to a point in the northerly right-of-way line of said Railway Company for its lead track serving Tecumseh Products Company, which point is 50 feet, measured at a right angle, from the centerline of said lead track; thence, South 86° 11' East along the common property or boundary line of said Railway Company and Tecumseh Products Company, parallel to and at all points 50 feet, measured at right angles thereto, from the center line of said lead track, 325.3 feet; thence, South 67° 42' East, 106.4 feet, more or less, to a point on the westerly right-of-way or boundary line of said Railway Company, said point being 63 feet, measured at a right angle, from the center line of the above described main track of said Railway Company; thence, North 28° 21' West, along the Westerly right-of-way line or boundary of said Railway Company, at all points 63 feet, measured at right angles thereto, from the center line of said main track, 598 feet, more or less, to the point or place of beginning, and containing 2.809 acres, more or less; being the property acquired by the Company by deed dated February 4, 1971, and recorded in Deed Book 311, page 161, in the Office of the Clerk of Pulaski County, Kentucky.

Item 18. Beginning at a concrete marker set in the east edge of the new U.S. 27 right-of-way, Garret's corner to Robert Drake; thence with Drake's line North 73 East 200 feet to an iron pin; thence North 9 West 88.5 feet to an iron pin; thence South 73 West 200 feet to an iron pin set in the east edge of U.S. 27 highway; thence with the east edge of said right-of-way South 9 East 88.5 feet to the point of beginning, containing 0.4063 acre; being the property acquired by the Company by deed dated July 27, 1971, and recorded in Commissioner's Deed Book 10, page 207, in the Office of the Clerk of Pulaski County, Kentucky.

Item 19. Beginning at an iron pin in the North right-of-way line of McKee Road, said point being 150 feet from a corner to Cravens and W. A. Burkett; thence North 15° 03' East 150.0 feet to an iron pin; thence North 04° 33' East

317.0 feet to an iron pin in the centerline of an existing electric transmission line easement of the Company; thence with the centerline of said easement North 75° 52' East 250 feet to an iron pin in the property line of W. A. Burkett; thence with Burkett's line South 16° 52' West 366.1 feet to an iron pin; thence North 82° 24' West 100.0 feet to an iron pin; thence South 15° 03' West 200.0 feet to an iron pin in the North right-of-way line of McKee Road; thence with said right-of-way line North 80° 19' West 50.0 feet to the point of beginning, containing 1.62 acres; being the property acquired by the Company by deed dated May 13, 1973, and recorded in Deed Book 337, page 324, in the Office of the Clerk of Pulaski County, Kentucky.

Item 20. A certain tract or parcel of land lying and being Lot 8 & 9 in Block 9 of the Fairview Subdivision, Somerset, Kentucky, and being more particularly described as follows: Beginning at an iron pin set at the southeast right-of-way intersection of Denham and Adams Street, and northwest corner of Lot 8, thence with the south right-of-way of Adams Street (60' right-of-way) N 62° 15' 30" E 100' to an iron pin set at the northeast corner of Lot 9, thence with the east line of Lot 9 S 24° 46' E 164.66' to an iron pin set at the southeast corner of Lot 9 and the north right-of-way of Fourth Ward Avenue (20' right-of-way), thence with Fourth Ward Avenue S 38° 05' W 115.76' to an iron pin at the southwest corner of Lot 8 and the northeast right-of-way intersection of Denham Street with Fourth Ward Avenue, thence with Denham Street (50' right-of-way) for two calls, N 38° 19' 20" W 66.78' (chord), N 17° 30' W 148.57' to the beginning and being the property acquired by the Company by deed dated April 26, 1978 and recorded in Deed Book 381, page 319, in the Office of the Clerk of Pulaski County, Kentucky.

Item 21. Beginning at a concrete monument set at the southeast corner of the Kentucky Utilities tract known as the Elihu Switching Station; thence leaving the Kentucky Utilities tract and severing the Faulkner tract, S 21 degrees 12' 45" E 101.57 feet to a steel pin set; thence S 58 degrees 42' 07" W, passing a steel pin set at 272.65 feet, a total distance of 274.65 feet to the line of the Pulaski County Industrial Foundation, Inc.; thence with the line of the Industrial Foundation, N 67 degrees 33' 57" W, 124.02 feet to the point in line of the Kentucky Utilities Company Elihu Switching Station tract; thence with the line of the Kentucky Utilities tract N 58 degrees 42' 07" E, 365.80 feet to the beginning, containing 0.735 acres, and being the property acquired by the Company by deed dated June 2, 1992, and recorded in Deed Book 519, Page 120, in the Office of the Clerk of Pulaski County, Kentucky.

Item 22. A certain tract or parcel of land, lying and being in Pulaski County, Kentucky, and bounded and described as follows: Point of beginning an Iron Pin in east right of way of Monticello Road and being west corner of property. THENCE with right of way North 05 degrees 00 minutes 00 seconds East for a distance of 123.32 feet to an Iron Pin. THENCE leaving right of way South 87 degrees 01 minutes 58 seconds East for a distance of 145.00 feet to an Iron Pin; South 05 degrees 00 minutes 00 seconds West for a distance of 123.32 feet to an Iron Pin; North 87 degrees 01 minutes 58 seconds West for a distance of 145.00 feet to the point of beginning. Together with and subject to covenants, easements, and restrictions of record. Said property contains 0.41 acres, more or less, as surveyed by Weylan G. Daulton, Kentucky L.S. #2463, on 3/31/94, and being the property acquired by the Company by deed dated April 11, 1994 and recorded in Deed Book 548, Page 322, in the Office of the Clerk of Pulaski County, Kentucky.

The following described real estate of the Company situated in Robertson County, Kentucky:

Item 1. *Item 1.* A tract of land situated in the City of Mt. Olivet described as follows: Beginning at a point in the line between the lands of Mrs. Wren Sprague and the Stewarts, 90 feet East of the Case-Stewart and Sprague corner; thence South in a rectangular course a distance of 20 feet; thence in a Western direction, parallel with the Sprague and Stewart line a distance of 30 feet; thence North 20 feet to the place of beginning and containing as aforesaid 600 square feet of land; being the same property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 26, page 348, in the Office of the Clerk of Roberts County, Kentucky.

The following described real estate of the Company situated in Rockcastle County, Kentucky:

Item 1. A tract of land in the City of Brodhead, being Lots Nos. One (1) and Two (2) in C. H. Frith's addition to Brodhead, designated by plat recorded in Deed Book 68, page 481 Rockcastle County Court Clerk's office, said Lot No. One being 50 feet by 230 feet and said Lot No. Two being 50 feet by 222 feet.

Item 2. A tract of land in the town of Mt. Vernon, being all of Lots numbered 1, 2 and 3 in Block B on a plat of land adjoining the corporate limits of Mt. Vernon, which plat is recorded in Deed Book 47 at page 103, Rockcastle County Court Clerk's office, the said three lots having a frontage of 75 feet on Somerset Street, running back a distance of 100 feet.

The property described above in Items 1 and 2 was acquired by the Company by Deed dated August 1, 1950, and recorded in Deed Book 70, page 396, in the Office of the Clerk of Rockcastle County, Kentucky.

Item 3. A tract of land situated near the Town of Mt. Vernon, on the West side of U.S. Highway No. 150, and fronting on a public roadway, described as follows: Beginning at a point on the South side of public roadway approximately 225 feet from the center line of the L. & N. Railroad; thence South fifty-seven (57) degrees West two hundred sixty-seven and eight-tenths (267-8/10) feet; thence North thirty-three (33) degrees West two hundred (200) feet; thence North fifty-seven (57) degrees East two hundred forty-four and four-tenths (244-4/10) feet; thence South thirty-nine (39) degrees and thirty (30) minutes East two hundred one and seven-tenths (201-7/10) feet to the point of beginning; being the property acquired by the Company by Deed dated September 22, 1950, and recorded in Deed Book 70, page 475, in the Office of the

Clerk of Rockcastle County, Kentucky.

Item 4. A parcel of land situated about one-half mile South of the City of Mt. Vernon, and described as follows: Beginning at a point in the fence between James L. Davis and Dee Ramsey, said point being approximately 200 feet from residence of James L. Davis, running thence South 11 degrees East 350 feet to a point in the orchard; thence North 49 degrees East 350 feet to a point in the property line fence between Davis and Ramsey; thence North 71 degrees West and parallel to fence 350 feet to the point of beginning, containing 1.217 acres more or less; being the property acquired by the Company by deed dated August 15, 1955, and recorded in Deed Book 75, page 124, in the Office of the Clerk of Rockcastle County, Kentucky.

Item 5. A tract of land situated about one mile East of the City of Brodhead, and described as follows: On the South side of Union Chapel Road and beginning at a point near a water meter, said point being approximately twenty (20) feet from center line of Union Chapel Road; thence South 32 degrees and 30 minutes East three hundred forty-seven and five-tenths (347.5) feet to a point eleven (11) feet from a fence; thence North 55 degrees and 43 minutes East and parallel to said fence two hundred eighty-three and nine-tenths (283.9) feet to a point; thence North 19 degrees and 41 minutes East forty-nine (49.0) feet to a point, corner to Jackson County R. E. C. C. substation lot; thence with fence North 73 degrees and 37 minutes West two hundred (200.0) feet to corner; thence with fence North 16 degrees and 38 minutes East one hundred eight and eight-tenths (108.8) feet to a corner common to Jackson County R. E. C. C. substation lot and Union Chapel Road; thence parallel to road North 77 degrees and 3 minutes West eighty-nine and nine-tenths (89.9) feet to a point; thence North 82 degrees and 28 minutes West thirty four and two-tenths (34.2) feet to a point; thence South 86 degrees and 3 minutes West thirty-three (33.0) feet to a point; thence South 67 degrees and 34 minutes West thirty-four and three-tenths (34.3) feet to a point; thence South 53 degrees and 22 minutes West fifty-five and seven-tenths (55.7) feet to a point; thence South 42 degrees and 4 minutes West sixty-seven and two-tenths (67.2) feet to the point of beginning, containing 2.0173 acres; being the property acquired by the Company by deed dated September 6, 1955, and recorded in Deed Book 75, page 142, in the Office of the Clerk of Rockcastle County, Kentucky.

Item 6. Beginning at a corner of the Lucy Morris and Rueben A. Hammond, which corner is in the north boundary of the Louisville & Nashville Railroad Company's right-of-way, running thence along the said railroad right-of-way North 87° 44' West 184.79 feet to a corner of the Lucy Morris and the McHargue heirs at the mouth of the county road; thence with the centerline of said county road North 10° 36' East 196.75 feet to a corner to other property of Lucy Morris; thence South 88° 00' East 155.85 feet to a corner in the line of the Lucy Morris and Rueben Hammond; thence with the line of said Hammond South 2° 00' West 195.0 feet to the point of beginning, containing 0.816 acre, more or less; being the property acquired by the Company by deed dated June 24, 1968, and recorded in Deed Book 87, page 645, in the Office of the Clerk of Rockcastle County, Kentucky.

Item 7. Lot No. 4 in Block B of the Mt. Vernon Fair Ground Addition to the town of Mt. Vernon, Kentucky, as shown on plat of said Mt. Vernon Fair Ground Addition made by Charles F. Bradburg, Engineer, said plat being of record in the Office of the Rockcastle County Court Clerk in Deed Book 47, page 103; said lot fronting 25 feet on Somerset Street and having a depth of 100 feet on each side; being the property acquired by the Company by deed dated June 14, 1971, and recorded in Deed Book 91; page 288, in the Office of the Clerk of Rockcastle County, Kentucky.

The following described real estate of the Company situated in Rowan County, Kentucky:

Item 1. The tract of land described as follows: Beginning at a stake or stone on south side of Triplett Creek, a corner of George Trumbo's land; thence down the creek in a westerly direction and with the meanders of same, and with the D. B. Morefield line to opposite what is known as the birch hold at the mouth of Amburgey's branch; thence crossing said Triplett Creek in a northerly direction to the north bank of said creek and to a stake in the Cyrus Alley patent; thence up the said creek on the north side of same and meandering with same to a large beech; thence continuing up said creek with the line of the Cyrus Alley patent and crossing same with said Alley line to the south side of said creek and to the point of beginning; continuing five acres more or less; including particularly all rights to the use and benefit of the waters of Triplett Creek embraced within said above-described tract of land; being a part of the property acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 52, page 491, in the Office of the Clerk of Rowan County, Kentucky.

EXCLUDING FROM ITEM 1 above:

(a) so much of said property as was conveyed to J.M. Clayton and W.J. Sampes by Deed dated October 5, 1948, recorded in Deed Book 60, Page 232, in the Office of the Clerk of Rowan County, Kentucky; and

(b) so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 2. A ninety-nine year lease on a certain lot in the East end of Farmers, Ky., lying on the South side of the Midland Trail and described as follows: Beginning at a set stone in the South line of said Trail 27 feet, 5 inches from the center of said Trail and 29 feet, 5 inches West from the center of a large Transformer Pole; thence parallel to said Trail, Westerly 40 ft. to a set stone 27 feet, 5 inches from the center of said Trail; thence at right angle to this, first line, in a south or S. Easterly direction 40 ft. to a set stone; thence East or N. E. 40 ft. to a set stone; thence in a North or N. W. direction 40 ft. to the beginning, being a lot 40 ft. each way and square with the base line parallel to the Midland Trail; being a part of the property, acquired by the Company by deed dated December 30, 1941, and recorded in Deed Book 52, page 491, in the Office

of the Clerk of Rowan County, Kentucky.

Item 3. A certain tract of land located south of the Chesapeake and Ohio Railway Company's right-of-way in the City of Morehead described as follows: Beginning at an iron pin set in the north line of a 15 foot alley, which point is 246.6 feet from the center line of the main track of the Chesapeake and Ohio Railway Company line, and corner to the lands of W. H. Carter; thence with the North line of said alley S. 59° E. 75 feet to an iron pin; thence, leaving the alley and running at right angle thereto, N. 31° E. 75 feet to an iron pin; thence N. 59° W. 75 feet to an iron pin; thence S. 31° W. 75 feet to the point of beginning, and containing thirteen one hundredths (13/100) of an acre; being the property acquired by the Company by deed dated August 2, 1946, and recorded in Deed Book 57, page 297, in the Office of the Clerk of Rowan County, Kentucky. EXCLUDING FROM Item 3 so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 4. A certain tract of land situated approximately two miles East of the City of Morehead, and on the North side of U.S. Highway No. 60, and described as follows: Beginning at a corner fence post set in the north right-of-way line of said U.S. 60 State Highway, corner to Vernon Lewis; thence with said Lewis' line North 52° 30' West 400 feet to an iron pin, corner to said Lewis and Faye Dillon; thence with Faye Dillon's line South 37° 10' West 250 feet to an iron pin; thence South 52° 30' East 400 feet to an iron pin set in the North right-of-way line of U.S. 60 State Highway, corner to said Faye Dillon; thence with the North right-of-way line of U.S. 60 State Highway North 37° 10' East 250 feet to the point of beginning, and containing 2.3 acres; subject to a reservation of the mineral rights in accordance with deed to M. T. Dillon dated November 20, 1903, and recorded in Deed Book 8, page 603, Rowan County Court Clerk's office; being the property acquired by the Company by Deed dated August 3, 1950, and recorded in Deed Book 62, page 348, in the Office of the Clerk of Rowan County, Kentucky.

LESS AND EXCEPTING (from Item 4) a certain tract or parcel of land lying on the North side of U.S. 60 Bypass being approximately 290 meters (951 feet) East of Ky. 32 Approach in Rowan County, Kentucky being more specifically described as follows:

Beginning at a point 9.502 meters (31.117 feet) left of U.S. 60 Bypass station 3+030.533; thence North 55 degrees 00 minutes 25 seconds West, 4.115 meters (13.50 feet) to a point 13.514 meters (44.67 feet) of U.S. 60 Bypass station 3+030.692; thence North 27 degrees 50 minutes 14 seconds East, 30.135 meters (98.87 feet) to a point 17.000 meters (55.77 feet) left of U.S. 60 Bypass station 3+060.000; thence North 38 degrees 03 minutes 37 seconds East, 40.050 meters (131.40 feet) to a point 15.00 degrees 41 minutes 40 seconds East, 4.901 meters (16.08 feet) to a point 13.608 meters (44.65 feet) left of U.S. 60 Bypass station 3+104.699; thence South 54 degrees 04 minutes 10 seconds East, 4.539 meters (14.89 feet) to a point 9.070 meters (29.76 feet) left of U.S. 60 Bypass station 3+104.641; thence South 35 degrees 09 minutes 45 seconds West, 74.513 meters (244.46 feet) to the point of beginning.

The above described parcel contains .048 hectares (483 sq. meters, .119 acres, 5,195 sq. ft.) as conveyed by the Company to a third party in October, 2005.

AND EXCLUDING FROM ITEM 4 above:

(a) so much of said property as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet by Deed of Conveyance dated July 29, 2003, recorded in Deed Book 209, Page 505, in the Office of the Clerk of Rowan County, Kentucky; and

(b) so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 5. A certain lot or parcel of land situated in the City of Morehead, described as follows: Beginning at a point in the East property line of the school heating plant lot, lying along the East side of Bridge Street, said point being 197.7 feet, more or less, as measured in a Southeasterly direction along said street from the center line of the Main Track of the C. & O. Railroad; thence North 31 degrees 45 minutes East 68 feet to an iron pin; thence South 58 degrees 15 minutes East 70 feet to an iron pin; thence South 31 degrees 45 minutes West 68 feet to a point, in the East side of Bridge Street; thence with the East line of Bridge Street, North 58 degrees 15 minutes West 70 feet to the point of beginning, and containing 4,760 square feet of land; being the property acquired by the Company by deed dated June 31, 1962 (sic), and recorded in Deed Book 74, page 79, in the Office of the Clerk of Rowan County, Kentucky. EXCLUDING FROM Item 5 so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 6. Beginning at an iron pin in the right-of-way of the Chesapeake and Ohio Railroad, said point being a corner to City of Morehead property; thence with the City of Morehead property South 76 degrees 40 minutes East 223.27 feet to an iron pin; thence North 08 degrees 15 minutes East 100.40 feet to an iron pin in the line between City of Morehead property and David Thomas property; thence with a new line North 76 degrees 40 minutes West 170.00 feet to an iron pin in the right-of-way of Chesapeake and Ohio Railroad; thence with the right-of-way of Chesapeake and Ohio Railroad South 34 degrees 00 minutes West 55.35 feet and South 40 degrees 23 minutes West 54.40 feet to the point of beginning, and containing 0.448 acre of land; being the property acquired by the Company by deed dated June 30, 1962, and recorded in Deed Book 73, page 623, in the Office of the Clerk of Rowan County, Kentucky.

EXCLUDING FROM ITEM 6 above:

(a) so much of said property as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet by Deed of Conveyance dated January 24, 1995, recorded in Deed Book 170, Page 29, in the Office of the Clerk of Rowan County, Kentucky; and

(b) so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 7. All that tract of land situated on the North side of North Blair Avenue between West Sun Street and West Main Street, in Morehead, Kentucky, and more fully described and bounded as follows: Beginning at a point, said point being an iron pin on the north side of the sidewalk on North Blair Avenue at the southeast corner of a 30 foot strip of land owned by the E. & P. Company, said point being 172.15 feet southeast from the east line of the sidewalk on West Sun Street; thence with the E. & P. Company N. 27° 45' E. 120 feet to an iron pin, a new corner to Cadth, Inc.; thence with Cadth, Inc., for two new calls, S. 62° 00' E. 100 feet to an iron pin and S. 27° 45' W. 120 feet to an iron pin at the north side of the sidewalk on North Blair Avenue; thence with the north side of the sidewalk on North Blair Avenue N. 62° 00' W. 100 feet to the beginning; being the property acquired by the Company by deed dated July 15, 1968, and recorded in Deed Book 86, pages 311 and 312, in the Office of the Clerk of Rowan County, Kentucky. EXCLUDING FROM Item 7 so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

Item 8. Beginning at a point in the South Boundary of U.S. Highway #60, said point being marked by a concrete marker North 72 degrees 25 minutes East 160.1 feet from a set concrete marker corner to Elbert Armstrong and South 72 degrees 25 minutes West 460.5 feet from a set concrete marker corner to the Church of God property in the South Boundary of U.S. Highway #60; thence with the South Boundary of U.S. Highway #60 North 72 degrees 25 minutes East 200 feet to a concrete marker; thence through the property of I. L. Reynolds for three calls South 24 degrees 14 minutes East 200 feet to a concrete marker, South 72 degrees 25 minutes West 200 feet to a concrete marker and North 24 degrees 14 minutes West 200 feet to the beginning, and containing 0.918 acre; being the property acquired by the Company by deed dated January 29, 1971, and recorded in Deed Book 93, page 93, in the Office of the Clerk of Rowan County, Kentucky. EXCLUDING FROM Item 8 so much of said property as may have been conveyed to the City of Morehead, Kentucky, by Quitclaim Deed dated July 1, 1988, recorded in Deed Book 143, Page 348, in the Office of the Clerk of Rowan County, Kentucky.

The following described real estate of the Company, situated in Russell County, Kentucky:

Item 1. A tract of land situated in the City of Russell Springs, more particularly described as follows: Beginning at a stake in the right-of-way to West Main Street, on the Southeast side of said street and in the original line to tract of which this is a part; thence with said original line and with Dr. McClendon's line S. 45½° E. 286½ feet to a stake in said original line at a fence intersection; thence S. 29° W. 50 feet to a stake; thence N. 45½° W. 286 feet to a stake in said right-of-way to West Main Street; thence with said right-of-way N. 29° E. 50 feet to the point of beginning; being property acquired by the Company by Deed dated August 1, 1950, and recorded in Deed Book 28, page 2, in the Office of the Clerk of Russell County, Kentucky.

The following described real estate of the Company situated in Scott County, Kentucky:

Item 1. A tract of land in the City of Georgetown described as follows: Beginning at a point on the South side of West Clinton Street approximately 199 feet West of the intersection of Clinton Street and the center of Eley Alley; thence S. 30 degrees E. 110 feet; thence W. 3 degrees S. 40 feet; thence N. 30 degrees W. 110 feet; thence E. 3 degrees N. 40 feet to the point of beginning, enclosing a parallelogram 40 feet wide by 110 feet long.

Item 2. A tract of land in the City of Georgetown described as follows: Beginning at (1.) on the plat, a point on the North side of Jackson Street at a point in the center of an alley; thence N. 4½ E. 215-2/10 feet to (2.); thence N. 85¼ W. 60 feet to (3.); thence N. 4½ E. 60 feet to (4.) a point in the center of Clinton Street; thence with the center of Clinton Street N. 82¼ W. 171-1/10 feet to (5.) a point in the center of intersection of Water Street with Clinton Street; thence with the center of Water Street N. 3 E. 126 feet to (6.) a point in the center of Water Street; thence S. 82 E. 40 feet to (7.) being the Southeast corner of brick building; thence with the East wall of brick building N. 3 E. 111 feet to (8.) to a point on the South side of College Street; thence N. 82 W. 40 feet to (9.) a point in the center of Water Street; thence N. 3 E. 17-8/10 feet to (10.) a point in the center of the intersection of Water and College Streets; thence with the center of College Street N. 82 W. 170 feet to (11.) a point three feet West of the center of the Royal Spring; thence S. 6½ E. 15-9/10 feet to (12.) corner of the lot now or formerly owned by Daughters of the American Revolution; thence S. 82 E. 15 feet to (13.); thence S. 6½ E. 15 feet to (14.); thence N. 82 W. 15 feet to (15.); thence S. 6½ E. 40 feet to (16.); thence W. 91-5/10 feet to (17.) a point on the East side of Royal Spring Avenue; thence running with the East side of Royal Spring Avenue 215 feet to (18.) a point in the center of Clinton Street; thence with the center of Clinton Street E. 180-5/10 feet to (19.) S. 26½ E. 313 feet to (20.) a point in the North side of Jackson Street; thence with the North side of Jackson Street S. 85¾ E. 105-4/10 feet to the point of beginning.

There is excepted from the above described tract a parcel of land conveyed to City of Georgetown by Kentucky Utilities Company by deed dated 23rd day of October, 1945, recorded in Deed Book 70, Page 248, in the Office of the Clerk of Scott County, Kentucky, and being more particularly described as follows: Beginning at a point (14), the southeast corner of the lot

of the Daughters of American Revolution over the Big Spring, thence in an eastern direction a distance of ten (10) feet and six (6) inches, thence in a northern direction seven (7) feet and eight (8) inches to a stone marker, thence in an eastern direction a distance of one hundred forty-four (144) feet and six (6) inches, more or less, to a point in Water Street fifteen feet from the northwest corner of brick building located on the southeast corner of Water and College Street, which is a point in line with the inside edge of sidewalk on College Street at (9); thence N. 3 E. 17 8/10 feet to (10) a point in the center of the intersection of Water and College Streets; thence with the center of College Street N. 82 W. 170 feet to (11) a point 3 feet west of the center of the Royal Spring; thence S. 6½ E. 15 9/10 feet to (12) corner of the lot now and formerly owned by Daughters of the American Revolution; thence S. 82 E. 15 feet to (13) thence S. 6½ E. 15 feet to (14), the point of beginning.

Item 3. A tract of land lying and being on the West side of Water Street in Georgetown described as follows: Beginning at a steel pin driven at the intersection of west curb line of Water Street and north curb line of College or Church Street, thence north and with the west curb line of Water Street a distance of 59.5 feet to a point 2.5 feet north of an extension of north wall of brick building located on the tract described herein; thence west and parallel with said north wall and 2.5 feet, north thereof for a distance of 108 feet to a point near last wall of Big Spring Branch; thence south and parallel with west wall of said building and 3 feet west thereof for a distance of 59.5 feet to a point in the north line of Church or College Street; thence east and with the north line of Church or College Street 109.2 feet to the point of beginning.

FURTHER EXCLUDING FROM ITEMS 1 through 3 above:

(a) so much as was conveyed to the City of Georgetown, Kentucky, by Deed dated April 12, 1950, recorded in Deed Book 76, Page 285, in the Office of the Clerk of Scott County, Kentucky; and

(b) so much as was conveyed to the Mallard Pencil Company, by Deed dated October 19, 1959, recorded in Deed Book 88, Page 58, in the Office of the Clerk of Scott County, Kentucky.

Item 4. A perpetual right-of-way for the purpose of erecting thereon a pole line and electric wires for power and lighting purposes, said pole line to be erected in the following manner: Beginning at a pole on the North curb line of Rucker Avenue, in line with the Eastern boundary of the Company, and running North to a point between 100 and 175 feet from said pole on said curb line at which point a pole is to be erected, from which pole said line shall proceed in line with said Eastern boundary of said property to a point 50 to 100 feet from the Northern boundary of the hereinafter described property at which point a pole is to be erected, from which point, line shall proceed diagonally across the hereinafter described property and over said property to a pole on the Western boundary of Royal Spring Avenue; being the perpetual right granted by Maggie L. Barnett to Georgetown Water, Gas, Electric & Power Company, its successors and assigns forever, for ingress and egress to and from said premises for the purpose of erecting, inspecting, replacing and repairing said poles and wires and for any other purposes necessary for the maintenance of the same. Said property mentioned above and to be crossed by said pole line is bounded and described as follows: That said parcel of property lying and being in Scott County, Kentucky, and on the North side of Rucker Avenue, in said City of Georgetown, and facing on said Avenue 50 feet and 7 inches; thence North on its Eastern line 357 feet and 4 inches; thence West by its Northern line 51 feet and 5 inches; thence South by its Western line 350 feet and 6 inches.

Item 5. A perpetual right-of-way for the purpose of erecting a pole line and electric wires for power and lighting purposes, said pole line to be erected in the following manner: Starting from a pole near the Western boundary of Royal Spring Avenue; thence Eastward at right angles to said Avenue to a point near the Eastern boundary of the hereinafter described property, at which point a pole is to be erected for the conveying of said electric wires and passing from said point Eastwardly upon the property of the Company, being a perpetual easement granted by K. Stone and Sallie B. Stone for the right of ingress and egress to and from said premises for the purposes of erecting, inspecting, replacing and repairing said poles and wires or for any other purpose necessary for the maintenance of same. The property mentioned above to be crossed by the pole line is bounded and described as follows: A certain vacant lot lying on the East side of Royal Spring Avenue, in the City of Georgetown and fronting 134 feet, and being Lot No. 12 in the plat of Royal Spring, situated in the City of Georgetown.

The property described above in Items 1 to 5 was acquired by the Company by deed dated January 3, 1940, and recorded in Deed Book 65, page 69, in the Office of the Clerk of Scott County, Kentucky.

Item 6. A certain tract of land located on the east side of Royal Spring Avenue in Georgetown and described as follows: Beginning at Station M (on plat) a pipe imbedded in concrete for permanent reference, thence S. 6½ E. 40 feet, with the property of the Company to corner #16, thence westernly 95.8 feet with line of Kentucky Utilities Company to corner #17, a point on the east side of Royal Spring Avenue, thence with east side of Royal Spring Avenue a distance of 45 feet to Station N, a point of intersection of the east side of Royal Spring Avenue and the South side of College Street, projected from Station #9, being 90° 00' or right angle with the line Station 9-Station 6, 15 feet from and parallel with the east side of South Water Street, thence S. 87 E. 93.5 feet with the southern boundary of property of City of Georgetown, conveyed from Kinsea Stone by deed dated January 8, 1923, recorded in Deed Book 52 at page 275 to Station M, the point of beginning; being the property acquired by the Company by deed dated November 17, 1945, and recorded in Deed Book 70, at page 476, in the Office of the Clerk of Scott County, Kentucky.

Item 7. Beginning at a point in the center of U.S. Highway No. 460 (Georgetown and Frankfort Pike), said point being a common corner of Champe and Gibson and said point being 903.6 feet east from the center of the Pea Ridge Road as measured along the center line of U.S. Highway No. 460 (Georgetown and Frankfort Pike); thence with the common line of Champe and Gibson N 07° 50' E, passing an iron pin at 18.0 feet at the road fence, for a total distance of 168.0 feet to

an iron pin, a new corner with Gibson; thence for two new lines with Gibson S 86° 45' E 150.0 feet to an iron pin, and S 07° 50' W passing an iron pin at 150.0 feet at the road fence, for a total distance of 169.5 feet to a point in the center of U.S. Highway No. 460 (Georgetown and Frankfort Pike); thence with the center of U.S. Highway No. 460 (Georgetown and Frankfort Pike) N 86° 10' 43" W 149.89 feet to the beginning and containing 0.579 acre, and being the property acquired by the Company by deed dated August 18, 1976, and recorded in Deed Book 133, page 68, in the Office of the Clerk of Scott County, Kentucky.

Item 8. Beginning at a point in Georgetown-Frankfort Pike, said point being 184 feet S 76 degrees East from the center line of the Stamping Ground Road; thence North 14 degrees, East for a distance of 200 feet; thence S 76 degrees East for a distance of 264.6 feet; thence S 31 degrees 54" West with existing fence for a distance of 210.2 feet; thence North 76 degrees West with Georgetown-Frankfort Pike for a distance of 200 feet to point of beginning and containing 1.066 acre; being the property acquired by the Company by deed dated June 10, 1949, and recorded in Deed Book 75, page 298, in the Office of the Clerk of Scott County, Kentucky.

Item 9. A tract of land described as follows: Beginning at a point in the middle of the Georgetown-Frankfort Pike, which point is 628 feet, as measured with the middle of said pike, from the northwest corner of the lands of Vertna Hawkins Mason and Dan P. Mason with the lands of W. O. Wilson, thence with the lands of the Masons South 9 deg. 00 min. West 392.4 feet to an iron pin; thence South 81 deg. 00 min. East 400 feet to an iron pin; thence North 9 deg. 00 min. East 455.9 feet to a point in the middle of the Georgetown-Frankfort Pike; thence with the middle of the pike 407.5 feet to the point of beginning and containing 3.9 acres; subject however; to the reservation across the northernmost portion of the tract to the use of a strip of land approximately 30 feet in width and 407.5 feet in length and containing approximately 0.28 acre, used as a public road; being the property acquired by the Company by deed dated May 9, 1955, and recorded in Deed Book 82, page 447, in the Office of the Clerk of Scott County, Kentucky.

Item 10. Beginning at a point in the center line of the Stamping Ground-Owenton Road (U.S. 227), said point being 153.75 feet East of a corner common to Riddle and Ivan Jett, running thence a new line with Riddle South 9°-00' West for a distance of 120 feet to an iron pin; thence a new line with Riddle South 81°-00' East for a distance of 81 feet to an iron pin in the property line of Robert Baldwin; thence North 9°-00' East with line of Robert Baldwin for a distance of 120 feet to the center line of the Stamping Ground-Owenton Road, a corner to Robert Baldwin; thence North 81°-00' West and with the center line of the Stamping Ground-Owenton Road for a distance of 81 feet to the point of beginning, and containing .223 acre; being the property acquired by the Company by deed dated March 19, 1963, and recorded in Deed Book 94, page 45, in the Office of the Clerk of Scott County, Kentucky.

Item 11. A tract of land located in Scott County, Kentucky, on the southeast side of U.S. 62 approximately 0.5 mile north of the new Connector Road and more particularly described as follows: Beginning at a steel rebar (set) in the right-of-way of U.S. Highway 62 corner to Waller and Shirley; thence leaving said right-of-way and with line of Shirley S 66 55' 00" E, 149.73 feet to a steel rebar (set) corner to Waller; thence with line of Waller S 22 42' 00" W, 150.00 feet to a steel rebar (set); thence N 66 55' 15" W, 156.49 feet to a steel rebar (set) at the N 25 16' 51" E, 150.12 feet to the point of beginning. Containing 0.527 acres and being the property acquired by the Company by deed dated May 28, 1989, and recorded in Deed Book 180, page 272, in the Office of the Clerk of Scott County, Kentucky.

Item 12. Beginning at an iron bar set in the common boundary of the grantors and the Harbour Village Subdivision, said point lying 1046.5 feet west of the western right-of-way of U.S. Highway 25; thence, with a new division, three calls: S 07 37 00 W 200.00 feet to a set iron bar; thence, S 82 23 00 E 200.00 feet to a set iron bar; thence, N 07 37 00 E 203.18 feet to an iron bar set in the grantors common boundary with said Harbour Village; thence, with the same and along the south line of Lots 32, 31, 30 and 29 of said subdivision; N 84 51 48 W. 73.55 feet; thence, N 82 23 00 W 126.52 feet to the beginning. Containing 0.921 acre, and being the same property acquired by the Company by deed dated August 13, 1990, and recorded in Deed Book 186, page 88, in the Office of the Clerk of Scott County, Kentucky.

Item 13. BEING all of Lot No. 11, Phase 2, of Malibu Canyon Ranchettes, Scott County, Kentucky, of record in Slide 692, Scott County Clerk's Office, and being the same property acquired by the Company by deed dated March 5, 1991, and recorded in Deed Book 188, page 418, in the Office of the Clerk of Scott County, Kentucky.

Item 14. Being all of Tract #1 containing 9.72 acres as shown by the Minor Subdivision Plat of Ed Sams of records in Plat Slot 1386 in the Scott County Clerk's Office, and being the same property acquired by the Company by deed dated October 14, 1994, and recorded in Deed Book 208, Page 357, in the Office of the Clerk of Scott County, Kentucky

The following described real estate of the Company situated in Shelby County, Kentucky:

Item 1. Beginning at a point 33 feet North of the center line of the L & N Railroad main line right of way and on the East side of the sidetrack leading to the Water and Gas Plants; running thence North 60 degrees West, 218.6 feet to a point 33 feet North of said center line of the L&N main line; thence North 17 degrees West, 350.6 feet; thence North 23 degrees East, 75.9 feet to a point on the West edge of a railroad cut; thence across the railroad side track, North 66.5 degrees East, 77.5 feet to an iron pin on the East side of the cut; thence along the edge of the cut, parallel to the center line of the side track and 33 feet from same, North 19 degrees West, 198 feet to a point in a wire fence; thence with said fence, North 64 degrees East, 74 feet; thence South 15.75 degrees East, 216 feet to an iron pipe on the North side of the roadway to the plant; thence North 77 degrees East, along the North side of said roadway, 110 feet to an iron pipe; thence North 12 degrees East, 245 feet to a point in a wire fence; thence with said wire fence, North 64 degrees East, 299 feet; thence continuing with the

fence North 85.5 degrees East, 188 feet; thence South 13.5 degrees W, 172 feet to a stone corner of the intake abutment on the West side of Clear Creek; thence North 79 degrees West, 106 feet to a point in the line with the front end of the water filter building and 7.5 feet from the Southeast corner of same; thence North 10 degrees East along and parallel to a concrete filter wall and 2 feet East of same, a distance of 90 feet to an iron bolt, 4 feet West of the gas holder; thence North 80 degrees West, 60 feet to a point on top of a rock ledge and 45 feet from a corner in the wire fence given above; thence South 10 degrees West, 90 feet to a point in the line with the front end of said water filter building; thence South 5 degrees East, 240 feet to a point on the side of a cliff above Clear Creek; thence South 25.75 degrees East, 161 feet to an iron pipe in concrete; thence North 84.75 degrees West, 353 feet along a fence to a point on the East edge of the railroad cut and 33 feet from the center of a side track; thence South 18.75 degrees East along the East side of the railroad cut, a distance of 456 feet to the beginning, containing about 4.66 acres.

Being a part of the property acquired by the Company by deed dated October 15, 1912, and recorded in Deed Book K-4, page 143, in the Office of the Clerk of Shelby County, Kentucky.

Item 2. A tract of land situated at the Southwest corner of Main and Eleventh Streets, in the City of Shelbyville, and described as follows: Beginning at a point on the south line of Main Street near Eleventh Street, said point being marked by an iron pin; thence West with the south line of Main Street 60 feet to an iron pin, corner to property of Shelbyville National Farm Loan Association, said pin being 28 feet and six inches easterly from the western curb of the driveway of the Shelbyville National Farm Loan Association; thence South 3 degrees 30 min. West 224 feet, more or less, to a point in the north line of Clay Street, marked by an iron pin; thence East 60 feet along the northern line of Clay Street to a point in the north line of Clay Street near the line of Eleventh Street, marked by an iron pin; thence North 3 degrees 30 min. East and parallel with the west line of Eleventh Street 224 feet, more or less, to the south line of Main Street and the point of beginning.

Item 3. All that portion of the property of Shelbyville National Farm Loan Association lying between the above Item #1 and Eleventh Street, in the City of Shelbyville, and described as follows: Beginning at the northeast corner of the above Item #1 and in the south line of Main Street; thence South with Eleventh Street to the north line of Clay Street; thence West with the north line of Clay Street to the southeast corner of Item #1; thence North with the east line of Item #1 to the point of beginning.

The property described above in Items 2 and 3 above was acquired by the Company by deed dated August 27, 1955, and recorded in Deed Book 142, page 68, in the Office of the Clerk of Shelby County, Kentucky.

Item 4. A parcel of land situated in the City of Shelbyville, at the southwest corner of Eleventh and Clay Streets, described as follows: Beginning at a point at the intersection of Eleventh and Clay Streets, said point being the inner curb line on Clay Street and the outer pavement line on Eleventh Street; thence southwardly with said pavement line and Eleventh Street about 90 feet, said point being opposite an iron pin at the inner pavement line and corner to property of Ben G. Matthews and Jean Lee Matthews; thence westwardly with the line of Ben G. Matthews and Jean Lee Matthews about 120 feet to an iron pin, corner to Kirsch; thence northwardly with the line of Kirsch about 90 feet to the inner curb line on Clay Street; thence Eastwardly with Clay Street and said inner curb line (but including any property owned by Ben G. Matthews and Jean Lee Matthews between said inner curb line and said Clay Street) about 120 feet to the point of beginning; being the property acquired by the Company by deed dated December 11, 1963, and recorded in Deed Book 157, page 40, in the Office of the Clerk of Shelby County, Kentucky.

Item 5. Beginning at a point in the line of Moynahan 897 feet east of the eastern edge of the right-of-way of Kentucky Highway #55, corner to Moynahan, running thence South 87 degrees 50 minutes East 274.75 feet to Briel Industries; thence South 5 degrees 32 minutes West 816.79 feet to Southern Railway Company right-of-way; thence N 72 degrees 24 minutes W 100.00 feet; N 75 degrees 40 minutes W 100.00 feet; N 82 degrees 09 minutes W 50.00 feet; N 81 degrees 13 minutes W 25.00 feet; thence with Roll Forming Corporation line N 5 degrees 15 minutes W 760.88 feet to point of beginning, and containing 4.93 acres, subject to roadway easement along north boundary; being the property acquired by the Company by deed dated October 31, 1969, and recorded in Deed Book 169, page 341, in the Office of the Clerk of Shelby County, Kentucky.

Item 6. Beginning at a corner to the lands of the Shelbyville Development Corporation and the lands of Lyons in the south edge of the Southern Railway Company right-of-way, thence with the south right-of-way line of the Southern Railway Company South 87° 28' East 92.08 feet; South 88° 01' East 100.0 feet; South 89° 14' East 27.92 feet; thence leaving said right-of-way and running South 7° 34' West 190.0 feet to a new corner; thence South 77° 42' West 160.0 feet to a new corner in the line of Shelbyville Development Corporation and Lyons; thence with line of Shelbyville Development Corporation and Lyons North 8° 45' West 230.0 feet to the point of beginning, and containing 0.86 acre; being the property acquired by the Company by deed dated September 25, 1969, and recorded in Deed Book 169, page 169, in the Office of the Clerk of Shelby County, Kentucky.

The following described real estate of the Company situated in Taylor County, Kentucky:

Item 1. Beginning at a steel pin on property line of Old Greensburg Road which beginning point is about 176 feet West of old Sycamore tree and property of W.R. Caulk; running thence S 10 degrees 32' E for 307.6 feet to a point in property line of Campbellsville Cemetery; thence with property line of Campbellsville Cemetery N 72 degrees 23' E for 100 feet to a point and property line of Kentucky Utilities Company; thence with Kentucky Utilities Company property line N 10

degrees 45' west for 277.2 feet to a point and right-of-way line of Old Greensburg Road; thence with side road right-of-way S 89 degrees 37' W for 100 feet to property of J.C. Eggers and point of beginning, containing .665 acre more or less, and being the same property acquired by the Company by deed dated October 22, 1953, and recorded in Deed Book 73, page 388, in the Office of the Clerk of Taylor County, Kentucky, which Deed was corrected by Corrective Deed dated March 19, 1963, and recorded in Deed Book 86, Page 403, in the Office of the Clerk of Taylor County, Kentucky.

Item 2. A parcel of land lying on the old Salem and Campbellsville Road, opposite the campus of Campbellsville College, in the City of Campbellsville, described as follows: Beginning at the North side of Buckhorn Creek at the mouth of a ditch; thence North 132 feet to the County Road; thence with County Road nearly West about 130 feet to J. H. Chandler's line; thence with Chandler's line about 106 feet to the creek; thence up the creek about 74 feet to the beginning; being the property acquired by the Company by deed dated March 19, 1954, and recorded in Deed Book 74, page 116, in the Office of the Clerk of Taylor County, Kentucky.

Item 3. A parcel of land situated in the west end of the City of Campbellsville, described as follows: Beginning at a point on the old Greensburg Pike and the eastern boundary of the Company's substation property; thence with said property south 10° 45' east 278 feet to the Cemetery; thence north 74° east with the Cemetery 75 feet; thence north 10° 30' west 255 feet to a sycamore at the edge of the old Greensburg Pike; thence with the old Greensburg Pike west 75 feet to the east boundary of the Company's substation property and point of beginning; being the property acquired by the Company by deed dated April 16, 1959, and recorded in Deed Book 81, page 105, in the Office of the Clerk of Taylor County, Kentucky; excepting however, from said parcel of land, the following described property: Beginning at a corner between the properties of W. R. Caulk, the Company and Campbellsville Cemetery, which beginning point is approximately 255 feet south of Old Greensburg Road as measured along W. R. Caulk property line; running thence N 11° 04' W with the property line of W. R. Caulk for 110 feet to a point, said point being 60 feet left or north of approximate station 58+83; thence S 79° 13' W for 173 feet to a point and property line of J. C. Eggers, said point being 65 feet left or north of approximate station 57+10 in the centerline of proposed public road; thence S 10° 32' E for 131 feet with property of J. C. Eggers to property of Campbellsville Cemetery; thence with cemetery property line N 72° 23' E for 175 feet to property of W. R. Caulk and point of beginning, containing .481 acre, more or less. EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways, by Deed of Conveyance dated April 12, 1963, recorded in Deed Book 86, Page 636, in the Office of the Clerk of Taylor County, Kentucky.

Item 4. A parcel of land described as follows: Beginning at a steel pin on property line of Old Greensburg Road which beginning point is about 175 feet west of old sycamore tree and property of W. R. Caulk; running thence with property line of Company S 10 degrees 32' E for 179.1 feet to a point and right-of-way line of Commonwealth of Kentucky; thence with right-of-way line of Commonwealth of Kentucky S 78 degrees 51' W for 289 feet to a point and property line of Clifford and Gladys Berry; thence with property line of Clifford and Gladys Berry N 25 degrees 07' W for a distance of 119.8 feet to a point and right-of-way line of Old Greensburg Road; thence with said road right-of-way N 54 degrees 26' E for a distance of 125.9 feet; thence with said road right-of-way N 61 degrees 45' E for a distance of 67.9 feet; thence with said road right-of-way N 76 degrees 52' E for 50 feet; thence with said road right-of-way N 85 degrees 58' E for 91 feet to point of beginning and property line of Company, containing 1.19 acres, more or less; being the property acquired by the Company by deed dated April 8, 1964, and recorded in Deed Book 88, page 267, in the Office of the Clerk of Taylor County, Kentucky. EXCLUDING THEREFROM so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Department of Highways, by Deed of Conveyance dated April 12, 1963, recorded in Deed Book 86, Page 636, in the Office of the Clerk of Taylor County, Kentucky

Item 5. Beginning at a pole on the south side of Roberts Road which pole is a marker at the corner of Needham and Benningfield; thence North 75° 50' East for a distance of 300 feet to a marker, also along the south side of Roberts Road; thence South 26° 00' East for a distance of 300 feet to a marker; thence South 75° 50' West for a distance of 300 feet to a marker; thence North 26° 00' West for a distance of 300 feet to the beginning. Containing 2.06 Acres more or less; and being the property acquired by the Company by deed dated October 4, 1983, and recorded in Deed Book 149, page 542, in the Office of the Clerk of Taylor County, Kentucky.

Item 6. The following described real property located in the town of Campbellsville in Taylor County, Kentucky:

Tract One: A certain town lot in the town of Campbellsville, Kentucky, known in the plan of said town as Lot No. 2, and is the house and lot known as the Williams home, and the same house and lot purchased by Issac Blakey from Thomas H. Blakey, which deed is recorded in deed Book No. 7, page 345 of the records of the Taylor County Court Clerk's office, and is referred to and made a part hereof for the boundary of said lot herein conveyed. This being the same real estate conveyed to Richard A. Sanders II and his wife, Winnie Sanders, by Richard A. Sanders II and his wife, Winnie Sanders, by deed dated April 9, 1957 which deed is recorded in Deed Book 78, page 194, records of the Taylor County Court Clerk's office, Kentucky.

Tract Two: Being in the town of Campbellsville, Taylor County, Kentucky and known and described in the plat of said town as Lot No. 3 on Main Street; said plat is of record in Deed Book 1, page 410, Taylor County Court Clerk's office.

Tract One and Tract Two being the same property acquired by the Company by deed dated January 4, 1990, and recorded in Deed Book 171, page 34, in the Office of the Clerk of Taylor County, Kentucky.

The following described real estate of the Company situated in Trimble County, Kentucky:

Item 1. Beginning at a point in the centerline of Cutshaw Lane, said point being S16°25'46"E 13.57 feet from an iron pin found at the Southwest Corner of East Kentucky Power Coop. (D.B. 104, Pg. 696), said pin also being the Southeast Corner of Shelby Rural Electric Cooperative (D.B. 38, Pg. 454), said point being approximately 0.5 miles east of the intersection of Cutshaw Lane and Ky Hwy 42, near the City of Bedford, in Trimble County, Kentucky; Thence with the centerline of Cutshaw Lane, S73°34'14"W -- 150.00 feet to point in said centerline; Thence leaving the centerline of Cutshaw Lane, N16°25'47"W -- 15.00 feet to an iron pin set (5/8" x 18" steel rebar with aluminum survey cap bearing, Douglas G. Gooch PLS #3118, set as will be typical for all set corner monuments), said pin being the Southwest Corner of Shelby Rural Electric Cooperative (D.B. 38, Pg. 454) and being the POINT OF BEGINNING for this description; Thence leaving the line of Shelby Rural Electric Cooperative (D.B. 38, Pg. 454) and with the north edge of right-of-way of Cutshaw Lane (right-of-way is assumed to be 15' from and parallel to centerline of Cutshaw Lane) S73°34'14"W - 125.00 feet to an iron pin set; Thence with new lines across the parent tract of Callis, N15°59'01"W 125.00 feet to an iron pin set and N73°34'14"E 125.00 feet to an iron pin set, said pin being on the line of Shelby Rural Electric Cooperative (D.B. 38, Pg. 454); Thence leaving the new corner of Callis and with the line of Shelby Rural Electric Cooperative (D.B. 38, Pg. 454), S15°59'01"E -- 125.00 feet to the Point of Beginning for this description and containing 0.358 acres by survey. Being the same property conveyed to Kentucky Utilities Company by deed dated April 4, 2005 and recorded in Deed Book 111, Page 155 in the Office of the Clerk of Trimble County, Kentucky.

Item 2. A sixty-and three quarters percent (60.75%) undivided interest in and to that certain real property located in Trimble County, Kentucky, and more particularly described as follows:

Parcel 1:

Being a tract of land lying on the Louisville Gas and Electric Company Trimble County Plant, in Trimble County, Kentucky, on north of Kentucky Highway 754, and between the Ohio River and Kentucky 1838, and being more particularly described as follows:

Beginning at the most northeasterly corner of Tract 2 as shown on plat attached to and made a part of deed of record in Deed Book 95, Page 517 in the office of the Clerk of Trimble County, Kentucky, said point also having plant coordinates of Northing 2105.17 and Easting 2191.53; thence leaving said corner North 14 degrees 31 minutes 22 seconds East 1401.61 feet to an iron pin with identifier #2747 at the TRUE POINT OF BEGINNING, said point also having plant coordinates of Northing 3462.00 and Easting of 2543.00; thence North 90 degrees 00 minutes 00 seconds West 665.00 feet to an iron pin with identifier #2747, thence North 45 degrees 0 minutes 00 seconds West 49.50 feet to an iron pin with identifier #2747, thence North 90 degrees 00 minutes 00 seconds West 158.50 feet to an iron pin with identifier #2747, thence North 0 degrees 00 minutes 00 seconds East 89.70 feet to an iron pin with identifier #2747, thence North 90 degrees 00 minutes 00 seconds West 32.00 feet to an iron pin with identifier #2747, thence North 0 degrees 00 minutes 00 seconds East 186.60 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 456.00 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 57.30 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 220.40 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 23.60 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 123.20 feet to an iron pin with identifier #2747, thence North 0 degrees 00 minutes 00 seconds East 23.60 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 120.90 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 166.80 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 25.40 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 62.20 feet to an iron pin with identifier #2747, thence North 90 degrees 00 minutes 00 seconds West 55.40 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 19.20 feet to a point of beginning, containing 5.675 acres and being Tract 4 as shown on the plat attached to and made a part hereof.

Parcel 2:

Being a tract of land lying on the Louisville Gas and Electric Company Trimble County Plant, in Trimble County, Kentucky, on north of Kentucky Highway 754, and between the Ohio River and Kentucky 1838, and being more particularly described as follows:

Beginning at the most northeasterly corner of Tract 2 as shown on plat attached to and made a part of deed of record in Deed Book 95, Page 517 in the office of the Clerk of Trimble County, Kentucky, said point also having plant coordinates of Northing 2105.17 and Easting 2191.53; thence leaving said corner North 18 degrees 35 minutes 08 seconds East 1455.43 feet to an iron pin with identifier #2747 at the TRUE POINT OF BEGINNING, said point also having plant coordinates of Northing 3284.70 and Easting of 2655.40; thence North 90 degrees 00 minutes 00 seconds West 60.20 feet to an iron pin with identifier #2747, thence North 0 degrees 00 minutes 00 seconds East 168.70 feet to an iron pin with identifier #2747, thence South 90 degrees 00 minutes 00 seconds East 60.20 feet to an iron pin with identifier #2747, thence South 0 degrees 00 minutes 00 seconds West 168.70 feet to the point of beginning, containing 0.233 acres and being Tract 5 as shown on the plat attached to and made a part hereof. Being a part of the same property acquired by Louisville Gas and Electric Company by Deed dated November 29, 1982, of record in Deed Book 58, Page 321 and by Deed dated March 21, 1974, of record in Deed Book 49, Page 501 and corrected by Deed of Correction dated April 30, 1974, of record in Deed Book 49, Page 602, all in the Office of the Clerk of Trimble County, Kentucky.

Item 2 being the same property interest acquired by Kentucky Utilities Company by Deed dated April 4, 2006, of record in

The following described real estate of the Company situated in Union County, Kentucky:

Item 1. All that certain tract of land containing 1¼ acres located on Tradewater River near the residence now or formerly of E. H. Long, and more particularly described in deed by E. H. Long to West Kentucky Coal Company, dated April 11, 1916, and recorded in the Union County Court Clerk's Office in Deed Book 75, page 74, together with the filtration plant and pumping station thereon, and together with the lease of the right to lay a pipe line from said tract to the bank of Tradewater River and to build a pump well on the bank of said river as set forth in said deed, excepting, however, all the coal, ores, oils, gas, salt, and all water and mineral waters, and other mineral and mining rights, together with the right of egress and ingress for the purpose of removing such coal and all other minerals without any charge therefor; being a part of the property acquired by the Company by deed dated June 17, 1926, and recorded in Deed Book 89, page 253, in the Office of the Clerk of Union County, Kentucky; EXCLUDING THEREFROM so much as was conveyed to West Kentucky Coal Company by Deed dated as of November 1, 1948, recorded in Deed Book 134, Page 507, and in Deed Book 136, Page 486, both in the Office of the Clerk of Union County, Kentucky.

Item 2. A parcel of land situated in the City of Sturgis, being a portion of lots 1 to 6 inclusive, Block 152, as shown on plat of City of Sturgis and more specifically described as follows: Beginning at the southwest corner of Block 152, which is the intersection of the north side of 14th Street and the east side of Washington Street, running thence with the east side of Washington Street nearly north about 135 feet to a stake in the south right-of-way line of West Kentucky Coal Co's. railroad to Mine No. 2 and Rescreening Plant; thence with same nearly east 50 feet to a stake; thence nearly south about 135 feet to a stake in the north side of 14th Street; thence with same nearly west 50 feet to the beginning; being the property acquired by the Company by deed dated January 24, 1940, and recorded in Deed Book 105, page 130, in the Office of the Clerk of Union County, Kentucky.

Item 3. A parcel of land situated near the City of Morganfield, described as follows: Beginning at an iron post in the Northwest corner of the Company's substation lot; running thence North 15 degrees 00 minutes East for a distance of 127.2 feet to an angle; thence North 67 degrees 27 minutes East for a distance of 301.2 feet to a point in the line between the lands of R. S. Ruark and the lands of John M. Martin, Jr.; thence with said line in a direction South 27 degrees 39 minutes west for a distance of 282.0 feet to a point which is a corner common to R. S. Ruark, the Company and John M. Martin, Jr.; thence with the line between R. S. Ruark and the Company in a direction North 86 degrees 08 minutes West for a distance of 181.5 feet to the point of beginning, containing approximately 0.82 acre; being the property acquired by the Company by deed dated May 6, 1959, and recorded in Deed Book 166, page 216, in the Office of the Clerk of Union County, Kentucky.

Item 4. Lot number Seventeen (17) and fifteen feet of Lot number Eighteen (18), adjoining in Block number Twenty Seven (27) in the Town of Sturgis, Union County, Kentucky; being the property acquired by the Company by deed dated January 29, 1968, and recorded in Deed Book 192, page 86, in the Office of the Clerk of Union County, Kentucky.

Item 5. The following described tracts located in Morganfield, Kentucky, and acquired by the Company by deed dated February 21, 1983, and recorded in Deed Book 241, page 437, in the Office of the Clerk of Union County, Kentucky:

Tract 1. Beginning at a stake on the West side of Morgan Street 100 feet from the corner of the Cottingham property and running thence with the West line of Morgan Street North 32 East 50 feet to another stake upon the West side of said street; thence with right angle to said street North 58 West 175 feet to a stake on the East side of Court Street; thence with the line of Court Street South 32 West 50 feet to a stake on the East side of Court Street, corner of lot to Mrs. Lizzie Hagan; thence with her line South 58 East 175 feet to the beginning.

Tract 2. Beginning at a point in the A. F. Alvey property at the Morgan Street line, a corner of A. F. Alvey property; thence with the Alvey line North 56° 00' West 175 feet to a corner of the Alvey property, also the Court Street line; thence with the Court Street line North 34° 00' East 40 feet to a corner of the D. C. Donan Estate property; thence with said Donan property line South 56° 00' East 175 feet to Donan's corner and the Morgan Street line; thence with the Morgan Street line South 34° 00' West 40 feet to the point of beginning and containing 0.16 acre.

Tract 3. Beginning at a point a corner of the Donan property and the Morgan Street line; thence with the Donan property North 56° 00' West 77 feet to a corner of Mary Alice Davis property; thence with said Davis property North 34° 00' East 50 feet to a corner of the Mary Alice Davis property and in H. E. Sheffer's line; thence with the Sheffer line South 56° 00' East 77 feet to the Morgan Street line; thence with the Morgan Street line South 34° 00' West 50 feet to the point of beginning, and containing 0.088 acre.

Item 6. Beginning on the North corner of the lot and in line of Court Street; thence with Court Street 50 feet in southwest direction to corner of D. C. Donan lot; thence with a line of his said lot southeast direction 98 feet to a stake; thence northeast direction 50 feet and along the line of the lot formerly owned by T. R. Cartwright where blacksmith shop stood, to a stake in northeast line of said lot; thence with a line of same running northwest 98 feet to the place of beginning. And also a right of passway over a strip of ground 3½ feet wide and the right to lay water mains and sewer and across the southwest side of the lot formerly owned by T. R. Cartwright and said strip of land running along the line of the D. C. Donan apartment house lot and running from the lot herein conveyed to the line of Morgan Street.

And there is excepted from Item 6 above approximately two (2) feet fronting on Court Street and extending back the length of the lot conveyed and which is included in the driveway between the lot herein conveyed and the D. C. Donan apartment house lot, and the second parties herein are given the right of passway over said two (2) feet of ground and also a strip approximately five (5) feet fronting on Court Street on the said apartment house lot and extending back the full length of said lot and which said seven (7) feet is now used for a passway for both of said properties, and being the property acquired by the Company by deed dated December 14, 1994, and recorded in Deed Book 278, Page 761, in the Office of the Clerk of Union County, Kentucky.

The following described real estate of the Company situated in Washington County, Kentucky:

Item 1. Beginning at a stake on the West side of the Deep Creek Road, which beginning point is approximately 600 feet N 13 W from a corner to Holderman and J. Staten on the West side of the Deep Creek Road, running thence approximately S 83 W about 225 feet to a stake; thence approximately N 7 W about 225 feet to a stake; thence approximately N 83 E about 225 ft. to a stake on the West side of the Deep Creek Road; thence following the West side of the Deep Creek Road approximately S 1½ E 75 feet, S 6 E 75 feet S 13 E 75.6 feet to the beginning; being the property acquired by the Company by deed dated October 22, 1954, and recorded in Deed Book 96, page 84, in the Office of the Clerk of Washington County, Kentucky.

Item 2. A parcel of land situated on the Old Texas-Mackville County Road near the unincorporated City of Mackville, described as follows: Beginning at a point about 75 feet North of the center line of the East Kentucky Rural Electric Co-Operative Corporation 69 KV line survey at Western edge of the Old Texas and Mackville County Road; thence with edge of same North 2° East 100 feet; thence North 88° West 100 feet; thence South 2° West 100 feet; thence South 88° East 100 feet to the point of beginning; being the property acquired by the Company by deed dated June 13, 1956, and recorded in Deed Book 97, page 312, in the Office of the Clerk of Washington County, Kentucky.

Item 3. Beginning at a point between the lands of J. B. Osbourne and Margaret Osbourne and the lands of the City of Springfield, which beginning point is in the Western right-of-way line of Fieldtown Street, running thence S 35°-30' W 150.0 feet to a stake; thence turning and running N 54°-30' W 52.3 feet to the property of Cecilia Fields; thence turning and running N 37° E with Cecilia Field's property line 49.6 feet; thence turning and running N 20° W with Cecilia Field's property line 50.9 feet to the corner to Cecilia Field and C. N. Tucker; thence with the property line of C. N. Tucker N 20° W 149.4 feet to the corner to C. N. Tucker and the City of Springfield; thence turning and running with the property line of the City of Springfield S 50°-48' E 220.4 feet to the point of beginning; being the property acquired by the Company by deed dated May 9, 1960, and recorded in Deed Book 101, page 125, in the Office of the Clerk of Washington County, Kentucky.

There is excepted from the above-described parcel of land (Item 3) the following described properties, to-wit:

(a) Beginning at a point in the line between the lands of the Company and the City of Springfield, which point is in the West margin of Commercial Avenue as shown in Deed Book 105, page 360, in the Washington County Court Clerk's records, and which point is 142.4 feet North 50° 48' West of a corner of the Company and the City of Springfield in the West edge of Fieldtown Street; running thence South 37° 38' West 47 feet along the West margin of Commercial Avenue, as proposed, to a new corner of the Company and C. N. Tucker; thence with the line of Tucker North 20° 00' West 88 feet to a corner of the Company, C. N. Tucker, and the City of Springfield; thence with the line of the City of Springfield South 50° 48' East 78 feet to the point of beginning, containing .084 acre, and being all of the land of the Company joining the Western boundary of Commercial Avenue as proposed; and

(b) Beginning at a point in the line between the lands of the Company and the City of Springfield, which point is 92.4 feet North 50° 48' West of the existing corner of the Company and the City of Springfield in the West margin of Fieldtown Street, and which point is in the East margin of Commercial Avenue as proposed and shown in Deed Book 105, page 360 of the Washington County Court records, running thence South 37° 38' West along said East boundary of Commercial Avenue 78 feet to a corner of the Company and C. N. Tucker; thence North 20° 00' West 61.4 feet to a corner of the Company and C. N. Tucker, which corner is in the West boundary of Commercial Avenue, as proposed; thence North 37° 38' East along the West margin of Commercial Avenue, as proposed, 47 feet to a new corner of the Company; thence South 50° 48' East 50 feet to the point of beginning, containing 3125 square feet.

Item 4. A parcel of land, lying and being on the south side of High Street and the west side of Fieldtown Street and the east side of Commercial Avenue, described as follows: Beginning at a stake at the intersection of High Street and Fieldtown Street; thence along Fieldtown Street, S 35° 30' W 22 feet to a stake in the property line of the Company herein; thence with property line of the Company herein N 50° 48' W 92.4 feet to a stake in Commercial Avenue; thence along the eastern edge of Commercial Ave. N 37° 38' E 13 feet to a stake at the intersection of Commercial Ave. and High Street; thence with the southern edge of High Street S 55° E 92.5 feet to the beginning; being the property acquired by the Company by deed dated March 13, 1967, and recorded in Deed Book 107, page 11, in the Office of the Clerk of Washington County, Kentucky.

Item 5. Beginning at a point in the line between the lands of Cecilia Fields and the lands of C. N. Tucker, which beginning point is a fence post also in the property line of the lands of J. B. Osbourne; running thence S 20° E along the property line of J. B. Osbourne 50.9 feet; thence turning and running S 37° W along the property line of J. B. Osbourne 49.6 feet to a stake; thence turning and running N 54°-30' W 43.6 feet to a stake in the line of the lands of C. N. Tucker; thence turning and running with the property line of C. N. Tucker N 37°-38' E 78.5 feet to the point of beginning; being the property acquired by the Company by deed dated May 16, 1960, and recorded in Deed Book 101, page 126, in the Office of the Clerk of Washington County, Kentucky.

The following described real estate of the Company situated in Webster County, Kentucky:

Item 1. Beginning at an iron pin in the North right-of-way of U.S. Highway 41- A; said iron pin is located North 51°26'30" East 20.00 feet from the original Southwest corner of the tract of which this is a part; thence with a new division line, being 20 feet East of the original line, North 43°44'30" West 200.30 feet to an iron pin; thence continuing 20 feet East of the original line North 43°10'30" West 234.53 feet to an iron pin; thence North 51°26'00" East 100.00 feet to an iron pin; thence South 43°26'00" East 434.83 feet to an iron pin in the North right-of-way of U.S. Highway 41-A; thence with said right-of-way South 51°26'30" West 100.00 feet to the beginning, containing 1.00 acres, and being the same property acquired by the Company by deed dated July 9, 1990, and recorded in Deed Book 205, page 717, in the Office of the Clerk of Webster County, Kentucky.

The following described real estate of the Company situated in Whitley County, Kentucky:

Item 1. A certain leasehold (excepting, however, the last day of the term of said leasehold), in the following described tract of land, which leasehold was created by lease from C. S. Wilson and wife to Williamsburg Electric Company, dated November 27, 1920, and recorded in Lease Book 16, page 403, in the office of the Clerk of the County Court of Whitley County. The land leased is all the land now or formerly belonging to Williamsburg Electric Company which lies between the county road leading from Williamsburg up Cumberland River, and said river, and beginning at a point fifty feet below the line of the property purchased by Kentucky Utilities Company from Merrett Nicholson and wife, and extending up the river to a point 50 feet beyond the South or upper line of the land of said Williamsburg Electric Company, and being substantially a tract 500 feet long between the county road and the river; being a part of the property acquired by the Company by deed dated May 5, 1926, and recorded in Deed Book 113, page 268, in the Office of the Clerk of Whitley County, Kentucky.

Item 2. Beginning at a stake in the East line of Third Street in the Town of Williamsburg, from which the northwest corner of Third and Mill Streets bear North 85 degrees 45 minutes West 48.4 feet; thence at right angles to said Third Street North 64 degrees 15 minutes East 100 feet to a stake; thence parallel to said Third Street North 25 degrees 45 minutes West 100 feet to a stake; thence at right angles to said Third Street South 64 degrees 15 minutes West 100 feet to a stake in the East line of said Third Street; thence with said East line of Third Street South 25 degrees 45 minutes East 100 feet to the beginning.

Item 3. An easement in and over the following strip of land in said Town of Williamsburg: Beginning at the Southeast corner of the lot hereinabove described; running thence with the Easterly line of said lot North 25 degrees 45 minutes West 100 feet to the Northeast corner of said lot; said strip of 100 feet extending thence North 64 degrees 15 minutes East between parallel lines 440 feet, more or less, to the Cumberland River, with the right, power and privilege in the Company, its successors and assigns, to erect, inspect, maintain, operate, rebuild and repair a transmission line or lines and any private telephone lines used in connection with said transmission system.

The property described above in Items 2 and 3 was acquired by the Company by deed dated January 21, 1928, and recorded in Deed Book 118, page 314, in the Office of the Clerk of Whitley County, Kentucky.

Item 4. Beginning at a point on the west rail of the South bound main track of the Louisville and Nashville Railroad, 1340.2 feet North of mile post 175 on said Railroad between Corbin and Woodbine, Kentucky; thence a Western direction with a line forming an angle with said west rail of 91 degrees and 16 min. to the left, and crossing Kentucky Highway No. 26, a distance of 78.5 feet to a stake in the West right-of-way line of Kentucky Highway No. 26 at the intersection of a dirt road, same being the beginning corner of the property herein described; thence with the dirt road S. 71 deg. W. 273.5 feet to a stake, a corner of Prentice Messer; thence with Messer's line N. 10 deg. 43 min. W. 159.5 feet to a stake, also a corner; thence N. 83 deg. 47 min. W. 293.9 feet to a stake, corner of Lay and Mitchell; thence with Mitchell's line N. 1 deg. 19 min. W. 372.5 feet to a stake, a corner of Mitchell; thence with Mitchell and Sexton's line N. 72 deg. 4 min. W. 305.2 feet to an iron pin; thence with Henry Barton's line N. 79 deg. 26 min. W. 311.2 feet to a post; thence N. 84 deg. 24 min. W. 45.9 feet to a post; thence S. 75 deg. 27 min. W. 79.6 feet to a post, a corner of Henry Barton and Sarah McVay; thence with McVay's line N. 4 deg. 03 min. E. 502.1 feet to a pine tree, a corner of Sarah McVay and Roy Skinner; thence with Skinner's line, S. 71 deg. 51 min. E. 702.6 feet to a white oak tree; thence S. 4 deg. 37 min. E. 168.6 feet to a corner post; thence S. 84 deg. 18 min. E. 635.5 feet to a stake in the West right-of-way line of Kentucky Highway No. 26, S. 4 deg. 05 min. W. 668.4 feet to the beginning corner, and containing approximately 16.75 acres; being the property acquired by the Company by deed dated April 23, 1960, and recorded in Deed Book 202, page 615, in the Office of the Clerk of Whitley County, Kentucky.

Item 5. A certain tract or parcel of land located about 3.2 miles North of Williamsburg and located North of Brown's Creek Road (State Road 779), East of Kentucky Highway 26 described as follows: Beginning at a stake, which stake being the Southwest corner of Switching Station Lot, and which said corner is located about 42.30 feet, bearing N. 85-09 E. from nail in root of a three prong, 24 inch white oak tree, said tree located about 16 feet West of drain and being about 112.10 feet, bearing N. 20-00 E. from point in the center line of pavement of State Road 779; running thence from the said beginning corner N. 32-44 E., 200 feet, more or less, to stake (Northwest corner); thence S. 57-16 E., 289.52 feet, more or less, to stake (Northeast corner); thence S. 26-52 W., 166.33 feet, more or less, to stake (Southeast corner); thence S. 86-58 W., 58.93 feet, more or less, to stake; thence N. 516 W., and parallel with the North boundary line of said lot, 258.55 feet, more or less, to the beginning corner, containing 1.35 acres; being the property acquired by the Company by deed dated June 3, 1964, and recorded in Deed Book 212, pages 343 and 344, in the Office of the Clerk of Whitley County, Kentucky.

The following described real estate of the Company situated in Woodford County, Kentucky:

Item 1. A tract of land described as follows: Beginning at the mouth of a Branch near the North east end of a Beech Woods and running thence with the meanderings of Kentucky River North 53 degrees 10' East 312 feet to a stone; thence with said River North 58 degrees East 341 feet to a stone at the end of a fence on the bank of the Kentucky River; thence with the line of said fence S. 26 degrees 20' E. 400 feet to a stone; thence S. 25 degrees E. 332 feet to a small walnut; thence S. 50 degrees 05' W. 1050 feet to a stone at the North edge of the Woods near a branch; thence S. 30 degrees W. 200 feet crossing said branch to a stone near the edge of a meadow field; thence N. 74 degrees W. 652 to low water mark of Kentucky River; thence down the River with its meanderings N. 20 degrees 40' E. 100 feet; thence North 21 degrees 40' East 100 feet; thence N. 27 degrees 20' East 100 feet; thence N. 32 degrees E. 500 feet; thence N. 43 degrees 30' E. 332 feet; thence N. 48 degrees 30' E. 55 feet to the beginning, containing 25.76 acres, including all and singular the rights and privileges heretofore conveyed to one Harvey Myers to construct and perpetually maintain reservoirs and pipe lines, and the right of ingress and egress thereto; being the property acquired by the Company by deed dated November 27, 1940 and recorded in Deed Book 39, page 503, in the Office of the Clerk of Woodford County, Kentucky.

Item 2. A tract of land described as follows: Beginning at an iron pin in the center line of the right of way of the Southern Railroad near the gateway entering the land of Mrs. William St. Clair Hogg, (Mrs. Elizabeth W. Hogg), and south from the cast iron post marking "1 mile to Station" in the right of way, thence with the center line of the right of way N. 74° 00' East 261 feet to a stake in the center line, thence N 84° 27' East 268 feet, thence S 81° 44' East 351 feet, thence S 66° 35' East 349 feet, thence S 54° 05' East 229 feet to a stake in the center line corner to St. Clair Hogg and in the line of Ruben Turner, thence with Ruben Turner's line N 41° 45' East 40 feet to a stake at the end of a stone wall, corner to Turner, thence S 67° 36' East 110 feet to a stake, thence S 68° 58' East 82 feet to a stake, thence S 73° 00' East 222 feet, thence S 78° 43' East 169 feet to a stake near the creek and corner to Turner in the line of Ben W. Thompson, thence with Thompson's line and the meanderings of the creek, (Salt Lick Branch) N 59° 37' West 133 feet, thence N 33° 17' West 306 feet, thence N 58° 30' West 197 feet, thence N 29° 10' West 451 feet, thence N 24° 40' West 141 feet, thence N 24° 59' East 383 feet, thence N 27° 19' East 171 feet, thence N 10° 14' West 501 feet, thence N 51° 18' West 402 feet, thence N 23° 20' West 303 feet, thence N 11° 56' West 264 feet, thence N 20° 16' West 193 feet, thence North 43° 56' East 169 feet, thence N 83° 42' East 197 feet, corner to Ben W. Thompson, thence N 2° 08' West 144 feet to the high water mark on the bank of the Kentucky River, thence with the high water mark of the Kentucky River N 87° 44' West 253 feet to a stake, thence N 85° 45' West 280 feet to a stake, thence N 89° 02' West 242 feet, thence N 86° 17' West 322 feet, thence N 87° 55' West 416 feet, thence S 87° 08' West 242 feet, thence S 84° 49' West 313 feet, thence S 84° 16' West 223 feet, thence S 73° 03' West 252 feet to a stake at the high water mark on the Kentucky River corner to the land of Harvey Myers, thence with the fence line of Harvey Myers, S 23° 54' East 51 feet to a stake in the fence line, thence S 26° 11' East 697 feet, to a stake in the fence line corner to Myers, thence S 50° 00' West 164 feet to a stake in the fence line, thence S 49° 40' West 567 feet, thence S 50° 02' West 230 feet to a stake in the fence line corner to Myers, thence S 49° 36' West 95 feet, thence S 29° 30' West 208 feet to a stake in the fence line corner to Myers, thence N 74° 30' West 536 feet, thence N 71° 30' West 128 feet to a stake at the high water mark on the bank of the Kentucky River, thence with the high water mark S 13° 00' West 378 feet, thence S 1° 15' West 397 feet, thence S 6° 18' East 438 feet, thence S 18° 08' East 314 feet, thence S 26° 56' East 393 feet, thence S 33° 00' East 303 feet, thence S 44° 06' East 203 feet, thence S 45° 55' East 370 feet, thence S 49° 01' East 433 feet to the center line of the right of way of the Southern Railroad and passing the center line of the property occupied by the Tyrone Toll Bridge at a point 77 feet on this line, thence with the center line of the Southern Railroad N 45° 09' East 137 feet, thence N 43° 53' East 328 feet, to the edge of the metal on the south side of the Highway leading to the Tyrone Toll Bridge, thence N 44° 13' East 172 feet to a stake in the center line of the right of way of the Southern Railroad, thence N 44° 00' East 1106 feet to a stake in the center line of the right of way of the Southern Railroad, thence N 60° 08' East 324 feet to the point of the beginning, and containing 254.692 acres; being the same property acquired by the Company by deed dated March 22, 1941, and recorded in Deed Book 39, page 500, in the Office of the Clerk of Woodford County, Kentucky.

There is excluded from the above described tract of land that portion of land conveyed to the Commonwealth of Kentucky by deed dated July 13, 1931, recorded in Deed Book 34, at page 197, in the office of the Clerk aforesaid and described as follows: Beginning at a stake on the banks of the Kentucky River 50 feet left or north of Station 41 + 15 (bridge survey numbering), thence N 44° 13' East 232.20 feet to a stake, thence following a 20° 05' curve (whose radius is 286.76), to the right 445.89 feet to a stake, thence S 46° 14' East 47.36 feet to a stake in the right of way line of the Southern Railway and Hogg, thence with said right of way line S 43° 46' West 200 feet to a stake in the right of way line of the Southern Railway and Hogg, thence N 46° 14' West 47.36 feet to a stake, thence following a 70° 22' 54" curve (whose radius is 86.76), to the left 127.23 feet long to a stake, thence N 45° 47' West 100 feet to a stake, thence S 44° 13' West 232.20 feet to water's edge of the Kentucky River, thence N 45° 00' 47" West 100 feet to the point of beginning, containing 2.093 acres.

Item 3. A parcel of land lying on the Versailles and Harrodsburg Road same being State Highway No. 33, described as follows: Beginning at a fence post in the West margin of said road which point is 1997 feet North of the center line of the intersection of said road and the Nicholasville Road and 43 feet south of the center line of Company's Tyrone-Higsby Mill transmission line; thence in a southern direction with the West margin of said Highway number 33, 100 feet; thence in a western direction and perpendicular thereto, 100 feet to a post; thence in a northern direction and parallel to said first line 100 feet to a post; thence in an Eastern direction and parallel to said second line 100 feet to the point of beginning; being the property acquired by the Company by deed dated January 31, 1955, and recorded in Deed Book 51, page 173, in the Office of the Clerk of Woodford County, Kentucky.

Item 4. All that tract or parcel of land lying within the City Limits of the City of Versailles, Kentucky,

situated on the Southwesterly side of the Versailles By-Pass Road and North of the Southern Railway System's right-of-way and more particularly bounded and described as follows, to-wit: Beginning at an iron pin in the North right-of-way line of the Southern Railway System, said iron pin also being in the Southwesterly right-of-way line of the Versailles By-Pass Road; thence with the North right-of-way line of the Southern Railway System, South 88 degrees 15 minutes West 252.7 feet to an iron pin in the North right-of-way line of the Southern Railway System, said point being a new corner with the Woodford Manufacturing Company property; thence with a new line North 36 degrees 08 minutes East 170.1 feet to an iron pin in the Southwesterly right-of-way line of the Versailles By-Pass Road; thence with the Southwesterly right-of-way line of the Versailles By-Pass Road with the following chords South 50 degrees 17 minutes East 100.0 feet and South 48 degrees 55 minutes East 100.0 feet to the point of beginning, and containing 0.392 acre; being the property acquired by the Company by deed dated May 7, 1962, and recorded in Deed Book 59, page 86, in the Office of the Clerk of Woodford County, Kentucky.

Item 5. Beginning at a point in the line common to Milton Davis Jr. and Ben Walden, said point being located approximately N 21° 40' E, 1,421.00 feet along said property line from the center line of Craig's Mill Road. Thence with said property line for two calls' N 21° 37' E, 109.00 feet and N 20° 50' E, 87.00 feet. Thence through the property of Milton Davis Jr. for three calls; N 69° 10' W 118.82 feet, S 21° 37' W, 194.37 feet and S 68° 23' E, 120.00 feet to the point of beginning and containing 0.536 acre; and being the property acquired by the Company by deed dated February 11, 1980, and recorded in Deed Book 102, page 270, in the Office of the Clerk of Woodford County, Kentucky.

Item 6. Being all of Lot No. 5D-1 of Unit 7 of the Central Kentucky Development Company Subdivision to the City of Versailles, Kentucky, as shown on the Final Plat of record in Plat Cabinet B, at Slide 196 of the Woodford county Court Clerk's Office, to which Final Plat referenced is hereby made for a more particular description of the property; and being the property acquired by the Company by deed dated May 18, 1989, and recorded in Deed Book 137, page 319, in the Office of the Clerk of Woodford County, Kentucky.

NOTE: Mortgaged Property does not include any real property that was transferred by the Company prior to the Execution Date even if the transfer is recorded after the Execution Date.

KENTUCKY UTILITIES COMPANY

GENERATING FACILITIES

Schedule of generating stations located in the Commonwealth of Kentucky

1. the Ghent Generating Station, located near the City of Ghent in Carroll County, Kentucky
 2. the E.W. Brown Generating Station, located near the City of Burgin in Mercer County, Kentucky (excepting a 53 percent undivided interest in a combustion turbine constituting Unit 5)
 3. a 60.75 percent undivided interest in Unit 2 of the Trimble County Generating Station and the land underlying such generating unit, located near the City of Bedford in Trimble County, Kentucky
 4. a 71 percent undivided interest in combustion turbines constituting Units 7, 8, 9, and 10 of the Trimble County Generating Station, located near the City of Bedford in Trimble County, Kentucky
 5. a 47 percent undivided interest in a combustion turbine constituting Unit 13 of the Paddys Run Generating Station, located in Jefferson County, Kentucky
 6. a 63 percent undivided interest in combustion turbines constituting Units 5 and 6 of the Trimble County Generating Station, located near the City of Bedford in Trimble County, Kentucky
 7. the Green River Generating Station, located near the City of Central City in Muhlenberg County, Kentucky
 8. the Tyrone Generating Station, located near the City of Versailles in Woodford County, Kentucky
 9. the Haefling Generating Station, located in Fayette County, Kentucky
 10. the Dix Dam Generating Station, located near the City of Burgin in Mercer and Garrard Counties, Kentucky
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KENTUCKY UTILITIES COMPANY**TRANSMISSION FACILITIES****Schedule of transmission lines located in the Commonwealth of Kentucky**

1. A 500 KV transmission line located in Bell and Harlan Counties, Kentucky running from the Pineville #192 Substation to the Pocket North Substation for a distance of 35.48 miles.
2. A 345 KV transmission line located in Mercer, Washington, Marion, Nelson, Larue, Hardin, Breckenridge, Hancock and Daviess Counties, Kentucky running from the Brown North Substation to the Daviess County Substation for a distance of 128.49 miles.
3. A 345 KV transmission line located in Mercer, Garrard, Jessamine, Fayette, Woodford, Scott, Franklin, Owen and Carroll Counties, Kentucky running from the Brown North Substation to the Ghent Substation for a distance of 72.82 miles.
4. A 345 KV transmission line located in Mercer, Garrard, Lincoln, Pulaski, Laurel, Whitley, Knox and Bell Counties, Kentucky running from the Brown North Substation to the Pineville #192 Substation for a distance of 102.47 miles.
5. A 345 KV transmission line located in Mercer and Garrard Counties, Kentucky running from the Brown North Substation to the West Garrard Substation for a distance of 12.76 miles.
6. A 345 KV transmission line located in Daviess County, Kentucky running from the Daviess County Substation to the Smith OMU Substation for a distance of 7.30 miles.
7. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to the Kentucky-Indiana State Line for a distance of 1.43 miles.
8. A 345 KV transmission line located in Carroll and Gallatin Counties, Kentucky running from the Ghent Substation to the Gallatin Steel Substation for a distance of 2.02 miles.
9. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to Ghent Unit 2 for a distance of 0.15 miles.
10. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to Ghent Unit 3 for a distance of 0.16 miles.
11. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to Ghent Unit 4 for a distance of 0.17 miles.
12. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to the NAS Substation for a distance of 3.14 miles.
13. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to the NAS 994-7 Substation for a distance of 3.14 miles.
14. A 345 KV transmission line located in Carroll County, Kentucky running from the Ghent Substation to the Trimble County Substation for a distance of 2.48 miles.
15. A 345 KV transmission line located in Carroll, Owen, Henry, and Franklin Counties, Kentucky running from the Ghent Substation to the West Frankfort Substation for a distance of 41.24 miles.
16. A 345 KV transmission line located in Garrard, Lincoln, Pulaski, Whitley, Knox, and Bell Counties, Kentucky running from the Pineville #192 Substation to the West Garrard Substation for a distance of 89.81 miles.
17. A 161 KV transmission line located in Pulaski County, Kentucky running from the Alcalde Substation to the Elihu Substation for a distance of 2.95 miles.
18. A 161 KV transmission line located in Whitley and Pulaski Counties, Kentucky running from the Alcalde Substation to the Farley Substation for a distance of 27.19 miles.
19. A 161 KV transmission line located in Breathitt, Perry, Leslie, Letcher and Harlan Counties, Kentucky running from the Arnold Substation to the Delvinta Substation for a distance of 36.83 miles.

20. A 161 KV transmission line located in Harlan and Letcher Counties, Kentucky running from the Arnold Substation to the Kentucky-Virginia State Line for a distance of 6.42 miles.
21. A 161 KV transmission line located in Harlan County, Kentucky running from the Arnold Substation to the Harlan WYE Substation for a distance of 22.78 miles.
22. A 161 KV transmission line located in Lee, Estill and Madison Counties, Kentucky running from the Delvinta Substation to the Lake Reba TAP Substation for a distance of 30.83 miles.
23. A 161 KV transmission line located in Muhlenberg and Hopkins Counties, Kentucky running from the Earlington North Substation to the Green River Substation for a distance of 23.85 miles.
24. A 161 KV transmission line located in Hopkins and Caldwell Counties, Kentucky running from the Earlington North Substation to the North Princeton Substation for a distance of 25.94 miles.
25. A 161 KV transmission line located in Hopkins County, Kentucky running from the Earlington North Substation to the Walker Substation for a distance of 0.23 miles.
26. A 161 KV transmission line located in Bell, Knox and Whitley Counties, Kentucky running from the Farley Substation to the Pineville #149 Substation for a distance of 20.30 miles.
27. A 161 KV transmission line located in McCracken County, Kentucky running from the Grahamville Substation to the Joppa DOE Substation for a distance of 1.80 miles.
28. A 161 KV transmission line located in McCracken County, Kentucky running from the Grahamville Substation to the Paducah Primary Substation for a distance of 12.68 miles.
29. A 161 KV transmission line located in McCracken and Ballard Counties, Kentucky running from the Grahamville Substation to the Wickliffe Substation for a distance of 19.61 miles.
30. A 161 KV transmission line located in Muhlenberg, McLean, Hopkins, Webster, Henderson and Union Counties, Kentucky running from the Green River Substation to the Morganfield Substation for a distance of 52.52 miles.
31. A 161 KV transmission line located in Bell and Harlan Counties, Kentucky running from the Harlan WYE 804 Substation to the Pineville #192 Substation for a distance of 25.44 miles.
32. A 161 KV transmission line located in Bell and Harlan Counties, Kentucky running from the Harlan WYE 824 Substation to the Pineville #192 Substation for a distance of 25.25 miles.
33. A 161 KV transmission line located in Harlan County, Kentucky running from the Harlan WYE Substation to the Kentucky-Virginia State Line for a distance of 12.45 miles.
34. A 161 KV transmission line located in Livingston County, Kentucky running from the Livingston County Substation to the Calvert City TVA Substation for a distance of 5.94 miles.
35. A 161 KV transmission line located in Livingston County, Kentucky running from the Livingston County Substation to the Kentucky Dam TVA Substation for a distance of 5.94 miles.
36. A 161 KV transmission line located in Livingston, Crittenden and Union Counties, Kentucky running from the Livingston County Substation to the Morganfield Substation for a distance of 47.51 miles.
37. A 161 KV transmission line located in Livingston, Lyon and Caldwell Counties, Kentucky running from the Preliminary Livingston County Substation to the North Princeton Substation for a distance of 15.40 miles.
38. A 161 KV transmission line located in Livingston and McCracken Counties, Kentucky running from the Livingston County Substation to the South Paducah Substation for a distance of 21.52 miles.
39. A 161 KV transmission line located in McCracken County, Kentucky running from the Preliminary Paducah Primary Substation to the South Paducah Substation for a distance of 2.60 miles.
40. A 161 KV transmission line located in Bell County, Kentucky running from the Pineville #149 Substation to the Pineville #192 Substation for a distance of 0.12 miles.
41. A 161 KV transmission line located in Bell County, Kentucky running from the Pineville #149 Substation to the Pineville TVA Substation for a distance of 0.07 miles.
42. A 161 KV transmission line located in Harlan County, Kentucky running from Pocket #70 Substation to the Pocket North Substation for a distance of 0.14 miles.

43. A 161 KV transmission line located in Taylor County, Kentucky running from the Taylor County Substation to the Green County Substation for a distance of 3.97 miles.
44. A 138 KV transmission line located in Scott and Fayette Counties, Kentucky, running from the Adams Substation to the Innovation Drive Substation for a distance of 8.77 miles.
45. A 138 KV transmission line located in Scott County, Kentucky, running from the Adams Substation to the Scott County Substation for a distance of 5.34 miles.
46. A 138 KV transmission line located in Scott County, Kentucky, running from the Adams Substation to the Toyota South Substation for a distance of 4.51 miles.
47. A 138 KV transmission line located in Scott, Woodford and Franklin Counties, Kentucky, running from the Adams Substation to the Tyrone Substation for a distance of 19.49 miles.
48. A 138 KV transmission line located in Fayette County, Kentucky, running from the American Avenue Substation to the Haefling Substation for a distance of 3.80 miles.
49. A 138 KV transmission line located in Fayette County, Kentucky, running from the American Avenue Substation to the Reynolds Substation for a distance of 2.90 miles.
50. A 138 KV transmission line located in Nelson, Washington and Mercer Counties, Kentucky, running from the Bardstown Substation to the Brown CT Substation for a distance of 39.51 miles.
51. A 138 KV transmission line located in Nelson, Larue and Hardin Counties, Kentucky, running from the Bardstown Substation to the Elizabethtown Substation for a distance of 29.17 miles.
52. A 138 KV transmission line located in Grant, Gallatin and Carroll Counties, Kentucky, running from the Blackwell Substation to the Ghent Substation for a distance of 23.61 miles.
53. A 138 KV transmission line located in Grant, Pendleton, Bracken and Mason Counties, Kentucky, running from the Blackwell Substation to the Kenton Substation for a distance of 46.53 miles.
54. A 138 KV transmission line located in Hart, Larue, Green and Marion Counties, Kentucky, running from the Bonnierville Substation to the Lebanon Substation for a distance of 39.40 miles.
55. A 138 KV transmission line located in Hart, Grayson, Butler and Ohio Counties, Kentucky, running from the Bonnierville Substation to the Ohio County Substation for a distance of 53.97 miles.
56. A 138 KV transmission line located in Madison County, Kentucky, running from the Boonesboro North Substation to the EKP Avon-Dale Substation for a distance of 0.11 miles.
57. A 138 KV transmission line located in Mercer County, Kentucky, running from the Brown CT Substation to the Brown North Substation for a distance of 0.37 miles.
58. A 138 KV transmission line located in Nelson County, Kentucky, running from the Brown CT 704 Substation to the Brown-North Brown Plant Substation for a distance of 0.81 miles.
59. A 138 KV transmission line located in Nelson County, Kentucky, running from the Brown CT 714 Substation to the Brown-North Brown Plant Substation for a distance of 0.78 miles.
60. A 138 KV transmission line located in Nelson County, Kentucky, running from the Brown North Substation to Brown Unit 3 for a distance of 0.33 miles.
61. A 138 KV transmission line located in Nelson, Mercer, Jessamine and Fayette Counties, Kentucky, running from the Brown North 734 Substation to the Higby Mill Substation for a distance of 21.50 miles.
62. A 138 KV transmission line located in Nelson, Mercer and Jessamine Counties, Kentucky, running from the Brown North 744 Substation to the Higby Mill Substation for a distance of 15.72 miles.
63. A 138 KV transmission line located in Nelson, Mercer, Jessamine and Fayette Counties, Kentucky, running from the Brown North 746 Substation to the Higby Mill Substation for a distance of 15.97 miles.
64. A 138 KV transmission line located in Mercer, Anderson and Jessamine Counties, Kentucky, running from the Brown North Substation to the Tyrone Substation for a distance of 20.17 miles.
65. A 138 KV transmission line located in Mercer, Jessamine and Fayette Counties, Kentucky, running from the Brown North Substation to

the West Lexington Substation for a distance of 20.70 miles.

66. A 138 KV transmission line located in Mercer, Jessamine and Madison Counties, Kentucky, running from the Brown Plant Substation to the Fawkes Substation for a distance of 21.48 miles.
67. A 138 KV transmission line located in Mercer, Washington, Marion and Boyle Counties, Kentucky, running from the Brown Plant Substation to the Lebanon Substation for a distance of 32.40 miles.
68. A 138 KV transmission line located in Mercer County, Kentucky, running from the Brown Plant 718 Substation to the West Cliff Substation for a distance of 0.37 miles.
69. A 138 KV transmission line located in Mercer County, Kentucky, running from the Brown Plant 782 Substation to the West Cliff Substation for a distance of 0.37 miles.
70. A 138 KV transmission line located in Carroll, Trimble and Jefferson Counties, Kentucky, running from the Carrollton Substation to the Kentucky-Indiana State Line for a distance of 15.58 miles.
71. A 138 KV transmission line located in Carroll County, Kentucky, running from the Carrollton Substation to the Dow Corning West Substation for a distance of 5.12 miles.
72. A 138 KV transmission line located in Carroll, Henry and Franklin Counties, Kentucky, running from the Carrollton Substation to the East Frankfort Substation for a distance of 39.15 miles.
73. A 138 KV transmission line located in Clark and Madison Counties, Kentucky, running from the Clark County Substation to the Fawkes Substation for a distance of 18.30 miles.
74. A 138 KV transmission line located in Clark and Montgomery Counties, Kentucky, running from the Clark County Substation to the Spencer Road Substation for a distance of 15.48 miles.
75. A 138 KV transmission line located in Carroll County, Kentucky, running from the Dow Corning West Substation to the Ghent Substation for a distance of 6.36 miles.
76. A 138 KV transmission line located in Franklin, Woodford and Anderson Counties, Kentucky, running from the East Frankfort Substation to the Tyrone Substation for a distance of 10.62 miles.
77. A 138 KV transmission line located in Franklin, Woodford and Anderson Counties, Kentucky, running from the Preliminary East Frankfort Substation to the Tyrone Substation for a distance of 10.63 miles.
78. A 138 KV transmission line located in Franklin County, Kentucky, running from the East Frankfort Substation to the West Frankfort Substation for a distance of 7.54 miles.
79. A 138 KV transmission line located in Hardin County, Kentucky, running from the Elizabethtown Substation to the Hardin County Substation for a distance of 1.28 miles.
80. A 138 KV transmission line located in Madison County, Kentucky, running from the Fawkes Substation to the Lake Reba TAP Substation for a distance of 5.43 miles.
81. A 138 KV transmission line located in Carroll and Gallatin Counties, Kentucky, running from the Ghent Substation to the Kentucky-Indiana State Line for a distance of 5.43 miles.
82. A 138 KV transmission line located in Carroll County, Kentucky, running from the Ghent Substation to Ghent Unit 1 for a distance of 0.15 miles.
83. A 138 KV transmission line located in Carroll, Gallatin, Owen and Scott Counties, Kentucky, running from the Ghent Substation to the Scott County Substation for a distance of 40.29 miles.
84. A 138 KV transmission line located in Carroll, Owen, Franklin, Scott, Woodford and Fayette Counties, Kentucky, running from the Ghent Substation to the West Lexington Substation for a distance of 52.15 miles.
85. A 138 KV transmission line located in Muhlenberg, McLean, Ohio and Daviess Counties, Kentucky, running from the Green River Substation to the Green River Steel Substation for a distance of 30.95 miles.
86. A 138 KV transmission line located in Muhlenberg and Ohio Counties, Kentucky, running from the Green River 724 Substation to the Ohio County Substation for a distance of 15.63 miles.
87. A 138 KV transmission line located in Muhlenberg and Ohio Counties, Kentucky, running from the Green River 744 Substation to the Ohio County Substation for a distance of 13.90 miles.

88. A 138 KV transmission line located in Daviess, Hancock and Breckenridge Counties, Kentucky, running from the Green River Steel Substation to the Cloverport Substation for a distance of 24.08 miles.
89. A 138 KV transmission line located in Daviess County, Kentucky, running from the Green River Steel Substation to the Smith OMU Substation for a distance of 0.44 miles.
90. A 138 KV transmission line located in Fayette County, Kentucky, running from the Haefling Substation to the Innovation Drive Substation for a distance of 1.43 miles.
91. A 138 KV transmission line located in Fayette County, Kentucky, running from the Haefling Substation to the Loudon Avenue Substation for a distance of 5.09 miles.
92. A 138 KV transmission line located in Fayette County, Kentucky, running from the Haefling 724 Substation to the West Lexington Substation for a distance of 7.34 miles.
93. A 138 KV transmission line located in Fayette County, Kentucky, running from the Haefling 734 Substation to the West Lexington Substation for a distance of 7.34 miles.
94. A 138 KV transmission line located in Hardin and Breckenridge Counties, Kentucky, running from the Hardin County Substation to the Hardinsburg Substation for a distance of 33.56 miles.
95. A 138 KV transmission line located in Hardin and Breckenridge Counties, Kentucky, running from the Hardin County Substation to the Hardinsburg Substation for a distance of 33.65 miles.
96. A 138 KV transmission line located in Hardin County, Kentucky, running from the Hardin County Substation to the Rogersville #160 Substation for a distance of 10.24 miles.
97. A 138 KV transmission line located in Breckenridge County, Kentucky, running from the Hardinsburg Substation to the Cloverport Substation for a distance of 8.23 miles.
98. A 138 KV transmission line located in Fayette County, Kentucky, running from the Higby Mill Substation to the Higby Mill # 176 Substation for a distance of 0.09 miles.
99. A 138 KV transmission line located in Fayette County, Kentucky, running from the Higby Mill Substation to the Lansdowne Substation for a distance of 3.56 miles.
100. A 138 KV transmission line located in Fayette County, Kentucky, running from the Higby Mill Substation to the Reynolds Substation for a distance of 1.68 miles.
101. A 138 KV transmission line located in Fayette County, Kentucky, running from the Preliminary Higby Mill Substation to the West Lexington Substation for a distance of 12.15 miles.
102. A 138 KV transmission line located in Mason County, Kentucky, running from the Kenton Substation to the Hillsboro AEP Substation for a distance of 4.80 miles.
103. A 138 KV transmission line located in Mason, Fleming and Rowan Counties, Kentucky, running from the Kenton Substation to the Rodburn Substation for a distance of 37.93 miles.
104. A 138 KV transmission line located in Madison County, Kentucky, running from the Lake Reba TAP Substation to the Lake Reba Substation for a distance of 1.69 miles.
105. A 138 KV transmission line located in Fayette County, Kentucky, running from the Loudon Avenue Substation to the Avon EKP Substation for a distance of 8.73 miles.
106. A 138 KV transmission line located in Rowan, Bath and Montgomery Counties, Kentucky, running from the Rodburn Substation to the Spencer Road Substation for a distance of 28.86 miles.
107. A 138 KV transmission line located in Scott County, Kentucky, running from the Scott County Substation to the Toyota North Substation for a distance of 6.20 miles.
108. A 138 KV transmission line located in Scott County, Kentucky, running from the Toyota North Substation to the Toyota South Substation for a distance of 3.16 miles.
109. A 69 KV transmission line located in Scott and Harrison Counties, Kentucky running from the Adams Substation to the Cynthiana SW Substation for a distance of 17.40 miles.
110. A 69 KV transmission line located in Scott and Fayette Counties, Kentucky running from the Adams Substation to the Haefling Substation for a distance of 10.59 miles.

111. A 69 KV transmission line located in Scott County, Kentucky running from the Adams Substation to the Penn EKP Substation for a distance of 14.21 miles.
112. A 69 KV transmission line located in Fayette County, Kentucky running from the American Avenue Substation to the Haefling Substation for a distance of 3.68 miles.
113. A 69 KV transmission line located in Fayette County, Kentucky running from the American Avenue Substation to the Higby Mill Substation for a distance of 4.56 miles.
114. A 69 KV transmission line located in Fayette County, Kentucky running from the American Avenue Substation to the UK Medical Center Substation for a distance of 0.61 miles.
115. A 69 KV transmission line located in Harlan County, Kentucky running from the Arnold Substation to the Evarts Substation for a distance of 16.27 miles.
116. A 69 KV transmission line located in Harlan County, Kentucky running from the Arnold Substation to the Lynch Substation for a distance of 3.55 miles.
117. A 69 KV transmission line located in Knox County, Kentucky running from the Artemus Substation to the Bimble Substation for a distance of 5.22 miles.
118. A 69 KV transmission line located in Nelson County, Kentucky running from the Bardstown Substation to the East Bardstown EKP Substation for a distance of 1.95 miles.
119. A 69 KV transmission line located in Nelson, Spencer and Shelby Counties, Kentucky running from the Bardstown Substation to the Finchville Substation for a distance of 25.48 miles.
120. A 69 KV transmission line located in Nelson and Larue Counties, Kentucky running from the Bardstown Substation to the Hodgenville EKP Substation for a distance of 25.20 miles.
121. De-energized 69 KV transmission line located in Ballard County, Kentucky running from the Barlow Substation for a distance of 0.55 miles.
122. A 69 KV transmission line located in Lee and Estill Counties, Kentucky running from the Beattyville Substation to the West Irvine Substation for a distance of 22.78 miles.
123. A 69 KV transmission line located in Knox and Bell Counties, Kentucky running from the Bimble Substation to the KU Park Plant Substation for a distance of 7.23 miles.
124. A 69 KV transmission line located in Knox and Laurel Counties, Kentucky running from the Bimble Substation to the London Substation for a distance of 22.90 miles.
125. A 69 KV transmission line located in Anderson and Shelby Counties, Kentucky running from the Bonds Mill Substation to the Finchville Substation for a distance of 25.10 miles.
126. A 69 KV transmission line located in Anderson and Mercer Counties, Kentucky running from the Bonds Mill Substation to the Tyrone Substation for a distance of 7.79 miles.
127. A 69 KV transmission line located in Anderson and Mercer Counties, Kentucky running from the Bonds Mill Substation to the West Cliff Substation for a distance of 17.52 miles.
128. A 69 KV transmission line located in Hart, Larue and Hardin Counties, Kentucky running from the Bonnieville Substation to the Hardin County Substation for a distance of 20.56 miles.
129. A 69 KV transmission line located in Hart County, Kentucky running from the Bonnieville Substation to the Rio Substation for a distance of 9.03 miles.
130. A 69 KV transmission line located in Clark and Madison Counties, Kentucky running from the Boonesboro North Substation to the Red House Substation for a distance of 3.98 miles.
131. A 69 KV transmission line located in Clark County, Kentucky running from the Boonesboro North Substation to the Winchester Substation for a distance of 7.73 miles.
132. A 69 KV transmission line located in Boyle County, Kentucky running from the Boyle County Substation to the Danville North Substation for a distance of 1.20 miles.
133. A 69 KV transmission line located in Boyle, Lincoln, and Garrard Counties, Kentucky running from the Boyle County Substation to the

Lancaster Substation for a distance of 21.46 miles.

134. A 69 KV transmission line located in Boyle and Mercer Counties, Kentucky running from the Boyle County Substation to the West Cliff Substation for a distance of 14.38 miles.
135. A 69 KV transmission line located in Pendleton and Bracken Counties, Kentucky running from Carntown Substation to Bracken County EKP Substation for a distance of 11.54 miles.
136. A 69 KV transmission line located in Carroll, Trimble and Henry Counties, Kentucky running from the Carrollton Substation to the Eminence Substation for a distance of 21.12 miles.
137. A 69 KV transmission line located in Carroll, Gallatin and Owen Counties, Kentucky running from the Carrollton Substation to the Owen County EKP Substation for a distance of 31.55 miles.
138. A 69 KV transmission line located in Clark and Montgomery Counties, Kentucky running from the Clark County Substation to the Spencer Road Substation for a distance of 16.97 miles.
139. A 69 KV transmission line located in Clark County, Kentucky running from the Clark County Substation to the Winchester Substation for a distance of 1.69 miles.
140. A 69 KV transmission line located in Hickman, Carlisle, Graves and McCracken Counties, Kentucky running from the Clinton Substation to the South Paducah Substation for a distance of 36.58 miles.
141. A 69 KV transmission line located in Hickman, Carlisle and Ballard Counties, Kentucky running from the Clinton Substation to the Wickliffe Substation for a distance of 23.56 miles.
142. A 69 KV transmission line located in Adair and Russell Counties, Kentucky running from the Columbia Substation to the Columbia EKP Substation for a distance of 1.55 miles.
143. A 69 KV transmission line located in Henderson, Webster, Hopkins, McLean and Daviess Counties, Kentucky running from the Corydon Green River Steel Substation to the Earlington North Substation for a distance of 80.77 miles.
144. A 69 KV transmission line located in Henderson and Daviess Counties, Kentucky running from the Corydon Substation to the Green River Steel Substation for a distance of 46.92 miles.
145. A 69 KV transmission line located in Henderson and Union Counties, Kentucky running from the Corydon Substation to the Morganfield Substation for a distance of 12.23 miles.
146. A 69 KV transmission line located in Crittenden, Livingston and Lyon Counties, Kentucky running from the Crittenden Substation to the Kuttawa Substation for a distance of 24.60 miles.
147. A 69 KV transmission line located in Crittenden and Caldwell Counties, Kentucky running from the Crittenden Substation to the Princeton Substation for a distance of 21.71 miles.
148. A 69 KV transmission line located in Boyle County, Kentucky running from the Danville North Substation to the Danville Industrial Substation for a distance of 2.78 miles.
149. A 69 KV transmission line located in Boyle and Mercer Counties, Kentucky running from the Danville North Substation to the Harrodsburg Substation for a distance of 7.52 miles.
150. A 69 KV transmission line located in Fayette, Mercer and Garrard Counties, Kentucky running from the Dix Dam Substation to the Higby Mill Substation for a distance of 16.02 miles.
151. A 69 KV transmission line located in Mercer and Garrard Counties, Kentucky running from the Dix Dam Substation to the Lancaster Substation for a distance of 13.87 miles.
152. A 69 KV transmission line located in Mercer and Garrard Counties, Kentucky running from the Dix Dam Substation to the West Cliff Substation for a distance of 0 .20 miles.
153. A 69 KV transmission line located in Hopkins and Muhlenberg Counties, Kentucky running from the Earlington North Substation to the Green River Substation for a distance of 24.16 miles.
154. A 69 KV transmission line located in Hopkins County, Kentucky running from the Earlington North 604 Substation to the Nebo Substation for a distance of 13.18 miles.
155. A 69 KV transmission line located in Hopkins County, Kentucky running from the Earlington North 614 Substation to the Nebo Substation for a distance of 13.18 miles.

156. A 69 KV transmission line located in Hopkins County, Kentucky running from the Earlington North Substation to the Walker Substation for a distance of 0.20 miles.
157. A 69 KV transmission line located in Franklin County, Kentucky running from the East Frankfort Substation to the Frankfort Substation for a distance of 0.54 miles.
158. A 69 KV transmission line located in Franklin and Woodford Counties, Kentucky running from the East Frankfort Substation to the Tyrone Substation for a distance of 16.01 miles.
159. A 69 KV transmission line located in Franklin County, Kentucky running from the East Frankfort Substation to the West Frankfort Substation for a distance of 7.53 miles.
160. A 69 KV transmission line located in Pulaski County, Kentucky running from the Elihu Substation to the Burnside Substation for a distance of 5.48 miles.
161. A 69 KV transmission line located in Pulaski County, Kentucky running from the Elihu 624 Substation to the Somerset North Substation for a distance of 5.59 miles.
162. A 69 KV transmission line located in Pulaski County, Kentucky running from the Elihu 634 Substation to the Somerset North Substation for a distance of 4.92 miles.
163. A 69 KV transmission line located in Pulaski County, Kentucky running from the Elihu Substation to the Somerset EKP Substation for a distance of 1.58 miles.
164. A 69 KV transmission line located in Pulaski, Laurel and Whitley Counties, Kentucky running from the Elihu Substation to the Wofford 605 Substation for a distance of 32.85 miles.
165. A 69 KV transmission line located in Hardin County, Kentucky running from the Elizabethtown Substation to the Elizabethtown 34 JCT Substation for a distance of 5.43 miles.
166. A 69 KV transmission line located in Hardin County, Kentucky running from the Elizabethtown Substation to the Elizabethtown West Substation for a distance of 1.09 miles.
167. A 69 KV transmission line located in Hardin County, Kentucky running from the Elizabethtown Substation to the Hardin County Substation for a distance of 1.30 miles.
168. A 69 KV transmission line located in Hardin and Larue Counties, Kentucky running from the Elizabethtown Substation to the Hodgenville EKP Substation for a distance of 13.79 miles.
169. A 69 KV transmission line located in Hardin County, Kentucky running from the Elizabethtown Substation to the Rogersville #160 Substation for a distance of 10.09 miles.
170. A 69 KV transmission line located in Henry and Oldham Counties, Kentucky running from the Eminence Substation to the Centerfield Substation for a distance of 16.08 miles.
171. A 69 KV transmission line located in Henry and Shelby Counties, Kentucky running from the Eminence Substation to the Shelbyville Substation for a distance of 10.67 miles.
172. A 69 KV transmission line located in Pendleton County, Kentucky running from the Falmouth Substation to the Four Oaks EKP Substation for a distance of 5.35 miles.
173. A 69 KV transmission line located in Whitley, Knox and Laurel Counties, Kentucky running from the Farley Substation to the Sweet Hollow Substation for a distance of 5.55 miles.
174. A 69 KV transmission line located in Whitley and Knox Counties, Kentucky running from the Farley Substation to the Wofford 605 Substation for a distance of 10.15 miles.
175. A 69 KV transmission line located in Rowan County, Kentucky running from the Farmers Substation to the Rodburn Substation for a distance of 8.90 miles.
176. A 69 KV transmission line located in Rowan, Bath and Montgomery Counties, Kentucky running from the Farmers Substation to the Spencer Road Substation for a distance of 21.92 miles.
177. A 69 KV transmission line located in Madison, Fayette and Jessamine Counties, Kentucky running from Fawkes Substation to Higby Mill Substation for a distance of 24.66 miles.
178. A 69 KV transmission line located in Madison County, Kentucky running from Fawkes Substation to Okonite Substation for a distance of 7.70 miles.

179. A 69 KV transmission line located in Madison County, Kentucky running from Fawkes Substation to Richmond Substation for a distance of 2.62 miles.
180. A 69 KV transmission line located in Shelby and Jefferson Counties, Kentucky running from the Finchville Substation to the Middletown Substation for a distance of 12.33 miles.
181. A 69 KV transmission line located in Shelby County, Kentucky running from the Finchville Substation to the Shelbyville Substation for a distance of 6.75 miles.
182. A 69 KV transmission line located in Garrard County, Kentucky running from the Garrard Substation to the EKP Ownership Substation for a distance of 0.04 miles
183. A 69 KV transmission line located in McCracken and Ballard Counties, Kentucky running from Grahamville Substation to the Wickliffe Substation for a distance of 23.59 miles.
184. A 69 KV transmission line located in Muhlenberg County, Kentucky running from the Green River Substation to the Hillside Substation for a distance of 10.00 miles.
185. A 69 KV transmission line located in Muhlenberg and Ohio Counties, Kentucky running from the Green River Substation to the Indian Hill Substation for a distance of 8.50 miles.
186. De-energized 69 KV transmission line located in Muhlenberg County, Kentucky running from the Green River Substation to the Sextet Mine Substation for a distance of 10.86 miles.
187. A 69 KV transmission line located in Muhlenberg County, Kentucky running from the Green River Steel Substation to the Smith OMU Substation for a distance of 0.45 miles.
188. A 69 KV transmission line located in Muhlenberg and Hopkins Counties, Kentucky running from the Green River Substation to the River Queen-Walker Substation for a distance of 28.23 miles.
189. A 69 KV transmission line located in Fayette County, Kentucky running from the Haefling Substation to the Lexington Plant Substation for a distance of 3.09 miles.
190. A 69 KV transmission line located in Hardin County, Kentucky running from the Hardin County Substation to the Elizabethtown Industrial Substation for a distance of 0.78 miles.
191. A 69 KV transmission line located in Harlan County, Kentucky running from the Harlan WYE Substation to the Harlan "Y" JCT Substation for a distance of 7.65 miles.
192. A 69 KV transmission line located in Harlan County, Kentucky running from the Harlan WYE Substation to the Kentucky-Virginia State Line for a distance of 13.98 miles.
193. A 69 KV transmission line located in Harlan County, Kentucky running from the Harlan WYE Substation to the Rocky Branch Substation for a distance of 10.45 miles.
194. A 69 KV transmission line located in Mercer County, Kentucky running from the Harrodsburg Substation to the West Cliff Substation for a distance of 7.72 miles.
195. A 69 KV transmission line located in Fayette County, Kentucky running from Higby Mill Substation to the Lansdowne Substation for a distance of 3.53 miles.
196. A 69 KV transmission line located in Fayette, Jessamine and Woodford Counties, Kentucky running from the Higby Mill Substation to the Tyrone Substation for a distance of 17.88 miles.
197. A 69 KV transmission line located in Fayette County, Kentucky running from the Higby Mill Substation to the UK Medical Center Substation for a distance of 4.85 miles.
198. A 69 KV transmission line located in Muhlenberg County, Kentucky running from the Hillside Substation to the Indian Hill Substation for a distance of 13.04 miles.
199. A 69 KV transmission line located in Muhlenberg County, Kentucky running from the Hillside Substation to the River Queen Substation for a distance of 8.54 miles.
200. A 69 KV transmission line located in Hart County, Kentucky running from the Horse Cave Substation to facilities owned by East Kentucky Power Cooperative for a distance of 0.52 miles.
201. A 69 KV transmission line located in Carroll County, Kentucky running from the Hunters Bottom Substation to facilities owned by East

Kentucky Power Cooperative for a distance of 0.30 miles.

202. A 69 KV transmission line located in Harlan County, Kentucky running from the Kentucky-Virginia State Line to the Lynch Substation for a distance of 9.08 miles.
203. A 69 KV transmission line located in Muhlenberg and Ohio Counties, Kentucky running from the Indian Hill Substation to the Ohio County Substation for a distance of 10.42 miles.
204. A 69 KV transmission line located in Bell County, Kentucky running from the KU Park Plant Substation to the Middlesboro Substation for a distance of 13.10 miles.
205. A 69 KV transmission line located in Bell County, Kentucky running from the KU Park Plant Substation to the Pineville #192 Substation for a distance of 0.16 miles.
206. A 69 KV transmission line located in Bell, Knox and Whitley Counties, Kentucky running from the KU Park Plant to the Wofford 605 Substation for a distance of 23.35 miles.
207. A 69 KV transmission line located in Mason and Bracken Counties, Kentucky running from the Kenton Substation to the Bracken County EKP Substation for a distance of 21.63 miles.
208. A 69 KV transmission line located in Mason County, Kentucky running from the Kenton Substation to the Murphysville EKP Substation for a distance of 6.18 miles.
209. A 69 KV transmission line located in Madison County, Kentucky running from the Lake Reba Substation to the Okonite Substation for a distance of 3.99 miles.
210. A 69 KV transmission line located in Madison County, Kentucky running from the Lake Reba Substation to the Richmond Substation for a distance of 3.38 miles.
211. A 69 KV transmission line located in Madison County, Kentucky running from the Lake Reba Substation to the Richmond East Substation for a distance of 1.00 mile.
212. A 69 KV transmission line located in Madison and Estill Counties, Kentucky running from the Lake Reba Substation to the West Irvin Substation for a distance of 13.92 miles.
213. A 69 KV transmission line located in Garrard and Boyle Counties, Kentucky running from the Lancaster Substation to the Danville East Substation for a distance of 12.26 miles.
214. A 69 KV transmission line located in Garrard County, Kentucky running from the Lancaster Substation to the Lancaster (1) Substation for a distance of 0.50 miles.
215. A 69 KV transmission line located in Garrard, Lincoln and Rockcastle Counties, Kentucky running from the Lancaster Substation to the Mt. Vernon Substation for a distance of 21.83 miles.
216. A 69 KV transmission line located in Fayette County, Kentucky running from the Lansdowne Substation to the Loudon Avenue Substation for a distance of 4.64 miles.
217. A 69 KV transmission line located in Fayette County, Kentucky running from the Lansdowne Substation to the Loudon Avenue Substation for a distance of 7.21 miles.
218. A 69 KV transmission line located in Fayette County, Kentucky running from the Lansdowne Substation to the Mt. Tabor Substation for a distance of 0.47 miles.
219. A 69 KV transmission line located in Marion and Washington Counties, Kentucky running from the Lebanon Substation to the North Springfield EKP Substation for a distance of 10.44 miles.
220. A 69 KV transmission line located in Marion and Taylor Counties, Kentucky running from the Lebanon Substation to the Taylor County Substation for a distance of 19.33 miles.
221. A 69 KV transmission line located in Grayson and Ohio Counties, Kentucky running from the Leitchfield Substation to the Ohio County Substation for a distance of 34.65 miles.
222. A 69 KV transmission line located in Hardin and Grayson Counties, Kentucky running from the Leitchfield Substation to the Stephensburg EKP Substation for a distance of 19.44 miles.
223. A 69 KV transmission line located in Fayette County, Kentucky running from the Lexington Plant Substation to the Loudon Avenue Substation for a distance of 1.23 miles.

224. A 69 KV transmission line located in Fayette and Bourbon Counties, Kentucky running from the Lexington Plant Substation to the Paris Substation for a distance of 16.04 miles.
225. A 69 KV transmission line located in Fayette County, Kentucky running from the Lexington Plant Substation to the Pisgah Substation for a distance of 9.89 miles.
226. A 69 KV transmission line located in Fayette County, Kentucky running from the Lexington Plant Substation to the Race Street Substation for a distance of 2.11 miles.
227. A 69 KV transmission line located in Laurel and Clay Counties, Kentucky running from the London Substation to the Manchester Substation for a distance of 16.54 miles.
228. A 69 KV transmission line located in Laurel County, Kentucky running from the London Substation to the Pittsburg Substation for a distance of 2.11 miles.
229. A 69 KV transmission line located in Laurel County, Kentucky running from the London Substation to the Sweet Hollow Substation for a distance of 11.23 miles.
230. A 69 KV transmission line located in Fayette and Bourbon Counties, Kentucky running from the Loudon Avenue Substation to the Paris Substation for a distance of 15.14 miles.
231. A 69 KV transmission line located in Fayette and Clark Counties, Kentucky running from the Loudon Avenue Substation to the Winchester Substation for a distance of 17.90 miles.
232. A 69 KV transmission line located in Harlan County, Kentucky running from the Lynch Substation to the Kentucky-Virginia State Line for a distance of 15.05 miles.
233. A 69 KV transmission line located in Hopkins County, Kentucky running through the Madisonville Loop for a distance of 8.57 miles.
234. A 69 KV transmission line located in Mason County, Kentucky running through the Maysville Loop for a distance of 8.73 miles.
235. A 69 KV transmission line located in Bell County, Kentucky running from the Middlesboro Substation to the Harrogate Substation for a distance of 5.11 miles.
236. A 69 KV transmission line located in Bell County, Kentucky running from the Middlesboro Substation to the Middlesboro 780 Substation for a distance of 2.48 miles.
237. A 69 KV transmission line located in Bell County, Kentucky running from the Middlesboro Substation to the Pineville #192 Substation for a distance of 15.36 miles.
238. A 69 KV transmission line located in Bourbon and Nicholas Counties, Kentucky running from the Millersburg Substation to the Millersburg EKP Substation for a distance of 10.14 miles.
239. A 69 KV transmission line located in Bourbon, Nicholas, Robertson and Mason Counties, Kentucky running from the Millersburg Substation to the Murphysville EKP Substation for a distance of 25.19 miles.
240. A 69 KV transmission line located in Bourbon County, Kentucky running from the Millersburg 604 Substation to the Paris Substation for a distance of 9.86 miles.
241. A 69 KV transmission line located in Bourbon County, Kentucky, running from the Millersburg 644 Substation to the Paris Substation for a distance of 10.64 miles.
242. A 69 KV transmission line located in Bourbon and Harrison Counties, Kentucky, running from the Millersburg Substation to the Renaker EKP Substation for a distance of 19.96 miles.
243. A 69 KV transmission line located in Union County, Kentucky, running from through the Morganfield Loop for a distance of 13.64 miles.
244. A 69 KV transmission line located in Union, Webster and Hopkins Counties, Kentucky, running from the Morganfield Substation to the Wheatcroft-Nebo Substation for a distance of 30.09 miles.
245. A 69 KV transmission line located in Union, Webster and Hopkins Counties, Kentucky, running from the Morganfield 644 Substation to the Nebo Substation for a distance of 23.47 miles.
246. A 69 KV transmission line located in Union and Webster Counties, Kentucky, running from the Morganfield Substation to the Wheatcroft Substation for a distance of 25.84 miles.
247. A 69 KV transmission line located in Rockcastle and Laurel, Kentucky, running from the Mt. Vernon Substation to the North London

Substation for a distance of 17.96 miles.

248. A 69 KV transmission line located in Hart County, Kentucky, running from the Munfordville Substation to the EKP Ownership for a distance of 0.33 miles.
249. A 69 KV transmission line located in Hopkins County, Kentucky, running from the Nebo Substation to the Wheatcroft Substation for a distance of 16.77 miles.
250. A 69 KV transmission line located in Laurel County, Kentucky, running from the North London Substation to the Pittsburg Substation for a distance of 1.85 miles.
251. A 69 KV transmission line located in Ohio County, Kentucky, running from the Ohio County Substation to the Hartford Substation for a distance of 6.33 miles.
252. A 69 KV transmission line located in Bath County, Kentucky, running from the Owingsville Substation to facilities owned by East Kentucky Power Cooperative for a distance of 2.03 miles.
253. A 69 KV transmission line located in Bell County, Kentucky, running from the Pineville #192 Substation to the Rocky Branch Substation for a distance of 15.86 miles.
254. A 69 KV transmission line located in Bell County, Kentucky, running from the Pineville #192 Substation to the Rocky Branch Substation for a distance of 15.93 miles.
255. A 69 KV transmission line located in Fayette County, Kentucky, running from the Pisgah Substation to the Tyrone Substation for a distance of 13.64 miles.
256. A 69 KV transmission line located in Harlan County, Kentucky, running from the Kentucky-Virginia State Line to the Rocky Branch Substation for a distance of 21.27 miles.
257. A 69 KV transmission line located in Caldwell, Lyon, Marshall, McCracken and Livingston Counties, Kentucky, running from the Princeton Substation to the South Paducah Substation for a distance of 40.87 miles.
258. A 69 KV transmission line located in Caldwell, Lyon, Marshall, McCracken and Livingston Counties, Kentucky, running from the Princeton Substation to the South Paducah Substation for a distance of 40.87 miles.
259. A 69 KV transmission line located in Caldwell and Hopkins Counties, Kentucky, running from the Princeton Substation to the Walker Substation for a distance of 23.06 miles.
260. A 69 KV transmission line located in Caldwell and Hopkins Counties, Kentucky, running from the Princeton Substation to the Walker Substation for a distance of 23.06 miles.
261. A 69 KV transmission line located in Fayette County, Kentucky, running from the Race Street Substation to the UK Medical Center Substation for a distance of 1.91 miles.
262. A 69 KV transmission line located in McCreary County, Kentucky, running from the Revelo TAP Substation to facilities owned by East Kentucky Power Cooperative for a distance of 0.82 miles.
263. A 69 KV transmission line located in Madison County, Kentucky, running from the Richmond Substation to the Richmond JCT Substation for a distance of 2.44 miles.
264. A 69 KV transmission line located in Muhlenberg County, Kentucky, running from the River Queen Substation to the Graham Substation for a distance of 4.24 miles.
265. A 69 KV transmission line located in Hardin County, Kentucky, running from the Rogersville #160 Substation to the Vine Grove Substation for a distance of 3.73 miles.
266. A 69 KV transmission line located in Scott County, Kentucky, running from the Scott County Substation to the Delaplain Substation for a distance of 4.41 miles.
267. A 69 KV transmission line located in Russell County, Kentucky, running from the Sewellton EKP Substation to the Somerset EKP Substation for a distance of 30.16 miles.
268. A 69 KV transmission line located in Shelby and Jefferson Counties, Kentucky, running from the Shelbyville Substation to the Eastwood Substation for a distance of 12.25 miles.
269. A 69 KV transmission line located in Shelby and Franklin Counties, Kentucky, running from the Shelbyville Substation to the West Frankfort Substation for a distance of 15.45 miles.

270. A 69 KV transmission line located in Harlan County, Kentucky, running from the Simmons Substation to the Centertown South Substation for a distance of 5.72 miles.
271. A 69 KV transmission line located in Pulaski and Lincoln Counties, Kentucky, running from the Somerset North Substation to the Stanford Substation for a distance of 29.23 miles.
272. A 69 KV transmission line located in Montgomery County, Kentucky, running from the Spencer Road Substation to the Ewington Substation for a distance of 3.02 miles.
273. A 69 KV transmission line located in Laurel County, Kentucky, running from the Sweet Hollow Substation to the Laurel County EKP Substation for a distance of 4.88 miles.
274. A 69 KV transmission line located in Taylor and Green Counties, Kentucky, running from the Taylor County Substation to the Green County EKP Substation for a distance of 13.59 miles.
275. A 69 KV transmission line located in Woodford and Anderson Counties, Kentucky, running from the Tyrone Substation to the Florida Tile Substation for a distance of 4.69 miles.
276. A 69 KV transmission line located in Hopkins County, Kentucky, running from the Walker Substation to the Oak Hills Substation for a distance of 8.45 miles.
277. A 69 KV transmission line located in Estill County, Kentucky, running from the West Irvine Substation to the Southeast Coal Substation for a distance of 1.90 miles.
278. A 69 KV transmission line located in Ballard County, Kentucky, running from the Wickliffe Substation to the Westvaco Substation for a distance of 0.86 miles.
279. A 69 KV transmission line located in Clark County, Kentucky, running from the Winchester Substation to the Corporate Drive Substation for a distance of 1.85 miles.
280. A 69 KV transmission line located in Whitley County, Kentucky, running from the Wofford 605 Substation to the Williamsburg SW Substation for a distance of 2.68 miles.
281. A 69 KV transmission line located in Whitley County, Kentucky, running from the Wofford 644 Substation to the Williamsburg SW Substation for a distance of 2.67 miles.

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

**Supplemental Indenture No. 1
Dated as of October 15, 2010**

**Supplemental to the Indenture
dated as of October 1, 2010**

Establishing

First Mortgage Bonds, Collateral Series 2010

SUPPLEMENTAL INDENTURE NO. 1

SUPPLEMENTAL INDENTURE No. 1, dated as of the 15th day of October, 2010, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 101 Barclay Street, 4th Floor, New York, New York 10286 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture")¹, between the Company and said Trustee, this Supplemental Indenture No. 1 being supplemental thereto. The Original Indenture and this Supplemental Indenture No. 1 are hereinafter sometimes, together, called the "Indenture."

RECITALS OF THE COMPANY

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish a first series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 1."

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 1. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 1 to establish the designation and certain terms of the Securities of Series No. 1 and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 1 a valid agreement of the Company, and to make the Securities of Series No. 1 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE No. 1 WITNESSETH, that it is mutually covenanted and agreed as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 1

SECTION 101. Creation of Series.

There is hereby created a series of Securities designated "First Mortgage Bonds, Collateral Series 2010," and the Securities of such series shall:

- (a) be issued in the aggregate principal amount of \$350,779,405 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture);
- (b) be dated October 28, 2010;
- (c) be issued in Tranches having the principal amounts and Stated Maturities set forth below:

¹ of record in Mortgage Book _____, Page _____ in the office of the County Clerk of _____ County, Kentucky.

	Aggregate Principal Amount	Stated Maturity (subject to prior redemption)
	\$20,930,000	February 1, 2032
	2,400,000	February 1, 2032
	96,000,000	October 1, 2032
	50,000,000	October 1, 2034
	54,000,000	October 1, 2034
	17,875,000	February 1, 2026
	<u>\$77,947,405</u>	February 1, 2032
Subtotal	\$319,152,405	
	\$12,900,000	May 1, 2023
	<u>7,400,000</u>	February 1, 2032
Subtotal	\$20,300,000	
	\$2,400,000	February 1, 2032
	<u>8,927,000</u>	March 1, 2037
Total	<u>\$350,779,405</u>	

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 1 is a supplement to the Original Indenture. As supplemented by this Supplemental Indenture No. 1, the Original Indenture is in all respects ratified, approved and confirmed, and the Original Indenture and this Supplemental Indenture No. 1 shall together constitute the Indenture.

SECTION 202. Effect of headings.

The Article and Section headings in this Supplemental Indenture No. 1 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 1 to be duly executed as of the day and year first written above.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ Dorothy E. O'Brien

Name: Dorothy E. O'Brien
Title: Vice President and Deputy General Counsel
Legal and Environmental Affairs

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Christopher Curti
Name: Christopher Curti
Title: Vice President

COMMONWEALTH OF KENTUCKY

)

) ss.:

)

COUNTY OF JEFFERSON

On this 22nd day of October, 2010, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of KENTUCKY UTILITIES COMPANY, a corporation of the Commonwealths of Kentucky and Virginia and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Betty L. Brinly

Betty L. Brinly

Notary Public, State at Large, KY

My commission expires 6/21/2014

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 22nd day of October, 2010, before me, a notary public, the undersigned, personally appeared Christopher Curti, who acknowledged himself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation, and that he, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Danny Lee

Danny Lee
Notary #: 01LE6161129
Qualified in New York County
Commission expires 2/20/2011

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
Global Structured Finance
101 Barclay Street, 4th Floor
New York, New York 10286
Attn: Global Americas

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Christopher Curti

Name: Christopher Curti
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas
James J. Dimas

KENTUCKY UTILITIES COMPANY
TO
THE BANK OF NEW YORK MELLON,
Trustee

Supplemental Indenture No. 2
dated as of November 1, 2010

Supplemental to the Indenture
dated as of October 1, 2010

Establishing

First Mortgage Bonds, 1.625% Series due 2015

and

First Mortgage Bonds, 3.250% Series due 2020

and

First Mortgage Bonds, 5.125% Series due 2040

SUPPLEMENTAL INDENTURE NO. 2

SUPPLEMENTAL INDENTURE No. 2, dated as of the 1st day of November, 2010, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 101 Barclay Street, 4th Floor, New York, New York 10286 and having its principal place of business at One Wall Street, New York, New York 10286 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture")¹, between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 2 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 2 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered Supplemental Indenture No. 1 for the purpose of creating the series of Securities set forth in Exhibit A hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish three series of Securities, such series of Securities to be hereinafter sometimes called, respectively, "Securities of Series No. 2," "Securities of Series No. 3" and "Securities of Series No. 4" and pursuant to Section 1401 of the Original Indenture, the Company wishes to correct an error in clause (p) in the third paragraph of Section 301 of the Original Indenture.

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 2, the Securities of Series No. 3 and the Securities of Series No. 4. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 2 to establish the designation and certain terms of each such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 2 a valid agreement of the Company, and to make the Securities of Series No. 2, the Securities of Series No. 3 and the Securities of Series No. 4 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 2 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Securities by the Holders thereof and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the real property specifically referred to in Exhibit B attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property), as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture; and it is further mutually covenanted and agreed as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 2, SERIES NO. 3 AND SERIES NO. 4

SECTION 101. Creation of Series No. 2 .

There is hereby created a series of Securities designated "First Mortgage Bonds, 1.625% Series due 2015," and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of \$250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated November 16, 2010;

(c) have a Stated Maturity of November 1, 2015, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

SECTION 102. Creation of Series No. 3 .

There is hereby created a series of Securities designated "First Mortgage Bonds, 3.250% Series due 2020," and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of \$500,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated November 16, 2010;

(c) have a Stated Maturity of November 1, 2020, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

SECTION 103. Creation of Series No. 4 .

There is hereby created a series of Securities designated "First Mortgage Bonds, 5.125% Series due 2040," and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of \$750,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated November 16, 2010;

(c) have a Stated Maturity of November 1, 2040, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

COVENANTS

SECTION 201. Satisfaction and Discharge.

The Company hereby agrees that, if the Company shall make any deposit of money and/or Eligible Obligations with respect

to any Securities of Series No. 2, Series No. 3 or Series No. 4, or any portion of the principal amount thereof, as contemplated by Section 901 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 901 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(a) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of such Securities, shall retain the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 901), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Securities or portions thereof, all in accordance with and subject to the provisions of said Section 901; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(b) an Opinion of Counsel to the effect that the Holders of such Securities, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

SECTION 202. Financial Statements.

So long as any Securities of Series No. 2, Series No. 3 or Series No. 4 are Outstanding under the Indenture, during such periods as the Company shall not be subject to the periodic reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Company shall make available to Holders of such Securities by means of posting on its website or other similar means:

(a) as soon as reasonably available and in any event within 120 days after the end of each fiscal year, the Company's audited balance sheet, income statement and cash flow statement for such fiscal year prepared in accordance with United States generally accepted accounting principles (with notes to such financial statements), together with an audit report thereon by an independent accounting firm of established national reputation, and a management's narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items between the most recent fiscal year presented and the fiscal year immediately preceding it, as described in Instruction I(2)(a) of Form 10-K.

(b) as soon as reasonably available and in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, the Company's unaudited balance sheet, unaudited income statement and unaudited cash flow statement for such fiscal quarter prepared in accordance with United States generally accepted accounting principles (with notes to such financial statements) and a management's narrative analysis of the results of operations explaining the reasons for material changes in the amount of revenue and expense items between the most recent fiscal year-to-date period presented and the corresponding year-to-date period in the preceding fiscal year, as described in Instruction H(2)(a) to Form 10-Q.

If the Company is unable, for any reason, to post the financial statements on its website, it shall furnish the financial statements to the Trustee, who, at the expense of the Company, will furnish them to the Holders of such Securities, subject to the protections made available to the Trustee by the last paragraph of Section 1202 of the Original Indenture. In addition, so long as any of such Securities remain Outstanding, the Company shall furnish to prospective purchasers of such Securities, upon their request, the information described above as well as any other information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act of 1933, as amended, for compliance with Rule 144A.

ARTICLE THREE

CORRECTIONS

SECTION 301. Correction of clause (p) of Section 301 .

In accordance with Section 1401(l) of the Original Indenture, clause (p) in the third paragraph of Section 301 of the Original Indenture is hereby corrected so that the references to "Article Eight" in such section are changed to "Article Nine."

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

SECTION 401. Single Instrument .

This Supplemental Indenture No. 2 is a supplement to the Original Indenture as heretofore supplemented. As supplemented by this Supplemental Indenture No. 2, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 2 shall together constitute the Indenture.

SECTION 402. Effect of Headings .

The Article and Section headings in this Supplemental Indenture No. 2 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

¹ of record in Mortgage Book _____, Page _____ in the office of the County Clerk of _____ County, Kentucky.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 2 to be duly executed as of the day and year first written above.

KENTUCKY UTILITIES COMPANY

By: /s/ Daniel K. Arbough
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:

/s/ John R. McCall
Name: John R. McCall
Title: Executive Vice President, General Counsel
Corporate Secretary and Chief Compliance Officer

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Christopher Curti

Name: Christopher Curti

Title: Vice President

COMMONWEALTH OF KENTUCKY

)

) ss.:

COUNTY OF JEFFERSON

)

On this 8th day of November, 2010, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of KENTUCKY UTILITIES COMPANY, a corporation of the Commonwealths of Kentucky and Virginia and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Kimberly M. Walters

Kimberly M. Walters

Notary Public, State at Large, KY

My commission expires September 11, 2012

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 8th day of November, 2010, before me, a notary public, the undersigned, personally appeared Christopher Curti, who acknowledged himself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that he, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ Danny Lee
Danny Lee
Notary #: 01LE6161129
Qualified in New York County
Commission expires 2/20/2011

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
Global Structured Finance
101 Barclay Street, 4th Floor
New York, New York 10286
Attn: Global Americas

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Christopher Curti
Name: Christopher Curti
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202

/s/ James J. Dimas
James J. Dimas
