2010 Annual Reports

American Electric Power Company, Inc. and Subsidiary Companies

Appalachian Power Company and Subsidiaries

Columbus Southern Power Company and Subsidiaries

Indiana Michigan Power Company and Subsidiaries

Ohio Power Company Consolidated

Public Service Company of Oklahoma

Southwestern Electric Power Company Consolidated

Audited Financial Statements and
Management's Financial Discussion and Analysis

AMERICAN ELECTRIC POWER

AEP: America's Energy Partner®

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEGCo	AEP Generating Company, an AEP electric utility subsidiary.
AEP or Parent	American Electric Power Company, Inc.
AEP Consolidated	AEP and its majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a subsidiary of AEP which factors accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP East companies	APCo, CSPCo, I&M, KPCo and OPCo.
AEP Foundation	AEP charitable organization created in 2005 for charitable contributions in the communities in which AEP's subsidiaries operate.
AEP Power Pool	Members are APCo, CSPCo, I&M, KPCo and OPCo. The Pool shares the generation, cost of generation and resultant wholesale off-system sales of the member companies.
AEP System or the System	American Electric Power System, an integrated electric utility system, owned and operated by AEP's electric utility subsidiaries.
AEP West companies	PSO, SWEPCo, TCC and TNC.
AEPEP	AEP Energy Partners, Inc., a subsidiary of AEP dedicated to wholesale marketing and trading, asset management and commercial and industrial sales in the deregulated Texas market.
AEPES	AEP Energy Services, Inc., a subsidiary of AEP Resources, Inc.
AEPSC	American Electric Power Service Corporation, a service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
APSC	Arkansas Public Service Commission.
ASU	Accounting Standard Update.
CAA	Clean Air Act.
CLECO	Cleco Corporation, a nonaffiliated utility company.
CO_2	Carbon Dioxide and other greenhouse gases.
Cook Plant	Donald C. Cook Nuclear Plant, a two-unit, 2,191 MW nuclear plant owned by I&M.
CSPCo	Columbus Southern Power Company, an AEP electric utility subsidiary.
CSW	Central and South West Corporation, a subsidiary of AEP (Effective January 21, 2003, the legal name of Central and South West Corporation was changed to AEP Utilities, Inc.).
CSW Operating Agreement	Agreement, dated January 1, 1997, as amended, by and among PSO and SWEPCo governing generating capacity allocation, energy pricing, and revenues and costs of third party sales. AEPSC acts as the agent.
CTC	Competition Transition Charge.
CWIP	Construction Work in Progress.
DCC Fuel	DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC consolidated variable interest entities formed for the purpose of acquiring, owning and leasing nuclear fuel to I&M.
DETM	Duke Energy Trading and Marketing L.L.C., a risk management counterparty.
DHLC	Dolet Hills Lignite Company, LLC, a wholly-owned lignite mining subsidiary of SWEPCo.
E&R	Environmental compliance and transmission and distribution system reliability.
EIS	Energy Insurance Services, Inc., a nonaffiliated captive insurance company.
ERCOT	Electric Reliability Council of Texas.
ERISA	Employee Retirement Income Security Act of 1974, as amended.
ESP	Electric Security Plans, filed with the PUCO, pursuant to the Ohio Amendments.

Term	Meaning
ETA	Electric Transmission America, LLC an equity interest joint venture with MidAmerican Energy Holdings Company formed to own and operate electric transmission facilities in North America outside of ERCOT.
ETT	Electric Transmission Texas, LLC, an equity interest joint venture between AEP Utilities, Inc. and MidAmerican Energy Holdings Company Texas Transco, LLC formed to own and operate electric transmission facilities in ERCOT.
FAC	Fuel Adjustment Clause.
FASB	Financial Accounting Standards Board.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission.
FGD	Flue Gas Desulfurization or Scrubbers.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
IGCC	Integrated Gasification Combined Cycle, technology that turns coal into a cleaner-burning gas.
Interconnection Agreement	Agreement, dated July 6, 1951, as amended, by and among APCo, CSPCo, I&M, KPCo and OPCo, defining the sharing of costs and benefits associated with their respective generating plants.
IRS	Internal Revenue Service.
IURC	Indiana Utility Regulatory Commission.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
JMG	JMG Funding LP.
KGPCo	Kingsport Power Company, an AEP electric utility subsidiary.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
kV	Kilovolt.
KWH	Kilowatthour.
LPSC	Louisiana Public Service Commission.
MISO	Midwest Independent Transmission System Operator.
MLR	Member load ratio, the method used to allocate AEP Power Pool transactions to its members.
MMBtu	Million British Thermal Units.
MPSC	Michigan Public Service Commission.
MTM	Mark-to-Market.
MW	Megawatt.
NEIL	Nuclear Electric Insurance Limited.
NO_x	Nitrogen oxide.
Nonutility Money Pool	AEP's Nonutility Money Pool.
NSR	New Source Review.
OCC	Corporation Commission of the State of Oklahoma.
OPCo	Ohio Power Company, an AEP electric utility subsidiary.
OPEB	Other Postretirement Benefit Plans.
OTC	Over the counter.
OVEC	Ohio Valley Electric Corporation, which is 43.47% owned by AEP.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
PM	Particulate Matter.
PSO	Public Service Company of Oklahoma, an AEP electric utility subsidiary.
PUCO	Public Utilities Commission of Ohio.

Term	Meaning
PUCT	Public Utility Commission of Texas.
Registrant Subsidiaries	AEP subsidiaries which are SEC registrants; APCo, CSPCo, I&M, OPCo, PSO and SWEPCo.
Risk Management Contracts	Trading and nontrading derivatives, including those derivatives designated as cash flow and fair value hedges.
Rockport Plant	A generating plant, consisting of two 1,300 MW coal-fired generating units near Rockport, Indiana, owned by AEGCo and I&M.
RTO	Regional Transmission Organization.
Sabine	Sabine Mining Company, a lignite mining company that is a consolidated variable interest entity.
SIA	System Integration Agreement.
SNF	Spent Nuclear Fuel.
SO_2	Sulfur Dioxide.
SPP	Southwest Power Pool.
Stall Unit	J. Lamar Stall Unit at Arsenal Hill Plant.
SWEPCo	Southwestern Electric Power Company, an AEP electric utility subsidiary.
TA	Transmission Agreement dated April 1, 1984 by and among APCo, CSPCo, I&M, KPCo and OPCo, which allocates costs and benefits in connection with the operation of transmission assets.
TCC	AEP Texas Central Company, an AEP electric utility subsidiary.
TEM	SUEZ Energy Marketing NA, Inc. (formerly known as Tractebel Energy Marketing, Inc.).
TNC	AEP Texas North Company, an AEP electric utility subsidiary.
Transition Funding	AEP Texas Central Transition Funding I LLC and AEP Texas Central Transition Funding II LLC, wholly-owned subsidiaries of TCC and consolidated variable interest entities formed for the purpose of issuing and servicing securitization bonds related to Texas restructuring law.
True-up Proceeding	A filing made under the Texas Restructuring Legislation to finalize the amount of stranded costs and other true-up items and the recovery of such amounts.
Turk Plant	John W. Turk, Jr. Plant.
Utility Money Pool	AEP System's Utility Money Pool.
VIE	Variable Interest Entity.
Virginia SCC	Virginia State Corporation Commission.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

FORWARD-LOOKING INFORMATION

This report made by AEP and its Registrant Subsidiaries contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Many forward-looking statements appear in "Item 7 – Management's Financial Discussion and Analysis," but there are others throughout this document which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue" and similar expressions, and include statements reflecting future results or guidance and statements of outlook. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements in this document speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are:

- The economic climate and growth in, or contraction within, our service territory and changes in market demand and demographic patterns.
- Inflationary or deflationary interest rate trends.
- Volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates.
- The availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material.
- Electric load, customer growth and the impact of retail competition, particularly in Ohio.
- Weather conditions, including storms, and our ability to recover significant storm restoration costs through applicable rate mechanisms.
- Available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters.
- Availability of necessary generating capacity and the performance of our generating plants.
- Our ability to resolve I&M's Donald C. Cook Nuclear Plant Unit 1 restoration and outage-related issues through warranty, insurance and the regulatory process.
- Our ability to recover regulatory assets and stranded costs in connection with deregulation.
- Our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates.
- Our ability to build or acquire generating capacity, including the Turk Plant, and transmission line facilities (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates.
- New legislation, litigation and government regulation, including oversight of energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of fly ash and similar combustion products that could impact the continued operation and cost recovery of our plants.
- Timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance).
- Resolution of litigation.
- Our ability to constrain operation and maintenance costs.
- Our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities.
- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market.
- Actions of rating agencies, including changes in the ratings of debt.
- Volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities.
- Changes in utility regulation, including the implementation of ESPs and related regulation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP.
- Accounting pronouncements periodically issued by accounting standard-setting bodies.

- The impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact on future funding requirements.
- Prices and demand for power that we generate and sell at wholesale.
- Changes in technology, particularly with respect to new, developing or alternative sources of generation.
- Other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.
- Our ability to recover through rates or prices any remaining unrecovered investment in generating units that may be retired before the end of their previously projected useful lives.

AEP and its Registrant Subsidiaries expressly disclaim any obligation to update any forward-looking information.

AEP COMMON STOCK AND DIVIDEND INFORMATION

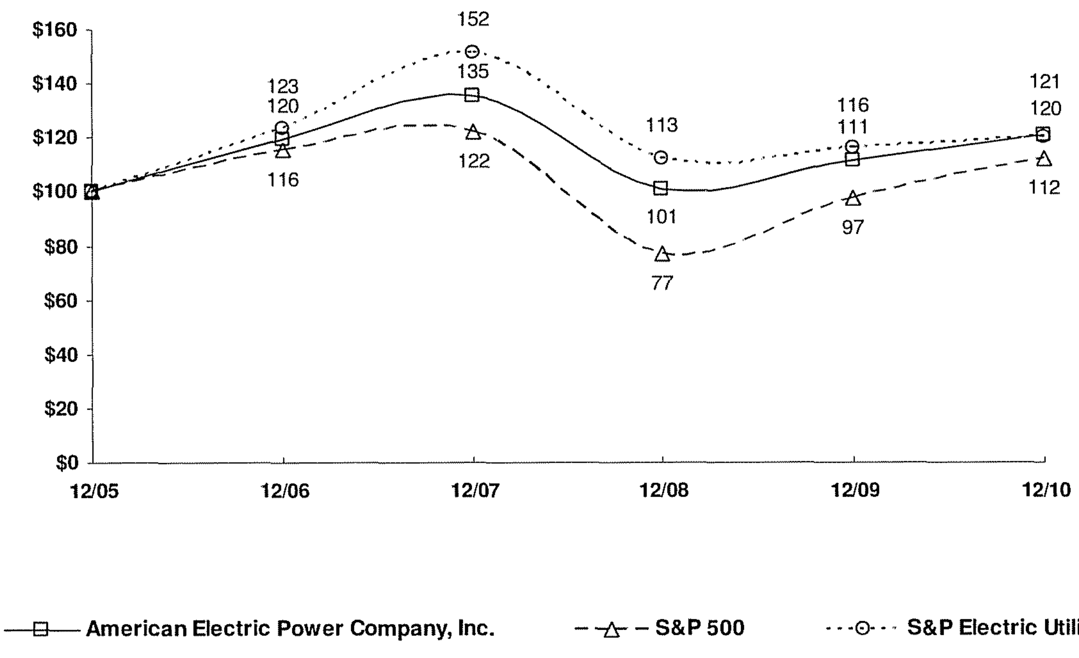
The AEP common stock quarterly high and low sales prices, quarter-end closing price and the cash dividends paid per share are shown in the following table:

Quarter Ended	High	Low	Quarter-End Closing Price	Dividend
December 31, 2010	$ 37.94	$ 34.92	$ 35.98	$ 0.46
September 30, 2010	36.93	31.87	36.23	0.42
June 30, 2010	35.00	28.17	32.30	0.42
March 31, 2010	36.86	32.68	34.18	0.41
December 31, 2009	$ 36.51	$ 29.59	$ 34.79	$ 0.41
September 30, 2009	32.36	28.07	30.99	0.41
June 30, 2009	29.16	24.75	28.89	0.41
March 31, 2009	34.34	24.00	25.26	0.41

AEP common stock is traded principally on the New York Stock Exchange. At December 31, 2010, AEP had approximately 91,000 registered shareholders.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among American Electric Power Company, Inc., the S&P 500 Index
and the S&P Electric Utilities Index



*$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
SELECTED CONSOLIDATED FINANCIAL DATA

	2010	2009	2008	2007	2006
	(dollars in millions, except per share amounts)				
STATEMENTS OF INCOME DATA					
Total Revenues	$ 14,427	$ 13,489	$ 14,440	$ 13,380	$ 12,622
Operating Income	$ 2,663	$ 2,771	$ 2,787	$ 2,319	$ 1,966
Income Before Discontinued Operations and Extraordinary Loss	$ 1,218	$ 1,370	$ 1,376	$ 1,153	$ 1,001
Discontinued Operations, Net of Tax	-	-	12	24	10
Income Before Extraordinary Loss	1,218	1,370	1,388	1,177	1,011
Extraordinary Loss, Net of Tax	-	(5)	-	(79)	-
Net Income	1,218	1,365	1,388	1,098	1,011
Less: Net Income Attributable to Noncontrolling Interests	4	5	5	6	6
NET INCOME ATTRIBUTABLE TO AEP SHAREHOLDERS	1,214	1,360	1,383	1,092	1,005
Less: Preferred Stock Dividend Requirements of Subsidiaries	3	3	3	3	3
EARNINGS ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	$ 1,211	$ 1,357	$ 1,380	$ 1,089	$ 1,002
BALANCE SHEETS DATA					
Total Property, Plant and Equipment	$ 53,740	$ 51,684	$ 49,710	$ 46,145	$ 42,021
Accumulated Depreciation and Amortization	18,066	17,340	16,723	16,275	15,240
Total Property, Plant and Equipment – Net	$ 35,674	$ 34,344	$ 32,987	$ 29,870	$ 26,781
Total Assets	$ 50,455	$ 48,348	$ 45,155	$ 40,319	$ 37,877
Total AEP Common Shareholders' Equity	$ 13,622	$ 13,140	$ 10,693	$ 10,079	$ 9,412
Noncontrolling Interests	$ -	$ -	$ 17	$ 18	$ 18
Cumulative Preferred Stock Not Subject to Mandatory Redemption	$ 60	$ 61	$ 61	$ 61	$ 61
Long-term Debt (a)	$ 16,811	$ 17,498	$ 15,983	$ 14,994	$ 13,698
Obligations Under Capital Leases (a)	$ 474 (b)	$ 317	$ 325	$ 371	$ 291
AEP COMMON STOCK DATA					
Basic Earnings (Loss) per Share Attributable to AEP Common Shareholders:					
Income Before Discontinued Operations and Extraordinary Loss	$ 2.53	$ 2.97	$ 3.40	$ 2.87	$ 2.52
Discontinued Operations, Net of Tax	-	-	0.03	0.06	0.02
Income Before Extraordinary Loss	2.53	2.97	3.43	2.93	2.54
Extraordinary Loss, Net of Tax	-	(0.01)	-	(0.20)	-
Total Basic Earnings per Share Attributable to AEP Common Shareholders	$ 2.53	$ 2.96	$ 3.43	$ 2.73	$ 2.54
Weighted Average Number of Basic Shares Outstanding (in millions)	479	459	402	399	394
Market Price Range:					
High	$ 37.94	$ 36.51	$ 49.11	$ 51.24	$ 43.13
Low	$ 28.17	$ 24.00	$ 25.54	$ 41.67	$ 32.27
Year-end Market Price	$ 35.98	$ 34.79	$ 33.28	$ 46.56	$ 42.58
Cash Dividends Paid per AEP Common Share	$ 1.71	$ 1.64	$ 1.64	$ 1.58	$ 1.50
Dividend Payout Ratio	67.59%	55.41%	47.8%	57.9%	59.1%
Book Value per AEP Common Share	$ 28.32	$ 27.49	$ 26.35	$ 25.17	$ 23.73

(a) Includes portion due within one year.
(b) Obligations Under Capital Leases increased primarily due to capital leases under new master lease agreements for property that was previously leased under operating leases.

EXECUTIVE OVERVIEW

Company Overview

American Electric Power Company, Inc. (AEP) is one of the largest investor-owned electric public utility holding companies in the United States. Our electric utility operating companies provide generation, transmission and distribution services to more than five million retail customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia.

We operate an extensive portfolio of assets including:

- Almost 39,000 megawatts of generating capacity, one of the largest complements of generation in the U.S., the majority of which provides a significant cost advantage in most of our market areas.
- Approximately 39,000 miles of transmission lines, including 2,116 miles of 765kV lines, the backbone of the electric interconnection grid in the Eastern U.S.
- Approximately 220,000 miles of distribution lines that deliver electricity to 5.3 million customers.
- Substantial commodity transportation assets (more than 9,000 railcars, approximately 3,300 barges, 62 towboats, 29 harbor boats and a coal handling terminal with 18 million tons of annual capacity).

Economic Conditions

Retail margins increased during 2010 due to successful rate proceedings in various jurisdictions and higher residential and commercial demand for electricity as a result of favorable weather throughout our service territories. Industrial sales increased 5% in 2010 in comparison to the recessionary lows of 2009. We forecast a 1% increase in commercial sales and 2% increases in both our residential and industrial sales in 2011 as a result of anticipated slow economic growth. Our forecasted industrial sales growth of 2% is due to the announcement of increased production by Ormet, a large aluminum manufacturer in Ohio, and announced expansions of several refineries in our Texas service territory.

Regulatory Activity

The table below summarizes our significant 2010 regulatory activities:

Jurisdiction	Annual Approved Base Rate Change	Annual Rider Surcharge Rate Change	Approved Return on Common Equity	Effective Date
	(in millions)			
Kentucky	$ 63.7	$ -	10.50%	July 2010
Michigan	35.7	3.3 (a)	10.35%	December 2010
Oklahoma	30.3	(30.3)	10.15%	February 2011
Texas	15.0	10.0 (b)	10.33%	May 2010
Virginia	61.5	-	10.53%	August 2010

(a) The MPSC granted I&M recovery of $6.6 million of customer choice implementation costs over a two year period beginning April 2011.
(b) The PUCT granted SWEPCo a $10 million one-year surcharge rider to recover additional vegetation management costs which began in May 2010.

In Ohio, several notices of appeal are outstanding at the Supreme Court of Ohio relating to significant issues in the determination of the approved 2009 – 2011 ESP rates. In January 2011, the PUCO issued an order that determined that OPCo's 2009 earnings were not significantly excessive but determined relevant CSPCo 2009 earnings were significantly excessive. As a result, the PUCO ordered CSPCo to refund $43 million of its earnings to customers, which was recorded on CSPCo's December 2010 books. Also, in January 2011, CSPCo and OPCo filed an application with the PUCO to approve a new ESP that includes a standard service offer pricing for generation effective with the first billing cycle of January 2012 through the last billing cycle of May 2014. Customer class rates individually vary, but on average, customers would experience net base generation increases of 1.4% in 2012 and 2.7% for the period January 2013 through May 2014.

In West Virginia, a settlement agreement was filed with the WVPSC in December 2010 to increase annual base rates by $60 million, effective March 2011. The settlement agreement allows APCo to defer and amortize up to $18 million of previously expensed 2009 incremental storm expenses over a period of eight years. A decision from the WVPSC is expected in March 2011.

Cost Reduction Initiatives

Due to the continued slow recovery in the U.S. economy and a corresponding negative impact on energy consumption, the AEP System implemented cost reduction initiatives in the second quarter of 2010 to reduce its workforce by 11.5% and reduce Other Operation and Maintenance spending. Achieving these goals involved identifying process improvements, streamlining organizational designs and developing other efficiencies that will deliver additional savings. In 2010, we recorded $293 million of pretax expense related to these cost reduction initiatives. Starting with the third quarter of 2010, we realized cost savings in Other Operation and Maintenance expenses on our Consolidated Statements of Income and anticipate continued savings to help offset future inflationary impacts.

Turk Plant

SWEPCo is currently constructing the Turk Plant, a new base load 600 MW coal generating unit in Arkansas, which is expected to be in service in 2012. SWEPCo owns 73% (440 MW) of the Turk Plant and will operate the completed facility. SWEPCo's share of construction costs is currently estimated to cost $1.3 billion, excluding AFUDC, plus an additional $125 million for transmission, excluding AFUDC. The APSC, LPSC and PUCT approved SWEPCo's original application to build the Turk Plant. Various proceedings are pending that challenge the Turk Plant's construction, its approved wetlands and air permits and its transmission line certificate of environmental compatibility and public need. In 2010, the motions for preliminary injunction were partially granted and upheld on appeal pending a hearing. According to the preliminary injunction, all uncompleted construction work associated with wetlands, streams or rivers at the Turk Plant must immediately stop. Mitigation measures required by the permit are authorized and may be completed. The preliminary injunction affects portions of the water intake and associated piping and portions of the transmission lines. A hearing on SWEPCo's appeal is scheduled for March 2011.

In June 2010, the Arkansas Supreme Court denied motions for rehearing filed by the APSC and SWEPCo related to the reversal of the APSC's earlier grant of a Certificate of Environmental Compatibility and Public Need (CECPN) for SWEPCo's 88 MW Arkansas portion of the Turk Plant. As a result, in June 2010, SWEPCo filed notice with the APSC of its intent to proceed with construction of the Turk Plant but that SWEPCo no longer intends to pursue a CECPN to seek recovery of its Arkansas portion of Turk Plant costs in Arkansas retail rates. The APSC issued an order which reversed and set aside the previously granted CECPN.

Management expects that SWEPCo will ultimately be able to complete construction of the Turk Plant and related transmission facilities and place those facilities in service. However, if SWEPCo is unable to complete the Turk Plant construction and place the Turk Plant in service or if SWEPCo cannot recover all of its investment in and expenses related to the Turk Plant, it would materially reduce future net income and cash flows and materially impact financial condition. See "Turk Plant" section of Note 4.

Settlement with Bank of America

In February 2011, we reached a settlement with BOA and paid $425 million in full settlement of all claims against us. We also received title to 55 BCF of cushion gas in the Bammel storage facility as part of the settlement. The effect of the settlement had no impact on our financial statements for the year ended December 31, 2010. We do not expect the effect of the settlement to have a material impact on our 2011 consolidated net income.

Ohio Customer Choice

In our Ohio service territory, various competitive retail electric service (CRES) providers are targeting retail customers by offering alternative generation service. As of December 31, 2010, approximately 5,000 Ohio retail customers (primarily CSPCo customers) have switched to alternative CRES providers. As a result, in comparison to 2009, we lost approximately $16 million of generation related gross margin in 2010 and currently forecast incremental lost margins of approximately $54 million for 2011. We anticipate recovery of a portion of this lost margin through off-system sales and our newly created CRES provider. Our CRES provider will target retail customers in Ohio, both within and outside of our retail service territory.

Termination of AEP Power Pool

Originally approved by the FERC in 1951 and subsequently amended in 1951, 1962, 1975 1979 (twice) and 1980, the Interconnection Agreement establishes the AEP Power Pool which permits the AEP East companies to pool their generation assets on a cost basis. In December 2010, each member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 1, 2014 or such other date approved by the FERC, subject to state regulatory input. It is unknown at this time whether the AEP Power Pool will be replaced by a new agreement among some or all of the members, whether individual companies will enter into bilateral or multi-party contracts with each other for power sales and purchases or asset transfers or if each company will choose to operate independently. The decision to terminate is subject to management's ongoing evaluation. The AEP Power Pool members may revoke their notices of termination. If members of the current AEP Power Pool experience decreases in revenues or increases in costs as a result of the termination of the AEP Power Pool and are unable to recover the change in revenues and costs through rates, prices or additional sales, it could have an adverse impact on future net income and cash flows.

Transmission Agreement

The AEP East companies are parties to a Transmission Agreement defining how they share the costs associated with their relative ownership of transmission assets. This sharing was based upon each company's MLR until the FERC approved a new Transmission Agreement effective November 1, 2010. The new Transmission Agreement will be phased-in for retail rates over periods of up to four years, adds KGPCo and WPCo as parties to the agreement and changes the allocation method. Our recovery mechanism for transmission costs is through our base rates. State regulatory phase-in of the new agreement may limit our ability to fully recover our transmission costs.

Cook Plant Unit 1 Fire and Shutdown

In September 2008, I&M shut down Cook Plant Unit 1 (Unit 1) due to turbine vibrations, caused by blade failure, which resulted in a fire on the electric generator. Repair of the property damage and replacement of the turbine rotors and other equipment could cost up to approximately $395 million. Management believes that I&M should recover a significant portion of repair and replacement costs through the turbine vendor's warranty, insurance and the regulatory process. I&M repaired Unit 1 and it resumed operations in December 2009 at slightly reduced power. The Unit 1 rotors were repaired and reinstalled due to the extensive lead time required to manufacture and install new turbine rotors. As a result, the replacement of the repaired turbine rotors and other equipment is scheduled for the Unit 1 planned outage in the fall of 2011. If the ultimate costs of the incident are not covered by warranty, insurance or through the related regulatory process or if any future regulatory proceedings are adverse, it could have an adverse impact on net income, cash flows and financial condition. See "Cook Plant Unit 1 Fire and Shutdown" section of Note 6.

Texas Restructuring Appeals

Pursuant to PUCT restructuring orders, TCC securitized net recoverable stranded generation costs of $2.5 billion and is recovering the principal and interest on the securitization bonds through the end of 2020. TCC also refunded other net true-up regulatory liabilities of $375 million during the period October 2006 through June 2008 via a CTC credit rate rider under PUCT restructuring orders. TCC and intervenors appealed the PUCT's true-up related orders. After rulings from the Texas District Court and the Texas Court of Appeals, TCC, the PUCT and intervenors filed petitions for review with the Texas Supreme Court. Review is discretionary and the Texas Supreme Court has not yet determined if it will grant review. See "Texas Restructuring Appeals" section of Note 4.

Mountaineer Carbon Capture and Storage

Product Validation Facility (PVF)

APCo and ALSTOM Power, Inc., an unrelated third party, jointly constructed a CO_2 capture validation facility, which was placed into service in September 2009. APCo also constructed and owns the necessary facilities to store the CO_2. In APCo's July 2009 Virginia base rate filing and May 2010 West Virginia base rate filing, APCo requested recovery of and a return on its Virginia and West Virginia jurisdictional share of its project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In July 2010, the Virginia SCC issued a base rate order that denied recovery of the Virginia share of the PVF costs, which resulted in a pretax write-off of approximately $54 million in the second quarter of 2010. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $60 million, effective March 2011. A decision from the WVPSC is expected in March 2011. As of December 31, 2010, APCo has recorded a noncurrent regulatory asset of $60 million related to the PVF. If APCo cannot recover its remaining investments in and expenses related to the PVF, it would reduce future net income and cash flows and impact financial condition. See "Mountaineer Carbon Capture and Storage Project" section of Note 4.

Carbon Capture and Sequestration Project with the Department of Energy (DOE)

During 2010, AEPSC, on behalf of APCo, began the project definition stage for the potential construction of a new commercial scale carbon capture and sequestration (CCS) facility under consideration at the Mountaineer Plant. AEPSC, on behalf of APCo, applied for and was selected to receive funding from the DOE for the project. The DOE will fund 50% of allowable costs incurred for the CCS facility up to a maximum of $334 million. A Front-End Engineering and Design (FEED) study, scheduled for completion during the third quarter of 2011, will refine the total cost estimate for the CCS facility. Results from the FEED study will be evaluated by management before any decision is made to seek the necessary regulatory approvals to build the CCS facility. As of December 31, 2010, APCo has incurred $14 million in total costs and has received $5 million of DOE funding resulting in a net $9 million balance included in Construction Work In Progress on the Consolidated Balance Sheets. If APCo is unable to recover the costs of the CCS project, it would reduce future net income and cash flows. See "Mountaineer Carbon Capture and Storage Project" section of Note 4.

LITIGATION

In the ordinary course of business, we are involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, we cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. We assess the probability of loss for each contingency and accrue a liability for cases that have a probable likelihood of loss if the loss can be estimated. For details on our regulatory proceedings and pending litigation see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect our net income.

ENVIRONMENTAL ISSUES

We are implementing a substantial capital investment program and incurring additional operational costs to comply with new environmental control requirements. We will need to make additional investments and operational changes in response to existing and anticipated requirements such as CAA requirements to reduce emissions of SO_2, NO_x, PM and hazardous air pollutants from fossil fuel-fired power plants and new proposals governing the beneficial use and disposal of coal combustion products.

We are engaged in litigation about environmental issues, have been notified of potential responsibility for the clean-up of contaminated sites and incur costs for disposal of SNF and future decommissioning of our nuclear units. We are also engaged in the development of possible future requirements to reduce CO_2 emissions to address concerns about global climate change.

Clean Air Act Requirements

The CAA establishes a comprehensive program to protect and improve the nation's air quality and control sources of air emissions. The states implement and administer many of these programs and could impose additional or more stringent requirements. Notable developments in CAA regulatory requirements affecting our operations are discussed briefly below.

The Federal EPA issued the Clean Air Interstate Rule (CAIR) in 2005 requiring specific reductions in SO_2 and NO_x emissions from power plants. In 2008, the D.C. Circuit Court of Appeals issued a decision remanding CAIR to the Federal EPA. CAIR remains in effect while a new rulemaking is conducted. Nearly all of the states in which our power plants are located are covered by CAIR. In July 2010, the Federal EPA issued a proposed rule (Transport Rule) to replace CAIR that would impose new and more stringent requirements to control SO_2 and NO_x emissions from fossil fuel-fired electric generating units in 31 states and the District of Columbia. Each state covered by the Transport Rule is assigned an allowance budget for SO_2 and/or NO_x. Limited interstate trading is allowed on a sub-regional basis and intrastate trading is allowed among generating units. Certain of our western states (Texas, Arkansas and Oklahoma) would be subject to only the seasonal NO_x program, with new limits that are proposed to take effect in 2012. The remainder of the states in which we operate would be subject to seasonal and annual NO_x programs and an annual SO_2 emissions reduction program that takes effect in two phases. The first phase becomes effective in 2012 and requires approximately one million tons per year more SO_2 emission reductions across the region than would have been required under CAIR. The second phase takes effect in 2014 and reduces SO_2 emissions by an additional 800,000 tons per year. The SO_2 and NO_x programs rely on newly-created allowances rather than relying on the CAIR NO_x allowances or the Title IV Acid Rain Program allowances used in the CAIR rule. The time frames for and stringency of the additional emission reductions, coupled with the lack of robust interstate trading and the elimination of historic allowance banks, pose significant concerns for the AEP System and our electric utility customers, as these features could accelerate unit retirements, increase capital requirements, constrain operations, decrease reliability and unfavorably impact financial condition if the increased costs are not recovered in rates or market prices. The Federal EPA requested comments on a scheme based exclusively on intrastate trading of allowances or a scheme that establishes unit-by-unit emission rates. Either of these options would provide less flexibility and exacerbate the negative impact of the rule. The proposal indicates that the requirements are expected to be finalized in June 2011 and be effective January 1, 2012.

The Federal EPA issued a Clean Air Mercury Rule (CAMR) setting mercury standards for new coal-fired power plants and requiring all states to issue new state implementation plans (SIPs) including mercury requirements for existing coal-fired power plants. The CAMR was vacated and remanded to the Federal EPA by the D.C. Circuit Court of Appeals in 2008.

Under the terms of a consent decree, the Federal EPA is required to issue final maximum achievable control technology (MACT) standards for coal and oil-fired power plants by November 2011. The Federal EPA has substantial discretion in determining how to structure the MACT standards. We will urge the Federal EPA to carefully consider all of the options available so that costly and inefficient control requirements are not imposed regardless of unit size, age or other operating characteristics. However, we have approximately 5,000 MW of older coal units, including 2,000 MW of older coal-fired capacity already subject to control requirements under the NSR consent decree, for which it may be economically inefficient to install scrubbers or other environmental controls. The timing and ultimate disposition of those units will be affected by: (a) the MACT standards and other environmental regulations, (b) the economics of maintaining the units, (c) demand for electricity, (d) availability and cost of replacement power and (e) regulatory decisions about cost recovery of the remaining investment in those units.

The Federal EPA issued a Clean Air Visibility Rule (CAVR), detailing how the CAA's best available retrofit technology requirements will be applied to facilities built between 1962 and 1977 that emit more than 250 tons per year of certain pollutants in specific industrial categories, including power plants. CAVR will be implemented through individual SIPs or, if SIPs are not adequate or are not developed on schedule, through federal implementation plans (FIPs). The Federal EPA has proposed disapproval of SIPs in a few states, and proposed more stringent control requirements for affected units in those states. If the Federal EPA takes such action in the states where our facilities are located, it could increase the costs of compliance, accelerate the installation of required controls, and/or force the premature retirement of existing units.

In 2009, the Federal EPA issued a final mandatory reporting rule for CO_2 and other greenhouse gases covering a broad range of facilities emitting in excess of 25,000 tons of CO_2 emissions per year. The Federal EPA issued a final endangerment finding for greenhouse gas emissions from new motor vehicles in 2009 and final rules limiting CO_2 emissions from new motor vehicles in May 2010. The Federal EPA determined that greenhouse gas emissions from stationary sources will be subject to regulation under the CAA beginning January 2011 and finalized its proposed scheme to streamline and phase-in regulation of stationary source CO_2 emissions through the NSR prevention of significant deterioration and Title V operating permit programs through the issuance of final federal rules, SIP calls and FIPs. The Federal EPA is reconsidering whether to include CO_2 emissions in a number of stationary source standards, including standards that apply to new and modified electric utility units and announced a settlement agreement to issue proposed new source performance standards for utility boilers. It is not possible at this time to estimate the costs of compliance with these new standards, but they may be material.

The Federal EPA has also issued new, more stringent national ambient air quality standards (NAAQS) for SO_2, NO_x and lead, and is currently reviewing the NAAQS for ozone and PM. States are in the process of evaluating the attainment status and need for additional control measures in order to attain and maintain the new NAAQS and may develop additional requirements for our facilities as a result of those evaluations. We cannot currently predict the nature, stringency or timing of those requirements.

Estimated Air Quality Environmental Investments

The CAIR, CAVR and the consent decree signed to settle the NSR litigation require us to make significant additional investments, some of which are estimable. Our estimates are subject to significant uncertainties and will be affected by any changes in the outcome of several interrelated variables and assumptions, including: (a) the timing of implementation, (b) required levels of reductions, (c) methods for allocation of allowances and (d) our selected compliance alternatives and their costs. These obligations may also be affected or altered by the development of new regulations described above. In short, we cannot estimate our compliance costs with certainty and the actual costs to comply could differ significantly from the estimates discussed below.

The CAIR, CAVR and commitments in the consent decree will require installation of additional controls on our power plants through 2020. We plan to install additional scrubbers on 6,770 MW for SO_2 control. From 2011 to 2020, we estimate total environmental investment to meet these requirements of $10.6 billion including investment in scrubbers and other SO_2 equipment of approximately $5.9 billion. These estimates are highly uncertain due to the variability associated with: (a) the states' implementation of these regulatory programs, including the potential for SIPs or FIPS that impose standards more stringent than CAIR or CAVR, (b) additional rulemaking activities in response to the court decisions remanding the CAIR and CAMR, (c) the actual performance of the pollution control technologies installed on our units, (d) changes in costs for new pollution controls, (e) new generating technology developments and (f) other factors. Associated operational and maintenance expenses will also increase during those years. We cannot estimate these additional operational and maintenance costs due to the uncertainties described above, but they are expected to be significant. Estimated construction expenditures are subject to periodic review and modification.

We will seek recovery of expenditures for pollution control technologies, replacement or additional generation and associated operating costs from customers through our regulated rates. We should be able to recover these expenditures through market prices in deregulated jurisdictions. If not, those costs could adversely affect future net income, cash flows and possibly financial condition.

Coal Combustion Residual Rule

In June 2010, the Federal EPA published a proposed rule to regulate the disposal and beneficial re-use of coal combustion residuals, including fly ash and bottom ash generated at our coal-fired electric generating units. The rule contains two alternative proposals, one that would impose federal hazardous waste disposal and management standards on these materials and one that would allow states to retain primary authority to regulate the beneficial re-use and disposal of these materials under state solid waste management standards, including minimum federal standards for disposal and management. Both proposals would impose stringent requirements for the construction of new coal ash landfills and would require existing unlined surface impoundments to upgrade to the new standards or stop receiving coal ash and initiate closure within five years of the issuance of a final rule.

Currently, approximately 40% of the coal ash and other residual products from our generating facilities are re-used in the production of cement and wallboard, as structural fill or soil amendments, as abrasives or road treatment materials and for other beneficial uses. Certain of these uses would no longer be available and others are likely to significantly decline if coal ash and related materials are classified as hazardous wastes. In addition, we currently use surface impoundments and landfills to manage these materials at our generating facilities and will incur significant costs to upgrade or close and replace these existing facilities. We estimate that the potential compliance costs associated with the proposed solid waste management alternative could be as high as $3.9 billion for units across the AEP System. Regulation of these materials as hazardous wastes would significantly increase these costs. We will seek recovery of expenditures for pollution control technologies and associated costs from customers through our regulated rates (in regulated jurisdictions). We should be able to recover these expenditures through market prices in deregulated jurisdictions. If not, these costs could adversely affect future net income, cash flows and possibly financial condition.

Global Warming

National public policy makers and regulators in the 11 states we serve have conflicting views on global warming. We are focused on taking, in the short term, actions that we see as prudent, such as improving energy efficiency, investing in developing cost-effective and less carbon-intensive technologies and evaluating our assets across a range of plausible scenarios and outcomes. We are also active participants in a variety of public policy discussions at state and federal levels to assure that proposed new requirements are feasible and the economies of the states we serve are not placed at a competitive disadvantage.

We believe that this is a global issue and that the United States should assume a leadership role in developing a new international approach that will address growing emissions of CO_2 and other greenhouse gases (generally referred to as CO_2 in this discussion) from all nations, including developing countries. We support a reasonable approach to CO_2 emission reductions that recognizes a reliable and affordable electric supply is vital to economic stability and that allows sufficient time for technology development. We proposed to national policy makers that national and international policy for reasonable CO_2 controls should involve the following principles:

- Comprehensiveness
- Cost-effectiveness
- Realistic emission reduction objectives
- Reliable monitoring and verification mechanisms
- Incentives to develop and deploy CO_2 reduction technologies
- Removal of regulatory or economic barriers to CO_2 emission reductions
- Recognition for early actions/investments in CO_2 reduction/mitigation
- Inclusion of adjustment provisions if largest emitters in developing world do not take action

For additional information on global warming, see Part I of the Annual Report under the headings entitled "Business – General – Environmental and Other Matters – Global Warming."

While comprehensive economy-wide regulation of CO_2 emissions might be achieved through future legislation, Congress has yet to enact such legislation. The Federal EPA continues to take action to regulate CO_2 emissions under the existing requirements of the CAA discussed above.

Our fossil fuel-fired generating units are very large sources of CO_2 emissions. If substantial CO_2 emission reductions are required, there will be significant increases in capital expenditures and operating costs which would impact the ultimate retirement of older, less-efficient, coal-fired units. To the extent we install additional controls on our generating plants to limit CO_2 emissions and receive regulatory approvals to increase our rates, cost recovery could have a positive effect on future earnings. Prudently incurred capital investments made by our subsidiaries in rate-regulated jurisdictions to comply with legal requirements and benefit customers are generally included in rate base for recovery and earn a return on investment. We would expect these principles to apply to investments made to address new environmental requirements. However, requests for rate increases reflecting these costs can affect us adversely because our regulators could limit the amount or timing of increased costs that we would recover through higher rates. In addition, to the extent our costs are relatively higher than our competitors' costs, such as operators of nuclear and natural gas based generation, it could reduce our off-system sales or cause us to lose customers in jurisdictions that permit customers to choose their supplier of generation service.

Several states have adopted programs that directly regulate CO_2 emissions from power plants, but none of these programs are currently in effect in states where we have generating facilities. Certain of our states have passed legislation establishing renewable energy, alternative energy and/or energy efficiency requirements (including Ohio, Michigan, Texas and Virginia). We are taking steps to comply with these requirements. In order to meet these requirements and as a key part of our corporate sustainability effort, we pledged to increase our wind power by an additional 2,000 MW from 2007 levels by 2011. By the end of 2010, we secured, through power purchase agreements, an additional 1,111 MW of wind power. To the extent demand for renewable energy from wind power increases, it could have a positive effect on future earnings from our transmission activities. For example, a project in Texas would build new transmission lines to transport electricity from planned wind energy generation in west Texas to more densely populated areas in eastern Texas.

We have taken measurable, voluntary actions to reduce and offset our CO_2 emissions. We participated in a number of voluntary programs to monitor, mitigate and reduce CO_2 emissions, but many of these programs have been discontinued due to anticipated legislative or regulatory actions. Through the end of 2009, we reduced our emissions by a cumulative 94 million metric tons from adjusted baseline levels in 1998 through 2001 as a result of these voluntary actions. Our total CO_2 emissions in 2009 were 136 million metric tons. We estimate that our 2010 emissions were approximately 140 million metric tons.

Certain groups have filed lawsuits alleging that emissions of CO_2 are a "public nuisance" and seeking injunctive relief and/or damages from small groups of coal-fired electricity generators, petroleum refiners and marketers, coal companies and others. We have been named in pending lawsuits, which we are vigorously defending. It is not possible to predict the outcome of these lawsuits or their impact on our operations or financial condition. See "Carbon Dioxide Public Nuisance Claims" and "Alaskan Villages' Claims" sections of Note 6.

Future federal and state legislation or regulations that mandate limits on the emission of CO_2 would result in significant increases in capital expenditures and operating costs, which, in turn, could lead to increased liquidity needs and higher financing costs. Excessive costs to comply with future legislation or regulations might force our utility subsidiaries to close some coal-fired facilities and could lead to possible impairment of assets. As a result, mandatory limits could have a material adverse impact on our net income, cash flows and financial condition.

Global warming creates the potential for physical and financial risk. The materiality of the risks depends on whether any physical changes occur quickly or over several decades and the extent and nature of those changes. Physical risks from climate change could include changes in weather conditions. Our customers' energy needs currently vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling today represent their largest energy use. To the extent weather patterns change significantly, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes could require us to invest in more generating assets, transmission and other infrastructure to serve increased load, driving the overall cost of electricity higher. Decreased energy use due to weather changes could affect our financial condition through lower sales and decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions and increased storm restoration costs. We may not recover all costs related to mitigating these physical and financial risks. Weather conditions outside of our service territory could also have an impact on our revenues, either directly through changes in the patterns of our off-system power purchases and sales or indirectly through demographic changes as people adapt to changing weather. We buy and sell electricity depending upon system needs and market opportunities. Extreme weather conditions that create high energy demand could raise electricity prices, which could increase the cost of energy we provide to our customers and could provide opportunity for increased wholesale sales.

To the extent climate change impacts a region's economic health, it could also impact our revenues. Our financial performance is tied to the health of the regional economies we serve. The price of energy, as a factor in a region's cost of living as well as an important input into the cost of goods, has an impact on the economic health of our communities. The cost of additional regulatory requirements would normally be borne by consumers through higher prices for energy and purchased goods.

RESULTS OF OPERATIONS

SEGMENTS

Our primary business is our electric utility operations. Within our Utility Operations segment, we centrally dispatch generation assets and manage our overall utility operations on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight. While our Utility Operations segment remains our primary business segment, other segments include our AEP River Operations segment with significant barging activities and our Generation and Marketing segment, which includes our nonregulated generating, marketing and risk management activities primarily in the ERCOT market area and to a lesser extent Ohio in PJM and MISO. Intersegment sales and transfers are generally based on underlying contractual arrangements and agreements.

Our reportable segments and their related business activities are as follows:

Utility Operations
- Generation of electricity for sale to U.S. retail and wholesale customers.
- Electricity transmission and distribution in the U.S.

AEP River Operations
- Commercial barging operations that annually transport approximately 39 million tons of coal and dry bulk commodities primarily on the Ohio, Illinois and lower Mississippi Rivers. Approximately 46% of the barging is for transportation of agricultural products, 25% for coal, 11% for steel and 18% for other commodities.

Generation and Marketing
- Wind farms and marketing and risk management activities primarily in ERCOT and to a lesser extent Ohio in PJM and MISO.

The table below presents our consolidated Income (Loss) Before Discontinued Operations and Extraordinary Loss by segment for the years ended December 31, 2010, 2009 and 2008.

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in millions)	
Utility Operations	$ 1,201	$ 1,329	$ 1,123
AEP River Operations	37	47	55
Generation and Marketing	25	41	65
All Other (a)	(45)	(47)	133
Income Before Discontinued Operations and Extraordinary Loss	$ 1,218	$ 1,370	$ 1,376

(a) While not considered a business segment, All Other includes:
- Parent's guarantee revenue received from affiliates, investment income, interest income and interest expense, and other nonallocated costs.
- Tax and interest expense adjustments related to our UK operations which were sold in 2004 and 2002.
- Forward natural gas contracts that were not sold with our natural gas pipeline and storage operations in 2004 and 2005. These contracts are financial derivatives which settle and expire in 2011.
- The 2008 cash settlement of a purchase power and sale agreement with TEM related to the Plaquemine Cogeneration Facility which was sold in 2006. The cash settlement of $255 million ($164 million, net of tax) is included in Net Income.
- Revenue sharing related to the Plaquemine Cogeneration Facility.

AEP CONSOLIDATED

2010 Compared to 2009

Income Before Discontinued Operations and Extraordinary Loss in 2010 decreased $152 million compared to 2009 primarily due to $185 million of charges incurred (net of tax) related to cost reduction initiatives. In 2010, we conducted cost reduction initiatives to reduce both labor and non-labor expenses.

Average basic shares outstanding increased to 479 million in 2010 from 459 million in 2009 primarily due to the April 2009 issuance of 69 million shares of AEP common stock. Actual shares outstanding were 481 million as of December 31, 2010.

2009 Compared to 2008

Income Before Discontinued Operations and Extraordinary Loss in 2009 decreased $6 million compared to 2008 primarily due to income in 2008 from the cash settlement of a purchase power and sale agreement with TEM offset by an increase in income from our Utility Operations segment. The increase in Utility Operations segment net income primarily relates to rate increases in our Indiana, Ohio, Oklahoma and Virginia service territories partially offset by lower industrial sales as well as lower off-system sales margins due to lower sales volumes and lower market prices.

Average basic shares outstanding increased to 459 million in 2009 from 402 million in 2008 primarily due to the April 2009 issuance of 69 million shares of AEP common stock. Actual shares outstanding were 478 million as of December 31, 2009.

Our results of operations are discussed below by operating segment.

UTILITY OPERATIONS

We believe that a discussion of the results from our Utility Operations segment on a gross margin basis is most appropriate in order to further understand the key drivers of the segment. Gross margin represents total revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances and purchased power.

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Total Revenues	$ 13,791	$ 12,803	$ 13,566
Fuel and Purchased Power	4,996	4,420	5,622
Gross Margin	8,795	8,383	7,944
Depreciation and Amortization	1,598	1,561	1,450
Other Operating Expenses	4,573	4,162	4,114
Operating Income	2,624	2,660	2,380
Other Income, Net	169	138	173
Interest Expense	942	916	915
Income Tax Expense	650	553	515
Income Before Discontinued Operations and Extraordinary Loss	$ 1,201	$ 1,329	$ 1,123

KWH Sales/Degree Days

Summary of KWH Energy Sales for Utility Operations

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of KWH)		
Retail:			
Residential	61,944	58,232	58,892
Commercial	50,748	49,925	50,382
Industrial	57,333	54,428	64,508
Miscellaneous	3,083	3,048	3,114
Total Retail (a)	173,108	165,633	176,896
Wholesale	32,581	29,670	43,068
Total KWHs	205,689	195,303	219,964

(a) Includes energy delivered to customers served by AEP's Texas Wires Companies.

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income. In general, degree day changes in our eastern region have a larger effect on net income than changes in our western region due to the relative size of the two regions and the number of customers within each region.

Summary of Heating and Cooling Degree Days for Utility Operations

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in degree days)		
Eastern Region			
Actual - Heating (a)	3,222	3,018	3,154
Normal - Heating (b)	2,983	3,040	3,018
Actual - Cooling (c)	1,307	816	949
Normal - Cooling (b)	1,002	1,011	986
Western Region			
Actual - Heating (a)	1,112	970	992
Normal - Heating (b)	980	984	1,010
Actual - Cooling (d)	2,515	2,439	2,252
Normal - Cooling (b)	2,339	2,344	2,320

(a) Eastern Region and Western Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Eastern Region cooling degree days are calculated on a 65 degree temperature base.
(d) Western Region cooling degree days are calculated on a 65 degree temperature base for PSO/SWEPCo and a 70 degree temperature base for TCC/TNC.

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2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Income from Utility Operations Before Discontinued Operations and Extraordinary Loss
(in millions)

Year Ended December 31, 2009	$	1,329
Changes in Gross Margin:		
Retail Margins		601
Off-system Sales		53
Transmission Revenues		15
Other Revenues		(257)
Total Change in Gross Margin		412
Total Expenses and Other:		
Other Operation and Maintenance		(351)
Depreciation and Amortization		(37)
Taxes Other Than Income Taxes		(60)
Interest and Investment Income		5
Carrying Costs Income		23
Allowance for Equity Funds Used During Construction		(5)
Interest Expense		(26)
Equity Earnings of Unconsolidated Subsidiaries		8
Total Expenses and Other		(443)
Income Tax Expense		(97)
Year Ended December 31, 2010	$	1,201

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $601 million primarily due to the following:
  - Successful rate proceedings in our service territories which include:
    - A $138 million increase in the recovery of E&R costs in Virginia, costs related to the Transmission Rate Adjustment Clause in Virginia and construction financing costs in West Virginia.
    - A $49 million increase in the recovery of advanced metering costs in Texas.
    - A $43 million net rate increase for KPCo.
    - A $42 million net rate increase for SWEPCo.
    - A $39 million net rate increase for I&M.
    - A $37 million net rate increase for PSO.
    - A $14 million net rate increase in our other jurisdictions.
    - For the increases described above, $183 million of these increases relate to riders/trackers which have corresponding increases in other expense items.
  - A $229 million increase in weather-related usage primarily due to a 60% increase in cooling degree days in our eastern service territory and 7% and 15% increases in heating degree days in our eastern and western service territories, respectively.
  - A $78 million increase due to higher fuel and purchased power costs recorded in 2009 related to the Cook Plant Unit 1 (Unit 1) shutdown. This increase was offset by a corresponding decrease in Other Revenues as discussed below.

  These increases were partially offset by:
  - A $43 million decrease due to a refund provision for the 2009 Significantly Excessive Earnings Test (SEET).
  - A $38 million decrease due to the termination of an I&M unit power agreement.

- **Margins from Off-system Sales** increased $53 million primarily due to increased prices and higher physical sales volumes in our eastern service territory, partially offset by lower trading and marketing margins.
- **Transmission Revenues** increased $15 million primarily due to increased revenues in the ERCOT, PJM and SPP regions.
- **Other Revenues** decreased $257 million primarily due to the Cook Plant accidental outage insurance proceeds of $185 million which ended when Unit 1 returned to service in December 2009. I&M reduced customer bills by approximately $78 million in 2009 for the cost of replacement power resulting from the Unit 1 outage. This decrease in insurance proceeds was offset by a corresponding increase in Retail Margins as discussed above. Other Revenues also decreased due to lower gains on sales of emission allowances of $29 million, partially offset by sharing with customers in certain fuel clauses. This decrease in gains on sales of emission allowances was the result of lower market prices.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $351 million primarily due to the following:
  - A $280 million increase due to expenses related to the cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.
  - A $114 million increase in demand side management, energy efficiency and vegetation management programs and other related expenses. All of these expenses are currently recovered dollar-for-dollar in rate recovery riders/trackers in Gross Margin.
  - A $54 million increase due to the write-off of APCo's Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility as denied for recovery by the Virginia SCC.

  These increases were partially offset by:
  - An $89 million decrease in storm expenses.
- **Depreciation and Amortization** increased $37 million primarily due to new environmental improvements placed in service at APCo, CSPCo and OPCo and placing the Stall Unit in service at SWEPCo partially offset by lower depreciation in Arkansas and Texas as a result of SWEPCo's recent base rate orders.
- **Taxes Other Than Income Taxes** increased $60 million primarily due to the employer portion of payroll taxes incurred related to the cost reduction initiatives and higher franchise and property taxes.
- **Carrying Costs Income** increased $23 million primarily due to environmental construction in Virginia and a higher under-recovered fuel balance for OPCo.
- **Interest Expense** increased $26 million primarily due to an increase in long-term debt and a decrease in the debt component of AFUDC due to completed environmental improvements at APCo, CSPCo and OPCo.
- **Income Tax Expense** increased $97 million primarily due to the regulatory accounting treatment of state income taxes, other book/tax differences which are accounted for on a flow-through basis and the tax treatment associated with the future reimbursement of Medicare Part D prescription drug benefits, partially offset by a decrease in pretax book income.

2009 Compared to 2008

Reconciliation of Year Ended December 31, 2008 to Year Ended December 31, 2009
Income from Utility Operations Before Discontinued Operations and Extraordinary Loss
(in millions)

Year Ended December 31, 2008	$	1,123
Changes in Gross Margin:		
Retail Margins		549
Off-system Sales		(333)
Transmission Revenues		25
Other Revenues		198
Total Change in Gross Margin		439
Total Expenses and Other:		
Other Operation and Maintenance		(46)
Depreciation and Amortization		(111)
Taxes Other Than Income Taxes		(2)
Interest and Investment Income		(38)
Carrying Costs Income		(36)
Allowance for Equity Funds Used During Construction		37
Interest Expense		(1)
Equity Earnings of Unconsolidated Subsidiaries		2
Total Expenses and Other		(195)
Income Tax Expense		(38)
Year Ended December 31, 2009	$	1,329

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $549 million primarily due to the following:
  - Successful rate proceedings in our service territories which include:
    - A $187 million increase related to the PUCO's approval of our Ohio ESPs.
    - A $170 million increase related to base rates and recovery of E&R costs in Virginia and construction financing costs in West Virginia.
    - A $75 million net rate increase for PSO.
    - A $42 million net rate increase for I&M.
    - A $50 million net rate increase in our other jurisdictions.
  - A $201 million increase in fuel margins in Ohio primarily due to the deferral of fuel costs by CSPCo and OPCo in 2009. The PUCO's March 2009 approval of CSPCo's and OPCo's ESPs allows for the deferral of fuel and related costs related to the ESP period.
  - A $102 million increase due to the December 2008 provision for refund of off-system sales margins as ordered by the FERC related to the SIA.
  - A $68 million increase due to lower PJM and other costs as the result of lower generation sales.

  These increases were partially offset by:
  - A $214 million decrease in margins from industrial sales due to reduced operating levels and suspended operations by certain large industrial customers in our service territories.
  - A $78 million decrease in fuel margins due to higher fuel and purchased power costs related to the Cook Plant Unit 1 shutdown. This decrease in fuel margins was offset by a corresponding increase in Other Revenues as discussed below.
  - A $52 million decrease in weather-related usage primarily due to a 14% decrease in cooling degree days in our eastern service territory.
  - A $29 million decrease related to favorable coal contract amendments in 2008.

- **Margins from Off-system Sales** decreased $333 million primarily due to lower physical sales volumes and lower margins in our eastern service territory reflecting lower market prices, partially offset by higher trading and marketing margins.
- **Transmission Revenues** increased $25 million primarily due to increased rates in the ERCOT and SPP regions.
- **Other Revenues** increased $198 million primarily due to the Cook Plant accidental outage insurance proceeds of $185 million which ended when Unit 1 returned to service in December 2009. I&M reduced customer bills by approximately $78 million in 2009 for the cost of replacement power resulting during the outage period. This decrease in insurance proceeds was offset by a corresponding increase in Retail Margins as discussed above.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $46 million primarily due to the following:
  - The 2008 deferral of $74 million of previously expensed Oklahoma ice storm costs resulting from an OCC order approving recovery of January and December 2007 ice storm expenses.
  - A $64 million increase in administrative and general expenses primarily for employee benefits.
  - A $48 million increase in storm restoration expenses due to the December 2009 winter storm in Tennessee, Virginia and West Virginia.
  - A $32 million increase in demand side management, energy efficiency and vegetation management programs.
  - A $29 million increase in recoverable transmission service expenses.
  - A $14 million increase due to the completion of reliability deferrals in Virginia in December 2008 and the decrease of environmental deferrals in Virginia in 2009.

  These increases were partially offset by:
  - A $67 million decrease in distribution and customer account expenses.
  - A $51 million decrease in transmission expenses related to cost recovery rider amortization in Ohio and rate adjustment clause deferrals in Virginia.
  - A $43 million decrease in other operating expenses including lower charitable contributions.
  - A $39 million decrease in RTO fees, forestry and other transmission expenses.
  - A $15 million decrease in plant outages and other plant operating and maintenance expenses, including lower removal costs.
- **Depreciation and Amortization** increased $111 million primarily due to higher depreciable property balances as the result of environmental improvements placed in service at OPCo and various other property additions and higher depreciation rates for OPCo related to shortened depreciable lives for certain generating facilities.
- **Interest and Investment Income** decreased $38 million primarily due to lower interest income related to federal income tax refunds filed with the IRS and the recognition of other-than-temporary losses related to equity investments held by our protected cell of EIS in 2009.
- **Carrying Costs Income** decreased $36 million primarily due to the completion of reliability deferrals in Virginia in December 2008 and the decrease of environmental deferrals in Virginia in 2009.
- **Allowance for Equity Funds Used During Construction** increased $37 million as a result of construction at SWEPCo's Turk Plant and Stall Unit and the reapplication of "Regulated Operations" accounting guidance for the generation portion of SWEPCo's Texas retail jurisdiction effective the second quarter of 2009.
- **Interest Expense** increased $1 million primarily due to a $52 million increase in interest expense related to increased long-term debt borrowings partially offset by interest expense of $47 million recorded in 2008 related to the 2008 SIA adjustment for off-system sales margins in accordance with the FERC's 2008 order.
- **Income Tax Expense** increased $38 million primarily due to an increase in pretax book income offset by the regulatory accounting treatment of state income taxes and other book/tax differences which are accounted for on a flow-through basis.

AEP RIVER OPERATIONS

2010 Compared to 2009

Income Before Discontinued Operations and Extraordinary Loss from our AEP River Operations segment decreased from $47 million in 2009 to $37 million in 2010 primarily due to expenses related to cost reduction initiatives, increased interest expense on new equipment financing, a property casualty loss in 2010 and a gain on the sale of two older towboats in 2009.

2009 Compared to 2008

Income Before Discontinued Operations and Extraordinary Loss from our AEP River Operations segment decreased from $55 million in 2008 to $47 million in 2009 primarily due to lower revenues as a result of a weak import market.

GENERATION AND MARKETING

2010 Compared to 2009

Income Before Discontinued Operations and Extraordinary Loss from our Generation and Marketing segment decreased from $41 million in 2009 to $25 million in 2010 primarily due to reduced inception gains from ERCOT marketing activities, reduced plant performance due to lower power prices in ERCOT, partially offset by positive hedging activities on our generation assets and increased income from our wind farm operations.

2009 Compared to 2008

Income Before Discontinued Operations and Extraordinary Loss from our Generation and Marketing segment decreased from $65 million in 2008 to $41 million in 2009 primarily due to lower gross margins at the Oklaunion Generating Station as a result of lower power prices in ERCOT and decreased generation from our wind farm operations.

ALL OTHER

2010 Compared to 2009

Income Before Discontinued Operations and Extraordinary Loss from All Other increased from a loss of $47 million in 2009 to a loss of $45 million in 2010 primarily due to gains on the sale of our remaining shares of Intercontinental Exchange, Inc. (ICE) and a decrease in various parent related expenses partially offset by a contribution to AEP's charitable foundation and losses on the sales of assets.

2009 Compared to 2008

Income Before Discontinued Operations and Extraordinary Loss from All Other decreased from income of $133 million in 2008 to a loss of $47 million in 2009. In 2008, we had after-tax income of $164 million from a litigation settlement of a purchase power and sale agreement with TEM.

AEP SYSTEM INCOME TAXES

2010 Compared to 2009

Income Tax Expense increased $68 million in comparison to 2009 primarily due to the regulatory accounting treatment of state income taxes, other book/tax differences which are accounted for on a flow-through basis and the tax treatment associated with the future reimbursement of Medicare Part D retiree prescription drug benefits, offset in part by a decrease in pretax book income.

2009 Compared to 2008

Income Tax Expense decreased $67 million in comparison to 2008 primarily due to a decrease in pretax book income and the regulatory accounting treatment of state income taxes and other book/tax differences which are accounted for on a flow-through basis.

FINANCIAL CONDITION

We measure our financial condition by the strength of our balance sheet and the liquidity provided by our cash flows. Target debt to equity ratios are usually maintained for each subsidiary and often credit arrangements contain ratios as covenants that must be met for borrowing to continue.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Equity Capitalization

	December 31,			
	2010		2009	
	(dollars in millions)			
Long-term Debt, including amounts due within one year	$ 16,811	52.8 %	$ 17,498	56.8 %
Short-term Debt	1,346	4.2	126	0.4
Total Debt	18,157	57.0	17,624	57.2
Preferred Stock of Subsidiaries	60	0.2	61	0.2
AEP Common Equity	13,622	42.8	13,140	42.6
Total Debt and Equity Capitalization	$ 31,839	100.0 %	$ 30,825	100.0 %

Our ratio of debt-to-total capital decreased from 57.2% in 2009 to 57% in 2010 primarily due to an increase in common equity.

Liquidity

Liquidity, or access to cash, is an important factor in determining our financial stability. We believe we have adequate liquidity under our existing credit facilities. At December 31, 2010, we had $3.4 billion in aggregate credit facility commitments to support our operations. Additional liquidity is available from cash from operations and a sale of receivables agreement. We are committed to maintaining adequate liquidity. We generally use short-term borrowings to fund working capital needs, property acquisitions and construction until long-term funding is arranged. Sources of long-term funding include issuance of long-term debt, sale-leaseback or leasing agreements or common stock.

Credit Facilities

We manage our liquidity by maintaining adequate external financing commitments. At December 31, 2010, our available liquidity was approximately $2.5 billion as illustrated in the table below:

	Amount (in millions)	Maturity
Commercial Paper Backup:		
Revolving Credit Facility	$ 1,454	April 2012
Revolving Credit Facility	1,500	June 2013
Revolving Credit Facility	478	April 2011
Total	3,432	
Cash and Cash Equivalents	294	
Total Liquidity Sources	3,726	
Less: AEP Commercial Paper Outstanding	650	
Letters of Credit Issued	601	
Net Available Liquidity	$ 2,475	

We have credit facilities totaling $3.4 billion, of which two $1.5 billion credit facilities support our commercial paper program. In June 2010, we terminated one of the $1.5 billion credit facilities that was scheduled to mature in March 2011 and replaced it with a new $1.5 billion credit facility which matures in 2013. These credit facilities also allow us to issue letters of credit in an amount up to $1.35 billion. In June 2010, we also reduced the credit facility that matures in April 2011 from $627 million to $478 million. This facility is fully utilized for letters of credit providing liquidity support for Pollution Control Bonds. In March 2011, we intend to replace the revolving credit facility of $478 million with bilateral letters of credit or refinance the bonds. We may redeem some portion of the Pollution Control Bonds supported by the facility.

We use our commercial paper program to meet the short-term borrowing needs of the subsidiaries. The program is used to fund both a Utility Money Pool, which funds the utility subsidiaries, and a Nonutility Money Pool, which funds the majority of the nonutility subsidiaries. In addition, the program also funds, as direct borrowers, the short-term debt requirements of other subsidiaries that are not participants in either money pool for regulatory or operational reasons. The maximum amount of commercial paper outstanding during 2010 was $868 million. The weighted-average interest rate for our commercial paper during 2010 was 0.43%.

Securitized Accounts Receivables

In 2010, we renewed our receivables securitization agreement. The agreement provides a commitment of $750 million from bank conduits to purchase receivables. A commitment of $375 million expires in July 2011 and the remaining commitment of $375 million expires in July 2013. We intend to extend or replace the agreement expiring in July 2011 on or before its maturity.

Debt Covenants and Borrowing Limitations

Our revolving credit agreements contain certain covenants and require us to maintain our percentage of debt to total capitalization at a level that does not exceed 67.5%. The method for calculating outstanding debt and capitalization is contractually defined in our revolving credit agreements. At December 31, 2010, this contractually-defined percentage was 53.3%. Nonperformance under these covenants could result in an event of default under these credit agreements. At December 31, 2010, we complied with all of the covenants contained in these credit agreements. In addition, the acceleration of our payment obligations, or the obligations of certain of our major subsidiaries, prior to maturity under any other agreement or instrument relating to debt outstanding in excess of $50 million, would cause an event of default under these credit agreements and in a majority of our non-exchange traded commodity contracts which would permit the lenders and counterparties to declare the outstanding amounts payable. However, a default under our non-exchange traded commodity contracts does not cause an event of default under our revolving credit agreements.

The revolving credit facilities do not permit the lenders to refuse a draw on any facility if a material adverse change occurs.

Utility Money Pool borrowings and external borrowings may not exceed amounts authorized by regulatory orders. At December 31, 2010, we had not exceeded those authorized limits.

Dividend Policy and Restrictions

The Board of Directors declared a quarterly dividend of $0.46 per share in January 2011. Future dividends may vary depending upon our profit levels, operating cash flow levels and capital requirements, as well as financial and other business conditions existing at the time. Our income derives from our common stock equity in the earnings of our utility subsidiaries. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our utility subsidiaries to transfer funds to us in the form of dividends.

We have the option to defer interest payments on the AEP Junior Subordinated Debentures for one or more periods of up to 10 consecutive years per period. During any period in which we defer interest payments, we may not declare or pay any dividends or distributions on, or redeem, repurchase or acquire, our common stock.

We do not believe restrictions related to our various financing arrangements, charter provisions and regulatory requirements will have any significant impact on Parent's ability to access cash to meet the payment of dividends on its common stock.

Credit Ratings

We do not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit downgrade, but our access to the commercial paper market may depend on our credit ratings. In addition, downgrades in our credit ratings by one of the rating agencies could increase our borrowing costs. Counterparty concerns about the credit quality of AEP or its utility subsidiaries could subject us to additional collateral demands under adequate assurance clauses under our derivative and non-derivative energy contracts.

CASH FLOW

Managing our cash flows is a major factor in maintaining our liquidity strength.

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Cash and Cash Equivalents at Beginning of Period	$ 490	$ 411	$ 178
Net Cash Flows from Operating Activities	2,662	2,475	2,581
Net Cash Flows Used for Investing Activities	(2,523)	(2,916)	(4,027)
Net Cash Flows from (Used for) Financing Activities	(335)	520	1,679
Net Increase (Decrease) in Cash and Cash Equivalents	(196)	79	233
Cash and Cash Equivalents at End of Period	$ 294	$ 490	$ 411

Cash from operations and short-term borrowings provides working capital and allows us to meet other short-term cash needs.

Operating Activities

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Net Income	$ 1,218	$ 1,365	$ 1,388
Depreciation and Amortization	1,641	1,597	1,483
Other	(197)	(487)	(290)
Net Cash Flows from Operating Activities	$ 2,662	$ 2,475	$ 2,581

Net Cash Flows from Operating Activities were $2.7 billion in 2010 consisting primarily of Net Income of $1.2 billion and $1.6 billion of noncash Depreciation and Amortization. Other changes represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. Other includes a $656 million increase in securitized receivables under the application of new accounting guidance for "Transfers and Servicing" related to our sale of receivables agreement. Significant changes in other items include an increase in under-recovered fuel primarily due to the deferral of fuel under the FAC in Ohio and higher fuel costs in Oklahoma, accrued tax benefits and the favorable impact of a decrease in fuel inventory. Deferred Income Taxes increased primarily due to a change in tax versus book temporary differences from operations. Accrued Taxes, Net increased primarily as a result of the receipt of a federal income tax refund of $419 million related to a net operating loss in 2009 that was carried back to 2007 and 2008. We also contributed $500 million to our qualified pension trust in 2010.

Net Cash Flows from Operating Activities were $2.5 billion in 2009 consisting primarily of Net Income of $1.4 billion and $1.6 billion of noncash Depreciation and Amortization. Other represents items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. Significant changes in other items include the negative impact on cash of an increase in coal inventory reflecting decreased customer demand for electricity, an increase in under-recovered fuel primarily in Ohio and West Virginia and an increase in accrued tax benefits resulting from a net income tax operating loss in 2009. Deferred Income Taxes increased primarily due to the American Recovery and Reinvestment Act of 2009 extending bonus depreciation provisions, a one-time change in tax accounting method and an increase in tax versus book temporary differences from operations.

Net Cash Flows from Operating Activities were $2.6 billion in 2008 consisting primarily of Net Income of $1.4 billion and $1.5 billion of noncash Depreciation and Amortization. Other changes represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. Net Cash Flows from Operating Activities increased in 2008 due to the TEM settlement. Under-recovered fuel costs and fuel, materials and supplies inventories increased working capital requirements due to the higher cost of coal and natural gas. Deferred Income Taxes increased primarily due to the enactment of the Economic Stimulus Act which enhanced expensing provisions for certain assets placed in service in 2008 and provided for a 50% bonus depreciation provision for certain assets placed in service in 2008.

Investing Activities

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Construction Expenditures	$ (2,345)	$ (2,792)	$ (3,800)
Acquisitions of Nuclear Fuel	(91)	(169)	(192)
Acquisitions of Assets	(155)	(104)	(160)
Proceeds from Sales of Assets	187	278	90
Other	(119)	(129)	35
Net Cash Flows Used for Investing Activities	$ (2,523)	$ (2,916)	$ (4,027)

Net Cash Flows Used for Investing Activities were $2.5 billion in 2010 primarily due to Construction Expenditures for environmental, new generation, distribution and transmission investments. Proceeds from Sales of Assets in 2010 include $139 million for sales of Texas transmission assets to ETT.

Net Cash Flows Used for Investing Activities were $2.9 billion in 2009 primarily due to Construction Expenditures for our new generation, environmental and distribution investments. Proceeds from Sales of Assets in 2009 includes $104 million relating to the sale of a portion of Turk Plant to joint owners as planned and $95 million for sales of Texas transmission assets to ETT.

Net Cash Flows Used for Investing Activities were $4 billion in 2008 primarily due to Construction Expenditures for distribution, environmental and new generation investments.

Financing Activities

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Issuance of Common Stock, Net	$ 93	$ 1,728	$ 159
Issuance/Retirement of Debt, Net	497	(360)	2,266
Dividends Paid on Common Stock	(824)	(758)	(666)
Other	(101)	(90)	(80)
Net Cash Flows from (Used for) Financing Activities	$ (335)	$ 520	$ 1,679

Net Cash Flows Used for Financing Activities were $335 million in 2010. Our net debt issuances were $497 million. The net issuances included issuances of $952 million of notes and $326 million of pollution control bonds, a $531 million increase in commercial paper outstanding and retirements of $1.6 billion of notes, $148 million of securitization bonds and $222 million of pollution control bonds. Our short-term debt securitized by receivables increased $656 million under the application of new accounting guidance for "Transfers and Servicing" related to our sale of receivables agreement. We paid common stock dividends of $824 million.

Net Cash Flows from Financing Activities were $520 million in 2009. Issuance of Common Stock, Net of $1.7 billion is comprised of our issuance of 69 million shares of common stock with net proceeds of $1.64 billion and additional shares through our dividend reinvestment, employee savings and incentive programs. Our net debt retirements were $360 million. The net retirements included the repayment of $2 billion outstanding under our credit facilities and retirement of $816 million of long-term debt and issuances of $1.9 billion of senior unsecured and debt notes and $431 million of pollution control bonds. We paid common stock dividends of $758 million.

Net Cash Flows from Financing Activities were $1.7 billion in 2008 primarily due to the borrowing under our credit facility to provide liquidity during the 2008 credit market. We paid common stock dividends of $666 million.

The following financing activities occurred during 2010:

AEP Common Stock:

- During 2010, we issued 3 million shares of common stock under our incentive compensation, employee savings and dividend reinvestment plans and received net proceeds of $93 million.

Debt:

- During 2010, we issued approximately $1.3 billion of long-term debt, including $650 million of senior notes at interest rates ranging from 3.4% to 6.2%, $150 million of senior notes at a variable interest rate, $326 million of pollution control revenue bonds at interest rates ranging from 2.875% to 5.375%, $84 million of notes at a 4% interest rate and $68 million of notes at a variable interest rate. The proceeds from these issuances were used to fund long-term debt maturities and our construction programs.
- During 2010, we entered into $1 billion of interest rate derivatives and settled $172 million of such transactions. The settlements resulted in net cash payments of $6 million. As of December 31, 2010, we had in place $907 million of notional interest rate derivatives designated as cash flow and fair value hedges.

In 2011:

- In January 2011, TCC retired $92 million of its outstanding Securitization Bonds.
- In January 2011, PSO issued $250 million of 4.4% Senior Unsecured Notes due 2021.
- In January 2011, PSO gave notice to retire $200 million of 6% Senior Unsecured Notes due in 2032 on February 28, 2011.
- In February 2011, APCo issued $65 million of 2% Pollution Control Bonds due 2041 with a 2012 mandatory put date.
- We expect to refinance approximately $1 billion of the $1.3 billion of long-term debt that will mature in 2011.

BUDGETED CONSTRUCTION EXPENDITURES

We forecast approximately $2.5 billion and $2.6 billion of construction expenditures excluding AFUDC and capitalized interest for 2011 and 2012, respectively. For 2012 through 2014, we forecast annual construction expenditures to average between $2.6 billion and $3.1 billion. The projected increases are generally the result of required environmental investment to comply with Federal EPA rules and additional transmission spending. Estimated construction expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, weather, legal reviews and the ability to access capital. We expect to fund these construction expenditures through cash flows from operations and financing activities. Generally, the subsidiaries use cash or short-term borrowings under the money pool to fund these expenditures until long-term funding is arranged. The estimated expenditures include amounts for completion of the Turk and Dresden Plants. Both plants are scheduled for completion in 2012. We resumed work on Dresden in the first quarter of 2011. The 2011 estimated construction expenditures include generation, transmission and distribution related investments, as well as expenditures for compliance with environmental regulations as follows:

	Budgeted Construction Expenditures (in millions)
Environmental	$ 223
Generation	813
Transmission	594
Distribution	776
Other	100
Total	$ 2,506

OFF-BALANCE SHEET ARRANGEMENTS

In prior periods, under a limited set of circumstances, we entered into off-balance sheet arrangements for various reasons including accelerating cash collections, reducing operational expenses and spreading risk of loss to third parties. Our current guidelines restrict the use of off-balance sheet financing entities or structures to traditional operating lease arrangements and transfers of customer accounts receivable that we enter in the normal course of business. The following identifies significant off-balance sheet arrangements:

AEP Credit

AEP Credit has a receivables securitization agreement with bank conduits. Under this agreement, AEP Credit securitizes an interest in a portion of the receivables it acquires from affiliated utilities with the bank conduits and receives cash. Effective January 1, 2010, we record the receivables and debt related to AEP Credit on our Consolidated Balance Sheet.

At December 31, 2009, AEP Credit had $631 million of securitized receivables outstanding. See "ASU 2009-16 'Transfers and Servicing' (ASU 2009-16)" section of Note 2.

Rockport Plant Unit 2

AEGCo and I&M entered into a sale and leaseback transaction in 1989 with Wilmington Trust Company (Owner Trustee), an unrelated unconsolidated trustee for Rockport Plant Unit 2 (the Plant). The Owner Trustee was capitalized with equity from six owner participants with no relationship to AEP or any of its subsidiaries and debt from a syndicate of banks and certain institutional investors. The future minimum lease payments for each company are $887 million as of December 31, 2010.

The gain from the sale was deferred and is being amortized over the term of the lease, which expires in 2022. The Owner Trustee owns the Plant and leases it to AEGCo and I&M. Our subsidiaries account for the lease as an operating lease with the future payment obligations included in Note 13. The lease term is for 33 years with potential renewal options. At the end of the lease term, AEGCo and I&M have the option to renew the lease or the Owner Trustee can sell the Plant. We, as well as our subsidiaries, have no ownership interest in the Owner Trustee and do not guarantee its debt.

Railcars

In June 2003, we entered into an agreement with BTM Capital Corporation, as lessor, to lease 875 coal-transporting aluminum railcars. The initial lease term was five years with three consecutive five-year renewal periods for a maximum lease term of twenty years. We intend to maintain the lease for the full lease term of twenty years via the renewal options. The lease is accounted for as an operating lease. The future minimum lease obligation is $36 million for the remaining railcars as of December 31, 2010. Under a return-and-sale option, the lessor is guaranteed that the sale proceeds will equal at least a specified lessee obligation amount which declines with each five year renewal. At December 31, 2010, the maximum potential loss was approximately $25 million ($17 million, net of tax) assuming the fair value of the equipment is zero at the end of the current five-year lease term. However, we believe that the fair value would produce a sufficient sales price to avoid any loss. We have other railcar lease arrangements that do not utilize this type of financing structure.

CONTRACTUAL OBLIGATION INFORMATION

Our contractual cash obligations include amounts reported on the Consolidated Balance Sheets and other obligations disclosed in our footnotes. The following table summarizes our contractual cash obligations at December 31, 2010:

Payments Due by Period

Contractual Cash Obligations	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Short-term Debt (a)	$ 1,346	$ -	$ -	$ -	$ 1,346
Interest on Fixed Rate Portion of Long-term Debt (b)	909	1,709	1,467	7,778	11,863
Fixed Rate Portion of Long-term Debt (c)	752	2,009	2,431	10,947	16,139
Variable Rate Portion of Long-term Debt (d)	557	150	-	-	707
Capital Lease Obligations (e)	100	159	106	286	651
Noncancelable Operating Leases (e)	306	547	467	1,349	2,669
Fuel Purchase Contracts (f)	2,810	3,974	2,543	3,718	13,045
Energy and Capacity Purchase Contracts (g)	69	199	204	1,101	1,573
Construction Contracts for Capital Assets (h)	1,031	1,407	1,636	3,143	7,217
Total	$ 7,880	$ 10,154	$ 8,854	$ 28,322	$ 55,210

(a) Represents principal only excluding interest.
(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2010 and do not reflect anticipated future refinancing, early redemptions or debt issuances.
(c) See "Long-term Debt" section of Note 14. Represents principal only excluding interest.
(d) See "Long-term Debt" section of Note 14. Represents principal only excluding interest. Variable rate debt had interest rates that ranged between 0.29% and 1.31% at December 31, 2010.
(e) See Note 13.
(f) Represents contractual obligations to purchase coal, natural gas, uranium and other consumables as fuel for electric generation along with related transportation of the fuel.
(g) Represents contractual obligations for energy and capacity purchase contracts.
(h) Represents only capital assets for which we have signed contracts. Actual payments are dependent upon and may vary significantly based upon the decision to build, regulatory approval schedules, timing and escalation of project costs.

Our $119 million liability related to uncertainty in Income Taxes is not included above because we cannot reasonably estimate the cash flows by period.

Our pension funding requirements are not included in the above table. As of December 31, 2010, we expect to make contributions to our pension plans totaling $158 million in 2011. Estimated contributions of $158 million in 2012 and $158 million in 2013 may vary significantly based on market returns, changes in actuarial assumptions and other factors. Based upon the benefit obligation and fair value of assets available to pay pension benefits, our pension plans were 80.3% funded as of December 31, 2010.

In addition to the amounts disclosed in the contractual cash obligations table above, we make additional commitments in the normal course of business. These commitments include standby letters of credit, guarantees for the payment of obligation performance bonds and other commitments. At December 31, 2010, our commitments outstanding under these agreements are summarized in the table below:

Amount of Commitment Expiration Per Period

Other Commercial Commitments	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Standby Letters of Credit (a)	$ 601	$ -	$ -	$ -	$ 601
Guarantees of the Performance of Outside Parties (b)	-	-	-	65	65
Guarantees of Our Performance (c)	1,457	18	20	41	1,536
Total Commercial Commitments	$ 2,058	$ 18	$ 20	$ 106	$ 2,202

(a) We enter into standby letters of credit (LOCs) with third parties. These LOCs cover items such as gas and electricity risk management contracts, construction contracts, insurance programs, security deposits, debt service reserves and variable rate Pollution Control Bonds. AEP, on behalf of our subsidiaries, and/or the subsidiaries issued all of these LOCs in the ordinary course of business. There is no collateral held in relation to any guarantees in excess of our ownership percentages. In the event any LOC is drawn, there is no recourse to third parties. The maximum future payments of these LOCs are $601 million with maturities ranging from January 2011 to November 2011. See "Letters of Credit" section of Note 6.

(b) See "Guarantees of Third-Party Obligations" section of Note 6.

(c) We issued performance guarantees and indemnifications for energy trading and various sale agreements.

SIGNIFICANT TAX LEGISLATION

The American Recovery and Reinvestment Tax Act of 2009 provided for several new grant programs, expanded tax credits and extended the 50% bonus depreciation provision enacted in the Economic Stimulus Act of 2008. The Small Business Jobs Act, enacted in September 2010, included a one-year extension of the 50% bonus depreciation provision. The Tax Relief, Unemployment Insurance Reauthorization and the Job Creation Act of 2010 extended the life of research and development, employment and several energy tax credits originally scheduled to expire at the end of 2010. In addition, this act extended the time for claiming bonus depreciation and increased the deduction to 100% starting in September 2010 through 2011 and decreasing the deduction to 50% for 2012.

These enacted provisions will have no material impact on net income or financial condition but will have a favorable impact on cash flows in 2011 and are expected to result in material future cash flow benefits.

TRANSMISSION INITIATIVES

AEP Transmission Company, LLC (Utility Operations segment)

In 2006, we formed AEP Transmission Company, LLC (AEP Transco). In 2009, AEP Transco formed seven wholly-owned transmission companies. Upon approval of FERC interim rates, the transmission companies began recognizing revenues in July 2010 for their respective investments in PJM and SPP. The transmission companies have been established in Ohio, Oklahoma and Michigan. Applications for establishment of AEP Kentucky Transmission Company, Inc. and AEP West Virginia Transmission Company, Inc. have been filed with the KPSC and the WVPSC, respectively, and are pending approval. Other filings with commissions will be made in 2011. These seven companies consist of:

AEP East Transmission companies:
- AEP Appalachian Transmission Company, Inc. (covering Virginia)
- AEP Indiana Michigan Transmission Company, Inc.
- AEP Kentucky Transmission Company, Inc.
- AEP Ohio Transmission Company, Inc.
- AEP West Virginia Transmission Company, Inc.

AEP West Transmission companies:
- AEP Oklahoma Transmission Company, Inc.
- AEP Southwestern Transmission Company, Inc. (covering Arkansas and Louisiana)

AEPSC and other AEP subsidiaries provide services to the transmission companies through service agreements. Therefore, the transmission companies do not have any employees.

AEP Transco owns all of the transmission companies' equity. The transmission companies do not have outstanding debt and have not received capital contributions. All of the transmission companies' capital needs are provided by Parent and AEP Transco. For the transmission companies listed above, we forecast approximately $160 million of construction expenditures for 2011.

Joint Venture Initiatives (Utility Operations segment)

We are currently participating in the following joint venture initiatives:

Project Name	Location	Projected Completion Date	Owners (Ownership %)	Total Estimated Project Costs at Completion	AEP's Equity Method Investment at December 31, 2010	Approved Return on Equity
				(in thousands)		
ETT	Texas (ERCOT)	2017	MEHC Texas Transco, LLC (50%) AEP (50%)	$ 3,100,000 (a)	$ 110,323	9.96 %
PATH (b)	West Virginia	2015 (c)	Allegheny Energy (50%) AEP (50%)	2,100,000 (d)	23,621	14.3 % (e)
Prairie Wind	Kansas	2014	Westar Energy (50%) ETA (50%) (f)	225,000	784	12.8 %
Pioneer	Indiana	2016	Duke Energy (50%) AEP (50%)	1,000,000	-	12.54 %

(a) In addition to ETT's current total estimated project costs of $3.1 billion, ETT plans to invest in additional transmission projects in ERCOT over the next several years. Future projects will be evaluated on a case-by-case basis.
(b) In September 2007, AEP Transmission Holding Company, LLC and AET PATH Company, LLC, a subsidiary of Allegheny Energy, Inc., formed a joint venture by creating Potomac-Appalachian Transmission Highline, LLC (PATH) and its subsidiaries. The PATH subsidiaries will operate as transmission utilities owning certain electric transmission assets within PJM.
(c) PJM has directed the construction of the PATH Project and placement of the project into service by June 2015, at the latest.
(d) PATH consists of the "West Virginia Series," which is owned equally by subsidiaries of Allegheny Energy Inc. and AEP, and the "Allegheny Series" which is wholly-owned by a subsidiary of Allegheny Energy Inc. The total project is estimated to cost approximately $2.1 billion. Our estimated share of the project cost is approximately $700 million. In February 2011, the "Ohio Series" was dissolved, which was owned equally by subsidiaries of Allegheny Energy Inc. and AEP.
(e) An October 2010 FERC order set the 14.3% return on equity for hearing.
(f) Electric Transmission America, LLC (ETA) is a 50/50 joint venture with MidAmerican Energy Holdings Company (MEHC) America Transco, LLC and AEP Transmission Holding Company, LLC. ETA will be utilized as a vehicle to invest in selected transmission projects located in North America, outside of ERCOT. AEP Transmission Holding Company, LLC owns 25% of Prairie Wind through its ownership interest in ETA.

For our joint ventures listed above, we forecast approximately $113 million of equity contributions in 2011 to support construction and other expenditures.

MINE SAFETY INFORMATION

The Federal Mine Safety and Health Act of 1977 (Mine Act) imposes stringent health and safety standards on various mining operations. The Mine Act and its related regulations affect numerous aspects of mining operations, including training of mine personnel, mining procedures, equipment used in mine emergency procedures, mine plans and other matters. SWEPCo, through its ownership of DHLC, CSPCo, through its ownership of Conesville Coal Preparation Company (CCPC), and OPCo, through its use of the Conner Run fly ash impoundment, are subject to the provisions of the Mine Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires companies that operate mines to include in their periodic reports filed with the SEC, certain mine safety information covered by the Mine Act. DHLC, CCPC and Conner Run received the following notices of violation and proposed assessments under the Mine Act for the quarter ended December 31, 2010:

	DHLC	CCPC	Conner Run
Number of Citations for Violations of Mandatory Health or Safety Standards under 104 *	1	-	-
Number of Orders Issued under 104(b) *	-	-	-
Number of Citations and Orders for Unwarrantable Failure to Comply with Mandatory Health or Safety Standards under 104(d) *	-	-	-
Number of Flagrant Violations under 110(b)(2) *	-	-	-
Number of Imminent Danger Orders Issued under 107(a) *	-	-	-
Total Dollar Value of Proposed Assessments	$ 1,026	$ -	$ -
Number of Mining-related Fatalities	-	-	-

* References to sections under the Mine Act

DHLC currently has two legal actions pending before the Mine Safety and Health Administration (MSHA) challenging four violations issued by MSHA following an employee fatality in March 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures, including amounts related to legal matters and contingencies. We consider an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made; and
- Changes in the estimate or different estimates that could have been selected could have a material effect on our consolidated net income or financial condition.

We discuss the development and selection of critical accounting estimates as presented below with the Audit Committee of AEP's Board of Directors and the Audit Committee reviews the disclosure relating to them.

We believe that the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, actual results can differ significantly from those estimates.

The sections that follow present information about our critical accounting estimates, as well as the effects of hypothetical changes in the material assumptions used to develop each estimate.

Regulatory Accounting

Nature of Estimates Required

Our consolidated financial statements reflect the actions of regulators that can result in the recognition of revenues and expenses in different time periods than enterprises that are not rate-regulated.

We recognize regulatory assets (deferred expenses to be recovered in the future) and regulatory liabilities (deferred future revenue reductions or refunds) for the economic effects of regulation. Specifically, we match the timing of our expense recognition with the recovery of such expense in regulated revenues. Likewise, we match income with the regulated revenues from our customers in the same accounting period. We also record liabilities for refunds, or probable refunds, to customers that have not been made.

Assumptions and Approach Used

When incurred costs are probable of recovery through regulated rates, we record them as regulatory assets on the balance sheet. We review the probability of recovery at each balance sheet date and whenever new events occur. Examples of new events include changes in the regulatory environment, issuance of a regulatory commission order or passage of new legislation. The assumptions and judgments used by regulatory authorities continue to have an impact on the recovery of costs, rate of return earned on invested capital and timing and amount of assets to be recovered through regulated rates. If recovery of a regulatory asset is no longer probable, we write off that regulatory asset as a charge against earnings. A write-off of regulatory assets may also reduce future cash flows since there will be no recovery through regulated rates.

Effect if Different Assumptions Used

A change in the above assumptions may result in a material impact on our net income. Refer to Note 5 for further detail related to regulatory assets and liabilities.

Revenue Recognition – Unbilled Revenues

Nature of Estimates Required

We record revenues when energy is delivered to the customer. The determination of sales to individual customers is based on the reading of their meters, which we perform on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue accrual is recorded. This estimate is reversed in the following month and actual revenue is recorded based on meter readings. In accordance with the applicable state commission regulatory treatment in Arkansas, Louisiana, Oklahoma and Texas, PSO and SWEPCo do not record the fuel portion of unbilled revenue.

The changes in unbilled electric utility revenues included in Revenue on our Consolidated Statements of Income were $46 million, $55 million and $72 million for the years ended December 31, 2010, 2009 and 2008, respectively. The increases in unbilled electric revenues are primarily due to rate increases and changes in weather. Accrued unbilled revenues for the Utility Operations segment were $549 million and $503 million as of December 31, 2010 and 2009, respectively.

Assumptions and Approach Used

For each operating company, we compute the monthly estimate for unbilled revenues as net generation less the current month's billed KWH plus the prior month's unbilled KWH. However, due to meter reading issues, meter drift and other anomalies, a separate monthly calculation limits the unbilled estimate within a range of values. This limiter calculation is derived from an allocation of billed KWH to the current month and previous month, on a cycle-by-cycle basis, and by dividing the current month aggregated result by the billed KWH. The limits are statistically set at one standard deviation from this percentage to determine the upper and lower limits of the range. The unbilled estimate is compared to the limiter calculation and adjusted for variances exceeding the upper and lower limits.

Effect if Different Assumptions Used

Significant fluctuations in energy demand for the unbilled period, weather, line losses or changes in the composition of customer classes could impact the accuracy of the unbilled revenue estimate. A 1% change in the limiter calculation when it is outside the range would increase or decrease unbilled revenues by 1% of the accrued unbilled revenues.

Accounting for Derivative Instruments

Nature of Estimates Required

We consider fair value techniques, valuation adjustments related to credit and liquidity and judgments related to the probability of forecasted transactions occurring within the specified time period to be critical accounting estimates. These estimates are considered significant because they are highly susceptible to change from period to period and are dependent on many subjective factors.

Assumptions and Approach Used

We measure the fair values of derivative instruments and hedge instruments accounted for using MTM accounting based on exchange prices and broker quotes. If a quoted market price is not available, we estimate the fair value based on the best market information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and other assumptions. Fair value estimates, based upon the best market information available, involve uncertainties and matters of significant judgment. These uncertainties include projections of macroeconomic trends and future commodity prices, including supply and demand levels and future price volatility.

We reduce fair values by estimated valuation adjustments for items such as discounting, liquidity and credit quality. We calculate liquidity adjustments by utilizing bid/ask spreads to estimate the potential fair value impact of liquidating open positions over a reasonable period of time. We calculate credit adjustments on our risk management contracts using estimated default probabilities and recovery rates relative to our counterparties or counterparties with similar credit profiles and contractual netting agreements.

With respect to hedge accounting, we assess hedge effectiveness and evaluate a forecasted transaction's probability of occurrence within the specified time period as provided in the original hedge documentation.

Effect if Different Assumptions Used

There is inherent risk in valuation modeling given the complexity and volatility of energy markets. Therefore, it is possible that results in future periods may be materially different as contracts settle.

The probability that hedged forecasted transactions will not occur by the end of the specified time period could change operating results by requiring amounts currently classified in Accumulated Other Comprehensive Income (Loss) to be classified into operating income.

For additional information regarding derivatives, hedging and fair value measurements, see Notes 10 and 11. See "Fair Value Measurements of Assets and Liabilities" section of Note 1 for fair value calculation policy.

Long-Lived Assets

Nature of Estimates Required

In accordance with the requirements of "Property, Plant and Equipment" accounting guidance, we evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any such assets may not be recoverable or the assets meet the held for sale criteria. We utilize a group composite method of depreciation to estimate the useful lives of long-lived assets as approved by our regulators. The evaluations of long-lived held and used assets may result from abandonments, significant decreases in the market price of an asset, a significant adverse change in the extent or 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 that could affect the value of an asset, as well as other economic or operations analyses. If the carrying amount is not recoverable, we record an impairment to the extent that the fair value of the asset is less than its book value. For assets held for sale, an impairment is recognized if the expected net sales price is less than its book value. For regulated assets, an impairment charge could be offset by the establishment of a regulatory asset if rate recovery is probable. For nonregulated assets, any impairment charge is recorded against earnings.

Assumptions and Approach Used

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets in active markets, we estimate fair value using various internal and external valuation methods including cash flow projections or other market indicators of fair value such as bids received, comparable sales or independent appraisals. We perform depreciation studies to determine composite depreciation rates and related lives which are subject to periodic review by state regulatory commissions. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques.

Effect if Different Assumptions Used

In connection with the evaluation of long-lived assets in accordance with the requirements of "Property, Plant and Equipment" accounting guidance, the fair value of an asset can vary if different estimates and assumptions would have been used in our applied valuation techniques. The estimate for depreciation rates takes into account the history of interim capital replacements and the amount of salvage expected. In cases of impairment, we made our best estimate of fair value using valuation methods based on the most current information at that time. Fluctuations in realized sales proceeds versus the estimated fair value of the asset are generally due to a variety of factors including, but not limited to, differences in subsequent market conditions, the level of bidder interest, timing and terms of the transactions and our analysis of the benefits of the transaction.

Pension and Other Postretirement Benefits

We maintain a qualified, defined benefit pension plan (Qualified Plan), which covers substantially all nonunion and certain union employees, and unfunded, nonqualified supplemental plans (Nonqualified Plans) to provide benefits in excess of amounts permitted under the provisions of the tax law to be paid to participants in the Qualified Plan (collectively the Pension Plans). Additionally, we entered into individual employment contracts with certain current and retired executives that provide additional retirement benefits as a part of the Nonqualified Plans. We also sponsor other postretirement benefit plans to provide medical and life insurance benefits for retired employees (Postretirement Plans). The Pension Plans and Postretirement Plans are collectively the Plans.

For a discussion of investment strategy, investment limitations, target asset allocations and the classification of investments within the fair value hierarchy, see "Investments Held in Trust for Future Liabilities" and "Fair Value Measurements of Assets and Liabilities" sections of Note 1. See Note 8 for information regarding costs and assumptions for employee retirement and postretirement benefits.

The following table shows the net periodic cost of the Plans:

	Years Ended December 31,		
Net Periodic Benefit Cost	**2010**	**2009**	**2008**
		(in millions)	
Pension Plans	$ 141	$ 96	$ 51
Postretirement Plans	111	141	80

The net periodic benefit cost is calculated based upon a number of actuarial assumptions, including expected long-term rates of return on the Plans' assets. In developing the expected long-term rate of return assumption for 2011, we evaluated input from actuaries and investment consultants, including their reviews of asset class return expectations as well as long-term inflation assumptions. We also considered historical returns of the investment markets. We anticipate that the investment managers we employ for the Plans will invest the assets to generate future returns averaging 7.75% for the Qualified Plan and 7.5% for the Postretirement Plans.

The expected long-term rate of return on the Plans' assets is based on our targeted asset allocation and our expected investment returns for each investment category. Our assumptions are summarized in the following table:

	Pension Plans		Other Postretirement Benefit Plans	
	2011 Target Asset Allocation	Assumed/ Expected Long-Term Rate of Return	2011 Target Asset Allocation	Assumed/ Expected Long-Term Rate of Return
Equity	50 %	9.00 %	66 %	9.00 %
Real Estate	5 %	7.60 %	-%	- %
Fixed Income	39 %	5.75 %	32 %	5.75 %
Other Investments	5 %	10.50 %	-%	- %
Cash and Cash Equivalents	1 %	3.00 %	2 %	3.00 %
Total	100 %		100 %	

We regularly review the actual asset allocation and periodically rebalance the investments to our targeted allocation. We believe that 7.75% for the Pension Plan and 7.5% for the Postretirement Plans are reasonable long-term rates of return on the Plans' assets despite the recent market volatility. The Pension Plan's assets had an actual gain of 13.4% and 17.1% for the years ended December 31, 2010 and 2009, respectively. The Postretirement Plans' assets had an actual gain of 11.3% and 23.7% for the years ended December 31, 2010 and 2009, respectively. We will continue to evaluate the actuarial assumptions, including the expected rate of return, at least annually, and will adjust the assumptions as necessary.

We base our determination of pension expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded. As of December 31, 2010, we had cumulative losses of approximately $285 million that remain to be recognized in the calculation of the market-related value of assets. These unrecognized net actuarial losses will result in increases in the future pension costs depending on several factors, including whether such losses at each measurement date exceed the corridor in accordance with "Compensation – Retirement Benefits" accounting guidance.

The method used to determine the discount rate that we utilize for determining future obligations is a duration-based method in which a hypothetical portfolio of high quality corporate bonds similar to those included in the Moody's Aa bond index is constructed with a duration matching the benefit plan liability. The composite yield on the hypothetical bond portfolio is used as the discount rate for the plan. The discount rate at December 31, 2010 under this method was 5.05% for the Qualified Plan, 4.95% for the Nonqualified Plans and 5.25% for the Postretirement Plans. Due to the effect of the unrecognized actuarial losses and based on an expected rate of return on the Pension Plans' assets of 7.75%, discount rates of 5.05% and 4.95% and various other assumptions, we estimate that the pension costs for the Pension Plans will approximate $144 million, $166 million and $194 million in 2011, 2012 and 2013, respectively. Based on an expected rate of return on the Postretirement Plans' assets of 7.5%, a discount rate of 5.25% and various other assumptions, we estimate costs will approximate $82 million, $78 million and $74 million in 2011, 2012 and 2013, respectively. Future actual costs will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the Plans. The actuarial assumptions used may differ materially from actual results. The effects of a 50 basis point change to selective actuarial assumptions are included in the "Effect if Different Assumptions Used" section below.

The value of the Pension Plan's assets increased to $3.9 billion at December 31, 2010 from $3.4 billion at December 31, 2009 primarily due to a $500 million contribution. During 2010, the Qualified Plan paid $465 million and the Nonqualified Plans paid $15 million in benefits to plan participants. The value of the Postretirement Plans' assets increased to $1.5 billion at December 31, 2010 from $1.3 billion at December 31, 2009 primarily due to investment gains and contributions. The Postretirement Plans paid $142 million in benefits to plan participants during 2010.

Nature of Estimates Required

We sponsor pension and other retirement and postretirement benefit plans in various forms covering all employees who meet eligibility requirements. We account for these benefits under "Compensation" and "Plan Accounting" accounting guidance. The measurement of our pension and postretirement benefit obligations, costs and liabilities is dependent on a variety of assumptions.

Assumptions and Approach Used

The critical assumptions used in developing the required estimates include the following key factors:

- Discount rate
- Rate of compensation increase
- Cash balance crediting rate
- Health care cost trend rate
- Expected return on plan assets

Other assumptions, such as retirement, mortality and turnover, are evaluated periodically and updated to reflect actual experience.

Effect if Different Assumptions Used

The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants or higher or lower lump sum versus annuity payout elections by plan participants. These differences may result in a significant impact to the amount of pension and postretirement benefit expense recorded. If a 50 basis point change were to occur for the following assumptions, the approximate effect on the financial statements would be as follows:

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
	(in millions)			
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (233)	$ 256	$ (132)	$ 147
Compensation Increase Rate	11	(10)	-	-
Cash Balance Crediting Rate	43	(38)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	114	(101)
Effect on 2010 Periodic Cost				
Discount Rate	(20)	22	(12)	14
Compensation Increase Rate	4	(3)	1	(1)
Cash Balance Crediting Rate	10	(9)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	18	(16)
Expected Return on Plan Assets	(20)	20	(6)	6

N/A Not Applicable

Nuclear Trust Funds

Nuclear decommissioning and spent nuclear fuel trust funds represent funds that regulatory commissions allow us to collect through rates to fund future decommissioning and spent nuclear fuel disposal liabilities. By rules or orders, the IURC, the MPSC and the FERC established investment limitations and general risk management guidelines.

We maintain trust funds for each regulatory jurisdiction. These funds are managed by external investment managers who must comply with the guidelines and rules of the applicable regulatory authorities. The trust assets are invested to optimize the net of tax earnings of the trust giving consideration to liquidity, risk, diversification and other prudent investment objectives. We record securities held in these trust funds as Spent Nuclear Fuel and

Decommissioning Trusts on our Consolidated Balance Sheets. We record these securities at fair value. We utilize our trustee's external pricing service in our estimate of the fair value of the underlying investments held in these trusts. Our investment managers review and validate the prices utilized by the trustee to determine fair value. We perform our own valuation testing to verify the fair values of the securities. We receive audit reports of our trustee's operating controls and valuation processes. See "Investments Held in Trust for Future Liabilities" section of Note 1 and "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11.

NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements Adopted During 2010

We adopted ASU 2009-16 "Transfers and Servicing" effective January 1, 2010. The adoption of this standard resulted in AEP Credit's transfers of receivables being accounted for as financings with the receivables and short-term debt recorded on our balance sheet.

We adopted the prospective provisions of ASU 2009-17 "Consolidations" effective January 1, 2010. We no longer consolidate DHLC effective with the adoption of this standard.

See Note 2 for further discussion of accounting pronouncements.

Future Accounting Changes

The FASB's standard-setting process is ongoing and until new standards have been finalized and issued, we cannot determine the impact on the reporting of our operations and financial position that may result from any such future changes. The FASB is currently working on several projects including revenue recognition, contingencies, financial instruments, emission allowances, fair value measurements, leases, insurance, hedge accounting, consolidation policy and discontinued operations. We also expect to see more FASB projects as a result of its desire to converge International Accounting Standards with GAAP. The ultimate pronouncements resulting from these and future projects could have an impact on our future net income and financial position.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND CREDIT RISK

Market Risks

Our Utility Operations segment is exposed to certain market risks as a major power producer and transacts in wholesale electricity, coal and emission allowance trading and marketing contracts. These risks include commodity price risk, interest rate risk and credit risk. In addition, we are exposed to foreign currency exchange risk because occasionally we procure various services and materials used in our energy business from foreign suppliers. These risks represent the risk of loss that may impact us due to changes in the underlying market prices or rates.

Our Generation and Marketing segment, operating primarily within ERCOT and to a lesser extent Ohio in PJM and MISO, primarily transacts in wholesale energy marketing contracts. This segment is exposed to certain market risks as a marketer of wholesale electricity. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact us due to changes in the underlying market prices or rates.

All Other includes natural gas operations which holds forward natural gas contracts that were not sold with the natural gas pipeline and storage assets. These contracts are financial derivatives, which gradually settle and completely expire in 2011. Our risk objective is to keep these positions generally risk neutral through maturity.

We employ risk management contracts including physical forward purchase and sale contracts and financial forward purchase and sale contracts. We engage in risk management of electricity, coal, natural gas and emission allowances and to a lesser degree other commodities associated with our energy business. As a result, we are subject to price risk. The amount of risk taken is determined by the commercial operations group in accordance with the market risk policy approved by the Finance Committee of our Board of Directors. Our market risk oversight staff independently monitors our risk policies, procedures and risk levels and provides members of the Commercial Operations Risk Committee (CORC) various daily, weekly and/or monthly reports regarding compliance with policies, limits and procedures. The CORC consists of our President, Chief Financial Officer, Senior Vice President of Commercial Operations and Chief Risk Officer. When commercial activities exceed predetermined limits, we modify the positions to reduce the risk to be within the limits unless specifically approved by the CORC.

The following table summarizes the reasons for changes in total mark-to-market (MTM) value as compared to December 31, 2009:

MTM Risk Management Contract Net Assets (Liabilities)
Year Ended December 31, 2010

	Utility Operations	Generation and Marketing	All Other	Total
		(in millions)		
Total MTM Risk Management Contract Net Assets (Liabilities) at December 31, 2009	$ 134	$ 147	$ (3)	$ 278
(Gain) Loss from Contracts Realized/Settled During the Period and Entered in a Prior Period	(81)	(16)	5	(92)
Fair Value of New Contracts at Inception When Entered During the Period (a)	17	8	-	25
Net Option Premiums Received for Unexercised or Unexpired Option Contracts Entered During the Period	(1)	-	-	(1)
Changes in Fair Value Due to Valuation Methodology Changes on Forward Contracts (b)	(2)	(2)	-	(4)
Changes in Fair Value Due to Market Fluctuations During the Period (c)	6	3	-	9
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	18	-	-	18
Total MTM Risk Management Contract Net Assets at December 31, 2010	$ 91	$ 140	$ 2	233
Commodity Cash Flow Hedge Contracts				11
Interest Rate and Foreign Currency Cash Flow Hedge Contracts				21
Fair Value Hedge Contracts				6
Collateral Deposits				101
Total MTM Derivative Contract Net Assets at December 31, 2010				$ 372

(a) Reflects fair value on primarily long-term structured contracts which are typically with customers that seek fixed pricing to limit their risk against fluctuating energy prices. The contract prices are valued against market curves associated with the delivery location and delivery term. A significant portion of the total volumetric position has been economically hedged.
(b) Reflects changes in methodology in calculating the credit and discounting liability fair value adjustments.
(c) Market fluctuations are attributable to various factors such as supply/demand, weather, etc.
(d) Relates to the net gains (losses) of those contracts that are not reflected on the Consolidated Statements of Income. These net gains (losses) are recorded as regulatory liabilities/assets.

See Note 10 – Derivatives and Hedging and Note 11 – Fair Value Measurements for additional information related to our risk management contracts. The following tables and discussion provide information on our credit risk and market volatility risk.

Credit Risk

We limit credit risk in our wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. We use Moody's Investors Service, Standard & Poor's and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

We have risk management contracts with numerous counterparties. Since open risk management contracts are valued based on changes in market prices of the related commodities, our exposures change daily. As of December 31, 2010, our credit exposure net of collateral to sub investment grade counterparties was approximately 5.3%, expressed in terms of net MTM assets, net receivables and the net open positions for contracts not subject to MTM (representing economic risk even though there may not be risk of accounting loss). As of December 31, 2010, the following table approximates our counterparty credit quality and exposure based on netting across commodities, instruments and legal entities where applicable:

Counterparty Credit Quality	Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number of Counterparties >10% of Net Exposure	Net Exposure of Counterparties >10%
		(in millions, except number of counterparties)			
Investment Grade	$ 666	$ 19	$ 647	1	$ 189
Split Rating	2	-	2	1	2
Noninvestment Grade	4	3	1	2	1
No External Ratings:					
Internal Investment Grade	215	-	215	2	123
Internal Noninvestment Grade	59	11	48	1	32
Total as of December 31, 2010	$ 946	$ 33	$ 913	7	$ 347
Total as of December 31, 2009	$ 846	$ 58	$ 788	12	$ 317

Value at Risk (VaR) Associated with Risk Management Contracts

We use a risk measurement model, which calculates VaR, to measure our commodity price risk in the risk management portfolio. The VaR is based on the variance-covariance method using historical prices to estimate volatilities and correlations and assumes a 95% confidence level and a one-day holding period. Based on this VaR analysis, as of December 31, 2010, a near term typical change in commodity prices is not expected to have a material effect on our net income, cash flows or financial condition.

The following table shows the end, high, average and low market risk as measured by VaR for the trading portfolio for the periods indicated:

VaR Model

Twelve Months Ended December 31, 2010				Twelve Months Ended December 31, 2009			
End	High	Average	Low	End	High	Average	Low
(in millions)				(in millions)			
$-	$2	$1	$-	$1	$2	$1	$-

We back-test our VaR results against performance due to actual price movements. Based on the assumed 95% confidence interval, the performance due to actual price movements would be expected to exceed the VaR at least once every 20 trading days.

As our VaR calculation captures recent price movements, we also perform regular stress testing of the portfolio to understand our exposure to extreme price movements. We employ a historical-based method whereby the current portfolio is subjected to actual, observed price movements from the last four years in order to ascertain which historical price movements translated into the largest potential MTM loss. We then research the underlying positions, price movements and market events that created the most significant exposure and report the findings to the Risk Executive Committee or the CORC as appropriate.

Interest Rate Risk

We utilize an Earnings at Risk (EaR) model to measure interest rate market risk exposure. EaR statistically quantifies the extent to which our interest expense could vary over the next twelve months and gives a probabilistic estimate of different levels of interest expense. The resulting EaR is interpreted as the dollar amount by which actual interest expense for the next twelve months could exceed expected interest expense with a one-in-twenty chance of occurrence. The primary drivers of EaR are from the existing floating rate debt (including short-term debt) as well as long-term debt issuances in the next twelve months. As calculated on debt outstanding as of December 31, 2010 and 2009, the estimated EaR on our debt portfolio for the following twelve months was $5 million and $4 million, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of American Electric Power Company, Inc.:

We have audited the accompanying consolidated balance sheets of American Electric Power Company, Inc. and subsidiary companies (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income (loss), 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of American Electric Power Company, Inc. and subsidiary companies as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted FASB Accounting Standards Update No. 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets*, effective January 1, 2010.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the 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 on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of American Electric Power Company, Inc.:

We have audited the internal control over financial reporting of American Electric Power Company, Inc. and subsidiary companies (the "Company") 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 Company'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 the accompanying *Management's Report on Internal Control Over Financial Reporting*. 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated February 25, 2011 expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the Company's adoption of a new accounting pronouncement.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of American Electric Power Company, Inc. and subsidiary companies (AEP) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. AEP's internal control system was 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.

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.

Management assessed the effectiveness of AEP's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, AEP's internal control over financial reporting was effective as of December 31, 2010.

AEP's independent registered public accounting firm has issued an attestation report on AEP's internal control over financial reporting. The Report of Independent Registered Public Accounting Firm appears on the previous page.

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AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in millions, except per-share and share amounts)

	2010	2009	2008
REVENUES			
Utility Operations	$ 13,687	$ 12,733	$ 13,326
Other Revenues	740	756	1,114
TOTAL REVENUES	14,427	13,489	14,440
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	4,029	3,478	4,474
Purchased Electricity for Resale	1,000	1,053	1,281
Other Operation	3,132	2,620	2,856
Maintenance	1,142	1,205	1,053
Gain on Settlement of TEM Litigation	-	-	(255)
Depreciation and Amortization	1,641	1,597	1,483
Taxes Other Than Income Taxes	820	765	761
TOTAL EXPENSES	11,764	10,718	11,653
OPERATING INCOME	2,663	2,771	2,787
Other Income (Expense):			
Interest and Investment Income	38	11	57
Carrying Costs Income	70	47	83
Allowance for Equity Funds Used During Construction	77	82	45
Interest Expense	(999)	(973)	(957)
INCOME BEFORE INCOME TAX EXPENSE AND EQUITY EARNINGS	1,849	1,938	2,015
Income Tax Expense	643	575	642
Equity Earnings of Unconsolidated Subsidiaries	12	7	3
INCOME BEFORE DISCONTINUED OPERATIONS AND EXTRAORDINARY LOSS	1,218	1,370	1,376
DISCONTINUED OPERATIONS, NET OF TAX	-	-	12
INCOME BEFORE EXTRAORDINARY LOSS	1,218	1,370	1,388
EXTRAORDINARY LOSS, NET OF TAX	-	(5)	-
NET INCOME	1,218	1,365	1,388
Less: Net Income Attributable to Noncontrolling Interests	4	5	5
NET INCOME ATTRIBUTABLE TO AEP SHAREHOLDERS	1,214	1,360	1,383
Less: Preferred Stock Dividend Requirements of Subsidiaries	3	3	3
EARNINGS ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	$ 1,211	$ 1,357	$ 1,380
WEIGHTED AVERAGE NUMBER OF BASIC AEP COMMON SHARES OUTSTANDING	479,373,306	458,677,534	402,083,847
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS			
Income Before Discontinued Operations and Extraordinary Loss	$ 2.53	$ 2.97	$ 3.40
Discontinued Operations, Net of Tax	-	-	0.03
Income Before Extraordinary Loss	2.53	2.97	3.43
Extraordinary Loss, Net of Tax	-	(0.01)	-
TOTAL BASIC EARNINGS PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	$ 2.53	$ 2.96	$ 3.43
WEIGHTED AVERAGE NUMBER OF DILUTED AEP COMMON SHARES OUTSTANDING	479,601,442	458,982,292	403,640,708
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS			
Income Before Discontinued Operations and Extraordinary Loss	$ 2.53	$ 2.97	$ 3.39
Discontinued Operations, Net of Tax	-	-	0.03
Income Before Extraordinary Loss	2.53	2.97	3.42
Extraordinary Loss, Net of Tax	-	(0.01)	-
TOTAL DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO AEP COMMON SHAREHOLDERS	$ 2.53	$ 2.96	$ 3.42
CASH DIVIDENDS PAID PER SHARE	$ 1.71	$ 1.64	$ 1.64

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in millions)

	AEP Common Shareholders						
	Common Stock						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
TOTAL EQUITY – DECEMBER 31, 2007	422	$ 2,743	$ 4,352	$ 3,138	$ (154)	$ 18	$ 10,097
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $6				(10)			(10)
Adoption of Guidance for Fair Value Accounting, Net of Tax of $0				(1)			(1)
Issuance of Common Stock	4	28	131				159
Reissuance of Treasury Shares			40				40
Common Stock Dividends				(660)		(6)	(666)
Preferred Stock Dividend Requirements of Subsidiaries				(3)			(3)
Other Changes in Equity			4				4
SUBTOTAL – EQUITY							9,620
COMPREHENSIVE INCOME							
Other Comprehensive Income (Loss), Net of Taxes:							
Cash Flow Hedges, Net of Tax of $2					4		4
Securities Available for Sale, Net of Tax of $9					(16)		(16)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $7					12		12
Pension and OPEB Funded Status, Net of Tax of $161					(298)		(298)
NET INCOME				1,383		5	1,388
TOTAL COMPREHENSIVE INCOME							1,090
TOTAL EQUITY – DECEMBER 31, 2008	426	2,771	4,527	3,847	(452)	17	10,710
Issuance of Common Stock	72	468	1,311				1,779
Common Stock Dividends				(753)		(5)	(758)
Preferred Stock Dividend Requirements of Subsidiaries				(3)			(3)
Purchase of JMG			37			(18)	19
Other Changes in Equity			(51)			1	(50)
SUBTOTAL – EQUITY							11,697
COMPREHENSIVE INCOME							
Other Comprehensive Income, Net of Taxes:							
Cash Flow Hedges, Net of Tax of $4					7		7
Securities Available for Sale, Net of Tax of $6					11		11
Reapplication of Regulated Operations Accounting Guidance for Pensions, Net of Tax of $8					15		15
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $13					23		23
Pension and OPEB Funded Status, Net of Tax of $12					22		22
NET INCOME				1,360		5	1,365
TOTAL COMPREHENSIVE INCOME							1,443
TOTAL EQUITY – DECEMBER 31, 2009	498	3,239	5,824	4,451	(374)	-	13,140
Issuance of Common Stock	3	18	75				93
Common Stock Dividends				(820)		(4)	(824)
Preferred Stock Dividend Requirements of Subsidiaries				(3)			(3)
Other Changes in Equity			5				5
SUBTOTAL – EQUITY							12,411
COMPREHENSIVE INCOME							
Other Comprehensive Income (Loss), Net of Taxes:							
Cash Flow Hedges, Net of Tax of $14					26		26
Securities Available for Sale, Net of Tax of $4					(8)		(8)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $12					22		22
Pension and OPEB Funded Status, Net of Tax of $25					(47)		(47)
NET INCOME				1,214		4	1,218
TOTAL COMPREHENSIVE INCOME							1,211
TOTAL EQUITY – DECEMBER 31, 2010	501	$ 3,257	$ 5,904	$ 4,842	$ (381)	$ -	$ 13,622

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in millions)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 294	$ 490
Other Temporary Investments		
(December 31, 2010 amount includes $287 related to Transition Funding and EIS)	416	363
Accounts Receivable:		
Customers	683	492
Accrued Unbilled Revenues	195	503
Pledged Accounts Receivable - AEP Credit	949	-
Miscellaneous	137	92
Allowance for Uncollectible Accounts	(41)	(37)
Total Accounts Receivable	1,923	1,050
Fuel	837	1,075
Materials and Supplies	611	586
Risk Management Assets	232	260
Accrued Tax Benefits	389	547
Regulatory Asset for Under-Recovered Fuel Costs	81	85
Margin Deposits	88	89
Prepayments and Other Current Assets	145	211
TOTAL CURRENT ASSETS	5,016	4,756
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	24,352	23,045
Transmission	8,576	8,315
Distribution	14,208	13,549
Other Property, Plant and Equipment (including nuclear fuel and coal mining)	3,846	3,744
Construction Work in Progress	2,758	3,031
Total Property, Plant and Equipment	53,740	51,684
Accumulated Depreciation and Amortization	18,066	17,340
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	35,674	34,344
OTHER NONCURRENT ASSETS		
Regulatory Assets	4,943	4,595
Securitized Transition Assets	1,742	1,896
Spent Nuclear Fuel and Decommissioning Trusts	1,515	1,392
Goodwill	76	76
Long-term Risk Management Assets	410	343
Deferred Charges and Other Noncurrent Assets	1,079	946
TOTAL OTHER NONCURRENT ASSETS	9,765	9,248
TOTAL ASSETS	$ 50,455	$ 48,348

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
December 31, 2010 and 2009
(dollars in millions)

	2010	2009
CURRENT LIABILITIES		
Accounts Payable	$ 1,061	$ 1,158
Short-term Debt:		
Securitized Debt for Receivables - AEP Credit	690	-
Other Short-term Debt	656	126
Total Short-term Debt	1,346	126
Long-term Debt Due Within One Year	1,309	1,741
Risk Management Liabilities	129	120
Customer Deposits	273	256
Accrued Taxes	702	632
Accrued Interest	281	287
Regulatory Liability for Over-Recovered Fuel Costs	17	76
Deferred Gain and Accrued Litigation Costs	448	-
Other Current Liabilities	952	931
TOTAL CURRENT LIABILITIES	6,518	5,327
NONCURRENT LIABILITIES		
Long-term Debt (December 31, 2010 amount includes $1,857 related to Transition Funding, DCC Fuel and Sabine)	15,502	15,757
Long-term Risk Management Liabilities	141	128
Deferred Income Taxes	7,359	6,420
Regulatory Liabilities and Deferred Investment Tax Credits	3,171	2,909
Asset Retirement Obligations	1,394	1,254
Employee Benefits and Pension Obligations	1,893	2,189
Deferred Credits and Other Noncurrent Liabilities	795	1,163
TOTAL NONCURRENT LIABILITIES	30,255	29,820
TOTAL LIABILITIES	36,773	35,147
Cumulative Preferred Stock Not Subject to Mandatory Redemption	60	61
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
EQUITY		
Common Stock – Par Value – $6.50 Per Share:		

	2010	2009
Shares Authorized	600,000,000	600,000,000
Shares Issued	501,114,881	498,333,265

	2010	2009
(20,307,725 shares and 20,278,858 shares were held in treasury at December 31, 2010 and 2009, respectively)	3,257	3,239
Paid-in Capital	5,904	5,824
Retained Earnings	4,842	4,451
Accumulated Other Comprehensive Income (Loss)	(381)	(374)
TOTAL AEP COMMON SHAREHOLDERS' EQUITY	13,622	13,140
TOTAL EQUITY	13,622	13,140
TOTAL LIABILITIES AND EQUITY	$ 50,455	$ 48,348

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in millions)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 1,218	$ 1,365	$ 1,388
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	1,641	1,597	1,483
Deferred Income Taxes	809	1,244	498
Provision for SIA Refund	-	-	149
Discontinued Operations, Net of Tax	-	-	(12)
Extraordinary Loss, Net of Tax	-	5	-
Carrying Costs Income	(70)	(47)	(83)
Allowance for Equity Funds Used During Construction	(77)	(82)	(45)
Mark-to-Market of Risk Management Contracts	30	(59)	(140)
Amortization of Nuclear Fuel	139	63	88
Pension Contributions to Qualified Plan Trust	(500)	-	-
Property Taxes	(21)	(17)	(13)
Fuel Over/Under-Recovery, Net	(253)	(474)	(272)
Gains on Sales of Assets, Net	(14)	(15)	(17)
Change in Other Noncurrent Assets	(75)	(137)	(244)
Change in Other Noncurrent Liabilities	202	244	8
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(866)	41	71
Fuel, Materials and Supplies	221	(475)	(183)
Margin Deposits	1	(3)	(40)
Accounts Payable	(36)	8	(94)
Customer Deposits	14	2	(48)
Accrued Taxes, Net	179	(470)	4
Accrued Interest	(8)	17	30
Other Current Assets	72	(70)	(29)
Other Current Liabilities	56	(262)	82
Net Cash Flows from Operating Activities	2,662	2,475	2,581
INVESTING ACTIVITIES			
Construction Expenditures	(2,345)	(2,792)	(3,800)
Change in Other Temporary Investments, Net	(4)	16	45
Purchases of Investment Securities	(1,918)	(853)	(1,922)
Sales of Investment Securities	1,817	748	1,917
Acquisitions of Nuclear Fuel	(91)	(169)	(192)
Acquisitions of Assets	(155)	(104)	(160)
Proceeds from Sales of Assets	187	278	90
Other Investing Activities	(14)	(40)	(5)
Net Cash Flows Used for Investing Activities	(2,523)	(2,916)	(4,027)
FINANCING ACTIVITIES			
Issuance of Common Stock, Net	93	1,728	159
Issuance of Long-term Debt	1,270	2,306	2,774
Commercial Paper and Credit Facility Borrowings	565	127	2,055
Change in Short-term Debt, Net	770	119	(660)
Retirement of Long-term Debt	(1,993)	(816)	(1,824)
Commercial Paper and Credit Facility Repayments	(115)	(2,096)	(79)
Principal Payments for Capital Lease Obligations	(95)	(82)	(97)
Dividends Paid on Common Stock	(824)	(758)	(666)
Dividends Paid on Cumulative Preferred Stock	(3)	(3)	(3)
Other Financing Activities	(3)	(5)	20
Net Cash Flows from (Used for) Financing Activities	(335)	520	1,679
Net Increase (Decrease) in Cash and Cash Equivalents	(196)	79	233
Cash and Cash Equivalents at Beginning of Period	490	411	178
Cash and Cash Equivalents at End of Period	$ 294	$ 490	$ 411

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
INDEX OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The principal business conducted by seven of our electric utility operating companies is the generation, transmission and distribution of electric power. TCC exited the generation business and along with KGPCo and WPCo, provides only transmission and distribution services. TNC engages in the transmission and distribution of electric power and is a part owner in the Oklaunion Plant operated by PSO. TNC leases their entire portion of the output of the plant through 2027 to a nonutility affiliate. AEGCo is a regulated electricity generation business whose function is to provide power to our regulated electric utility operating companies. These companies are subject to regulation by the FERC under the Federal Power Act and the Energy Policy Act of 2005. These companies maintain accounts in accordance with the FERC and other regulatory guidelines. These companies are subject to further regulation with regard to rates and other matters by state regulatory commissions.

We also engage in wholesale electricity, natural gas and other commodity marketing and risk management activities in the United States. In addition, our operations include nonregulated wind farms and barging operations and we provide various energy-related services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rates and Service Regulation

Our public utility subsidiaries' rates are regulated by the FERC and state regulatory commissions in our eleven state operating territories. The FERC also regulates our affiliated transactions, including AEPSC intercompany service billings which are generally at cost, under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over the issuances and acquisitions of securities of our public utility subsidiaries, the acquisition or sale of certain utility assets and mergers with another electric utility or holding company. For non-power goods and services, the FERC requires that a nonregulated affiliate can bill an affiliated public utility company no more than market while a public utility must bill the higher of cost or market to a nonregulated affiliate. The state regulatory commissions also regulate certain intercompany transactions under various orders and affiliate statutes. Both the FERC and state regulatory commissions are permitted to review and audit the relevant books and records of companies within a public utility holding company system.

The FERC regulates wholesale power markets and wholesale power transactions. Our wholesale power transactions are generally market-based. They are cost-based regulated when we negotiate and file a cost-based contract with the FERC or the FERC determines that we have "market power" in the region where the transaction occurs. We have entered into wholesale power supply contracts with various municipalities and cooperatives that are FERC-regulated, cost-based contracts. These contracts are generally formula rate mechanisms, which are trued up to actual costs annually. Our wholesale power transactions in the SPP region are cost-based due to PSO and SWEPCo having market power in the SPP region.

The state regulatory commissions regulate all of the distribution operations and rates of our retail public utilities on a cost basis. They also regulate the retail generation/power supply operations and rates except in Ohio and the ERCOT region of Texas. The ESP rates in Ohio continue the process of aligning generation/power supply rates over time with market rates. In the ERCOT region of Texas, the generation/supply business is under customer choice and market pricing and is conducted by REPs. Through its nonregulated subsidiaries, AEP enters into short and long-term wholesale transactions to buy or sell capacity, energy and ancillary services in the ERCOT market. In addition, these nonregulated subsidiaries control certain wind and coal-fired generation assets, the power from which is marketed and sold in ERCOT. Effective November 2009, AEP had no active REPs in ERCOT. SWEPCo operates in the SPP area which includes a portion of Texas. In 2009, the Texas legislature amended its restructuring legislation for the generation portion of SWEPCo's Texas retail jurisdiction to delay indefinitely restructuring requirements. As a result, SWEPCo reapplied accounting guidance for "Regulated Operations" to its Texas generation operations.

The FERC also regulates our wholesale transmission operations and rates. The FERC claims jurisdiction over retail transmission rates when retail rates are unbundled in connection with restructuring. CSPCo's and OPCo's retail transmission rates in Ohio, APCo's retail transmission rates in Virginia, I&M's retail transmission rates in Michigan and TCC's and TNC's retail transmission rates in Texas are unbundled. CSPCo's and OPCo's retail transmission rates in Ohio and APCo's retail transmission rates in Virginia are based on the FERC's Open Access Transmission Tariff (OATT) rates that are cost-based. Although I&M's retail transmission rates in Michigan and TCC's and TNC's retail transmission rates in Texas are unbundled, retail transmission rates are regulated, on a cost basis, by the state regulatory commissions. Bundled retail transmission rates are regulated, on a cost basis, by the state commissions.

In addition, the FERC regulates the SIA, the Interconnection Agreement, the CSW Operating Agreement, the System Transmission Integration Agreement, the Transmission Agreement, the Transmission Coordination Agreement and the AEP System Interim Allowance Agreement, all of which allocate shared system costs and revenues to the utility subsidiaries that are parties to each agreement.

Principles of Consolidation

Our consolidated financial statements include our wholly-owned and majority-owned subsidiaries and variable interest entities (VIEs) of which we are the primary beneficiary. Intercompany items are eliminated in consolidation. We use the equity method of accounting for equity investments where we exercise significant influence but do not hold a controlling financial interest. Such investments are recorded as Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets; equity earnings are included in Equity Earnings of Unconsolidated Subsidiaries on our Consolidated Statements of Income. We have ownership interests in generating units that are jointly-owned with nonaffiliated companies. Our proportionate share of the operating costs associated with such facilities is included on our Consolidated Statements of Income and our proportionate share of the assets and liabilities are reflected on our Consolidated Balance Sheets.

Variable Interest Entities

The accounting guidance for "Variable Interest Entities" is a consolidation model that considers if a company has a controlling financial interest in a VIE. A controlling financial interest will have both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Entities are required to consolidate a VIE when it is determined that they have a controlling financial interest in a VIE and therefore, are the primary beneficiary of that VIE, as defined by the accounting guidance for "Variable Interest Entities." In determining whether we are the primary beneficiary of a VIE, we consider factors such as equity at risk, the amount of the VIE's variability we absorb, guarantees of indebtedness, voting rights including kick-out rights, power to direct the VIE and other factors. We believe that significant assumptions and judgments were applied consistently. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

We are the primary beneficiary of Sabine, DCC Fuel LLC, DCC Fuel II LLC, DCC Fuel III LLC, AEP Credit, Transition Funding and a protected cell of EIS. As of January 1, 2010, we are no longer the primary beneficiary of DHLC as defined by the new accounting guidance for "Variable Interest Entities." In addition, we have not provided material financial or other support to Sabine, DCC Fuel LLC, DCC Fuel II LLC, DCC Fuel III LLC, Transition Funding, our protected cell of EIS and AEP Credit that was not previously contractually required. We hold a significant variable interest in Potomac-Appalachian Transmission Highline, LLC West Virginia Series (West Virginia Series) and DHLC.

Sabine is a mining operator providing mining services to SWEPCo. SWEPCo has no equity investment in Sabine but is Sabine's only customer. SWEPCo guarantees the debt obligations and lease obligations of Sabine. Under the terms of the note agreements, substantially all assets are pledged and all rights under the lignite mining agreement are assigned to SWEPCo. The creditors of Sabine have no recourse to any AEP entity other than SWEPCo. Under the provisions of the mining agreement, SWEPCo is required to pay, as a part of the cost of lignite delivered, an amount equal to mining costs plus a management fee. In addition, SWEPCo determines how much coal will be mined for each year. Based on these facts, management concluded that SWEPCo is the primary beneficiary and is required to consolidate Sabine. SWEPCo's total billings from Sabine for the years ended December 31, 2010, 2009 and 2008 were $133 million, $99 million and $110 million, respectively. See the tables below for the classification of Sabine's assets and liabilities on our Consolidated Balance Sheets.

Our subsidiaries participate in one protected cell of EIS for approximately ten lines of insurance. EIS has multiple protected cells. Neither AEP nor its subsidiaries have an equity investment in EIS. The AEP System is essentially this EIS cell's only participant, but allows certain third parties access to this insurance. Our subsidiaries and any allowed third parties share in the insurance coverage, premiums and risk of loss from claims. Based on our control and the structure of the protected cell and EIS, management concluded that we are the primary beneficiary of the protected cell and are required to consolidate its assets and liabilities. Our insurance premium payments to the protected cell for the years ended December 31, 2010, 2009 and 2008 were $35 million, $30 million and $28 million, respectively. See the tables below for the classification of the protected cell's assets and liabilities on our Consolidated Balance Sheets. The amount reported as equity is the protected cell's policy holders' surplus.

In September 2009, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel LLC. In April 2010, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel II LLC. In December 2010, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel III LLC. DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC (collectively DCC Fuel) were formed for the purpose of acquiring, owning and leasing nuclear fuel to I&M. DCC Fuel purchased the nuclear fuel from I&M with funds received from the issuance of notes to financial institutions. Each entity is a single-lessee leasing arrangement with only one asset and is capitalized with all debt. DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC are separate legal entities from I&M, the assets of which are not available to satisfy the debts of I&M. Payments on the DCC Fuel LLC and DCC Fuel II LLC leases are made semi-annually and began in April 2010 and October 2010, respectively. Payments on the DCC Fuel III LLC lease are made monthly and will begin in January 2011. Payments on the leases for the year ended December 31, 2010 were $59 million. No payments were made to DCC Fuel in 2009. The leases were recorded as capital leases on I&M's balance sheet as title to the nuclear fuel transfers to I&M at the end of the 48, 54 and 54 month lease term, respectively. Based on our control of DCC Fuel, management concluded that I&M is the primary beneficiary and is required to consolidate DCC Fuel. The capital leases are eliminated upon consolidation. See the tables below for the classification of DCC Fuel's assets and liabilities on our Consolidated Balance Sheets.

AEP Credit is a wholly-owned subsidiary of AEP. AEP Credit purchases, without recourse, accounts receivable from certain utility subsidiaries of AEP to reduce working capital requirements. AEP Parent provides a minimum of 5% equity and up to 20% of AEP Credit's short-term borrowing needs in excess of third party financings. Any third party financing of AEP Credit only has recourse to the receivables securitized for such financing. Based on our control of AEP Credit, management has concluded that we are the primary beneficiary and are required to consolidate its assets and liabilities. See the tables below for the classification of AEP Credit's assets and liabilities on our Consolidated Balance Sheets. See the "ASU 2009-17 'Consolidation' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010. Also, see "Securitized Accounts Receivables – AEP Credit" section of Note 14.

DHLC is a mining operator who sells 50% of the lignite produced to SWEPCo and 50% to CLECO. SWEPCo and CLECO share the executive board seats and its voting rights equally. Each entity guarantees a 50% share of DHLC's debt. SWEPCo and CLECO equally approve DHLC's annual budget. The creditors of DHLC have no recourse to any AEP entity other than SWEPCo. As SWEPCo is the sole equity owner of DHLC, it receives 100% of the management fee. Based on the shared control of DHLC's operations, management concluded as of January 1, 2010 that SWEPCo is no longer the primary beneficiary and is no longer required to consolidate DHLC. SWEPCo's total billings from DHLC for the years ended December 31, 2010, 2009 and 2008 were $56 million, $43 million and $44 million, respectively. See the tables below for the classification of DHLC's assets and liabilities on our Consolidated Balance Sheets at December 31, 2009 as well as our investment and maximum exposure as of December 31, 2010. As of January 1, 2010, DHLC is reported as an equity investment in Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

Transition Funding was formed for the sole purpose of issuing and servicing securitization bonds related to Texas restructuring law. Management has concluded that TCC is the primary beneficiary of Transition Funding because TCC has the power to direct the most significant activities of the VIE and TCC's equity interest could potentially be significant. Therefore, TCC is required to consolidate Transition Funding. The securitized bonds totaled $1.8 billion at December 31, 2010 and are included in current and long-term debt on the Consolidated Balance Sheets. Transition Funding has securitized transition assets of $1.7 billion at December 31, 2010, which are presented separately on the face of the Consolidated Balance Sheets. The securitized transition assets represent the right to impose and collect Texas true-up costs from customers receiving electric transmission or distribution service from TCC under recovery mechanisms approved by the PUCT. The securitization bonds are payable only from and secured by the securitized transition assets. The bondholders have no recourse to TCC or any other AEP entity. TCC acts as the servicer for Transition Funding's securitized transition assets and remits all related amounts collected from customers to Transition Funding for interest and principal payments on the securitization bonds and related costs.

The balances below represent the assets and liabilities of the VIEs that are consolidated. These balances include intercompany transactions that are eliminated upon consolidation.

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
VARIABLE INTEREST ENTITIES
December 31, 2010
(in millions)

	SWEPCo Sabine	I&M DCC Fuel	Protected Cell of EIS	AEP Credit	Transition Funding
ASSETS					
Current Assets	$ 50	$ 92	$ 131	$ 924	$ 214
Net Property, Plant and Equipment	139	173	-	-	-
Other Noncurrent Assets	34	112	1	10	1,746
Total Assets	$ 223	$ 377	$ 132	$ 934	$ 1,960
LIABILITIES AND EQUITY					
Current Liabilities	$ 33	$ 79	$ 33	$ 886	$ 221
Noncurrent Liabilities	190	298	85	1	1,725
Equity	-	-	14	47	14
Total Liabilities and Equity	$ 223	$ 377	$ 132	$ 934	$ 1,960

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
VARIABLE INTEREST ENTITIES
December 31, 2009
(in millions)

	SWEPCo Sabine	SWEPCo DHLC	I&M DCC Fuel	Protected Cell of EIS
ASSETS				
Current Assets	$ 51	$ 8	$ 47	$ 130
Net Property, Plant and Equipment	149	44	89	-
Other Noncurrent Assets	35	11	57	2
Total Assets	$ 235	$ 63	$ 193	$ 132
LIABILITIES AND EQUITY				
Current Liabilities	$ 36	$ 17	$ 39	$ 36
Noncurrent Liabilities	199	38	154	74
Equity	-	8	-	22
Total Liabilities and Equity	$ 235	$ 63	$ 193	$ 132

Our investment in DHLC was:

	December 31, 2010	
	As Reported on the Consolidated Balance Sheets	Maximum Exposure
	(in millions)	
Capital Contribution from SWEPCo	$ 6	$ 6
Retained Earnings	2	2
SWEPCo's Guarantee of Debt	-	48
Total Investment in DHLC	$ 8	$ 56

In September 2007, we and Allegheny Energy Inc. (AYE) formed a joint venture by creating Potomac-Appalachian Transmission Highline, LLC (PATH). PATH is a series limited liability company and was created to construct a high-voltage transmission line project in the PJM region. PATH consists of the "Ohio Series," the "West Virginia Series (PATH-WV)," both owned equally by AYE and AEP, and the "Allegheny Series" which is 100% owned by AYE. Provisions exist within the PATH-WV agreement that make it a VIE. The "Ohio Series" does not include the same provisions that make PATH-WV a VIE. Neither the "Ohio Series" nor "Allegheny Series" are considered VIEs. We are not required to consolidate PATH-WV as we are not the primary beneficiary, although we hold a significant variable interest in PATH-WV. Our equity investment in PATH-WV is included in Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets. We and AYE share the returns and losses equally in PATH-WV. Our subsidiaries and AYE's subsidiaries provide services to the PATH companies through service agreements. At the current time, PATH-WV has no debt outstanding. However, when debt is issued, the debt to equity ratio in each series should be consistent with other regulated utilities. The entities recover costs through regulated rates.

Given the structure of the entity, we may be required to provide future financial support to PATH-WV in the form of a capital call. This would be considered an increase to our investment in the entity. Our maximum exposure to loss is to the extent of our investment. The likelihood of such a loss is remote since the FERC approved PATH-WV's request for regulatory recovery of cost and a return on the equity invested.

Our investment in PATH-WV was:

	December 31,			
	2010		2009	
	As Reported on the Consolidated Balance Sheets	Maximum Exposure	As Reported on the Consolidated Balance Sheets	Maximum Exposure
	(in millions)			
Capital Contribution from AEP	$ 18	$ 18	$ 13	$ 13
Retained Earnings	6	6	3	3
Total Investment in PATH-WV	$ 24	$ 24	$ 16	$ 16

Accounting for the Effects of Cost-Based Regulation

As the owner of rate-regulated electric public utility companies, our consolidated financial statements reflect the actions of regulators that result in the recognition of certain revenues and expenses in different time periods than enterprises that are not rate-regulated. In accordance with accounting guidance for "Regulated Operations," we record regulatory assets (deferred expenses) and regulatory liabilities (future revenue reductions or refunds) to reflect the economic effects of regulation by matching expenses with their recovery through regulated revenues and income with its passage to customers through the reduction of regulated revenues. Due to the passage of legislation requiring restructuring and a transition to customer choice and market-based rates, we discontinued the application of "Regulated Operations" accounting treatment for the generation portion of our business in Ohio for CSPCo and OPCo and in Texas for TNC. In 2009, the Texas legislature amended its restructuring legislation for the generation portion of SWEPCo's Texas retail jurisdiction to delay indefinitely restructuring requirements. As a result, SWEPCo reapplied accounting guidance for "Regulated Operations" to its Texas generation operations.

Accounting guidance for "Discontinuation of Rate-Regulated Operations" requires the recognition of an impairment of stranded net regulatory assets and stranded plant costs if they are not recoverable in regulated rates. In addition, an enterprise is required to eliminate from its balance sheet the effects of any actions of regulators that had been recognized as regulatory assets and regulatory liabilities. Such impairments and adjustments are classified as an extraordinary item. Consistent with accounting guidance for "Discontinuation of Rate-Regulated Operations," SWEPCo recorded an extraordinary reduction in earnings and shareholder's equity from the reapplication of "Regulated Operations" accounting guidance in 2009.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates include, but are not limited to, inventory valuation, allowance for doubtful accounts, goodwill, intangible and long-lived asset impairment, unbilled electricity revenue, valuation of long-term energy contracts, the effects of regulation, long-lived asset recovery, storm costs, the effects of contingencies and certain assumptions made in accounting for pension and postretirement benefits. The estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could ultimately differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents include temporary cash investments with original maturities of three months or less.

Other Temporary Investments

Other Temporary Investments include marketable securities that we intend to hold for less than one year, investments by our protected cell of EIS and funds held by trustees primarily for the payment of debt.

We classify our investments in marketable securities as available-for-sale or held-to-maturity in accordance with the provisions of "Investments – Debt and Equity Securities" accounting guidance. We do not have any investments classified as trading.

Available-for-sale securities reflected in Other Temporary Investments are carried at fair value with the unrealized gain or loss, net of tax, reported in AOCI. Held-to-maturity securities reflected in Other Temporary Investments are carried at amortized cost. The cost of securities sold is based on the specific identification or weighted average cost method.

In evaluating potential impairment of securities with unrealized losses, we considered, among other criteria, the current fair value compared to cost, the length of time the security's fair value has been below cost, our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in value and current economic conditions. See "Fair Value Measurements of Other Temporary Investments" in Note 11.

Inventory

Fossil fuel inventories are generally carried at average cost. Materials and supplies inventories are carried at average cost.

Accounts Receivable

Customer accounts receivable primarily include receivables from wholesale and retail energy customers, receivables from energy contract counterparties related to our risk management activities and customer receivables primarily related to other revenue-generating activities.

We recognize revenue from electric power sales when we deliver power to our customers. To the extent that deliveries have occurred but a bill has not been issued, we accrue and recognize, as Accrued Unbilled Revenues on our Consolidated Balance Sheets, an estimate of the revenues for energy delivered since the last billing.

AEP Credit factors accounts receivable on a daily basis, excluding receivables from risk management activities, for CSPCo, I&M, KGPCo, KPCo, OPCo, PSO, SWEPCo and a portion of APCo. Since APCo does not have regulatory authority to sell accounts receivable in its West Virginia regulatory jurisdiction, only a portion of APCo's accounts receivable are sold to AEP Credit. AEP Credit has a receivables securitization agreement with bank conduits. Under the securitization agreement, AEP Credit receives financing from the bank conduits for the interest in the billed and unbilled receivables AEP Credit acquires from affiliated utility subsidiaries. Prior to January 1, 2010, this transaction constituted a sale of receivables in accordance with the accounting guidance for "Transfers and Servicing," allowing the receivables to be removed from our Consolidated Balance Sheets (see "Securitized

Accounts Receivable – AEP Credit" section of Note 14). See "ASU 2009-16 'Transfers and Servicing' " section of Note 2 for a discussion of the impact of accounting guidance effective January 1, 2010 whereby such future transactions do not constitute a sale of receivables and are accounted for as financings.

Allowance for Uncollectible Accounts

Generally, AEP Credit records bad debt expense based upon a 12-month rolling average of bad debt write-offs in proportion to gross accounts receivable purchased from participating AEP subsidiaries. For receivables related to APCo's West Virginia operations, the bad debt reserve is calculated based on a rolling two-year average write-off in proportion to gross accounts receivable. For customer accounts receivables related to our risk management activities, accounts receivables are reviewed for bad debt reserves at a specific counterparty level basis. For the wires business of TCC and TNC, bad debt reserves are calculated using the specific identification of receivable balances greater than 120 days delinquent. For miscellaneous accounts receivable, bad debt expense is recorded for all amounts outstanding 180 days or greater at 100%, unless specifically identified. Miscellaneous accounts receivable items open less than 180 days may be reserved using specific identification for bad debt reserves.

Emission Allowances

We record emission allowances at cost, including the annual SO_2 and NO_x emission allowance entitlements received at no cost from the Federal EPA. We follow the inventory model for these allowances. We record allowances expected to be consumed within one year in Materials and Supplies and allowances with expected consumption beyond one year in Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets. We record the consumption of allowances in the production of energy in Fuel and Other Consumables Used for Electric Generation on our Consolidated Statements of Income at an average cost. We record allowances held for speculation in Prepayments and Other Current Assets on our Consolidated Balance Sheets. We report the purchases and sales of allowances in the Operating Activities section of the Statements of Cash Flows. We record the net margin on sales of emission allowances in Utility Operations Revenue on our Consolidated Statements of Income because of its integral nature to the production process of energy and our revenue optimization strategy for our utility operations. The net margin on sales of emission allowances affects the determination of deferred fuel or deferred emission allowance costs and the amortization of regulatory assets for certain jurisdictions.

Property, Plant and Equipment and Equity Investments

Regulated

Electric utility property, plant and equipment for our rate-regulated operations are stated at original purchase cost. Additions, major replacements and betterments are added to the plant accounts. Normal and routine retirements from the plant accounts, net of salvage, are charged to accumulated depreciation under the group composite method of depreciation. The group composite method of depreciation assumes that on average, asset components are retired at the end of their useful lives and thus there is no gain or loss. The equipment in each primary electric plant account is identified as a separate group. Under the group composite method of depreciation, continuous interim routine replacements of items such as boiler tubes, pumps, motors, etc. result in the original cost, less salvage, being charged to accumulated depreciation. The depreciation rates that are established take into account the past history of interim capital replacements and the amount of salvage received. These rates and the related lives are subject to periodic review. Removal costs are charged to regulatory liabilities. The costs of labor, materials and overhead incurred to operate and maintain our plants are included in operating expenses.

Long-lived assets are required to be tested for impairment when it is determined that the carrying value of the assets may no longer be recoverable or when the assets meet the held for sale criteria under the accounting guidance for "Impairment or Disposal of Long-Lived Assets." Equity investments are required to be tested for impairment when it is determined there may be an other-than-temporary loss in value.

The fair value of an asset or investment is the amount at which that asset or investment could be bought or sold in a current transaction between willing parties, as opposed to a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets or investments in active markets, fair value is estimated using various internal and external valuation methods including cash flow analysis and appraisals.

Nonregulated

Our nonregulated operations generally follow the policies of our cost-based rate-regulated operations listed above but with the following exceptions. Property, plant and equipment of nonregulated operations and equity investments (included in Deferred Charges and Other Noncurrent Assets) are stated at fair value at acquisition (or as adjusted for any applicable impairments) plus the original cost of property acquired or constructed since the acquisition, less disposals. Normal and routine retirements from the plant accounts, net of salvage, are charged to accumulated depreciation for most nonregulated operations under the group composite method of depreciation. For nonregulated plant assets, a gain or loss would be recorded if the retirement is not considered an interim routine replacement. Removal costs are charged to expense.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization

AFUDC represents the estimated cost of borrowed and equity funds used to finance construction projects that is capitalized and recovered through depreciation over the service life of regulated electric utility plant. For nonregulated operations, including generating assets in Ohio and certain generating assets in Texas, interest is capitalized during construction in accordance with the accounting guidance for "Capitalization of Interest". We record the equity component of AFUDC in Allowance for Equity Funds Used During Construction and the debt component of AFUDC as a reduction to Interest Expense.

Valuation of Nonderivative Financial Instruments

The book values of Cash and Cash Equivalents, Accounts Receivable, Short-term Debt and Accounts Payable approximate fair value because of the short-term maturity of these instruments. The book value of the pre-April 1983 spent nuclear fuel disposal liability approximates the best estimate of its fair value.

Fair Value Measurements of Assets and Liabilities

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility or credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For our commercial activities, exchange traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1. We verify our price curves using these broker quotes and classify these fair values within Level 2 when substantially all of the fair value can be corroborated. We typically obtain multiple broker quotes, which are non-binding in nature, but are based on recent trades in the marketplace. When multiple broker quotes are obtained, we average the quoted bid and ask prices. In certain circumstances, we may discard a broker quote if it is a clear outlier. We use a historical correlation analysis between the broker quoted location and the illiquid locations and if the points are highly correlated we include these locations within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Long-dated and illiquid complex or structured transactions and FTRs can introduce the need for internally developed modeling inputs based upon extrapolations and assumptions of observable market data to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3.

We utilize our trustee's external pricing service in our estimate of the fair value of the underlying investments held in the benefit plan and nuclear trusts. Our investment managers review and validate the prices utilized by the trustee to determine fair value. We perform our own valuation testing to verify the fair values of the securities. We receive audit reports of our trustee's operating controls and valuation processes. The trustee uses multiple pricing vendors for the assets held in the plans.

Assets in the benefits and nuclear trusts, Cash and Cash Equivalents and Other Temporary Investments are classified using the following methods. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Items classified as Level 1 are investments in money market funds, fixed income and equity mutual funds and domestic equity securities. They are valued based on observable inputs primarily unadjusted quoted prices in active markets for identical assets. Fixed income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments. Benefit plan assets included in Level 3 are real estate and private equity investments that are valued using methods requiring judgment including appraisals.

Items classified as Level 2 are primarily investments in individual fixed income securities. These fixed income securities are valued using models with input data as follows:

	Type of Fixed Income Security		
Type of Input	**United States Government**	**Corporate Debt**	**State and Local Government**
Benchmark Yields	X	X	X
Broker Quotes	X	X	X
Discount Margins	X	X	
Treasury Market Update	X		
Base Spread	X	X	X
Corporate Actions		X	
Ratings Agency Updates		X	X
Prepayment Schedule and History			X
Yield Adjustments	X		

Deferred Fuel Costs

The cost of fuel and related emission allowances and emission control chemicals/consumables is charged to Fuel and Other Consumables Used for Electric Generation expense when the fuel is burned or the allowance or consumable is utilized. The cost of fuel also includes the cost of nuclear fuel burned which is computed primarily on the units-of-production method. In regulated jurisdictions with an active FAC, fuel cost over-recoveries (the excess of fuel revenues billed to customers over applicable fuel costs incurred) are generally deferred as current regulatory liabilities and under-recoveries (the excess of applicable fuel costs incurred over fuel revenues billed to customers) are generally deferred as current regulatory assets. These deferrals are amortized when refunded or when billed to customers in later months with the state regulatory commissions' review and approval. The amount of an over-recovery or under-recovery can also be affected by actions of the state regulatory commissions. On a routine basis, state regulatory commissions review and/or audit our fuel procurement policies and practices, the fuel cost calculations and FAC deferrals. When a fuel cost disallowance becomes probable, we adjust our FAC deferrals and record provisions for estimated refunds to recognize these probable outcomes. Fuel cost over-recovery and under-recovery balances are classified as noncurrent when there is a phase-in plan or the FAC has been suspended.

Changes in fuel costs, including purchased power in Kentucky for KPCo, in Indiana and Michigan for I&M, in Texas, Louisiana and Arkansas for SWEPCo, in Oklahoma for PSO and in Virginia and West Virginia (prior to 2009) for APCo are reflected in rates in a timely manner through the FAC. Beginning in 2009, changes in fuel costs, including purchased power in Ohio for CSPCo and OPCo and in West Virginia for APCo are reflected in rates through FAC phase-in plans. All of the profits from off-system sales are given to customers through the FAC in West Virginia for APCo. A portion of profits from off-system sales are shared with customers through the FAC and other rate mechanisms in Oklahoma for PSO, Texas, Louisiana and Arkansas for SWEPCo, Kentucky for KPCo, Virginia for APCo and in Indiana and Michigan (all areas of Michigan beginning in December 2010) for I&M. Where the FAC or off-system sales sharing mechanism is capped, frozen or non-existent (prior to 2009 for CSPCo and OPCo in Ohio and currently in Texas for AEP Energy Partners, Inc.), changes in fuel costs or sharing of off-system sales impacted earnings.

Revenue Recognition

Regulatory Accounting

Our consolidated financial statements reflect the actions of regulators that can result in the recognition of revenues and expenses in different time periods than enterprises that are not rate-regulated. Regulatory assets (deferred expenses) and regulatory liabilities (deferred revenue reductions or refunds) are recorded to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching income with its passage to customers in cost-based regulated rates.

When regulatory assets are probable of recovery through regulated rates, we record them as assets on our Consolidated Balance Sheets. We test for probability of recovery at each balance sheet date or whenever new events occur. Examples of new events include the issuance of a regulatory commission order or passage of new legislation. If it is determined that recovery of a regulatory asset is no longer probable, we write off that regulatory asset as a charge against income.

Traditional Electricity Supply and Delivery Activities

Revenues are recognized from retail and wholesale electricity sales and electricity transmission and distribution delivery services. We recognize the revenues on our Consolidated Statements of Income upon delivery of the energy to the customer and include unbilled as well as billed amounts. In accordance with the applicable state commission regulatory treatment, PSO and SWEPCo do not record the fuel portion of unbilled revenue.

Most of the power produced at the generation plants of the AEP East companies is sold to PJM, the RTO operating in the east service territory. We purchase power from PJM to supply our customers. Generally, these power sales and purchases are reported on a net basis as revenues on our Consolidated Statements of Income. However, purchases of power in excess of sales to PJM, on an hourly net basis, used to serve retail load are recorded gross as Purchased Electricity for Resale on our Consolidated Statements of Income. Other RTOs in which we operate do not function in the same manner as PJM. They function as balancing organizations and not as exchanges.

Physical energy purchases arising from non-derivative contracts are accounted for on a gross basis in Purchased Electricity for Resale on our Consolidated Statements of Income. Energy purchases arising from non-trading derivative contracts are recorded based on the transaction's economic substance. Purchases under non-trading derivatives used to serve accrual based obligations are recorded in Purchased Electricity for Resale on our Consolidated Statements of Income. All other non-trading derivative purchases are recorded net in revenues.

In general, we record expenses when purchased electricity is received and when expenses are incurred, with the exception of certain power purchase contracts that are derivatives and accounted for using MTM accounting where generation/supply rates are not cost-based regulated. In jurisdictions where the generation/supply business is subject to cost-based regulation, the unrealized MTM amounts are deferred as regulatory assets (for losses) and regulatory liabilities (for gains).

Energy Marketing and Risk Management Activities

We engage in wholesale electricity, natural gas, coal and emission allowances marketing and risk management activities focused on wholesale markets where we own assets and on adjacent markets. Our activities include the purchase and sale of energy under forward contracts at fixed and variable prices and the buying and selling of financial energy contracts, which include exchange traded futures and options, as well as over-the-counter options and swaps. We engage in certain energy marketing and risk management transactions with RTOs.

We recognize revenues and expenses from wholesale marketing and risk management transactions that are not derivatives upon delivery of the commodity. We use MTM accounting for wholesale marketing and risk management transactions that are derivatives unless the derivative is designated in a qualifying cash flow hedge relationship or a normal purchase or sale. We include the unrealized and realized gains and losses on wholesale marketing and risk management transactions that are accounted for using MTM in Revenues on our Consolidated Statements of Income on a net basis. In jurisdictions subject to cost-based regulation, we defer the unrealized MTM amounts and some realized gains and losses as regulatory assets (for losses) and regulatory liabilities (for gains). We include unrealized MTM gains and losses resulting from derivative contracts on our Consolidated Balance Sheets as Risk Management Assets or Liabilities as appropriate.

Certain qualifying wholesale marketing and risk management derivative transactions are designated as hedges of variability in future cash flows as a result of forecasted transactions (cash flow hedge). We initially record the effective portion of the cash flow hedge's gain or loss as a component of AOCI. When the forecasted transaction is realized and affects net income, we subsequently reclassify the gain or loss on the hedge from AOCI into revenues or expenses within the same financial statement line item as the forecasted transaction on our Consolidated Statements of Income. Excluding those jurisdictions subject to cost-based regulation, we recognize the ineffective portion of the gain or loss in revenues or expense immediately on our Consolidated Statements of Income, depending on the specific nature of the associated hedged risk. In regulated jurisdictions, we defer the ineffective portion as regulatory assets (for losses) and regulatory liabilities (for gains) (see "Accounting for Cash Flow Hedging Strategies" section of Note 10).

Barging Activities

AEP River Operations' revenue is recognized based on percentage of voyage completion. The proportion of freight transportation revenue to be recognized is determined by applying a percentage to the contractual charges for such services. The percentage is determined by dividing the number of miles from the loading point to the position of the barge as of the end of the accounting period by the total miles to the destination specified in the customer's freight contract. The position of the barge at accounting period end is determined by our computerized barge tracking system.

Levelization of Nuclear Refueling Outage Costs

In order to match costs with nuclear refueling cycles, I&M defers incremental operation and maintenance costs associated with periodic refueling outages at its Cook Plant and amortizes the costs over the period beginning with the month following the start of each unit's refueling outage and lasting until the end of the month in which the same unit's next scheduled refueling outage begins. I&M adjusts the amortization amount as necessary to ensure full amortization of all deferred costs by the end of the refueling cycle.

Maintenance

We expense maintenance costs as incurred. If it becomes probable that we will recover specifically-incurred costs through future rates, we establish a regulatory asset to match the expensing of those maintenance costs with their recovery in cost-based regulated revenues. We defer distribution tree trimming costs for PSO above the level included in base rates and amortize those deferrals commensurate with recovery through a rate rider in Oklahoma.

Income Taxes and Investment Tax Credits

We use the liability method of accounting for income taxes. Under the liability method, we provide deferred income taxes for all temporary differences between the book and tax basis of assets and liabilities which will result in a future tax consequence.

When the flow-through method of accounting for temporary differences is reflected in regulated revenues (that is, when deferred taxes are not included in the cost of service for determining regulated rates for electricity), we record deferred income taxes and establish related regulatory assets and liabilities to match the regulated revenues and tax expense.

We account for investment tax credits under the flow-through method except where regulatory commissions reflect investment tax credits in the rate-making process on a deferral basis. We amortize deferred investment tax credits over the life of the plant investment.

We account for uncertain tax positions in accordance with the accounting guidance for "Income Taxes." We classify interest expense or income related to uncertain tax positions as interest expense or income as appropriate and classify penalties as Other Operation.

Excise Taxes

We act as an agent for some state and local governments and collect from customers certain excise taxes levied by those state or local governments on our customers. We do not recognize these taxes as revenue or expense.

Government Grants

In 2010, APCo received final approval for a federal stimulus grant for a commercial scale Carbon Capture and Sequestration facility under consideration at the Mountaineer Plant. Also in 2010, CSPCo received final approval for a federal stimulus grant for the gridSMART® demonstration program. For each project, APCo and CSPCo are reimbursed by the Department of Energy for allowable costs incurred during the billing period. These reimbursements result in the reduction of Other Operation and Maintenance expenses on our Consolidated Statements of Income or a reduction in Construction Work in Progress on our Consolidated Balance Sheets.

Debt and Preferred Stock

We defer gains and losses from the reacquisition of debt used to finance regulated electric utility plants and amortize the deferral over the remaining term of the reacquired debt in accordance with their rate-making treatment unless the debt is refinanced. If we refinance the reacquired debt associated with the regulated business, the reacquisition costs attributable to the portions of the business subject to cost-based regulatory accounting are generally deferred and amortized over the term of the replacement debt consistent with its recovery in rates. Some jurisdictions require that these costs be expensed upon reacquisition. We report gains and losses on the reacquisition of debt for operations not subject to cost-based rate regulation in Interest Expense on our Consolidated Statements of Income.

We defer debt discount or premium and debt issuance expenses and amortize generally utilizing the straight-line method over the term of the related debt. The straight-line method approximates the effective interest method and is consistent with the treatment in rates for regulated operations. We include the amortization expense in Interest Expense on our Consolidated Statements of Income.

Where reflected in rates, we include redemption premiums paid to reacquire preferred stock of utility subsidiaries in paid-in capital and amortize the premiums to retained earnings commensurate with recovery in rates. We credit the excess of par value over costs of preferred stock reacquired to paid-in capital and reclassify the excess to retained earnings upon the redemption of the entire preferred stock series.

Goodwill and Intangible Assets

When we acquire businesses, we record the fair value of all assets and liabilities, including intangible assets. To the extent that consideration exceeds the fair value of identified assets, we record goodwill. We do not amortize goodwill and intangible assets with indefinite lives. We test acquired goodwill and other intangible assets with indefinite lives for impairment at least annually at their estimated fair value. We test goodwill at the reporting unit level and other intangibles at the asset level. Fair value is the amount at which an asset or liability could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets in active markets, we estimate fair value using various internal and external valuation methods. We amortize intangible assets with finite lives over their respective estimated lives, currently 10 years, to their estimated residual values. We also review the lives of the amortizable intangibles with finite lives on an annual basis.

Investments Held in Trust for Future Liabilities

We have several trust funds with significant investments intended to provide for future payments of pension and OPEB benefits, nuclear decommissioning and spent nuclear fuel disposal. All of our trust funds' investments are diversified and managed in compliance with all laws and regulations. Our investment strategy for trust funds is to use a diversified portfolio of investments to achieve an acceptable rate of return while managing the interest rate sensitivity of the assets relative to the associated liabilities. To minimize investment risk, the trust funds are broadly diversified among classes of assets, investment strategies and investment managers. We regularly review the actual asset allocation and periodically rebalance the investments to targeted allocation when appropriate. Investment policies and guidelines allow investment managers in approved strategies to use financial derivatives to obtain or manage market exposures and to hedge assets and liabilities. The investments are reported at fair value under the "Fair Value Measurements and Disclosures" accounting guidance.

Benefit Plans

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies and target asset allocations by plan.

The investment philosophies for our benefit plans support the allocation of assets to minimize risks and optimizing net returns. Strategies used include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable levels.
- Managing fees, transaction costs and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style-neutral to limit volatility compared to applicable benchmarks.
- Using alternative asset classes such as real estate and private equity to maximize return and provide additional portfolio diversification.

The target asset allocation and allocation ranges are as follows:

Pension Plan Assets	Minimum	Target	Maximum
Domestic Equity	30.0 %	35.0 %	40.0 %
International and Global Equity	10.0 %	15.0 %	20.0 %
Fixed Income	35.0 %	39.0 %	45.0 %
Real Estate	4.0 %	5.0 %	6.0 %
Other Investments	1.0 %	5.0 %	7.0 %
Cash	0.5 %	1.0 %	3.0 %

OPEB Plans Assets	Minimum	Target	Maximum
Equity	61.0 %	66.0 %	71.0 %
Fixed Income	29.0 %	32.0 %	37.0 %
Cash	1.0 %	2.0 %	4.0 %

The investment policy for each benefit plan contains various investment limitations. The investment policies establish concentration limits for securities. Investment policies prohibit the benefit trust funds from purchasing securities issued by AEP (with the exception of proportionate and immaterial holdings of AEP securities in passive index strategies). However, our investment policies do not preclude the benefit trust funds from receiving contributions in the form of AEP securities, provided that the AEP securities acquired by each plan may not exceed the limitations imposed by law. Each investment manager's portfolio is compared to a diversified benchmark index.

For equity investments, the limits are as follows:

- No security in excess of 5% of all equities.
- Cash equivalents must be less than 10% of an investment manager's equity portfolio.
- Individual stock must be less than 10% of each manager's equity portfolio.
- No investment in excess of 5% of an outstanding class of any company.
- No securities may be bought or sold on margin or other use of leverage.

For fixed income investments, the concentration limits must not exceed:

- 3% in one issuer
- 20% in non-US dollar denominated
- 5% private placements
- 5% convertible securities
- 60% for bonds rated AA+ or lower
- 50% for bonds rated A+ or lower
- 10% for bonds rated BBB- or lower

For obligations of non-government issuers the following limitations apply:

- AAA rated debt: a single issuer should account for no more than 5% of the portfolio.
- AA+, AA, AA- rated debt: a single issuer should account for no more than 3% of the portfolio.
- Debt rated A+ or lower: a single issuer should account for no more than 2% of the portfolio.
- No more than 10% of the portfolio may be invested in high yield and emerging market debt combined at any time.

A portion of the pension assets is invested in real estate funds to provide diversification, add return and hedge against inflation. Real estate properties are illiquid, difficult to value and not actively traded. The pension plan uses external real estate investment managers to invest in commingled funds that hold real estate properties. To mitigate investment risk in the real estate portfolio, commingled real estate funds are used to ensure that holdings are diversified by region, property type and risk classification. Real estate holdings include core, value-added, and development risk classifications and some investments in Real Estate Investment Trusts (REITs), which are publicly traded real estate securities classified as Level 1.

A portion of the pension assets is invested in private equity. Private equity investments add return and provide diversification and typically require a long-term time horizon to evaluate investment performance. Private equity is classified as an alternative investment because it is illiquid, difficult to value and not actively traded. The pension plan uses limited partnerships and commingled funds to invest across the private equity investment spectrum. Our private equity holdings are with six general partners who help monitor the investments and provide investment selection expertise. The holdings are currently comprised of venture capital, buyout and hybrid debt and equity investment instruments. Commingled private equity funds are used to enhance the holdings' diversity.

We participate in a securities lending program with BNY Mellon to provide incremental income on idle assets and to provide income to offset custody fees and other administrative expenses. We lend securities to borrowers approved by BNY Mellon in exchange for cash collateral. All loans are collateralized by at least 102% of the loaned asset's market value and the cash collateral is invested. The difference between the rebate owed to the borrower and the cash collateral rate of return determines the earnings on the loaned security. The securities lending program's objective is providing modest incremental income with a limited increase in risk.

We hold trust owned life insurance (TOLI) underwritten by The Prudential Insurance Company in the OPEB plan trusts. The strategy for holding life insurance contracts in the taxable Voluntary Employees' Beneficiary Association (VEBA) trust is to minimize taxes paid on the asset growth in the trust. Earnings on plan assets are tax-deferred within the TOLI contract and can be tax-free if held until claims are paid. Life insurance proceeds remain in the trust and are used to fund future retiree medical benefit liabilities. With consideration to other investments held in the trust, the cash value of the TOLI contracts is invested in two diversified funds. A portion is invested in a commingled fund with underlying investments in stocks that are actively traded on major international equity exchanges. The other portion of the TOLI cash value is invested in a diversified, commingled fixed income fund with underlying investments in government bonds, corporate bonds and asset-backed securities.

Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment grade money market instruments including commercial paper, certificates of deposit, treasury bills and other types of investment grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

Nuclear Trust Funds

Nuclear decommissioning and spent nuclear fuel trust funds represent funds that regulatory commissions allow us to collect through rates to fund future decommissioning and spent nuclear fuel disposal liabilities. By rules or orders, the IURC, the MPSC and the FERC established investment limitations and general risk management guidelines. In general, limitations include:

- Acceptable investments (rated investment grade or above when purchased).
- Maximum percentage invested in a specific type of investment.
- Prohibition of investment in obligations of AEP or its affiliates.
- Withdrawals permitted only for payment of decommissioning costs and trust expenses.

We maintain trust records for each regulatory jurisdiction. The trust assets may not be used for another jurisdiction's liabilities. Regulatory approval is required to withdraw decommissioning funds. These funds are managed by external investment managers who must comply with the guidelines and rules of the applicable regulatory authorities. The trust assets are invested to optimize the net of tax earnings of the trust giving consideration to liquidity, risk, diversification and other prudent investment objectives.

We record securities held in these trust funds as Spent Nuclear Fuel and Decommissioning Trusts on our Consolidated Balance Sheets. We record these securities at fair value. We classify securities in the trust funds as available-for-sale due to their long-term purpose. Other-than-temporary impairments for investments in both debt and equity securities are considered realized losses as a result of securities being managed by an external investment management firm. The external investment management firm makes specific investment decisions regarding the equity and debt investments held in these trusts and generally intends to sell debt securities in an unrealized loss position as part of a tax optimization strategy. Impairments reduce the cost basis of the securities which will affect any future unrealized gain or realized gain or loss due to the adjusted cost of investment. We record unrealized gains and other-than-temporary impairments from securities in these trust funds as adjustments to the regulatory liability account for the nuclear decommissioning trust funds and to regulatory assets or liabilities for the spent nuclear fuel disposal trust funds in accordance with their treatment in rates. Consequently, changes in fair value of trust assets do not affect earnings or AOCI. See the "Nuclear Contingencies" section of Note 6 for additional discussion of nuclear matters. See "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11 for disclosure of the fair value of assets within the trusts.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) has two components: net income (loss) and other comprehensive income (loss).

Components of Accumulated Other Comprehensive Income (Loss) (AOCI)

AOCI is included on our Consolidated Balance Sheets in our equity section. Our components of AOCI as of December 31, 2010 and 2009 are shown in the following table:

Components	December 31, 2010	December 31, 2009
	(in millions)	
Securities Available for Sale, Net of Tax	$ 4	$ 12
Cash Flow Hedges, Net of Tax	11	(15)
Amortization of Pension and OPEB Deferred Costs, Net of Tax	57	35
Pension and OPEB Funded Status, Net of Tax	(453)	(406)
Total	$ (381)	$ (374)

Stock-Based Compensation Plans

At December 31, 2010, we had stock options, performance units, restricted shares and restricted stock units outstanding under The Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP). This plan was last approved by shareholders in April 2010.

We maintain a variety of tax qualified and nonqualified deferred compensation plans for employees and non-employee directors that include, among other options, an investment in or an investment return equivalent to that of AEP common stock. This includes career share accounts maintained under the American Electric Power System Stock Ownership Requirement Plan, which facilitates executives in meeting minimum stock ownership requirements assigned to them by the HR Committee of the Board of Directors. Career shares are derived from vested performance units granted to employees under the LTIP. Career shares are equal in value to shares of AEP common stock and do not become payable to executives until after their service ends. Dividends paid on career shares are reinvested as additional career shares.

We compensate our non-employee directors, in part, with stock units under the American Electric Power Company, Inc. Stock Unit Accumulation Plan for Non-Employee Directors. These stock units become payable in cash to directors after their service ends.

In January 2006, we adopted accounting guidance for "Compensation - Stock Compensation" which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options, based on estimated fair values.

We recognize compensation expense for all share-based awards with service only vesting conditions granted on or after January 2006 using the straight-line single-option method. Stock-based compensation expense recognized on our Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008 is based on awards ultimately expected to vest. Therefore, stock-based compensation expense has been reduced to reflect estimated forfeitures. Accounting guidance for "Compensation - Stock Compensation" requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2010, 2009 and 2008, compensation expense is included in Net Income for the performance units, career shares, restricted shares, restricted stock units and the non-employee director's stock units. See Note 15 for additional discussion.

Earnings Per Share (EPS)

Shown below are income statement amounts attributable to AEP common shareholders:

Amounts Attributable to AEP Common Shareholders	Years Ended December 31, 2010	2009	2008
		(in millions)	
Income Before Discontinued Operations and Extraordinary Loss	$ 1,211	$ 1,362	$ 1,368
Discontinued Operations, Net of Tax	-	-	12
Extraordinary Loss, Net of Tax	-	(5)	-
Net Income	$ 1,211	$ 1,357	$ 1,380

Basic earnings per common share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by adjusting the weighted average outstanding common shares, assuming conversion of all potentially dilutive stock options and awards.

The following table presents our basic and diluted EPS calculations included on our Consolidated Statements of Income:

	Years Ended December 31, 2010		2009		2008	
	(in millions, except per share data)					
		$/share		$/share		$/share
Earnings Attributable to AEP Common Shareholders	$ 1,211		$ 1,357		$ 1,380	
Weighted Average Number of Basic Shares Outstanding	479.4	$ 2.53	458.7	$ 2.96	402.1	$ 3.43
Weighted Average Dilutive Effect of:						
Performance Share Units	0.1	-	0.3	-	1.2	0.01
Stock Options	-	-	-	-	0.1	-
Restricted Stock Units	0.1	-	-	-	0.1	-
Restricted Shares	-	-	-	-	0.1	-
Weighted Average Number of Diluted Shares Outstanding	479.6	$ 2.53	459.0	$ 2.96	403.6	$ 3.42

The assumed conversion of stock options does not affect net earnings for purposes of calculating diluted earnings per share.

Options to purchase 136,250, 452,216 and 470,016 shares of common stock were outstanding at December 31, 2010, 2009 and 2008, respectively, but were not included in the computation of diluted earnings per share attributable to AEP common shareholders. Since the options' exercise prices were greater than the average market price of the common shares, the effect would have been antidilutive.

CSPCo and OPCo Revised Depreciation Rates

Effective January 1, 2009, we revised book depreciation rates for CSPCo and OPCo generating plants consistent with a completed depreciation study. OPCo's overall higher depreciation rates primarily related to shortened depreciable lives for certain OPCo generating facilities. In comparing 2009 and 2008, the change in depreciation rates resulted in a net increase (decrease) in depreciation expense of:

	Depreciation Expense Variance Years Ended December 31, 2009/2008 (in millions)
CSPCo	$ (18)
OPCo	71

The net change in depreciation rates resulted in a decrease to our net-of-tax, basic earnings per share of $0.08 for the year ended December 31, 2009.

Supplementary Information

Related Party Transactions	Years Ended December 31, 2010	2009	2008
		(in millions)	
AEP Consolidated Revenues – Utility Operations:			
Ohio Valley Electric Corporation (43.47% owned)	$ (20)(a)	$ -	$ (54)(b)
AEP Consolidated Revenues – Other Revenues:			
Ohio Valley Electric Corporation – Barging and Other Transportation Services (43.47% Owned)	29	31	32
AEP Consolidated Expenses – Purchased Electricity for Resale:			
Ohio Valley Electric Corporation (43.47% Owned)	302 (c)	286	263

(a) The AEP Power Pool purchased power from OVEC to serve off-system sales in an agreement that began in January 2010 and ended in June 2010.
(b) The AEP Power Pool purchased power from OVEC as part of risk management activities in an agreement that ended in December 2008.
(c) The AEP Power Pool purchased power from OVEC to serve retail sales in an agreement that began in January 2010 and ended in June 2010. The total amount reported in 2010 includes $10 million related to this agreement.

Cash Flow Information	Years Ended December 31, 2010	2009	2008
		(in millions)	
Cash Paid (Received) for:			
Interest, Net of Capitalized Amounts	$ 958	$ 924	$ 853
Income Taxes	(268)	(98)	233
Noncash Investing and Financing Activities:			
Acquisitions Under Capital Leases	225	86	62
Assumption of Liabilities Related to Acquisitions	8	-	-
Government Grants Included in Accounts Receivable at December 31,	10	-	-
Construction Expenditures Included in Accounts Payable at December 31,	267	348	460
Acquisition of Nuclear Fuel Included in Accounts Payable at December 31,	-	-	38
Noncash Donation Expense Related to Issuance of Treasury Shares to AEP Foundation	-	-	40

Transmission Investments

We participate in certain joint ventures which involve the development, construction, ownership and operation of transmission facilities. These investments are recorded using the equity method and reported as Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets.

Adjustments to Securitized Accounts Receivable Disclosure

In the "Securitized Accounts Receivable – AEP Credit" section of Note 14, we expanded our disclosure to reflect certain prior period amounts related to our securitization agreement that were not previously disclosed. These omissions were not material to our financial statements and had no impact on our previously reported net income, changes in shareholders' equity, financial position or cash flows.

2. NEW ACCOUNTING PRONOUNCEMENTS AND EXTRAORDINARY ITEM

NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of final pronouncements, we review the new accounting literature to determine its relevance, if any, to our business. The following represents a summary of final pronouncements that impact our financial statements.

Pronouncements Adopted During 2010

The following standards were effective during 2010. Consequently, their impact is reflected in the financial statements. The following paragraphs discuss their impact.

ASU 2009-16 "Transfers and Servicing" (ASU 2009-16)

In 2009, the FASB issued ASU 2009-16 clarifying when a transfer of a financial asset should be recorded as a sale. The standard defines participating interest to establish specific conditions for a sale of a portion of a financial asset. This standard must be applied to all transfers after the effective date.

We adopted ASU 2009-16 effective January 1, 2010. AEP Credit securitizes an interest in receivables it acquires from certain of its affiliates to bank conduits and receives cash. As of December 31, 2009, AEP Credit owed $656 million to bank conduits related to receivable sales outstanding. Upon adoption of ASU 2009-16, future transactions do not constitute a sale of receivables and are accounted for as financings. Effective January 2010, we record the receivables and related debt on our Consolidated Balance Sheet.

ASU 2009-17 "Consolidations" (ASU 2009-17)

In 2009, the FASB issued ASU 2009-17 amending the analysis an entity must perform to determine if it has a controlling financial interest in a VIE. In addition to presentation and disclosure guidance, ASU 2009-17 provides that the primary beneficiary of a VIE must have both:

- The power to direct the activities of the VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb the losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

We adopted the prospective provisions of ASU 2009-17 effective January 1, 2010 and deconsolidated DHLC. DHLC was deconsolidated due to the shared control between SWEPCo and CLECO. After January 1, 2010, we report DHLC using the equity method of accounting.

This standard increased our disclosure requirements for AEP Credit and Transition Funding, wholly-owned consolidated subsidiaries. See "Variable Interest Entities" section of Note 1 for further discussion.

EXTRAORDINARY ITEM

SWEPCo Texas Restructuring

In August 2006, the PUCT adopted a rule extending the delay in implementation of customer choice in SWEPCo's SPP area of Texas until no sooner than January 1, 2011. In May 2009, the governor of Texas signed a bill related to SWEPCo's SPP area of Texas that requires continued cost of service regulation until certain stages have been completed and approved by the PUCT such that fair competition is available to all Texas retail customer classes. Based upon the signing of the bill, SWEPCo re-applied "Regulated Operations" accounting guidance for the generation portion of SWEPCo's Texas retail jurisdiction effective second quarter of 2009. Management believes that a return to competition in the SPP area of Texas will not occur. The reapplication of "Regulated Operations" accounting guidance resulted in an $8 million ($5 million, net of tax) extraordinary loss.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The changes in our carrying amount of goodwill for the years ended December 31, 2010 and 2009 by operating segment are as follows:

	Utility Operations	AEP River Operations	AEP Consolidated
		(in millions)	
Balance at December 31, 2008	$ 37	$ 39	$ 76
Impairment Losses	-	-	-
Balance at December 31, 2009	37	39	76
Impairment Losses	-	-	-
Balance at December 31, 2010	$ 37	$ 39	$ 76

In the fourth quarters of 2010 and 2009, we performed our annual impairment tests. The fair values of the operations with goodwill were estimated using cash flow projections and other market value indicators. There were no goodwill impairment losses. We do not have any accumulated impairment on existing goodwill.

Other Intangible Assets

Acquired intangible assets subject to amortization were $1.2 million and $10.3 million at December 31, 2010 and 2009, respectively, net of accumulated amortization and are included in Deferred Charges and Other Noncurrent Assets on our Consolidated Balance Sheets. The amortization life, gross carrying amount and accumulated amortization by major asset class are as follows:

		December 31,			
		2010		2009	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in years)	(in millions)			
Easements	10	$ 2.2	$ 2.2	$ 2.2	$ 1.9
Purchased Technology	10	10.9	9.7	10.9	8.6
Advanced Royalties	15	-	-	29.4	21.7
Total		$ 13.1	$ 11.9	$ 42.5	$ 32.2

Amortization of intangible assets was $1 million, $3 million and $3 million for 2010, 2009 and 2008, respectively. Our estimated total amortization is $1 million for 2011 and $138 thousand for 2012.

The Advanced Royalties asset class relates to the lignite mine of DHLC, a wholly-owned subsidiary of SWEPCo. As of January 1, 2010, SWEPCo no longer consolidates DHLC, but rather it is reported as an equity investment, resulting in the elimination of a review of this asset by SWEPCo. Also, see "ASU 2009-17 'Consolidations'" section of Note 2 for discussion of impact of new accounting guidance effective January 1, 2010.

Other than goodwill, we have no intangible assets that are not subject to amortization.

4. RATE MATTERS

Our subsidiaries are involved in rate and regulatory proceedings at the FERC and their state commissions. Rate matters can have a material impact on net income, cash flows and possibly financial condition. Our recent significant rate orders and pending rate filings are addressed in this note.

CSPCo and OPCo Rate Matters

Ohio Electric Security Plan Filings

2009 – 2011 ESPs

The PUCO issued an order in March 2009 that modified and approved CSPCo's and OPCo's ESPs which established rates at the start of the April 2009 billing cycle. The ESPs are in effect through 2011. The order also limited annual rate increases for CSPCo to 7% in 2009, 6% in 2010 and 6% in 2011 and for OPCo to 8% in 2009, 7% in 2010 and 8% in 2011. Some rate components and increases are exempt from these limitations. CSPCo and OPCo collected the 2009 annualized revenue increase over the last nine months of 2009.

The order provided a FAC for the three-year period of the ESP. The FAC was phased in to avoid having the resultant rate increases exceed the ordered annual caps described above. The FAC is subject to quarterly true-ups, annual accounting audits and prudency reviews. See the "2009 Fuel Adjustment Clause Audit" section below. The order allowed CSPCo and OPCo to defer any unrecovered FAC costs resulting from the annual caps and accrued associated carrying charges at CSPCo's and OPCo's weighted average cost of capital. Any deferred FAC regulatory asset balance at the end of the three-year ESP period will be recovered through a non-bypassable surcharge over the period 2012 through 2018. That recovery will include deferrals associated with the Ormet interim arrangement and is subject to the PUCO's ultimate decision regarding the Ormet interim arrangement deferrals plus related carrying charges. See the "Ormet Interim Arrangement" section below. The FAC deferral as of December 31, 2010 was $476 million for OPCo excluding $30 million of unrecognized equity carrying costs.

Discussed below are the significant outstanding uncertainties related to the ESP order:

The Ohio Consumers' Counsel filed a notice of appeal with the Supreme Court of Ohio raising several issues including alleged retroactive ratemaking, recovery of carrying charges on certain environmental investments, Provider of Last Resort (POLR) charges and the decision not to offset rates by off-system sales margins. A decision from the Supreme Court of Ohio is pending.

In November 2009, the Industrial Energy Users-Ohio filed a notice of appeal with the Supreme Court of Ohio challenging components of the ESP order including the POLR charge, the distribution riders for gridSMART® and enhanced reliability, the PUCO's conclusion and supporting evaluation that the modified ESPs are more favorable than the expected results of a market rate offer, the unbundling of the fuel and non-fuel generation rate components, the scope and design of the fuel adjustment clause and the approval of the plan after the 150-day statutory deadline. A decision from the Supreme Court of Ohio is pending.

In April 2010, the Industrial Energy Users-Ohio filed an additional notice of appeal with the Supreme Court of Ohio challenging alleged retroactive ratemaking, CSPCo's and OPCo's abilities to collect through the FAC amounts deferred under the Ormet interim arrangement and the approval of the plan after the 150-day statutory deadline. A decision from the Supreme Court of Ohio is pending.

Ohio law requires that the PUCO determine, following the end of each year of the ESP, if rate adjustments included in the ESP resulted in significantly excessive earnings under the Significantly Excessive Earnings Test (SEET). If the rate adjustments, in the aggregate, result in significantly excessive earnings, the excess amount could be returned to customers. In September 2010, CSPCo and OPCo filed their 2009 SEET filings with the PUCO. CSPCo's and OPCo's returns on common equity were 20.84% and 10.81%, respectively, including off-system sales margins. In January 2011, the PUCO issued an order that determined a return on common equity for 2009 in excess of 17.6% would be significantly excessive. The PUCO determined that OPCo's 2009 earnings were not significantly excessive but determined relevant CSPCo earnings, excluding off-system sales margins, to be 19.73%, which exceeded the PUCO determined threshold by 2.13%. As a result, the PUCO ordered CSPCo to refund $43 million ($28 million net of tax) of its earnings to customers, which was recorded as a revenue provision on CSPCo's December 2010 books. The PUCO ordered that the significantly excessive earnings be applied first to CSPCo's FAC deferral, including unrecognized equity carrying costs, as of the date of the order, with any remaining balance to be credited to CSPCo's customers on a per kilowatt basis which began with the first billing cycle in February 2011 through December 2011. Several parties, including CSPCo and OPCo, have filed requests for rehearing with the PUCO, which remain pending. CSPCo and OPCo are required to file their 2010 SEET filing with the PUCO in 2011. Based upon the approach in the PUCO 2009 order, management does not currently believe that there are significantly excessive earnings in 2010.

Management is unable to predict the outcome of the various ongoing ESP proceedings and litigation discussed above. If these proceedings, including future SEET filings, result in adverse rulings, it could reduce future net income and cash flows and impact financial condition.

Proposed January 2012 – May 2014 ESP

In January 2011, CSPCo and OPCo filed an application with the PUCO to approve a new ESP that includes a standard service offer (SSO) pricing on a combined company basis for generation effective with the first billing cycle of January 2012 through the last billing cycle of May 2014. The ESP also includes alternative energy resource requirements and addresses provisions regarding distribution service, energy efficiency requirements, economic development, job retention in Ohio and other matters. The SSO presents redesigned generation rates by customer class. Customer class rates individually vary, but on average, customers will experience net base generation increases of 1.4% in 2012 and 2.7% for the period January 2013 through May 2014.

Proposed CSPCo and OPCo Merger

In October 2010, CSPCo and OPCo filed an application with the PUCO to merge CSPCo into OPCo. Approval of the merger will not affect CSPCo's and OPCo's rates until such time as the PUCO approves new rates, terms and conditions for the merged company. In January 2011, CSPCo and OPCo filed an application with the FERC requesting approval for an internal corporate reorganization under which CSPCo will merge into OPCo. CSPCo and OPCo requested the reorganization transaction be effective in October 2011. Decisions are pending from the PUCO and the FERC.

Requested Sporn Unit 5 Shutdown and Proposed Distribution Rider

In October 2010, OPCo filed an application with the PUCO for the approval of a December 2010 closure of Sporn Unit 5 and the simultaneous establishment of a new non-bypassable distribution rider, outside the rate caps established in the 2009 – 2011 ESP proceeding. The proposed rider would recover the net book value of the unit as well as related materials and supplies as of December 2010, which is estimated to be $59 million, as well as future closure costs incurred after December 2010. OPCo also requested authority to record the future closure costs as a regulatory asset or regulatory liability with a weighted average cost of capital carrying charge to be included in the proposed non-bypassable distribution rider after they are incurred. Also in October 2010, OPCo filed a retirement notification with PJM pending PUCO approval of OPCo's application to close Sporn Unit 5, which was granted by PJM. Pending PUCO approval, Sporn Unit 5 continues to operate. Management is unable to predict the outcome of this proceeding.

2009 Fuel Adjustment Clause Audit

As required under the ESP orders, the PUCO selected an outside consultant to conduct the audit of the FAC for the period of January 2009 through December 2009. In May 2010, the outside consultant provided their confidential audit report to the PUCO. The audit report included a recommendation that the PUCO should review whether any proceeds from a 2008 coal contract settlement agreement which totaled $72 million should reduce OPCo's FAC under-recovery balance. Of the total proceeds, approximately $58 million was recognized as a reduction to fuel expense prior to 2009 and $14 million reduced fuel expense in 2009 and 2010. Hearings were held in August 2010. If the PUCO orders any portion of the $58 million previously recognized or potential other future adjustments be used to reduce the current year FAC deferral, it would reduce future net income and cash flows and impact financial condition.

Ormet Interim Arrangement

CSPCo, OPCo and Ormet, a large aluminum company, filed an application with the PUCO for approval of an interim arrangement governing the provision of generation service to Ormet. This interim arrangement was approved by the PUCO and was effective from January 2009 through September 2009. In March 2009, the PUCO approved a FAC in the ESP filings. The approval of the FAC, together with the PUCO approval of the interim arrangement, provided the basis to record regulatory assets for the difference between the approved market price and the rate paid by Ormet. The Industrial Energy Users-Ohio, CSPCo and OPCo filed Notices of Appeal regarding aspects of this decision with the Supreme Court of Ohio. A hearing at the Supreme Court of Ohio was held in February 2011. Through September 2009, the last month of the interim arrangement, CSPCo and OPCo had $30 million and $34 million, respectively, of deferred FAC related to the interim arrangement including recognized carrying charges. These amounts exclude $1 million and $1 million, respectively, of unrecognized equity carrying costs. In November 2009, CSPCo and OPCo requested that the PUCO approve recovery of the deferrals under the interim agreement plus a weighted average cost of capital carrying charge. The interim arrangement deferrals are included in CSPCo's and OPCo's FAC phase-in deferral balances. See "Ohio Electric Security Plan Filings" section above. In the ESP proceeding, intervenors requested that CSPCo and OPCo be required to refund the Ormet-related regulatory assets and requested that the PUCO prevent CSPCo and OPCo from collecting the Ormet-related revenues in the future. The PUCO did not take any action on this request in the ESP proceeding. The intervenors raised the issue again in response to CSPCo's and OPCo's November 2009 filing to approve recovery of the deferrals under the interim agreement. If CSPCo and OPCo are not ultimately permitted to fully recover their requested deferrals under the interim arrangement, it would reduce future net income and cash flows and impact financial condition.

Economic Development Rider

In April 2010, the Industrial Energy Users-Ohio filed a notice of appeal of the 2009 PUCO-approved Economic Development Rider (EDR) with the Supreme Court of Ohio. The EDR collects from ratepayers the difference between the standard tariff and lower contract billings to qualifying industrial customers, subject to PUCO approval. The Industrial Energy Users-Ohio raised several issues including claims that (a) the PUCO lost jurisdiction over CSPCo's and OPCo's ESP proceedings and related proceedings when the PUCO failed to issue ESP orders within the 150-day statutory deadline, (b) the EDR should not be exempt from the ESP annual rate limitations and (c) CSPCo and OPCo should not be allowed to apply a weighted average long-term debt carrying cost on deferred EDR regulatory assets.

In June 2010, Industrial Energy Users-Ohio filed a notice of appeal of the 2010 PUCO-approved EDR with the Supreme Court of Ohio. The Industrial Energy Users-Ohio raised the same issues as noted in the 2009 EDR appeal plus a claim that CSPCo and OPCo should not be able to take the benefits of the higher ESP rates while simultaneously challenging the ESP orders.

As of December 31, 2010, CSPCo and OPCo have incurred $38 million and $30 million, respectively, in EDR costs including carrying costs. Of these costs, CSPCo and OPCo have collected $35 million and $26 million, respectively, through the EDR, which CSPCo and OPCo began collecting in January 2010. The remaining $3 million and $4 million for CSPCo and OPCo, respectively, are recorded as EDR regulatory assets. If CSPCo and OPCo are not ultimately permitted to recover their deferrals or are required to refund revenue collected, it would reduce future net income and cash flows and impact financial condition.

Environmental Investment Carrying Cost Rider

In February 2010, CSPCo and OPCo filed an application with the PUCO to establish an Environmental Investment Carrying Cost Rider to recover carrying costs for 2009 through 2011 related to environmental investments made in 2009. The carrying costs include both a return of and on the environmental investments as well as related administrative and general expenses and taxes. In August 2010, the PUCO issued an order approving a rider of approximately $26 million and $34 million for CSPCo and OPCo, respectively, effective September 2010. The implementation of the rider will likely not impact cash flows since this rider is subject to the rate increase caps authorized by the PUCO in the ESP proceedings, but will increase the ESP phase-in plan deferrals associated with the FAC.

Ohio IGCC Plant

In March 2005, CSPCo and OPCo filed a joint application with the PUCO seeking authority to recover costs of building and operating an IGCC power plant. Through December 31, 2010, CSPCo and OPCo have each collected $12 million in pre-construction costs authorized in a June 2006 PUCO order and each incurred $11 million in pre-construction costs. As a result, CSPCo and OPCo each established a net regulatory liability of approximately $1 million. The order also provided that if CSPCo and OPCo have not commenced a continuous course of construction of the proposed IGCC plant before June 2011, all pre-construction costs that may be utilized in projects at other sites must be refunded to Ohio ratepayers with interest. Intervenors have filed motions with the PUCO requesting all pre-construction costs be refunded to Ohio ratepayers with interest.

CSPCo and OPCo will not start construction of an IGCC plant until existing statutory barriers are addressed and sufficient assurance of regulatory cost recovery exists. Management cannot predict the outcome of any cost recovery litigation concerning the Ohio IGCC plant or what effect, if any, such litigation would have on future net income and cash flows. However, if CSPCo and OPCo were required to refund all or some of the pre-construction costs collected and the costs incurred were not recoverable in another jurisdiction, it would reduce future net income and cash flows and impact financial condition.

SWEPCo Rate Matters

Turk Plant

SWEPCo is currently constructing the Turk Plant, a new base load 600 MW pulverized coal ultra-supercritical generating unit in Arkansas, which is expected to be in service in 2012. SWEPCo owns 73% (440 MW) of the Turk Plant and will operate the completed facility. The Turk Plant is currently estimated to cost $1.7 billion, excluding AFUDC, plus an additional $125 million for transmission, excluding AFUDC. SWEPCo's share is currently estimated to cost $1.3 billion, excluding AFUDC, plus the additional $125 million for transmission, excluding AFUDC. As of December 31, 2010, excluding costs attributable to its joint owners, SWEPCo has capitalized approximately $1 billion of expenditures (including AFUDC and capitalized interest of $137 million and related transmission costs of $66 million). As of December 31, 2010, the joint owners and SWEPCo have contractual construction commitments of approximately $321 million (including related transmission costs of $3 million). SWEPCo's share of the contractual construction commitments is $235 million. If the plant is cancelled, the joint owners and SWEPCo would incur contractual construction cancellation fees, based on construction status as of December 31, 2010, of approximately $121 million (including related transmission cancellation fees of $1 million). SWEPCo's share of the contractual construction cancellation fees would be approximately $89 million.

Discussed below are the significant outstanding uncertainties related to the Turk Plant:

The APSC granted approval for SWEPCo to build the Turk Plant by issuing a Certificate of Environmental Compatibility and Public Need (CECPN) for the 88 MW SWEPCo Arkansas jurisdictional share of the Turk Plant. Following an appeal by certain intervenors, the Arkansas Supreme Court issued a decision that reversed the APSC's grant of the CECPN. The Arkansas Supreme Court ultimately concluded that the APSC erred in determining the need for additional power supply resources in a proceeding separate from the proceeding in which the APSC granted the CECPN. However, the Arkansas Supreme Court approved the APSC's procedure of granting CECPNs for transmission facilities in dockets separate from the Turk Plant CECPN proceeding. SWEPCo filed a notice with the APSC of its intent to proceed with construction of the Turk Plant but that SWEPCo no longer intends to pursue a CECPN to seek recovery of the originally approved 88 MW portion of Turk Plant costs in Arkansas retail rates. In June 2010, the APSC issued an order which reversed and set aside the previously granted CECPN.

The PUCT issued an order approving a Certificate of Convenience and Necessity (CCN) for the Turk Plant with the following conditions: (a) a cap on the recovery of jurisdictional capital costs for the Turk Plant based on the previously estimated $1.522 billion projected construction cost, excluding AFUDC and related transmission costs, (b) a cap on recovery of annual CO_2 emission costs at $28 per ton through the year 2030 and (c) a requirement to hold Texas ratepayers financially harmless from any adverse impact related to the Turk Plant not being fully subscribed to by other utilities or wholesale customers. SWEPCo appealed the PUCT's order contending the two cost cap restrictions are unlawful. The Texas Industrial Energy Consumers filed an appeal contending that the PUCT's grant of a conditional CCN for the Turk Plant was unnecessary to serve retail customers. In February 2010, the Texas District Court affirmed the PUCT's order in all respects. In March 2010, SWEPCo and the Texas Industrial Energy Consumers appealed this decision to the Texas Court of Appeals.

The LPSC approved SWEPCo's application to construct the Turk Plant. The Sierra Club filed a complaint with the LPSC to begin an investigation into the construction of the Turk Plant. In November 2010, the LPSC dismissed the complaint.

In November 2008, SWEPCo received its required air permit approval from the Arkansas Department of Environmental Quality and commenced construction at the site. The Arkansas Pollution Control and Ecology Commission (APCEC) upheld the air permit. The parties who unsuccessfully appealed the air permit to the APCEC filed a notice of appeal with the Circuit Court of Hempstead County, Arkansas. In December 2010, the Circuit Court affirmed the APCEC. In January 2011, the same parties asked the Arkansas Court of Appeals to overturn the Circuit Court's December 2010 decision. A decision from the Arkansas Court of Appeals is pending.

A wetlands permit was issued by the U.S. Army Corps of Engineers in December 2009. In 2010, the Sierra Club, the Audubon Society and others filed a complaint in the Federal District Court for the Western District of Arkansas against the U.S. Army Corps of Engineers challenging the process used and the terms of the permit issued to SWEPCo authorizing certain wetland and stream impacts, and sought a preliminary injunction to halt construction and for a temporary restraining order. In July 2010, the Hempstead County Hunting Club also filed a complaint with the Federal District Court for the Western District of Arkansas against SWEPCo, the U.S. Army Corps of Engineers, the U.S. Department of the Interior and the U.S. Fish and Wildlife Service seeking a temporary restraining order and preliminary injunction to stop construction of the Turk Plant asserting claims of violations of federal and state laws. The plaintiffs' federal law claims challenge the process used and terms of the permit issued to SWEPCo authorizing certain wetland and stream impacts. The plaintiffs' state law claims challenge SWEPCo's ability to construct the Turk Plant without obtaining a certificate from the APSC. In 2010, the motions for preliminary injunction were partially granted and upheld on appeal pending a hearing. According to the preliminary injunction, all uncompleted construction work associated with wetlands, streams or rivers at the Turk Plant must immediately stop. Mitigation measures required by the permit are authorized and may be completed. The preliminary injunction affects portions of the water intake and associated piping and portions of the transmission lines. A hearing on SWEPCo's appeal is scheduled for March 2011. In October 2010, the Federal District Court certified issues relating to the state law claims to the Arkansas Supreme Court, including whether those claims are within the primary jurisdiction of the APSC. The Arkansas Supreme Court accepted the request.

In January 2009, SWEPCo was granted CECPNs by the APSC to build three transmission lines and facilities authorized by the SPP and needed to transmit power from the Turk Plant. Intervenors appealed the CECPN decisions in April 2009 to the Arkansas Court of Appeals. In July 2010, the Hempstead County Hunting Club and other appellants filed with the Arkansas Court of Appeals emergency motions to stay the transmission CECPNs to prohibit SWEPCo from taking ownership of private property and undertaking construction of the transmission lines. The Arkansas Court of Appeals issued a decision in July 2010 remanding all transmission line CECPN appeals to the APSC. As a result, a stay was not ordered and construction continues on the affected transmission lines. In January 2011, the appellants filed requests to withdraw their appeals at the Court of Appeals and the APSC postponed a scheduled hearing pending a ruling on those requests. In February 2011, the Court of Appeals dismissed the appeals, and the APSC subsequently closed the remand docket, finding the CECPN decisions final and non-appealable. As previously discussed, the preliminary injunction issued by the Federal District Court related to the wetlands permit also impacts the uncompleted construction on portions of the transmission lines.

Management expects that SWEPCo will ultimately be able to complete construction of the Turk Plant and related transmission facilities and place those facilities in service. However, if SWEPCo is unable to complete the Turk Plant construction, including the related transmission facilities, and place the Turk Plant in service or if SWEPCo cannot recover all of its investment in and expenses related to the Turk Plant, it would materially reduce future net income and cash flows and materially impact financial condition.

Stall Unit

SWEPCo constructed the Stall Unit, an intermediate load 500 MW natural gas-fired combustion turbine combined cycle generating unit, at its existing Arsenal Hill Plant located in Shreveport, Louisiana. The LPSC and the APSC issued orders capping SWEPCo's Stall Unit construction costs at $445 million including AFUDC and excluding related transmission costs. The Stall Unit was placed in service in June 2010. As of December 31, 2010, the Stall Unit cost applicable to the cap was $426 million, including $49 million of AFUDC. Management does not expect the final costs of the Stall Unit to exceed the ordered cap. In July 2010, the Stall Unit was placed into Arkansas rates. SWEPCo received CWIP treatment for a portion of the Stall Unit in the 2009 Texas Base Rate Filing. See "2009 Texas Base Rate Filing" section below. The Stall Unit will be phased into Louisiana rates between October 2010 and October 2011.

2009 Texas Base Rate Filing

In August 2009, SWEPCo filed a rate case with the PUCT to increase its base rates by approximately $75 million annually including a return on common equity of 11.5%. The filing included requests for financing cost riders of $32 million related to construction of the Stall Unit and Turk Plant, a vegetation management rider of $16 million and other requested increases of $27 million. In April 2010, a settlement agreement was approved by the PUCT to increase SWEPCo's base rates by approximately $15 million annually, effective May 2010, including a return on common equity of 10.33%, which consists of $5 million related to construction of the Stall Unit and $10 million in other increases. In addition, the settlement agreement decreased annual depreciation expense by $17 million and allowed SWEPCo a $10 million one-year surcharge rider to recover additional vegetation management costs that SWEPCo must spend within two years.

Texas Fuel Reconciliation

In May 2010, various intervenors, including the PUCT staff, filed testimony recommending disallowances ranging from $3 million to $30 million in SWEPCo's $755 million fuel and purchased power costs reconciliation for the period January 2006 through March 2009. In July 2010, Cities Advocating Reasonable Deregulation filed testimony regarding the 2007 transfer of ERCOT trading contracts to AEPEP. The testimony included unquantified refund recommendations relating to re-pricing of contract transactions.

In September 2010, the Administrative Law Judges issued a Proposal for Decision (PFD) that recommended a disallowance of a significant portion of the charges under a ten-year gas transportation agreement that began in 2009 for the Mattison Plant located in northwest Arkansas. In January 2011, the PUCT issued an order which overturned a portion of the PFD that recommended a finding of imprudence on the Mattison gas contract. The impact of this order had an immaterial impact on SWEPCo's financial statements.

TCC and TNC Rate Matters

TEXAS RESTRUCTURING

Texas Restructuring Appeals

Pursuant to PUCT restructuring orders, TCC securitized net recoverable stranded generation costs of $2.5 billion and is recovering the principal and interest on the securitization bonds through the end of 2020. TCC also refunded other net true-up regulatory liabilities of $375 million during the period October 2006 through June 2008 via a CTC credit rate rider under PUCT restructuring orders. TCC and intervenors appealed the PUCT's true-up related orders. After rulings from the Texas District Court and the Texas Court of Appeals, TCC, the PUCT and intervenors filed petitions for review with the Texas Supreme Court. Review is discretionary and the Texas Supreme Court has not yet determined if it will grant review. The Texas Supreme Court requested a full briefing which has concluded. The following represent issues where either the Texas District Court or the Texas Court of Appeals recommended the PUCT decision be modified:

- The Texas District Court judge determined that the PUCT erred by applying an invalid rule to determine the carrying cost rate for the true-up of stranded costs. The Texas Court of Appeals reversed the District Court's unfavorable decision. An October 2010 decision of the Texas Supreme Court addressing the same issue for another utility upholds the Court of Appeals determination.

- The Texas District Court judge determined that the PUCT improperly reduced TCC's net stranded plant costs for commercial unreasonableness. This favorable decision was affirmed by the Texas Court of Appeals.

- The Texas Court of Appeals determined that the PUCT erred by not reducing stranded costs by the "excess earnings" that had already been refunded to affiliated Retail Electric Providers (REPs). This decision could be unfavorable unless the PUCT allows TCC to recover the refunds previously made to the REPs. See the "TCC Excess Earnings" section below.

Management cannot predict the outcome of the pending court proceedings and the PUCT remand decisions. If TCC ultimately succeeds in its appeals, it could have a favorable effect on future net income, cash flows and possibly financial condition. If intervenors succeed in their appeals, it could reduce future net income and cash flows and possibly impact financial condition.

TCC Deferred Investment Tax Credits and Excess Deferred Federal Income Taxes

In 2006, the PUCT reduced recovery of the amount securitized by $103 million of tax benefits and associated carrying costs related to TCC's generation assets. In 2006, TCC obtained a private letter ruling from the IRS which confirmed that such reduction was an IRS normalization violation. In order to avoid a normalization violation, the PUCT agreed to allow TCC to defer refunding the tax benefits of $103 million plus interest through the CTC refund period pending resolution of the normalization issue. In 2008, the IRS issued final regulations, which supported the IRS' private letter ruling which would make the refunding of or the reduction of the amount securitized by such tax benefits a normalization violation. After the IRS issued its final regulations, at the request of the PUCT, the Texas Court of Appeals remanded the tax normalization issue to the PUCT for the consideration of additional evidence including the IRS regulations. TCC is not accruing interest on the $103 million because it is not probable that the PUCT will order TCC to violate the normalization provision of the Internal Revenue Code. If interest were accrued, management estimates interest expense would have been approximately $22 million higher for the period July 2008 through December 2010.

Management believes that the PUCT will ultimately allow TCC to retain the deferred amounts, which would have a favorable effect on future net income and cash flows. Although unexpected, if the PUCT fails to issue a favorable order and orders TCC to return the tax benefits to customers, the resulting normalization violation could result in TCC's repayment to the IRS of Accumulated Deferred Investment Tax Credits (ADITC) on all property, including transmission and distribution property. This amount approximates $101 million as of December 31, 2010. It could also lead to a loss of TCC's right to claim accelerated tax depreciation in future tax returns. If TCC is required to repay its ADITC to the IRS and is also required to refund ADITC plus unaccrued interest to customers, it would reduce future net income and cash flows and impact financial condition.

TCC Excess Earnings

In 2005, a Texas appellate court issued a decision finding that a PUCT order requiring TCC to refund to the Retail Electric Providers (REPs) excess earnings prior to and outside of the true-up process was unlawful under the Texas Restructuring Legislation. From 2002 to 2005, TCC refunded $55 million of excess earnings, including interest, under the overturned PUCT order. On remand, the PUCT must determine how to implement the Court of Appeals decision given that the unauthorized refunds were made to the REPs in lieu of reducing stranded costs in the true-up proceeding.

Certain parties have taken positions that, if adopted, could result in TCC being required to refund excess earnings and interest through the true-up process without receiving a refund from the REPs. If this were to occur, it would reduce future net income and cash flows and impact financial condition. Management cannot predict the outcome of the excess earnings remand.

OTHER TEXAS RATE MATTERS

Texas Base Rate Appeal

TCC filed a base rate case in 2006 seeking to increase base rates. The PUCT issued an order in 2007 which increased TCC's base rates by $20 million, eliminated a merger credit rider of $20 million and reduced depreciation rates by $7 million. The PUCT decision was appealed by TCC and various intervenors. On appeal, the Texas District Court affirmed the PUCT in most respects and the Texas Court of Appeals affirmed the Texas District Court's decision. The order became final with an August 2010 Texas Court of Appeals mandate.

ETT 2007 Formation Appeal

ETT is a joint venture between AEP Utilities, Inc. and MidAmerican Energy Holdings Company Texas Transco, LLC. TCC and TNC have sold transmission assets both in service and under construction to ETT. The PUCT approved ETT's initial rates, a request for a transfer of in-service assets and CWIP and a certificate of convenience and necessity (CCN) to operate as a stand alone transmission utility in ERCOT. ETT was allowed a 9.96% return on common equity. Intervenors appealed the PUCT's decision but the Texas Court of Appeals affirmed the PUCT's decision in all material respects. The deadline to appeal this decision to the Texas Supreme Court has expired.

In a separate development, the Texas governor signed a new law that clarifies the PUCT's authority to grant CCNs to transmission only utilities such as ETT. ETT filed an application with the PUCT for a CCN under the new law. In March 2010, the PUCT approved the application for a CCN under the new law.

APCo and WPCo Rate Matters

2009 Virginia Base Rate Case

In July 2009, APCo filed a generation and distribution base rate increase with the Virginia SCC of $154 million annually based on a 13.35% return on common equity. Interim rates, subject to refund, became effective in December 2009 but were discontinued in February 2010 when newly enacted Virginia legislation suspended the collection of interim rates. In July 2010, the Virginia SCC issued an order approving a $62 million increase based on a 10.53% return on common equity. The order denied recovery of the Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility, which resulted in a pretax write-off of $54 million in Other Operation. See "Mountaineer Carbon Capture and Storage Project" section below. In addition, the order allowed the deferral of approximately $25 million of incremental storm expense incurred in 2009. Approximately $3 million, including interest, was refunded to customers in September 2010 related to the collection of interim rates.

2010 West Virginia Base Rate Case

In May 2010, APCo and WPCo filed a request with the WVPSC to increase annual base rates by $156 million based on an 11.75% return on common equity to be effective March 2011. The filing also included a request for recovery of and a return on the West Virginia jurisdictional share of the Mountaineer Carbon Capture and Storage Product

Validation Facility. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $60 million, effective March 2011. The settlement agreement allows APCo to defer and amortize up to $18 million of previously expensed 2009 incremental storm expenses over a period of eight years. A decision from the WVPSC is expected in March 2011.

Mountaineer Carbon Capture and Storage Project

Product Validation Facility (PVF)

APCo and ALSTOM Power, Inc., an unrelated third party, jointly constructed a CO_2 capture validation facility, which was placed into service in September 2009. APCo also constructed and owns the necessary facilities to store the CO_2. In October 2009, APCo started injecting CO_2 into the underground storage facilities. The injection of CO_2 required the recording of an asset retirement obligation and an offsetting regulatory asset. As of December 31, 2010, APCo has recorded a noncurrent regulatory asset of $60 million related to the PVF.

In APCo's July 2009 Virginia base rate filing, APCo requested recovery of and a return on its Virginia jurisdictional share of its project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In July 2010, the Virginia SCC issued a base rate order that denied recovery of the Virginia share of the PVF costs. See "2009 Virginia Base Rate Case" section above.

In APCo's and WPCo's May 2010 West Virginia base rate filing, APCo and WPCo requested recovery of and a return on their West Virginia jurisdictional share of the project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $60 million, effective March 2011. A decision from the WVPSC is expected in March 2011. If APCo cannot recover its remaining investment in and expenses related to the PVF, it would reduce future net income and cash flows and impact financial condition.

Carbon Capture and Sequestration Project with the Department of Energy (DOE)

During 2010, AEPSC, on behalf of APCo, began the project definition stage for the potential construction of a new commercial scale carbon capture and sequestration (CCS) facility under consideration at the Mountaineer Plant. AEPSC, on behalf of APCo, applied for and was selected to receive funding from the DOE for the project. The DOE will fund 50% of allowable costs incurred for the CCS facility up to a maximum of $334 million. A Front-End Engineering and Design (FEED) study, scheduled for completion during the third quarter of 2011, will refine the total cost estimate for the CCS facility. Results from the FEED study will be evaluated by management before any decision is made to seek the necessary regulatory approvals to build the CCS facility. As of December 31, 2010, APCo has incurred $14 million in total costs and has received $5 million of DOE funding resulting in a net $9 million balance included in Construction Work In Progress on the Consolidated Balance Sheets. If APCo is unable to recover the costs of the CCS project, it would reduce future net income and cash flows.

APCo's Filings for an IGCC Plant

In 2008, the Virginia SCC issued an order denying APCo's request for a surcharge rate mechanism to provide for the timely recovery of pre-construction costs and the ongoing financing costs of the project during the construction period, as well as the capital costs, operating costs and a return on common equity once the facility is placed into commercial operation. The order was based upon the Virginia SCC's finding that the estimated cost of the plant was uncertain and may escalate. The Virginia SCC also expressed concerns that the estimated costs did not include a retrofitting of carbon capture and sequestration facilities. During 2009, based on the order received in Virginia, the WVPSC removed the IGCC case as an active case from its docket and indicated that the conditional CPCN granted in 2008 must be reconsidered if and when APCo proceeds with the IGCC plant.

Through December 31, 2010, APCo deferred for future recovery pre-construction IGCC costs of approximately $9 million applicable to its West Virginia jurisdiction, approximately $2 million applicable to its FERC jurisdiction and approximately $9 million applicable to its Virginia jurisdiction.

APCo will not start construction of the IGCC plant until sufficient assurance of full cost recovery exists in Virginia and West Virginia. If the plant is cancelled, APCo plans to seek recovery of its prudently incurred deferred pre-construction costs which, if not recoverable, would reduce future net income and cash flows and impact financial condition.

APCo's and WPCo's Expanded Net Energy Charge (ENEC) Filing

In September 2009, the WVPSC issued an order approving APCo's and WPCo's March 2009 ENEC request. The approved order provided for recovery of an under-recovered balance plus a projected increase in ENEC costs over a four-year phase-in period with an overall increase of $355 million and a first-year increase of $124 million, effective October 2009. The WVPSC also approved a fixed annual carrying cost rate of 4%, effective October 2009, to be applied to the incremental deferred regulatory asset balance that will result from the phase-in plan and lowered annual coal cost projections by $27 million.

In June 2010, the WVPSC approved a settlement agreement for $96 million, including $10 million of construction surcharges related to APCo's and WPCo's second year ENEC increase. The settlement agreement provided for recovery of the amounts related to the renegotiated coal contracts and allows APCo to accrue weighted average cost of capital carrying charge on the excess under-recovery balance due to the ENEC phase-in as adjusted for the impacts of Accumulated Deferred Income Taxes. As of December 31, 2010, APCo's ENEC under-recovery balance was $361 million, excluding $3 million of unrecognized equity carrying costs, which is included in noncurrent regulatory assets. The new rates became effective in July 2010.

PSO Rate Matters

PSO Fuel and Purchased Power

2006 and Prior Fuel and Purchased Power

The OCC filed a complaint with the FERC related to the allocation of off-system sales margins (OSS) among the AEP operating companies in accordance with a FERC-approved allocation agreement. The FERC issued an adverse ruling in 2008. As a result, PSO recorded a regulatory liability in 2008 to return reallocated OSS to customers. Starting in March 2009, PSO refunded the additional reallocated OSS to its customers through February 2010.

A reallocation of purchased power costs among AEP West companies for periods prior to 2002 resulted in an under-recovery of $42 million of PSO fuel costs. PSO recovered the $42 million by offsetting it against an existing fuel over-recovery during the period June 2007 through May 2008. The Oklahoma Industrial Energy Consumers (OIEC) contended that PSO should not have collected the $42 million without specific OCC approval. In December 2010, the OCC issued orders which approved PSO's 2006 and prior fuel and purchased power costs without any adjustments.

2008 Fuel and Purchased Power

In July 2009, the OCC initiated a proceeding to review PSO's fuel and purchased power adjustment clause for the calendar year 2008 and also initiated a prudence review of the related costs. In March 2010, the Oklahoma Attorney General and the OIEC recommended the fuel clause adjustment rider be amended so that the shareholder's portion of off-system sales margins decrease from 25% to 10%. The OIEC also recommended that the OCC conduct a comprehensive review of all affiliate transactions during 2007 and 2008. In July 2010, additional testimony regarding the 2007 transfer of ERCOT trading contracts to AEPEP was filed. The testimony included unquantified refund recommendations relating to re-pricing of contract transactions. Hearings are currently scheduled for March 2011. If the OCC were to issue an unfavorable decision, it could reduce future net income and cash flows and impact financial condition.

2008 Oklahoma Base Rate Appeal

In January 2009, the OCC issued a final order approving an $81 million increase in PSO's non-fuel base revenues based on a 10.5% return on common equity. The new rates reflecting the final order were implemented with the first billing cycle of February 2009. PSO and intervenors appealed various issues but the Court of Civil Appeals affirmed the OCC's decision. No parties sought rehearing or appeal and, as a result, this case has concluded.

2010 Oklahoma Base Rate Case

In July 2010, PSO filed a request with the OCC to increase annual base rates by $82 million, including $30 million that is currently being recovered through a rider. The requested net annual increase to ratepayers would be $52 million. The requested increase included a $24 million increase in depreciation and an 11.5% return on common equity. In January 2011, the OCC approved a settlement agreement which did not change annual revenue or depreciation rates, but transferred $30 million into base rates that was previously being recovered through a capital investment rider. The order provided a 10.15% return on common equity and new rates were effective in February 2011.

I&M Rate Matters

Indiana Fuel Clause Filing (Cook Plant Unit 1 Fire and Shutdown)

I&M filed applications with the IURC to increase its fuel adjustment charge by approximately $53 million for the period of April 2009 through September 2009. The filings sought increases for previously under-recovered fuel clause expenses.

As fully discussed in the "Cook Plant Unit 1 Fire and Shutdown" section of Note 6, Cook Plant Unit 1 (Unit 1) was shut down in September 2008 due to significant turbine damage and a small fire on the electric generator. Unit 1 was placed back into service in December 2009 at slightly reduced power. The unit outage resulted in increased replacement power fuel costs. The filing only requested the cost of replacement power through mid-December 2008, the date when I&M began receiving accidental outage insurance proceeds. I&M committed to absorb the remaining costs of replacement power through the date the unit returned to service, which occurred in December 2009.

I&M reached an agreement with intervenors, which was approved by the IURC in March 2009, to collect its existing prior period under-recovery regulatory asset deferral balance over twelve months instead of over six months as initially proposed. Under the agreement, the fuel factors were placed into effect, subject to refund, and a subdocket was established to consider issues relating to the Unit 1 shutdown including the treatment of the accidental outage insurance proceeds. I&M maintains a separate accidental outage policy with NEIL. In 2009, I&M recorded $185 million in revenue under the policy and reduced the cost of replacement power in customers' bills by $78 million.

In October 2010, the Indiana/Michigan Industrial Group and the Indiana Office of Utility Consumer Counselor filed testimony which recommended I&M pay to customers a portion of the accidental outage insurance proceeds up to the extent not previously paid to customers through the fuel adjustment clause or needed to cover costs not covered by I&M's property damage insurance policy. In January 2011, a settlement agreement was filed with the IURC. The settlement stated (a) that I&M will credit an additional $14 million to customers through the fuel adjustment clause, (b) that the parties to the settlement will not oppose the need to replace the existing low-pressure turbine at Cook Unit 1, and (c) that the parties to the settlement agree that the cost of the replacement should not be offset by the accidental outage insurance proceeds received by I&M. In February 2011, the IURC approved the settlement agreement as filed.

Michigan 2009 Power Supply Cost Recovery (PSCR) Reconciliation (Cook Plant Unit 1 Fire and Shutdown)

In March 2010, I&M filed its 2009 PSCR reconciliation with the MPSC. The filing included an adjustment to exclude from the PSCR the incremental fuel cost of replacement power due to the Unit 1 outage from mid-December 2008 through December 2009, the period during which I&M received and recognized the accidental outage insurance proceeds. Management believes that I&M is entitled to retain the accidental outage insurance proceeds since it made customers whole regarding the replacement power costs. In October 2010, a settlement agreement was filed with the MPSC which included deferring the Unit 1 outage issue to the 2010 PSCR reconciliation, which will be filed in March 2011. If any fuel clause revenues or accidental outage insurance proceeds have to be paid to customers, it would reduce future net income and cash flows and impact financial condition. See the "Cook Plant Unit 1 Fire and Shutdown" section of Note 6.

Michigan Base Rate Filing

In January 2010, I&M filed with the MPSC a request for a $63 million increase in annual base rates based on an 11.75% return on common equity. Starting with the August 2010 billing cycle, I&M, with MPSC authorization, implemented a $44 million interim rate increase. The interim increase excluded new trackers and regulatory assets for which I&M was not currently incurring expenses. In October 2010, a settlement agreement was approved by the MPSC to increase annual base rates by $36 million based on a 10.35% return on common equity, effective December 2010, plus separate recovery of approximately $7 million of customer choice implementation costs over a two year period beginning April 2011. In addition, the approved revenue requirement includes the amortization of $6 million in previously expensed restructuring costs over five years, which I&M deferred in October 2010 and began amortizing in December 2010. Also, the approved settlement agreement provided for sharing of off-system sales margins between customers (75%) and I&M (25%) with customers receiving a credit in future Power Supply Cost Recovery proceedings for their jurisdictional share of any off-system sales margins. Through December 2010, I&M recorded a provision for refund of $3 million, including interest, related to interim rates that were in effect through November 2010. In January 2011, I&M filed an application with the MPSC requesting the MPSC find that $3 million, including interest, is the total amount to be refunded to customers. I&M is proposing to refund this amount to customers during April 2011. A decision from the MPSC is pending.

Kentucky Rate Matters

Kentucky Base Rate Filing

In December 2009, KPCo filed a base rate case with the KPSC to increase base revenues by $124 million annually based on an 11.75% return on common equity. The base rate case also requested recovery of deferred storm restoration expenses over a three-year period. In June 2010, the KPSC approved a settlement agreement to increase base revenues by $64 million annually based on a 10.5% return on common equity. The settlement agreement included recovery of $23 million of deferred storm restoration expenses over five years. New rates became effective with the first billing cycle of July 2010.

FERC Rate Matters

Seams Elimination Cost Allocation (SECA) Revenue Subject to Refund

In 2004, AEP eliminated transaction-based through-and-out transmission service (T&O) charges in accordance with FERC orders and collected, at the FERC's direction, load-based charges, referred to as RTO SECA, to partially mitigate the loss of T&O revenues on a temporary basis through March 2006. Intervenors objected to the temporary SECA rates. The FERC set SECA rate issues for hearing and ordered that the SECA rate revenues be collected, subject to refund. The AEP East companies recognized gross SECA revenues of $220 million from 2004 through 2006 when the SECA rates terminated.

In 2006, a FERC Administrative Law Judge (ALJ) issued an initial decision finding that the SECA rates charged were unfair, unjust and discriminatory and that new compliance filings and refunds should be made. The ALJ also found that any unpaid SECA rates must be paid in the recommended reduced amount.

AEP filed briefs jointly with other affected companies asking the FERC to reverse the decision. In May 2010, the FERC issued an order that generally supports AEP's position and required a compliance filing to be filed with the FERC by August 2010. In June 2010, AEP and other affected companies filed a joint request for rehearing with the FERC.

In August 2010, the affected companies, including the AEP East companies, filed a compliance filing with the FERC. If the compliance filing is accepted, the AEP East companies would have to pay refunds of approximately $20 million including estimated interest of $5 million. The AEP East companies could also potentially receive payments up to approximately $10 million including estimated interest of $3 million. A decision is pending from the FERC.

The FERC has approved settlements applicable to $112 million of SECA revenue. The AEP East companies provided reserves for net refunds for SECA settlements applicable to the remaining $108 million of SECA revenues collected. Based on the AEP East companies' analysis of the May 2010 order and the compliance filing, management believes that the reserve is adequate to pay the refunds, including interest, that will be required should the May 2010 order or the compliance filing be made final. Management cannot predict the ultimate outcome of this proceeding at the FERC which could impact future net income and cash flows.

Modification of the Transmission Agreement (TA)

The AEP East companies are parties to the TA that provides for a sharing of the cost of transmission lines operated at 138-kV and above and transmission stations containing extra-high voltage facilities. In June 2009, AEPSC, on behalf of the parties to the TA, filed with the FERC a request to modify the TA. Under the proposed amendments, KGPCo and WPCo will be added as parties to the TA. In addition, the amendments would provide for the allocation of PJM transmission costs generally on the basis of the TA parties' 12-month coincident peak and reimburse transmission revenues based on individual cost of service instead of the MLR method used in the present TA. In October 2010, the FERC approved a settlement agreement for the new TA effective November 1, 2010. The impacts of the settlement agreement will be phased-in for retail rate making purposes in certain jurisdictions over periods of up to four years.

PJM/MISO Market Flow Calculation Settlement Adjustments

During 2009, an analysis conducted by MISO and PJM discovered several instances of unaccounted for power flows on numerous coordinated flowgates. These flows affected the settlement data for congestion revenues and expenses and dated back to the start of the MISO market in 2005. In January 2011, PJM and MISO reached a settlement agreement where the parties agreed to net various issues to zero. This settlement was filed with the FERC in January 2011. PJM and MISO are currently awaiting final approval from the FERC.

5. EFFECTS OF REGULATION

Regulatory assets are comprised of the following items:

	December 31, 2010		December 31, 2009	Remaining Recovery Period
Current Regulatory Assets	(in millions)			
Under-recovered Fuel Costs - earns a return	$ 73		$ 85	1 year
Under-recovered Fuel Costs - does not earn a return	8		-	1 year
Total Current Regulatory Assets	$ 81		$ 85	
Noncurrent Regulatory Assets				
Regulatory assets not yet being recovered pending future proceedings to determine the recovery method and timing:				
Regulatory Assets Currently Earning a Return				
Customer Choice Deferrals - CSPCo, OPCo	$ 59		$ 57	
Storm Related Costs - CSPCo, OPCo, TCC	55		49	
Line Extension Carrying Costs - CSPCo, OPCo	55		43	
Acquisition of Monongahela Power - CSPCo	8		10	
Other Regulatory Assets Not Yet Being Recovered	7		1	
Regulatory Assets Currently Not Earning a Return				
Mountaineer Carbon Capture and Storage Product Validation Facility - APCo	60		111	
Environmental Rate Adjustment Clause - APCo	56		25	
Storm Related Costs - APCo, KGPCo, PSO, SWEPCo	45		-	
Deferred Wind Power Costs - APCo	29		5	
Special Rate Mechanism for Century Aluminum - APCo	13		12	
Acquisition of Monongahela Power - CSPCo	4		-	
Transmission Rate Adjustment Clause - APCo	-	(a)	26	
Storm Related Costs - KPCo	-	(b)	24	
Other Regulatory Assets Not Yet Being Recovered	4		18	
Total Regulatory Assets Not Yet Being Recovered	395		381	
Regulatory assets being recovered:				
Regulatory Assets Currently Earning a Return				
Fuel Adjustment Clause - OPCo	476		341	2 to 8 years
Expanded Net Energy Charge - APCo	361	(c)	-	3 years
Unamortized Loss on Reacquired Debt	93		99	33 years
Storm Related Costs - PSO	38		53	3 years
RTO Formation/Integration Costs	21		23	9 years
Red Rock Generating Facility - PSO	10		11	46 years
Economic Development Rider - CSPCo, OPCo	1		12	1 year
Other Regulatory Assets Being Recovered	21		23	various
Regulatory Assets Currently Not Earning a Return				
Pension and OPEB Funded Status	2,161		2,139	13 years
Income Taxes, Net	1,097		966	37 years
Cook Nuclear Plant Refueling Outage Levelization - I&M	54		22	3 years
Postemployment Benefits	51		52	4 years
Storm Related Costs - KPCo	21	(b)	-	5 years
Transmission Rate Adjustment Clause - APCo	19	(a)	-	2 years
Asset Retirement Obligation - APCo, I&M	15		16	10 years
Restructuring Transition Costs - TCC	14		25	5 years
Off-system Sales Margin Sharing - I&M	13		18	1 year
Vegetation Management - PSO	13		16	1 year
Virginia Environmental and Reliability Costs Recovery - APCo	4		76	3 years
Expanded Net Energy Charge - APCo	-	(c)	282	
Other Regulatory Assets Being Recovered	65		40	various
Total Regulatory Assets Being Recovered	4,548		4,214	
Total Noncurrent Regulatory Assets	$ 4,943		$ 4,595	

(a) Recovery of regulatory asset through the transmission rate adjustment clause.
(b) Recovery of regulatory asset was granted during 2010.
(c) The majority of the balance results from the ENEC phase-in plan and earns a weighted average cost of capital carrying charge.

Regulatory liabilities are comprised of the following items:

	December 31, 2010	December 31, 2009	Remaining Refund Period
Current Regulatory Liability	(in millions)		
Over-recovered Fuel Costs - pays a return	$ 16	$ 65	1 year
Over-recovered Fuel Costs - does not pay a return	1	11	1 year
Total Current Regulatory Liability	$ 17	$ 76	
Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits			
Regulatory liabilities not yet being paid:			
Regulatory Liabilities Currently Paying a Return			
Refundable Construction Financing Costs - SWEPCo	$ 20	$ -	
Other Regulatory Liabilities Not Yet Being Paid	-	3	
Regulatory Liabilities Currently Not Paying a Return			
Over-Recovery of gridSMART® Costs - CSPCo, PSO	10	9	
Other Regulatory Liabilities Not Yet Being Paid	11	10	
Total Regulatory Liabilities Not Yet Being Paid	41	22	
Regulatory liabilities being paid:			
Regulatory Liabilities Currently Paying a Return			
Asset Removal Costs	2,222	2,048	(a)
Advanced Metering Infrastructure Surcharge - TCC, TNC	61	30	10 years
Deferred Investment Tax Credits	32	41	up to 12 years
Excess Earnings - SWEPCo, TNC	13	11	43 years
Transmission Cost Recovery Rider - CSPCo, OPCo	2	25	1 year
Other Regulatory Liabilities Being Paid	2	2	various
Regulatory Liabilities Currently Not Paying a Return			
Excess Asset Retirement Obligations for Nuclear Decommissioning Liability - I&M	354	281	(b)
Deferred Investment Tax Credits	242	239	up to 76 years
Unrealized Gain on Forward Commitments	60	74	5 years
Spent Nuclear Fuel Liability - I&M	42	41	(b)
Over-recovery of Transition Charges - TCC	38	38	9 years
Deferred State Income Tax Coal Credits - APCo	29	28	9 years
Over-recovery of PJM Expenses - I&M	12	18	1 year
Energy Efficiency/Peak Demand Reduction	10	2	2 years
Other Regulatory Liabilities Being Paid	11	9	various
Total Regulatory Liabilities Being Paid	3,130	2,887	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	$ 3,171	$ 2,909	

(a) Relieved as removal costs are incurred.
(b) Relieved when plant is decommissioned.

6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

We are subject to certain claims and legal actions arising in our ordinary course of business. In addition, our business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against us cannot be predicted. For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on our financial statements.

COMMITMENTS

Construction and Commitments

The AEP System has substantial construction commitments to support its operations and environmental investments. In managing the overall construction program and in the normal course of business, we contractually commit to third-party construction vendors for certain material purchases and other construction services. We forecast approximately $2.5 billion and $2.6 billion of construction expenditures excluding AFUDC and capitalized interest for 2011 and 2012, respectively. The subsidiaries purchase fuel, materials, supplies, services and property, plant and equipment under contract as part of their normal course of business. Certain supply contracts contain penalty provisions for early termination.

The following table summarizes our actual contractual commitments at December 31, 2010:

Contractual Commitments	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 2,810	$ 3,974	$ 2,543	$ 3,718	$ 13,045
Energy and Capacity Purchase Contracts (b)	69	199	204	1,101	1,573
Total	$ 2,879	$ 4,173	$ 2,747	$ 4,819	$ 14,618

(a) Represents contractual commitments to purchase coal, natural gas, uranium and other consumables as fuel for electric generation along with related transportation of the fuel.
(b) Represents contractual commitments for energy and capacity purchase contracts.

GUARANTEES

We record liabilities for guarantees in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees in excess of our ownership percentages. In the event any guarantee is drawn, there is no recourse to third parties unless specified below.

Letters of Credit

We enter into standby letters of credit with third parties. As Parent, we issue all of these letters of credit in our ordinary course of business on behalf of our subsidiaries. These letters of credit cover items such as gas and electricity risk management contracts, construction contracts, insurance programs, security deposits and debt service reserves.

We have two $1.5 billion credit facilities, of which $750 million may be issued under one credit facility as letters of credit. In June 2010, we terminated one of the $1.5 billion facilities that was scheduled to mature in March 2011 and replaced it with a new $1.5 billion credit facility which matures in 2013 and allows for the issuance of up to $600 million as letters of credit. As of December 31, 2010, the maximum future payments for letters of credit issued under the two $1.5 billion credit facilities were $124 million with maturities ranging from January 2011 to November 2011.

In June 2010, we reduced a $627 million credit agreement to $478 million. As of December 31, 2010, $477 million of letters of credit with maturities ranging from March 2011 to April 2011 were issued by subsidiaries under this credit agreement to support variable rate Pollution Control Bonds.

Guarantees of Third-Party Obligations

SWEPCo

As part of the process to receive a renewal of a Texas Railroad Commission permit for lignite mining, SWEPCo provides guarantees of mine reclamation of approximately $65 million. Since SWEPCo uses self-bonding, the guarantee provides for SWEPCo to commit to use its resources to complete the reclamation in the event the work is not completed by Sabine Mining Company (Sabine), a consolidated variable interest entity. This guarantee ends upon depletion of reserves and completion of final reclamation. Based on the latest study, we estimate the reserves will be depleted in 2036 with final reclamation completed by 2046 at an estimated cost of approximately $58 million. As of December 31, 2010, SWEPCo has collected approximately $49 million through a rider for final mine closure and reclamation costs, of which $2 million is recorded in Other Current Liabilities, $25 million is recorded in Deferred Credits and Other Noncurrent Liabilities and $22 million is recorded in Asset Retirement Obligations on our Consolidated Balance Sheets.

Sabine charges SWEPCo, its only customer, all of its costs. SWEPCo passes these costs to customers through its fuel clause.

Indemnifications and Other Guarantees

Contracts

We enter into several types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, our exposure generally does not exceed the sale price. The status of certain sale agreements is discussed in the "Dispositions" section of Note 7. These sale agreements include indemnifications with a maximum exposure related to the collective purchase price. This maximum exposure of approximately $1 billion relates to the Bank of America (BOA) litigation indemnity pertaining to the sale of Houston Pipeline Company in 2005 (see "Enron Bankruptcy" section of this note), of which $448 million is recorded in Current Liabilities – Deferred Gain and Accrued Litigation Costs on the Consolidated Balance Sheet as of December 31, 2010. In February 2011, all matters related to the BOA litigation were resolved and we paid BOA $425 million. There are no material amounts recorded for any indemnifications other than the deferred gain (plus interest and attorneys' fees) related to the BOA litigation which settled in February 2011.

Lease Obligations

We lease certain equipment under master lease agreements. See "Master Lease Agreements" and "Railcar Lease" sections of Note 13 for disclosure of lease residual value guarantees.

ENVIRONMENTAL CONTINGENCIES

Federal EPA Complaint and Notice of Violation

The Federal EPA, certain special interest groups and a number of states alleged that APCo, CSPCo, I&M and OPCo modified certain units at their coal-fired generating plants in violation of the NSR requirements of the CAA. Cases with similar allegations against CSPCo, Dayton Power and Light Company and Duke Energy Ohio, Inc. were also filed related to their jointly-owned units. The cases were settled with the exception of a case involving a jointly-owned Beckjord unit which had a liability trial. Following two liability trials, the jury found no liability at the jointly-owned Beckjord unit. The defendants and the plaintiffs appealed to the Seventh Circuit Court of Appeals. In October 2010, the Seventh Circuit dismissed all remaining claims in these cases. Beckjord is operated by Duke Energy Ohio, Inc.

SWEPCo Citizen Suit and Notice of Violation

In 2005, two special interest groups, Sierra Club and Public Citizen, filed a complaint alleging violations of the CAA at SWEPCo's Welsh Plant. In 2008, a consent decree resolved all claims in the case and in the pending appeal of an altered permit for the Welsh Plant. The consent decree required SWEPCo to install continuous particulate emission monitors at the Welsh Plant, secure 65 MW of renewable energy capacity, fund $2 million in emission reduction, energy efficiency or environmental mitigation projects and pay a portion of plaintiffs' attorneys' fees and costs.

The Federal EPA issued a Notice of Violation (NOV) based on alleged violations of a percent sulfur in fuel limitation and the heat input values listed in a previous state permit similar to the claims made in the citizen suit. The NOV also alleges that a permit alteration issued by the Texas Commission on Environmental Quality in 2007 was improper. In March 2008, SWEPCo met with the Federal EPA to discuss the alleged violations. The Federal EPA did not object to the settlement of the citizen suit and has taken no further action. We are unable to predict the timing of any future action by the Federal EPA. We are unable to determine a range of potential losses that are reasonably possible of occurring.

Carbon Dioxide Public Nuisance Claims

In 2004, eight states and the City of New York filed an action in Federal District Court for the Southern District of New York against AEP, AEPSC, Cinergy Corp, Xcel Energy, Southern Company and Tennessee Valley Authority. The Natural Resources Defense Council, on behalf of three special interest groups, filed a similar complaint against the same defendants. The actions allege that CO_2 emissions from the defendants' power plants constitute a public nuisance under federal common law due to impacts of global warming and sought injunctive relief in the form of specific emission reduction commitments from the defendants. The trial court dismissed the lawsuits.

In September 2009, the Second Circuit Court of Appeals issued a ruling on appeal remanding the cases to the Federal District Court for the Southern District of New York. The Second Circuit held that the issues of climate change and global warming do not raise political questions and that Congress' refusal to regulate CO_2 emissions does not mean that plaintiffs must wait for an initial policy determination by Congress or the President's administration to secure the relief sought in their complaints. The court stated that Congress could enact comprehensive legislation to regulate CO_2 emissions or that the Federal EPA could regulate CO_2 emissions under existing CAA authorities and that either of these actions could override any decision made by the district court under federal common law. The Second Circuit did not rule on whether the plaintiffs could proceed with their state common law nuisance claims. In December 2010, the defendants' petition for review by the U.S. Supreme Court was granted. Briefing is underway and the case will be heard in April 2011. We believe the actions are without merit and intend to continue to defend against the claims.

In October 2009, the Fifth Circuit Court of Appeals reversed a decision by the Federal District Court for the District of Mississippi dismissing state common law nuisance claims in a putative class action by Mississippi residents asserting that CO_2 emissions exacerbated the effects of Hurricane Katrina. The Fifth Circuit held that there was no exclusive commitment of the common law issues raised in plaintiffs' complaint to a coordinate branch of government and that no initial policy determination was required to adjudicate these claims. The court granted petitions for rehearing. An additional recusal left the Fifth Circuit without a quorum to reconsider the decision and the appeal was dismissed, leaving the district court's decision in place. Plaintiffs filed a petition with the U.S. Supreme Court asking the court to remand the case to the Fifth Circuit and reinstate the panel decision. The petition was denied in January 2011.

We are unable to determine a range of potential losses that are reasonably possible of occurring.

Alaskan Villages' Claims

In 2008, the Native Village of Kivalina and the City of Kivalina, Alaska filed a lawsuit in Federal Court in the Northern District of California against AEP, AEPSC and 22 other unrelated defendants including oil and gas companies, a coal company and other electric generating companies. The complaint alleges that the defendants' emissions of CO_2 contribute to global warming and constitute a public and private nuisance and that the defendants are acting together. The complaint further alleges that some of the defendants, including AEP, conspired to create a false scientific debate about global warming in order to deceive the public and perpetuate the alleged nuisance. The plaintiffs also allege that the effects of global warming will require the relocation of the village at an alleged cost of $95 million to $400 million. In October 2009, the judge dismissed plaintiffs' federal common law claim for nuisance, finding the claim barred by the political question doctrine and by plaintiffs' lack of standing to bring the claim. The judge also dismissed plaintiffs' state law claims without prejudice to refiling in state court. The plaintiffs appealed the decision. Briefing is complete and no date has been set for oral argument. The defendants requested that the court defer setting this case for oral argument until after the Supreme Court issues its decision in the CO_2 public nuisance case discussed above. We believe the action is without merit and intend to defend against the claims. We are unable to determine a range of potential losses that are reasonably possible of occurring.

The Comprehensive Environmental Response Compensation and Liability Act (Superfund) and State Remediation

By-products from the generation of electricity include materials such as ash, slag, sludge, low-level radioactive waste and SNF. Coal combustion by-products, which constitute the overwhelming percentage of these materials, are typically treated and deposited in captive disposal facilities or are beneficially utilized. In addition, our generating plants and transmission and distribution facilities have used asbestos, polychlorinated biphenyls and other hazardous and nonhazardous materials. We currently incur costs to dispose of these substances safely.

Superfund addresses clean-up of hazardous substances that have been released to the environment. The Federal EPA administers the clean-up programs. Several states have enacted similar laws. At December 31, 2010, our subsidiaries are named by the Federal EPA as a Potentially Responsible Party (PRP) for four sites for which alleged liability is unresolved. There are eight additional sites for which our subsidiaries have received information requests which could lead to PRP designation. Our subsidiaries have also been named potentially liable at four sites under state law including the I&M site discussed in the next paragraph. In those instances where we have been named a PRP or defendant, our disposal or recycling activities were in accordance with the then-applicable laws and regulations. Superfund does not recognize compliance as a defense, but imposes strict liability on parties who fall within its broad statutory categories. Liability has been resolved for a number of sites with no significant effect on net income.

In 2008, I&M received a letter from the Michigan Department of Environmental Quality (MDEQ) concerning conditions at a site under state law and requesting I&M take voluntary action necessary to prevent and/or mitigate public harm. I&M started remediation work in accordance with a plan approved by MDEQ and recorded a provision of approximately $11 million. As the remediation work is completed, I&M's cost may continue to increase as new information becomes available concerning either the level of contamination at the site or changes in the scope of remediation required by the MDEQ. We cannot predict the amount of additional cost, if any.

We evaluate the potential liability for each Superfund site separately, but several general statements can be made about our potential future liability. Allegations that materials were disposed at a particular site are often unsubstantiated and the quantity of materials deposited at a site can be small and often nonhazardous. Although Superfund liability has been interpreted by the courts as joint and several, typically many parties are named as PRPs for each site and several of the parties are financially sound enterprises. At present, our estimates do not anticipate material cleanup costs for any of our identified Superfund sites, except the I&M site discussed above.

Amos Plant – State and Federal Enforcement Proceedings

In March 2010, we received a letter from the West Virginia Department of Environmental Protection, Division of Air Quality (DAQ), alleging that at various times in 2007 through 2009 the units at Amos Plant reported periods of excess opacity (indicator of compliance with particulate matter emission limits) that lasted for more than thirty consecutive minutes in a 24-hour period and that certain required notifications were not made. We met with representatives of DAQ to discuss these occurrences and the steps we have taken to prevent a recurrence. DAQ indicated that additional enforcement action may be taken, including imposition of a civil penalty of approximately $240 thousand. We have denied that violations of the reporting requirements occurred and maintain that the proper reporting was done. We continue to discuss the resolution of these issues with DAQ, but cannot predict the outcome of these discussions or the amount of any penalty that may be assessed.

In March 2010, we received a request to show cause from the Federal EPA alleging that certain reporting requirements under Superfund and the Emergency Planning and Community Right-to-Know Act had been violated and inviting us to engage in settlement negotiations. The request includes a proposed civil penalty of approximately $300 thousand. We indicated our willingness to engage in good faith negotiations and provided additional information to representatives of the Federal EPA. We have not admitted that any violations occurred or that the amount of the proposed penalty is reasonable.

Defective Environmental Equipment

As part of our continuing environmental investment program, we chose to retrofit wet flue gas desulfurization systems on several units utilizing the jet bubbling reactor (JBR) technology. The retrofits on two Cardinal Plant units and a Conesville Plant unit are operational. Due to unexpected operating results, we completed an extensive review in 2009 of the design and manufacture of the JBR internal components. Our review concluded that there were fundamental design deficiencies and that inferior and/or inappropriate materials were selected for the internal fiberglass components. We initiated discussions with Black & Veatch, the original equipment manufacturer, to develop a repair or replacement corrective action plan. In 2010, we settled with Black & Veatch and resolved the issues involving the internal components and JBR vessel corrosion. These settlements resulted in an immaterial increase in the capitalized costs of the projects for modification of the scope of the contracts.

NUCLEAR CONTINGENCIES

I&M owns and operates the two-unit 2,191 MW Cook Plant under licenses granted by the Nuclear Regulatory Commission (NRC). We have a significant future financial commitment to dispose of SNF and to safely decommission and decontaminate the plant. The licenses to operate the two nuclear units at the Cook Plant expire in 2034 and 2037. The operation of a nuclear facility also involves special risks, potential liabilities and specific regulatory and safety requirements. By agreement, I&M is partially liable, together with all other electric utility companies that own nuclear generating units, for a nuclear power plant incident at any nuclear plant in the U.S. Should a nuclear incident occur at any nuclear power plant in the U.S., the liability could be substantial.

Decommissioning and Low Level Waste Accumulation Disposal

The cost to decommission a nuclear plant is affected by NRC regulations and the SNF disposal program. Decommissioning costs are accrued over the service life of the Cook Plant. The most recent decommissioning cost study was performed in 2009. According to that study, the estimated cost of decommissioning and disposal of low-level radioactive waste ranges from $831 million to $1.5 billion in 2009 nondiscounted dollars. The wide range in estimated costs is caused by variables in assumptions. I&M recovers estimated decommissioning costs for the Cook Plant in its rates. The amount recovered in rates was $14 million in 2010, $16 million in 2009 and $27 million in 2008. Reduced annual decommissioning cost recovery amounts reflect the units' longer estimated life and operating licenses granted by the NRC. Decommissioning costs recovered from customers are deposited in external trusts.

At December 31, 2010 and 2009, the total decommissioning trust fund balance was $1.2 billion and $1.1 billion, respectively. Trust fund earnings increase the fund assets and decrease the amount remaining to be recovered from ratepayers. The decommissioning costs (including interest, unrealized gains and losses and expenses of the trust funds) increase or decrease the recorded liability.

I&M continues to work with regulators and customers to recover the remaining estimated costs of decommissioning the Cook Plant. However, future net income, cash flows and possibly financial condition would be adversely affected if the cost of SNF disposal and decommissioning continues to increase and cannot be recovered.

SNF Disposal

The Federal government is responsible for permanent SNF disposal and assesses fees to nuclear plant owners for SNF disposal. A fee of one mill per KWH for fuel consumed after April 6, 1983 at the Cook Plant is being collected from customers and remitted to the U.S. Treasury. At December 31, 2010 and 2009, fees and related interest of $265 million and $265 million, respectively, for fuel consumed prior to April 7, 1983 have been recorded as Long-term Debt and funds collected from customers along with related earnings totaling $307 million and $306 million, respectively, to pay the fee are recorded as part of Spent Nuclear Fuel and Decommissioning Trusts. I&M has not paid the government the pre-April 1983 fees due to continued delays and uncertainties related to the federal disposal program.

See "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11 for disclosure of the fair value of assets within the trusts.

Nuclear Incident Liability

I&M carries insurance coverage for property damage, decommissioning and decontamination at the Cook Plant in the amount of $1.8 billion. I&M purchases $1 billion of excess coverage for property damage, decommissioning and decontamination. Additional insurance provides coverage for a weekly indemnity payment resulting from an insured accidental outage. I&M utilizes an industry mutual insurer for the placement of this insurance coverage. Participation in this mutual insurance requires a contingent financial obligation of up to $41 million for I&M which is assessable if the insurer's financial resources would be inadequate to pay for losses.

The Price-Anderson Act, extended through December 31, 2025, establishes insurance protection for public liability arising from a nuclear incident at $12.6 billion and covers any incident at a licensed reactor in the U.S. Commercially available insurance, which must be carried for each licensed reactor, provides $375 million of coverage. In the event of a nuclear incident at any nuclear plant in the U.S., the remainder of the liability would be provided by a deferred premium assessment of $117.5 million on each licensed reactor in the U.S. payable in annual installments of $17.5 million. As a result, I&M could be assessed $235 million per nuclear incident payable in annual installments of $35 million. The number of incidents for which payments could be required is not limited.

In the event of an incident of a catastrophic nature, I&M is initially covered for the first $375 million through commercially available insurance. The next level of liability coverage of up to $12.2 billion would be covered by claims made under the Price-Anderson Act. If the liability were in excess of amounts recoverable from insurance and retrospective claim payments made under the Price-Anderson Act, I&M would seek to recover those amounts from customers through rate increases. In the event nuclear losses or liabilities are underinsured or exceed accumulated funds and recovery from customers is not possible, net income, cash flows and financial condition could be adversely affected.

Cook Plant Unit 1 Fire and Shutdown

In September 2008, I&M shut down Cook Plant Unit 1 (Unit 1) due to turbine vibrations, caused by blade failure, which resulted in significant turbine damage and a small fire on the electric generator. This equipment, located in the turbine building, is separate and isolated from the nuclear reactor. The turbine rotors that caused the vibration were installed in 2006 and are within the vendor's warranty period. The warranty provides for the repair or replacement of the turbine rotors if the damage was caused by a defect in materials or workmanship. Repair of the property damage and replacement of the turbine rotors and other equipment could cost up to approximately $395 million. Management believes that I&M should recover a significant portion of these costs through the turbine vendor's warranty, insurance and the regulatory process. I&M repaired Unit 1 and it resumed operations in December 2009 at slightly reduced power. The Unit 1 rotors were repaired and reinstalled due to the extensive lead time required to manufacture and install new turbine rotors. As a result, the replacement of the repaired turbine rotors and other equipment is scheduled for the Unit 1 planned outage in the fall of 2011.

I&M maintains property insurance through NEIL with a $1 million deductible. As of December 31, 2010, we recorded $46 million in Prepayments and Other Current Assets on our Consolidated Balance Sheets representing estimated recoverable amounts under the property insurance policy. Through December 31, 2010, I&M received partial payments of $203 million from NEIL for the cost incurred to date to repair the property damage.

I&M also maintains a separate accidental outage policy with NEIL. In 2009, I&M recorded $185 million in revenue under the policy and reduced the cost of replacement power in customers' bills by $78 million.

NEIL is reviewing claims made under the insurance policies to ensure that claims associated with the outage are covered by the policies. The review by NEIL includes the timing of the unit's return to service and whether the return should have occurred earlier reducing the amount received under the accidental outage policy. The treatment of the remaining accidental outage policy revenues through fuel clauses is discussed in "I&M Rate Matters" section of Note 4. The treatment of property damage costs, replacement power costs and insurance proceeds will be the subject of future regulatory proceedings in Indiana and Michigan. If the ultimate costs of the incident are not covered by warranty, insurance or through the regulatory process or if any future regulatory proceedings are adverse, it could have an adverse impact on net income, cash flows and financial condition.

OPERATIONAL CONTINGENCIES

Insurance and Potential Losses

We maintain insurance coverage normal and customary for an integrated electric utility, subject to various deductibles. Our insurance includes coverage for all risks of physical loss or damage to our nonnuclear assets, subject to insurance policy conditions and exclusions. Covered property generally includes power plants, substations, facilities and inventories. Excluded property generally includes transmission and distribution lines, poles and towers. Our insurance programs also generally provide coverage against loss arising from certain claims made by third parties and are in excess of retentions absorbed by us. Coverage is generally provided by a combination of our protected cell of EIS and/or various industry mutual and/or commercial insurance carriers.

See "Nuclear Contingencies" section of this footnote for a discussion of nuclear exposures and related insurance.

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to damage to the Cook Plant and costs of replacement power in the event of an incident at the Cook Plant. Future losses or liabilities, if they occur, which are not completely insured, unless recovered from customers, could have a material adverse effect on our net income, cash flows and financial condition.

Fort Wayne Lease

Since 1975, I&M has leased certain energy delivery assets from the City of Fort Wayne, Indiana under a long-term lease that expired on February 28, 2010. I&M negotiated with Fort Wayne to purchase the assets at the end of the lease, but no agreement was reached prior to the end of the lease.

I&M and Fort Wayne reached a settlement agreement. The agreement, signed in October 2010, is subject to approval by the IURC. I&M filed a petition with the IURC seeking approval. If the agreement is approved, I&M will purchase the remaining leased property and settle claims Fort Wayne asserted. The agreement provides that I&M will pay Fort Wayne a total of $39 million, inclusive of interest, over 15 years and Fort Wayne will recognize that I&M is the exclusive electricity supplier in the Fort Wayne area. I&M will seek recovery in rates of the payments made to Fort Wayne. If the agreement is not approved by the IURC, the parties have the right to terminate the agreement and pursue other relief.

Enron Bankruptcy

In 2001, we purchased Houston Pipeline Company (HPL) from Enron. Various HPL-related contingencies and indemnities from Enron remained unsettled at the date of Enron's bankruptcy. In connection with our acquisition of HPL, we entered into an agreement with BAM Lease Company, which granted HPL the exclusive right to use approximately 55 billion cubic feet (BCF) of cushion gas required for the normal operation of the Bammel gas storage facility. At the time of our acquisition of HPL, BOA and certain other banks (the BOA Syndicate) and Enron entered into an agreement granting HPL the exclusive use of the cushion gas. Also at the time of our acquisition, Enron and the BOA Syndicate released HPL from all prior and future liabilities and obligations in connection with the financing arrangement. After the Enron bankruptcy, the BOA Syndicate informed HPL of a purported default by Enron under the terms of the financing arrangement. This dispute was being litigated in federal courts in Texas and New York.

In 2007, the judge in the New York action issued a decision on all claims, including those that were pending trial in Texas, granting BOA summary judgment and dismissing our claims. In August 2008, the New York court entered a final judgment of $346 million. In May 2009, the judge awarded $20 million of attorneys' fees to BOA. In October 2010, the Court of Appeals affirmed the New York district court's decision as to the final judgment of $346 million plus interest and reversed the New York district court decision as to the judgment dismissing our claims against BOA in the Southern District of Texas.

In 2005, we sold our interest in HPL and 30 BCF of working gas for approximately $1 billion. Although the assets were legally transferred, we were unable to determine all costs associated with the transfer until the BOA litigation was resolved. We indemnified the buyer of HPL against any damages up to the purchase price resulting from the BOA litigation, including the right to use the 55 BCF of natural gas through 2031. As a result, we deferred the entire gain related to the sale of HPL (approximately $380 million) pending resolution of the Enron and BOA disputes.

The deferred gain related to the sale of HPL, plus accrued interest and attorneys' fees related to the New York court's judgment was $448 million at December 31, 2010 and is included in Current Liabilities – Deferred Gain and Accrued Litigation Costs on the Consolidated Balance Sheet. $441 million related to this matter was included in Deferred Credits and Other Noncurrent Liabilities on our Consolidated Balance Sheet at December 31, 2009. The effect of this decision had no impact on consolidated net income for 2010.

In February 2011, we reached a settlement with BOA covering claims in both the New York and Texas proceedings and paid BOA $425 million. The settlement covers all claims with BOA and Enron. We received title to the 55 BCF of natural gas in the Bammel storage facility as part of the settlement. We do not expect the effect of the settlement to have a material impact on our 2011 consolidated net income.

Natural Gas Markets Lawsuits

In 2002, the Lieutenant Governor of California filed a lawsuit in Los Angeles County California Superior Court against numerous energy companies, including AEP, alleging violations of California law through alleged fraudulent reporting of false natural gas price and volume information with an intent to affect the market price of natural gas and electricity. AEP was dismissed from the case. A number of similar cases were also filed in California and in state and federal courts in several states making essentially the same allegations under federal or state laws against the same companies. AEP (or a subsidiary) is among the companies named as defendants in some of these cases. These cases are at various pre-trial stages. In 2008, we settled all of the cases pending against us in California. The settlements did not impact 2008 earnings due to provisions made in prior periods. We will continue to defend each remaining case where an AEP company is a defendant. We believe the remaining exposure is immaterial.

7. <u>ACQUISITIONS, DISPOSITIONS AND DISCONTINUED OPERATIONS</u>

ACQUISITIONS

<u>2010</u>

Valley Electric Membership Corporation (Utility Operations segment)

In November 2009, SWEPCo signed a letter of intent to purchase certain transmission and distribution assets of Valley Electric Membership Corporation (VEMCO). In October 2010, SWEPCo finalized the purchase for approximately $102 million and began serving VEMCO's 30,000 customers in Louisiana.

<u>2009</u>

Oxbow Lignite Company and Red River Mining Company (Utility Operations segment)

On December 29, 2009, SWEPCo purchased 50% of the Oxbow Lignite Company, LLC (OLC) membership interest for $13 million. CLECO acquired the remaining 50% membership interest in the OLC for $13 million. The Oxbow Mine is located near Coushatta, Louisiana and will be used as one of the fuel sources for SWEPCo's and CLECO's jointly-owned Dolet Hills Generating Station. SWEPCo will account for OLC as an equity investment. Also, on December 29, 2009, DHLC purchased mining equipment and assets for $16 million from the Red River Mining Company.

<u>2008</u>

Erlbacher companies (AEP River Operations segment)

In June 2008, AEP River Operations purchased certain barging assets from Missouri Barge Line Company, Missouri Dry Dock and Repair Company and Cape Girardeau Fleeting, Inc. (collectively known as Erlbacher companies) for $35 million. These assets were incorporated into AEP River Operations' business which will diversify its customer base.

DISPOSITIONS

2010

Electric Transmission Texas LLC (ETT) (Utility Operations segment)

TCC and TNC sold, at cost, $66 million and $73 million, respectively, of transmission facilities to ETT for the year ended December 31, 2010.

Intercontinental Exchange, Inc. (ICE) (All Other)

In April 2010, we sold our remaining 138,000 shares of ICE and recognized a $16 million gain ($10 million, net of tax). We recorded the gain in Interest and Investment Income on our Consolidated Statements of Income for the year ended December 31, 2010.

2009

Electric Transmission Texas LLC (ETT) (Utility Operations segment)

In 2009, TCC and TNC sold, at cost, $93 million and $2 million, respectively, of transmission facilities to ETT.

2008

None

DISCONTINUED OPERATIONS

Management periodically assesses our overall business model and makes decisions regarding our continued support and funding of our various businesses and operations. When it is determined that we will seek to exit a particular business or activity and we have met the accounting requirements for reclassification, we will reclassify those businesses or activities as discontinued operations. The assets and liabilities of these discontinued operations are classified in Assets Held for Sale and Liabilities Held for Sale until the time that they are sold.

Certain of our operations were discontinued in 2008. Results of operations of these businesses are classified as shown in the following table:

	U.K. Generation (a) (in millions)
2010 Revenue	$ -
2010 Pretax Income	-
2010 Earnings, Net of Tax	-
2009 Revenue	$ -
2009 Pretax Income	-
2009 Earnings, Net of Tax	-
2008 Revenue	$ 2
2008 Pretax Income	2
2008 Earnings, Net of Tax	12

(a) The 2008 amounts relate primarily to favorable income tax reserve adjustments.

8. BENEFIT PLANS

For a discussion of investment strategy, investment limitations, target asset allocations and the classification of investments within the fair value hierarchy, see "Investments Held in Trust for Future Liabilities" and "Fair Value Measurements of Assets and Liabilities" sections of Note 1.

We sponsor a qualified pension plan and two unfunded nonqualified pension plans. Substantially all of our employees are covered by the qualified plan or both the qualified and a nonqualified pension plan. We sponsor OPEB plans to provide medical and life insurance benefits for retired employees.

We recognize the funded status associated with our defined benefit pension and OPEB plans in the balance sheets. Disclosures about the plans are required by the "Compensation – Retirement Benefits" accounting guidance. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of other comprehensive income, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. We record a regulatory asset instead of other comprehensive income for qualifying benefit costs of our regulated operations that for ratemaking purposes are deferred for future recovery. The cumulative funded status adjustment is equal to the remaining unrecognized deferrals for unamortized actuarial losses or gains, prior service costs and transition obligations, such that remaining deferred costs result in an AOCI equity reduction or regulatory asset and deferred gains result in an AOCI equity addition or regulatory liability.

Actuarial Assumptions for Benefit Obligations

The weighted-average assumptions as of December 31 of each year used in the measurement of our benefit obligations are shown in the following table:

	Pension Plans		Other Postretirement Benefit Plans	
Assumptions	**2010**	**2009**	**2010**	**2009**
Discount Rate	5.05 %	5.60 %	5.25 %	5.85 %
Rate of Compensation Increase	4.95 % (a)	4.60 % (a)	N/A	N/A

(a) Rates are for base pay only. In addition, an amount is added to reflect target incentive compensation for exempt employees and overtime and incentive pay for nonexempt employees.

N/A Not applicable

We use a duration-based method to determine the discount rate for our plans. A hypothetical portfolio of high quality corporate bonds similar to those included in the Moody's Aa bond index is constructed with a duration matching the benefit plan liability. The composite yield on the hypothetical bond portfolio is used as the discount rate for the plan.

For 2010, the rate of compensation increase assumed varies with the age of the employee, ranging from 3.5% per year to 11.5% per year, with an average increase of 4.95%.

Actuarial Assumptions for Net Periodic Benefit Costs

The weighted-average assumptions as of January 1 of each year used in the measurement of our benefit costs are shown in the following table:

	Pension Plans			Other Postretirement Benefit Plans		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Discount Rate	5.60 %	6.00 %	6.00 %	5.85 %	6.10 %	6.20 %
Expected Return on Plan Assets	8.00 %	8.00 %	8.00 %	8.00 %	7.75 %	8.00 %
Rate of Compensation Increase	4.60 %	5.90 %	5.90 %	N/A	N/A	N/A

N/A Not Applicable

The expected return on plan assets for 2010 was determined by evaluating historical returns, the current investment climate (yield on fixed income securities and other recent investment market indicators), rate of inflation and current prospects for economic growth.

The health care trend rate assumptions as of January 1 of each year used for OPEB plans measurement purposes are shown below:

Health Care Trend Rates	2010	2009
Initial	8.00 %	6.50 %
Ultimate	5.00 %	5.00 %
Year Ultimate Reached	2016	2012

Assumed health care cost trend rates have a significant effect on the amounts reported for the OPEB health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	(in millions)	
Effect on Total Service and Interest Cost Components of Net Periodic Postretirement Health Care Benefit Cost	$ 22	$ (18)
Effect on the Health Care Component of the Accumulated Postretirement Benefit Obligation	255	(209)

Significant Concentrations of Risk within Plan Assets

In addition to establishing the target asset allocation of plan assets, the investment policy also places restrictions on securities to limit significant concentrations within plan assets. The investment policy establishes guidelines that govern maximum market exposure, security restrictions, prohibited asset classes, prohibited types of transactions, minimum credit quality, average portfolio credit quality, portfolio duration and concentration limits. The guidelines were established to mitigate the risk of loss due to significant concentrations in any investment. We monitor the plans to control security diversification and ensure compliance with our investment policy. At December 31, 2010, the assets were invested in compliance with all investment limits. See "Investments Held in Trust for Future Liabilities" section of Note 1 for limit details.

Benefit Plan Obligations, Plan Assets and Funded Status as of December 31, 2010 and 2009

The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of plan assets and funded status as of December 31. The benefit obligation for the defined benefit pension and OPEB plans are the projected benefit obligation and the accumulated benefit obligation, respectively.

	Pension Plans		Other Postretirement Benefit Plans	
	2010	2009	2010	2009
	(in millions)			
Change in Benefit Obligation				
Benefit Obligation at January 1	$ 4,701	$ 4,301	$ 1,941	$ 1,843
Service Cost	111	104	47	42
Interest Cost	253	254	113	110
Actuarial Loss	222	290	164	32
Plan Amendment Prior Service Credit	-	-	(36)	-
Benefit Payments	(480)	(248)	(142)	(120)
Participant Contributions	-	-	29	25
Medicare Subsidy	-	-	9	9
Benefit Obligation at December 31	$ 4,807	$ 4,701	$ 2,125	$ 1,941
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 3,403	$ 3,161	$ 1,308	$ 1,018
Actual Gain on Plan Assets	420	482	149	235
Company Contributions	515	8	117	150
Participant Contributions	-	-	29	25
Benefit Payments	(480)	(248)	(142)	(120)
Fair Value of Plan Assets at December 31	$ 3,858	$ 3,403	$ 1,461	$ 1,308
Underfunded Status at December 31	$ (949)	$ (1,298)	$ (664)	$ (633)

Benefit Amounts Recognized on the Balance Sheets as of December 31, 2010 and 2009

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
	(in millions)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (8)	$ (10)	$ (4)	$ (4)
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(941)	(1,288)	(660)	(629)
Underfunded Status	$ (949)	$ (1,298)	$ (664)	$ (633)

Amounts Included in AOCI and Regulatory Assets as of December 31, 2010 and 2009

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
Components	(in millions)			
Net Actuarial Loss	$ 2,129	$ 2,096	$ 638	$ 546
Prior Service Cost (Credit)	11	12	(20)	3
Transition Obligation	-	-	3	43
Recorded as				
Regulatory Assets	$ 1,764	$ 1,750	$ 388	$ 380
Deferred Income Taxes	132	125	81	74
Net of Tax AOCI	244	233	152	138

Components of the change in amounts included in AOCI and Regulatory Assets during the years ended December 31, 2010 and 2009 are as follows:

	Pension Plans		Other Postretirement Benefit Plans	
	Years Ended December 31,			
	2010	2009	2010	2009
Components	(in millions)			
Actuarial Loss (Gain) During the Year	$ 121	$ 130	$ 121	$ (127)
Prior Service Credit	-	-	(36)	-
Amortization of Actuarial Loss	(89)	(59)	(29)	(42)
Amortization of Transition Obligation	-	-	(27)	(27)
Change for the Year	$ 32	$ 71	$ 29	$ (196)

Pension and Other Postretirement Plans' Assets

The following table presents the classification of pension plan assets within the fair value hierarchy at December 31, 2010:

Asset Class	Level 1	Level 2	Level 3 (in millions)	Other	Total	Year End Allocation
Equities:						
Domestic	$ 1,350	$ 2	$ -	$ -	$ 1,352	35.1 %
International	403	-	-	-	403	10.4 %
Real Estate Investment Trusts	112	-	-	-	112	2.9 %
Common Collective Trust - International	-	163	-	-	163	4.2 %
Subtotal - Equities	1,865	165	-	-	2,030	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	634	-	-	634	16.4 %
Corporate Debt	-	672	-	-	672	17.4 %
Foreign Debt	-	127	-	-	127	3.3 %
State and Local Government	-	23	-	-	23	0.6 %
Other - Asset Backed	-	51	-	-	51	1.3 %
Subtotal - Fixed Income	-	1,507	-	-	1,507	39.0 %
Real Estate	-	-	83	-	83	2.2 %
Alternative Investments	-	-	130	-	130	3.4 %
Securities Lending	-	254	-	-	254	6.6 %
Securities Lending Collateral (a)	-	-	-	(276)	(276)	(7.1)%
Cash and Cash Equivalents (b)	-	127	-	2	129	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	1	1	- %
Total	$ 1,865	$ 2,053	$ 213	$ (273)	$ 3,858	100.0 %

(a) Amounts in "Other" column primarily represent an obligation to repay cash collateral received as part of the Securities Lending Program.
(b) Amounts in "Other" column primarily represent foreign currency holdings.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following table sets forth a reconciliation of changes in the fair value of real estate and alternative investments classified as Level 3 in the fair value hierarchy for AEP's pension assets:

	Real Estate	Alternative Investments (in millions)	Total Level 3
Balance as of January 1, 2010	$ 90	$ 106	$ 196
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(7)	4	(3)
Relating to Assets Sold During the Period	-	1	1
Purchases and Sales	-	19	19
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 83	$ 130	$ 213

The following table presents the classification of OPEB plan assets within the fair value hierarchy at December 31, 2010:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities:						
Domestic	$ 584	$ -	$ -	$ -	$ 584	40.0 %
International	220	-	-	-	220	15.1 %
Common Collective Trust - Global	-	115	-	-	115	7.9 %
Subtotal - Equities	804	115	-	-	919	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	48	-	-	48	3.3 %
United States Government and Agency Securities	-	93	-	-	93	6.4 %
Corporate Debt	-	110	-	-	110	7.5 %
Foreign Debt	-	25	-	-	25	1.7 %
State and Local Government	-	3	-	-	3	0.2 %
Other - Asset Backed	-	1	-	-	1	0.1 %
Subtotal - Fixed Income	-	280	-	-	280	19.2 %
Trust Owned Life Insurance:						
International Equities	-	49	-	-	49	3.3 %
United States Bonds	-	163	-	-	163	11.1 %
Cash and Cash Equivalents (a)	21	25	-	1	47	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	3	3	0.2 %
Total	$ 825	$ 632	$ -	$ 4	$ 1,461	100.0 %

(a) Amounts in "Other" column primarily represent foreign currency holdings.
(b) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following table presents the classification of pension plan assets within the fair value hierarchy at December 31, 2009:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities:						
Domestic	$ 1,219	$ -	$ -	$ -	$ 1,219	35.8 %
International	320	-	-	-	320	9.4 %
Real Estate Investment Trusts	87	-	-	-	87	2.6 %
Common Collective Trust - International	-	161	-	-	161	4.7 %
Subtotal - Equities	1,626	161	-	-	1,787	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	233	-	-	233	6.9 %
Corporate Debt	-	831	-	-	831	24.4 %
Foreign Debt	-	171	-	-	171	5.0 %
State and Local Government	-	35	-	-	35	1.0 %
Other - Asset Backed	-	27	-	-	27	0.8 %
Subtotal - Fixed Income	-	1,297	-	-	1,297	38.1 %
Real Estate	-	-	90	-	90	2.7 %
Alternative Investments	-	-	106	-	106	3.1 %
Securities Lending	-	173	-	-	173	5.1 %
Securities Lending Collateral (a)	-	-	-	(196)	(196)	(5.8)%
Cash and Cash Equivalents (b)	-	116	-	4	120	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	26	26	0.8 %
Total	$ 1,626	$ 1,747	$ 196	$ (166)	$ 3,403	100.0 %

(a) Amounts in "Other" column primarily represent an obligation to repay cash collateral received as part of the Securities Lending Program.
(b) Amounts in "Other" column primarily represent foreign currency holdings.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following table sets forth a reconciliation of changes in the fair value of real estate and alternative investments classified as Level 3 in the fair value hierarchy for the pension assets:

	Real Estate	Alternative Investments	Total Level 3
		(in millions)	
Balance as of January 1, 2009	$ 137	$ 106	$ 243
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(47)	(14)	(61)
Relating to Assets Sold During the Period	-	1	1
Purchases and Sales	-	13	13
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 90	$ 106	$ 196

The following table presents the classification of OPEB plan assets within the fair value hierarchy at December 31, 2009:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities:						
Domestic	$ 343	$ -	$ -	$ -	$ 343	26.2 %
International	375	-	-	-	375	28.7 %
Common Collective Trust - Global	-	93	-	-	93	7.1 %
Subtotal - Equities	718	93	-	-	811	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	38	-	-	38	2.9 %
United States Government and Agency Securities	-	42	-	-	42	3.2 %
Corporate Debt	-	141	-	-	141	10.8 %
Foreign Debt	-	32	-	-	32	2.4 %
State and Local Government	-	6	-	-	6	0.5 %
Other - Asset Backed	-	2	-	-	2	0.2 %
Subtotal - Fixed Income	-	261	-	-	261	20.0 %
Trust Owned Life Insurance:						
International Equities	-	75	-	-	75	5.7 %
United States Bonds	-	131	-	-	131	10.0 %
Cash and Cash Equivalents (a)	7	14	-	1	22	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	8	8	0.6 %
Total	$ 725	$ 574	$ -	$ 9	$ 1,308	100.0 %

(a) Amounts in "Other" column primarily represent foreign currency holdings.
(b) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

Determination of Pension Expense

We base our determination of pension expense or income on a market-related valuation of assets which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded.

Accumulated Benefit Obligation	December 31, 2010	December 31, 2009
	(in millions)	
Qualified Pension Plan	$ 4,659	$ 4,539
Nonqualified Pension Plans	80	90
Total	$ 4,739	$ 4,629

For our underfunded pension plans that had an accumulated benefit obligation in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets of these plans at December 31, 2010 and 2009 were as follows:

	Underfunded Pension Plans December 31, 2010	Underfunded Pension Plans December 31, 2009
	(in millions)	
Projected Benefit Obligation	$ 4,807	$ 4,701
Accumulated Benefit Obligation	$ 4,739	$ 4,629
Fair Value of Plan Assets	3,858	3,403
Underfunded Accumulated Benefit Obligation	$ (881)	$ (1,226)

Estimated Future Benefit Payments and Contributions

We expect contributions and payments for the pension plans of $158 million and the OPEB plans of $86 million during 2011. The estimated pension benefit payments for the unfunded plan and contributions to the trust are at least the minimum amount required by ERISA plus payment of unfunded nonqualified benefits. For the qualified pension plan, we may make additional discretionary contributions to maintain the funded status of the plan. The contribution to the OPEB plans is generally based on the amount of the OPEB plans' periodic benefit costs for accounting purposes as provided in agreements with state regulatory authorities, plus the additional discretionary contribution of our Medicare subsidy receipts.

The table below reflects the total benefits expected to be paid from the plan or from our assets, including both our share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the plan. Medicare subsidy receipts are shown in the year of the corresponding benefit payments, even though actual cash receipts are expected early in the following year. Future benefit payments are dependent on the number of employees retiring, whether the retiring employees elect to receive pension benefits as annuities or as lump sum distributions, future integration of the benefit plans with changes to Medicare and other legislation, future levels of interest rates and variances in actuarial results. The estimated payments for pension benefits and OPEB are as follows:

	Pension Plans	Other Postretirement Benefit Plans	
	Pension Payments	Benefit Payments	Medicare Subsidy Receipts
		(in millions)	
2011	$ 314	$ 143	$ 11
2012	320	148	12
2013	325	153	13
2014	333	160	14
2015	342	166	15
Years 2016 to 2020, in Total	1,811	931	95

Components of Net Periodic Benefit Cost

The following table provides the components of our net periodic benefit cost for the plans for the years ended December 31, 2010, 2009 and 2008:

	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in millions)					
Service Cost	$ 111	$ 104	$ 100	$ 47	$ 42	$ 42
Interest Cost	253	254	249	113	110	113
Expected Return on Plan Assets	(312)	(321)	(336)	(105)	(80)	(111)
Amortization of Transition Obligation	-	-	-	27	27	27
Amortization of Prior Service Cost	-	-	1	-	-	-
Amortization of Net Actuarial Loss	89	59	37	29	42	9
Net Periodic Benefit Cost	141	96	51	111	141	80
Capitalized Portion	(44)	(30)	(16)	(35)	(44)	(25)
Net Periodic Benefit Cost Recognized as Expense	$ 97	$ 66	$ 35	$ 76	$ 97	$ 55

Estimated amounts expected to be amortized to net periodic benefit costs and the impact on the balance sheet during 2011 are shown in the following table:

Components	Pension Plans	Other Postretirement Benefit Plans
	(in millions)	
Net Actuarial Loss	$ 121	$ 33
Prior Service Cost (Credit)	1	(2)
Transition Obligation	-	2
Total Estimated 2011 Amortization	$ 122	$ 33
Expected to be Recorded as		
Regulatory Asset	$ 99	$ 19
Deferred Income Taxes	8	5
Net of Tax AOCI	15	9
Total	$ 122	$ 33

American Electric Power System Retirement Savings Plan

We sponsor the American Electric Power System Retirement Savings Plan, a defined contribution retirement savings plan for substantially all employees who are not members of the United Mine Workers of America (UMWA). It is a qualified plan offering participants an opportunity to contribute a portion of their pay with features under Section 401(k) of the Internal Revenue Code. We provided matching contributions of 75% of the first 6% of eligible compensation contributed by an employee in 2008. Effective January 1, 2009, we match the first 1% of eligible employee contributions at 100% and the next 5% of contributions at 70%. The cost for company matching contributions totaled $61 million in 2010, $74 million in 2009 and $71 million in 2008.

UMWA Benefits

We provide UMWA pension, health and welfare benefits for certain unionized mining employees, retirees and their survivors who meet eligibility requirements. UMWA trustees make final interpretive determinations with regard to all benefits. The pension benefits are administered by UMWA trustees and contributions are made to their trust funds. The health and welfare benefits are administered by us and benefits are paid from our general assets. Contributions and benefits paid were not material in 2010, 2009 and 2008.

9. BUSINESS SEGMENTS

Our primary business is our electric utility operations. Within our Utility Operations segment, we centrally dispatch generation assets and manage our overall utility operations on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight. While our Utility Operations segment remains our primary business segment, other segments include our AEP River Operations segment with significant barging activities and our Generation and Marketing segment, which includes our nonregulated generating, marketing and risk management activities primarily in the ERCOT market area and to a lesser extent Ohio in PJM and MISO. Intersegment sales and transfers are generally based on underlying contractual arrangements and agreements.

Our reportable segments and their related business activities are as follows:

Utility Operations

- Generation of electricity for sale to U.S. retail and wholesale customers.
- Electricity transmission and distribution in the U.S.

AEP River Operations

- Commercial barging operations that annually transport approximately 39 million tons of coal and dry bulk commodities primarily on the Ohio, Illinois and lower Mississippi Rivers. Approximately 46% of the barging is for transportation of agricultural products, 25% for coal, 11% for steel and 18% for other commodities.

Generation and Marketing

- Wind farms and marketing and risk management activities primarily in ERCOT and to a lesser extent Ohio in PJM and MISO.

The remainder of our activities is presented as All Other. While not considered a business segment, All Other includes:

- Parent's guarantee revenue received from affiliates, investment income, interest income and interest expense, and other nonallocated costs.
- Tax and interest expense adjustments related to our UK operations which were sold in 2004 and 2002.
- Forward natural gas contracts that were not sold with our natural gas pipeline and storage operations in 2004 and 2005. These contracts are financial derivatives which settle and expire in 2011.
- The 2008 cash settlement of a purchase power and sale agreement with TEM related to the Plaquemine Cogeneration Facility which was sold in 2006.
- Revenue sharing related to the Plaquemine Cogeneration Facility.

The tables below present our reportable segment information for years ended December 31, 2010, 2009 and 2008 and balance sheet information as of December 31, 2010 and 2009. These amounts include certain estimates and allocations where necessary.

	Utility Operations	Nonutility Operations: AEP River Operations	Nonutility Operations: Generation and Marketing	All Other (a)	Reconciling Adjustments	Consolidated
			(in millions)			
Year Ended December 31, 2010						
Revenues from:						
External Customers	$ 13,687	$ 566	$ 173	$ 1	$ -	$ 14,427
Other Operating Segments	104	22	-	14	(140)	-
Total Revenues	$ 13,791	$ 588	$ 173	$ 15	$ (140)	$ 14,427
Depreciation and Amortization	$ 1,598	$ 24	$ 30	$ 2	$ (13)(b)	$ 1,641
Interest Income	8	-	2	31	(20)	21
Interest Expense	942	14	20	58	(35)(b)	999
Income Tax Expense (Credit)	650	19	(20)	(6)	-	643
Net Income (Loss)	1,201	37	25	(45)	-	1,218
Gross Property Additions	2,475	23	1	1	-	2,500

	Utility Operations	Nonutility Operations: AEP River Operations	Nonutility Operations: Generation and Marketing	All Other (a)	Reconciling Adjustments	Consolidated
			(in millions)			
Year Ended December 31, 2009						
Revenues from:						
External Customers	$ 12,733 (e)	$ 490	$ 281	$ (15)	$ -	$ 13,489
Other Operating Segments	70 (e)	18	5	36	(129)	-
Total Revenues	$ 12,803	$ 508	$ 286	$ 21	$ (129)	$ 13,489
Depreciation and Amortization	$ 1,561	$ 17	$ 29	$ 2	$ (12)(b)	$ 1,597
Interest Income	4	-	-	47	(40)	11
Interest Expense	916	5	21	86	(55)(b)	973
Income Tax Expense (Credit)	553	23	-	(1)	-	575
Income (Loss) Before Discontinued Operations and Extraordinary Loss	$ 1,329	$ 47	$ 41	$ (47)	$ -	$ 1,370
Extraordinary Loss, Net of Tax	(5)	-	-	-	-	(5)
Net Income (Loss)	$ 1,324	$ 47	$ 41	$ (47)	$ -	$ 1,365
Gross Property Additions	$ 2,813	$ 81	$ 1	$ 1	$ -	$ 2,896

Year Ended December 31, 2008	Utility Operations	AEP River Operations (Nonutility Operations)	Generation and Marketing (Nonutility Operations)	All Other (a)	Reconciling Adjustments	Consolidated
			(in millions)			
Revenues from:						
External Customers	$ 13,326 (e)	$ 616	$ 485	$ 13	$ -	$ 14,440
Other Operating Segments	240 (e)	30	(122)	9	(157)	-
Total Revenues	$ 13,566	$ 646	$ 363	$ 22	$ (157)	$ 14,440
Depreciation and Amortization	$ 1,450	$ 14	$ 28	$ 2	$ (11)(b)	$ 1,483
Interest Income	42	-	1	78	(65)	56
Interest Expense	915	5	22	94	(79)(b)	957
Income Tax Expense	515	26	17	84	-	642
Income Before Discontinued Operations and Extraordinary Loss	$ 1,123	$ 55	$ 65	$ 133	$ -	$ 1,376
Discontinued Operations, Net of Tax	-	-	-	12	-	12
Net Income	$ 1,123	$ 55	$ 65	$ 145	$ -	$ 1,388
Gross Property Additions	$ 3,871	$ 116	$ 2	$ (29)(c)	$ -	$ 3,960

December 31, 2010	Utility Operations	AEP River Operations (Nonutility Operations)	Generation and Marketing (Nonutility Operations)	All Other (a)	Reconciling Adjustments (b)	Consolidated
			(in millions)			
Total Property, Plant and Equipment	$ 52,822	$ 574	$ 584	$ 11	$ (251)	$ 53,740
Accumulated Depreciation and Amortization	17,795	110	198	9	(46)	18,066
Total Property, Plant and Equipment - Net	$ 35,027	$ 464	$ 386	$ 2	$ (205)	$ 35,674
Total Assets	$ 48,780	$ 621	$ 881	$ 15,942	$ (15,769) (d)	$ 50,455
Investments in Equity Method Investees	157	3	-	-	-	160

December 31, 2009	Utility Operations	AEP River Operations (Nonutility Operations)	Generation and Marketing (Nonutility Operations)	All Other (a)	Reconciling Adjustments (b)	Consolidated
			(in millions)			
Total Property, Plant and Equipment	$ 50,905	$ 436	$ 571	$ 10	$ (238)	$ 51,684
Accumulated Depreciation and Amortization	17,110	88	168	8	(34)	17,340
Total Property, Plant and Equipment - Net	$ 33,795	$ 348	$ 403	$ 2	$ (204)	$ 34,344
Total Assets	$ 46,930	$ 495	$ 779	$ 15,094	$ (14,950) (d)	$ 48,348
Investments in Equity Method Investees	84	4	-	-	-	88

(a) All Other includes:
- Parent's guarantee revenue received from affiliates, investment income, interest income and interest expense, and other nonallocated costs.
- Tax and interest expense adjustments related to our UK operations which were sold in 2004 and 2002.
- Forward natural gas contracts that were not sold with our natural gas pipeline and storage operations in 2004 and 2005. These contracts are financial derivatives which settle and expire in 2011.
- The 2008 cash settlement of a purchase power and sale agreement with TEM related to the Plaquemine Cogeneration Facility which was sold in 2006. The cash settlement of $255 million ($164 million, net of tax) is included in Net Income.
- Revenue sharing related to the Plaquemine Cogeneration Facility.

(b) Includes eliminations due to an intercompany capital lease.

(c) Gross Property Additions for All Other includes construction expenditures of $8 million in 2008 related to the acquisition of turbines by one of our nonregulated, wholly-owned subsidiaries. These turbines were refurbished and transferred to a generating facility within our Utility Operations segment in the fourth quarter of 2008. The transfer of these turbines resulted in the elimination of $37 million from All Other and the addition of $37 million to Utility Operations.

(d) Reconciling Adjustments for Total Assets primarily include the elimination of intercompany advances to affiliates and intercompany accounts receivable along with the elimination of AEP's investments in subsidiary companies.

(e) PSO and SWEPCo transferred certain existing ERCOT energy marketing contracts to AEP Energy Partners, Inc. (AEPEP) (Generation and Marketing segment) and entered into intercompany financial and physical purchase and sales agreements with AEPEP. As a result, we reported third-party net purchases or sales activity for these energy marketing contracts as Revenues from External Customers for the Utility Operations segment. This was offset by the Utility Operations segment's related net sales (purchases) for these contracts with AEPEP in Revenues from Other Operating Segments of $(5) million and $122 million for the years ended December 31, 2009 and 2008, respectively. The Generation and Marketing segment also reported these purchase or sales contracts with Utility Operations as Revenues from Other Operating Segments. These affiliated contracts between PSO and SWEPCo with AEPEP ended in December 2009.

10. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

We are exposed to certain market risks as a major power producer and marketer of wholesale electricity, coal and emission allowances. These risks include commodity price risk, interest rate risk, credit risk and, to a lesser extent, foreign currency exchange risk. These risks represent the risk of loss that may impact us due to changes in the underlying market prices or rates. We manage these risks using derivative instruments.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Trading Strategies

Our strategy surrounding the use of derivative instruments for trading purposes focuses on seizing market opportunities to create value driven by expected changes in the market prices of the commodities in which we transact.

Risk Management Strategies

Our strategy surrounding the use of derivative instruments focuses on managing our risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. To accomplish our objectives, we primarily employ risk management contracts including physical forward purchase and sale contracts, financial forward purchase and sale contracts and financial swap instruments. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

We enter into power, coal, natural gas, interest rate and, to a lesser degree, heating oil and gasoline, emission allowance and other commodity contracts to manage the risk associated with our energy business. We enter into interest rate derivative contracts in order to manage the interest rate exposure associated with our commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as they are related to energy risk management activities. We also engage in risk management of interest rate risk associated with debt financing and foreign currency risk associated with future purchase obligations denominated in foreign currencies. For disclosure purposes, these risks are grouped as "Interest Rate and Foreign Currency." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with our established risk management policies as approved by the Finance Committee of our Board of Directors.

The following table represents the gross notional volume of our outstanding derivative contracts as of December 31, 2010 and 2009:

Notional Volume of Derivative Instruments

	Volume December 31, 2010	Volume December 31, 2009	Unit of Measure
	(in millions)		
Commodity:			
Power	652	589	MWHs
Coal	63	60	Tons
Natural Gas	94	127	MMBtus
Heating Oil and Gasoline	6	6	Gallons
Interest Rate	$ 171	$ 216	USD
Interest Rate and Foreign Currency	$ 907	$ 83	USD

Fair Value Hedging Strategies

We enter into interest rate derivative transactions as part of an overall strategy to manage the mix of fixed-rate and floating-rate debt. Certain interest rate derivative transactions effectively modify our exposure to interest rate risk by converting a portion of our fixed-rate debt to a floating rate. Provided specific criteria are met, these interest rate derivatives are designated as fair value hedges.

Cash Flow Hedging Strategies

We enter into and designate as cash flow hedges certain derivative transactions for the purchase and sale of power, coal, natural gas and heating oil and gasoline ("Commodity") in order to manage the variable price risk related to the forecasted purchase and sale of these commodities. We monitor the potential impacts of commodity price changes and, where appropriate, enter into derivative transactions to protect profit margins for a portion of future electricity sales and fuel or energy purchases. We do not hedge all commodity price risk.

Our vehicle fleet and barge operations are exposed to gasoline and diesel fuel price volatility. We enter into financial heating oil and gasoline derivative contracts in order to mitigate price risk of our future fuel purchases. For disclosure purposes, these contracts are included with other hedging activity as "Commodity." We do not hedge all fuel price risk.

We enter into a variety of interest rate derivative transactions in order to manage interest rate risk exposure. Some interest rate derivative transactions effectively modify our exposure to interest rate risk by converting a portion of our floating-rate debt to a fixed rate. We also enter into interest rate derivative contracts to manage interest rate exposure related to anticipated borrowings of fixed-rate debt. Our anticipated fixed-rate debt offerings have a high probability of occurrence as the proceeds will be used to fund existing debt maturities and projected capital expenditures. We do not hedge all interest rate exposure.

At times, we are exposed to foreign currency exchange rate risks primarily when we purchase certain fixed assets from foreign suppliers. In accordance with our risk management policy, we may enter into foreign currency derivative transactions to protect against the risk of increased cash outflows resulting from a foreign currency's appreciation against the dollar. We do not hedge all foreign currency exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON OUR FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities in the balance sheet at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and assumptions. In order to determine the relevant fair values of our derivative instruments, we also apply valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with our estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of our risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," we reflect the fair values of our derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, we are required to post or receive cash collateral based on third party contractual agreements and risk profiles. For the December 31, 2010 and 2009 balance sheets, we netted $8 million and $12 million, respectively, of cash collateral received from third parties against short-term and long-term risk management assets and $109 million and $98 million, respectively, of cash collateral paid to third parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value impact of our derivative activity on our Consolidated Balance Sheets as of December 31, 2010 and 2009:

Fair Value of Derivative Instruments
December 31, 2010

	Risk Management Contracts	Hedging Contracts			
Balance Sheet Location	**Commodity (a)**	**Commodity (a)**	**Interest Rate and Foreign Currency (a)(c)**	**Other (a) (b)**	**Total**
		(in millions)			
Current Risk Management Assets	$ 1,023	$ 18	$ 30	$ (839)	$ 232
Long-term Risk Management Assets	546	12	2	(150)	410
Total Assets	1,569	30	32	(989)	642
Current Risk Management Liabilities	995	13	2	(881)	129
Long-term Risk Management Liabilities	387	6	3	(255)	141
Total Liabilities	1,382	19	5	(1,136)	270
Total MTM Derivative Contract Net Assets (Liabilities)	$ 187	$ 11	$ 27	$ 147	$ 372

Fair Value of Derivative Instruments
December 31, 2009

	Risk Management Contracts	Hedging Contracts			
Balance Sheet Location	**Commodity (a)**	**Commodity (a)**	**Interest Rate and Foreign Currency (a)**	**Other (a) (b)**	**Total**
		(in millions)			
Current Risk Management Assets	$ 1,078	$ 13	$ -	$ (831)	$ 260
Long-term Risk Management Assets	614	-	-	(271)	343
Total Assets	1,692	13	-	(1,102)	603
Current Risk Management Liabilities	997	17	3	(897)	120
Long-term Risk Management Liabilities	442	-	2	(316)	128
Total Liabilities	1,439	17	5	(1,213)	248
Total MTM Derivative Contract Net Assets (Liabilities)	$ 253	$ (4)	$ (5)	$ 111	$ 355

(a) Derivative instruments within these categories are reported gross. These instruments are subject to master netting agreements and are presented on the Consolidated Balance Sheet on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."

(b) Amounts represent counterparty netting of risk management and hedging contracts, associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging" and dedesignated risk management contracts.

(c) At December 31, 2010, Risk Management Assets included $7 million and Risk Management Liabilities included $1 million related to fair value hedging strategies while the remainder related to cash flow hedging strategies. At December 31, 2009, we only employed cash flow hedging strategies.

The table below presents our activity of derivative risk management contracts for the years ended December 31, 2010 and 2009:

Amount of Gain (Loss) Recognized on Risk Management Contracts

Location of Gain (Loss)	Years Ended December 31, 2010	2009
	(in millions)	
Utility Operations Revenue	$ 85	$ 144
Other Revenue	9	19
Regulatory Assets (a)	(9)	(28)
Regulatory Liabilities (a)	38	(7)
Total Gain (Loss) on Risk Management Contracts	$ 123	$ 128

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheet.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the Consolidated Statements of Income on an accrual basis.

Our accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, we designate a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in Revenues on a net basis on the Consolidated Statements of Income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in Revenues or Expenses on the Consolidated Statements of Income depending on the relevant facts and circumstances. However, unrealized and some realized gains and losses in regulated jurisdictions for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains) in accordance with the accounting guidance for "Regulated Operations."

Accounting for Fair Value Hedging Strategies

For fair value hedges (i.e. hedging the exposure to changes in the fair value of an asset, liability or an identified portion thereof attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item associated with the hedged risk impacts Net Income during the period of change.

We record realized and unrealized gains or losses on interest rate swaps that qualify for fair value hedge accounting treatment and any offsetting changes in the fair value of the debt being hedged in Interest Expense on our Consolidated Statements of Income. During 2010, we recognized gains of $6 million on our hedging instruments, offsetting losses of $6 million on our long-term debt and an immaterial amount of hedge ineffectiveness. During 2009, we did not employ any fair value hedging strategies. During 2008, we employed fair value hedging strategies and recognized an immaterial loss and no hedge ineffectiveness.

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows attributable to a particular risk), we initially report the effective portion of the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on our Consolidated Balance Sheets until the period the hedged item affects Net Income. We recognize any hedge ineffectiveness in Net Income immediately during the period of change, except in regulated jurisdictions where hedge ineffectiveness is recorded as a regulatory asset (for losses) or a regulatory liability (for gains).

Realized gains and losses on derivative contracts for the purchase and sale of power, coal, natural gas, and heating oil and gasoline designated as cash flow hedges are included in Revenues, Fuel and Other Consumables Used for Electric Generation or Purchased Electricity for Resale on our Consolidated Statements of Income, or in Regulatory Assets or Regulatory Liabilities on our Consolidated Balance Sheets, depending on the specific nature of the risk being hedged. During 2010, 2009 and 2008, we designated commodity derivatives as cash flow hedges.

We reclassify gains and losses on financial fuel derivative contracts designated as cash flow hedges from Accumulated Other Comprehensive Income (Loss) on our Consolidated Balance Sheets into Other Operation expense, Maintenance expense or Depreciation and Amortization expense, as it relates to capital projects, on our Consolidated Statements of Income. During 2010 and 2009, we designated heating oil and gasoline derivatives as cash flow hedges.

We reclassify gains and losses on interest rate derivative hedges related to our debt financings from Accumulated Other Comprehensive Income (Loss) into Interest Expense in those periods in which hedged interest payments occur. During 2010, 2009 and 2008, we designated interest rate derivatives as cash flow hedges.

The accumulated gains or losses related to our foreign currency hedges are reclassified from Accumulated Other Comprehensive Income (Loss) on our Consolidated Balance Sheets into Depreciation and Amortization expense on our Consolidated Statements of Income over the depreciable lives of the fixed assets designated as the hedged items in qualifying foreign currency hedging relationships. During 2010, 2009 and 2008, we designated foreign currency derivatives as cash flow hedges.

During 2009, we recognized a $6 million gain in Interest Expense related to hedge ineffectiveness on interest rate derivatives designated in cash flow hedge strategies. During 2010, 2009 and 2008, hedge ineffectiveness was immaterial or nonexistent for all of the other hedge strategies disclosed above.

The following tables provide details on designated, effective cash flow hedges included in AOCI on our Consolidated Balance Sheets and the reasons for changes in cash flow hedges for the years ended December 31, 2010 and 2009. All amounts in the following tables are presented net of related income taxes.

Total Accumulated Other Comprehensive Income (Loss) Activity for Cash Flow Hedges
Year Ended December 31, 2010

	Commodity	Interest Rate and Foreign Currency	Total
		(in millions)	
Balance in AOCI as of December 31, 2009	$ (2)	$ (13)	$ (15)
Changes in Fair Value Recognized in AOCI	9	13	22
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:			
Utility Operations Revenue	-	-	-
Other Revenue	(7)	-	(7)
Purchased Electricity for Resale	4	-	4
Interest Expense	-	4	4
Regulatory Assets (a)	3	-	3
Regulatory Liabilities (a)	-	-	-
Balance in AOCI as of December 31, 2010	$ 7	$ 4	$ 11

Total Accumulated Other Comprehensive Income (Loss) Activity for Cash Flow Hedges
Year Ended December 31, 2009

	Commodity	Interest Rate and Foreign Currency	Total
		(in millions)	
Balance in AOCI as of December 31, 2008	$ 7	$ (29)	$ (22)
Changes in Fair Value Recognized in AOCI	(6)	11	5
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:			
Utility Operations Revenue	(15)	-	(15)
Other Revenue	(15)	-	(15)
Purchased Electricity for Resale	29	-	29
Interest Expense	-	5	5
Regulatory Assets (a)	5	-	5
Regulatory Liabilities (a)	(7)	-	(7)
Balance in AOCI as of December 31, 2009	$ (2)	$ (13)	$ (15)

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

During 2008 we reclassified $7 million of gains from AOCI to net income.

Cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on our Consolidated Balance Sheets at December 31, 2010 and 2009 were:

Impact of Cash Flow Hedges on our Consolidated Balance Sheet
December 31, 2010

	Commodity	Interest Rate and Foreign Currency	Total
		(in millions)	
Hedging Assets (a)	$ 13	$ 25	$ 38
Hedging Liabilities (a)	(2)	(4)	(6)
AOCI Gain (Loss) Net of Tax	7	4	11
Portion Expected to be Reclassified to Net Income During the Next Twelve Months	3	(2)	1

Impact of Cash Flow Hedges on our Consolidated Balance Sheet
December 31, 2009

	Commodity	Interest Rate and Foreign Currency	Total
		(in millions)	
Hedging Assets (a)	$ 8	$ -	$ 8
Hedging Liabilities (a)	(12)	(5)	(17)
AOCI Gain (Loss) Net of Tax	(2)	(13)	(15)
Portion Expected to be Reclassified to Net Income During the Next Twelve Months	(2)	(4)	(6)

(a) Hedging Assets and Hedging Liabilities are included in Risk Management Assets and Liabilities on our Consolidated Balance Sheets.

The actual amounts that we reclassify from Accumulated Other Comprehensive Income (Loss) to Net Income can differ from the estimate above due to market price changes. As of December 31, 2010, the maximum length of time that we are hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") our exposure to variability in future cash flows related to forecasted transactions is 41 months.

Credit Risk

We limit credit risk in our wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. We use Moody's, Standard and Poor's and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

We use standardized master agreements which may include collateral requirements. These master agreements facilitate the netting of cash flows associated with a single counterparty. Cash, letters of credit and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds our established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with our credit policy. In addition, collateral agreements allow for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Collateral Triggering Events

Under the tariffs of the RTOs and Independent System Operators (ISOs) and a limited number of derivative and non-derivative contracts primarily related to our competitive retail auction loads, we are obligated to post an additional amount of collateral if our credit ratings decline below investment grade. The amount of collateral required fluctuates based on market prices and our total exposure. On an ongoing basis, our risk management organization assesses the appropriateness of these collateral triggering items in contracts. We do not anticipate a downgrade below investment grade. The following table represents: (a) our aggregate fair value of such derivative contracts, (b) the amount of collateral we would have been required to post for all derivative and non-derivative contracts if our credit ratings had declined below investment grade and (c) how much was attributable to RTO and ISO activities as of December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
	(in millions)	
Liabilities for Derivative Contracts with Credit Downgrade Triggers	$ 20	$ 10
Amount of Collateral AEP Subsidiaries Would Have Been Required to Post	45	34
Amount Attributable to RTO and ISO Activities	44	29

In addition, a majority of our non-exchange traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event under outstanding debt in excess of $50 million. On an ongoing basis, our risk management organization assesses the appropriateness of these cross-default provisions in our contracts. We do not anticipate a non-performance event under these provisions. The following table represents: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral we have posted and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering our contractual netting arrangements as of December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
	(in millions)	
Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements	$ 401	$ 567
Amount of Cash Collateral Posted	81	15
Additional Settlement Liability if Cross Default Provision is Triggered	213	199

11. FAIR VALUE MEASUREMENTS

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

The book values and fair values of Long-term Debt as of December 31, 2010 and 2009 are summarized in the following table:

	December 31, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
	(in millions)			
Long-term Debt	$ 16,811	$ 18,285	$ 17,498	$ 18,479

Fair Value Measurements of Other Temporary Investments

Other Temporary Investments include marketable securities that we intend to hold for less than one year, investments by our protected cell of EIS and funds held by trustees primarily for the payment of debt. See "Other Temporary Investments" section of Note 1.

The following is a summary of Other Temporary Investments:

	December 31, 2010			
Other Temporary Investments	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
		(in millions)		
Restricted Cash (a)	$ 225	$ -	$ -	$ 225
Fixed Income Securities:				
Mutual Funds	69	-	-	69
Variable Rate Demand Notes	97	-	-	97
Equity Securities - Mutual Funds	18	7	-	25
Total Other Temporary Investments	$ 409	$ 7	$ -	$ 416

	December 31, 2009			
Other Temporary Investments	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
		(in millions)		
Restricted Cash (a)	$ 223	$ -	$ -	$ 223
Fixed Income Securities:				
Mutual Funds	57	-	-	57
Variable Rate Demand Notes	45	-	-	45
Equity Securities:				
Domestic	1	15	-	16
Mutual Funds	18	4	-	22
Total Other Temporary Investments	$ 344	$ 19	$ -	$ 363

(a) Primarily represents amounts held for the payment of debt.

The following table provides the activity for our debt and equity securities within Other Temporary Investments for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in millions)	
Proceeds From Investment Sales	$ 455	$ 35	$ 1,185
Purchases of Investments	503	82	1,118
Gross Realized Gains on Investment Sales	16	-	-
Gross Realized Losses on Investment Sales	-	-	-

At December 31, 2010 and 2009, we had no Other Temporary Investments with an unrealized loss position. In June 2009, we recorded $9 million ($6 million, net of tax) of other-than-temporary impairments of Other Temporary Investments for equity investments of our protected cell captive insurance company. At December 31, 2010, the fair value of fixed income securities are primarily debt based mutual funds with short and intermediate maturities and variable rate demand notes. Mutual funds may be sold and do not contain maturity dates.

Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal

I&M records securities held in trust funds for decommissioning nuclear facilities and for the disposal of SNF at fair value. See "Nuclear Trust Funds" section of Note 1.

The following is a summary of nuclear trust fund investments at December 31, 2010 and December 31, 2009:

	December 31,					
	2010			2009		
	Estimated Fair Value	Gross Unrealized Gains	Other-Than-Temporary Impairments	Estimated Fair Value	Gross Unrealized Gains	Other-Than-Temporary Impairments
	(in millions)					
Cash and Cash Equivalents	$ 20	$ -	$ -	$ 14	$ -	$ -
Fixed Income Securities:						
United States Government	461	23	(1)	401	13	(4)
Corporate Debt	59	4	(2)	57	5	(2)
State and Local Government	341	(1)	-	369	8	1
Subtotal Fixed Income Securities	861	26	(3)	827	26	(5)
Equity Securities - Domestic	634	183	(123)	551	234	(119)
Spent Nuclear Fuel and Decommissioning Trusts	$ 1,515	$ 209	$ (126)	$ 1,392	$ 260	$ (124)

The following table provides the securities activity within the decommissioning and SNF trusts for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	2009	2008
	(in millions)		
Proceeds From Investment Sales	$ 1,362	$ 713	$ 732
Purchases of Investments	1,415	771	804
Gross Realized Gains on Investment Sales	12	28	33
Gross Realized Losses on Investment Sales	2	1	7

The adjusted cost of debt securities was $835 million and $801 million as of December 31, 2010 and 2009, respectively.

The fair value of debt securities held in the nuclear trust funds, summarized by contractual maturities, at December 31, 2010 was as follows:

	Fair Value of Debt Securities
	(in millions)
Within 1 year	$ 22
1 year – 5 years	306
5 years – 10 years	257
After 10 years	276
Total	$ 861

Fair Value Measurements of Financial Assets and Liabilities

For a discussion of fair value accounting and the classification of assets and liabilities within the fair value hierarchy, see the "Fair Value Measurements of Assets and Liabilities" section of Note 1.

The following tables set forth, by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in AEP's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in millions)		
Cash and Cash Equivalents (a)	$ 170	$ -	$ -	$ 124	$ 294
Other Temporary Investments					
Restricted Cash (a)	184	-	-	41	225
Fixed Income Securities:					
Mutual Funds	69	-	-	-	69
Variable Rate Demand Notes	-	97	-	-	97
Equity Securities - Mutual Funds (b)	25	-	-	-	25
Total Other Temporary Investments	278	97	-	41	416
Risk Management Assets					
Risk Management Commodity Contracts (c) (f)	20	1,432	112	(1,013)	551
Cash Flow Hedges:					
Commodity Hedges (c)	11	17	-	(15)	13
Fair Value Hedges	-	7	-	-	7
Interest Rate/Foreign Currency Hedges	-	25	-	-	25
Dedesignated Risk Management Contracts (d)	-	-	-	46	46
Total Risk Management Assets	31	1,481	112	(982)	642
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	-	8	-	12	20
Fixed Income Securities:					
United States Government	-	461	-	-	461
Corporate Debt	-	59	-	-	59
State and Local Government	-	341	-	-	341
Subtotal Fixed Income Securities	-	861	-	-	861
Equity Securities - Domestic (b)	634	-	-	-	634
Total Spent Nuclear Fuel and Decommissioning Trusts	634	869	-	12	1,515
Total Assets	$ 1,113	$ 2,447	$ 112	$ (805)	$ 2,867
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (f)	$ 25	$ 1,325	$ 27	$ (1,114)	$ 263
Cash Flow Hedges:					
Commodity Hedges (c)	4	13	-	(15)	2
Fair Value Hedges	-	1	-	-	1
Interest Rate/Foreign Currency Hedges	-	4	-	-	4
Total Risk Management Liabilities	$ 29	$ 1,343	$ 27	$ (1,129)	$ 270

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in millions)		
Cash and Cash Equivalents (a)	$ 427	$ -	$ -	$ 63	$ 490
Other Temporary Investments					
Restricted Cash (a)	198	-	-	25	223
Fixed Income Securities:					
Mutual Funds	57	-	-	-	57
Variable Rate Demand Notes	-	45	-	-	45
Equity Securities (b):					
Domestic	16	-	-	-	16
Mutual Funds	22	-	-	-	22
Total Other Temporary Investments	293	45	-	25	363
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	8	1,609	72	(1,119)	570
Cash Flow Hedges:					
Commodity Hedges (c)	1	11	-	(4)	8
Dedesignated Risk Management Contracts (d)	-	-	-	25	25
Total Risk Management Assets	9	1,620	72	(1,098)	603
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	-	3	-	11	14
Fixed Income Securities:					
United States Government	-	401	-	-	401
Corporate Debt	-	57	-	-	57
State and Local Government	-	369	-	-	369
Subtotal Fixed Income Securities	-	827	-	-	827
Equity Securities - Domestic (b)	551	-	-	-	551
Total Spent Nuclear Fuel and Decommissioning Trusts	551	830	-	11	1,392
Total Assets	$ 1,280	$ 2,495	$ 72	$ (999)	$ 2,848
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	$ 11	$ 1,415	$ 10	$ (1,205)	$ 231
Cash Flow Hedges:					
Commodity Hedges (c)	-	16	-	(4)	12
Interest Rate/Foreign Currency Hedges	-	5	-	-	5
Total Risk Management Liabilities	$ 11	$ 1,436	$ 10	$ (1,209)	$ 248

(a) Amounts in "Other" column primarily represent cash deposits in bank accounts with financial institutions or with third parties. Level 1 amounts primarily represent investments in money market funds.

(b) Amounts represent publicly traded equity securities and equity-based mutual funds.

(c) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."

(d) Represents contracts that were originally MTM but were subsequently elected as normal under the accounting guidance for "Derivatives and Hedging." At the time of the normal election, the MTM value was frozen and no longer fair valued. This MTM value will be amortized into revenues over the remaining life of the contracts.

(e) Amounts in "Other" column primarily represent accrued interest receivables from financial institutions. Level 2 amounts primarily represent investments in money market funds.

(f) The December 31, 2010 maturity of the net fair value of risk management contracts prior to cash collateral, assets/(liabilities), is as follows: Level 1 matures ($2) million in 2011, $2 million in periods 2012-2014 and ($5) million in periods 2015-2018; Level 2 matures $13 million in 2011, $66 million in periods 2012-2014, $12 million in periods 2015-2016 and $16 million in periods 2017-2028; Level 3 matures $18 million in 2011, $24 million in periods 2012-2014, $16 million in periods 2015-2016 and $27 million in periods 2017-2028. Risk management commodity contracts are substantially comprised of power contracts.

(g) The December 31, 2009 maturity of the net fair value of risk management contracts prior to cash collateral, assets/(liabilities), is as follows: Level 1 matures ($1) million in 2010, ($1) million in periods 2011-2013 and ($1) million in periods 2014-2015; Level 2 matures $65 million in 2010, $84 million in periods 2011-2013, $22 million in periods 2014-2015 and $23 million in periods 2016-2028; Level 3 matures $17 million in 2010, $16 million in periods 2011-2013, $8 million in periods 2014-2015 and $21 million in periods 2016-2028.

There have been no transfers between Level 1 and Level 2 during the year ended December 31, 2010.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives and other investments classified as Level 3 in the fair value hierarchy:

Year Ended December 31, 2010	Net Risk Management Assets (Liabilities) (in millions)
Balance as of December 31, 2009	$ 62
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	5
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	63
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-
Purchases, Issuances and Settlements (c)	(25)
Transfers into Level 3 (d) (h)	18
Transfers out of Level 3 (e) (h)	(53)
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	15
Balance as of December 31, 2010	$ 85

Year Ended December 31, 2009	Net Risk Management Assets (Liabilities) (in millions)
Balance as of December 31, 2008	$ 49
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	(4)
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	44
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-
Purchases, Issuances and Settlements (c)	(17)
Transfers in and/or out of Level 3 (f)	(25)
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	15
Balance as of December 31, 2009	$ 62

Year Ended December 31, 2008	Net Risk Management Assets (Liabilities)	Other Temporary Investments	Investments in Debt Securities
		(in millions)	
Balance as of December 31, 2007	$ 49	$ -	$ -
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	-	-	-
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	12	-	-
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-	-	-
Purchases, Issuances and Settlements (c)	-	(118)	(17)
Transfers in and/or out of Level 3 (f)	(36)	118	17
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	24	-	-
Balance as of December 31, 2008	$ 49	$ -	$ -

(a) Included in revenues on our Consolidated Statements of Income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Represents the settlement of risk management commodity contracts for the reporting period.
(d) Represents existing assets or liabilities that were previously categorized as Level 2.
(e) Represents existing assets or liabilities that were previously categorized as Level 3.
(f) Represents existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period.
(g) Relates to the net gains (losses) of those contracts that are not reflected on our Consolidated Statements of Income. These net gains (losses) are recorded as regulatory liabilities/assets.
(h) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.

12. INCOME TAXES

The details of our consolidated income taxes before discontinued operations and extraordinary loss as reported are as follows:

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Federal:			
Current	$ (134)	$ (575)	$ 164
Deferred	760	1,171	456
Total Federal	626	596	620
State and Local:			
Current	(20)	(76)	(1)
Deferred	38	55	22
Total State and Local	18	(21)	21
International:			
Current	(1)	-	1
Deferred	-	-	-
Total International	(1)	-	1
Total Income Tax Expense Before Discontinued Operations and Extraordinary Loss	$ 643	$ 575	$ 642

The following is a reconciliation of our consolidated difference between the amount of federal income taxes computed by multiplying book income before income taxes by the federal statutory tax rate and the amount of income taxes reported.

	Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Net Income	$ 1,218	$ 1,365	$ 1,388
Discontinued Operations, Net of Income Tax of $(10) million in 2008	-	-	(12)
Extraordinary Loss, Net of Income Tax of $3 million in 2009	-	5	-
Income Before Discontinued Operations and Extraordinary Loss	1,218	1,370	1,376
Income Tax Expense Before Discontinued Operations and Extraordinary Loss	643	575	642
Pretax Income	$ 1,861	$ 1,945	$ 2,018
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 651	$ 681	$ 706
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	47	31	23
Investment Tax Credits, Net	(16)	(19)	(19)
Energy Production Credits	(20)	(15)	(20)
State and Local Income Taxes	11	(14)	13
Removal Costs	(19)	(19)	(21)
AFUDC	(33)	(36)	(24)
Medicare Subsidy	12	(11)	(12)
Tax Reserve Adjustments	(16)	(6)	2
Other	26	(17)	(6)
Total Income Tax Expense Before Discontinued Operations and Extraordinary Loss	$ 643	$ 575	$ 642
Effective Income Tax Rate	34.6 %	29.6 %	31.8 %

The following table shows elements of the net deferred tax liability and significant temporary differences:

	December 31, 2010	December 31, 2009
	(in millions)	
Deferred Tax Assets	$ 2,519	$ 2,493
Deferred Tax Liabilities	(10,009)	(9,065)
Net Deferred Tax Liabilities	$ (7,490)	$ (6,572)
Property-Related Temporary Differences	$ (5,301)	$ (4,714)
Amounts Due from Customers for Future Federal Income Taxes	(250)	(229)
Deferred State Income Taxes	(622)	(523)
Securitized Transition Assets	(651)	(712)
Regulatory Assets	(867)	(862)
Accrued Pensions	218	335
Deferred Income Taxes on Other Comprehensive Loss	207	203
Accrued Nuclear Decommissioning	(395)	(356)
All Other, Net	171	286
Net Deferred Tax Liabilities	$ (7,490)	$ (6,572)

We, along with our subsidiaries, file a consolidated federal income tax return. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses to the AEP System companies giving rise to such losses in determining their current tax expense. The tax benefit of the Parent is allocated to our subsidiaries with taxable income. With the exception of the loss of the Parent, the method of allocation reflects a separate return result for each company in the consolidated group.

At December 31, 2010, we have federal general business credit carryforwards of $64 million. If these credits are not utilized, they will expire in the years 2028 through 2030.

We are no longer subject to U.S. federal examination for years before 2001. We have completed the exam for the years 2001 through 2006 and have issues that we are pursuing at the appeals level. The years 2007 and 2008 are currently under examination. Although the outcome of tax audits is uncertain, in management's opinion, adequate provisions for federal income taxes have been made for potential liabilities resulting from such matters. In addition, we accrue interest on these uncertain tax positions. We are not aware of any issues for open tax years that upon final resolution are expected to have a material adverse effect on net income.

We, along with our subsidiaries, file income tax returns in various state, local and foreign jurisdictions. These taxing authorities routinely examine our tax returns and we are currently under examination in several state and local jurisdictions. We believe that we have filed tax returns with positions that may be challenged by these tax authorities. Management believes that adequate provisions for income taxes have been made for potential liabilities resulting from such challenges and the ultimate resolution of these audits will not materially impact net income. With few exceptions, we are no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2000.

We sustained federal, state and local net income tax operating losses in 2009 driven primarily by bonus depreciation, a change in tax accounting method related to units of property and other book versus tax temporary differences. As a result, we accrued current federal, state and local income tax benefits in 2009. We realized the federal cash flow benefit in 2010 as there was sufficient capacity in prior periods to carry the net operating loss back. Most of our state and local jurisdictions do not provide for a net operating loss carry back. We anticipate future taxable income will be sufficient to realize the tax benefit. As such, we determined that a valuation allowance is unnecessary.

We recognize interest accruals related to uncertain tax positions in interest income or expense, as applicable, and penalties in Other Operation in accordance with the accounting guidance for "Income Taxes."

The following table shows amounts reported for interest expense, interest income and reversal of prior period interest expense:

	Years Ended December 31, 2010	2009	2008
		(in millions)	
Interest Expense	$ 8	$ 1	$ 10
Interest Income	11	5	21
Reversal of Prior Period Interest Expense	5	5	13

The following table shows balances for amounts accrued for the receipt of interest and the payment of interest and penalties:

	December 31, 2010	2009
	(in millions)	
Accrual for Receipt of Interest	$ 42	$ 30
Accrual for Payment of Interest and Penalties	21	18

The reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2010	2009	2008
		(in millions)	
Balance at January 1,	$ 237	$ 237	$ 222
Increase - Tax Positions Taken During a Prior Period	40	56	41
Decrease - Tax Positions Taken During a Prior Period	(43)	(65)	(45)
Increase - Tax Positions Taken During the Current Year	-	16	27
Decrease - Tax Positions Taken During the Current Year	(6)	-	(5)
Increase - Settlements with Taxing Authorities	-	1	3
Decrease - Settlements with Taxing Authorities	(2)	-	-
Decrease - Lapse of the Applicable Statute of Limitations	(7)	(8)	(6)
Balance at December 31,	$ 219	$ 237	$ 237

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $112 million, $137 million and $147 million for 2010, 2009 and 2008, respectively. We believe there will be no significant net increase or decrease in unrecognized tax benefits within 12 months of the reporting date.

Federal Tax Legislation

Under the Energy Tax Incentives Act of 2005, we filed applications with the United States Department of Energy and the IRS in 2008 for the West Virginia IGCC project and in July 2008 the IRS allocated the project $134 million in credits. In September 2008, we entered into a memorandum of understanding with the IRS concerning the requirements of claiming the credits. We had until July 2010 to meet certain minimum requirements under the agreement with the IRS or the credits would be forfeited. In July 2010, we forfeited the allocated tax credits.

The Economic Stimulus Act of 2008 provided enhanced expensing provisions for certain assets placed in service in 2008 and a 50% bonus depreciation provision similar to the one in effect in 2003 through 2004 for assets placed in service in 2008. The enacted provisions did not have a material impact on net income or financial condition, but provided a cash flow benefit of approximately $200 million in 2008.

The American Recovery and Reinvestment Tax Act of 2009 provided for several new grant programs and expanded tax credits and an extension of the 50% bonus depreciation provision enacted in the Economic Stimulus Act of 2008. The enacted provisions did not have a material impact on net income or financial condition. However, the bonus depreciation contributed to the 2009 federal net operating tax loss that resulted in a 2010 cash flow benefit of $419 million.

The Patient Protection and Affordable Care Act and the related Health Care and Education Reconciliation Act (Health Care Acts) were enacted in March 2010. The Health Care Acts amend tax rules so that the portion of employer health care costs that are reimbursed by the Medicare Part D prescription drug subsidy will no longer be deductible by the employer for federal income tax purposes effective for years beginning after December 31, 2012. Because of the loss of the future tax deduction, a reduction in the deferred tax asset related to the nondeductible OPEB liabilities accrued to date was recorded in March 2010. This reduction did not materially affect our cash flows or financial condition. For the year ended December 31, 2010, deferred tax assets decreased $56 million, partially offset by recording net tax regulatory assets of $35 million in our jurisdictions with regulated operations, resulting in a decrease in net income of $21 million.

The Small Business Jobs Act (the Act) was enacted in September 2010. Included in the Act was a one-year extension of the 50% bonus depreciation provision. The Tax Relief, Unemployment Insurance Reauthorization and the Job Creation Act of 2010 extended the life of research and development, employment and several energy tax credits originally scheduled to expire at the end of 2010. In addition, the Act extended the time for claiming bonus depreciation and increased the deduction to 100% for part of 2010 and 2011. The enacted provisions will not have a material impact on net income or financial condition but had a favorable impact on cash flows of $318 million in 2010.

State Tax Legislation

Under Ohio House Bill 66, in 2005, the Ohio companies established a regulatory liability for $57 million pending rate-making treatment in Ohio. For those companies in which state income taxes flow through for rate-making purposes, regulatory assets associated with the deferred state income tax liabilities were reduced by $22 million. In November 2006, the PUCO ordered that the $57 million be amortized to income as an offset to power supply contract losses incurred by CSPCo and OPCo for sales to Ormet. As of December 31, 2008, the $57 million regulatory liability was fully amortized.

The Ohio legislation also imposed a new commercial activity tax at a fully phased-in rate of 0.26% on all Ohio gross receipts. The tax was phased-in over a five-year period that began July 1, 2005 at 23% of the full 0.26% rate. As a result of this tax, expenses of approximately $13 million, $11 million and $9 million were recorded in 2010, 2009 and 2008, respectively, in Taxes Other Than Income Taxes.

Michigan Senate Bill 0094 (MBT Act), effective January 1, 2008, provided a comprehensive restructuring of Michigan's principal business tax. The law replaced the Michigan Single Business Tax. The MBT Act is composed of a new tax which is calculated based upon two components: (a) a business income tax (BIT) imposed at a rate of 4.95% and (b) a modified gross receipts tax (GRT) imposed at a rate of 0.80%, which will collectively be referred to as the BIT/GRT tax calculation. The law also includes significant credits for engaging in Michigan-based activity.

In March 2008, legislation was signed providing for, among other things, a reduction in the West Virginia corporate income tax rate from 8.75% to 8.5% beginning in 2009. The corporate income tax rate could also be reduced to 7.75% in 2012 and 7% in 2013 contingent upon the state government achieving certain minimum levels of shortfall reserve funds. We have evaluated the impact of the law change and the application of the law change will not materially impact our net income, cash flows or financial condition.

13. LEASES

Leases of property, plant and equipment are for periods up to 60 years and require payments of related property taxes, maintenance and operating costs. The majority of the leases have purchase or renewal options and will be renewed or replaced by other leases.

Lease rentals for both operating and capital leases are generally charged to Other Operation and Maintenance expense in accordance with rate-making treatment for regulated operations. Capital leases for nonregulated property are accounted for as if the assets were owned and financed. The components of rental costs are as follows:

Lease Rental Costs	Years Ended December 31, 2010	2009	2008
		(in millions)	
Net Lease Expense on Operating Leases	$ 343	$ 354	$ 368
Amortization of Capital Leases	97	83	97
Interest on Capital Leases	26	13	16
Total Lease Rental Costs	$ 466	$ 450	$ 481

The following table shows the property, plant and equipment under capital leases and related obligations recorded on our Consolidated Balance Sheets. Capital lease obligations are included in Other Current Liabilities and Deferred Credits and Other Noncurrent Liabilities on our Consolidated Balance Sheets.

Property, Plant and Equipment Under Capital Leases	December 31, 2010	2009
	(in millions)	
Generation	$ 97	$ 75
Distribution	-	-
Other Property, Plant and Equipment	482	379
Construction Work in Progress	-	-
Total Property, Plant and Equipment Under Capital Leases	579	454
Accumulated Amortization	108	139
Net Property, Plant and Equipment Under Capital Leases	$ 471	$ 315
Obligations Under Capital Leases		
Noncurrent Liability	$ 398	$ 244
Liability Due Within One Year	76	73
Total Obligations Under Capital Leases	$ 474	$ 317

Future minimum lease payments consisted of the following at December 31, 2010:

Future Minimum Lease Payments	Capital Leases	Noncancelable Operating Leases
	(in millions)	
2011	$ 100	$ 306
2012	88	286
2013	71	261
2014	59	241
2015	47	226
Later Years	286	1,349
Total Future Minimum Lease Payments	$ 651	$ 2,669
Less Estimated Interest Element	177	
Estimated Present Value of Future Minimum Lease Payments	$ 474	

Master Lease Agreements

We lease certain equipment under master lease agreements. In December 2010, we signed a new master lease agreement with GE Capital Commercial Inc. (GE) for approximately $137 million to replace existing operating and capital leases with GE. We refinanced approximately $60 million of capital leases and approximately $77 million in operating leases. These assets were included in existing master lease agreements that were to be terminated in 2011 since GE exercised the termination provision related to these leases in 2008. Approximately $16 million of currently leased assets were not included in the refinancing, but will be purchased or refinanced in 2011. In addition, approximately $40 million of operating leases that were previously under lease with GE are now recorded as capital leases after the refinancing. These obligations are included in the future minimum lease payments schedule earlier in this note.

For equipment under the GE master lease agreements, the lessor is guaranteed receipt of up to 84% of the unamortized balance of the equipment at the end of the lease term. If the fair value of the leased equipment is below the unamortized balance at the end of the lease term, we are committed to pay the difference between the fair value and the unamortized balance, with the total guarantee not to exceed 84% of the unamortized balance. For equipment under other master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of either the unamortized balance or the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, we are committed to pay the difference between the actual fair value and the residual value guarantee. At December 31, 2010, the maximum potential loss for these lease agreements was approximately $14 million ($9 million, net of tax) assuming the fair value of the equipment is zero at the end of the lease term. Historically, at the end of the lease term the fair value has been in excess of the unamortized balance.

Rockport Lease

AEGCo and I&M entered into a sale-and-leaseback transaction in 1989 with Wilmington Trust Company (Owner Trustee), an unrelated, unconsolidated trustee for Rockport Plant Unit 2 (the Plant). The Owner Trustee was capitalized with equity from six owner participants with no relationship to AEP or any of its subsidiaries and debt from a syndicate of banks and securities in a private placement to certain institutional investors.

The gain from the sale was deferred and is being amortized over the term of the lease, which expires in 2022. The Owner Trustee owns the Plant and leases it equally to AEGCo and I&M. The lease is accounted for as an operating lease with the payment obligations included in the future minimum lease payments schedule earlier in this note. The lease term is for 33 years with potential renewal options. At the end of the lease term, AEGCo and I&M have the option to renew the lease or the Owner Trustee can sell the Plant. Neither AEGCo, I&M nor AEP has an ownership interest in the Owner Trustee and do not guarantee its debt. The future minimum lease payments for this sale-and-leaseback transaction as of December 31, 2010 are as follows:

Future Minimum Lease Payments	AEGCo	I&M
	(in millions)	
2011	$ 74	$ 74
2012	74	74
2013	74	74
2014	74	74
2015	74	74
Later Years	517	517
Total Future Minimum Lease Payments	$ 887	$ 887

Railcar Lease

In June 2003, AEP Transportation LLC (AEP Transportation), a subsidiary of AEP, entered into an agreement with BTM Capital Corporation, as lessor, to lease 875 coal-transporting aluminum railcars. The lease is accounted for as an operating lease. In January 2008, AEP Transportation assigned the remaining 848 railcars under the original lease agreement to I&M (390 railcars) and SWEPCo (458 railcars). The assignment is accounted for as operating leases for I&M and SWEPCo. The initial lease term was five years with three consecutive five-year renewal periods for a maximum lease term of twenty years. I&M and SWEPCo intend to renew these leases for the full lease term of twenty years via the renewal options. The future minimum lease obligations are $17 million for I&M and $19 million for SWEPCo for the remaining railcars as of December 31, 2010. These obligations are included in the future minimum lease payments schedule earlier in this note.

Under the lease agreement, the lessor is guaranteed that the sale proceeds under a return-and-sale option will equal at least a lessee obligation amount specified in the lease, which declines from approximately 84% under the current five year lease term to 77% at the end of the 20-year term of the projected fair value of the equipment. I&M and SWEPCo have assumed the guarantee under the return-and-sale option. I&M's maximum potential loss related to the guarantee is approximately $12 million ($8 million, net of tax) and SWEPCo's is approximately $13 million ($9 million, net of tax) assuming the fair value of the equipment is zero at the end of the current five-year lease term. However, we believe that the fair value would produce a sufficient sales price to avoid any loss.

Sabine Dragline Lease

During 2009, Sabine, an entity consolidated in accordance with the accounting guidance for "Variable Interest Entities," entered into capital lease arrangements with a nonaffiliated company to finance the purchase of two electric draglines to be used for Sabine's mining operations totaling $47 million. The amounts included in the lease represented the aggregate fair value of the existing equipment and a sale and leaseback transaction for additional dragline rebuild costs required to keep the dragline operational. In addition to the 2009 transactions, Sabine has one additional $53 million dragline completed in 2008 that was financed under a capital lease. These capital lease assets are included in Other Property, Plant and Equipment on our December 31, 2010 and 2009 Consolidated Balance Sheets. The short-term and long-term capital lease obligations are included in Other Current Liabilities and Deferred Credits and Other Noncurrent Liabilities on our December 31, 2010 and 2009 Consolidated Balance Sheets. The future payment obligations are included in our future minimum lease payments schedule earlier in this note.

I&M Nuclear Fuel Lease

In December 2007, I&M entered into a sale-and-leaseback transaction with Citicorp Leasing, Inc. (CLI), an unrelated, unconsolidated, wholly-owned subsidiary of Citibank, N.A. to lease nuclear fuel for I&M's Cook Plant. In December 2007, I&M sold a portion of its unamortized nuclear fuel inventory to CLI at cost for $85 million. The lease has a variable rate based on one month LIBOR and is accounted for as a capital lease with lease terms up to 60 months. The future payment obligations of $3 million are included in our future minimum lease payments schedule earlier in this note. The net capital lease asset is included in Other Property, Plant and Equipment and the short-term and long-term capital lease obligations are included in Other Current Liabilities and Deferred Credits and Other Noncurrent Liabilities, respectively, on our December 31, 2010 and 2009 Consolidated Balance Sheets. The future minimum lease payments for this sale-and-leaseback transaction as of December 31, 2010 are as follows, based on estimated fuel burn:

Future Minimum Lease Payments	**Amount**
	(in millions)
2011	$ 2
2012	1
Total Future Minimum Lease Payments	$ 3

14. FINANCING ACTIVITIES

AEP Common Stock

In April 2009, we issued 69 million shares of common stock at $24.50 per share for net proceeds of $1.64 billion, which were primarily used to repay cash drawn under our credit facilities in the second quarter of 2009.

Set forth below is a reconciliation of common stock share activity for the years ended December 31, 2010, 2009 and 2008:

Shares of AEP Common Stock	Issued	Held in Treasury
Balance, December 31, 2007	421,926,696	21,499,992
Issued	4,394,552	-
Treasury Stock Contributed to AEP Foundation	-	(1,250,000)
Balance, December 31, 2008	426,321,248	20,249,992
Issued	72,012,017	-
Treasury Stock Acquired	-	28,866
Balance, December 31, 2009	498,333,265	20,278,858
Issued	2,781,616	-
Treasury Stock Acquired	-	28,867
Balance, December 31, 2010	501,114,881	20,307,725

Preferred Stock

Information about the components of preferred stock of our subsidiaries is as follows:

	December 31, 2010			
	Call Price Per Share (a)	Shares Authorized (b)	Shares Outstanding (c)	Amount
Not Subject to Mandatory Redemption:				(in millions)
4.00% - 5.00%	$102-$110	1,525,903	600,641	$ 60

	December 31, 2009			
	Call Price Per Share (a)	Shares Authorized (b)	Shares Outstanding (c)	Amount
Not Subject to Mandatory Redemption:				(in millions)
4.00% - 5.00%	$102-$110	1,525,903	606,627	$ 61

(a) At the option of the subsidiary, the shares may be redeemed at the call price plus accrued dividends. The involuntary liquidation preference is $100 per share for all outstanding shares. If the subsidiary defaults on preferred stock dividend payments for a period of one year or longer, preferred stock holders are entitled, voting separately as one class, to elect the number of directors necessary to constitute a majority of the full board of directors of the subsidiary.

(b) As of December 31, 2010 and 2009, our subsidiaries had 14,494,227 and 14,488,294 shares of $100 par value preferred stock, respectively, 22,200,000 shares of $25 par value preferred stock and 7,822,535 and 7,822,482 shares of no par value preferred stock, respectively, that were authorized but unissued. Total shares authorized but unissued include shares not subject to mandatory redemption described in the above table.

(c) The number of preferred stock shares redeemed was 5,986 shares and 251 shares in 2010 and 2009, respectively. There were no preferred stock shares redeemed in 2008.

Long-term Debt

Type of Debt and Maturity	Weighted Average Interest Rate at December 31, 2010	Interest Rate Ranges at December 31, 2010	2009	Outstanding at December 31, 2010	2009
				(in millions)	
Senior Unsecured Notes					
2010-2015	4.99%	0.702%-6.375%	0.464%-6.375%	$ 3,318	$ 4,258
2016-2021	6.12%	5.00%-7.95%	5.00%-7.95%	4,020	4,020
2029-2040	6.41%	5.625%-8.13%	5.625%-8.13%	4,331	4,138
Pollution Control Bonds (a)					
2010-2015 (b)	2.95%	0.29%-6.25%	0.22%-7.125%	1,300	800
2017-2025	5.12%	4.45%-6.05%	0.23%-6.05%	443	595
2026-2042	5.19%	4.40%-6.30%	0.20%-6.30%	520	764
Notes Payable (c)					
2011-2026	5.44%	2.07%-8.03%	4.47%-8.03%	396	326
Securitization Bonds					
2010-2020	5.36%	4.98%-6.25%	4.98%-6.25%	1,847	1,995
Junior Subordinated Debentures (d)					
2063	8.75%	8.75%	8.75%	315	315
Spent Nuclear Fuel Obligation (e)				265	265
Other Long-term Debt					
2011-2059	1.72%	1.3125%-13.718%	1.25%-13.718%	91	88
Unamortized Discount (net)				(35)	(66)
Total Long-term Debt Outstanding				16,811	17,498
Less Portion Due Within One Year				1,309	1,741
Long-term Portion				$ 15,502	$ 15,757

(a) For certain series of pollution control bonds, interest rates are subject to periodic adjustment. Certain series may be purchased on demand at periodic interest adjustment dates. Letters of credit from banks, standby bond purchase agreements and insurance policies support certain series.

(b) Certain pollution control bonds are subject to mandatory redemption earlier than the maturity date. Consequently, these bonds have been classified for maturity and repayment purposes based on the mandatory redemption date.

(c) Notes payable represent outstanding promissory notes issued under term loan agreements and revolving credit agreements with a number of banks and other financial institutions. At expiration, all notes then issued and outstanding are due and payable. Interest rates are both fixed and variable. Variable rates generally relate to specified short-term interest rates.

(d) Debentures will mature on March 1, 2063, subject to extensions to no later than March 1, 2068, and are callable at par any time on or after March 1, 2013.

(e) Spent nuclear fuel obligation consists of a liability along with accrued interest for disposal of spent nuclear fuel (see "SNF Disposal" section of Note 6).

At December 31, 2010, $50 million of PSO's Senior Unsecured Notes, which are due within one year, are classified as long-term debt due to our intent and ability to refinance these notes on a long-term basis. In January 2011, PSO issued $250 million of 4.4% Senior Unsecured Notes due in 2021, demonstrating the ability to refinance these obligations on a long-term basis.

At December 31, 2009, approximately $472 million of variable-rate, tax-exempt bonds were outstanding. These bonds, which are short-term obligations, were classified as long-term due to our intent and ability to refinance each obligation on a long-term basis. At December 31, 2009, our $478 million credit facility had non-cancelable terms in excess of one year, demonstrating the ability to refinance these short-term obligations on a long-term basis.

Long-term debt outstanding at December 31, 2010 is payable as follows:

	2011	2012	2013	2014	2015	After 2015	Total
				(in millions)			
Principal Amount	$ 1,309	$ 815	$ 1,344	$ 941	$ 1,490	$ 10,947	$ 16,846
Unamortized Discount							(35)
Total Long-term Debt Outstanding							$ 16,811

In January 2011, TCC retired $92 million of its outstanding Securitization Bonds.

In February 2011, APCo issued $65 million of 2% Pollution Control Bonds due in 2041 with a 2012 mandatory put date.

As of December 31, 2010, trustees held, on our behalf, $303 million of our reacquired variable rate tax-exempt long-term debt.

Dividend Restrictions

Parent Restrictions

The holders of our common stock are entitled to receive the dividends declared by our Board of Directors provided funds are legally available for such dividends. Our income derives from our common stock equity in the earnings of our utility subsidiaries.

Pursuant to the leverage restrictions in our credit agreements, we must maintain a percentage of debt to total capitalization at a level that does not exceed 67.5%. The payment of cash dividends indirectly results in an increase in the percentage of debt to total capitalization of the company distributing the dividend. The method for calculating outstanding debt and capitalization is contractually defined in the credit agreements. None of AEP's retained earnings were restricted for the purpose of the payment of dividends.

We have issued $315 million of Junior Subordinated Debentures. The debentures will mature on March 1, 2063, subject to extensions to no later than March 1, 2068, and are callable at par any time on or after March 1, 2013. We have the option to defer interest payments on the debentures for one or more periods of up to 10 consecutive years per period. During any period in which we defer interest payments, we may not declare or pay any dividends or distributions on, or redeem, repurchase or acquire our common stock. We do not anticipate any deferral of those interest payments in the foreseeable future.

Utility Subsidiaries' Restrictions

Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our utility subsidiaries to transfer funds to us in the form of dividends. Specifically, most of our public utility subsidiaries have revolving credit agreements that contain a covenant that limits their debt to capitalization ratio to 67.5%. At December 31, 2010, the amount of restricted net assets of AEP's subsidiaries that may not be distributed to Parent in the form of a loan, advance or dividend was approximately $7 billion.

The Federal Power Act prohibits the utility subsidiaries from participating "in the making or paying of any dividends of such public utility from any funds properly included in capital account." The term "capital account" is not defined in the Federal Power Act or its regulations. Management understands "capital account" to mean the par value of the common stock multiplied by the number of shares outstanding. This restriction does not limit the ability of the utility subsidiaries to pay dividends out of retained earnings.

Lines of Credit and Short-term Debt

We use our commercial paper program to meet the short-term borrowing needs of our subsidiaries. The program is used to fund both a Utility Money Pool, which funds the utility subsidiaries, and a Nonutility Money Pool, which funds the majority of the nonutility subsidiaries. In addition, the program also funds, as direct borrowers, the short-term debt requirements of other subsidiaries that are not participants in either money pool for regulatory or operational reasons. As of December 31, 2010, we had credit facilities totaling $3 billion to support our commercial paper program (see "Credit Facilities" section below). The maximum amount of commercial paper outstanding during 2010 was $868 million and the weighted average interest rate of commercial paper outstanding during the year was 0.43%. Our outstanding short-term debt was as follows:

	December 31,			
	2010		2009	
Type of Debt	Outstanding Amount	Interest Rate (a)	Outstanding Amount	Interest Rate (a)
	(in millions)		(in millions)	
Securitized Debt for Receivables (b)	$ 690	0.31 %	$ -	-
Commercial Paper	650	0.52 %	119	0.26 %
Line of Credit – Sabine Mining Company (c)	6	2.15 %	7	2.06 %
Total Short-term Debt	$ 1,346		$ 126	

(a) Weighted average rate.
(b) Amount of securitized debt for receivables as accounted for under the "Transfers and Servicing" accounting guidance. See "ASU 2009-16 'Transfers and Servicing' " section of Note 2.
(c) Sabine Mining Company is a consolidated variable interest entity. This line of credit does not reduce available liquidity under AEP's credit facilities.

Credit Facilities

We have credit facilities totaling $3 billion to support our commercial paper program. The facilities are structured as two $1.5 billion credit facilities, of which $750 million may be issued under the credit facility that matures in April 2012 as letters of credit. In June 2010, we terminated one of the $1.5 billion facilities, which was scheduled to mature in March 2011, and replaced it with a new $1.5 billion credit facility which matures in June 2013 and allows for the issuance of up to $600 million as letters of credit. As of December 31, 2010, the maximum future payments for letters of credit issued under the two $1.5 billion credit facilities were $124 million.

In June 2010, we reduced a $627 million credit agreement that matures in April 2011 to $478 million. Under the facility, we may issue letters of credit. As of December 31, 2010, $477 million of letters of credit were issued by subsidiaries under this credit agreement to support variable rate Pollution Control Bonds.

Securitized Accounts Receivable – AEP Credit

AEP Credit has a receivables securitization agreement with bank conduits. Under the securitization agreement, AEP Credit receives financing from the bank conduits for the interest in the receivables AEP Credit acquires from affiliated utility subsidiaries. Prior to January 1, 2010, this transaction constituted a sale of receivables in accordance with the accounting guidance for "Transfers and Servicing," allowing the receivables to be removed from our Consolidated Balance Sheet. See "ASU 2009-16 'Transfers and Servicing' " section of Note 2 for discussion of the impact of new accounting guidance effective January 1, 2010 whereby such future transactions do not constitute a sale of receivables and will be accounted for as financings. AEP Credit continues to service the receivables. These securitized transactions allow AEP Credit to repay its outstanding debt obligations, continue to purchase our operating companies' receivables and accelerate AEP Credit's cash collections.

In July 2010, AEP Credit renewed its receivables securitization agreement. The agreement provides a commitment of $750 million from bank conduits to finance receivables from AEP Credit. A commitment of $375 million expires in July 2011 and the remaining commitment of $375 million expires in July 2013.

Accounts receivable information for AEP Credit is as follows:

	Years Ended December 31, 2010	2009	2008
	(dollars in millions)		
Proceeds from Sale of Accounts Receivable	$ N/A	$ 7,043	$ 7,717
Loss on Sale of Accounts Receivable	N/A	3	20
Average Variable Discount Rate on Sale of Accounts Receivable	N/A	0.57 %	3.19 %
Effective Interest Rates on Securitization of Accounts Receivable	0.31 %	N/A	N/A
Net Uncollectible Accounts Receivable Written Off	22	28	23

	December 31, 2010	2009
	(in millions)	
Accounts Receivable Retained Interest and Pledged as Collateral Less Uncollectible Accounts	$ 923	$ 160
Deferred Revenue from Servicing Accounts Receivable	N/A	1
Retained Interest if 10% Adverse Change in Uncollectible Accounts	N/A	158
Retained Interest if 20% Adverse Change in Uncollectible Accounts	N/A	156
Total Principal Outstanding	690	656
Derecognized Accounts Receivable	N/A	631
Delinquent Securitized Accounts Receivable	50	29
Bad Debt Reserves Related to Securitization/Sale of Accounts Receivable	26	20
Unbilled Receivables Related to Securitization/Sale of Accounts Receivable	354	376

N/A Not Applicable

Customer accounts receivable retained and securitized for our operating companies are managed by AEP Credit. AEP Credit's delinquent customer accounts receivable represents accounts greater than 30 days past due.

15. STOCK-BASED COMPENSATION

As approved by shareholder vote, the Amended and Restated American Electric Power System Long-Term Incentive Plan (LTIP) authorizes the use of 20,000,000 shares of AEP common stock for various types of stock-based compensation awards, including stock options, to employees. A maximum of 10,000,000 shares may be used under this plan for full value share awards, which includes performance units, restricted shares and restricted stock units. The AEP Board of Directors and shareholders last approved the LTIP in 2010. The following sections provide further information regarding each type of stock-based compensation award granted by the Human Resources Committee of the Board of Directors (HR Committee).

Stock Options

We did not grant stock options in 2010, 2009 or 2008 but we do have outstanding stock options from grants in earlier periods that vested or were exercised in these years. The exercise price of all outstanding stock options equaled or exceeded the market price of AEP's common stock on the date of grant. All outstanding stock options were granted with a ten-year term and generally vested, subject to the participant's continued employment, in approximately equal 1/3 increments on January 1st of the year following the first, second and third anniversary of the grant date. We record compensation cost for stock options over the vesting period based on the fair value on the grant date. The LTIP does not specify a maximum contractual term for stock options.

The total fair value of stock options vested and the total intrinsic value of options exercised are as follows:

Stock Options	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Fair Value of Stock Options Vested	$ -	$ 25	$ 25
Intrinsic Value of Options Exercised (a)	2,058	106	655

(a) Intrinsic value is calculated as market price at exercise dates less the option exercise price.

A summary of AEP stock option transactions during the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010		2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(in thousands)		(in thousands)		(in thousands)	
Outstanding at January 1,	1,089	$ 32.78	1,128	$ 32.73	1,196	$ 32.69
Granted	-	N/A	-	N/A	-	N/A
Exercised/Converted	(448)	31.53	(21)	27.20	(68)	31.97
Forfeited/Expired	(90)	38.44	(18)	36.28	-	N/A
Outstanding at December 31,	551	32.88	1,089	32.78	1,128	32.73
Options Exercisable at December 31,	551	$ 32.88	1,089	$ 32.78	1,125	$ 32.72

The following table summarizes information about AEP stock options outstanding and exercisable at December 31, 2010:

2010 Range of Exercise Prices	Number of Options Outstanding and Exercisable	Weighted Average Remaining Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
	(in thousands)	(in years)		(in thousands)
$27.06-27.95	266	2.20	$ 27.44	$ 2,273
$30.76-38.65	159	3.10	31.26	778
$44.10-49.00	126	0.50	46.40	-
Total	551	2.08	32.88	3,051

We include the proceeds received from exercised stock options in common stock and paid-in capital.

Performance Units

Our performance units have a value upon vesting equal to the market value of shares of AEP common stock. The number of performance units held is multiplied by the performance score to determine the actual number of performance units realized. The performance score is determined at the end of the performance period based on performance measures, which include both performance and market conditions, established for each grant at the beginning of the performance period by the HR Committee and can range from 0% to 200%. For the three-year performance and vesting period ending in 2009 and earlier performance periods, performance units are paid in cash or stock at the employee's election unless they are needed to satisfy a participant's stock ownership requirement. Starting with the three-year performance and vesting period ending in 2010 and later, performance units are paid in cash, unless they are needed to satisfy a participant's stock ownership requirement. In that case, the number of units needed to satisfy the participant's largest stock ownership requirement is mandatorily deferred as AEP Career Shares until after the end of the participant's AEP career. AEP Career Shares are a form of non-qualified deferred compensation that have a value equivalent to shares of AEP common stock and are paid in cash after the participant's termination of employment. Amounts equivalent to cash dividends on both performance units and

AEP Career Shares accrue as additional units. We recorded compensation cost for performance units over the three-year vesting period. The liability for both the performance units and AEP Career Shares, recorded in Employee Benefits and Pension Obligations on our Consolidated Balance Sheets, is adjusted for changes in value. The fair value of performance unit awards is based on the estimated performance score and the current 20-day average closing price of AEP common stock at the date of valuation.

The HR Committee awarded performance units and reinvested dividends on outstanding performance units and AEP Career Shares for the years ended December 31, 2010, 2009 and 2008 as follows:

	Years Ended December 31,		
Performance Units	**2010**	**2009**	**2008**
Awarded Units (in thousands)	736	1,179	1,384
Weighted Average Unit Fair Value at Grant Date	$ 35.43	$ 34.32	$ 30.11
Vesting Period (in years)	3	3	3

Performance Units and AEP Career Shares	Years Ended December 31,		
(Reinvested Dividends Portion)	**2010**	**2009**	**2008**
Awarded Units (in thousands)	211	224	149
Weighted Average Grant Date Fair Value	$ 34.70	$ 28.82	$ 37.21
Vesting Period (in years)	(a)	(a)	(a)

(a) The vesting period for the reinvested dividends on performance units is equal to the remaining life of the related performance units. Dividends on AEP Career Shares vest immediately upon grant.

Performance scores and final awards are determined and certified by the HR Committee in accordance with the pre-established performance measures within approximately a month after the end of the performance period. The HR Committee has discretion to reduce or eliminate the value of final awards, but may not increase them. The performance scores for all open performance periods are dependent on two equally-weighted performance measures: (a) three-year total shareholder return measured relative to the utility industry segment of the Standard and Poor's 500 Index and (b) three-year cumulative earnings per share measured relative to an AEP Board of Directors approved target. The value of each performance unit earned equals the average closing price of AEP common stock for the last 20 business days of the performance period.

The certified performance scores and units earned for the three-year period ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	**2009**	**2008**
Certified Performance Score	55.8 %	73.5 %	120.3 %
Performance Units Earned	489,013	593,175	1,088,302
Performance Units Manditorily Deferred as AEP Career Shares	33,501	26,635	42,214
Performance Units Voluntarily Deferred into the Incentive Compensation Deferral Program	6,583	27,855	66,415
Performance Units to be Paid in Cash	448,929	538,685	979,673

The cash payouts for the years ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in thousands)	
Cash Payouts for Performance Units	$ 18,683	$ 30,034	$ 52,960
Cash Payouts for AEP Career Share Distributions	3,594	2,184	1,236

Restricted Shares and Restricted Stock Units

The independent members of the AEP Board of Directors granted 300,000 restricted shares to the then Chairman, President and CEO on January 2, 2004 upon the commencement of his AEP employment. Of these restricted shares, 50,000 vested on January 1, 2005, 50,000 vested on January 1, 2006, 66,666 vested on November 30, 2009 and 66,667 vested on November 30, 2010. The remaining 66,667 restricted shares will vest on November 30, 2011, subject to his continued AEP employment through that date. Compensation cost for restricted shares is measured at fair value on the grant date and recorded over the vesting period. Fair value is determined by multiplying the number of shares granted by the grant date market closing price, which was $30.76. The maximum term for these restricted shares is eight years and dividends on these restricted shares are paid in cash. AEP has not granted other restricted shares.

The HR Committee also grants restricted stock units (RSUs), which generally vest, subject to the participant's continued employment, over at least three years in approximately equal annual increments on the anniversaries of the grant date. For awards granted prior to 2009, additional RSUs granted as dividends vest on the last vesting date associated with that RSU grant. For awards granted in 2009 and later, additional RSUs granted as dividends vest on the same date as the underlying RSUs on which the dividends were awarded. Compensation cost is measured at fair value on the grant date and recorded over the vesting period. Fair value is determined by multiplying the number of units granted by the grant date market closing price. The maximum contractual term of outstanding RSUs is five years from the grant date.

In 2010, the HR Committee granted a total of 165,520 of RSUs to four CEO succession candidates to better ensure the retention of these candidates. These grants vest, subject to the candidates' continuous employment, in three approximately equal installments on August 3, 2013, August 3, 2014 and August 3, 2015.

The HR Committee awarded RSUs, including units awarded for dividends, for the years ended December 31, 2010, 2009 and 2008 as follows:

	Years Ended December 31,		
Restricted Stock Units	**2010**	**2009**	**2008**
Awarded Units (in thousands)	873	130	56
Weighted Average Grant Date Fair Value	$ 35.24	$ 29.29	$ 41.69

The total fair value and total intrinsic value of restricted shares and restricted stock units vested during the years ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
Restricted Shares and Restricted Stock Units	**2010**	**2009**	**2008**
		(in thousands)	
Fair Value of Restricted Shares and Restricted Stock Units Vested	$ 6,044	$ 6,573	$ 2,619
Intrinsic Value of Restricted Shares and Restricted Stock Units Vested (a)	5,993	5,445	2,534

(a) Intrinsic value is calculated as market price at exercise date.

A summary of the status of our nonvested restricted shares and RSUs as of December 31, 2010 and changes during the year ended December 31, 2010 are as follows:

Nonvested Restricted Shares and Restricted Stock Units	**Shares/Units**	**Weighted Average Grant Date Fair Value**
	(in thousands)	
Nonvested at January 1, 2010	366	$ 34.12
Granted	873	35.24
Vested	(173)	35.00
Forfeited	(40)	35.01
Nonvested at December 31, 2010	1,026	34.88

The total aggregate intrinsic value of nonvested restricted shares and RSUs as of December 31, 2010 was $37 million and the weighted average remaining contractual life was 3.09 years.

Other Stock-Based Plans

We also have a Stock Unit Accumulation Plan for Non-employee Directors providing each non-employee director with AEP stock units as a substantial portion of their quarterly compensation for their services as a director. Amounts equivalent to cash dividends on the stock units accrue as additional AEP stock units. The non-employee directors vest immediately upon award of the stock units. Stock units are paid in cash upon termination of board service or up to 10 years later if the participant so elects. Cash payments for stock units are calculated based on the average closing price of AEP common stock for the 20 trading days immediately preceding the payment date.

We recorded the compensation cost for stock units when the units are awarded and adjusted the liability for changes in value based on the current 20-day average closing price of AEP common stock at the date of valuation.

We had no material cash payouts for stock unit distributions for the years ended December 31, 2010, 2009 and 2008.

The Board of Directors awarded stock units, including units awarded for dividends, for the years ended December 31, 2010, 2009 and 2008 as follows:

	Years Ended December 31,		
Stock Unit Accumulation Plan for Non-Employee Directors	**2010**	**2009**	**2008**
Awarded Units (in thousands)	54	56	43
Weighted Average Grant Date Fair Value	$ 34.67	$ 29.56	$ 37.72

Share-based Compensation Plans

Compensation cost and the actual tax benefit realized for the tax deductions from compensation cost for share-based payment arrangements recognized in income and total compensation cost capitalized in relation to the cost of an asset for the years ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
Share-based Compensation Plans	**2010**	**2009**	**2008**
		(in thousands)	
Compensation Cost for Share-based Payment Arrangements (a)	$ 28,116	$ 31,165	$ (18,028)(b)
Actual Tax Benefit Realized	9,841	10,908	(6,310)(b)
Total Compensation Cost Capitalized	4,689	5,956	(5,026)(b)

(a) Compensation cost for share-based payment arrangements is included in Other Operation and Maintenance expenses on our Consolidated Statements of Income.
(b) In 2008, AEP's declining total shareholder return and lower stock price significantly reduced the accruals for performance units.

During the years ended December 31, 2010, 2009 and 2008, there were no significant modifications affecting any of our share-based payment arrangements.

As of December 31, 2010, there was $81 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the LTIP. Unrecognized compensation cost related to the performance units and AEP Career Shares will change as the fair value is adjusted each period and forfeitures for all award types are realized. Our unrecognized compensation cost will be recognized over a weighted-average period of 1.84 years.

Cash received from stock options exercised and actual tax benefit realized for the tax deductions from stock options exercised during the years ended December 31, 2010, 2009 and 2008 were as follows:

Share-based Compensation Plans	Years Ended December 31, 2010	2009	2008
	(in thousands)		
Cash Received from Stock Options Exercised	$ 14,134	$ 567	$ 2,170
Actual Tax Benefit Realized for the Tax Deductions from Stock Options Exercised	706	35	219

Our practice is to use authorized but unissued shares to fulfill share commitments for stock option exercises and RSU vesting. Although we do not currently anticipate any changes to this practice, we could use treasury shares, shares acquired in the open market specifically for distribution under the LTIP or any combination thereof for this purpose. The number of new shares issued to fulfill vesting RSUs is generally reduced to offset AEP's tax withholding obligation.

16. PROPERTY, PLANT AND EQUIPMENT

Depreciation, Depletion and Amortization

We provide for depreciation of Property, Plant and Equipment, excluding coal-mining properties, on a straight-line basis over the estimated useful lives of property, generally using composite rates by functional class as follows:

2010	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate Ranges	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate Ranges	Depreciable Life Ranges
	(in millions)			(in years)	(in millions)			(in years)
Generation	$ 14,147	$ 6,537	1.6 - 3.8 %	9 - 132	$ 10,205	$ 3,788	2.2 - 5.1 %	20 - 70
Transmission	8,576	2,481	1.4 - 3.0 %	25 - 87	-	-	- - - %	- - -
Distribution	14,208	3,607	2.4 - 3.9 %	11 - 75	-	-	- - - %	- - -
CWIP	2,615 (a)	47	N.M.	N.M.	143	9	N.M.	N.M.
Other	2,685	1,268	3.0 - 12.5 %	5 - 55	1,161	329	N.M.	N.M.
Total	$ 42,231	$ 13,940			$ 11,509	$ 4,126		

2009	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate Ranges	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate Ranges	Depreciable Life Ranges
	(in millions)			(in years)	(in millions)			(in years)
Generation	$ 13,047	$ 6,460	1.6 - 3.8 %	9 - 132	$ 9,998	$ 3,479	1.9 - 3.3 %	20 - 70
Transmission	8,315	2,478	1.4 - 2.7 %	25 - 87	-	-	- - - %	- - -
Distribution	13,549	3,421	2.4 - 3.9 %	11 - 75	-	-	- - - %	- - -
CWIP	2,866 (a)	(19)	N.M.	N.M.	165	6	N.M.	N.M.
Other	2,616	1,130	4.2 - 12.8 %	5 - 55	1,128	385	N.M.	N.M.
Total	$ 40,393	$ 13,470			$ 11,291	$ 3,870		

2008	Regulated		Nonregulated	
Functional Class of Property	**Annual Composite Depreciation Rate Ranges**	**Depreciable Life Ranges**	**Annual Composite Depreciation Rate Ranges**	**Depreciable Life Ranges**
		(in years)		**(in years)**
Generation	1.6 - 3.5 %	9 - 132	2.6 - 5.1 %	20 - 61
Transmission	1.4 - 2.7 %	25 - 87	- - - %	- - -
Distribution	2.4 - 3.9 %	11 - 75	- - - %	- - -
CWIP	N.M.	N.M.	N.M.	N.M.
Other	4.9 - 11.3 %	5 - 55	N.M.	N.M.

(a) Includes CWIP related to SWEPCo's Arkansas jurisdictional share of the Turk Plant.

N.M. Not Meaningful

We provide for depreciation, depletion and amortization of coal-mining assets over each asset's estimated useful life or the estimated life of each mine, whichever is shorter, using the straight-line method for mining structures and equipment. We use either the straight-line method or the units-of-production method to amortize mine development costs and deplete coal rights based on estimated recoverable tonnages. We include these costs in the cost of coal charged to fuel expense.

For rate-regulated operations, the composite depreciation rate generally includes a component for non-asset retirement obligation (non-ARO) removal costs, which is credited to Accumulated Depreciation and Amortization. Actual removal costs incurred are charged to Accumulated Depreciation and Amortization. Any excess of accrued non-ARO removal costs over actual removal costs incurred is reclassified from Accumulated Depreciation and Amortization and reflected as a regulatory liability. For nonregulated operations, non-ARO removal costs are expensed as incurred.

As of January 1, 2010, DHLC was deconsolidated and is now reported as an equity investment on our Consolidated Balance Sheet. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

Asset Retirement Obligations (ARO)

We record ARO in accordance with the accounting guidance for "Asset Retirement and Environmental Obligations" for our legal obligations for asbestos removal and for the retirement of certain ash disposal facilities, closure and monitoring of underground carbon storage facilities at Mountaineer Plant, wind farms and certain coal mining facilities, as well as for nuclear decommissioning of our Cook Plant. We have identified, but not recognized, ARO liabilities related to electric transmission and distribution assets as a result of certain easements on property on which we have assets. Generally, such easements are perpetual and require only the retirement and removal of our assets upon the cessation of the property's use. We do not estimate the retirement for such easements because we plan to use our facilities indefinitely. The retirement obligation would only be recognized if and when we abandon or cease the use of specific easements, which is not expected.

The following is a reconciliation of the 2010 and 2009 aggregate carrying amounts of ARO:

	Carrying Amount of ARO
	(in millions)
ARO at December 31, 2008	$ 1,158
Accretion Expense	73
Liabilities Incurred	47
Liabilities Settled	(24)
Revisions in Cash Flow Estimates	5
ARO at December 31, 2009 (a)	1,259
DHLC Deconsolidation (c)	(12)
Accretion Expense	75
Liabilities Incurred	32
Liabilities Settled	(20)
Revisions in Cash Flow Estimates	64
ARO at December 31, 2010 (b)	$ 1,398

(a) The current portion of our ARO, totaling $5 million, is included in Other Current Liabilities on our 2009 Consolidated Balance Sheet.

(b) The current portion of our ARO, totaling $4 million, is included in Other Current Liabilities on our 2010 Consolidated Balance Sheet.

(c) We adopted ASU 2009-17 effective January 1, 2010 and deconsolidated DHLC. As a result, we record only 50% of the final reclamation based on our share of the obligation instead of the previous 100%.

As of December 31, 2010 and 2009, our ARO liability was $1.4 billion and $1.3 billion, respectively, and included $930 million and $878 million, respectively, for nuclear decommissioning of the Cook Plant. As of December 31, 2010 and 2009, the fair value of assets that are legally restricted for purposes of settling the nuclear decommissioning liabilities totaled $1.2 billion and $1.1 billion, respectively, and are recorded in Spent Nuclear Fuel and Decommissioning Trusts on our Consolidated Balance Sheets.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization

Our amounts of allowance for borrowed, including interest capitalized, and equity funds used during construction is summarized in the following table:

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in millions)	
Allowance for Equity Funds Used During Construction	$ 77	$ 82	$ 45
Allowance for Borrowed Funds Used During Construction	53	67	75

Jointly-owned Electric Facilities

We have electric facilities that are jointly-owned with nonaffiliated companies. Using our own financing, we are obligated to pay a share of the costs of these jointly-owned facilities in the same proportion as our ownership interest. Our proportionate share of the operating costs associated with such facilities is included in our Consolidated Statements of Income and the investments and accumulated depreciation are reflected in our Consolidated Balance Sheets under Property, Plant and Equipment as follows:

			Company's Share at December 31, 2010		
	Fuel Type	Percent of Ownership	Utility Plant in Service	Construction Work in Progress	Accumulated Depreciation
				(in millions)	
W.C. Beckjord Generating Station (Unit No. 6) (a)	Coal	12.5 %	$ 19	$ -	$ 8
Conesville Generating Station (Unit No. 4) (b)	Coal	43.5 %	301	8	49
J.M. Stuart Generating Station (c)	Coal	26.0 %	507	23	163
Wm. H. Zimmer Generating Station (a)	Coal	25.4 %	771	10	366
Dolet Hills Generating Station (Unit No. 1) (f)	Lignite	40.2 %	258	5	192
Flint Creek Generating Station (Unit No. 1) (g)	Coal	50.0 %	116	7	62
Pirkey Generating Station (Unit No. 1) (g)	Lignite	85.9 %	503	10	358
Oklaunion Generating Station (Unit No. 1) (e)	Coal	70.3 %	395	4	201
Turk Generating Plant (h)	Coal	73.33 %	-	971	-
Transmission	N/A	(d)	63	3	48

			Company's Share at December 31, 2009		
	Fuel Type	Percent of Ownership	Utility Plant in Service	Construction Work in Progress	Accumulated Depreciation
				(in millions)	
W.C. Beckjord Generating Station (Unit No. 6) (a)	Coal	12.5 %	$ 19	$ -	$ 8
Conesville Generating Station (Unit No. 4) (b)	Coal	43.5 %	301	4	45
J.M. Stuart Generating Station (c)	Coal	26.0 %	499	15	153
Wm. H. Zimmer Generating Station (a)	Coal	25.4 %	767	4	355
Dolet Hills Generating Station (Unit No. 1) (f)	Lignite	40.2 %	255	4	188
Flint Creek Generating Station (Unit No. 1) (g)	Coal	50.0 %	116	5	61
Pirkey Generating Station (Unit No. 1) (g)	Lignite	85.9 %	497	8	350
Oklaunion Generating Station (Unit No. 1) (e)	Coal	70.3 %	390	6	195
Turk Generating Plant (h)	Coal	73.33 %	-	688	-
Transmission	N/A	(d)	70	1	47

(a) Operated by Duke Energy Corporation, a nonaffiliated company.
(b) Operated by CSPCo.
(c) Operated by The Dayton Power & Light Company, a nonaffiliated company.
(d) Varying percentages of ownership.
(e) Operated by PSO and also jointly-owned (54.7%) by TNC.
(f) Operated by CLECO, a nonaffiliated company.
(g) Operated by SWEPCo.
(h) Turk Generating Plant is currently under construction with a projected commercial operation date of 2012. SWEPCo jointly owns the plant with Arkansas Electric Cooperative Corporation (11.67%), East Texas Electric Cooperative (8.33%) and Oklahoma Municipal Power Authority (6.67%). Through December 2010, construction costs totaling $279 million have been billed to the other owners.
N/A Not Applicable

17. COST REDUCTION INITIATIVES

In April 2010, we began initiatives to decrease both labor and non-labor expenses with a goal of achieving significant reductions in operation and maintenance expenses. A total of 2,461 positions were eliminated across the AEP System as a result of process improvements, streamlined organizational designs and other efficiencies. Most of the affected employees terminated employment May 31, 2010. The severance program provides two weeks of base pay for every year of service along with other severance benefits.

We recorded a charge to expense in 2010 primarily related to the headcount reduction initiatives. We do not expect additional costs to be incurred related to this initiative.

	Total (in millions)
Incurred	$ 293
Settled	283
Adjustments	7
Remaining Balance at December 31, 2010	$ 17

These costs relate primarily to severance benefits. They are included primarily in Other Operation on the Consolidated Statements of Income and Other Current Liabilities on the Consolidated Balance Sheets. Approximately 99% of the expense was within the Utility Operations segment.

18. UNAUDITED QUARTERLY FINANCIAL INFORMATION

In our opinion, the unaudited quarterly information reflects all normal and recurring accruals and adjustments necessary for a fair presentation of our net income for interim periods. Quarterly results are not necessarily indicative of a full year's operations because of various factors. Our unaudited quarterly financial information is as follows:

	2010 Quarterly Periods Ended			
	March 31	June 30	September 30	December 31
	(in millions - except per share amounts)			
Total Revenues	$ 3,569	$ 3,360	$ 4,064	$ 3,434
Operating Income	758	394 (a)	1,025	486 (b)
Net Income	346	137 (a)	557	178 (b)
Amounts Attributable to AEP Common Shareholders:				
Net Income	344	136 (a)	555	176 (b)
Basic Earnings per Share Attributable to AEP Common Shareholders:				
Earnings per Share (c)	0.72	0.28	1.16	0.37
Diluted Earnings per Share Attributable to AEP Common Shareholders:				
Earnings per Share (c)	0.72	0.28	1.16	0.37

	2009 Quarterly Periods Ended			
	March 31	June 30	September 30	December 31
	(in millions - except per share amounts)			
Total Revenues	$ 3,458	$ 3,202	$ 3,547	$ 3,282
Operating Income	750	682	858	481
Income Before Extraordinary Loss	363	322	446	239
Extraordinary Loss, Net of Tax	-	(5)(d)	-	-
Net Income	363	317	446	239
Amounts Attributable to AEP Common Shareholders:				
Income Before Extraordinary Loss	360	321	443	238
Extraordinary Loss, Net of Tax	-	(5)(d)	-	-
Net Income	360	316	443	238
Basic Earnings (Loss) per Share Attributable to AEP Common Shareholders:				
Earnings per Share Before Extraordinary Loss (c)	0.89	0.68	0.93	0.49
Extraordinary Loss per Share	-	(0.01)	-	-
Earnings per Share (c)	0.89	0.67	0.93	0.49
Diluted Earnings (Loss) per Share Attributable to AEP Common Shareholders:				
Earnings per Share Before Extraordinary Loss (c)	0.89	0.68	0.93	0.49
Extraordinary Loss per Share	-	(0.01)	-	-
Earnings per Share (c)	0.89	0.67	0.93	0.49

(a) See Note 17 for discussion of expenses related to cost reduction initiatives recorded in the second quarter of 2010.
(b) Includes a $43 million refund provision for the 2009 Significantly Excessive Earnings Test in addition to various other provisions for certain regulatory and legal matters.
(c) Quarterly Earnings Per Share amounts are meant to be stand-alone calculations and are not always additive to full-year amount due to rounding.
(d) See "SWEPCo Texas Restructuring" in "Extraordinary Item" section of Note 2 for discussion of the extraordinary loss recorded in the second quarter of 2009.

APPALACHIAN POWER COMPANY
AND SUBSIDIARIES

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands)

	2010	2009	2008	2007	2006
STATEMENTS OF INCOME DATA					
Total Revenues	$ 3,275,103	$ 2,876,655	$ 2,889,156	$ 2,607,269	$ 2,394,028
Operating Income	$ 381,023	$ 372,525	$ 312,976	$ 320,826	$ 365,643
Income Before Extraordinary Loss	$ 136,668	$ 155,814	$ 122,863	$ 133,499	$ 181,449
Extraordinary Loss, Net of Tax	-	-	-	(78,763)(a)	-
Net Income	$ 136,668	$ 155,814	$ 122,863	$ 54,736	$ 181,449
BALANCE SHEETS DATA					
Total Property, Plant and Equipment	$ 10,239,610	$ 9,800,213	$ 9,427,921	$ 8,738,446	$ 8,000,278
Accumulated Depreciation and Amortization	2,843,087	2,751,443	2,675,784	2,591,833	2,476,290
Total Property, Plant and Equipment – Net	$ 7,396,523	$ 7,048,770	$ 6,752,137	$ 6,146,613	$ 5,523,988
Total Assets	$ 9,997,153	$ 9,796,413	$ 8,762,664	$ 7,621,684	$ 7,001,798
Total Common Shareholder's Equity	$ 2,821,679	$ 2,771,577	$ 2,376,591	$ 2,082,032	$ 2,036,174
Cumulative Preferred Stock Not Subject to Mandatory Redemption	$ 17,747	$ 17,752	$ 17,752	$ 17,752	$ 17,763
Long-term Debt (b)	$ 3,561,141	$ 3,477,306	$ 3,174,512	$ 2,847,299	$ 2,598,664
Obligations Under Capital Leases (b)	$ 32,731 (c)	$ 7,484	$ 9,313	$ 11,101	$ 11,859

(a) Reflects a change in Virginia law for the reestablishment of regulatory assets and liabilities related to generation and supply operations in accordance with the accounting guidance for "Regulated Operations."
(b) Includes portion due within one year.
(c) Obligations Under Capital Leases increased primarily due to capital leases under new master lease agreements for property that was previously leased under operating leases.

EXECUTIVE OVERVIEW

Company Overview

As a public utility, APCo engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to 957,000 retail customers in its service territory in southwestern Virginia and southern West Virginia. APCo consolidates Cedar Coal Company, Central Appalachian Coal Company and Southern Appalachian Coal Company, its wholly-owned subsidiaries. APCo sells power at wholesale to municipalities.

Originally approved by the FERC in 1951 and subsequently amended in 1951, 1962, 1975, 1979 (twice) and 1980, the Interconnection Agreement establishes the AEP Power Pool which permits the AEP East companies to pool their generation assets on a cost basis. It establishes an allocation method for generating capacity among its members based on relative peak demands and generating reserves through the payment of capacity charges and the receipt of capacity revenues. AEP Power Pool members are compensated for their costs of energy delivered to the AEP Power Pool and charged for energy received from the AEP Power Pool. The capacity reserve relationship of the AEP Power Pool members changes as generating assets are added, retired or sold and relative peak demand changes. The AEP Power Pool calculates each member's prior twelve-month peak demand relative to the sum of the peak demands of all members as a basis for sharing revenues and costs. The result of this calculation is the MLR, which determines each member's percentage share of revenues and costs.

In December 2010, each member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 1, 2014 or such other date approved by the FERC, subject to state regulatory input. It is unknown at this time whether the AEP Power Pool will be replaced by a new agreement among some or all of the members, whether individual companies will enter into bilateral or multi-party contracts with each other for power sales and purchases or asset transfers or if each company will choose to operate independently. This decision to terminate is subject to management's ongoing evalution. The AEP Power Pool members may revoke their notices of termination. If APCo experiences decreases in revenues or increases in costs as a result of the termination of the AEP Power Pool and is unable to recover the change in revenues and costs through rates, prices or additional sales, it could have an adverse impact on future net income and cash flows.

The AEP East companies are parties to a Transmission Agreement defining how they share the costs associated with their relative ownership of transmission assets. This sharing was based upon each company's MLR until the FERC approved a new Transmission Agreement effective November 1, 2010. The impacts of the new Transmission Agreement will be phased-in for retail rates, adds KGPCo and WPCo as parties to the agreement and changes the allocation method.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on APCo's behalf. APCo shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the other AEP East companies, PSO and SWEPCo. Power and gas risk management activities are allocated based on the existing power pool agreement and the SIA. APCo shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

To minimize the credit requirements and operating constraints when operating within PJM, the AEP East companies as well as KGPCo and WPCo, agreed to a netting of all payment obligations incurred by any of the AEP East companies against all balances due to the AEP East companies, and to hold PJM harmless from actions that any one or more AEP East companies may take with respect to PJM.

APCo is jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Regulatory Activity

Virginia Regulatory Activity

In July 2010, the Virginia SCC issued an order approving a $62 million annual increase based on a 10.53% return on common equity. The order denied recovery of the Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility, which resulted in a pretax write-off of approximately $54 million in the second quarter of 2010. In addition, the order allowed the deferral of approximately $25 million of incremental storm expense incurred in 2009. As a result, APCo recorded a pretax loss of $29 million in the second quarter of 2010. See "2009 Virginia Base Rate Case" section of Note 4.

In June 2010, the Virginia SCC denied APCo's request to include certain wind purchased power agreements (Beech Ridge and Grand Ridge) with a 20-year term in its Virginia renewable energy portfolio standard program. As a result, APCo recorded an expense of $4 million in June 2010 to reduce the regulatory asset related to the Virginia portion of wind power costs to write off the difference between the actual Grand Ridge purchased power costs incurred from September 2009 through June 2010 and the estimated cost of non-wind power, which management believes is probable of recovery. APCo's future net income and cash flows will be reduced by the unrecoverable Virginia portion of the Beech Ridge and Grand Ridge costs until such time as the contracts are reassigned, renegotiated or terminated.

West Virginia Regulatory Activity

In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $54 million, effective March 2011. The settlement agreement allows APCo to defer and amortize up to $18 million of previously expensed 2009 incremental storm expenses over a period of eight years. A decision from the WVPSC is expected in March 2011. See "2010 West Virginia Base Rate Case" section of Note 4.

In a proceeding established by the WVPSC to explore options to meet WPCo's future power supply requirements, the WVPSC, in November 2009, issued an order approving a joint stipulation among APCo, WPCo, the WVPSC staff and the Consumer Advocate Division. The order approved the recommendation of the signatories to the stipulation that WPCo merge into APCo and be supplied from APCo's existing power resources. Merger approvals from the WVPSC, Virginia SCC and the FERC are required. No merger approval filings have been made. See "WPCo Merger with APCo" section of Note 4.

Mountaineer Carbon Capture and Storage Product Validation Facility (PVF)

APCo and ALSTOM Power, Inc., an unrelated third party, jointly constructed a CO_2 capture validation facility, which was placed into service in September 2009. APCo also constructed and owns the necessary facilities to store the CO_2. In APCo's July 2009 Virginia base rate filing and May 2010 West Virginia base rate filing, APCo requested recovery of and a return on its Virginia and West Virginia jurisdictional share of its project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In July 2010, the Virginia SCC issued a base rate order that denied recovery of the Virginia share of the PVF costs, which resulted in a pretax write-off of approximately $54 million in the second quarter of 2010. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $60 million, effective March 2011. A decision from the WVPSC is expected in March 2011. As of December 31, 2010, APCo has recorded a noncurrent regulatory asset of $60 million related to the PVF. If APCo cannot recover its remaining investments in and expenses related to the PVF, it would reduce future net income and cash flows and impact financial condition. See "Mountaineer Carbon Capture and Storage Project" section of Note 4.

Carbon Capture and Sequestration Project with the Department of Energy (DOE)

During 2010, AEPSC, on behalf of APCo, began the project definition stage for the potential construction of a new commercial scale carbon capture and sequestration (CCS) facility under consideration at the Mountaineer Plant. AEPSC, on behalf of APCo, applied for and was selected to receive funding from the DOE for the project. The DOE will fund 50% of allowable costs incurred for the CCS facility up to a maximum of $334 million. A Front-End Engineering and Design (FEED) study, scheduled for completion during the third quarter of 2011, will refine the total cost estimate for the CCS facility. Results from the FEED study will be evaluated by management before any decision is made to seek the necessary regulatory approvals to build the CCS facility. As of December 31, 2010, APCo has incurred $14 million in total costs and has received $5 million of DOE funding resulting in a net $9 million balance included in Construction Work In Progress on the Consolidated Balance Sheets. If APCo is unable to recover the costs of the CCS project, it would reduce future net income and cash flows. See "Mountaineer Carbon Capture and Storage Project" section of Note 4.

Litigation and Environmental Issues

In the ordinary course of business, APCo is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of KWH)		
Retail:			
Residential	13,127	12,218	12,523
Commercial	7,208	6,974	7,057
Industrial	10,774	10,388	13,794
Miscellaneous	869	835	835
Total Retail	31,978	30,415	34,209
Wholesale	6,578	5,648	9,611
Total KWHs	38,556	36,063	43,820

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in degree days)	
Actual - Heating (a)	2,636	2,214	2,236
Normal - Heating (b)	2,272	2,288	2,288
Actual - Cooling (c)	1,530	1,053	1,116
Normal - Cooling (b)	1,170	1,176	1,175

(a) Eastern Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Eastern Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Net Income
(in millions)

Year Ended December 31, 2009	$	156
Changes in Gross Margin:		
Retail Margins		137
Off-system Sales		5
Other Revenues		15
Total Change in Gross Margin		157
Total Expenses and Other:		
Other Operation and Maintenance		(99)
Depreciation and Amortization		(30)
Taxes Other Than Income Taxes		(19)
Carrying Costs Income		10
Other Income		(4)
Interest Expense		(5)
Total Expenses and Other		(147)
Income Tax Expense		(29)
Year Ended December 31, 2010	$	137

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $137 million primarily due to the following:
  - A $138 million increase in rate relief primarily due to an increase in the recovery of E&R costs in Virginia, costs related to the Transmission Rate Adjustment Clause in Virginia and construction financing costs in West Virginia. This increase in Retail Margins had corresponding increases of $62 million related to riders/trackers recognized in other expense items.
  - A $49 million increase in residential usage primarily due to a 46% increase in cooling degree days.

  These increases were partially offset by:
  - An $18 million decrease in industrial sales primarily due to the decreased load for APCo's largest customer, Century Aluminum.
  - An $11 million decrease due to higher capacity settlement expenses under the Interconnection Agreement net of recovery in West Virginia and environmental deferrals in Virginia.
  - A $9 million decrease related to increased consumable and allowance expenses.
- **Margins from Off-system Sales** increased $5 million primarily due to increased prices and higher physical sales volumes, partially offset by lower trading and marketing margins.
- **Other Revenues** increased $15 million primarily due to increased gains on the sale of SO_2 allowances as a result of favorable market prices.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $99 million primarily due to the following:
  - A $54 million increase due to expenses related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.
  - A $54 million increase due to the write-off of APCo's Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility as denied for recovery by the Virginia SCC.

2009 Compared to 2008

Reconciliation of Year Ended December 31, 2008 to Year Ended December 31, 2009
Net Income
(in millions)

Year Ended December 31, 2008	$	123
Changes in Gross Margin:		
Retail Margins		128
Off-system Sales		(27)
Transmission Revenues		2
Other Revenues		(2)
Total Change in Gross Margin		101
Total Expenses and Other:		
Other Operation and Maintenance		(33)
Depreciation and Amortization		(17)
Taxes Other Than Income Taxes		9
Carrying Costs Income		(25)
Other Income		(7)
Interest Expense		7
Total Expenses and Other		(66)
Income Tax Expense		(2)
Year Ended December 31, 2009	$	156

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $128 million primarily due to the following:
  - A $144 million increase in rate relief primarily due to the impact of the Virginia base rate orders issued in October 2008 and December 2009 and increases in the recovery of construction financing costs in West Virginia.
  - A $53 million increase due to the December 2008 provision for refund of off-system sales margins as ordered by the FERC related to the SIA.
  - A $24 million increase due to new rates effective January 2009 for a power supply contract with KGPCo.

  These increases were partially offset by:
  - A $62 million decrease due to higher capacity settlement expenses under the Interconnection Agreement net of recovery in West Virginia and environmental deferrals in Virginia.
  - A $25 million decrease in industrial sales primarily due to suspended operations by APCo's largest customer, Century Aluminum.
- **Margins from Off-system Sales** decreased $27 million primarily due to lower physical sales volumes and lower margins as a result of lower market prices, partially offset by higher trading and marketing margins.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $33 million primarily due to the following:
  - A $49 million increase in distribution expenses resulting from storm damage repairs in 2009 and an increase in reliability spending.
  - A $15 million increase in steam maintenance expenses primarily due to a planned outage at the Amos Plant.

These increases were partially offset by:
- A $26 million decrease related to the establishment of a regulatory asset in 2009 for the deferral of transmission costs.
- A $7 million decrease in employee benefit expenses.

- **Depreciation and Amortization** expenses increased $17 million primarily due to the following:
  - A $15 million increase in depreciation expense due to a greater depreciation base resulting from environmental upgrades at the Amos, Clinch River and Mountaineer Plants.
  - A $2 million increase in amortization of carrying charges and depreciation expense that are being collected through the Virginia E&R surcharges.
- **Taxes Other Than Income Taxes** decreased $9 million primarily due to a favorable franchise tax return adjustment recorded in 2009.
- **Carrying Costs Income** decreased $25 million due to completion of reliability deferrals in Virginia in December 2008 and a decrease of environmental construction deferrals in Virginia in 2009.
- **Other Income** decreased $7 million primarily due to higher interest income related to a tax refund in 2008 and other tax adjustments.
- **Interest Expense** decreased $7 million primarily due to a $24 million decrease in interest expense related to a refund on off-system sales margins in accordance with the FERC's order related to the SIA in 2008. This decrease was partially offset by a $20 million increase in interest expense due to increased long-term debt outstanding.
- **Income Tax Expense** increased $2 million primarily due to an increase in pretax book income, partially offset by the regulatory accounting treatment of state income taxes and other book/tax differences which are accounted for on a flow-through basis.

FINANCIAL CONDITION

LIQUIDITY

APCo participates in the Utility Money Pool, which provides access to AEP's liquidity. APCo relies upon ready access to capital markets, cash flows from operations and access to the Utility Money Pool to fund current operations and capital expenditures. See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of liquidity.

Credit Ratings

APCo's ultimate access to capital markets may depend on its credit ratings. In addition, a credit rating downgrade of APCo by one of the rating agencies could increase APCo's borrowing costs. Failure to maintain investment grade ratings may constrain APCo's ability to participate in the Utility Money Pool or the amount of APCo's receivables securitized by AEP Credit. Counterparty concerns about APCo's credit quality could subject APCo to additional collateral demands under adequate assurance clauses under derivative and non-derivative energy contracts.

CASH FLOW

Cash flows for 2010, 2009 and 2008 were as follows:

	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Cash and Cash Equivalents at Beginning of Period	$ 2,006	$ 1,996	$ 2,195
Cash Flows from (Used for):			
Operating Activities	655,564	(29,267)	242,703
Investing Activities	(523,948)	(529,958)	(682,085)
Financing Activities	(132,671)	559,235	439,183
Net Increase (Decrease) in Cash and Cash Equivalents	(1,055)	10	(199)
Cash and Cash Equivalents at End of Period	$ 951	$ 2,006	$ 1,996

Operating Activities

Net Cash Flows from Operating Activities were $656 million in 2010. APCo produced Net Income of $137 million during the period and had noncash expense items of $304 million for Depreciation and Amortization and $144 million for Deferred Income Taxes, partially offset by $33 million in Carrying Costs Income. APCo contributed $37 million to the qualified pension trust. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $117 million inflow from Fuel, Materials and Supplies was primarily due to a reduction in fuel inventory and a decrease in the average cost of coal per ton. The $77 million inflow from Accrued Taxes, Net was primarily due to the receipt of a 2010 income tax refund of $170 million related to a federal net income tax operating loss in 2009 that was carried back to 2007 and 2008. Items contributing to the net income tax operating loss included bonus depreciation and the favorable impact of a change in tax accounting method related to units of property. The $63 million outflow from Accounts Receivable, Net was primarily due to an increase in accrued unbilled revenues due to usual seasonal fluctuations and timing of settlements of receivables from affiliated companies.

Net Cash Flows Used for Operating Activities were $29 million in 2009. APCo produced Net Income of $156 million during the period and had noncash expense items of $323 million for Deferred Income Taxes and $274 million for Depreciation and Amortization, partially offset by $23 million in Carrying Costs Income. The $323 million inflow for Deferred Income Taxes was primarily due to the American Recovery and Reinvestment Act of 2009 extending bonus depreciation provisions, a change in tax accounting method and an increase in tax versus book temporary differences from operations. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $221 million outflow from Fuel, Materials and Supplies was primarily due to an increase in coal inventory. The $172 million outflow from Accrued Taxes, Net was primarily due to an increase in accrued tax benefits resulting from a net income tax operating loss in 2009. The $41 million outflow from Accounts Payable was primarily due to APCo's provision for revenue refund which was paid to the AEP West companies as part of a FERC order on the SIA. The $194 million outflow from Fuel Over/Under-Recovery, Net was primarily due to a net under-recovery of fuel costs in both Virginia and West Virginia.

Net Cash Flows from Operating Activities were $243 million in 2008. APCo produced Net Income of $123 million during the period and noncash expense items of $257 million for Depreciation and Amortization and $146 million for Deferred Income Taxes, partially offset by $48 million in Carrying Costs Income. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $138 million inflow from Accounts Payable included APCo's provision for revenue refund of $77 million to be paid to the AEP West companies as part of the FERC's recent order on the SIA. The $190 million outflow in Fuel Over/Under-Recovery, Net resulted from a net under recovery of fuel cost in both Virginia and West Virginia.

Investing Activities

Net Cash Flows Used for Investing Activities in 2010, 2009 and 2008 primarily reflect construction expenditures of $534 million, $544 million and $697 million, respectively. Construction expenditures were primarily for projects to improve service reliability for transmission and distribution, as well as environmental upgrades. Environmental upgrades primarily include the installation of FGD equipment at the Amos Plant.

Financing Activities

Net Cash Flows Used for Financing Activities were $133 million in 2010. APCo issued $300 million of Senior Unsecured Notes and $68 million of Pollution Control Bonds. APCo retired $150 million of Senior Unsecured Notes, $100 million of Notes Payable – Affiliated and $50 million of Pollution Control Bonds. APCo reduced short-term borrowings from the Utility Money Pool by $101 million and paid $88 million in dividends on common stock.

Net Cash Flows from Financing Activities were $559 million in 2009. APCo issued $350 million of Senior Unsecured Notes and $104 million of Pollution Control Bonds. APCo also received capital contributions from the Parent of $250 million. These increases were partially offset by the retirement of $150 million of Senior Unsecured Notes. In addition, APCo increased short-term borrowings from the Utility Money Pool by $35 million.

Net Cash Flows from Financing Activities were $439 million in 2008. APCo issued $500 million of Senior Unsecured Notes and $245 million of Pollution Control Bonds. APCo also received capital contributions from the Parent of $200 million. These increases were partially offset by the retirement of $213 million of Pollution Control Bonds and $200 million of Senior Unsecured Notes. In addition, APCo reduced short-term borrowings from the Utility Money Pool by $80 million.

In February 2011, APCo issued $65 million of 2% Pollution Control Bonds due in 2041 with a 2012 mandatory put date.

CONTRACTUAL OBLIGATION INFORMATION

APCo's contractual cash obligations include amounts reported on APCo's Consolidated Balance Sheets and other obligations disclosed in the footnotes. The following table summarizes APCo's contractual cash obligations at December 31, 2010:

Payments Due by Period

Contractual Cash Obligations	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Advances from Affiliates (a)	$ 128.3	$ -	$ -	$ -	$ 128.3
Interest on Fixed Rate Portion of Long-term Debt (b)	191.1	354.2	323.2	2,255.0	3,123.5
Fixed Rate Portion of Long-term Debt (c)	250.0	320.0	500.1	2,269.3	3,339.4
Variable Rate Portion of Long-term Debt (d)	229.7	-	-	-	229.7
Capital Lease Obligations (e)	9.5	14.5	6.5	6.9	37.4
Noncancelable Operating Leases (e)	14.3	21.5	17.6	58.0	111.4
Fuel Purchase Contracts (f)	541.7	790.8	487.5	419.7	2,239.7
Energy and Capacity Purchase Contracts (g)	16.4	27.3	27.0	186.4	257.1
Construction Contracts for Capital Assets (h)	94.7	197.2	221.0	289.1	802.0
Total	$ 1,475.7	$ 1,725.5	$ 1,582.9	$ 5,484.4	$ 10,268.5

(a) Represents short-term borrowings from the Utility Money Pool.
(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2010 and do not reflect anticipated future refinancings, early redemptions or debt issuances.
(c) See "Long-term Debt" section of Note 14. Represents principal only excluding interest.
(d) See "Long-term Debt" section of Note 14. Represents principal only excluding interest. Variable rate debt had interest rates that ranged between 0.29% and 0.37% at December 31, 2010.
(e) See Note 13.
(f) Represents contractual obligations to purchase coal and other consumables as fuel for electric generation along with related transportation of the fuel.
(g) Represents contractual obligations for energy and capacity purchase contracts.
(h) Represents only capital assets for which APCo has signed contracts. Actual payments are dependent upon and may vary significantly based upon the decision to build, regulatory approval schedules, timing and escalation of project costs.

APCo's $14 million liability related to uncertainty in Income Taxes is not included above because management cannot reasonably estimate the cash flows by period.

APCo's pension funding requirements are not included in the above table. As of December 31, 2010, management expects to make contributions to the pension plans totaling $14.7 million in 2011. Estimated contributions of $24.1 million in 2012 and $21.3 million in 2013 may vary significantly based on market returns, changes in actuarial assumptions and other factors. Based upon the benefit obligation and fair value of assets available to pay pension benefits, APCo's pension plan obligation was 78.6% funded as of December 31, 2010.

In addition to the amounts disclosed in the contractual cash obligations table above, APCo makes additional commitments in the normal course of business. APCo's commitments outstanding at December 31, 2010 under these agreements are summarized in the table below:

Amount of Commitment Expiration Per Period

Other Commercial Commitments	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Standby Letters of Credit (a)	$ 232.3	$ -	$ -	$ -	$ 232.3

(a) APCo enters into standby letters of credit (LOCs) with third parties. These LOCs cover items such as insurance programs, security deposits, debt service reserves and variable rate Pollution Control Bonds. All of these LOCs were issued in APCo's ordinary course of business. There is no collateral held in relation to any guarantees in excess of APCo's ownership percentages. In the event any LOC is drawn, there is no recourse to third parties. The maximum future payments of these LOCs are $232.3 million with maturities ranging from March 2011 to April 2011. See "Letters of Credit" section of Note 6.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Appalachian Power Company:

We have audited the accompanying consolidated balance sheets of Appalachian Power Company and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in common shareholder's equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Appalachian Power Company and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Appalachian Power Company and subsidiaries (APCo) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. APCo's internal control system was 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.

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.

Management assessed the effectiveness of APCo's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, APCo's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of APCo's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit APCo to provide only management's report in this annual report.

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APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 2,950,183	$ 2,604,494	$ 2,542,222
Sales to AEP Affiliates	316,207	263,389	328,735
Other Revenues	8,713	8,772	18,199
TOTAL REVENUES	3,275,103	2,876,655	2,889,156
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	663,422	547,266	710,115
Purchased Electricity for Resale	257,349	246,742	215,413
Purchased Electricity from AEP Affiliates	917,616	803,116	785,191
Other Operation	429,107	266,763	297,818
Maintenance	211,486	274,543	209,766
Depreciation and Amortization	304,192	273,506	256,626
Taxes Other Than Income Taxes	110,908	92,194	101,251
TOTAL EXPENSES	2,894,080	2,504,130	2,576,180
OPERATING INCOME	381,023	372,525	312,976
Other Income (Expense):			
Interest Income	1,477	1,403	6,371
Carrying Costs Income	33,080	22,761	48,249
Allowance for Equity Funds Used During Construction	2,967	7,000	8,938
Interest Expense	(207,649)	(202,426)	(209,733)
INCOME BEFORE INCOME TAX EXPENSE	210,898	201,263	166,801
Income Tax Expense	74,230	45,449	43,938
NET INCOME	136,668	155,814	122,863
Preferred Stock Dividend Requirements Including Capital Stock Expense	900	900	942
EARNINGS ATTRIBUTABLE TO COMMON STOCK	$ 135,768	$ 154,914	$ 121,921

The common stock of APCo is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2007	$ 260,458	$ 1,025,149	$ 831,612	$ (35,187)	$ 2,082,032
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $1,175			(2,181)		(2,181)
Adoption of Guidance for Fair Value Accounting, Net of Tax of $154			(286)		(286)
Capital Contribution from Parent		200,000			200,000
Preferred Stock Dividends			(799)		(799)
Capital Stock Expense		143	(143)		-
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					2,278,766
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $297				552	552
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $1,794				3,333	3,333
Pension and OPEB Funded Status, Net of Tax of $15,574				(28,923)	(28,923)
NET INCOME			122,863		122,863
TOTAL COMPREHENSIVE INCOME					97,825
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2008	260,458	1,225,292	951,066	(60,225)	2,376,591
Capital Contribution from Parent		250,000			250,000
Common Stock Dividends			(20,000)		(20,000)
Preferred Stock Dividends			(799)		(799)
Capital Stock Expense		101	(101)		-
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					2,605,792
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $970				(1,801)	(1,801)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $2,642				4,907	4,907
Pension and OPEB Funded Status, Net of Tax of $3,697				6,865	6,865
NET INCOME			155,814		155,814
TOTAL COMPREHENSIVE INCOME					165,785
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2009	260,458	1,475,393	1,085,980	(50,254)	2,771,577
Common Stock Dividends			(88,000)		(88,000)
Preferred Stock Dividends			(799)		(799)
Capital Stock Expense		103	(101)		2
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					2,682,780
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $3,843				7,137	7,137
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $2,247				4,172	4,172
Pension and OPEB Funded Status, Net of Tax of $4,888				(9,078)	(9,078)
NET INCOME			136,668		136,668
TOTAL COMPREHENSIVE INCOME					138,899
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2010	$ 260,458	$ 1,475,496	$ 1,133,748	$ (48,023)	$ 2,821,679

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 951	$ 2,006
Accounts Receivable:		
Customers	166,878	150,285
Affiliated Companies	145,972	135,686
Accrued Unbilled Revenues	108,210	68,971
Miscellaneous	3,090	6,690
Allowance for Uncollectible Accounts	(6,667)	(5,408)
Total Accounts Receivable	417,483	356,224
Fuel	230,697	343,261
Materials and Supplies	89,370	88,575
Risk Management Assets	53,242	67,956
Accrued Tax Benefits	104,435	180,708
Regulatory Asset for Under-Recovered Fuel Costs	18,300	78,685
Prepayments and Other Current Assets	35,811	36,293
TOTAL CURRENT ASSETS	950,289	1,153,708
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	4,736,150	4,284,361
Transmission	1,852,415	1,813,777
Distribution	2,740,752	2,642,479
Other Property, Plant and Equipment	348,013	329,497
Construction Work in Progress	562,280	730,099
Total Property, Plant and Equipment	10,239,610	9,800,213
Accumulated Depreciation and Amortization	2,843,087	2,751,443
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	7,396,523	7,048,770
OTHER NONCURRENT ASSETS		
Regulatory Assets	1,486,625	1,433,791
Long-term Risk Management Assets	38,420	47,141
Deferred Charges and Other Noncurrent Assets	125,296	113,003
TOTAL OTHER NONCURRENT ASSETS	1,650,341	1,593,935
TOTAL ASSETS	$ 9,997,153	$ 9,796,413

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 128,331	$ 229,546
Accounts Payable:		
General	223,144	291,240
Affiliated Companies	166,884	157,640
Long-term Debt Due Within One Year – Nonaffiliated	479,672	200,019
Long-term Debt Due Within One Year – Affiliated	-	100,000
Risk Management Liabilities	27,993	25,792
Customer Deposits	58,451	57,578
Deferred Income Taxes	44,180	68,706
Accrued Taxes	75,619	65,241
Accrued Interest	57,871	58,962
Other Current Liabilities	93,286	95,292
TOTAL CURRENT LIABILITIES	1,355,431	1,350,016
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	3,081,469	3,177,287
Long-term Risk Management Liabilities	10,873	20,364
Deferred Income Taxes	1,642,072	1,439,884
Regulatory Liabilities and Deferred Investment Tax Credits	562,381	526,546
Employee Benefits and Pension Obligations	306,460	312,873
Deferred Credits and Other Noncurrent Liabilities	199,041	180,114
TOTAL NONCURRENT LIABILITIES	5,802,296	5,657,068
TOTAL LIABILITIES	7,157,727	7,007,084
Cumulative Preferred Stock Not Subject to Mandatory Redemption	17,747	17,752
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 30,000,000 Shares		
Outstanding – 13,499,500 Shares	260,458	260,458
Paid-in Capital	1,475,496	1,475,393
Retained Earnings	1,133,748	1,085,980
Accumulated Other Comprehensive Income (Loss)	(48,023)	(50,254)
TOTAL COMMON SHAREHOLDER'S EQUITY	2,821,679	2,771,577
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 9,997,153	$ 9,796,413

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 136,668	$ 155,814	$ 122,863
Adjustments to Reconcile Net Income to Net Cash Flows from (Used for) Operating Activities:			
Depreciation and Amortization	304,192	273,506	256,626
Deferred Income Taxes	144,413	322,626	145,594
Carrying Costs Income	(33,080)	(22,761)	(48,249)
Allowance for Equity Funds Used During Construction	(2,967)	(7,000)	(8,938)
Mark-to-Market of Risk Management Contracts	29,182	(15,346)	(20,555)
Pension Contributions to Qualified Plan Trust	(36,784)	-	-
Fuel Over/Under-Recovery, Net	(13,356)	(194,436)	(189,543)
Change in Regulatory Assets	38,475	(84,159)	(73,602)
Change in Other Noncurrent Assets	(15,668)	(2,926)	(12,020)
Change in Other Noncurrent Liabilities	1,757	3,895	(7,335)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(63,426)	(14,489)	(19,058)
Fuel, Materials and Supplies	116,530	(221,280)	(43,748)
Accounts Payable	(16,823)	(41,370)	137,704
Accrued Taxes, Net	76,881	(172,126)	(5,496)
Other Current Assets	1,287	(3,608)	(18,984)
Other Current Liabilities	(11,717)	(5,607)	27,444
Net Cash Flows from (Used for) Operating Activities	655,564	(29,267)	242,703
INVESTING ACTIVITIES			
Construction Expenditures	(534,334)	(543,587)	(696,767)
Change in Other Cash Deposits	1,964	235	(674)
Acquisitions of Assets	(2,485)	(1,116)	(1,685)
Proceeds from Sales of Assets	4,738	14,510	17,041
Other Investing Activities	6,169	-	-
Net Cash Flows Used for Investing Activities	(523,948)	(529,958)	(682,085)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	250,000	200,000
Issuance of Long-term Debt – Nonaffiliated	363,726	447,883	735,799
Change in Advances from Affiliates, Net	(101,215)	34,658	(80,369)
Retirement of Long-term Debt – Nonaffiliated	(200,019)	(150,017)	(412,789)
Retirement of Long-term Debt – Affiliated	(100,000)	-	-
Retirement of Cumulative Preferred Stock	(4)	-	-
Principal Payments for Capital Lease Obligations	(7,001)	(3,479)	(3,922)
Dividends Paid on Common Stock	(88,000)	(20,000)	-
Dividends Paid on Cumulative Preferred Stock	(799)	(799)	(799)
Other Financing Activities	641	989	1,263
Net Cash Flows from (Used for) Financing Activities	(132,671)	559,235	439,183
Net Increase (Decrease) in Cash and Cash Equivalents	(1,055)	10	(199)
Cash and Cash Equivalents at Beginning of Period	2,006	1,996	2,195
Cash and Cash Equivalents at End of Period	$ 951	$ 2,006	$ 1,996
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 202,884	$ 209,806	$ 177,531
Net Cash Paid (Received) for Income Taxes	(153,205)	(81,508)	(72,973)
Noncash Acquisitions Under Capital Leases	22,772	2,572	3,242
Government Grants Included in Accounts Receivable at December 31,	1,049	-	-
Construction Expenditures Included in Accounts Payable at December 31,	66,048	108,077	185,469
SIA Refund Included in Accounts Payable at December 31,	-	-	77,139

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to APCo's consolidated financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to APCo. The footnotes begin on page 246.

COLUMBUS SOUTHERN POWER COMPANY
AND SUBSIDIARIES

EXECUTIVE OVERVIEW

Company Overview

As a public utility, CSPCo engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to 749,000 retail customers in central and southern Ohio. CSPCo consolidates Conesville Coal Preparation Company, its wholly-owned subsidiary. Effective May 2009, Colomet, Inc. merged into CSPCo. Effective September 2008, Simco, Inc. merged into Conesville Coal Preparation Company.

In October 2010, CSPCo and OPCo filed with the PUCO to merge CSPCo into OPCo. Approval of the merger will not affect CSPCo's and OPCo's rates until the PUCO approves new rates, terms and conditions for the merged company. In January 2011, CSPCo and OPCo filed with the FERC requesting approval for an internal corporate reorganization under which CSPCo will merge into OPCo effective October 2011.

Originally approved by the FERC in 1951 and subsequently amended in 1951, 1962, 1975, 1979 (twice) and 1980, the Interconnection Agreement establishes the AEP Power Pool which permits the AEP East companies to pool their generation assets on a cost basis. It establishes an allocation method for generating capacity among its members based on relative peak demands and generating reserves through the payment of capacity charges and the receipt of capacity revenues. AEP Power Pool members are compensated for their costs of energy delivered to the AEP Power Pool and charged for energy received from the AEP Power Pool. The capacity reserve relationship of the AEP Power Pool members changes as generating assets are added, retired or sold and relative peak demand changes. The AEP Power Pool calculates each member's prior twelve-month peak demand relative to the sum of the peak demands of all members as a basis for sharing revenues and costs. The result of this calculation is the MLR, which determines each member's percentage share of revenues and costs.

In December 2010, each member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 1, 2014 or such other date approved by the FERC, subject to state regulatory input. It is unknown at this time whether the AEP Power Pool will be replaced by a new agreement among some or all of the members, whether individual companies will enter into bilateral or multi-party contracts with each other for power sales and purchases or asset transfers or if each company will choose to operate independently. This decision to terminate is subject to management's ongoing evaluation. The AEP Power Pool members may revoke their notices of termination. If CSPCo experiences decreases in revenues or increases in costs as a result of the termination of the AEP Power Pool and is unable to recover the change in revenues and costs through rates, prices or additional sales, it could have an adverse impact on future net income and cash flows.

The AEP East companies are parties to a Transmission Agreement defining how they share the costs associated with their relative ownership of transmission assets. This sharing was based upon each company's MLR until the FERC approved a new Transmission Agreement effective November 1, 2010. The impacts of the new Transmission Agreement will be phased-in for retail rates, adds KGPCo and WPCo as parties to the agreement and changes the allocation method.

In March 2007, CSPCo and AEGCo entered into a 10-year unit power agreement for the entire output from the Lawrenceburg Plant with an option for an additional 2-year period. CSPCo pays AEGCo for the capacity, depreciation, fuel, operation and maintenance and tax expenses. These payments are due regardless of whether the plant operates.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on CSPCo's behalf. CSPCo shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the other AEP East companies, PSO and SWEPCo. Power and gas risk management activities are allocated based on the existing power pool agreement and the SIA. CSPCo shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

To minimize the credit requirements and operating constraints when operating within PJM, the AEP East companies as well as KGPCo and WPCo, agreed to a netting of all payment obligations incurred by any of the AEP East companies against all balances due to the AEP East companies, and to hold PJM harmless from actions that any one or more AEP East companies may take with respect to PJM.

CSPCo is jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Ohio Customer Choice

In CSPCo's service territory, various competitive retail electric service (CRES) providers are targeting retail customers by offering alternative generation service. As of December 31, 2010, approximately 5,000 CSPCo retail customers have switched from CSPCo to alternative CRES providers. As a result, in comparison to 2009, CSPCo lost approximately $16 million of generation related gross margin in 2010. Management currently forecasts incremental lost margins of approximately $53 million for 2011. Management anticipates recovery of a portion of this lost margin through off-system sales.

Regulatory Activity

2009 – 2011 ESP

During 2009, the PUCO issued an order that modified and approved CSPCo's ESP which established rates through 2011. The order also limited annual rate increases for CSPCo to 7% in 2009, 6% in 2010 and 6% in 2011. The order provided a FAC for the three-year period of the ESP. Several notices of appeal are outstanding at the Supreme Court of Ohio relating to significant issues in the determination of the approved ESP rates. In January 2011, the PUCO issued an order that determined that relevant CSPCo 2009 earnings were significantly excessive. As a result, the PUCO ordered CSPCo to refund $43 million of its earnings to customers, which was recorded as a revenue provision on CSPCo's December 2010 books. See "Ohio Electric Security Plan Filings" section of Note 4.

Proposed January 2012 – May 2014 ESP

In January 2011, CSPCo filed an application with the PUCO to approve a new ESP that includes a standard service offer (SSO) pricing for generation effective with the first billing cycle of January 2012 through the last billing cycle of May 2014. The SSO presents redesigned generation rates by customer class. Customer class rates individually vary, but on average, customers will experience net base generation increases of 1.4% in 2012 and 2.7% for the period January 2013 through May 2014. See "Ohio Electric Security Plan Filings" section of Note 4.

Litigation and Environmental Issues

In the ordinary course of business, CSPCo is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of KWH)		
Retail:			
Residential	7,804	7,303	7,551
Commercial	8,709	8,532	8,772
Industrial	4,666	4,784	5,828
Miscellaneous	56	54	55
Total Retail	21,235	20,673	22,206
Wholesale	2,950	2,822	5,463
Total KWHs	24,185	23,495	27,669

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in degree days)		
Actual - Heating (a)	3,295	3,040	3,157
Normal - Heating (b)	3,036	3,054	3,187
Actual - Cooling (c)	1,317	854	1,056
Normal - Cooling (b)	1,029	1,037	999

(a) Eastern Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Eastern Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2010 to Year Ended December 31, 2009
Net Income
(in millions)

Year Ended December 31, 2009	$	272
Changes in Gross Margin:		
Retail Margins		(20)
Off-system Sales		22
Other Revenues		4
Total Change in Gross Margin		6
Total Expenses and Other:		
Other Operation and Maintenance		(41)
Depreciation and Amortization		(7)
Taxes Other Than Income Taxes		(12)
Other Income		(2)
Interest Expense		2
Total Expenses and Other		(60)
Income Tax Expense		12
Year Ended December 31, 2010	$	230

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** decreased $20 million due to:
  - A $43 million decrease due to a refund provision for the 2009 Significantly Excessive Earnings Test (SEET).
  - A $23 million decrease in capacity settlements under the Interconnection Agreement.
  - A $16 million decrease as a result of the expiration of the City of Westerville contract as a dedicated customer for CSPCo at the end of 2009. A new contract was entered into with Westerville on January 1, 2010 which is partially included in Off-system Sales as margins are shared by the members of the AEP Power Pool.
  - A $14 million decrease as a result of the elimination of Restructuring Transition Charge (RTC) revenues with the implementation of CSPCo's ESP.

  These decreases were partially offset by:
  - A $45 million increase in residential and commercial revenue from weather-related usage primarily due to a 54% increase in cooling degree days.
  - A $26 million increase in revenue due to the implementation of PUCO approved rider rates in June 2010 related to the Energy Efficiency & Peak Demand Reduction (EE/PDR) Programs. This increase in Retail Margins was offset by a corresponding increase in Other Operation and Maintenance as discussed below.
  - A $5 million increase related to the implementation of higher rates set by the Ohio ESP.
- **Margins from Off-system Sales** increased $22 million primarily due to increased prices and higher physical sales volumes, partially offset by lower trading and marketing margins.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $41 million primarily due to:
  - A $31 million increase due to expenses incurred related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.

- A $26 million increase in expenses due to the implementation of PUCO approved EE/PDR programs. This increase in Other Operation and Maintenance expenses was offset by a corresponding increase in Retail Margins as discussed above.
- A $13 million increase in recoverable customer account expenses due to increased Universal Service Fund surcharge rates for customers who qualify for payment assistance.

These increases were partially offset by:

- An $8 million decrease related to a 2009 obligation to contribute to the "Partnership with Ohio" fund for low income, at-risk customers ordered by the PUCO's approval of CSPCo's ESP.
- A $7 million decrease in steam plant removal expenses and a $3 million decrease in maintenance of electric plant expenses primarily related to work performed at the Conesville Plant in 2009.
- A $7 million decrease in boiler plant maintenance expenses primarily related to work performed at the Conesville and Zimmer Plants in 2009.
- A $3 million decrease in overhead distribution line expenses primarily due to ice and wind storms in the first quarter of 2009, partially offset by increased vegetation management activities.

- **Depreciation and Amortization** increased $7 million primarily due to environmental projects at the Conesville Plant that were completed and placed in service in November 2009.
- **Taxes Other Than Income Taxes** increased $12 million primarily due to a $9 million increase in property taxes as a result of increased property values.
- **Income Tax Expense** decreased $12 million primarily due to a decrease in pretax book income, changes in certain book/tax differences accounted for on a flow-through basis and a tax loss benefit from Parent, which was partially offset by federal income tax adjustments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Columbus Southern Power Company:

We have audited the accompanying consolidated balance sheets of Columbus Southern Power Company and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in common shareholder's equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Columbus Southern Power Company and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Columbus Southern Power Company and subsidiaries (CSPCo) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. CSPCo's internal control system was 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.

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.

Management assessed the effectiveness of CSPCo's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, CSPCo's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of CSPCo's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit CSPCo to provide only management's report in this annual report.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 2,063,255	$ 1,934,338	$ 2,079,610
Sales to AEP Affiliates	82,994	67,213	122,949
Other Revenues	2,792	3,022	5,542
TOTAL REVENUES	2,149,041	2,004,573	2,208,101
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	399,886	298,198	360,792
Purchased Electricity for Resale	106,114	85,262	197,943
Purchased Electricity from AEP Affiliates	409,097	392,761	413,518
Other Operation	350,047	290,632	348,051
Maintenance	108,389	126,441	109,335
Depreciation and Amortization	151,440	144,402	186,746
Taxes Other Than Income Taxes	187,260	175,151	168,028
TOTAL EXPENSES	1,712,233	1,512,847	1,784,413
OPERATING INCOME	436,808	491,726	423,688
Other Income (Expense):			
Interest Income	919	802	5,334
Carrying Costs Income	8,166	7,656	6,551
Allowance for Equity Funds Used During Construction	2,072	3,382	3,364
Interest Expense	(85,893)	(88,184)	(92,068)
INCOME BEFORE INCOME TAX EXPENSE	362,072	415,382	346,869
Income Tax Expense	131,849	143,721	109,739
NET INCOME	230,223	271,661	237,130
Capital Stock Expense	149	157	157
EARNINGS ATTRIBUTABLE TO COMMON STOCK	$ 230,074	$ 271,504	$ 236,973

The common stock of CSPCo is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2007	$ 41,026	$ 580,349	$ 561,696	$ (18,794)	$ 1,164,277
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $589			(1,095)		(1,095)
Adoption of Guidance for Fair Value Accounting, Net of Tax of $170			(316)		(316)
Common Stock Dividends			(122,500)		(122,500)
Capital Stock Expense		157	(157)		-
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,040,366
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $1,174				2,181	2,181
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $607				1,128	1,128
Pension and OPEB Funded Status, Net of Tax of $19,137				(35,540)	(35,540)
NET INCOME			237,130		237,130
TOTAL COMPREHENSIVE INCOME					204,899
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2008	41,026	580,506	674,758	(51,025)	1,245,265
Common Stock Dividends			(150,000)		(150,000)
Capital Stock Expense		157	(157)		-
Noncash Dividend of Property to Parent			(8,123)		(8,123)
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,087,142
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $1,027				(1,907)	(1,907)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $1,193				2,215	2,215
Pension and OPEB Funded Status, Net of Tax of $390				724	724
NET INCOME			271,661		271,661
TOTAL COMPREHENSIVE INCOME					272,693
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2009	41,026	580,663	788,139	(49,993)	1,359,835
Common Stock Dividends			(102,500)		(102,500)
Capital Stock Expense		149	(149)		-
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,257,335
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $130				242	242
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $1,333				2,475	2,475
Pension and OPEB Funded Status, Net of Tax of $2,186				(4,060)	(4,060)
NET INCOME			230,223		230,223
TOTAL COMPREHENSIVE INCOME					228,880
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2010	$ 41,026	$ 580,812	$ 915,713	$ (51,336)	$ 1,486,215

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 509	$ 1,096
Other Cash Deposits	2,260	16,150
Advances to Affiliates	54,202	-
Accounts Receivable:		
Customers	50,187	37,158
Affiliated Companies	66,788	28,555
Accrued Unbilled Revenues	32,821	11,845
Miscellaneous	14,374	4,164
Allowance for Uncollectible Accounts	(1,584)	(3,481)
Total Accounts Receivable	162,586	78,241
Fuel	72,882	74,158
Materials and Supplies	42,033	39,652
Emission Allowances	28,486	26,587
Risk Management Assets	23,774	34,343
Accrued Tax Benefits	8,797	29,273
Margin Deposits	14,762	14,874
Prepayments and Other Current Assets	26,864	6,349
TOTAL CURRENT ASSETS	437,155	320,723
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	2,686,294	2,641,860
Transmission	662,312	623,680
Distribution	1,796,023	1,745,559
Other Property, Plant and Equipment	203,593	189,315
Construction Work in Progress	172,793	155,081
Total Property, Plant and Equipment	5,521,015	5,355,495
Accumulated Depreciation and Amortization	1,927,112	1,838,840
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	3,593,903	3,516,655
OTHER NONCURRENT ASSETS		
Regulatory Assets	298,111	341,029
Long-term Risk Management Assets	22,089	23,882
Deferred Charges and Other Noncurrent Assets	152,932	147,217
TOTAL OTHER NONCURRENT ASSETS	473,132	512,128
TOTAL ASSETS	$ 4,504,190	$ 4,349,506

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ -	$ 24,202
Accounts Payable:		
General	98,925	95,872
Affiliated Companies	78,617	81,338
Long-term Debt Due Within One Year – Nonaffiliated	-	150,000
Long-term Debt Due Within One Year – Affiliated	-	100,000
Risk Management Liabilities	15,967	13,052
Customer Deposits	29,441	27,911
Accrued Taxes	226,572	199,001
Accrued Interest	22,533	24,669
Other Current Liabilities	111,868	67,053
TOTAL CURRENT LIABILITIES	583,923	783,098
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	1,438,830	1,286,393
Long-term Risk Management Liabilities	6,223	10,313
Deferred Income Taxes	604,828	535,265
Regulatory Liabilities and Deferred Investment Tax Credits	163,888	174,671
Employee Benefits and Pension Obligations	136,643	133,968
Deferred Credits and Other Noncurrent Liabilities	83,640	65,963
TOTAL NONCURRENT LIABILITIES	2,434,052	2,206,573
TOTAL LIABILITIES	3,017,975	2,989,671
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 24,000,000 Shares		
Outstanding – 16,410,426 Shares	41,026	41,026
Paid-in Capital	580,812	580,663
Retained Earnings	915,713	788,139
Accumulated Other Comprehensive Income (Loss)	(51,336)	(49,993)
TOTAL COMMON SHAREHOLDER'S EQUITY	1,486,215	1,359,835
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 4,504,190	$ 4,349,506

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 230,223	$ 271,661	$ 237,130
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	151,440	144,402	186,746
Deferred Income Taxes	74,585	131,407	(303)
Carrying Costs Income	(8,166)	(7,656)	(6,551)
Allowance for Equity Funds Used During Construction	(2,072)	(3,382)	(3,364)
Mark-to-Market of Risk Management Contracts	11,807	(4,786)	(10,551)
Property Taxes	(12,463)	(7,364)	(2,169)
Fuel Over/Under-Recovery, Net	21,792	(36,028)	-
Provision for 2009 Significantly Excessive Earnings Test	42,683	-	-
Change in Other Noncurrent Assets	596	(36,462)	(8,984)
Change in Other Noncurrent Liabilities	(17,655)	15,858	12,254
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(75,580)	52,088	(14,976)
Fuel, Materials and Supplies	880	(37,954)	(3,381)
Accounts Payable	17,209	(57,666)	67,349
Customer Deposits	1,530	(2,234)	(12,950)
Accrued Taxes, Net	43,965	(17,319)	5,075
Other Current Assets	3,251	9,439	(23,730)
Other Current Liabilities	5,867	(16,027)	(8,241)
Net Cash Flows from Operating Activities	489,892	397,977	413,354
INVESTING ACTIVITIES			
Construction Expenditures	(235,901)	(302,699)	(433,014)
Change in Other Cash Deposits	13,890	16,150	21,460
Change in Advances to Affiliates, Net	(54,202)	-	-
Acquisitions of Assets	(742)	(232)	(807)
Proceeds from Sales of Assets	5,106	823	1,576
Other Investing Activities	12,667	-	-
Net Cash Flows Used for Investing Activities	(259,182)	(285,958)	(410,785)
FINANCING ACTIVITIES			
Issuance of Long-term Debt - Nonaffiliated	149,443	91,160	346,397
Change in Advances from Affiliates, Net	(24,202)	(50,663)	(20,334)
Retirement of Long-term Debt - Nonaffiliated	(150,000)	-	(204,245)
Retirement of Long-term Debt - Affiliated	(100,000)	-	-
Principal Payments for Capital Lease Obligations	(4,170)	(2,704)	(2,936)
Dividends Paid on Common Stock	(102,500)	(150,000)	(122,500)
Other Financing Activities	132	221	723
Net Cash Flows Used for Financing Activities	(231,297)	(111,986)	(2,895)
Net Increase (Decrease) in Cash and Cash Equivalents	(587)	33	(326)
Cash and Cash Equivalents at Beginning of Period	1,096	1,063	1,389
Cash and Cash Equivalents at End of Period	$ 509	$ 1,096	$ 1,063
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 85,240	$ 94,054	$ 78,539
Net Cash Paid for Income Taxes	36,805	46,945	113,140
Noncash Acquisitions Under Capital Leases	9,633	892	2,326
Government Grants Included in Accounts Receivable at December 31,	9,260	-	-
Construction Expenditures Included in Accounts Payable at December 31,	14,229	31,106	47,438
Noncash Dividend of Property to Parent	-	8,123	-
SIA Refund Included in Accounts Payable at December 31,	-	-	44,178

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to CSPCo's consolidated financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to CSPCo. The footnotes begin on page 246.

INDIANA MICHIGAN POWER COMPANY
AND SUBSIDIARIES

EXECUTIVE OVERVIEW

Company Overview

As a public utility, I&M engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to 582,000 retail customers in its service territory in northern and eastern Indiana and a portion of southwestern Michigan. I&M consolidates Blackhawk Coal Company and Price River Coal Company, its wholly-owned subsidiaries. I&M also consolidates DCC Fuel. I&M sells power at wholesale to municipalities and electric cooperatives. I&M's River Transportation Division (RTD) provides barging services to affiliates and nonaffiliated companies. The revenues from barging represent the majority of other revenues except in 2009 when insurance proceeds related to the Cook Plant Unit 1 outage were the largest amount.

Originally approved by the FERC in 1951 and subsequently amended in 1951, 1962, 1975, 1979 (twice) and 1980, the Interconnection Agreement establishes the AEP Power Pool which permits the AEP East companies to pool their generation assets on a cost basis. It establishes an allocation method for generating capacity among its members based on relative peak demands and generating reserves through the payment of capacity charges and the receipt of capacity revenues. AEP Power Pool members are compensated for their costs of energy delivered to the AEP Power Pool and charged for energy received from the AEP Power Pool. The capacity reserve relationship of the AEP Power Pool members changes as generating assets are added, retired or sold and relative peak demand changes. The AEP Power Pool calculates each member's prior twelve-month peak demand relative to the sum of the peak demands of all members as a basis for sharing revenues and costs. The result of this calculation is the MLR, which determines each member's percentage share of revenues and costs.

In December 2010, each member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 1, 2014 or such other date approved by the FERC, subject to state regulatory input. It is unknown at this time whether the AEP Power Pool will be replaced by a new agreement among some or all of the members, whether individual companies will enter into bilateral or multi-party contracts with each other for power sales and purchases or asset transfers or if each company will choose to operate independently. This decision to terminate is subject to management's ongoing evaluation. The AEP Power Pool members may revoke their notices of termination. If I&M experiences decreases in revenues or increases in costs as a result of the termination of the AEP Power Pool and is unable to recover the change in revenues and costs through rates, prices or additional sales, it could have an adverse impact on future net income and cash flows.

The AEP East companies are parties to a Transmission Agreement defining how they share the costs associated with their relative ownership of transmission assets. This sharing was based upon each company's MLR until the FERC approved a new Transmission Agreement effective November 1, 2010. The new Transmission Agreement will be phased-in for retail rates over periods of up to four years, adds KGPCo and WPCo as parties to the agreement and changes the allocation method. I&M's recovery mechanism for transmission costs is through its base rates. Changes in allocation under the new Transmission Agreement and state regulatory phase-in of the new agreement will limit I&M's ability to fully recover its transmission costs.

Under unit power agreements, I&M purchases AEGCo's 50% share of the 2,600 MW Rockport Plant capacity unless it is sold to other utilities. AEGCo is an affiliate that is not a member of the AEP Power Pool. An agreement between AEGCo and KPCo provides for the sale of 390 MW of AEGCo's Rockport Plant capacity to KPCo through 2022. Therefore, I&M purchases 910 MW of AEGCo's 50% share of Rockport Plant capacity.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on I&M's behalf. I&M shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the other AEP East companies, PSO and SWEPCo. Power and gas risk management activities are allocated based on the existing power pool agreement and the SIA. I&M shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

To minimize the credit requirements and operating constraints when operating within PJM, the AEP East companies as well as KGPCo and WPCo, agreed to a netting of all payment obligations incurred by any of the AEP East companies against all balances due to the AEP East companies, and to hold PJM harmless from actions that any one or more AEP East companies may take with respect to PJM.

I&M is jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Regulatory Activity

Michigan Regulatory Activity

In October 2010, a settlement agreement was approved by the MPSC to increase annual base rates by $36 million based on a 10.35% return on common equity, effective December 2010, plus separate recovery of approximately $7 million of customer choice implementation costs over a two year period beginning April 2011. In addition, the approved revenue requirement includes the amortization of $6 million in previously expensed restructuring costs over five years, which I&M deferred in October 2010 and began amortizing in December 2010. Also, the approved settlement agreement provided for sharing of off-system sales margins between customers (75%) and I&M (25%) with customers receiving a credit in future Power Supply Cost Recovery proceedings for their jurisdictional share of any off-system sales margins. See "Michigan Base Rate Filing" section of Note 4.

Cook Plant Unit 1 Fire and Shutdown

In September 2008, I&M shut down Cook Plant Unit 1 (Unit 1) due to turbine vibrations, caused by blade failure, which resulted in significant turbine damage and a small fire on the electric generator. Repair of the property damage and replacement of the turbine rotors and other equipment could cost up to approximately $395 million. Management believes that I&M should recover a significant portion of these costs through the turbine vendor's warranty, insurance and the regulatory process. I&M repaired Unit 1 and it resumed operations in December 2009 at slightly reduced power. The Unit 1 rotors were repaired and reinstalled due to the extensive lead time required to manufacture and install new turbine rotors. As a result, the replacement of the repaired turbine rotors and other equipment is scheduled for the Unit 1 planned outage in the fall of 2011. If the ultimate costs of the incident are not covered by warranty, insurance or through the regulatory process or if any future regulatory proceedings are adverse, it could have an adverse impact on net income, cash flows and financial condition. See "Indiana Fuel Clause Filing" and "Michigan 2009 Power Supply Cost Recovery Reconciliation" sections of Note 4 and "Cook Plant Unit 1 Fire and Shutdown" section of Note 6.

Litigation and Environmental Issues

In the ordinary course of business, I&M is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31, 2010	2009	2008
	(in millions of KWH)		
Retail:			
Residential	6,083	5,767	6,059
Commercial	5,121	5,038	5,272
Industrial	7,445	6,762	7,536
Miscellaneous	72	76	76
Total Retail	18,721	17,643	18,943
Wholesale	7,839	8,564	11,325
Total KWHs	26,560	26,207	30,268

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31, 2010	2009	2008
	(in degree days)		
Actual - Heating (a)	3,759	3,876	4,146
Normal - Heating (b)	3,774	3,788	3,789
Actual - Cooling (c)	1,165	580	747
Normal - Cooling (b)	832	844	842

(a) Eastern Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Eastern Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Net Income
(in millions)

Year Ended December 31, 2009	$	216
Changes in Gross Margin:		
Retail Margins		171
FERC Municipals and Cooperatives		(32)
Off-system Sales		9
Transmission Revenues		2
Other Revenues		(185)
Total Change in Gross Margin		(35)
Total Expenses and Other:		
Other Operation and Maintenance		(64)
Depreciation and Amortization		(2)
Taxes Other Than Income Taxes		(5)
Other Income		1
Interest Expense		(3)
Total Expenses and Other		(73)
Income Tax Expense		18
Year Ended December 31, 2010	$	126

The major components of the decrease in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $171 million primarily due to the following:
  - An $87 million increase primarily due to a $78 million increase in fuel and purchased power costs recorded in 2009 related to the Cook Plant Unit 1 (Unit 1) shutdown. This increase was offset by a corresponding decrease in Other Revenues as discussed below.
  - A $39 million increase in rate relief primarily due to the impact of the Michigan rate settlement approved in October 2010 and the approval of the Indiana base rate filing effective March 2009. This increase in Retail Margins had corresponding increases of $13 million related to riders/trackers recognized in expense items.
  - A $38 million increase in weather-related usage and increased price for residential and commercial customers primarily due to an increase in cooling degree days.
  - A $28 million increase in industrial sales margins due to higher usage in comparison to recessionary lows of 2009.

  These increases were partially offset by:
  - A $15 million increase in PJM costs partially recovered through a rate rider included in the $13 million discussed above.
- **FERC Municipals and Cooperatives** margins decreased $32 million primarily due to a unit power sales agreement ending in December 2009.
- **Margins from Off-system Sales** increased $9 million primarily due to increased prices and higher physical sales volumes, partially offset by lower trading and marketing margins.
- **Other Revenues** decreased $185 million primarily due to the following:
  - A $185 million decrease in the Cook Plant accidental outage insurance proceeds which ended when Unit 1 returned to service in December 2009. I&M reduced customer bills by approximately $78 million in 2009 for the cost of replacement power resulting from the Unit 1 outage. This decrease in insurance proceeds was offset by a corresponding increase in Retail Margins as discussed above.

This decrease was partially offset by:

- A $9 million increase in RTD revenues from barging activities. The increase in RTD revenue was offset by a corresponding increase in Other Operation and Maintenance expenses from barging activities as discussed below.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $64 million primarily due to the following:
  - A $35 million increase due to expenses related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.
  - A $17 million increase in transmission expense primarily due to lower credits under the Transmission Agreement.
  - A $9 million increase in RTD expenses from barging activities. The increase in RTD expense was partially offset by a corresponding increase in Other Revenues from barging activities as discussed above.
- **Income Tax Expense** decreased $18 million primarily due to a decrease in pretax book income partially offset by the regulatory accounting treatment of state income taxes and other book/tax differences which are accounted for on a flow-through basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Indiana Michigan Power Company:

We have audited the accompanying consolidated balance sheets of Indiana Michigan Power Company and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in common shareholder's equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Indiana Michigan Power Company and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Indiana Michigan Power Company and subsidiaries (I&M) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. I&M's internal control system was 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.

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.

Management assessed the effectiveness of I&M's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, I&M's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of I&M's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit I&M to provide only management's report in this annual report.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 1,735,338	$ 1,685,308	$ 1,727,769
Sales to AEP Affiliates	330,951	196,151	302,741
Other Revenues - Affiliated	114,070	110,143	116,747
Other Revenues - Nonaffiliated	15,368	193,422	19,102
TOTAL REVENUES	2,195,727	2,185,024	2,166,359
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	465,482	409,845	436,078
Purchased Electricity for Resale	128,369	128,508	116,958
Purchased Electricity from AEP Affiliates	327,335	337,308	384,182
Other Operation	560,346	500,672	527,669
Maintenance	222,406	218,036	219,630
Depreciation and Amortization	136,443	134,690	127,406
Taxes Other Than Income Taxes	80,431	75,262	78,338
TOTAL EXPENSES	1,920,812	1,804,321	1,890,261
OPERATING INCOME	274,915	380,703	276,098
Other Income (Expense):			
Interest Income	3,389	5,776	2,921
Allowance for Equity Funds Used During Construction	15,678	12,013	965
Interest Expense	(104,465)	(101,145)	(89,851)
INCOME BEFORE INCOME TAX EXPENSE	189,517	297,347	190,133
Income Tax Expense	63,426	81,037	58,258
NET INCOME	126,091	216,310	131,875
Preferred Stock Dividend Requirements	339	339	339
EARNINGS ATTRIBUTABLE TO COMMON STOCK	$ 125,752	$ 215,971	$ 131,536

The common stock of I&M is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2007	$ 56,584	$ 861,291	$ 483,499	$ (15,675)	$ 1,385,699
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $753			(1,398)		(1,398)
Common Stock Dividends			(75,000)		(75,000)
Preferred Stock Dividends			(339)		(339)
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,308,962
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $1,676				3,112	3,112
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $237				441	441
Pension and OPEB Funded Status, Net of Tax of $5,154				(9,572)	(9,572)
NET INCOME			131,875		131,875
TOTAL COMPREHENSIVE INCOME					125,856
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2008	56,584	861,291	538,637	(21,694)	1,434,818
Capital Contribution from Parent		120,000			120,000
Common Stock Dividends			(98,000)		(98,000)
Preferred Stock Dividends			(339)		(339)
Gain on Reacquired Preferred Stock		1			1
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,456,480
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $462				(857)	(857)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $445				826	826
Pension and OPEB Funded Status, Net of Tax of $13				24	24
NET INCOME			216,310		216,310
TOTAL COMPREHENSIVE INCOME					216,303
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2009	56,584	981,292	656,608	(21,701)	1,672,783
Common Stock Dividends			(105,000)		(105,000)
Preferred Stock Dividends			(339)		(339)
Gain on Reacquired Preferred Stock		2			2
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					1,567,446
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $652				1,211	1,211
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $470				873	873
Pension and OPEB Funded Status, Net of Tax of $685				(1,272)	(1,272)
NET INCOME			126,091		126,091
TOTAL COMPREHENSIVE INCOME					126,903
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2010	$ 56,584	$ 981,294	$ 677,360	$ (20,889)	$ 1,694,349

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 361	$ 779
Advances to Affiliates	-	114,012
Accounts Receivable:		
Customers	76,193	71,120
Affiliated Companies	149,169	83,248
Accrued Unbilled Revenues	19,449	8,762
Miscellaneous	10,968	8,638
Allowance for Uncollectible Accounts	(1,692)	(2,265)
Total Accounts Receivable	254,087	169,503
Fuel	87,551	79,554
Materials and Supplies	178,331	164,439
Risk Management Assets	27,526	34,438
Accrued Tax Benefits	71,113	144,473
Deferred Cook Plant Fire Costs	45,752	134,322
Prepayments and Other Current Assets	33,713	29,395
TOTAL CURRENT ASSETS	698,434	870,915
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	3,774,262	3,634,215
Transmission	1,188,665	1,154,026
Distribution	1,411,095	1,360,553
Other Property, Plant and Equipment (including nuclear fuel and coal mining)	719,708	755,132
Construction Work in Progress	301,534	278,278
Total Property, Plant and Equipment	7,395,264	7,182,204
Accumulated Depreciation, Depletion and Amortization	3,124,998	3,073,695
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	4,270,266	4,108,509
OTHER NONCURRENT ASSETS		
Regulatory Assets	556,254	496,464
Spent Nuclear Fuel and Decommissioning Trusts	1,515,227	1,391,919
Long-term Risk Management Assets	31,485	29,134
Deferred Charges and Other Noncurrent Assets	77,229	82,047
TOTAL OTHER NONCURRENT ASSETS	2,180,195	1,999,564
TOTAL ASSETS	$ 7,148,895	$ 6,978,988

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 42,769	$ -
Accounts Payable:		
General	121,665	171,192
Affiliated Companies	105,221	61,315
Long-term Debt Due Within One Year – Nonaffiliated	154,457	37,544
(December 31, 2010 amount includes $77,457 related to DCC Fuel)		
Long-term Debt Due Within One Year – Affiliated	-	25,000
Risk Management Liabilities	16,785	13,436
Customer Deposits	29,264	27,711
Accrued Taxes	62,637	56,814
Accrued Interest	27,444	27,633
Other Current Liabilities	140,710	151,865
TOTAL CURRENT LIABILITIES	700,952	572,510
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	1,849,769	2,015,362
Long-term Risk Management Liabilities	6,530	10,386
Deferred Income Taxes	760,105	696,163
Regulatory Liabilities and Deferred Investment Tax Credits	852,197	756,845
Asset Retirement Obligations	963,029	894,746
Deferred Credits and Other Noncurrent Liabilities	313,892	352,116
TOTAL NONCURRENT LIABILITIES	4,745,522	4,725,618
TOTAL LIABILITIES	5,446,474	5,298,128
Cumulative Preferred Stock Not Subject to Mandatory Redemption	8,072	8,077
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 2,500,000 Shares		
Outstanding – 1,400,000 Shares	56,584	56,584
Paid-in Capital	981,294	981,292
Retained Earnings	677,360	656,608
Accumulated Other Comprehensive Income (Loss)	(20,889)	(21,701)
TOTAL COMMON SHAREHOLDER'S EQUITY	1,694,349	1,672,783
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 7,148,895	$ 6,978,988

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 126,091	$ 216,310	$ 131,875
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	136,443	134,690	127,406
Accretion of Asset Retirement Obligations	11,905	11,178	21,178
Deferred Income Taxes	63,947	271,264	57,879
Amortization (Deferral) of Incremental Nuclear Refueling Outage Expenses, Net	(31,939)	3,110	8,925
Allowance for Equity Funds Used During Construction	(15,678)	(12,013)	(965)
Mark-to-Market of Risk Management Contracts	4,592	(10,533)	(10,482)
Amortization of Nuclear Fuel	139,438	62,699	87,574
Pension Contributions to Qualified Plan Trust	(71,681)	-	-
Fuel Over/Under Recovery, Net	(12,589)	34,676	(35,688)
Change in Other Noncurrent Assets	(12,597)	(16,555)	(9,533)
Change in Other Noncurrent Liabilities	56,592	45,276	45,073
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(85,072)	19,338	(3,753)
Fuel, Materials and Supplies	(16,564)	(20,676)	(7,822)
Accounts Payable	46,579	(65,424)	90,041
Accrued Taxes, Net	77,075	(132,214)	6,283
Received (Deferred) Cook Plant Fire Costs, Net	87,347	(89,409)	(23,013)
Other Current Assets	5,056	(5,351)	(8,966)
Other Current Liabilities	4,149	(2,924)	15,351
Net Cash Flows from Operating Activities	513,094	443,442	491,363
INVESTING ACTIVITIES			
Construction Expenditures	(333,238)	(332,775)	(352,335)
Change in Advances to Affiliates, Net	114,012	(114,012)	-
Purchases of Investment Securities	(1,414,473)	(770,919)	(803,664)
Sales of Investment Securities	1,361,813	712,742	732,475
Acquisitions of Nuclear Fuel	(90,903)	(169,138)	(192,299)
Other Investing Activities	17,105	21,004	3,642
Net Cash Flows Used for Investing Activities	(345,684)	(653,098)	(612,181)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	120,000	-
Issuance of Long-term Debt - Nonaffiliated	152,464	670,060	115,269
Issuance of Long-term Debt - Affiliated	-	25,000	-
Change in Advances from Affiliates, Net	42,769	(476,036)	430,972
Retirement of Long-term Debt - Nonaffiliated	(202,011)	-	(312,000)
Retirement of Long-term Debt - Affiliated	(25,000)	-	-
Retirement of Cumulative Preferred Stock	(3)	(2)	-
Principal Payments for Capital Lease Obligations	(31,180)	(31,637)	(39,427)
Dividends Paid on Common Stock	(105,000)	(98,000)	(75,000)
Dividends Paid on Cumulative Preferred Stock	(339)	(339)	(339)
Other Financing Activities	472	661	932
Net Cash Flows from (Used for) Financing Activities	(167,828)	209,707	120,407
Net Increase (Decrease) in Cash and Cash Equivalents	(418)	51	(411)
Cash and Cash Equivalents at Beginning of Period	779	728	1,139
Cash and Cash Equivalents at End of Period	$ 361	$ 779	$ 728
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 100,617	$ 99,079	$ 75,981
Net Cash Paid (Received) for Income Taxes	(71,268)	(51,298)	310
Noncash Acquisitions Under Capital Leases	10,000	2,651	4,472
Construction Expenditures Included in Accounts Payable at December 31,	21,757	74,251	50,507
Acquisition of Nuclear Fuel Included in Accounts Payable at December 31,	308	15	37,628
SIA Refund Included in Accounts Payable at December 31,	-	-	48,489

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to I&M's consolidated financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to I&M. The footnotes begin on page 246.

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OHIO POWER COMPANY CONSOLIDATED

OHIO POWER COMPANY CONSOLIDATED
SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands)

	2010	2009	2008	2007	2006
STATEMENTS OF INCOME DATA					
Total Revenues	$ 3,223,707	$ 3,011,574	$ 3,096,934	$ 2,814,212	$ 2,724,875
Operating Income	$ 607,802	$ 613,193	$ 495,050	$ 526,352	$ 425,291
Net Income	$ 311,393	$ 308,615	$ 232,455	$ 271,186	$ 231,434
Less: Net Income Attributable to Noncontrolling Interest	-	2,042	1,332	2,622	2,791
Net Income Attributable to OPCo Shareholders	311,393	306,573	231,123	268,564	228,643
Less: Preferred Stock Dividend Requirements	732	732	732	732	732
Earnings Attributable to OPCo Common Shareholder	$ 310,661	$ 305,841	$ 230,391	$ 267,832	$ 227,911
BALANCE SHEETS DATA					
Total Property, Plant and Equipment	$ 10,263,541	$ 10,013,458	$ 9,788,862	$ 9,140,357	$ 8,405,645
Accumulated Depreciation and Amortization	3,606,777	3,318,896	3,122,989	2,967,285	2,836,584
Total Property, Plant and Equipment – Net	$ 6,656,764	$ 6,694,562	$ 6,665,873	$ 6,173,072	$ 5,569,061
Total Assets	$ 8,747,327	$ 9,039,139	$ 8,003,826	$ 7,338,429	$ 6,807,528
Total Common Shareholder's Equity	$ 3,168,424	$ 3,234,695	$ 2,421,945	$ 2,291,017	$ 2,008,342
Cumulative Preferred Stock Not Subject to Mandatory Redemption	$ 16,616	$ 16,627	$ 16,627	$ 16,627	$ 16,630
Noncontrolling Interest	$ -	$ -	$ 16,799	$ 15,923	$ 15,825
Long-term Debt (a)	$ 2,729,522	$ 3,242,505	$ 3,039,376	$ 2,849,598	$ 2,401,741
Obligations Under Capital Leases (a)	$ 50,307 (b)	$ 22,682	$ 26,466	$ 29,077	$ 34,966

(a) Includes portion due within one year.

(b) Obligations Under Capital Leases increased primarily due to capital leases under new master lease agreements for property that was previously leased under operating leases.

OHIO POWER COMPANY CONSOLIDATED
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

EXECUTIVE OVERVIEW

Company Overview

As a public utility, OPCo engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to 706,000 retail customers in the northwestern, east central, eastern and southern sections of Ohio. OPCo consolidated JMG Funding LP, a variable interest entity, until it was dissolved in December 2009 at which time JMG's assets were transferred to OPCo. This change had an immaterial impact on comparative financial statements.

In October 2010, CSPCo and OPCo filed with the PUCO to merge CSPCo into OPCo. Approval of the merger will not affect CSPCo's and OPCo's rates until the PUCO approves new rates, terms and conditions for the merged company. In January 2011, CSPCo and OPCo filed with the FERC requesting approval for an internal corporate reorganization under which CSPCo will merge into OPCo effective October 2011.

Originally approved by the FERC in 1951 and subsequently amended in 1951, 1962, 1975, 1979 (twice) and 1980, the Interconnection Agreement establishes the AEP Power Pool which permits the AEP East companies to pool their generation assets on a cost basis. It establishes an allocation method for generating capacity among its members based on relative peak demands and generating reserves through the payment of capacity charges and the receipt of capacity revenues. AEP Power Pool members are compensated for their costs of energy delivered to the AEP Power Pool and charged for energy received from the AEP Power Pool. The capacity reserve relationship of the AEP Power Pool members changes as generating assets are added, retired or sold and relative peak demand changes. The AEP Power Pool calculates each member's prior twelve-month peak demand relative to the sum of the peak demands of all members as a basis for sharing revenues and costs. The result of this calculation is the MLR, which determines each member's percentage share of revenues and costs.

In December 2010, each member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 1, 2014 or such other date approved by the FERC, subject to state regulatory input. It is unknown at this time whether the AEP Power Pool will be replaced by a new agreement among some or all of the members, whether individual companies will enter into bilateral or multi-party contracts with each other for power sales and purchases or asset transfers or if each company will choose to operate independently. This decision to terminate is subject to management's ongoing evaluation. The AEP Power Pool members may revoke their notices of termination. If OPCo experiences decreases in revenues or increases in costs as a result of the termination of the AEP Power Pool and is unable to recover the change in revenues and costs through rates, prices or additional sales, it could have an adverse impact on future net income and cash flows.

The AEP East companies are parties to a Transmission Agreement defining how they share the costs associated with their relative ownership of transmission assets. This sharing was based upon each company's MLR until the FERC approved a new Transmission Agreement effective November 1, 2010. The impacts of the new Transmission Agreement will be phased-in for retail rates, adds KGPCo and WPCo as parties to the agreement and changes the allocation method.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on OPCo's behalf. OPCo shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the other AEP East companies, PSO and SWEPCo. Power and gas risk management activities are allocated based on the existing power pool agreement and the SIA. OPCo shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

To minimize the credit requirements and operating constraints of operating within PJM, the AEP East companies as well as KGPCo and WPCo, agreed to a netting of all payment obligations incurred by any of the AEP East companies against all balances due to the AEP East companies, and to hold PJM harmless from actions that any one or more AEP East companies may take with respect to PJM.

OPCo is jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Regulatory Activity

2009 – 2011 ESP

During 2009, the PUCO issued an order that modified and approved OPCo's ESP which established rates through 2011. The order also limited annual rate increases for OPCo to 8% in 2009, 7% in 2010 and 8% in 2011. The order provided a FAC for the three-year period of the ESP. Several notices of appeal are outstanding at the Supreme Court of Ohio relating to significant issues in the determination of the approved ESP rates. In January 2011, the PUCO issued an order that determined that OPCo's 2009 earnings were not significantly excessive. See "Ohio Electric Security Plan Filings" section of Note 4.

Proposed January 2012 – May 2014 ESP

In January 2011, OPCo filed an application with the PUCO to approve a new ESP that includes a standard service offer (SSO) pricing for generation effective with the first billing cycle of January 2012 through the last billing cycle of May 2014. The SSO presents redesigned generation rates by customer class. Customer class rates individually vary, but on average, customers will experience net base generation increases of 1.4% in 2012 and 2.7% for the period January 2013 through May 2014. See "Ohio Electric Security Plan Filings" section of Note 4.

Litigation and Environmental Issues

In the ordinary course of business, OPCo is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of KWH)		
Retail:			
Residential	7,582	7,339	7,528
Commercial	5,745	5,686	5,824
Industrial	12,800	11,834	14,441
Miscellaneous	73	77	79
Total Retail	26,200	24,936	27,872
Wholesale	5,516	4,136	7,384
Total KWHs	31,716	29,072	35,256

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31,		
	2010	**2009**	**2008**
	(in degree days)		
Actual - Heating (a)	3,714	3,682	3,845
Normal - Heating (b)	3,536	3,545	3,535
Actual - Cooling (c)	1,040	566	700
Normal - Cooling (b)	795	807	813

(a) Eastern Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Eastern Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Net Income
(in millions)

Year Ended December 31, 2009	$	309
Changes in Gross Margin:		
Retail Margins		92
Off-system Sales		19
Transmission Revenues		1
Other Revenues		(22)
Total Change in Gross Margin		90
Total Expenses and Other:		
Other Operation and Maintenance		(74)
Depreciation and Amortization		(10)
Taxes Other Than Income Taxes		(12)
Carrying Costs Income		13
Other Income		1
Interest Expense		(3)
Total Expenses and Other		(85)
Income Tax Expense		(3)
Year Ended December 31, 2010	$	311

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $92 million primarily due to the following:
  - A $37 million increase in retail sales as a result of an increase in weather-related usage by residential and commercial customers primarily due to an 84% increase in cooling degree days and increased usage by industrial customers in comparison to recessionary lows in 2009.
  - A $37 million increase in capacity settlements under the Interconnection Agreement.
  - A $29 million increase in revenue due to the implementation of PUCO approved rider rates in June 2010 related to the Energy Efficiency & Peak Demand Reduction (EE/PDR) Programs. This increase in Retail Margins was offset by a corresponding increase in Other Operation and Maintenance as discussed below.
  - A $25 million FERC approved increase in demand charges received from WPCo effective January 2010.

  These increases were partially offset by:
  - A $10 million decrease related to increased consumable and allowance expenses.
  - A $9 million decrease in fuel recovery related to coal pile survey adjustments recorded in 2009 for the 2008 consumption portion. The 2008 portion was excluded from the deferred fuel calculation. The PUCO's March 2009 approval of OPCo's ESP allowed for the recovery of fuel and related costs beginning January 1, 2009.
- **Margins from Off-system Sales** increased $19 million primarily due to increased prices and higher physical sales volumes, partially offset by lower trading and marketing margins.
- **Other Revenues** decreased $22 million primarily due to reduced gains on sales of emission allowances as a result of lower market prices for allowances. Gains on sales of allowances are partially offset by sharing in the fuel clause.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $74 million primarily due to:
  - A $54 million increase in expenses related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.
  - A $29 million increase in expenses due to the implementation of PUCO approved EE/PDR programs. This increase in Other Operation and Maintenance expense was offset by a corresponding increase in Retail Margins as discussed above.
  - A $10 million increase in recoverable customer account expenses due to increased Universal Service Fund surcharge rates for customers who qualify for payment assistance.

  These increases were partially offset by:
  - An $11 million decrease related to a 2009 coal blending project.
  - A $5 million decrease related to a 2009 obligation to contribute to the "Partnership with Ohio" fund for low income, at-risk customers ordered by the PUCO's approval of OPCo's ESP.
- **Depreciation and Amortization** increased $10 million primarily due to:
  - A $13 million increase from higher depreciable property balances as a result of environmental improvements placed in service and various other property additions.

  This increase was partially offset by:
  - A $3 million decrease primarily due to the completion of the amortization of software in the fourth quarter of 2009.
- **Taxes Other Than Income Taxes** increased $12 million primarily due to:
  - An $8 million increase in real and property taxes.
  - A $3 million increase in state excise taxes.
  - A $2 million increase due to the employer portion of payroll taxes incurred related to cost reduction initiatives.
- **Carrying Costs Income** increased $13 million primarily due to a higher under-recovered fuel balance in 2010.
- **Income Tax Expense** increased $3 million primarily due to an increase in pretax book income, the recording of federal income tax adjustments and the tax treatment associated with the future reimbursement of Medicare Part D retiree prescription drug benefits, partially offset by the regulatory accounting treatment of state income taxes.

2009 Compared to 2008

Reconciliation of Year Ended December 31, 2008 to Year Ended December 31, 2009
Net Income
(in millions)

Year Ended December 31, 2008	$	232
Changes in Gross Margin:		
Retail Margins		283
Off-system Sales		(119)
Transmission Revenues		(1)
Other Revenues		17
Total Change in Gross Margin		180
Total Expenses and Other:		
Other Operation and Maintenance		18
Depreciation and Amortization		(78)
Taxes Other Than Income Taxes		(2)
Carrying Costs Income		(6)
Other Income		(5)
Interest Expense		21
Total Expenses and Other		(52)
Income Tax Expense		(51)
Year Ended December 31, 2009	$	309

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $283 million primarily due to the following:
  - A $148 million increase related to the implementation of higher rates set by the Ohio ESP.
  - A $142 million increase in fuel margins primarily due to the deferral of fuel costs in 2009. The PUCO's March 2009 approval of OPCo's ESP allows for the deferral of fuel and related costs incurred during the ESP period.
  - A $61 million increase in capacity settlements under the Interconnection Agreement.
  - A $42 million increase due to the December 2008 provision for refund of off-system sales margins as ordered by the FERC related to the SIA.

  These increases were partially offset by:
  - An $86 million decrease in industrial sales due to reduced operating levels and suspended operations by certain large industrial customers in OPCo's service territory.
  - A $29 million decrease related to coal contract amendments recorded in 2008.
- **Margins from Off-system Sales** decreased $119 million primarily due to lower physical sales volumes and lower margins as a result of lower market prices, partially offset by higher trading and marketing margins.
- **Other Revenues** increased $17 million primarily due to net gains on the sale of emission allowances.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased $18 million primarily due to:
  - A $13 million decrease in removal and plant maintenance expenses from a reduction in planned and forced outages at various plants during 2009. During 2008, the precipitator upgrade and boiler overhauls at Amos Plant had increased expense.
  - A $9 million decrease in employee benefit expenses.

    - A $9 million decrease in recoverable PJM expenses.
    - An $8 million decrease in recoverable customer account expenses due to decreased Universal Service Fund surcharge rates for customers who qualify for payment assistance.
    - A $5 million decrease in transmission expenses related to the AEP Transmission Equalization Agreement.

  These decreases were partially offset by:

    - A $19 million increase in maintenance of overhead lines primarily due to an increase in vegetation management activities.
    - An $11 million increase relating to a coal blending project.
- **Depreciation and Amortization** increased $78 million primarily due to:
    - An $82 million increase from higher depreciable property balances as a result of environmental improvements placed in service and various other property additions and higher depreciation rates related to shortened depreciable lives for certain generating facilities.
    - A $22 million increase due to the completion of the amortization of a regulatory liability in December 2008 related to energy sales to Ormet at below market rates.

  These increases were partially offset by:

    - A $28 million decrease due to the completion of the amortization of regulatory assets in December 2008.
- **Interest Expense** decreased $21 million primarily due to:
    - A $20 million decrease in interest expense primarily related to the December 2008 provision for refund of off-system sales margins in accordance with FERC's order related to the SIA.
    - A $7 million decrease in interest expense related to the reacquisition of JMG's bonds during the third quarter of 2009 at lower interest rates.
    - A $7 million decrease in interest expense primarily due to an unrealized gain on an interest rate hedge of a forecasted debt issuance.

  These decreases were partially offset by:

    - A $15 million increase primarily related to a decrease in the debt component of AFUDC as a result of the Amos Plant FGD and precipitator upgrade going into service in the first quarter of 2009.
- **Income Tax Expense** increased $51 million primarily due to an increase in pretax book income.

FINANCIAL CONDITION

LIQUIDITY

OPCo participates in the Utility Money Pool, which provides access to AEP's liquidity. OPCo relies upon ready access to capital markets, cash flows from operations and access to the Utility Money Pool to fund current operations and capital expenditures. See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of liquidity.

Credit Ratings

OPCo's ultimate access to capital markets may depend on its credit ratings. In addition, a credit rating downgrade of OPCo by one of the rating agencies could increase OPCo's borrowing costs. Failure to maintain investment grade ratings may constrain OPCo's ability to participate in the Utility Money Pool or the amount of OPCo's receivables securitized by AEP Credit. Counterparty concerns about OPCo's credit quality could subject OPCo to additional collateral demands under adequate assurance clauses under derivative and non-derivative energy contracts.

CASH FLOW

Cash flows for 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Cash and Cash Equivalents at Beginning of Period	$ 1,984	$ 12,679	$ 6,666
Cash Flows from (Used for):			
Operating Activities	821,807	321,034	485,877
Investing Activities	73,112	(812,981)	(701,789)
Financing Activities	(896,463)	481,252	221,925
Net Increase (Decrease) in Cash and Cash Equivalents	(1,544)	(10,695)	6,013
Cash and Cash Equivalents at End of Period	$ 440	$ 1,984	$ 12,679

Operating Activities

Net Cash Flows from Operating Activities were $822 million in 2010. OPCo produced Net Income of $311 million during the period and noncash expense items of $362 million for Depreciation and Amortization and $218 million for Deferred Income Taxes. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The current period activity in working capital relates to a number of items. Accrued Taxes, Net had an $87 million inflow due to a 2010 income tax refund of $138 million as a result of a federal net income tax operating loss in 2009 that was carried back to 2007 and 2008. Fuel, Materials and Supplies had a $65 million inflow primarily due to a decrease in coal inventory to target levels as well as price decreases due to the expiration of higher priced spot market contracts. The $154 million change in Fuel Over/Under-Recovery, Net reflects the deferral of fuel costs as a fuel clause was reactivated in 2009 under OPCo's ESP.

Net Cash Flows from Operating Activities were $321 million in 2009. OPCo produced Net Income of $309 million during the period and noncash expense items of $352 million for Depreciation and Amortization and $383 million for Deferred Income Taxes. The $383 million inflow for Deferred Income Taxes was primarily due to the American Recovery and Reinvestment Act of 2009 extending bonus depreciation provisions, a change in tax accounting method and an increase in tax versus book temporary differences from operations. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The current period activity in working capital primarily relates to a number of items. Fuel, Materials and Supplies had a $156 million outflow primarily due to an increase in coal inventory reflecting decreased customer demand for electricity. Accounts Payable had a $121 million outflow primarily due to OPCo's provision for revenue refund of $62 million which was paid in the first quarter of 2009 to the AEP West companies as part of the FERC's order on the SIA. Accrued Taxes, Net had a $119 million outflow due to an increase in accrued tax benefits resulting from a net income tax operating loss in 2009. The $298 million change in Fuel Over/Under-Recovery, Net reflects the deferral of fuel costs as a fuel clause was reactivated in 2009 under OPCo's ESP.

Net Cash Flows from Operating Activities were $486 million in 2008. OPCo produced Net Income of $232 million during the period and a noncash expense item of $274 million for Depreciation and Amortization. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital and changes in the future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. Accounts Payable had a $127 million inflow due to increases in tonnage and prices per ton related to fuel and consumable purchases and also included OPCo's December 2008 provision for refund of $62 million which was paid in the first quarter of 2009 to the AEP West companies as part of the FERC's order on the SIA. Fuel, Materials and Supplies had an $89 million outflow due to price increases.

Investing Activities

Net Cash Flows from Investing Activities were $73 million in 2010. Net Cash Flows Used for Investing Activities were $813 million in 2009 and $702 million in 2008. OPCo had a net decrease of $338 million and a net increase of $438 million in loans to the Utility Money Pool during 2010 and 2009, respectively. Construction Expenditures of $277 million, $418 million and $706 million in 2010, 2009 and 2008, respectively, were primarily related to environmental upgrades and projects to improve service reliability for transmission and distribution. Environmental upgrades include the installation of FGD projects at the Amos and Cardinal Plants.

Financing Activities

Net Cash Flows Used for Financing Activities were $896 million in 2010. OPCo retired $600 million of Senior Unsecured Notes and $118 million of Pollution Control Bonds. In addition, OPCo paid $367 million of dividends on common stock. These decreases were partially offset by the issuance of $204 million of Pollution Control Bonds.

Net Cash Flows from Financing Activities were $481 million in 2009 primarily due to a $550 million Capital Contribution from Parent as well as a $500 million issuance of Senior Unsecured Notes. These increases were partially offset by a $218 million reaquisition of Pollution Control Bonds related to JMG and a $78 million retirement of Notes Payable – Nonaffiliated. OPCo also had a net decrease in borrowings of $134 million from the Utility Money Pool and paid $95 million in common stock dividends to Parent.

Net Cash Flows from Financing Activities were $222 million in 2008. OPCo issued $244 million of Pollution Control Bonds and $250 million of Senior Unsecured Notes. These increases were partially offset by the retirement of $250 million of Pollution Control Bonds, $37 million of Senior Unsecured Notes and $18 million of Notes Payable – Nonaffiliated.

CONTRACTUAL OBLIGATION INFORMATION

OPCo's contractual cash obligations include amounts reported on OPCo's Consolidated Balance Sheets and other obligations disclosed in the footnotes. The following table summarizes OPCo's contractual cash obligations at December 31, 2010:

Payments Due by Period

Contractual Cash Obligations	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Interest on Fixed Rate Portion of Long-term Debt (a)	$ 140.4	$ 274.0	$ 198.0	$ 814.2	$ 1,426.6
Fixed Rate Portion of Long-term Debt (b)	-	500.0	629.6	1,440.0	2,569.6
Variable Rate Portion of Long-term Debt (c)	165.0	-	-	-	165.0
Capital Lease Obligations (d)	11.7	18.3	11.4	22.0	63.4
Noncancelable Operating Leases (d)	20.7	38.4	36.1	71.4	166.6
Fuel Purchase Contracts (e)	887.8	1,546.7	1,184.4	2,551.6	6,170.5
Energy and Capacity Purchase Contracts (f)	6.5	8.8	3.4	21.5	40.2
Construction Contracts for Capital Assets (g)	43.3	62.4	65.5	109.0	280.2
Total	$ 1,275.4	$ 2,448.6	$ 2,128.4	$ 5,029.7	$ 10,882.1

(a) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2010 and do not reflect anticipated future refinancings, early redemptions or debt issuances.
(b) See "Long-term Debt" section of Note 14. Represents principal only excluding interest.
(c) See "Long-term Debt" section of Note 14. Represents principal only excluding interest. Variable rate debt had interest rates that ranged between 0.30% and 0.48% at December 31, 2010.
(d) See Note 13.
(e) Represents contractual obligations to purchase coal and other consumables as fuel for electric generation along with related transportation of the fuel.
(f) Represents contractual obligations for energy and capacity purchase contracts.
(g) Represents only capital assets for which OPCo has signed contracts. Actual payments are dependent upon and may vary significantly based upon the decision to build, regulatory approval schedules, timing and escalation of project costs.

OPCo's $21 million liability related to uncertainty in Income Taxes is not included above because management cannot reasonably estimate the cash flows by period.

OPCo's pension funding requirements are not included in the above table. As of December 31, 2010, management expects to make contributions to the pension plans totaling $12.6 million in 2011. Estimated contributions of $17.9 million in 2012 and $18 million in 2013 may vary significantly based on market returns, changes in actuarial assumptions and other factors. Based upon the benefit obligation and fair value of assets available to pay pension benefits, OPCo's pension plan obligation was 82.3% funded as of December 31, 2010.

In addition to the amounts disclosed in the contractual cash obligations table above, OPCo makes additional commitments in the normal course of business. OPCo's commitments outstanding at December 31, 2010 under these agreements are summarized in the table below:

Amount of Commitment Expiration Per Period

Other Commercial Commitments	Less Than 1 year	2-3 years	4-5 years (in millions)	After 5 years	Total
Standby Letters of Credit (a)	$ 166.9	$ -	$ -	$ -	$ 166.9

(a) OPCo enters into standby letters of credit (LOCs) with third parties. These LOCs cover items such as insurance programs, security deposits, debt service reserves and variable rate Pollution Control Bonds. All of these LOCs were issued in OPCo's ordinary course of business. There is no collateral held in relation to any guarantees in excess of OPCo's ownership percentages. In the event any LOC is drawn, there is no recourse to third parties. The maximum future payments of these LOCs are $166.9 million maturing in April 2011. See "Letters of Credit" section of Note 6.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ohio Power Company:

We have audited the accompanying consolidated balance sheets of Ohio Power Company Consolidated (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ohio Power Company Consolidated as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Ohio Power Company Consolidated (OPCo) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. OPCo's internal control system was 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.

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.

Management assessed the effectiveness of OPCo's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, OPCo's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of OPCo's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit OPCo to provide only management's report in this annual report.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 2,159,206	$ 1,941,257	$ 2,116,797
Sales to AEP Affiliates	1,025,923	1,034,290	940,468
Other Revenues - Affiliated	21,069	23,457	20,732
Other Revenues - Nonaffiliated	17,509	12,570	18,937
TOTAL REVENUES	3,223,707	3,011,574	3,096,934
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	1,088,588	988,520	1,190,939
Purchased Electricity for Resale	180,721	178,123	175,429
Purchased Electricity from AEP Affiliates	93,971	74,598	140,686
Other Operation	446,264	386,323	414,945
Maintenance	238,356	224,439	213,431
Depreciation and Amortization	361,728	352,068	273,720
Taxes Other Than Income Taxes	206,277	194,310	192,734
TOTAL EXPENSES	2,615,905	2,398,381	2,601,884
OPERATING INCOME	607,802	613,193	495,050
Other Income (Expense):			
Interest Income	1,648	1,436	6,515
Carrying Costs Income	23,630	10,698	16,309
Allowance for Equity Funds Used During Construction	3,877	2,712	3,073
Interest Expense	(156,107)	(152,950)	(173,870)
INCOME BEFORE INCOME TAX EXPENSE	480,850	475,089	347,077
Income Tax Expense	169,457	166,474	114,622
NET INCOME	311,393	308,615	232,455
Less: Net Income Attributable to Noncontrolling Interest	-	2,042	1,332
NET INCOME ATTRIBUTABLE TO OPCo SHAREHOLDERS	311,393	306,573	231,123
Less: Preferred Stock Dividend Requirements	732	732	732
EARNINGS ATTRIBUTABLE TO OPCo COMMON SHAREHOLDER	$ 310,661	$ 305,841	$ 230,391

The common stock of OPCo is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	OPCo Common Shareholder					
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
TOTAL EQUITY – DECEMBER 31, 2007	$ 321,201	$ 536,640	$ 1,469,717	$ (36,541)	$ 15,923	$ 2,306,940
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $1,004			(1,864)			(1,864)
Adoption of Guidance for Fair Value Accounting, Net of Tax of $152			(282)			(282)
Common Stock Dividends – Nonaffilated					(1,332)	(1,332)
Preferred Stock Dividends			(732)			(732)
Other Changes in Equity					876	876
SUBTOTAL – EQUITY						2,303,606
COMPREHENSIVE INCOME						
Other Comprehensive Income (Loss), Net of Taxes:						
Cash Flow Hedges, Net of Tax of $1,343				2,493		2,493
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $1,515				2,813		2,813
Pension and OPEB Funded Status, Net of Tax of $55,259				(102,623)		(102,623)
NET INCOME			231,123		1,332	232,455
TOTAL COMPREHENSIVE INCOME						135,138
TOTAL EQUITY – DECEMBER 31, 2008	321,201	536,640	1,697,962	(133,858)	16,799	2,438,744
Capital Contribution from Parent		550,000				550,000
Common Stock Dividends – Affiliated			(95,000)			(95,000)
Common Stock Dividends – Nonaffiliated					(2,042)	(2,042)
Preferred Stock Dividends			(732)			(732)
Purchase of JMG		36,509			(17,910)	18,599
Other Changes in Equity					1,111	1,111
SUBTOTAL – EQUITY						2,910,680
COMPREHENSIVE INCOME						
Other Comprehensive Income, Net of Taxes:						
Cash Flow Hedges, Net of Tax of $4,392				8,156		8,156
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $3,421				6,353		6,353
Pension and OPEB Funded Status, Net of Tax of $480				891		891
NET INCOME			306,573		2,042	308,615
TOTAL COMPREHENSIVE INCOME						324,015
TOTAL EQUITY – DECEMBER 31, 2009	321,201	1,123,149	1,908,803	(118,458)	-	3,234,695
Common Stock Dividends			(366,575)			(366,575)
Preferred Stock Dividends			(732)			(732)
Gain on Reacquired Preferred Stock		4				4
SUBTOTAL – EQUITY						2,867,392
COMPREHENSIVE INCOME						
Other Comprehensive Income (Loss), Net of Taxes:						
Cash Flow Hedges, Net of Tax of $659				(1,223)		(1,223)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $3,795				7,047		7,047
Pension and OPEB Funded Status, Net of Tax of $8,715				(16,185)		(16,185)
NET INCOME			311,393			311,393
TOTAL COMPREHENSIVE INCOME						301,032
TOTAL EQUITY – DECEMBER 31, 2010	$ 321,201	$ 1,123,153	$ 1,852,889	$ (128,819)	$ -	$ 3,168,424

See Notes to Financial Statements of Registrant Subsidiaries beginning on Page 246.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 440	$ 1,984
Advances to Affiliates	100,500	438,352
Accounts Receivable:		
Customers	86,186	60,711
Affiliated Companies	198,845	200,579
Accrued Unbilled Revenues	27,928	15,021
Miscellaneous	2,368	2,701
Allowance for Uncollectible Accounts	(2,184)	(2,665)
Total Accounts Receivable	313,143	276,347
Fuel	257,289	336,866
Materials and Supplies	134,181	115,486
Risk Management Assets	30,773	50,048
Accrued Tax Benefits	69,021	143,473
Prepayments and Other Current Assets	33,998	26,301
TOTAL CURRENT ASSETS	939,345	1,388,857
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	6,890,110	6,731,469
Transmission	1,234,677	1,166,557
Distribution	1,626,390	1,567,871
Other Property, Plant and Equipment	359,254	348,718
Construction Work in Progress	153,110	198,843
Total Property, Plant and Equipment	10,263,541	10,013,458
Accumulated Depreciation and Amortization	3,606,777	3,318,896
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	6,656,764	6,694,562
OTHER NONCURRENT ASSETS		
Regulatory Assets	934,011	742,905
Long-term Risk Management Assets	28,012	28,003
Deferred Charges and Other Noncurrent Assets	189,195	184,812
TOTAL OTHER NONCURRENT ASSETS	1,151,218	955,720
TOTAL ASSETS	$ 8,747,327	$ 9,039,139

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Accounts Payable:		
General	$ 170,240	$ 182,848
Affiliated Companies	136,215	92,766
Long-term Debt Due Within One Year – Nonaffiliated	165,000	679,450
Risk Management Liabilities	22,166	24,391
Customer Deposits	28,228	22,409
Accrued Taxes	229,253	203,335
Accrued Interest	46,184	46,431
Other Current Liabilities	98,687	104,889
TOTAL CURRENT LIABILITIES	895,973	1,356,519
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,364,522	2,363,055
Long-term Debt – Affiliated	200,000	200,000
Long-term Risk Management Liabilities	8,403	12,510
Deferred Income Taxes	1,531,639	1,302,939
Regulatory Liabilities and Deferred Investment Tax Credits	126,403	128,187
Employee Benefits and Pension Obligations	246,517	269,485
Deferred Credits and Other Noncurrent Liabilities	188,830	155,122
TOTAL NONCURRENT LIABILITIES	4,666,314	4,431,298
TOTAL LIABILITIES	5,562,287	5,787,817
Cumulative Preferred Stock Not Subject to Mandatory Redemption	16,616	16,627
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 40,000,000 Shares		
Outstanding – 27,952,473 Shares	321,201	321,201
Paid-in Capital	1,123,153	1,123,149
Retained Earnings	1,852,889	1,908,803
Accumulated Other Comprehensive Income (Loss)	(128,819)	(118,458)
TOTAL COMMON SHAREHOLDER'S EQUITY	3,168,424	3,234,695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 8,747,327	$ 9,039,139

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 311,393	$ 308,615	$ 232,455
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	361,728	352,068	273,720
Deferred Income Taxes	218,246	382,794	42,717
Carrying Costs Income	(23,630)	(10,698)	(16,309)
Allowance for Equity Funds Used During Construction	(3,877)	(2,712)	(3,073)
Mark-to-Market of Risk Management Contracts	13,444	(5,486)	(13,839)
Pension Contributions to Qualified Plan Trust	(51,641)	-	-
Property Taxes	(6,861)	(7,109)	(5,507)
Fuel Over/Under-Recovery, Net	(153,643)	(297,570)	-
Change in Other Noncurrent Assets	3,200	4,913	(48,653)
Change in Other Noncurrent Liabilities	(6,418)	35,130	(10,445)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(38,066)	(29,927)	5,104
Fuel, Materials and Supplies	64,801	(155,557)	(89,058)
Accounts Payable	43,060	(121,117)	126,716
Customer Deposits	5,819	(1,924)	(6,280)
Accrued Taxes, Net	87,476	(119,428)	(11,210)
Other Current Assets	(1,310)	2,877	(10,730)
Other Current Liabilities	(1,914)	(13,835)	20,269
Net Cash Flows from Operating Activities	821,807	321,034	485,877
INVESTING ACTIVITIES			
Construction Expenditures	(276,736)	(417,601)	(706,315)
Change in Advances to Affiliates, Net	337,852	(438,352)	-
Acquisitions of Assets	(5,059)	(1,197)	(2,033)
Proceeds from Sales of Assets	17,211	38,640	8,293
Other Investing Activities	(156)	5,529	(1,734)
Net Cash Flows from (Used for) Investing Activities	73,112	(812,981)	(701,789)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	550,000	-
Issuance of Long-term Debt – Nonaffiliated	202,380	493,775	491,204
Change in Short-term Debt, Net – Nonaffiliated	-	-	(701)
Change in Advances from Affiliates, Net	-	(133,887)	32,339
Retirement of Long-term Debt – Nonaffiliated	(718,580)	(295,500)	(305,188)
Retirement of Cumulative Preferred Stock	(7)	(1)	-
Principal Payments for Capital Lease Obligations	(7,447)	(4,271)	(5,736)
Dividends Paid on Common Stock – Nonaffiliated	-	(2,042)	(1,332)
Dividends Paid on Common Stock – Affiliated	(366,575)	(95,000)	-
Dividends Paid on Cumulative Preferred Stock	(732)	(732)	(732)
Acquisition of JMG Noncontrolling Interest	-	(28,221)	-
Other Financing Activities	(5,502)	(2,869)	12,071
Net Cash Flows from (Used for) Financing Activities	(896,463)	481,252	221,925
Net Increase (Decrease) in Cash and Cash Equivalents	(1,544)	(10,695)	6,013
Cash and Cash Equivalents at Beginning of Period	1,984	12,679	6,666
Cash and Cash Equivalents at End of Period	$ 440	$ 1,984	$ 12,679
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 154,744	$ 147,573	$ 144,790
Net Cash Paid (Received) for Income Taxes	(115,073)	(62,704)	100,430
Noncash Acquisitions Under Capital Leases	23,736	2,383	3,910
Noncash Acquisitions of Coal Land Rights	-	-	41,600
Construction Expenditures Included in Accounts Payable at December 31,	17,710	29,929	33,177
SIA Refund Included in Accounts Payable at December 31,	-	-	62,045

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

OHIO POWER COMPANY CONSOLIDATED
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to OPCo's financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to OPCo. The footnotes begin on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA

PUBLIC SERVICE COMPANY OF OKLAHOMA
SELECTED FINANCIAL DATA
(in thousands)

	2010	2009	2008	2007	2006
STATEMENTS OF OPERATIONS DATA					
Total Revenues	$ 1,273,662	$ 1,124,750	$ 1,655,945 (a)	$ 1,395,550	$ 1,441,784
Operating Income (Loss)	$ 181,992	$ 170,308	$ 160,463 (a)(b)	$ (4,835)(c)	$ 90,993
Net Income (Loss)	$ 72,787	$ 75,602	$ 78,484 (a)(b)	$ (24,124)(c)	$ 36,860
BALANCE SHEETS DATA					
Total Property, Plant and Equipment	$ 3,975,329	$ 3,809,558	$ 3,692,011	$ 3,459,181	$ 3,186,294
Accumulated Depreciation and Amortization	1,255,064	1,220,177	1,192,130	1,182,171	1,187,107
Total Property, Plant and Equipment – Net	$ 2,720,265	$ 2,589,381	$ 2,499,881	$ 2,277,010	$ 1,999,187
Total Assets	$ 3,284,071	$ 3,169,207	$ 3,100,798	$ 2,843,871	$ 2,565,579
Total Common Shareholder's Equity	$ 842,472	$ 811,742	$ 748,246	$ 640,898	$ 585,438
Cumulative Preferred Stock Not Subject to Mandatory Redemption	$ 4,882	$ 5,258	$ 5,262	$ 5,262	$ 5,262
Long-term Debt (d)	$ 971,186	$ 968,121	$ 884,859	$ 918,316	$ 669,998
Obligations Under Capital Leases (d)	$ 18,389 (e)	$ 5,470	$ 3,478	$ 4,028	$ 4,816

(a) Includes the net favorable effect of the recognition of off-system sales margins as ordered by the FERC in November 2008. See "Allocation of Off-system Sales Margins" section of Note 4.
(b) Includes the favorable effect of the 2008 deferral of Oklahoma ice storm expenses incurred in 2007.
(c) Includes expenses incurred from ice storms in January and December 2007.
(d) Includes portion due within one year.
(e) Obligations Under Capital Leases increased primarily due to capital leases under new master lease agreements for property that was previously leased under operating leases.

EXECUTIVE OVERVIEW

Company Overview

As a public utility, PSO engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to approximately 532,000 retail customers in its service territory in eastern and southwestern Oklahoma. PSO sells electric power at wholesale to other utilities, municipalities and electric cooperatives.

PSO, as a member of the CSW Operating Agreement, is compensated for energy delivered to the other member based upon the delivering member's incremental cost plus a portion of the savings realized by the purchasing member that avoids the use of more costly alternatives. PSO and SWEPCo share the revenues and costs of sales to neighboring utilities and power marketers made by AEPSC on their behalf based upon the relative magnitude of the energy each company provides to make such sales. PSO shares off-system sales margins, if positive on an annual basis, with its customers.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on PSO's behalf. PSO shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the AEP East companies and SWEPCo. Power and gas risk management activities are allocated based on the CSW Operating Agreement and the SIA. PSO shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

PSO is jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Regulatory Activity

In July 2010, PSO filed a request with the OCC to increase annual base rates by $82 million, including $30 million that is currently being recovered through a rider. The requested net annual increase to ratepayers would be $52 million. The requested increase included a $24 million increase in depreciation and an 11.5% return on common equity. In January 2011, the OCC approved a settlement agreement which did not change annual revenue or depreciation rates, but transferred $30 million into base rates that was previously being recovered through a capital investment rider. The order provided a 10.15% return on common equity and new rates were effective in February 2011. See "2010 Oklahoma Base Rate Case" section of Note 4.

Litigation and Environmental Issues

In the ordinary course of business, PSO is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31, 2010	2009	2008
	(in millions of KWH)		
Retail:			
Residential	6,595	6,004	5,997
Commercial	5,136	4,974	4,890
Industrial	4,921	4,742	5,551
Miscellaneous	1,265	1,236	1,315
Total Retail	17,917	16,956	17,753
Wholesale	1,190	982	949
Total KWHs	19,107	17,938	18,702

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31, 2010	2009	2008
	(in degree days)		
Actual - Heating (a)	1,993	1,840	1,864
Normal - Heating (b)	1,784	1,789	1,809
Actual - Cooling (c)	2,380	1,861	2,003
Normal - Cooling (b)	2,095	2,126	2,130

(a) Western Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Western Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Net Income
(in millions)

Year Ended December 31, 2009	$	76
Changes in Gross Margin:		
Retail Margins (a)		52
Transmission Revenues		1
Other Revenues		(1)
Total Change in Gross Margin		52
Total Expenses and Other:		
Other Operation and Maintenance		(45)
Depreciation and Amortization		5
Taxes Other Than Income Taxes		(1)
Other Income		(4)
Interest Expense		(4)
Total Expenses and Other		(49)
Income Tax Expense		(6)
Year Ended December 31, 2010	$	73

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $52 million primarily due to the following:
  - A $37 million increase primarily due to rate increases.
  - A $27 million increase in weather-related usage primarily due to a 28% increase in cooling degree days and an 8% increase in heating degree days.

  These increases were partially offset by:
  - A $10 million decrease primarily due to lower wholesale municipal customer revenues and increased capacity and fuel costs.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses increased $45 million primarily due to the following:
  - A $24 million increase primarily due to expenses related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.
  - A $9 million increase in demand side management programs.
  - A $7 million increase in plant maintenance expense resulting primarily from the 2009 deferral of generation maintenance expenses as a result of PSO's 2008 base rate case.
  - A $5 million increase in employee-related expenses.
- **Depreciation and Amortization** expenses decreased $5 million primarily due to a decrease in amortization of regulatory assets related to Generation Cost Recovery (GCR) and the Lawton Settlement which were fully recovered in August 2009 and August 2010, respectively. The decrease was partially offset by an increase in depreciation on higher levels of depreciable plant and by the amortization of storm-related regulatory assets.

- **Other Income** decreased $4 million primarily due to the following:
  - A $2 million decrease in interest income primarily due to the Lawton Settlement regulatory asset.
  - A $1 million decrease in carrying charges for GCR and storm-related regulatory assets.
- **Interest Expense** increased $4 million primarily due to increased long-term debt outstanding.
- **Income Tax Expense** increased $6 million due to the recording of state income tax adjustments and to an increase in pretax book income.

2009 Compared to 2008

Reconciliation of Year Ended December 31, 2008 to Year Ended December 31, 2009
Net Income
(in millions)

Year Ended December 31, 2008	$	78
Changes in Gross Margin:		
Retail Margins (a)		75
Off-system Sales		(3)
Transmission Revenues		2
Other Revenues		(11)
Total Change in Gross Margin		63
Total Expenses and Other:		
Other Operation and Maintenance		29
Deferral of Ice Storm Costs		(74)
Depreciation and Amortization		(5)
Taxes Other Than Income Taxes		(3)
Other Income		(23)
Carrying Costs Income		(5)
Interest Expense		18
Total Expenses and Other		(63)
Income Tax Expense		(2)
Year Ended December 31, 2009	$	76

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $75 million primarily due to the following:
  - An $86 million increase primarily resulting from base rate increases during the year, including revenue increases from rate riders of $22 million. This increase in rider revenue was offset by a corresponding $14 million increase in Other Operation and Maintenance expenses and a $4 million increase in Depreciation and Amortization expenses discussed below.

  This increase was partially offset by:
  - A $14 million decrease due to the net favorable effect of the recognition of off-system sales margins as ordered by the FERC in November 2008.
- **Other Revenues** decreased $11 million primarily due to the recognition of the sale of SO_2 allowances in 2008, partially offset by a corresponding $9 million decrease in Other Operation and Maintenance expenses discussed below.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased $29 million primarily due to the following:
  - The write-off in 2008 of $10 million of unrecoverable pre-construction costs related to the cancelled Red Rock Generating Facility.
  - An $8 million decrease in plant maintenance expense primarily due to the deferral of generation maintenance expenses as a result of PSO's 2008 base rate case.
  - A $5 million decrease in contributions.
  - A $4 million decrease primarily resulting from the reduced sale of receivable expense due to decreased revenues.

- A $3 million decrease in expense related to maintenance of overhead transmission lines and miscellaneous transmission maintenance expenses.

These decreases were partially offset by:

- A $5 million net increase due to increased amortization of regulatory assets and liabilities related to the 2007 ice storm, demand side management and distribution vegetation management, offset by a corresponding increase in rider revenue discussed above.

- **Deferral of Ice Storm Costs** in 2008 of $74 million results from an OCC order approving recovery of ice storm costs incurred in January and December 2007.
- **Depreciation and Amortization** expenses increased $5 million primarily due to a $4 million increase in amortization of regulatory assets, the largest of which was related to the GCR regulatory asset. This increase was offset by a corresponding increase in rider revenue discussed above.
- **Other Income** decreased $23 million primarily due to interest income in 2008 from the AEP East companies for the refund of off-system sales margins in accordance with the FERC's order related to the SIA.
- **Carrying Costs Income** decreased $5 million due to the declining balance of unrecovered GCR regulatory assets being collected from customers, which were fully recovered in August 2009.
- **Interest Expense** decreased $18 million primarily due to interest expense to customers in 2008 for off-system sales margins in accordance with the FERC's order related to the SIA.
- **Income Tax Expense** increased $2 million primarily due to an increase in state income tax expense, partially offset by a decrease in pretax book income.

FINANCIAL CONDITION

LIQUIDITY

PSO participates in the Utility Money Pool, which provides access to AEP's liquidity. PSO relies upon ready access to capital markets, cash flows from operations and access to the Utility Money Pool to fund current operations and capital expenditures. See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of liquidity.

Credit Ratings

PSO's ultimate access to capital markets may depend on its credit ratings. In addition, a credit rating downgrade of PSO by one of the rating agencies could increase PSO's borrowing costs. Failure to maintain investment grade ratings may constrain PSO's ability to participate in the Utility Money Pool or the amount of PSO's receivables securitized by AEP Credit. Counterparty concerns about PSO's credit quality could subject PSO to additional collateral demands under adequate assurance clauses under derivative and non-derivative energy contracts.

CASH FLOW

Cash flows for 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Cash and Cash Equivalents at Beginning of Period	$ 796	$ 1,345	$ 1,370
Cash Flows from (Used for):			
Operating Activities	93,946	239,653	167,956
Investing Activities	(132,569)	(237,975)	(233,464)
Financing Activities	38,297	(2,227)	65,483
Net Decrease in Cash and Cash Equivalents	(326)	(549)	(25)
Cash and Cash Equivalents at End of Period	$ 470	$ 796	$ 1,345

Operating Activities

Net Cash Flows from Operating Activities were $94 million in 2010. PSO produced Net Income of $73 million during the period and had noncash expense items of $105 million for Depreciation and Amortization and $93 million for Deferred Income Taxes. The $19 million outflow in Change in Other Noncurrent Assets was primarily the result of the deferral of January 2010 ice storm costs. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $24 million outflow from Accrued Taxes, Net was primarily due to an increase in accrued tax benefits as a result of PSO's 2010 federal net income tax operating loss. Items contributing to the net income tax operating loss included bonus depreciation and the favorable impact of a change in tax accounting method related to units of property. The $21 million outflow from Accounts Payable was primarily due to a decrease in affiliated payables. The $10 million outflow in Accounts Receivable, Net was primarily due to the refund anticipated from Parent as a result of PSO's 2010 federal net income tax operating loss. The $88 million outflow from Fuel Over/Under-Recovery, Net was the result of returning previously over-recovered fuel costs to customers and higher fuel costs in relation to commission-approved fuel recovery rates.

Net Cash Flows from Operating Activities were $240 million in 2009. PSO produced Net Income of $76 million during the period and had noncash expense items of $110 million for Depreciation and Amortization and $56 million for Deferred Income Taxes. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $81 million inflow from Accounts Receivable, Net was primarily due to receiving the SIA refund from the AEP East companies. The $16 million outflow from Accounts Payable was primarily due to decreases in customer accounts factored and purchased power payables. The $10 million outflow from Accrued Taxes, Net was due to an increase in accrued tax benefits resulting from a net income tax operating loss in 2009. The $59 million outflow from Fuel Over/Under-Recovery, Net was primarily due to refunding customers previously over-recovered fuel costs, including those associated with the SIA refund.

Net Cash Flows from Operating Activities were $168 million in 2008. PSO produced Net Income of $78 million during the period and had noncash expense items of $105 million for Depreciation and Amortization and $68 million for Deferred Income Taxes. PSO established a $74 million regulatory asset for an OCC order approving recovery of ice storm costs related to storms in January and December 2007. PSO recorded a Provision for SIA Refund of $52 million to its customers for off-system sales margins to be received from the AEP East companies as ordered by the FERC related to the SIA. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $89 million outflow from Accounts Payable was primarily due to a decrease in accounts payable accruals and purchased power payables. The $41 million change in Accounts Receivable, Net was primarily the result of the refund to be received from the AEP East companies related to the SIA. The $29 million inflow from Accrued Taxes, Net was the result of a refund for the 2007 overpayment of federal income taxes and increased accruals related to property and income taxes. The $47 million inflow from Fuel Over/Under-Recovery, Net resulted from revenues exceeding recoverable fuel costs.

Investing Activities

Net Cash Flows Used for Investing Activities in 2010, 2009 and 2008 were $133 million, $238 million and $233 million, respectively. Construction Expenditures of $195 million, $175 million and $286 million in 2010, 2009 and 2008, respectively, were primarily related to projects for improved generation, transmission and distribution service reliability, customer service work and storm restoration. In 2010 and 2009, PSO had a net decrease and increase, respectively, of $63 million in loans to the Utility Money Pool. In 2008, PSO had a net decrease of $51 million in loans to the Utility Money Pool.

Financing Activities

Net Cash Flows from Financing Activities were $38 million in 2010. PSO had a net increase of $91 million in borrowings from the Utility Money Pool. This inflow was partially offset by $51 million paid in dividends on common stock.

Net Cash Flows Used for Financing Activities were $2 million in 2009. PSO issued $250 million of Senior Unsecured Notes and $34 million of Pollution Control Bonds, partially offset by the retirement of $200 million of Senior Unsecured Notes. PSO had a net decrease of $70 million in borrowings from the Utility Money Pool. In addition, PSO paid $32 million in common stock dividends and received capital contributions from the Parent of $20 million.

Net Cash Flows from Financing Activities were $65 million in 2008. PSO had a net increase of $70 million in borrowings from the Utility Money Pool and received capital contributions from the Parent of $30 million. These inflows were partially offset by PSO's repurchasing of $34 million of Pollution Control Bonds in May 2008.

In January 2011, PSO issued $250 million of 4.4% Senior Unsecured Notes due in 2021.

In January 2011, PSO gave notice to retire $200 million of 6% Senior Unsecured Notes due in 2032 on February 28, 2011.

CONTRACTUAL OBLIGATION INFORMATION

PSO's contractual cash obligations include amounts reported on PSO's Balance Sheets and other obligations disclosed in the footnotes. The following table summarizes PSO's contractual cash obligations at December 31, 2010:

Payments Due by Period

Contractual Cash Obligations	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Advances from Affiliates	$ 91.4	$ -	$ -	$ -	$ 91.4
Interest on Fixed Rate Portion of Long-term Debt (a)	54.8	106.0	103.3	631.6	895.7
Fixed Rate Portion of Long-term Debt (b)	25.0	0.3	34.0	914.3	973.6
Capital Lease Obligations (c)	5.4	7.8	4.2	4.1	21.5
Noncancelable Operating Leases (c)	2.3	3.5	1.5	1.0	8.3
Fuel Purchase Contracts (d)	256.6	113.8	30.1	-	400.5
Energy and Capacity Purchase Contracts (e)	18.0	114.8	131.5	590.7	855.0
Construction Contracts for Capital Assets (f)	36.0	53.9	44.8	118.9	253.6
Total	$ 489.5	$ 400.1	$ 349.4	$ 2,260.6	$ 3,499.6

(a) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2010 and do not reflect anticipated future refinancings, early redemptions or debt issuances.
(b) See "Long-term Debt" section of Note 14. Represents principal only excluding interest.
(c) See Note 13.
(d) Represents contractual obligations to purchase coal, natural gas and other consumables as fuel for electric generation along with related transportation of the fuel.
(e) Represents contractual obligations for energy and capacity purchase contracts.
(f) Represents only capital assets for which PSO has signed contracts. Actual payments are dependent upon and may vary significantly based upon the decision to build, regulatory approval schedules, timing and escalation of project costs.

PSO's $9 million liability related to uncertainty in Income Taxes is not included above because management cannot reasonably estimate the cash flows by period.

PSO's pension funding requirements are not included in the above table. As of December 31, 2010, management expects to make contributions to the pension plans totaling $5.4 million in 2011. Estimated contributions of $18 million in 2012 and $14.5 million in 2013 may vary significantly based on market returns, changes in actuarial assumptions and other factors. Based upon the benefit obligation and fair value of assets available to pay pension benefits, PSO's pension plan obligation was 79.6% funded as of December 31, 2010.

As of December 31, 2010, PSO had no outstanding standby letters of credit or guarantees of performance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Public Service Company of Oklahoma:

We have audited the accompanying balance sheets of Public Service Company of Oklahoma (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in common shareholder's equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Public Service Company of Oklahoma as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Public Service Company of Oklahoma (PSO) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. PSO's internal control system was 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.

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.

Management assessed the effectiveness of PSO's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, PSO's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of PSO's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit PSO to provide only management's report in this annual report.

PUBLIC SERVICE COMPANY OF OKLAHOMA
STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 1,246,916	$ 1,075,014	$ 1,549,490
Sales to AEP Affiliates	23,528	45,756	101,602
Other Revenues	3,218	3,980	4,853
TOTAL REVENUES	1,273,662	1,124,750	1,655,945
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	373,317	310,168	774,089
Purchased Electricity for Resale	187,106	180,055	270,536
Purchased Electricity from AEP Affiliates	46,013	19,331	59,344
Other Operation	222,396	185,575	208,930
Maintenance	115,788	108,020	113,305
Deferral of Ice Storm Costs	-	-	(74,217)
Depreciation and Amortization	104,929	110,149	105,249
Taxes Other Than Income Taxes	42,121	41,144	38,246
TOTAL EXPENSES	1,091,670	954,442	1,495,482
OPERATING INCOME	181,992	170,308	160,463
Other Income (Expense):			
Interest Income	308	1,879	25,248
Carrying Costs Income	3,145	4,642	10,138
Allowance for Equity Funds Used During Construction	804	1,787	1,822
Interest Expense	(63,362)	(59,093)	(76,910)
INCOME BEFORE INCOME TAX EXPENSE	122,887	119,523	120,761
Income Tax Expense	50,100	43,921	42,277
NET INCOME	72,787	75,602	78,484
Preferred Stock Dividend Requirements	200	212	212
EARNINGS ATTRIBUTABLE TO COMMON STOCK	$ 72,587	$ 75,390	$ 78,272

The common stock of PSO is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA
STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2007	$ 157,230	$ 310,016	$ 174,539	$ (887)	$ 640,898
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $596			(1,107)		(1,107)
Capital Contribution from Parent		30,000			30,000
Preferred Stock Dividends			(212)		(212)
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					669,579
COMPREHENSIVE INCOME					
Other Comprehensive Income, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $99				183	183
NET INCOME			78,484		78,484
TOTAL COMPREHENSIVE INCOME					78,667
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2008	157,230	340,016	251,704	(704)	748,246
Capital Contribution from Parent		20,000			20,000
Common Stock Dividends			(32,000)		(32,000)
Preferred Stock Dividends			(212)		(212)
Gain on Reacquired Preferred Stock		1			1
Other Changes in Common Shareholder's Equity		4,214	(4,214)		-
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					736,035
COMPREHENSIVE INCOME					
Other Comprehensive Income, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $57				105	105
NET INCOME			75,602		75,602
TOTAL COMPREHENSIVE INCOME					75,707
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2009	157,230	364,231	290,880	(599)	811,742
Common Stock Dividends			(51,026)		(51,026)
Preferred Stock Dividends			(200)		(200)
Gain on Reacquired Preferred Stock		76			76
SUBTOTAL – COMMON SHAREHOLDER'S EQUITY					760,592
COMPREHENSIVE INCOME					
Other Comprehensive Income, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $4,896				9,093	9,093
NET INCOME			72,787		72,787
TOTAL COMPREHENSIVE INCOME					81,880
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2010	$ 157,230	$ 364,307	$ 312,441	$ 8,494	$ 842,472

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA
BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 470	$ 796
Advances to Affiliates	-	62,695
Accounts Receivable:		
Customers	43,049	38,239
Affiliated Companies	65,070	59,096
Miscellaneous	5,497	7,242
Allowance for Uncollectible Accounts	(971)	(304)
Total Accounts Receivable	112,645	104,273
Fuel	20,176	20,892
Materials and Supplies	46,247	44,914
Risk Management Assets	14,225	2,376
Deferred Income Tax Benefits	-	26,335
Accrued Tax Benefits	38,589	15,291
Regulatory Asset for Under-Recovered Fuel Costs	37,262	-
Prepayments and Other Current Assets	9,416	9,139
TOTAL CURRENT ASSETS	279,030	286,711
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,330,368	1,300,069
Transmission	663,994	617,291
Distribution	1,686,470	1,596,355
Other Property, Plant and Equipment	235,406	228,705
Construction Work in Progress	59,091	67,138
Total Property, Plant and Equipment	3,975,329	3,809,558
Accumulated Depreciation and Amortization	1,255,064	1,220,177
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,720,265	2,589,381
OTHER NONCURRENT ASSETS		
Regulatory Assets	263,545	279,185
Long-term Risk Management Assets	252	50
Deferred Charges and Other Noncurrent Assets	20,979	13,880
TOTAL OTHER NONCURRENT ASSETS	284,776	293,115
TOTAL ASSETS	$ 3,284,071	$ 3,169,207

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 91,382	$ -
Accounts Payable:		
General	69,155	76,895
Affiliated Companies	53,179	71,099
Long-term Debt Due Within One Year – Nonaffiliated	25,000	-
Risk Management Liabilities	922	2,579
Customer Deposits	41,217	42,002
Accrued Taxes	25,390	19,471
Regulatory Liability for Over-Recovered Fuel Costs	-	51,087
Other Current Liabilities	47,333	60,905
TOTAL CURRENT LIABILITIES	353,578	324,038
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	946,186	968,121
Long-term Risk Management Liabilities	197	144
Deferred Income Taxes	660,783	588,768
Regulatory Liabilities and Deferred Investment Tax Credits	336,961	326,931
Employee Benefits and Pension Obligations	98,107	107,748
Deferred Credits and Other Noncurrent Liabilities	40,905	36,457
TOTAL NONCURRENT LIABILITIES	2,083,139	2,028,169
TOTAL LIABILITIES	2,436,717	2,352,207
Cumulative Preferred Stock Not Subject to Mandatory Redemption	4,882	5,258
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $15 Per Share:		
Authorized – 11,000,000 Shares		
Issued – 10,482,000 Shares		
Outstanding – 9,013,000 Shares	157,230	157,230
Paid-in Capital	364,307	364,231
Retained Earnings	312,441	290,880
Accumulated Other Comprehensive Income (Loss)	8,494	(599)
TOTAL COMMON SHAREHOLDER'S EQUITY	842,472	811,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,284,071	$ 3,169,207

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 72,787	$ 75,602	$ 78,484
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	104,929	110,149	105,249
Deferred Income Taxes	92,695	56,029	67,874
Provision for SIA Refund	-	-	52,100
Carrying Costs Income	(3,145)	(4,642)	(10,138)
Deferral of Ice Storm Costs	-	-	(74,217)
Allowance for Equity Funds Used During Construction	(804)	(1,787)	(1,822)
Mark-to-Market of Risk Management Contracts	160	1,791	5,151
Fuel Over/Under-Recovery, Net	(88,349)	(59,462)	46,553
Unrealized Forward Commitments, Net	46	(1,928)	(5,263)
Change in Other Noncurrent Assets	(19,325)	7,713	6,117
Change in Other Noncurrent Liabilities	3,764	625	(6,774)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(10,094)	81,446	(40,725)
Fuel, Materials and Supplies	(617)	5,301	(4,022)
Margin Deposits	217	499	8,093
Accounts Payable	(20,601)	(16,431)	(89,413)
Accrued Taxes, Net	(23,605)	(10,230)	28,506
Other Current Assets	4,229	(6,426)	491
Other Current Liabilities	(18,341)	1,404	1,712
Net Cash Flows from Operating Activities	93,946	239,653	167,956
INVESTING ACTIVITIES			
Construction Expenditures	(194,896)	(175,122)	(285,826)
Change in Other Temporary Investments, Net	3	-	5
Change in Advances to Affiliates, Net	62,695	(62,695)	51,202
Acquisitions of Assets	(2,819)	(2,646)	(1,409)
Proceeds from Sales of Assets	2,448	2,488	2,564
Net Cash Flows Used for Investing Activities	(132,569)	(237,975)	(233,464)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	20,000	30,000
Issuance of Long-term Debt – Nonaffiliated	2,240	280,732	-
Change in Advances from Affiliates, Net	91,382	(70,308)	70,308
Retirement of Long-term Debt – Nonaffiliated	-	(200,000)	(33,700)
Retirement of Cumulative Preferred Stock	(300)	(2)	-
Principal Payments for Capital Lease Obligations	(3,991)	(1,485)	(1,551)
Dividends Paid on Common Stock	(51,026)	(32,000)	-
Dividends Paid on Cumulative Preferred Stock	(200)	(212)	(212)
Other Financing Activities	192	1,048	638
Net Cash Flows from (Used For) Financing Activities	38,297	(2,227)	65,483
Net Decrease in Cash and Cash Equivalents	(326)	(549)	(25)
Cash and Cash Equivalents at Beginning of Period	796	1,345	1,370
Cash and Cash Equivalents at End of Period	$ 470	$ 796	$ 1,345
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 57,970	$ 71,135	$ 53,132
Net Cash Paid (Received) for Income Taxes	(16,770)	1,040	(50,022)
Noncash Acquisitions Under Capital Leases	13,794	3,478	1,008
Construction Expenditures Included in Accounts Payable at December 31,	6,842	11,901	18,004
SIA Refund Included in Accounts Receivable at December 31,	-	-	72,311

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

PUBLIC SERVICE COMPANY OF OKLAHOMA
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to PSO's financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to PSO. The footnotes begin on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands)

	2010 (a)	2009	2008	2007	2006
STATEMENTS OF INCOME DATA					
Total Revenues	$ 1,523,534	$ 1,389,302	$ 1,554,762	$ 1,483,462	$ 1,431,839
Operating Income	$ 248,797	$ 162,512	$ 172,645	$ 134,702	$ 189,618
Income Before Extraordinary Loss	$ 146,684	$ 122,528	$ 96,445	$ 69,771	$ 94,591
Extraordinary Loss, Net of Tax	-	(5,325) (b)	-	-	-
Net Income	146,684	117,203	96,445	69,771	94,591
Less: Net Income Attributable to Noncontrolling Interest	4,093	3,130	3,691	3,507	2,868
Net Income Attributable to SWEPCo Shareholders	142,591	114,073	92,754	66,264	91,723
Less: Preferred Stock Dividend Requirements	229	229	229	229	229
Earnings Attributable to SWEPCo Common Shareholder	$ 142,362	$ 113,844	$ 92,525	$ 66,035	$ 91,494
BALANCE SHEETS DATA					
Total Property, Plant and Equipment	$ 6,556,077	$ 6,064,895	$ 5,576,528	$ 4,876,912	$ 4,328,247
Accumulated Depreciation and Amortization	2,130,351	2,086,333	2,014,154	1,939,044	1,834,145
Total Property, Plant and Equipment – Net	$ 4,425,726	$ 3,978,562	$ 3,562,374	$ 2,937,868	$ 2,494,102
Total Assets	$ 5,243,567	$ 4,640,033	$ 4,253,085	$ 3,488,386	$ 3,175,071
Total Common Shareholder's Equity	$ 1,666,988	$ 1,524,126	$ 1,248,653	$ 972,955	$ 821,202
Cumulative Preferred Stock Not Subject to Mandatory Redemption	$ 4,696	$ 4,697	$ 4,697	$ 4,697	$ 4,697
Noncontrolling Interest	$ 361	$ 31	$ 276	$ 1,687	$ 1,815
Long-term Debt (c)	$ 1,769,520 (d)	$ 1,474,153	$ 1,478,149 (d)	$ 1,197,217 (d)	$ 729,006
Obligations Under Capital Leases (c)	$ 128,664	$ 148,661 (e)	$ 112,725 (e)	$ 100,320 (e)	$ 84,715

(a) Prospectively adopted the "Consolidation" accounting guidance effective January 1, 2010 and began accounting for DHLC under the equity method of accounting.
(b) Reflects the re-application of the generation portion of Texas' retail jurisdiction in accordance with the accounting guidance for "Regulated Operations." See "SWEPCo Texas Restructuring" in "Extraordinary Item" section of Note 2.
(c) Includes portion due within one year.
(d) Increased primarily due to the construction of new generation.
(e) Increased primarily due to new leases for coal handling equipment.

EXECUTIVE OVERVIEW

Company Overview

As a public utility, SWEPCo engages in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to approximately 520,000 retail customers in its service territory in northeastern and panhandle of Texas, northwestern Louisiana and western Arkansas. SWEPCo consolidates its wholly-owned subsidiary, Southwest Arkansas Utilities Corporation. See Note 2 for a discussion of the deconsolidation of DHLC effective January 1, 2010. SWEPCo also consolidates Sabine Mining Company, a variable interest entity. SWEPCo sells electric power at wholesale to other utilities, municipalities and electric cooperatives.

SWEPCo, as a member of the CSW Operating Agreement, is compensated for energy delivered to the other member based upon the delivering member's incremental cost plus a portion of the savings realized by the purchasing member that avoids the use of more costly alternatives. PSO and SWEPCo share the revenues and costs for sales to neighboring utilities and power marketers made by AEPSC on their behalf based upon the relative magnitude of the energy each company provides to make such sales. SWEPCo shares these margins with its customers.

Under the SIA, AEPSC allocates physical and financial revenues and expenses from transactions with neighboring utilities, power marketers and other power and gas risk management activities based upon the location of such activity, with margins resulting from trading and marketing activities originating in PJM and MISO generally accruing to the benefit of the AEP East companies and trading and marketing activities originating in SPP generally accruing to the benefit of PSO and SWEPCo. Margins resulting from other transactions are allocated among the AEP East companies, PSO and SWEPCo in proportion to the marketing realization directly assigned to each zone for the current month plus the preceding eleven months.

AEPSC conducts power, gas, coal and emission allowance risk management activities on SWEPCo's behalf. SWEPCo shares in the revenues and expenses associated with these risk management activities, as described in the preceding paragraph, with the AEP East companies and PSO. Power and gas risk management activities are allocated based on the CSW Operating Agreement and the SIA. SWEPCo shares in coal and emission allowance risk management activities based on its proportion of fossil fuels burned by the AEP System. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas, coal and emission allowances. The electricity, gas, coal and emission allowance contracts include physical transactions, OTC options and financially-settled swaps and exchange-traded futures and options. AEPSC settles the majority of the physical forward contracts by entering into offsetting contracts.

SWEPCo is jointly and severally liable for activity conducted by AEPSC on the behalf of the AEP East companies, PSO and SWEPCo related to purchase power and sale activity pursuant to the SIA.

Regulatory Activity

Texas Regulatory Activity

In April 2010, a settlement agreement was approved by the PUCT to increase SWEPCo's base rates by approximately $15 million annually, effective May 2010, including a return on equity of 10.33%. In addition, the settlement agreement will decrease annual depreciation expense by $17 million and allows SWEPCo a $10 million one-year surcharge rider to recover additional vegetation management costs that SWEPCo must spend within two years. See "2009 Texas Base Rate Filing" section of Note 4.

Turk Plant

SWEPCo is currently constructing the Turk Plant, a new base load 600 MW coal generating unit in Arkansas, which is expected to be in service in 2012. SWEPCo owns 73% (440 MW) of the Turk Plant and will operate the completed facility. SWEPCo's share of construction costs is currently estimated to cost $1.3 billion, excluding AFUDC, plus an additional $125 million for transmission, excluding AFUDC. The APSC, LPSC and PUCT approved SWEPCo's original application to build the Turk Plant. Various proceedings are pending that challenge the Turk Plant's construction, its approved wetlands and air permits and its transmission line certificate of environmental compatibility and public need. See "Turk Plant" section of Note 4.

Litigation and Environmental Issues

In the ordinary course of business, SWEPCo is involved in employment, commercial, environmental and regulatory litigation. Since it is difficult to predict the outcome of these proceedings, management cannot state what the eventual resolution will be or the timing and amount of any loss, fine or penalty may be. Management assesses the probability of loss for each contingency and accrues a liability for cases which have a probable likelihood of loss if the loss can be estimated. For details on regulatory proceedings and pending litigation, see Note 4 – Rate Matters and Note 6 – Commitments, Guarantees and Contingencies. Adverse results in these proceedings have the potential to materially affect net income, financial condition and cash flows.

See the "Executive Overview" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of relevant factors.

RESULTS OF OPERATIONS

KWH Sales/Degree Days

Summary of KWH Energy Sales

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in millions of KWH)	
Retail:			
Residential	6,361	5,587	5,694
Commercial	6,117	5,957	5,994
Industrial	5,254	4,460	5,402
Miscellaneous	81	82	82
Total Retail	17,813	16,086	17,172
Wholesale	7,333	6,527	6,395
Total KWHs	25,146	22,613	23,567

Cooling degree days and heating degree days are metrics commonly used in the utility industry as a measure of the impact of weather on net income.

Summary of Heating and Cooling Degree Days

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in degree days)	
Actual - Heating (a)	1,543	1,270	1,325
Normal - Heating (b)	1,253	1,263	1,281
Actual - Cooling (c)	2,592	1,956	2,031
Normal - Cooling (b)	2,213	2,231	2,221

(a) Western Region heating degree days are calculated on a 55 degree temperature base.
(b) Normal Heating/Cooling represents the thirty-year average of degree days.
(c) Western Region cooling degree days are calculated on a 65 degree temperature base.

2010 Compared to 2009

Reconciliation of Year Ended December 31, 2009 to Year Ended December 31, 2010
Income Before Extraordinary Loss
(in millions)

Year Ended December 31, 2009	$	123
Changes in Gross Margin:		
Retail Margins (a)		104
Off-system Sales		1
Transmission Revenues		1
Other Revenues		(42)
Total Change in Gross Margin		64
Total Expenses and Other:		
Other Operation and Maintenance		7
Depreciation and Amortization		18
Taxes Other Than Income Taxes		(3)
Other Income		(1)
Interest Expense		(16)
Equity Earnings of Unconsolidated Subsidiaries		2
Total Expenses and Other		7
Income Tax Expense		(47)
Year Ended December 31, 2010	$	147

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the increase in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** increased $104 million primarily due to:
  - A $42 million increase in base rates in Arkansas and Texas. This increase in Retail Margins had corresponding increases of $9 million related to riders/trackers recognized in other expense items.
  - A $25 million increase in weather-related usage primarily due to a 33% increase in cooling degree days and a 21% increase in heating degree days.
  - A $16 million increase in fuel recovery primarily due to lower capacity costs and increased wholesale fuel recovery.
  - A $14 million increase in industrial sales compared to the recessionary lows of 2009.
- **Other Revenues** decreased $42 million primarily resulting from the deconsolidation of SWEPCo's mining subsidiary, DHLC. Prior to the deconsolidation, SWEPCo recorded revenues from coal deliveries from DHLC to CLECO. SWEPCo prospectively adopted the "Consolidation" accounting guidance effective January 1, 2010 and began accounting for DHLC under the equity method of accounting. The decreased revenue from coal deliveries was partially offset by a corresponding decrease in Other Operation and Maintenance expenses from mining operations discussed below.

Total Expenses and Other and Income Tax Expense changed between years as follows:

- **Other Operation and Maintenance** expenses decreased $7 million primarily due to:
  - A $34 million decrease in expenses for coal deliveries from SWEPCo's mining subsidiary, DHLC. The decreased expenses for coal deliveries were partially offset by a corresponding decrease in Other Revenues discussed above.

This decrease was partially offset by:

- A $30 million increase due to expenses related to cost reduction initiatives. In 2010, management conducted cost reduction initiatives to reduce both labor and non-labor expenses.

- **Depreciation and Amortization** expenses decreased $18 million primarily due to lower Arkansas and Texas depreciation resulting from the Arkansas and Texas base rate orders and the deconsolidation of DHLC, partially offset by the addition of the Stall Unit.
- **Interest Expense** increased $16 million primarily due to increased long-term debt outstanding.
- **Income Tax Expense** increased $47 million primarily due to an increase in pretax book income and the recording of federal income tax adjustments.

2009 Compared to 2008

Reconciliation of Year Ended December 31, 2008 to Year Ended December 31, 2009
Income Before Extraordinary Loss
(in millions)

Year Ended December 31, 2008	$	96
Changes in Gross Margin:		
Retail Margins (a)		(32)
Off-system Sales		1
Transmission Revenues		7
Other Revenues		(1)
Total Change in Gross Margin		(25)
Total Expenses and Other:		
Other Operation and Maintenance		16
Taxes Other Than Income Taxes		(1)
Other Income		(2)
Interest Expense		23
Total Expenses and Other		36
Income Tax Expense		16
Year Ended December 31, 2009	$	123

(a) Includes firm wholesale sales to municipals and cooperatives.

The major components of the decrease in Gross Margin, defined as revenues less the related direct cost of fuel, including consumption of chemicals and emissions allowances, and purchased power were as follows:

- **Retail Margins** decreased $32 million primarily due to the following:
  - A $22 million decrease due to the net favorable effect of the recognition of off-system sales margins as ordered by the FERC in November 2008.
  - A $12 million decrease in wholesale fuel recovery.
  - A $12 million decrease in industrial sales due to reduced operating levels and suspended operations by certain large industrial customers in SWEPCo's service territory.
  - A $5 million net impairment of a fuel regulatory asset related to deferred mining costs in Arkansas.

  These decreases were partially offset by:
  - A $13 million increase in wholesale and municipal revenue primarily due to higher prices and the annual true-up for formula rate customers.
  - An $8 million increase in rate relief related to the Louisiana Formula Rate Plan.
- **Transmission Revenues** increased $7 million primarily due to higher rates in the SPP region.

Total Expenses and Other and Income Tax Expense changed between years as indicated:

- **Other Operation and Maintenance** expenses decreased $16 million primarily due to the following:
  - An $11 million decrease in distribution expenses associated with the 2008 storm restoration expenses from Hurricanes Ike and Gustav.
  - A $2 million decrease in expenses for coal deliveries from SWEPCo's mining subsidiary, DHLC.
  - A $2 million decrease resulting from reduced sale of receivable expense due to decreased revenues.
- **Other Income** decreased $2 million primarily due to the following:
  - A $26 million decrease in interest income from the AEP East companies for the refund in 2008 of off-system sales margins in accordance with the FERC's order related to SIA.
  - An $8 million decrease in interest income primarily resulting from fuel recovery and decreased lending to affiliated companies.

These decreases were partially offset by:

- A $32 million increase in the equity component of AFUDC primarily as a result of construction at the Turk Plant and Stall Unit and the reapplication of "Regulated Operations" accounting guidance for the generation portion of Texas' retail jurisdiction effective April 2009.

- **Interest Expense** decreased $23 million primarily due to the following:
  - Interest expense of $16 million to customers for off-system sales margins in accordance with the FERC's 2008 order related to the SIA.
  - A $10 million increase in the debt component of AFUDC due to new generation projects at the Turk Plant and Stall Unit.
  - A $2 million decrease in interest expense due to a decrease in short-term debt outstanding.

  These decreases were partially offset by:
  - A $5 million increase in interest expense due to an increase in long-term debt outstanding during the first six months of 2009.
- **Income Tax Expense** decreased $16 million primarily due to the regulatory accounting treatment of state income taxes and other book/tax differences which are accounted for on a flow-through basis and a tax loss benefit from Parent.

FINANCIAL CONDITION

LIQUIDITY

SWEPCo participates in the Utility Money Pool, which provides access to AEP's liquidity. SWEPCo relies upon ready access to capital markets, cash flows from operations and access to the Utility Money Pool to fund current operations and capital expenditures. See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section beginning on page 405 for additional discussion of liquidity.

Credit Ratings

SWEPCo's ultimate access to capital markets may depend on its credit ratings. In addition, a credit rating downgrade of SWEPCo by one of the rating agencies could increase SWEPCo's borrowing costs. Failure to maintain investment grade ratings may constrain SWEPCo's ability to participate in the Utility Money Pool or the amount of SWEPCo's receivables securitized by AEP Credit. Counterparty concerns about SWEPCo's credit quality could subject SWEPCo to additional collateral demands under adequate assurance clauses under derivative and non-derivative energy contracts.

CASH FLOW

Cash flows for 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	**2009**	**2008**
		(in thousands)	
Cash and Cash Equivalents at Beginning of Period	$ 1,661	$ 1,910	$ 1,742
Cash Flows from (Used for):			
Operating Activities	272,951	410,820	224,210
Investing Activities	(553,170)	(556,487)	(692,345)
Financing Activities	280,072	145,418	468,303
Net Increase (Decrease) in Cash and Cash Equivalents	(147)	(249)	168
Cash and Cash Equivalents at End of Period	$ 1,514	$ 1,661	$ 1,910

Operating Activities

Net Cash Flows from Operating Activities were $273 million in 2010. SWEPCo produced Net Income of $147 million during the period and had noncash items of $127 million for Depreciation and Amortization and $82 million for Deferred Income Taxes, partially offset by $46 million in Allowance for Equity Funds Used During Construction. SWEPCo contributed $29 million to the qualified pension trust. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $23 million outflow from Accounts Payable was primarily due to a decrease in fuel costs and purchased power payables. The $22 million outflow from Accounts Receivable, Net was primarily due to the refund anticipated from Parent as a result of SWEPCo's 2010 federal net income tax operating loss. Items contributing to the net income tax operating loss included bonus depreciation and the favorable impact of a change in tax accounting method related to units of property. The $21 million inflow from Fuel, Materials and Supplies was primarily due to lower coal inventories at the Flint Creek and Welsh Plants. The $19 million outflow from Accrued Taxes, Net was primarily due to an increase in accrued tax benefits as a result of SWEPCo's 2010 federal net income tax operating loss.

Net Cash Flows from Operating Activities were $411 million in 2009. SWEPCo produced Net Income of $117 million during the period and had noncash expense items of $145 million for Depreciation and Amortization and $28 million for Deferred Income Taxes, partially offset by $47 million in Allowance for Equity Funds Used During Construction. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $113 million inflow from Accounts Receivable, Net was a result of receiving the SIA refund from the AEP East companies and billed sale of receivables. The $41 million inflow from Accounts Payable was due to a new gas transportation contract, fuel received but not billed and unbilled sale of receivables. The $26 million outflow from Fuel, Materials and Supplies was due to higher coal inventories at Sabine Mining Company. The $25 million outflow from Accrued Taxes, Net was the result of tax payments for prior year liabilities and decreased accruals related to property and income taxes. The $68 million inflow from Fuel Over/Under-Recovery, Net was due to higher fuel cost recovery in Arkansas and Texas.

Net Cash Flows from Operating Activities were $224 million in 2008. SWEPCo produced Net Income of $96 million during the period and had noncash expense items of $145 million for Depreciation and Amortization and $62 million for Deferred Income Taxes. SWEPCo recorded a Provision for SIA Refund of $54 million to its customers for off-system sales margins to be received from the AEP East companies as ordered by the FERC related to the SIA. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital relates to a number of items. The $52 million outflow from Accounts Receivable, Net was primarily the result of the anticipated refund from the AEP East companies related to the SIA. The $36 million outflow from Accounts Payable was primarily due to a decrease in purchased power payables. The $25 million outflow from Fuel, Materials and Supplies was primarily due to higher coal and fuel-related costs. The $87 million outflow from Fuel Over/Under-Recovery, Net was the result of higher fuel costs.

Investing Activities

Net Cash Flows Used for Investing Activities in 2010, 2009 and 2008 were $553 million, $556 million and $692 million, respectively. Construction Expenditures of $420 million, $597 million and $692 million in 2010, 2009 and 2008, respectively, were primarily related to new generation projects at the Turk Plant and Stall Unit. In 2010, SWEPCo acquired the Valley Electric Membership Corporation for $102 million and increased loans to the Utility Money Pool by $34 million. In 2009, SWEPCo increased loans to the Utility Money Pool by $35 million, acquired the Red River Mining Company for $16 million and purchased 50% of the Oxbow Lignite Mining Company, LLC membership interest for $13 million. These outflows in 2009 were partially offset by $106 million in proceeds from sales of assets primarily relating to the sale of a portion of Turk Plant to joint owners.

Financing Activities

Net Cash Flows from Financing Activities were $280 million in 2010. SWEPCo issued $350 million of Senior Unsecured Notes and $54 million of Pollution Control Bonds. These increases were partially offset by the retirement of $54 million of Pollution Control Bonds and $50 million of Notes Payable – Affiliated.

Net Cash Flows from Financing Activities were $145 million in 2009. During the year, SWEPCo received capital contributions from the Parent of $143 million.

Net Cash Flows from Financing Activities were $468 million in 2008. SWEPCo issued $400 million of Senior Unsecured Notes and received capital contributions from the Parent of $200 million. These increases were partially offset by the retirement of $160 million of Long-term Debt – Nonaffiliated.

CONTRACTUAL OBLIGATION INFORMATION

SWEPCo's contractual cash obligations include amounts reported on SWEPCo's Consolidated Balance Sheets and other obligations disclosed in the footnotes. The following table summarizes SWEPCo's contractual cash obligations at December 31, 2010:

Payments Due by Period

Contractual Cash Obligations	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Short-term Debt (a)	$ 6.2	$ -	$ -	$ -	$ 6.2
Interest on Fixed Rate Portion of Long-term Debt (b)	102.4	198.4	194.6	711.0	1,206.4
Fixed Rate Portion of Long-term Debt (c)	41.1	20.0	303.5	1,406.7	1,771.3
Capital Lease Obligations (d)	22.3	42.3	36.1	78.5	179.2
Noncancelable Operating Leases (d)	6.0	9.1	5.7	12.5	33.3
Fuel Purchase Contracts (e)	257.1	321.2	76.6	80.2	735.1
Energy and Capacity Purchase Contracts (f)	19.0	39.1	39.2	284.9	382.2
Construction Contracts for Capital Assets (g)	172.0	201.2	105.3	110.7	589.2
Total	$ 626.1	$ 831.3	$ 761.0	$ 2,684.5	$ 4,902.9

(a) Represents principal only excluding interest.
(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2010 and do not reflect anticipated future refinancings, early redemptions or debt issuances.
(c) See "Long-term Debt" section of Note 14. Represents principal only excluding interest.
(d) See Note 13.
(e) Represents contractual obligations to purchase coal, natural gas and other consumables as fuel for electric generation along with related transportation of the fuel.
(f) Represents contractual obligations for energy and capacity purchase contracts.
(g) Represents only capital assets for which SWEPCo has signed contracts. Actual payments are dependent upon and may vary significantly based upon the decision to build, regulatory approval schedules, timing and escalation of project costs.

SWEPCo's $14 million liability related to uncertainty in Income Taxes is not included above because management cannot reasonably estimate the cash flows by period.

SWEPCo's pension funding requirements are not included in the above table. As of December 31, 2010, management expects to make contributions to the pension plans totaling $7.3 million in 2011. Estimated contributions of $16.3 million in 2012 and $13.2 million in 2013 may vary significantly based on market returns, changes in actuarial assumptions and other factors. Based upon the benefit obligation and fair value of assets available to pay pension benefits, SWEPCo's pension plan obligation was 84.1% funded as of December 31, 2010.

In addition to the amounts disclosed in the contractual cash obligations table above, SWEPCo makes additional commitments in the normal course of business. SWEPCo's commitments outstanding at December 31, 2010 under these agreements are summarized in the table below:

Amount of Commitment Expiration Per Period

Other Commercial Commitments	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Standby Letters of Credit (a)	$ 4.4	$ -	$ -	$ -	$ 4.4
Guarantees of the Performance of Outside Parties (b)	-	-	-	65.0	65.0
Total	$ 4.4	$ -	$ -	$ 65.0	$ 69.4

(a) SWEPCo enters into standby letters of credit (LOCs) with third parties. These LOCs cover items such as insurance programs, security deposits, debt service reserves and variable rate Pollution Control Bonds. All of these LOCs were issued in SWEPCo's ordinary course of business. There is no collateral held in relation to any guarantees in excess of SWEPCo's ownership percentages. In the event any LOC is drawn, there is no recourse to third parties. The maximum future payments of these LOCs are $4.4 million maturing in June 2011. See "Letters of Credit" section of Note 6.

(b) See "Guarantees of Third-Party Obligations" section of Note 6.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

See the "Critical Accounting Policies and Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets and pension and other postretirement benefits.

See the "New Accounting Pronouncements" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of the adoption and impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

See "Quantitative And Qualitative Disclosures About Risk Management Activities" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" beginning on page 405 for a discussion of risk management activities.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Southwestern Electric Power Company:

We have audited the accompanying consolidated balance sheets of Southwestern Electric Power Company Consolidated (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income (loss), 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Southwestern Electric Power Company Consolidated as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted FASB Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* effective January 1, 2010.

/s/ Deloitte & Touche LLP

Columbus, Ohio
February 25, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Southwestern Electric Power Company Consolidated (SWEPCo) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. SWEPCo's internal control system was 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.

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.

Management assessed the effectiveness of SWEPCo's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on management's assessment, SWEPCo's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of SWEPCo's registered public accounting firm regarding internal control over financial reporting pursuant to the Securities and Exchange Commission rules that permit SWEPCo to provide only management's report in this annual report.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	$ 1,469,514	$ 1,315,056	$ 1,458,027
Sales to AEP Affiliates	51,870	29,318	50,842
Lignite Revenues – Nonaffiliated	-	43,239	44,366
Other Revenues	2,150	1,689	1,527
TOTAL REVENUES	1,523,534	1,389,302	1,554,762
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	587,058	495,928	523,361
Purchased Electricity for Resale	125,064	127,170	164,466
Purchased Electricity from AEP Affiliates	23,707	42,712	118,773
Other Operation	245,504	249,792	260,186
Maintenance	103,352	105,602	111,273
Depreciation and Amortization	126,901	145,144	145,011
Taxes Other Than Income Taxes	63,151	60,442	59,047
TOTAL EXPENSES	1,274,737	1,226,790	1,382,117
OPERATING INCOME	248,797	162,512	172,645
Other Income (Expense):			
Interest Income	579	1,286	35,086
Allowance for Equity Funds Used During Construction	45,646	46,737	14,908
Interest Expense	(86,538)	(70,500)	(93,150)
INCOME BEFORE INCOME TAX EXPENSE AND EQUITY EARNINGS (LOSS)	208,484	140,035	129,489
Income Tax Expense	64,214	17,511	33,041
Equity Earnings (Loss) of Unconsolidated Subsidiaries	2,414	4	(3)
INCOME BEFORE EXTRAORDINARY LOSS	146,684	122,528	96,445
EXTRAORDINARY LOSS, NET OF TAX	-	(5,325)	-
NET INCOME	146,684	117,203	96,445
Less: Net Income Attributable to Noncontrolling Interest	4,093	3,130	3,691
NET INCOME ATTRIBUTABLE TO SWEPCo SHAREHOLDERS	142,591	114,073	92,754
Less: Preferred Stock Dividend Requirements	229	229	229
EARNINGS ATTRIBUTABLE TO SWEPCo COMMON SHAREHOLDER	$ 142,362	$ 113,844	$ 92,525

The common stock of SWEPCo is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	SWEPCo Common Shareholder					
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
TOTAL EQUITY – DECEMBER 31, 2007	$ 135,660	$ 330,003	$ 523,731	$ (16,439)	$ 1,687	$ 974,642
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of $622			(1,156)			(1,156)
Adoption of Guidance for Fair Value Accounting, Net of Tax of $6			10			10
Capital Contribution from Parent		200,000				200,000
Common Stock Dividends – Nonaffilated					(5,109)	(5,109)
Preferred Stock Dividends			(229)			(229)
SUBTOTAL – EQUITY						1,168,158
COMPREHENSIVE INCOME						
Other Comprehensive Income (Loss), Net of Taxes:						
Cash Flow Hedges, Net of Tax of $56				97	7	104
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $507				941		941
Pension and OPEB Funded Status, Net of Tax of $9,003				(16,719)		(16,719)
NET INCOME			92,754		3,691	96,445
TOTAL COMPREHENSIVE INCOME						80,771
TOTAL EQUITY – DECEMBER 31, 2008	135,660	530,003	615,110	(32,120)	276	1,248,929
Capital Contribution from Parent		142,500				142,500
Common Stock Dividends – Nonaffiliated					(3,375)	(3,375)
Preferred Stock Dividends			(229)			(229)
Other Changes in Equity		2,476	(2,476)			-
SUBTOTAL – EQUITY						1,387,825
COMPREHENSIVE INCOME						
Other Comprehensive Income, Net of Taxes:						
Cash Flow Hedges, Net of Tax of $533				989		989
Reapplication of Regulated Operations Accounting Guidance for Pensions, Net of Tax of $8,223				15,271		15,271
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $928				1,724		1,724
Pension and OPEB Funded Status, Net of Tax of $617				1,145		1,145
NET INCOME			114,073		3,130	117,203
TOTAL COMPREHENSIVE INCOME						136,332
TOTAL EQUITY – DECEMBER 31, 2009	135,660	674,979	726,478	(12,991)	31	1,524,157
Common Stock Dividends – Nonaffiliated					(3,763)	(3,763)
Preferred Stock Dividends			(229)			(229)
SUBTOTAL – EQUITY						1,520,165
COMPREHENSIVE INCOME						
Other Comprehensive Income (Loss), Net of Taxes:						
Cash Flow Hedges, Net of Tax of $401				745		745
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $505				937		937
Pension and OPEB Funded Status, Net of Tax of $636				(1,182)		(1,182)
NET INCOME			142,591		4,093	146,684
TOTAL COMPREHENSIVE INCOME						147,184
TOTAL EQUITY – DECEMBER 31, 2010	$ 135,660	$ 674,979	$ 868,840	$ (12,491)	$ 361	$ 1,667,349

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
ASSETS
December 31, 2010 and 2009
(in thousands)

		2010		2009
CURRENT ASSETS				
Cash and Cash Equivalents	$	1,514	$	1,661
Advances to Affiliates		86,222		34,883
Accounts Receivable:				
Customers		34,434		46,657
Affiliated Companies		43,219		19,542
Miscellaneous		17,739		9,952
Allowance for Uncollectible Accounts		(588)		(64)
Total Accounts Receivable		94,804		76,087
Fuel				
(December 31, 2010 amount includes $35,055 related to Sabine)		91,777		121,453
Materials and Supplies		50,395		54,484
Risk Management Assets		1,209		3,049
Deferred Income Tax Benefits		15,529		13,820
Accrued Tax Benefits		37,900		16,164
Regulatory Asset for Under-Recovered Fuel Costs		758		1,639
Prepayments and Other Current Assets		24,270		20,503
TOTAL CURRENT ASSETS		404,378		343,743
PROPERTY, PLANT AND EQUIPMENT				
Electric:				
Generation		2,297,463		1,837,318
Transmission		943,724		870,069
Distribution		1,611,129		1,447,559
Other Property, Plant and Equipment				
(December 31, 2010 amount includes $224,857 related to Sabine)		632,158		733,310
Construction Work in Progress		1,071,603		1,176,639
Total Property, Plant and Equipment		6,556,077		6,064,895
Accumulated Depreciation and Amortization				
(December 31, 2010 amount includes $91,840 related to Sabine)		2,130,351		2,086,333
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET		4,425,726		3,978,562
OTHER NONCURRENT ASSETS				
Regulatory Assets		332,698		268,165
Long-term Risk Management Assets		438		84
Deferred Charges and Other Noncurrent Assets		80,327		49,479
TOTAL OTHER NONCURRENT ASSETS		413,463		317,728
TOTAL ASSETS	$	5,243,567	$	4,640,033

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Accounts Payable:		
General	$ 162,271	$ 160,870
Affiliated Companies	64,474	59,818
Short-term Debt – Nonaffiliated	6,217	6,890
Long-term Debt Due Within One Year – Nonaffiliated	41,135	4,406
Long-term Debt Due Within One Year – Affiliated	-	50,000
Risk Management Liabilities	4,067	844
Customer Deposits	48,245	41,269
Accrued Taxes	30,516	24,720
Accrued Interest	39,856	33,179
Obligations Under Capital Leases	13,265	14,617
Regulatory Liability for Over-Recovered Fuel Costs	16,432	13,762
Provision for SIA Refund	7,698	19,307
Other Current Liabilities	59,420	71,781
TOTAL CURRENT LIABILITIES	493,596	501,463
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	1,728,385	1,419,747
Long-term Risk Management Liabilities	338	221
Deferred Income Taxes	624,333	485,936
Regulatory Liabilities and Deferred Investment Tax Credits	393,673	333,935
Asset Retirement Obligations	56,632	60,562
Employee Benefits and Pension Obligations	96,314	125,956
Obligations Under Capital Leases	115,399	134,044
Deferred Credits and Other Noncurrent Liabilities	62,852	49,315
TOTAL NONCURRENT LIABILITIES	3,077,926	2,609,716
TOTAL LIABILITIES	3,571,522	3,111,179
Cumulative Preferred Stock Not Subject to Mandatory Redemption	4,696	4,697
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
EQUITY		
Common Stock – Par Value – $18 Per Share:		
Authorized – 7,600,000 Shares		
Outstanding – 7,536,640 Shares	135,660	135,660
Paid-in Capital	674,979	674,979
Retained Earnings	868,840	726,478
Accumulated Other Comprehensive Income (Loss)	(12,491)	(12,991)
TOTAL COMMON SHAREHOLDER'S EQUITY	1,666,988	1,524,126
Noncontrolling Interest	361	31
TOTAL EQUITY	1,667,349	1,524,157
TOTAL LIABILITIES AND EQUITY	$ 5,243,567	$ 4,640,033

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	$ 146,684	$ 117,203	$ 96,445
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	126,901	145,144	145,011
Deferred Income Taxes	81,764	28,016	62,060
Provision for SIA Refund	-	-	54,100
Extraordinary Loss, Net of Tax	-	5,325	-
Allowance for Equity Funds Used During Construction	(45,646)	(46,737)	(14,908)
Mark-to-Market of Risk Management Contracts	4,826	650	5,294
Pension Contributions to Qualified Plan Trust	(29,065)	-	-
Fuel Over/Under-Recovery, Net	(6,089)	68,024	(86,864)
Change in Regulatory Liabilities	26,671	(2,310)	598
Change in Other Noncurrent Assets	(15,207)	20,333	27,121
Change in Other Noncurrent Liabilities	21,958	9,111	(8,287)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(21,507)	113,134	(52,375)
Fuel, Materials and Supplies	21,498	(26,190)	(25,427)
Accounts Payable	(23,004)	40,981	(36,422)
Accrued Taxes, Net	(18,788)	(25,252)	8,015
Accrued Interest	6,570	(3,468)	19,612
Other Current Assets	(3,182)	700	7,928
Other Current Liabilities	(1,433)	(33,844)	22,309
Net Cash Flows from Operating Activities	272,951	410,820	224,210
INVESTING ACTIVITIES			
Construction Expenditures	(420,485)	(596,581)	(692,162)
Change in Advances to Affiliates, Net	(34,405)	(34,883)	-
Equity Investment in Oxbow Lignite Company	-	(12,873)	-
Acquisition of Red River Mining Company	-	(15,650)	-
Acquisition of Valley Electric Membership Corporation	(101,841)	-	-
Proceeds from Sales of Assets	5,356	105,999	1,107
Other Investing Activities	(1,795)	(2,499)	(1,290)
Net Cash Flows Used for Investing Activities	(553,170)	(556,487)	(692,345)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	142,500	200,000
Issuance of Long-term Debt – Nonaffiliated	399,394	-	437,042
Credit Facility Borrowings	99,688	126,903	86,095
Change in Advances from Affiliates, Net	-	(2,526)	961
Retirement of Long-term Debt – Nonaffiliated	(53,500)	(4,406)	(160,444)
Retirement of Long-term Debt – Affiliated	(50,000)	-	-
Retirement of Cumulative Preferred Stock	(1)	-	-
Credit Facility Repayments	(100,361)	(127,185)	(79,208)
Proceeds from Dragline Sale/Leaseback	-	22,831	-
Principal Payments for Capital Lease Obligations	(12,183)	(10,952)	(11,511)
Dividends Paid on Common Stock – Nonaffiliated	(3,763)	(3,375)	(5,109)
Dividends Paid on Cumulative Preferred Stock	(229)	(229)	(229)
Other Financing Activities	1,027	1,857	706
Net Cash Flows from Financing Activities	280,072	145,418	468,303
Net Increase (Decrease) in Cash and Cash Equivalents	(147)	(249)	168
Cash and Cash Equivalents at Beginning of Period	1,661	1,910	1,742
Cash and Cash Equivalents at End of Period	$ 1,514	$ 1,661	$ 1,910
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	$ 70,729	$ 80,671	$ 47,029
Net Cash Paid (Received) for Income Taxes	8,350	19,615	(33,275)
Noncash Acquisitions Under Capital Leases	1,593	51,217	25,398
Construction Expenditures Included in Accounts Payable at December 31,	94,836	71,431	76,826
Noncash Assumption of Liabilities Related to Acquisition of Valley Electric Membership Corporation	8,400	-	-
SIA Refund Included in Accounts Receivable at December 31,	-	-	85,248

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED
INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to SWEPCo's consolidated financial statements are combined with the notes to financial statements for other registrant subsidiaries. Listed below are the notes that apply to SWEPCo. The footnotes begin on page 246.

INDEX OF NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The notes to financial statements that follow are a combined presentation for the Registrant Subsidiaries. The following list indicates the registrants to which the footnotes apply:

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The principal business conducted by AEP's Registrant Subsidiaries is the generation, transmission and distribution of electric power. These companies are subject to regulation by the FERC under the Federal Power Act and the Energy Policy Act of 2005 and maintain accounts in accordance with the FERC and other regulatory guidelines. These companies are subject to further regulation with regard to rates and other matters by state regulatory commissions.

The Registrant Subsidiaries engage in wholesale electricity marketing and risk management activities in the United States. In addition, I&M provides barging services to both affiliated and nonaffiliated companies and SWEPCo, through consolidated and nonconsolidated affiliates, conducts lignite mining operations to fuel certain of its generation facilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rates and Service Regulation

The Registrant Subsidiaries' rates are regulated by the FERC and state regulatory commissions in the nine state operating territories in which they operate. The FERC also regulates the Registrant Subsidiaries' affiliated transactions, including AEPSC intercompany service billings which are generally at cost, under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over the issuances and acquisitions of securities of the public utility subsidiaries, the acquisition or sale of certain utility assets and mergers with another electric utility or holding company. For non-power goods and services, the FERC requires that a nonregulated affiliate can bill an affiliated public utility company no more than market while a public utility must bill the higher of cost or market to a nonregulated affiliate. The state regulatory commissions also regulate certain intercompany transactions under various orders and affiliate statutes. Both the FERC and state regulatory commissions are permitted to review and audit the relevant books and records of companies within a public utility holding company system.

The FERC regulates wholesale power markets and wholesale power transactions. The Registrant Subsidiaries' wholesale power transactions are generally market-based. They are cost-based regulated when the Registrant Subsidiaries negotiate and file a cost-based contract with the FERC or the FERC determines that the Registrant Subsidiaries have "market power" in the region where the transaction occurs. The Registrant Subsidiaries have entered into wholesale power supply contracts with various municipalities and cooperatives that are FERC-regulated, cost-based contracts. These contracts are generally formula rate mechanisms, which are trued up to actual costs annually. PSO's and SWEPCo's wholesale power transactions in the SPP region are cost-based due to PSO and SWEPCo having market power in the SPP region.

The state regulatory commissions regulate all of the distribution operations and rates of the Registrant Subsidiaries retail public utilities on a cost basis. They also regulate the retail generation/power supply operations and rates except in Ohio. The ESP rates in Ohio continue the process of aligning generation/power supply rates over time with market rates. SWEPCo operates in the SPP area which includes a portion of Texas. In 2009, the Texas legislature amended its restructuring legislation for the generation portion of SWEPCo's Texas retail jurisdiction to delay indefinitely restructuring requirements. As a result, SWEPCo reapplied accounting guidance for "Regulated Operations" to its Texas generation operations.

The FERC also regulates the Registrant Subsidiaries' wholesale transmission operations and rates. The FERC claims jurisdiction over retail transmission rates when retail rates are unbundled in connection with restructuring. CSPCo's and OPCo's retail transmission rates in Ohio, APCo's retail transmission rates in Virginia and I&M's retail transmission rates in Michigan are unbundled. CSPCo's and OPCo's retail transmission rates in Ohio and APCo's retail transmission rates in Virginia are based on the FERC's Open Access Transmission Tariff (OATT) rates that are cost-based. Although I&M's retail transmission rates in Michigan are unbundled, retail transmission rates are regulated, on a cost basis, by the Michigan Public Service Commission. Bundled retail transmission rates are regulated, on a cost basis, by the state commissions.

In addition, the FERC regulates the SIA, the Interconnection Agreement, the CSW Operating Agreement, the System Transmission Integration Agreement, the Transmission Agreement, the Transmission Coordination Agreement and the AEP System Interim Allowance Agreement, all of which allocate shared system costs and revenues to the Registrant Subsidiaries that are parties to each agreement.

Principles of Consolidation

The consolidated financial statements for APCo and CSPCo include the Registrant Subsidiary and its wholly-owned subsidiaries. The consolidated financial statements for I&M include the Registrant Subsidiary, its wholly-owned subsidiaries and DCC Fuel (substantially-controlled variable interest entities (VIEs)). The consolidated financial statements for SWEPCo include the Registrant Subsidiary, its wholly-owned subsidiaries excluding DHLC (as of January 1, 2010, SWEPCo is no longer the primary beneficiary of DHLC and is no longer required to consolidate DHLC, in accordance with "ASU 2009-17 'Consolidations' ") and Sabine (a substantially-controlled VIE). The consolidated financial statements for OPCo include the Registrant Subsidiary and JMG (a substantially-controlled VIE that was dissolved in December 2009). Intercompany items are eliminated in consolidation. The Registrant Subsidiaries use the equity method of accounting for equity investments where they exercise significant influence but do not hold a controlling financial interest. Such investments are recorded as Deferred Charges and Other Noncurrent Assets on the balance sheets; equity earnings are included in Equity Earnings of Unconsolidated Subsidiaries on the statements of income. CSPCo, OPCo, PSO and SWEPCo have ownership interests in generating units that are jointly-owned with nonaffiliated companies. The proportionate share of the operating costs associated with such facilities is included in the income statements and the assets and liabilities are reflected in the balance sheets. See "Variable Interest Entities" section of Note 15.

Accounting for the Effects of Cost-Based Regulation

As rate-regulated electric public utility companies, the Registrant Subsidiaries' financial statements reflect the actions of regulators that result in the recognition of certain revenues and expenses in different time periods than enterprises that are not rate-regulated. In accordance with accounting guidance for "Regulated Operations," the Registrant Subsidiaries record regulatory assets (deferred expenses) and regulatory liabilities (future revenue reductions or refunds) to reflect the economic effects of regulation by matching expenses with their recovery through regulated revenues and income with its passage to customers through the reduction of regulated revenues. Due to the passage of legislation requiring restructuring and a transition to customer choice and market-based rates, CSPCo and OPCo discontinued the application of "Regulated Operations" accounting treatment for the generation portion of their business. In 2009, the Texas legislature amended its restructuring legislation for the generation portion of SWEPCo's Texas retail jurisdiction to delay indefinitely restructuring requirements. As a result, SWEPCo reapplied accounting guidance for "Regulated Operations" to its Texas generation operations.

Accounting guidance for "Discontinuation of Rate-Regulated Operations" requires the recognition of an impairment of stranded net regulatory assets and stranded plant costs if they are not recoverable in regulated rates. In addition, an enterprise is required to eliminate from its balance sheet the effects of any actions of regulators that had been recognized as regulatory assets and regulatory liabilities. Such impairments and adjustments are classified as an extraordinary item. Consistent with accounting guidance for "Discontinuation of Rate-Regulated Operations," SWEPCo recorded an extraordinary reduction in earnings and shareholder's equity from the reapplication of "Regulated Operations" accounting guidance in 2009.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates include, but are not limited to, inventory valuation, allowance for doubtful accounts, long-lived asset impairment, unbilled electricity revenue, valuation of long-term energy contracts, the effects of regulation, long-lived asset recovery, storm costs, the effects of contingencies and certain assumptions made in accounting for pension and postretirement benefits. The estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could ultimately differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents include temporary cash investments with original maturities of three months or less.

Other Cash Deposits

Other Cash Deposits include funds held by trustees primarily for environmental construction expenditures.

Inventory

Fossil fuel inventories are generally carried at average cost. Materials and supplies inventories are carried at average cost.

Accounts Receivable

Customer accounts receivable primarily include receivables from wholesale and retail energy customers, receivables from energy contract counterparties related to risk management activities and customer receivables primarily related to other revenue-generating activities.

Revenue is recognized from electric power sales when power is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, the Registrant Subsidiaries accrue and recognize, as Accrued Unbilled Revenues, an estimate of the revenues for energy delivered since the last billing.

AEP Credit factors accounts receivable on a daily basis, excluding receivables from risk management activities, through purchase agreements with CSPCo, I&M, KGPCo, KPCo, OPCo, PSO, SWEPCo and a portion of APCo. Since APCo does not have regulatory authority to sell accounts receivable in its West Virginia regulatory jurisdiction, only a portion of APCo's accounts receivable are sold to AEP Credit. See "Sale of Receivables – AEP Credit" section of Note 14 for additional information.

Allowance for Uncollectible Accounts

Generally, AEP Credit records bad debt expense related to receivables purchased from the Registrant Subsidiaries under a sale of receivables agreement. For receivables related to APCo's West Virginia operations, the bad debt reserve is calculated based on a rolling two-year average write-off in proportion to gross accounts receivable. For customer accounts receivables relating to risk management activities, accounts receivables are reviewed for bad debt reserves at a specific counterparty level basis. For miscellaneous accounts receivable, bad debt expense is recorded for all amounts outstanding 180 days or greater at 100%, unless specifically identified. Miscellaneous accounts receivable items open less than 180 days may be reserved using specific identification for bad debt reserves.

Concentrations of Credit Risk and Significant Customers

The Registrant Subsidiaries do not have any significant customers that comprise 10% or more of their Operating Revenues as of December 31, 2010.

The Registrant Subsidiaries monitor credit levels and the financial condition of their customers on a continuing basis to minimize credit risk. The regulatory commissions allow recovery in rates for a reasonable level of bad debt costs. Management believes adequate provision for credit loss has been made in the accompanying Registrant Subsidiary financial statements.

Emission Allowances

The Registrant Subsidiaries record emission allowances at cost, including the annual SO_2 and NO_x emission allowance entitlements received at no cost from the Federal EPA. They follow the inventory model for these allowances. Allowances expected to be consumed within one year are reported in Materials and Supplies for all of the Registrant Subsidiaries except CSPCo who reflects allowances in Emission Allowances. Allowances with expected consumption beyond one year are included in Deferred Charges and Other Noncurrent Assets. These allowances are consumed in the production of energy and are recorded in Fuel and Other Consumables Used for Electric Generation at an average cost. Allowances held for speculation are included in Prepayments and Other Current Assets for all the Registrant Subsidiaries except CSPCo, who reflects allowances held for speculation in Emission Allowances. The purchases and sales of allowances are reported in the Operating Activities section of the Statements of Cash Flows. The net margin on sales of emission allowances is included in Electric Generation, Transmission and Distribution Revenues for nonaffiliated transactions and in Sales to AEP Affiliates Revenues for affiliated transactions because of its integral nature to the production process of energy and the Registrant Subsidiaries' revenue optimization strategy for their operations. The net margin on sales of emission allowances affects the determination of deferred fuel or deferred emission allowance costs and the amortization of regulatory assets for certain jurisdictions.

Property, Plant and Equipment and Equity Investments

Regulated

Electric utility property, plant and equipment for rate-regulated operations are stated at original purchase cost. Additions, major replacements and betterments are added to the plant accounts. Normal and routine retirements from the plant accounts, net of salvage, are charged to accumulated depreciation under the group composite method of depreciation. The group composite method of depreciation assumes that on average, asset components are retired at the end of their useful lives and thus there is no gain or loss. The equipment in each primary electric plant account is identified as a separate group. Under the group composite method of depreciation, continuous interim routine replacements of items such as boiler tubes, pumps, motors, etc. result in the original cost, less salvage, being charged to accumulated depreciation. The depreciation rates that are established take into account the past history of interim capital replacements and the amount of salvage received. These rates and the related lives are subject to periodic review. Removal costs are charged to regulatory liabilities. The costs of labor, materials and overhead incurred to operate and maintain plants are included in operating expenses.

Long-lived assets are required to be tested for impairment when it is determined that the carrying value of the assets may no longer be recoverable or when the assets meet the held for sale criteria under the accounting guidance for "Impairment or Disposal of Long-Lived Assets." Equity investments are required to be tested for impairment when it is determined there may be an other-than-temporary loss in value.

The fair value of an asset or investment is the amount at which that asset or investment could be bought or sold in a current transaction between willing parties, as opposed to a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets or investments in active markets, fair value is estimated using various internal and external valuation methods including cash flow analysis and appraisals.

Nonregulated

The generation operations of CSPCo and OPCo generally follow the policies of cost-based rate-regulated operations listed above but with the following exceptions. Property, plant and equipment are stated at fair value at acquisition (or as adjusted for any applicable impairments) plus the original cost of property acquired or constructed since the acquisition, less disposals. Normal and routine retirements from the plant accounts, net of salvage, are charged to accumulated depreciation for most nonregulated operations under the group composite method of depreciation. A gain or loss would be recorded if the retirement is not considered an interim routine replacement. Removal costs are charged to expense.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization

AFUDC represents the estimated cost of borrowed and equity funds used to finance construction projects that is capitalized and recovered through depreciation over the service life of regulated electric utility plant. For nonregulated operations, including generating assets in Ohio, interest is capitalized during construction in accordance with the accounting guidance for "Capitalization of Interest." The Registrant Subsidiaries record the equity component of AFUDC in Allowance for Equity Funds Used During Construction and the debt component of AFUDC as a reduction to Interest Expense.

Valuation of Nonderivative Financial Instruments

The book values of Cash and Cash Equivalents, Other Cash Deposits, Accounts Receivable, Short-term Debt and Accounts Payable approximate fair value because of the short-term maturity of these instruments. The book value of the pre-April 1983 spent nuclear fuel disposal liability for I&M approximates the best estimate of its fair value.

Fair Value Measurements of Assets and Liabilities

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are non-binding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations and if the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Long-dated and illiquid complex or structured transactions and FTRs can introduce the need for internally developed modeling inputs based upon extrapolations and assumptions of observable market data to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3.

AEP utilizes its trustee's external pricing service to estimate the fair value of the underlying investments held in the benefit plan and nuclear trusts. AEP's investment managers review and validate the prices utilized by the trustee to determine fair value. AEP's investment managers perform their own valuation testing to verify the fair values of the securities. AEP receives audit reports of the trustee's operating controls and valuation processes. The trustee uses multiple pricing vendors for the assets held in the plans.

Assets in the benefits and nuclear trusts and Other Cash Deposits are classified using the following methods. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Items classified as Level 1 are investments in money market funds, fixed income and equity mutual funds and domestic equity securities. They are valued based on observable inputs primarily unadjusted quoted prices in active markets for identical assets. Fixed income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments. Benefit plan assets included in Level 3 are real estate and private equity investments that are valued using methods requiring judgment including appraisals.

Items classified as Level 2 are primarily investments in individual fixed income securities. These fixed income securities are valued using models with input data as follows:

Type of Input	Type of Fixed Income Security: United States Government	Corporate Debt	State and Local Government
Benchmark Yields	X	X	X
Broker Quotes	X	X	X
Discount Margins	X	X	
Treasury Market Update	X		
Base Spread	X	X	X
Corporate Actions		X	
Ratings Agency Updates		X	X
Prepayment Schedule and History			X
Yield Adjustments	X		

Deferred Fuel Costs

The cost of fuel and related emission allowances and emission control chemicals/consumables is charged to Fuel and Other Consumables Used for Electric Generation expense when the fuel is burned or the allowance or consumable is utilized. The cost of fuel also includes the cost of nuclear fuel burned which is computed primarily on the units-of-production method. In regulated jurisdictions with an active FAC, fuel cost over-recoveries (the excess of fuel revenues billed to customers over applicable fuel costs incurred) are generally deferred as current regulatory liabilities and under-recoveries (the excess of applicable fuel costs incurred over fuel revenues billed to customers) are generally deferred as current regulatory assets. These deferrals are amortized when refunded or when billed to customers in later months with the state regulatory commissions' review and approval. The amount of an over-recovery or under-recovery can also be affected by actions of the state regulatory commissions. On a routine basis, state regulatory commissions review and/or audit the Registrant Subsidiaries' fuel procurement policies and practices, the fuel cost calculations and FAC deferrals. When a fuel cost disallowance becomes probable, the Registrant Subsidiaries adjust their FAC deferrals and record provisions for estimated refunds to recognize these probable outcomes. Fuel cost over-recovery and under-recovery balances are classified as noncurrent when there is a phase-in plan or the FAC has been suspended.

Changes in fuel costs, including purchased power in Indiana and Michigan for I&M, in Texas, Louisiana and Arkansas for SWEPCo, in Oklahoma for PSO and in Virginia and West Virginia (prior to 2009) for APCo are reflected in rates in a timely manner through the FAC. Beginning in 2009, changes in fuel costs, including purchased power in Ohio for CSPCo and OPCo and in West Virginia for APCo are reflected in rates through FAC phase-in plans. All of the profits from off-system sales are given to customers through the FAC in West Virginia for APCo. A portion of profits from off-system sales are shared with customers through the FAC and other rate mechanisms in Oklahoma for PSO, Texas, Louisiana and Arkansas for SWEPCo, Virginia for APCo and in Indiana and Michigan (all areas of Michigan beginning in December 2010) for I&M. Where the FAC or off-system sales sharing mechanism is capped, frozen or non-existent (prior to 2009 for CSPCo and OPCo in Ohio), changes in fuel costs or sharing of off-system sales impacted earnings.

Revenue Recognition

Regulatory Accounting

The financial statements of the Registrant Subsidiaries reflect the actions of regulators that can result in the recognition of revenues and expenses in different time periods than enterprises that are not rate-regulated. Regulatory assets (deferred expenses) and regulatory liabilities (deferred revenue reductions or refunds) are recorded to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching income with its passage to customers in cost-based regulated rates.

When regulatory assets are probable of recovery through regulated rates, the Registrant Subsidiaries record them as assets on the balance sheet. The Registrant Subsidiaries test for probability of recovery at each balance sheet date or whenever new events occur. Examples of new events include the issuance of a regulatory commission order or passage of new legislation. If it is determined that recovery of a regulatory asset is no longer probable, the Registrant Subsidiaries write off that regulatory asset as a charge against income.

Traditional Electricity Supply and Delivery Activities

The Registrant Subsidiaries recognize revenues from retail and wholesale electricity sales and electricity transmission and distribution delivery services. The Registrant Subsidiaries recognize the revenues in the financial statements upon delivery of the energy to the customer and include unbilled as well as billed amounts. In accordance with the applicable state commission regulatory treatment, PSO and SWEPCo do not record the fuel portion of unbilled revenue.

Most of the power produced at the generation plants of the AEP East companies is sold to PJM, the RTO operating in the east service territory. The AEP East companies purchase power from PJM to supply power to their customers. Generally, these power sales and purchases are reported on a net basis as revenues in the statements of income. However, purchases of power in excess of sales to PJM, on an hourly net basis, used to serve retail load are recorded gross as Purchased Electricity for Resale on the statements of income. Other RTOs in which the Registrant Subsidiaries operate do not function in the same manner as PJM. They function as balancing organizations and not as exchanges.

Physical energy purchases arising from non-derivative contracts are accounted for on a gross basis in Purchased Electricity for Resale on the statements of income. Energy purchases arising from non-trading derivative contracts are recorded based on the transaction's economic substance. Purchases under non-trading derivatives used to serve accrual based obligations are recorded in Purchased Electricity for Resale on the statements of income. All other non-trading derivative purchases are recorded net in revenues.

In general, the Registrant Subsidiaries record expenses upon receipt of purchased electricity and when expenses are incurred, with the exception of certain power purchase contracts that are derivatives and accounted for using MTM accounting where generation/supply rates are not cost-based regulated, such as in Ohio for CSPCo and OPCo and until April 2009 in Texas for SWEPCo. In jurisdictions where the generation/supply business is subject to cost-based regulation, the unrealized MTM amounts are deferred as regulatory assets (for losses) and regulatory liabilities (for gains).

Energy Marketing and Risk Management Activities

AEPSC, on behalf of the Registrant Subsidiaries, engages in wholesale electricity, coal, natural gas and emission allowances marketing and risk management activities focused on wholesale markets where the AEP System owns assets and on adjacent markets. These activities include the purchase and sale of energy under forward contracts at fixed and variable prices and the buying and selling of financial energy contracts which include exchange traded futures and options, as well as over-the-counter options and swaps. Certain energy marketing and risk management transactions are with RTOs.

The Registrant Subsidiaries recognize revenues and expenses from wholesale marketing and risk management transactions that are not derivatives upon delivery of the commodity. The Registrant Subsidiaries use MTM accounting for wholesale marketing and risk management transactions that are derivatives unless the derivative is designated in a qualifying cash flow hedge relationship or a normal purchase or sale. The Registrant Subsidiaries include realized gains and losses on wholesale marketing and risk management transactions in revenues on a net basis on their income statements. For CSPCo and OPCo, the unrealized gains and losses on wholesale marketing and risk management transactions that are accounted for using MTM are included in revenues on a net basis on the income statements. For APCo, I&M, PSO and SWEPCo, who are subject to cost-based regulation, the unrealized MTM amounts and some realized gains and losses are deferred as regulatory assets (for losses) and regulatory liabilities (for gains). Unrealized MTM gains and losses are included on the balance sheets as Risk Management Assets or Liabilities as appropriate.

Certain qualifying wholesale marketing and risk management derivatives transactions are designated as hedges of variability in future cash flows as a result of forecasted transactions (cash flow hedge). The Registrant Subsidiaries initially record the effective portion of the cash flow hedge's gain or loss as a component of AOCI. When the forecasted transaction is realized and affects net income, the Registrant Subsidiaries subsequently reclassify the gain or loss on the hedge from AOCI into revenues or expenses within the same financial statement line item as the forecasted transaction on their income statements. For CSPCo and OPCo, the ineffective portion of the gain or loss is recognized in revenues or expense in the income statements immediately. APCo, I&M, PSO, and SWEPCo, who are subject to cost-based regulation, defer the ineffective portion as regulatory assets (for losses) and regulatory liabilities (for gains). See "Accounting for Cash Flow Hedging Strategies" section of Note 10.

Levelization of Nuclear Refueling Outage Costs

In order to match costs with nuclear refueling cycles, I&M defers incremental operation and maintenance costs associated with periodic refueling outages at its Cook Plant and amortizes the costs over the period beginning with the month following the start of each unit's refueling outage and lasting until the end of the month in which the same unit's next scheduled refueling outage begins. I&M adjusts the amortization amount as necessary to ensure full amortization of all deferred costs by the end of the refueling cycle.

Maintenance

The Registrant Subsidiaries expense maintenance costs as incurred. If it becomes probable that the Registrant Subsidiaries will recover specifically-incurred costs through future rates, a regulatory asset is established to match the expensing of those maintenance costs with their recovery in cost-based regulated revenues. PSO defers distribution tree trimming costs above the level included in base rates and amortizes those deferrals commensurate with recovery through a rate rider in Oklahoma. PSO also amortizes deferred ice storm costs commensurate with their recovery through a rate rider.

Income Taxes and Investment Tax Credits

The Registrant Subsidiaries use the liability method of accounting for income taxes. Under the liability method, deferred income taxes are provided for all temporary differences between the book and tax basis of assets and liabilities which will result in a future tax consequence.

When the flow-through method of accounting for temporary differences is reflected in regulated revenues (that is, when deferred taxes are not included in the cost of service for determining regulated rates for electricity), deferred income taxes are recorded and related regulatory assets and liabilities are established to match the regulated revenues and tax expense.

Investment tax credits are accounted for under the flow-through method except where regulatory commissions have reflected investment tax credits in the rate-making process on a deferral basis. Investment tax credits that have been deferred are amortized over the life of the plant investment.

The Registrant Subsidiaries account for uncertain tax positions in accordance with the accounting guidance for "Income Taxes." The Registrant Subsidiaries classify interest expense or income related to uncertain tax positions as interest expense or income as appropriate and classify penalties as Other Operation.

Excise Taxes

As agents for some state and local governments, the Registrant Subsidiaries collect from customers certain excise taxes levied by those state or local governments on customers. The Registrant Subsidiaries do not record these taxes as revenue or expense.

Government Grants

In 2010, APCo received final approval for a federal stimulus grant for a commercial scale Carbon Capture and Sequestration facility under consideration at the Mountaineer Plant. Also in 2010, CSPCo received final approval for a federal stimulus grant for the gridSMART® demonstration program. For each project, APCo and CSPCo are reimbursed for allowable costs incurred during the billing period. These reimbursements result in the reduction of Other Operation and Maintenance expenses on the Consolidated Statements of Income or a reduction in Construction Work in Progress on the Consolidated Balance Sheets.

Debt and Preferred Stock

Gains and losses from the reacquisition of debt used to finance regulated electric utility plants are deferred and amortized over the remaining term of the reacquired debt in accordance with their rate-making treatment unless the debt is refinanced. If the reacquired debt associated with the regulated business is refinanced, the reacquisition costs attributable to the portions of the business that are subject to cost-based regulatory accounting are generally deferred and amortized over the term of the replacement debt consistent with its recovery in rates. Some jurisdictions require that these costs be expensed upon reacquisition. The Registrant Subsidiaries report gains and losses on the reacquisition of debt for operations that are not subject to cost-based rate regulation in Interest Expense.

Debt discount or premium and debt issuance expenses are deferred and amortized generally utilizing the straight-line method over the term of the related debt. The straight-line method approximates the effective interest method and is consistent with the treatment in rates for regulated operations. The net amortization expense is included in Interest Expense.

Where reflected in rates, redemption premiums paid to reacquire preferred stock of Registrant Subsidiaries are included in paid-in capital and amortized to retained earnings commensurate with their recovery in rates. The excess of par value over costs of preferred stock reacquired is credited to paid-in capital and reclassified to retained earnings upon the redemption of the entire preferred stock series.

Goodwill and Intangible Assets

SWEPCo is the only Registrant Subsidiary with an intangible asset with a finite life. SWEPCo amortizes the asset over its estimated life to its residual value (see Note 3 – Goodwill and Other Intangible Assets). The Registrant Subsidiaries have no recorded goodwill or intangible assets with indefinite lives as of December 31, 2010 and 2009.

Investments Held in Trust for Future Liabilities

AEP has several trust funds with significant investments intended to provide for future payments of pension and OPEB benefits, nuclear decommissioning and spent nuclear fuel disposal. All of the trust funds' investments are diversified and managed in compliance with all laws and regulations. The investment strategy for trust funds is to use a diversified portfolio of investments to achieve an acceptable rate of return while managing the interest rate sensitivity of the assets relative to the associated liabilities. To minimize investment risk, the trust funds are broadly diversified among classes of assets, investment strategies and investment managers. Management regularly reviews the actual asset allocation and periodically rebalance the investments to targeted allocation when appropriate. Investment policies and guidelines allow investment managers in approved strategies to use financial derivatives to obtain or manage market exposures and to hedge assets and liabilities. The investments are reported at fair value under the "Fair Value Measurements and Disclosures" accounting guidance.

Benefit Plans

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies and target asset allocations by plan.

The investment philosophies for AEP's benefit plans support the allocation of assets to minimize risks and optimizing net returns. Strategies used include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable level.
- Managing fees, transaction costs and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style-neutral to limit volatility compared to applicable benchmarks.
- Using alternative asset classes such as real estate and private equity to maximize return and provide additional portfolio diversification.

The target asset allocation and allocation ranges are as follows:

Pension Plan Assets	Minimum	Target	Maximum
Domestic Equity	30.0 %	35.0 %	40.0 %
International and Global Equity	10.0 %	15.0 %	20.0 %
Fixed Income	35.0 %	39.0 %	45.0 %
Real Estate	4.0 %	5.0 %	6.0 %
Other Investments	1.0 %	5.0 %	7.0 %
Cash	0.5 %	1.0 %	3.0 %

OPEB Plans Assets	Minimum	Target	Maximum
Equity	61.0 %	66.0 %	71.0 %
Fixed Income	29.0 %	32.0 %	37.0 %
Cash	1.0 %	2.0 %	4.0 %

The investment policy for each benefit plan contains various investment limitations. The investment policies establish concentration limits for securities. Investment policies prohibit the benefit trust funds from purchasing securities issued by AEP (with the exception of proportionate and immaterial holdings of AEP securities in passive index strategies). However, the investment policies do not preclude the benefit trust funds from receiving contributions in the form of AEP securities, provided that the AEP securities acquired by each plan may not exceed the limitations imposed by law. Each investment manager's portfolio is compared to a diversified benchmark index.

For equity investments, the limits are as follows:

- No security in excess of 5% of all equities.
- Cash equivalents must be less than 10% of an investment manager's equity portfolio.
- Individual stock must be less than 10% of each manager's equity portfolio.
- No investment in excess of 5% of an outstanding class of any company.
- No securities may be bought or sold on margin or other use of leverage.

For fixed income investments, the concentration limits must not exceed:

- 3% in one issuer
- 20% in non-US dollar denominated
- 5% private placements
- 5% convertible securities
- 60% for bonds rated AA+ or lower
- 50% for bonds rated A+ or lower
- 10% for bonds rated BBB- or lower

For obligations of non-government issuers the following limitations apply:

- AAA rated debt: a single issuer should account for no more than 5% of the portfolio.
- AA+, AA, AA- rated debt: a single issuer should account for no more than 3% of the portfolio.
- Debt rated A+ or lower: a single issuer should account for no more than 2% of the portfolio.
- No more than 10% of the portfolio may be invested in high yield and emerging market debt combined at any time.

A portion of the pension assets is invested in real estate funds to provide diversification, add return, and hedge against inflation. Real estate properties are illiquid, difficult to value, and not actively traded. The pension plan uses external real estate investment managers to invest in commingled funds that hold real estate properties. To mitigate investment risk in the real estate portfolio, commingled real estate funds are used to ensure that holdings are diversified by region, property type, and risk classification. Real estate holdings include core, value-added, and development risk classifications and some investments in Real Estate Investment Trusts (REITs), which are publicly traded real estate securities classified as Level 1.

A portion of the pension assets is invested in private equity. Private equity investments add return and provide diversification and typically require a long-term time horizon to evaluate investment performance. Private equity is classified as an alternative investment because it is illiquid, difficult to value, and not actively traded. The pension plan uses limited partnerships and commingled funds to invest across the private equity investment spectrum. The private equity holdings are with six general partners who help monitor the investments and provide investment selection expertise. The holdings are currently comprised of venture capital, buyout, and hybrid debt and equity investment instruments. Commingled private equity funds are used to enhance the holdings' diversity.

AEP participates in a securities lending program with BNY Mellon to provide incremental income on idle assets and to provide income to offset custody fees and other administrative expenses. AEP lends securities to borrowers approved by BNY Mellon in exchange for cash collateral. All loans are collateralized by at least 102% of the loaned asset's market value and the cash collateral is invested. The difference between the rebate owed to the borrower and the cash collateral rate of return determines the earnings on the loaned security. The securities lending program's objective is providing modest incremental income with a limited increase in risk.

Trust owned life insurance (TOLI) underwritten by The Prudential Insurance Company is held in the OPEB plan trusts. The strategy for holding life insurance contracts in the taxable Voluntary Employees' Beneficiary Association (VEBA) trust is to minimize taxes paid on the asset growth in the trust. Earnings on plan assets are tax-deferred within the TOLI contract and can be tax-free if held until claims are paid. Life insurance proceeds remain in the trust and are used to fund future retiree medical benefit liabilities. With consideration to other investments held in the trust, the cash value of the TOLI contracts is invested in two diversified funds. A portion is invested in a commingled fund with underlying investments in stocks that are actively traded on major international equity exchanges. The other portion of the TOLI cash value is invested in a diversified, commingled fixed income fund with underlying investments in government bonds, corporate bonds and asset-backed securities.

Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment grade money market instruments including commercial paper, certificates of deposit, treasury bills and other types of investment grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

Nuclear Trust Funds

Nuclear decommissioning and spent nuclear fuel trust funds represent funds that regulatory commissions allow I&M to collect through rates to fund future decommissioning and spent nuclear fuel disposal liabilities. By rules or orders, the IURC, the MPSC and the FERC established investment limitations and general risk management guidelines. In general, limitations include:

- Acceptable investments (rated investment grade or above when purchased).
- Maximum percentage invested in a specific type of investment.
- Prohibition of investment in obligations of AEP, I&M or their affiliates.
- Withdrawals permitted only for payment of decommissioning costs and trust expenses.

I&M maintains trust funds for each regulatory jurisdiction. The trust assets may not be used for another jurisdiction's liabilities. Regulatory approval is required to withdraw decommissioning funds. These funds are managed by external investment managers who must comply with the guidelines and rules of the applicable regulatory authorities. The trust assets are invested to optimize the net of tax earnings of the trust giving consideration to liquidity, risk, diversification, and other prudent investment objectives.

I&M records securities held in these trust funds in Spent Nuclear Fuel and Decommissioning Trusts on its Consolidated Balance Sheet. I&M records these securities at fair value. I&M classifies securities in the trust funds as available-for-sale due to their long-term purpose. Other-than-temporary impairments for investments in both debt and equity securities are considered realized losses as a result of securities being managed by an external investment management firm. The external investment management firm makes specific investment decisions regarding the equity and debt investments held in these trusts and generally intends to sell debt securities in an unrealized loss position as part of a tax optimization strategy. Impairments reduce the cost basis of the securities which will affect any future unrealized gain or realized gains or losses due to the adjusted cost of investment. I&M records unrealized gains and other-than-temporary impairments from securities in these trust funds as adjustments to the regulatory liability account for the nuclear decommissioning trust funds and to regulatory assets or liabilities for the SNF disposal trust funds in accordance with their treatment in rates. Consequently, the changes in fair value of trust assets do not affect earnings or AOCI. See the "Nuclear Contingencies" section of Note 6 for additional discussion of nuclear matters. See "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11 for disclosure of the fair value of assets within the trusts.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) has two components: net income (loss) and other comprehensive income (loss).

Components of Accumulated Other Comprehensive Income (Loss) (AOCI)

AOCI is included on the balance sheets in the equity section. Components of AOCI for the Registrant Subsidiaries as of December 31, 2010 and 2009 is shown in the following table:

	December 31,	
	2010	2009
	(in thousands)	
Cash Flow Hedges, Net of Tax		
APCo	$ (56)	$ (7,193)
CSPCo	(134)	(376)
I&M	(8,685)	(9,896)
OPCo	10,583	11,806
PSO	8,494	(599)
SWEPCo	(4,190)	(4,935)
Amortization of Pension and OPEB Deferred Costs, Net of Tax		
APCo	$ 12,412	$ 8,240
CSPCo	5,818	3,343
I&M	2,140	1,267
OPCo	16,213	9,166
SWEPCo	3,602	2,665
Pension and OPEB Funded Status, Net of Tax		
APCo	$ (60,379)	$ (51,301)
CSPCo	(57,020)	(52,960)
I&M	(14,344)	(13,072)
OPCo	(155,615)	(139,430)
SWEPCo	(11,903)	(10,721)

Earnings Per Share (EPS)

APCo, CSPCo, I&M, OPCo, PSO and SWEPCo are wholly-owned subsidiaries of AEP. Therefore, none are required to report EPS.

CSPCo and OPCo Revised Depreciation Rates

Effective January 1, 2009, CSPCo and OPCo revised book depreciation rates for generating plants consistent with a completed depreciation study. OPCo's overall higher depreciation rates primarily related to shortened depreciable lives for certain OPCo generating facilities. In comparing 2009 and 2008, the change in depreciation rates resulted in a net increase (decrease) in depreciation expense of:

	Depreciation Expense Variance
	Years Ended December 31, 2009/2008
	(in thousands)
CSPCo	$ (17,815)
OPCo	71,056

Adjustments to Sale of Receivables Disclosure

In the "Sale of Receivables – AEP Credit" section of Note 14, the disclosure was expanded for the Registrant Subsidiaries to reflect certain prior period amounts related to the sale of receivables that were not previously disclosed. These omissions were not material to the financial statements and had no impact on the Registrant Subsidiaries' previously reported net income, changes in shareholders' equity, financial position or cash flows.

Adjustments to Benefit Plans Footnote

In Note 8 – Benefit Plans, the disclosure was expanded to reflect disclosure requirements for each of the individual Registrant Subsidiaries based on their participation in the AEP System. These omissions were not material to the financial statements and had no impact on the Registrant Subsidiaries' previously reported net income, changes in shareholder's equity, financial position or cash flows.

2. NEW ACCOUNTING PRONOUNCEMENTS AND EXTRAORDINARY ITEM

NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of final pronouncements, management reviews the new accounting literature to determine its relevance, if any, to the Registrant Subsidiaries' business. The following represents a summary of final pronouncements that impact the Registrant Subsidiaries' financial statements.

Pronouncements Adopted in 2010

The following standard was effective during 2010. Consequently, the financial statements reflect its impact.

ASU 2009-17 "Consolidations" (ASU 2009-17)

In 2009, the FASB issued ASU 2009-17 amending the analysis an entity must perform to determine if it has a controlling financial interest in a VIE. In addition to presentation and disclosure guidance, ASU 2009-17 provides that the primary beneficiary of a VIE must have both:

- The power to direct the activities of the VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb the losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Registrant Subsidiaries adopted the prospective provisions of ASU 2009-17 effective January 1, 2010. This standard required separate presentation of material consolidated VIEs' assets and liabilities on the balance sheets. Upon adoption, SWEPCo deconsolidated DHLC. DHLC was deconsolidated due to the shared control between SWEPCo and CLECO. After January 1, 2010, SWEPCo reports DHLC using the equity method of accounting.

EXTRAORDINARY ITEM

SWEPCo Texas Restructuring

In August 2006, the PUCT adopted a rule extending the delay in implementation of customer choice in SWEPCo's SPP area of Texas until no sooner than January 1, 2011. In May 2009, the governor of Texas signed a bill related to SWEPCo's SPP area of Texas that requires continued cost of service regulation until certain stages have been completed and approved by the PUCT such that fair competition is available to all Texas retail customer classes. Based upon the signing of the bill, SWEPCo re-applied "Regulated Operations" accounting guidance for the generation portion of SWEPCo's Texas retail jurisdiction effective second quarter of 2009. Management believes that a switch to competition in the SPP area of Texas will not occur. The reapplication of "Regulated Operations" accounting guidance resulted in an $8 million ($5 million, net of tax) extraordinary loss.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

There is no goodwill carried by any of the Registrant Subsidiaries.

Other Intangible Assets

SWEPCo's acquired intangible asset subject to amortization was $7.7 million at December 31, 2009, net of accumulated amortization and was included in Deferred Charges and Other Noncurrent Assets on SWEPCo's Consolidated Balance Sheet. The amortization life, gross carrying amount and accumulated amortization are:

		December 31,			
		2010		2009	
	Amortization Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in years)	(in millions)			
Advanced Royalties	15	$ -	$ -	$ 29.4	$ 21.7

Amortization of the intangible asset was $1 million and $1 million for 2009 and 2008, respectively.

The Advanced Royalties asset class relates to the lignite mine of DHLC, a wholly-owned subsidiary of SWEPCo. As of January 1, 2010, SWEPCo no longer consolidates DHLC, but rather it is reported as an equity investment resulting in the elimination of a review of this asset by SWEPCo. Also, see "ASU 2009-17 'Consolidations'" section of Note 2 for discussion of impact of new accounting guidance effective January 1, 2010.

Starting in 2010, the Registrant Subsidiaries have no intangible assets.

4. RATE MATTERS

The Registrant Subsidiaries are involved in rate and regulatory proceedings at the FERC and their state commissions. Rate matters can have a material impact on net income, cash flows and possibly financial condition. The Registrant Subsidiaries recent significant rate orders and pending rate filings are addressed in this note.

CSPCo and OPCo Rate Matters

Ohio Electric Security Plan Filings

2009 – 2011 ESPs

The PUCO issued an order in March 2009 that modified and approved CSPCo's and OPCo's ESPs which established rates at the start of the April 2009 billing cycle. The ESPs are in effect through 2011. The order also limited annual rate increases for CSPCo to 7% in 2009, 6% in 2010 and 6% in 2011 and for OPCo to 8% in 2009, 7% in 2010 and 8% in 2011. Some rate components and increases are exempt from these limitations. CSPCo and OPCo collected the 2009 annualized revenue increase over the last nine months of 2009.

The order provided a FAC for the three-year period of the ESP. The FAC was phased in to avoid having the resultant rate increases exceed the ordered annual caps described above. The FAC is subject to quarterly true-ups, annual accounting audits and prudency reviews. See the "2009 Fuel Adjustment Clause Audit" section below. The order allowed CSPCo and OPCo to defer any unrecovered FAC costs resulting from the annual caps and accrued associated carrying charges at CSPCo's and OPCo's weighted average cost of capital. Any deferred FAC regulatory asset balance at the end of the three-year ESP period will be recovered through a non-bypassable surcharge over the period 2012 through 2018. That recovery will include deferrals associated with the Ormet interim arrangement and is subject to the PUCO's ultimate decision regarding the Ormet interim arrangement deferrals plus related carrying charges. See the "Ormet Interim Arrangement" section below. The FAC deferral as of December 31, 2010 was $476 million for OPCo excluding $30 million of unrecognized equity carrying costs.

Discussed below are the significant outstanding uncertainties related to the ESP order:

The Ohio Consumers' Counsel filed a notice of appeal with the Supreme Court of Ohio raising several issues including alleged retroactive ratemaking, recovery of carrying charges on certain environmental investments, Provider of Last Resort (POLR) charges and the decision not to offset rates by off-system sales margins. A decision from the Supreme Court of Ohio is pending.

In November 2009, the Industrial Energy Users-Ohio filed a notice of appeal with the Supreme Court of Ohio challenging components of the ESP order including the POLR charge, the distribution riders for gridSMART® and enhanced reliability, the PUCO's conclusion and supporting evaluation that the modified ESPs are more favorable than the expected results of a market rate offer, the unbundling of the fuel and non-fuel generation rate components, the scope and design of the fuel adjustment clause and the approval of the plan after the 150-day statutory deadline. A decision from the Supreme Court of Ohio is pending.

In April 2010, the Industrial Energy Users-Ohio filed an additional notice of appeal with the Supreme Court of Ohio challenging alleged retroactive ratemaking, CSPCo's and OPCo's abilities to collect through the FAC amounts deferred under the Ormet interim arrangement and the approval of the plan after the 150-day statutory deadline. A decision from the Supreme Court of Ohio is pending.

Ohio law requires that the PUCO determine, following the end of each year of the ESP, if rate adjustments included in the ESP resulted in significantly excessive earnings under the Significantly Excessive Earnings Test (SEET). If the rate adjustments, in the aggregate, result in significantly excessive earnings, the excess amount could be returned to customers. In September 2010, CSPCo and OPCo filed their 2009 SEET filings with the PUCO. CSPCo's and OPCo's returns on common equity were 20.84% and 10.81%, respectively, including off-system sales margins. In January 2011, the PUCO issued an order that determined a return on common equity for 2009 in excess of 17.6% would be significantly excessive. The PUCO determined that OPCo's 2009 earnings were not significantly excessive but determined relevant CSPCo earnings, excluding off-system sales margins, to be 19.73%, which exceeded the PUCO determined threshold by 2.13%. As a result, the PUCO ordered CSPCo to refund $43 million ($28 million net of tax) of its earnings to customers, which was recorded as a revenue provision on CSPCo's December 2010 books. The PUCO ordered that the significantly excessive earnings be applied first to CSPCo's FAC deferral, including unrecognized equity carrying costs, as of the date of the order, with any remaining balance to be credited to CSPCo's customers on a per kilowatt basis which began with the first billing cycle in February 2011 through December 2011. Several parties, including CSPCo and OPCo, have filed requests for rehearing with the PUCO, which remain pending. CSPCo and OPCo are required to file their 2010 SEET filing with the PUCO in 2011. Based upon the approach in the PUCO 2009 order, management does not currently believe that there are significantly excessive earnings in 2010.

Management is unable to predict the outcome of the various ongoing ESP proceedings and litigation discussed above. If these proceedings, including future SEET filings, result in adverse rulings, it could reduce future net income and cash flows and impact financial condition.

Proposed January 2012 – May 2014 ESP

In January 2011, CSPCo and OPCo filed an application with the PUCO to approve a new ESP that includes a standard service offer (SSO) pricing on a combined company basis for generation effective with the first billing cycle of January 2012 through the last billing cycle of May 2014. The ESP also includes alternative energy resource requirements and addresses provisions regarding distribution service, energy efficiency requirements, economic development, job retention in Ohio and other matters. The SSO presents redesigned generation rates by customer class. Customer class rates individually vary, but on average, customers will experience net base generation increases of 1.4% in 2012 and 2.7% for the period January 2013 through May 2014.

Proposed CSPCo and OPCo Merger

In October 2010, CSPCo and OPCo filed an application with the PUCO to merge CSPCo into OPCo. Approval of the merger will not affect CSPCo's and OPCo's rates until such time as the PUCO approves new rates, terms and conditions for the merged company. In January 2011, CSPCo and OPCo filed an application with the FERC requesting approval for an internal corporate reorganization under which CSPCo will merge into OPCo. CSPCo and OPCo requested the reorganization transaction be effective in October 2011. Decisions are pending from the PUCO and the FERC.

Requested Sporn Unit 5 Shutdown and Proposed Distribution Rider

In October 2010, OPCo filed an application with the PUCO for the approval of a December 2010 closure of Sporn Unit 5 and the simultaneous establishment of a new non-bypassable distribution rider, outside the rate caps established in the 2009 – 2011 ESP proceeding. The proposed rider would recover the net book value of the unit as well as related materials and supplies as of December 2010, which is estimated to be $59 million, as well as future closure costs incurred after December 2010. OPCo also requested authority to record the future closure costs as a regulatory asset or regulatory liability with a weighted average cost of capital carrying charge to be included in the proposed non-bypassable distribution rider after they are incurred. Also in October 2010, OPCo filed a retirement notification with PJM pending PUCO approval of OPCo's application to close Sporn Unit 5, which was granted by PJM. Pending PUCO approval, Sporn Unit 5 continues to operate. Management is unable to predict the outcome of this proceeding.

2009 Fuel Adjustment Clause Audit

As required under the ESP orders, the PUCO selected an outside consultant to conduct the audit of the FAC for the period of January 2009 through December 2009. In May 2010, the outside consultant provided their confidential audit report to the PUCO. The audit report included a recommendation that the PUCO should review whether any proceeds from a 2008 coal contract settlement agreement which totaled $72 million should reduce OPCo's FAC under-recovery balance. Of the total proceeds, approximately $58 million was recognized as a reduction to fuel expense prior to 2009 and $14 million reduced fuel expense in 2009 and 2010. Hearings were held in August 2010. If the PUCO orders any portion of the $58 million previously recognized or potential other future adjustments be used to reduce the current year FAC deferral, it would reduce future net income and cash flows and impact financial condition.

Ormet Interim Arrangement

CSPCo, OPCo and Ormet, a large aluminum company, filed an application with the PUCO for approval of an interim arrangement governing the provision of generation service to Ormet. This interim arrangement was approved by the PUCO and was effective from January 2009 through September 2009. In March 2009, the PUCO approved a FAC in the ESP filings. The approval of the FAC, together with the PUCO approval of the interim arrangement, provided the basis to record regulatory assets for the difference between the approved market price and the rate paid by Ormet. The Industrial Energy Users-Ohio, CSPCo and OPCo filed Notices of Appeal regarding aspects of this decision with the Supreme Court of Ohio. A hearing at the Supreme Court of Ohio was held in February 2011. Through September 2009, the last month of the interim arrangement, CSPCo and OPCo had $30 million and $34 million, respectively, of deferred FAC related to the interim arrangement including recognized carrying charges. These amounts exclude $1 million and $1 million, respectively, of unrecognized equity carrying costs. In November 2009, CSPCo and OPCo requested that the PUCO approve recovery of the deferrals under the interim agreement plus a weighted average cost of capital carrying charge. The interim arrangement deferrals are included in CSPCo's and OPCo's FAC phase-in deferral balances. See "Ohio Electric Security Plan Filings" section above. In the ESP proceeding, intervenors requested that CSPCo and OPCo be required to refund the Ormet-related regulatory assets and requested that the PUCO prevent CSPCo and OPCo from collecting the Ormet-related revenues in the future. The PUCO did not take any action on this request in the ESP proceeding. The intervenors raised the issue again in response to CSPCo's and OPCo's November 2009 filing to approve recovery of the deferrals under the interim agreement. If CSPCo and OPCo are not ultimately permitted to fully recover their requested deferrals under the interim arrangement, it would reduce future net income and cash flows and impact financial condition.

Economic Development Rider

In April 2010, the Industrial Energy Users-Ohio filed a notice of appeal of the 2009 PUCO-approved Economic Development Rider (EDR) with the Supreme Court of Ohio. The EDR collects from ratepayers the difference between the standard tariff and lower contract billings to qualifying industrial customers, subject to PUCO approval. The Industrial Energy Users-Ohio raised several issues including claims that (a) the PUCO lost jurisdiction over CSPCo's and OPCo's ESP proceedings and related proceedings when the PUCO failed to issue ESP orders within the 150-day statutory deadline, (b) the EDR should not be exempt from the ESP annual rate limitations and (c) CSPCo and OPCo should not be allowed to apply a weighted average long-term debt carrying cost on deferred EDR regulatory assets.

In June 2010, Industrial Energy Users-Ohio filed a notice of appeal of the 2010 PUCO-approved EDR with the Supreme Court of Ohio. The Industrial Energy Users-Ohio raised the same issues as noted in the 2009 EDR appeal plus a claim that CSPCo and OPCo should not be able to take the benefits of the higher ESP rates while simultaneously challenging the ESP orders.

As of December 31, 2010, CSPCo and OPCo have incurred $38 million and $30 million, respectively, in EDR costs including carrying costs. Of these costs, CSPCo and OPCo have collected $35 million and $26 million, respectively, through the EDR, which CSPCo and OPCo began collecting in January 2010. The remaining $3 million and $4 million for CSPCo and OPCo, respectively, are recorded as EDR regulatory assets. If CSPCo and OPCo are not ultimately permitted to recover their deferrals or are required to refund revenue collected, it would reduce future net income and cash flows and impact financial condition.

Environmental Investment Carrying Cost Rider

In February 2010, CSPCo and OPCo filed an application with the PUCO to establish an Environmental Investment Carrying Cost Rider to recover carrying costs for 2009 through 2011 related to environmental investments made in 2009. The carrying costs include both a return of and on the environmental investments as well as related administrative and general expenses and taxes. In August 2010, the PUCO issued an order approving a rider of approximately $26 million and $34 million for CSPCo and OPCo, respectively, effective September 2010. The implementation of the rider will likely not impact cash flows since this rider is subject to the rate increase caps authorized by the PUCO in the ESP proceedings, but will increase the ESP phase-in plan deferrals associated with the FAC.

Ohio IGCC Plant

In March 2005, CSPCo and OPCo filed a joint application with the PUCO seeking authority to recover costs of building and operating an IGCC power plant. Through December 31, 2010, CSPCo and OPCo have each collected $12 million in pre-construction costs authorized in a June 2006 PUCO order and each incurred $11 million in pre-construction costs. As a result, CSPCo and OPCo each established a net regulatory liability of approximately $1 million. The order also provided that if CSPCo and OPCo have not commenced a continuous course of construction of the proposed IGCC plant before June 2011, all pre-construction costs that may be utilized in projects at other sites must be refunded to Ohio ratepayers with interest. Intervenors have filed motions with the PUCO requesting all pre-construction costs be refunded to Ohio ratepayers with interest.

CSPCo and OPCo will not start construction of an IGCC plant until existing statutory barriers are addressed and sufficient assurance of regulatory cost recovery exists. Management cannot predict the outcome of any cost recovery litigation concerning the Ohio IGCC plant or what effect, if any, such litigation would have on future net income and cash flows. However, if CSPCo and OPCo were required to refund all or some of the pre-construction costs collected and the costs incurred were not recoverable in another jurisdiction, it would reduce future net income and cash flows and impact financial condition.

SWEPCo Rate Matters

Turk Plant

SWEPCo is currently constructing the Turk Plant, a new base load 600 MW pulverized coal ultra-supercritical generating unit in Arkansas, which is expected to be in service in 2012. SWEPCo owns 73% (440 MW) of the Turk Plant and will operate the completed facility. The Turk Plant is currently estimated to cost $1.7 billion, excluding AFUDC, plus an additional $125 million for transmission, excluding AFUDC. SWEPCo's share is currently estimated to cost $1.3 billion, excluding AFUDC, plus the additional $125 million for transmission, excluding AFUDC. As of December 31, 2010, excluding costs attributable to its joint owners, SWEPCo has capitalized approximately $1 billion of expenditures (including AFUDC and capitalized interest of $137 million and related transmission costs of $66 million). As of December 31, 2010, the joint owners and SWEPCo have contractual construction commitments of approximately $321 million (including related transmission costs of $3 million). SWEPCo's share of the contractual construction commitments is $235 million. If the plant is cancelled, the joint owners and SWEPCo would incur contractual construction cancellation fees, based on construction status as of December 31, 2010, of approximately $121 million (including related transmission cancellation fees of $1 million). SWEPCo's share of the contractual construction cancellation fees would be approximately $89 million.

Discussed below are the significant outstanding uncertainties related to the Turk Plant:

The APSC granted approval for SWEPCo to build the Turk Plant by issuing a Certificate of Environmental Compatibility and Public Need (CECPN) for the 88 MW SWEPCo Arkansas jurisdictional share of the Turk Plant. Following an appeal by certain intervenors, the Arkansas Supreme Court issued a decision that reversed the APSC's grant of the CECPN. The Arkansas Supreme Court ultimately concluded that the APSC erred in determining the need for additional power supply resources in a proceeding separate from the proceeding in which the APSC granted the CECPN. However, the Arkansas Supreme Court approved the APSC's procedure of granting CECPNs for transmission facilities in dockets separate from the Turk Plant CECPN proceeding. SWEPCo filed a notice with the APSC of its intent to proceed with construction of the Turk Plant but that SWEPCo no longer intends to pursue a CECPN to seek recovery of the originally approved 88 MW portion of Turk Plant costs in Arkansas retail rates. In June 2010, the APSC issued an order which reversed and set aside the previously granted CECPN.

The PUCT issued an order approving a Certificate of Convenience and Necessity (CCN) for the Turk Plant with the following conditions: (a) a cap on the recovery of jurisdictional capital costs for the Turk Plant based on the previously estimated $1.522 billion projected construction cost, excluding AFUDC and related transmission costs, (b) a cap on recovery of annual CO_2 emission costs at $28 per ton through the year 2030 and (c) a requirement to hold Texas ratepayers financially harmless from any adverse impact related to the Turk Plant not being fully subscribed to by other utilities or wholesale customers. SWEPCo appealed the PUCT's order contending the two cost cap restrictions are unlawful. The Texas Industrial Energy Consumers filed an appeal contending that the PUCT's grant of a conditional CCN for the Turk Plant was unnecessary to serve retail customers. In February 2010, the Texas District Court affirmed the PUCT's order in all respects. In March 2010, SWEPCo and the Texas Industrial Energy Consumers appealed this decision to the Texas Court of Appeals.

The LPSC approved SWEPCo's application to construct the Turk Plant. The Sierra Club filed a complaint with the LPSC to begin an investigation into the construction of the Turk Plant. In November 2010, the LPSC dismissed the complaint.

In November 2008, SWEPCo received its required air permit approval from the Arkansas Department of Environmental Quality and commenced construction at the site. The Arkansas Pollution Control and Ecology Commission (APCEC) upheld the air permit. The parties who unsuccessfully appealed the air permit to the APCEC filed a notice of appeal with the Circuit Court of Hempstead County, Arkansas. In December 2010, the Circuit Court affirmed the APCEC. In January 2011, the same parties asked the Arkansas Court of Appeals to overturn the Circuit Court's December 2010 decision. A decision from the Arkansas Court of Appeals is pending.

A wetlands permit was issued by the U.S. Army Corps of Engineers in December 2009. In 2010, the Sierra Club, the Audubon Society and others filed a complaint in the Federal District Court for the Western District of Arkansas against the U.S. Army Corps of Engineers challenging the process used and the terms of the permit issued to

SWEPCo authorizing certain wetland and stream impacts, and sought a preliminary injunction to halt construction and for a temporary restraining order. In July 2010, the Hempstead County Hunting Club also filed a complaint with the Federal District Court for the Western District of Arkansas against SWEPCo, the U.S. Army Corps of Engineers, the U.S. Department of the Interior and the U.S. Fish and Wildlife Service seeking a temporary restraining order and preliminary injunction to stop construction of the Turk Plant asserting claims of violations of federal and state laws. The plaintiffs' federal law claims challenge the process used and terms of the permit issued to SWEPCo authorizing certain wetland and stream impacts. The plaintiffs' state law claims challenge SWEPCo's ability to construct the Turk Plant without obtaining a certificate from the APSC. In 2010, the motions for preliminary injunction were partially granted and upheld on appeal pending a hearing. According to the preliminary injunction, all uncompleted construction work associated with wetlands, streams or rivers at the Turk Plant must immediately stop. Mitigation measures required by the permit are authorized and may be completed. The preliminary injunction affects portions of the water intake and associated piping and portions of the transmission lines. A hearing on SWEPCo's appeal is scheduled for March 2011. In October 2010, the Federal District Court certified issues relating to the state law claims to the Arkansas Supreme Court, including whether those claims are within the primary jurisdiction of the APSC. The Arkansas Supreme Court accepted the request.

In January 2009, SWEPCo was granted CECPNs by the APSC to build three transmission lines and facilities authorized by the SPP and needed to transmit power from the Turk Plant. Intervenors appealed the CECPN decisions in April 2009 to the Arkansas Court of Appeals. In July 2010, the Hempstead County Hunting Club and other appellants filed with the Arkansas Court of Appeals emergency motions to stay the transmission CECPNs to prohibit SWEPCo from taking ownership of private property and undertaking construction of the transmission lines. The Arkansas Court of Appeals issued a decision in July 2010 remanding all transmission line CECPN appeals to the APSC. As a result, a stay was not ordered and construction continues on the affected transmission lines. In January 2011, the appellants filed requests to withdraw their appeals at the Court of Appeals and the APSC postponed a scheduled hearing pending a ruling on those requests. In February 2011, the Court of Appeals dismissed the appeals, and the APSC subsequently closed the remand docket, finding the CECPN decisions final and non-appealable. As previously discussed, the preliminary injunction issued by the Federal District Court related to the wetlands permit also impacts the uncompleted construction on portions of the transmission lines.

Management expects that SWEPCo will ultimately be able to complete construction of the Turk Plant and related transmission facilities and place those facilities in service. However, if SWEPCo is unable to complete the Turk Plant construction, including the related transmission facilities, and place the Turk Plant in service or if SWEPCo cannot recover all of its investment in and expenses related to the Turk Plant, it would materially reduce future net income and cash flows and materially impact financial condition.

Stall Unit

SWEPCo constructed the Stall Unit, an intermediate load 500 MW natural gas-fired combustion turbine combined cycle generating unit, at its existing Arsenal Hill Plant located in Shreveport, Louisiana. The LPSC and the APSC issued orders capping SWEPCo's Stall Unit construction costs at $445 million including AFUDC and excluding related transmission costs. The Stall Unit was placed in service in June 2010. As of December 31, 2010, the Stall Unit cost applicable to the cap was $426 million, including $49 million of AFUDC. Management does not expect the final costs of the Stall Unit to exceed the ordered cap. In July 2010, the Stall Unit was placed into Arkansas rates. SWEPCo received CWIP treatment for a portion of the Stall Unit in the 2009 Texas Base Rate Filing. See "2009 Texas Base Rate Filing" section below. The Stall Unit will be phased into Louisiana rates between October 2010 and October 2011.

Louisiana Fuel Adjustment Clause Audit

Consultants for the LPSC issued their audit report of SWEPCo's Louisiana retail FAC. The audit report included a significant recommendation that might result in a financial impact that could be material for SWEPCo. The audit report recommended that the LPSC discontinue SWEPCo's tiered sharing mechanism related to off-system sales margins on a prospective basis and that SWEPCo included inappropriate costs in the FAC. In September 2010, the LPSC consultants filed testimony supporting their audit report findings but did not quantify their recommendations. Management is unable to predict how the LPSC will rule on the recommendations in the audit report and its financial statement impact on net income, cash flows and financial condition.

2009 Texas Base Rate Filing

In August 2009, SWEPCo filed a rate case with the PUCT to increase its base rates by approximately $75 million annually including a return on common equity of 11.5%. The filing included requests for financing cost riders of $32 million related to construction of the Stall Unit and Turk Plant, a vegetation management rider of $16 million and other requested increases of $27 million. In April 2010, a settlement agreement was approved by the PUCT to increase SWEPCo's base rates by approximately $15 million annually, effective May 2010, including a return on common equity of 10.33%, which consists of $5 million related to construction of the Stall Unit and $10 million in other increases. In addition, the settlement agreement decreased annual depreciation expense by $17 million and allowed SWEPCo a $10 million one-year surcharge rider to recover additional vegetation management costs that SWEPCo must spend within two years.

Texas Fuel Reconciliation

In May 2010, various intervenors, including the PUCT staff, filed testimony recommending disallowances ranging from $3 million to $30 million in SWEPCo's $755 million fuel and purchased power costs reconciliation for the period January 2006 through March 2009. In July 2010, Cities Advocating Reasonable Deregulation filed testimony regarding the 2007 transfer of ERCOT trading contracts to AEPEP. The testimony included unquantified refund recommendations relating to re-pricing of contract transactions.

In September 2010, the Administrative Law Judges issued a Proposal for Decision (PFD) that recommended a disallowance of a significant portion of the charges under a ten-year gas transportation agreement that began in 2009 for the Mattison Plant located in northwest Arkansas. In January 2011, the PUCT issued an order which overturned a portion of the PFD that recommended a finding of imprudence on the Mattison gas contract. The impact of this order had an immaterial impact on SWEPCo's financial statements.

Louisiana 2008 Formula Rate Filing

In April 2008, SWEPCo filed its first formula rate filing under an approved three-year formula rate plan (FRP). SWEPCo requested an increase in its annual Louisiana retail rates of $11 million to be effective in August 2008 in order to earn the approved formula return on common equity of 10.565%. In August 2008, as provided by the FRP, SWEPCo implemented the FRP rates, subject to refund. During 2009, SWEPCo recorded a provision for refund of approximately $1 million after reaching a settlement in principle with intervenors. A settlement stipulation was reached by the parties and is pending LPSC approval. SWEPCo began refunding customers in August 2010.

Louisiana 2009 Formula Rate Filing

In April 2009, SWEPCo filed the second FRP which would increase its annual Louisiana retail rates by an additional $4 million effective in August 2009. SWEPCo implemented the FRP rate increase as filed in August 2009, subject to refund. In October 2009, consultants for the LPSC objected to certain components of SWEPCo's FRP calculation. In February 2011, a settlement stipulation was reached by the parties and is pending LPSC approval. The settlement stipulation agreed to a $2 million refund, which was recorded in 2010 as a provision in Other Current Liabilities on SWEPCo's Consolidated Balance Sheets. If a refund is required, it could reduce future net income and cash flows.

Louisiana 2010 Formula Rate Filing

In April 2010, SWEPCo filed the third FRP which would decrease its annual Louisiana retail rates by $3 million effective in August 2010 pursuant to the approved FRP, subject to refund. In October 2010, consultants for the LPSC objected to certain components of SWEPCo's FRP calculations. SWEPCo believes the rates as filed are in compliance with the FRP methodology previously approved by the LPSC. If the LPSC disagrees with SWEPCo, it could result in refunds which could reduce future net income and cash flows.

APCo Rate Matters

2009 Virginia Base Rate Case

In July 2009, APCo filed a generation and distribution base rate increase with the Virginia SCC of $154 million annually based on a 13.35% return on common equity. Interim rates, subject to refund, became effective in December 2009 but were discontinued in February 2010 when newly enacted Virginia legislation suspended the collection of interim rates. In July 2010, the Virginia SCC issued an order approving a $62 million increase based on a 10.53% return on common equity. The order denied recovery of the Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility, which resulted in a pretax write-off of $54 million in Other Operation. See "Mountaineer Carbon Capture and Storage Project" section below. In addition, the order allowed the deferral of approximately $25 million of incremental storm expense incurred in 2009. Approximately $3 million, including interest, was refunded to customers in September 2010 related to the collection of interim rates.

2010 West Virginia Base Rate Case

In May 2010, APCo filed a request with the WVPSC to increase annual base rates by $140 million based on an 11.75% return on common equity to be effective March 2011. The filing also included a request for recovery of and a return on the West Virginia jurisdictional share of the Mountaineer Carbon Capture and Storage Product Validation Facility. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $54 million, effective March 2011. In addition, the settlement agreement allows APCo to defer and amortize up to $18 million of previously expensed 2009 incremental storm expenses over a period of eight years. A decision from the WVPSC is expected in March 2011.

Mountaineer Carbon Capture and Storage Project

Product Validation Facility (PVF)

APCo and ALSTOM Power, Inc., an unrelated third party, jointly constructed a CO_2 capture validation facility, which was placed into service in September 2009. APCo also constructed and owns the necessary facilities to store the CO_2. In October 2009, APCo started injecting CO_2 into the underground storage facilities. The injection of CO_2 required the recording of an asset retirement obligation and an offsetting regulatory asset. As of December 31, 2010, APCo has recorded a noncurrent regulatory asset of $60 million related to the PVF.

In APCo's July 2009 Virginia base rate filing, APCo requested recovery of and a return on its Virginia jurisdictional share of its project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In July 2010, the Virginia SCC issued a base rate order that denied recovery of the Virginia share of the PVF costs. See "2009 Virginia Base Rate Case" section above.

In APCo's May 2010 West Virginia base rate filing, APCo requested recovery of and a return on its West Virginia jurisdictional share of its project costs and recovery of the related asset retirement obligation regulatory asset amortization and accretion. In December 2010, a settlement agreement was filed with the WVPSC to increase annual base rates by $54 million, effective March 2011. A decision from the WVPSC is expected in March 2011. If APCo cannot recover its remaining investment in and expenses related to the PVF, it would reduce future net income and cash flows and impact financial condition.

Carbon Capture and Sequestration Project with the Department of Energy (DOE)

During 2010, AEPSC, on behalf of APCo, began the project definition stage for the potential construction of a new commercial scale carbon capture and sequestration (CCS) facility under consideration at the Mountaineer Plant. AEPSC, on behalf of APCo, applied for and was selected to receive funding from the DOE for the project. The DOE will fund 50% of allowable costs incurred for the CCS facility up to a maximum of $334 million. A Front-End Engineering and Design (FEED) study, scheduled for completion during the third quarter of 2011, will refine the total cost estimate for the CCS facility. Results from the FEED study will be evaluated by management before any decision is made to seek the necessary regulatory approvals to build the CCS facility. As of December 31, 2010, APCo has incurred $14 million in total costs and has received $5 million of DOE funding resulting in a net $9 million balance included in Construction Work In Progress on the Consolidated Balance Sheets. If APCo is unable to recover the costs of the CCS project, it would reduce future net income and cash flows.

APCo's Filings for an IGCC Plant

In 2008, the Virginia SCC issued an order denying APCo's request for a surcharge rate mechanism to provide for the timely recovery of pre-construction costs and the ongoing financing costs of the project during the construction period, as well as the capital costs, operating costs and a return on common equity once the facility is placed into commercial operation. The order was based upon the Virginia SCC's finding that the estimated cost of the plant was uncertain and may escalate. The Virginia SCC also expressed concerns that the estimated costs did not include a retrofitting of carbon capture and sequestration facilities. During 2009, based on the order received in Virginia, the WVPSC removed the IGCC case as an active case from its docket and indicated that the conditional CPCN granted in 2008 must be reconsidered if and when APCo proceeds with the IGCC plant.

Through December 31, 2010, APCo deferred for future recovery pre-construction IGCC costs of approximately $9 million applicable to its West Virginia jurisdiction, approximately $2 million applicable to its FERC jurisdiction and approximately $9 million applicable to its Virginia jurisdiction.

APCo will not start construction of the IGCC plant until sufficient assurance of full cost recovery exists in Virginia and West Virginia. If the plant is cancelled, APCo plans to seek recovery of its prudently incurred deferred pre-construction costs which, if not recoverable, would reduce future net income and cash flows and impact financial condition.

APCo's 2009 Expanded Net Energy Charge (ENEC) Filing

In September 2009, the WVPSC issued an order approving APCo's March 2009 ENEC request. The approved order provided for recovery of an under-recovered balance plus a projected increase in ENEC costs over a four-year phase-in period with an overall increase of $320 million and a first-year increase of $112 million, effective October 2009. The WVPSC also approved a fixed annual carrying cost rate of 4%, effective October 2009, to be applied to the incremental deferred regulatory asset balance that will result from the phase-in plan and lowered annual coal cost projections by $27 million.

In June 2010, the WVPSC approved a settlement agreement for $86 million, including $9 million of construction surcharges related to APCo's second year ENEC increase. The settlement agreement provided for recovery of the amounts related to the renegotiated coal contracts and allows APCo to accrue weighted average cost of capital carrying costs on the excess under-recovery balance due to the ENEC phase-in as adjusted for the impacts of Accumulated Deferred Income Taxes. As of December 31, 2010, APCo's ENEC under-recovery balance was $361 million, excluding $3 million of unrecognized equity carrying costs, which is included in noncurrent regulatory assets. The new rates became effective in July 2010.

WPCo Merger with APCo

In a proceeding established by the WVPSC to explore options to meet WPCo's future power supply requirements, the WVPSC, in November 2009, issued an order approving a joint stipulation among APCo, WPCo, the WVPSC staff and the Consumer Advocate Division. The order approved the recommendation of the signatories to the stipulation that WPCo merge into APCo and be supplied from APCo's existing power resources. Merger approvals from the WVPSC, Virginia SCC and the FERC are required. No merger approval filings have been made.

PSO Rate Matters

PSO Fuel and Purchased Power

2006 and Prior Fuel and Purchased Power

The OCC filed a complaint with the FERC related to the allocation of off-system sales margins (OSS) among the AEP operating companies in accordance with a FERC-approved allocation agreement. The FERC issued an adverse ruling in 2008. As a result, PSO recorded a regulatory liability in 2008 to return reallocated OSS to customers. Starting in March 2009, PSO refunded the additional reallocated OSS to its customers through February 2010.

A reallocation of purchased power costs among AEP West companies for periods prior to 2002 resulted in an under-recovery of $42 million of PSO fuel costs. PSO recovered the $42 million by offsetting it against an existing fuel over-recovery during the period June 2007 through May 2008. The Oklahoma Industrial Energy Consumers (OIEC) contended that PSO should not have collected the $42 million without specific OCC approval. In December 2010, the OCC issued orders which approved PSO's 2006 and prior fuel and purchased power costs without any adjustments.

2008 Fuel and Purchased Power

In July 2009, the OCC initiated a proceeding to review PSO's fuel and purchased power adjustment clause for the calendar year 2008 and also initiated a prudence review of the related costs. In March 2010, the Oklahoma Attorney General and the OIEC recommended the fuel clause adjustment rider be amended so that the shareholder's portion of off-system sales margins decrease from 25% to 10%. The OIEC also recommended that the OCC conduct a comprehensive review of all affiliate transactions during 2007 and 2008. In July 2010, additional testimony regarding the 2007 transfer of ERCOT trading contracts to AEPEP was filed. The testimony included unquantified refund recommendations relating to re-pricing of contract transactions. Hearings are currently scheduled for March 2011. If the OCC were to issue an unfavorable decision, it could reduce future net income and cash flows and impact financial condition.

2008 Oklahoma Base Rate Appeal

In January 2009, the OCC issued a final order approving an $81 million increase in PSO's non-fuel base revenues based on a 10.5% return on common equity. The new rates reflecting the final order were implemented with the first billing cycle of February 2009. PSO and intervenors appealed various issues but the Court of Civil Appeals affirmed the OCC's decision. No parties sought rehearing or appeal and, as a result, this case has concluded.

2010 Oklahoma Base Rate Case

In July 2010, PSO filed a request with the OCC to increase annual base rates by $82 million, including $30 million that is currently being recovered through a rider. The requested net annual increase to ratepayers would be $52 million. The requested increase included a $24 million increase in depreciation and an 11.5% return on common equity. In January 2011, the OCC approved a settlement agreement which did not change annual revenue or depreciation rates, but transferred $30 million into base rates that was previously being recovered through a capital investment rider. The order provided a 10.15% return on common equity and new rates were effective in February 2011.

I&M Rate Matters

Indiana Fuel Clause Filing (Cook Plant Unit 1 Fire and Shutdown)

I&M filed applications with the IURC to increase its fuel adjustment charge by approximately $53 million for the period of April 2009 through September 2009. The filings sought increases for previously under-recovered fuel clause expenses.

As fully discussed in the "Cook Plant Unit 1 Fire and Shutdown" section of Note 6, Cook Plant Unit 1 (Unit 1) was shut down in September 2008 due to significant turbine damage and a small fire on the electric generator. Unit 1 was placed back into service in December 2009 at slightly reduced power. The unit outage resulted in increased replacement power fuel costs. The filing only requested the cost of replacement power through mid-December 2008, the date when I&M began receiving accidental outage insurance proceeds. I&M committed to absorb the remaining costs of replacement power through the date the unit returned to service, which occurred in December 2009.

I&M reached an agreement with intervenors, which was approved by the IURC in March 2009, to collect its existing prior period under-recovery regulatory asset deferral balance over twelve months instead of over six months as initially proposed. Under the agreement, the fuel factors were placed into effect, subject to refund, and a subdocket was established to consider issues relating to the Unit 1 shutdown including the treatment of the accidental outage insurance proceeds. I&M maintains a separate accidental outage policy with NEIL. In 2009, I&M recorded $185 million in revenue under the policy and reduced the cost of replacement power in customers' bills by $78 million.

In October 2010, the Indiana/Michigan Industrial Group and the Indiana Office of Utility Consumer Counselor filed testimony which recommended I&M pay to customers a portion of the accidental outage insurance proceeds up to the extent not previously paid to customers through the fuel adjustment clause or needed to cover costs not covered by I&M's property damage insurance policy. In January 2011, a settlement agreement was filed with the IURC. The settlement stated (a) that I&M will credit an additional $14 million to customers through the fuel adjustment clause, (b) that the parties to the settlement will not oppose the need to replace the existing low-pressure turbine at Cook Unit 1, and (c) that the parties to the settlement agree that the cost of the replacement should not be offset by the accidental outage insurance proceeds received by I&M. In February 2011, the IURC approved the settlement agreement as filed.

Michigan 2009 Power Supply Cost Recovery (PSCR) Reconciliation (Cook Plant Unit 1 Fire and Shutdown)

In March 2010, I&M filed its 2009 PSCR reconciliation with the MPSC. The filing included an adjustment to exclude from the PSCR the incremental fuel cost of replacement power due to the Unit 1 outage from mid-December 2008 through December 2009, the period during which I&M received and recognized the accidental outage insurance proceeds. Management believes that I&M is entitled to retain the accidental outage insurance proceeds since it made customers whole regarding the replacement power costs. In October 2010, a settlement agreement was filed with the MPSC which included deferring the Unit 1 outage issue to the 2010 PSCR reconciliation, which will be filed in March 2011. If any fuel clause revenues or accidental outage insurance proceeds have to be paid to customers, it would reduce future net income and cash flows and impact financial condition. See the "Cook Plant Unit 1 Fire and Shutdown" section of Note 6.

Michigan Base Rate Filing

In January 2010, I&M filed with the MPSC a request for a $63 million increase in annual base rates based on an 11.75% return on common equity. Starting with the August 2010 billing cycle, I&M, with MPSC authorization, implemented a $44 million interim rate increase. The interim increase excluded new trackers and regulatory assets for which I&M was not currently incurring expenses. In October 2010, a settlement agreement was approved by the MPSC to increase annual base rates by $36 million based on a 10.35% return on common equity, effective December 2010, plus separate recovery of approximately $7 million of customer choice implementation costs over a two year period beginning April 2011. In addition, the approved revenue requirement includes the amortization of $6 million in previously expensed restructuring costs over five years, which I&M deferred in October 2010 and began amortizing in December 2010. Also, the approved settlement agreement provided for sharing of off-system sales margins between customers (75%) and I&M (25%) with customers receiving a credit in future Power Supply Cost Recovery proceedings for their jurisdictional share of any off-system sales margins. Through December 2010, I&M recorded a provision for refund of $3 million, including interest, related to interim rates that were in effect through November 2010. In January 2011, I&M filed an application with the MPSC requesting the MPSC find that $3 million, including interest, is the total amount to be refunded to customers. I&M is proposing to refund this amount to customers during April 2011. A decision from the MPSC is pending.

FERC Rate Matters

Seams Elimination Cost Allocation (SECA) Revenue Subject to Refund

In 2004, AEP eliminated transaction-based through-and-out transmission service (T&O) charges in accordance with FERC orders and collected, at the FERC's direction, load-based charges, referred to as RTO SECA, to partially mitigate the loss of T&O revenues on a temporary basis through March 2006. Intervenors objected to the temporary SECA rates. The FERC set SECA rate issues for hearing and ordered that the SECA rate revenues be collected, subject to refund. The AEP East companies recognized gross SECA revenues of $220 million from 2004 through 2006 when the SECA rates terminated. APCo's, CSPCo's, I&M's and OPCo's portions of recognized gross SECA revenues are as follows:

Company	(in millions)
APCo	$ 70.2
CSPCo	38.8
I&M	41.3
OPCo	53.3

In 2006, a FERC Administrative Law Judge (ALJ) issued an initial decision finding that the SECA rates charged were unfair, unjust and discriminatory and that new compliance filings and refunds should be made. The ALJ also found that any unpaid SECA rates must be paid in the recommended reduced amount.

AEP filed briefs jointly with other affected companies asking the FERC to reverse the decision. In May 2010, the FERC issued an order that generally supports AEP's position and requires a compliance filing to be filed with the FERC by August 2010. In June 2010, AEP and other affected companies filed a joint request for rehearing with the FERC.

The AEP East companies provided reserves for net refunds for SECA settlements totaling $44 million applicable to the $220 million of SECA revenues collected. APCo's, CSPCo's, I&M's and OPCo's portions of the provision are as follows:

Company	(in millions)
APCo	$ 14.1
CSPCo	7.8
I&M	8.3
OPCo	10.7

Settlements approved by the FERC consumed $10 million of the reserve for refunds applicable to $112 million of SECA revenue. In December 2010, the FERC issued an order approving a settlement agreement resulting in the collection of $2 million of previously deemed uncollectible SECA revenue. Therefore, the AEP East companies reduced their reserves for net refunds for SECA settlements by $2 million. The balance in the reserve for future settlements as of December 31, 2010 was $32 million. APCo's, CSPCo's, I&M's and OPCo's reserve balances at December 31, 2010 were:

Company	December 31, 2010
	(in millions)
APCo	$ 10.0
CSPCo	5.6
I&M	5.9
OPCo	7.6

In August 2010, the affected companies, including the AEP East companies, filed a compliance filing with the FERC. If the compliance filing is accepted, the AEP East companies would have to pay refunds of approximately $20 million including estimated interest of $5 million. The AEP East companies could also potentially receive payments up to approximately $10 million including estimated interest of $3 million. A decision is pending from the FERC. APCo's, CSPCo's, I&M's and OPCo's portions of potential refund payments and potential payments to be received are as follows:

Company	Potential Refund Payments	Potential Payments to be Received
	(in millions)	
APCo	$ 6.4	$ 3.2
CSPCo	3.5	1.8
I&M	3.7	1.9
OPCo	4.8	2.4

Based on the AEP East companies' analysis of the May 2010 order and the compliance filing, management believes that the reserve is adequate to pay the refunds, including interest, that will be required should the May 2010 order or the compliance filing be made final. Management cannot predict the ultimate outcome of this proceeding at the FERC which could impact future net income and cash flows.

Allocation of Off-system Sales Margins – Affecting PSO and SWEPCo

The OCC filed a complaint at the FERC alleging that AEP inappropriately allocated off-system sales margins between the AEP East companies and the AEP West companies and did not properly allocate off-system sales margins within the AEP West companies.

In 2009, AEP made a compliance filing with the FERC and the AEP East companies refunded approximately $250 million to the AEP West companies. Following authorized regulatory treatment, the AEP West companies shared a portion of SIA margins with their customers during the period June 2000 to March 2006. In 2008, the AEP West companies recorded a provision for refund reflecting the sharing. Refunds have been or are currently being returned to PSO, SWEPCo and FERC customers. Management believes the AEP West companies' provision for refund is adequate.

Modification of the Transmission Agreement (TA) – Affecting APCo, CSPCo, I&M and OPCo

The AEP East companies are parties to the TA that provides for a sharing of the cost of transmission lines operated at 138-kV and above and transmission stations containing extra-high voltage facilities. In June 2009, AEPSC, on behalf of the parties to the TA, filed with the FERC a request to modify the TA. Under the proposed amendments, KGPCo and WPCo will be added as parties to the TA. In addition, the amendments would provide for the allocation of PJM transmission costs generally on the basis of the TA parties' 12-month coincident peak and reimburse transmission revenues based on individual cost of service instead of the MLR method used in the present TA. In October 2010, the FERC approved a settlement agreement for the new TA effective November 1, 2010. The impacts of the settlement agreement will be phased-in for retail rate making purposes in certain jurisdictions over periods of up to four years.

PJM Transmission Formula Rate Filing – Affecting APCo, CSPCo, I&M and OPCo

AEP filed an application with the FERC in July 2008 to increase its open access transmission tariff (OATT) rates for wholesale transmission service within PJM. The filing sought to implement a formula rate allowing annual adjustments reflecting future changes in the AEP East companies' cost of service. The FERC issued an order conditionally accepting AEP's proposed formula rate and delayed the requested October 2008 effective date for five months. AEP began settlement discussions with the intervenors and the FERC staff which resulted in a settlement that was filed with the FERC in April 2010.

In October 2010, a settlement agreement was approved by the FERC which resulted in a $51 million annual increase beginning in April 2009 for service as of March 2009, of which approximately $7 million is being collected from nonaffiliated customers within PJM. Prior to November 2010, the remaining $44 million was billed to the AEP East companies and was generally offset by compensation from PJM for use of the AEP East companies' transmission facilities so that net income was not directly affected. Beginning in November 2010, AEP East companies, KGPCo and WPCo, which are parties to the modified TA, allocate revenue and expenses on different methodologies and will affect net income. See "Modification of the Transmission Agreement" above.

The settlement also results in an additional $30 million increase for the first annual update of the formula rate, beginning in August 2009 for service as of July 2009. Approximately $4 million of the increase will be collected from nonaffiliated customers within PJM with the remaining $26 million being billed to the AEP East companies.

Under the formula, an annual update will be filed to be effective July 2010 and each year thereafter. Also, beginning with the July 2010 update, the rates each year will include an adjustment to true-up the prior year's collections to the actual costs for the prior year. In May 2010, the second annual update was filed with the FERC to decrease the revenue requirement by $58 million for service as of July 2010. Approximately $8 million of the decrease will be refunded to nonaffiliated customers within PJM.

Transmission Agreement (TA) – Affecting APCo, CSPCo, I&M and OPCo

Certain transmission facilities placed in service in 1998 were inadvertently excluded from the AEP East companies' TA calculation prior to January 2009. The excluded equipment was KPCo's Inez Station which had been determined as eligible equipment for inclusion in the TA in 1995 by the AEP TA transmission committee. The amount involved was $7 million annually. In June 2010, the KPSC approved a settlement agreement in KPCo's base rate filing which set new base rates effective July 2010 but excluded consideration of this issue.

PJM/MISO Market Flow Calculation Settlement Adjustments - Affecting APCo, CSPCo, I&M and OPCo

During 2009, an analysis conducted by MISO and PJM discovered several instances of unaccounted for power flows on numerous coordinated flowgates. These flows affected the settlement data for congestion revenues and expenses and dated back to the start of the MISO market in 2005. In January 2011, PJM and MISO reached a settlement agreement where the parties agreed to net various issues to zero. This settlement was filed with the FERC in January 2011. PJM and MISO are currently awaiting final approval from the FERC.

5. EFFECTS OF REGULATION

Regulatory assets and liabilities are comprised of the following items:

	APCo			I&M		
	December 31,		Remaining	December 31,		Remaining
Regulatory Assets:	**2010**	**2009**	**Recovery Period**	**2010**	**2009**	**Recovery Period**
	(in thousands)			(in thousands)		
Current Regulatory Assets						
Under-recovered Fuel Costs - earns a return	$ 18,300	$ 78,685	1 year	$ -	$ 4,826	
Under-recovered Fuel Costs - does not earn a return	-	-		8,467	-	1 year
Total Current Regulatory Assets	$ 18,300	$ 78,685		$ 8,467	$ 4,826	
Noncurrent Regulatory Assets						
Regulatory assets not yet being recovered pending future proceedings to determine the recovery method and timing:						
Regulatory Assets Currently Earning a Return						
Customer Choice Implementation Costs	$ -	$ -		$ - (b)	$ 6,311	
Regulatory Assets Currently Not Earning a Return						
Mountaineer Carbon Capture and Storage Product Validation Facility	59,866	110,665		-	-	
Virginia Environmental Rate Adjustment Clause	55,724	25,311		-	-	
Deferred Wind Power Costs	28,584	5,372		-	-	
Storm Related Costs	25,225	-		-	-	
Special Rate Mechanism for Century Aluminum	12,628	12,422		-	-	
Virginia Transmission Rate Adjustment Clause	- (a)	26,184		-	-	
Deferred PJM Fees	-	-		- (b)	6,254	
Other Regulatory Assets Not Yet Being Recovered	604	315		-	-	
Total Regulatory Assets Not Yet Being Recovered	182,631	180,269		-	12,565	
Regulatory assets being recovered:						
Regulatory Assets Currently Earning a Return						
Expanded Net Energy Charge	361,314 (c)	-	3 years	-	-	
Unamortized Loss on Reacquired Debt	12,679	13,456	26 years	18,507	16,326	22 years
RTO Formation/Integration Costs	5,952	6,647	9 years	4,437	4,967	9 years
Customer Choice Implementation Costs	-	-		6,767 (b)	-	3 years
	-	-		1,103	1,674	various
Regulatory Assets Currently Not Earning a Return						
Income Taxes, Net	523,009	490,356	29 years	159,453	152,722	37 years
Pension and OPEB Funded Status	335,105	331,631	13 years	268,080	252,011	13 years
Postemployment Benefits	25,484	26,045	4 years	8,968	8,398	4 years
Virginia Transmission Rate Adjustment Clause	19,271 (a)	-	2 years	-	-	
Asset Retirement Obligation	12,560	14,595	7 years	2,700	2,120	10 years
Virginia Environmental and Reliability Costs Recovery	4,421	76,057	3 years	-	-	
West Virginia Reliability Expense	3,158	7,956	1 year	-	-	
Postretirement Benefits	26	38	3 years	1,857	3,373	2 years
Cook Nuclear Plant Refueling Outage Levelization	-	-		53,795	21,856	3 years
Off-system Sales Margin Sharing	-	-		13,091	17,583	1 year
Deferred PJM Fees	-	-		7,078 (b)	-	2 years
Deferred Severance Costs	-	-		6,217	-	5 years
Expanded Net Energy Charge	- (c)	281,818		-	-	
Virginia Restructuring Transition Costs	-	4,245		-	-	
Other Regulatory Assets Being Recovered	1,015	678	various	4,201	2,869	various
Total Regulatory Assets Being Recovered	1,303,994	1,253,522		556,254	483,899	
Total Noncurrent Regulatory Assets	$ 1,486,625	$ 1,433,791		$ 556,254	$ 496,464	

(a) Recovery of regulatory asset through the transmission rate adjustment clause.
(b) Recovery of regulatory asset was granted during 2010.
(c) The majority of the balance results from the ENEC phase-in plan and earns a weighted average cost of capital carrying charge.

Regulatory Liabilities:	APCo December 31, 2010	APCo December 31, 2009	APCo Remaining Refund Period	I&M December 31, 2010	I&M December 31, 2009	I&M Remaining Refund Period
	(in thousands)			(in thousands)		
Current Regulatory Liability						
Over-recovered Fuel Costs - pays a return	$ -	$ -		$ 1	$ -	1 year
Over-recovered Fuel Costs - does not pay a return	-	-		-	8,949	
Total Current Regulatory Liability	$ -	$ -		$ 1	$ 8,949	
Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits						
Regulatory liabilities not yet being paid:						
Regulatory Liabilities Currently Not Paying a Return						
Other Regulatory Liabilities Not Yet Being Paid	$ -	$ -		$ 147	$ 158	
Total Regulatory Liabilities Not Yet Being Paid	-	-		147	158	
Regulatory liabilities being paid:						
Regulatory Liabilities Currently Paying a Return						
Asset Removal Costs	500,667	451,170	(a)	357,493	327,593	(a)
Deferred Investment Tax Credits	5,097	8,997	10 years	-	-	
Regulatory Liabilities Currently Not Paying a Return						
Deferred State Income Tax Coal Credits	28,900	27,842	9 years	-	-	
Deferred Investment Tax Credits	1,918	1,985	10 years	55,416	57,732	76 years
Unrealized Gain on Forward Commitments	25,799	36,552	5 years	28,045	27,359	5 years
Excess Asset Retirement Obligations for Nuclear Decommissioning Liability	-	-		353,689	280,705	(b)
Spent Nuclear Fuel Liability	-	-		41,932	41,517	(b)
Over-recovery of PJM Expenses	-	-		11,671	17,827	1 year
Indiana Clean Coal Technology Rider Liability	-	-		2,494	2,416	1 year
Other Regulatory Liabilities Being Paid	-	-		1,310	1,538	various
Total Regulatory Liabilities Being Paid	562,381	526,546		852,050	756,687	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	$ 562,381	$ 526,546		$ 852,197	$ 756,845	

(a) Relieved as removal costs are incurred.
(b) Relieved when plant is decommissioned.

Regulatory Assets:	CSPCo December 31, 2010	CSPCo December 31, 2009	CSPCo Remaining Recovery Period	OPCo December 31, 2010	OPCo December 31, 2009	OPCo Remaining Recovery Period
	(in thousands)			(in thousands)		
Noncurrent Regulatory Assets						
Regulatory assets not yet being recovered pending future proceedings to determine the recovery method and timing:						
Regulatory Assets Currently Earning a Return						
Line Extension Carrying Costs	$ 33,709	$ 26,590		$ 21,246	$ 16,278	
Customer Choice Deferrals	29,716	28,781		29,141	28,330	
Storm Related Costs	19,122	17,014		11,021	9,794	
Acquisition of Monongahela Power	7,929	10,282		-	-	
Economic Development Rider	3,057	-		3,057	-	
Other Regulatory Assets Not Yet Being Recovered	287	1,421		391	1,058	
Regulatory Assets Currently Not Earning a Return						
Acquisition of Monongahela Power	4,052	-		-	-	
Energy Efficiency/Peak Demand Reduction	- (a)	4,071		-	4,007	
Other Regulatory Assets Not Yet Being Recovered	43	17		58	22	
Total Regulatory Assets Not Yet Being Recovered	97,915	88,176		64,914	59,489	
Regulatory assets being recovered:						
Regulatory Assets Currently Earning a Return						
Unamortized Loss on Reacquired Debt	8,613	9,357	14 years	7,276	7,871	28 years
RTO Formation/Integration Costs	2,420	2,692	9 years	6,547	7,302	9 years
Economic Development Rider	710	10,209	1 year	696	1,633	1 year
Acquisition of Monongahela Power	504	2,861	1 year	-	-	
Fuel Adjustment Clause	-	36,982		475,835	303,550	2 to 8 years
Other Regulatory Assets Being Recovered	383	-	various	-	-	
Regulatory Assets Currently Not Earning a Return						
Pension and OPEB Funded Status	173,755	175,024	13 years	190,076	188,149	13 years
Income Taxes, Net	3,100	10,631	25 years	179,186	168,849	19 years
Enhanced Service Reliability Plan	2,990	2,061	2 years	387	-	2 years
Postemployment Benefits	2,909	3,036	4 years	5,897	6,062	4 years
Unrealized Loss on Forward Commitments	2,591	-	1 year	3,197	-	1 year
Energy Efficiency/Peak Demand Reduction	2,221 (a)	-	2 years	-	-	
Total Regulatory Assets Being Recovered	200,196	252,853		869,097	683,416	
Total Noncurrent Regulatory Assets	$ 298,111	$ 341,029		$ 934,011	$ 742,905	

(a) Recovery of regulatory asset was granted during 2010.

Regulatory Liabilities:	CSPCo December 31, 2010	CSPCo December 31, 2009	CSPCo Remaining Refund Period	OPCo December 31, 2010	OPCo December 31, 2009	OPCo Remaining Refund Period
	(in thousands)			(in thousands)		
Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits						
Regulatory liabilities not yet being paid:						
Regulatory Liabilities Currently Not Paying a Return						
Over-recovery of Costs Related to gridSMART®	$ 6,182	$ 7,477		$ -	$ -	
Low Income Customers/Economic Recovery	2,260	2,351		1,160	1,110	
Other Regulatory Liabilities Not Yet Being Paid	1,817	1,823		1,349	2,476	
Total Regulatory Liabilities Not Yet Being Paid	10,259	11,651		2,509	3,586	
Regulatory liabilities being paid:						
Regulatory Liabilities Currently Paying a Return						
Asset Removal Costs	137,720	130,999	(a)	118,826	112,453	(a)
Transmission Cost Recovery Rider	786	14,811	1 year	1,633	10,003	1 year
Deferred Investment Tax Credits	-	-		1,085	1,967	9 years
Other Regulatory Liabilities Being Paid	336	377	various	-	178	
Regulatory Liabilities Currently Not Paying a Return						
Deferred Investment Tax Credits	14,787	16,833	14 years	-	-	
Energy Efficiency/Peak Demand Reduction	-	-		2,245	-	2 years
Unrealized Gain on Forward Commitments	-	-		105	-	1 year
Total Regulatory Liabilities Being Paid	153,629	163,020		123,894	124,601	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	$ 163,888	$ 174,671		$ 126,403	$ 128,187	

(a) Relieved as removal costs are incurred.

Regulatory Assets:	PSO December 31, 2010	PSO December 31, 2009	PSO Remaining Recovery Period	SWEPCo December 31, 2010	SWEPCo December 31, 2009	SWEPCo Remaining Recovery Period
	(in thousands)			(in thousands)		
Current Regulatory Asset						
Under-recovered Fuel Costs - earns a return	$ 37,262	$ -	1 year	$ 758	$ 1,639	1 year
Noncurrent Regulatory Assets						
Regulatory assets not yet being recovered pending future proceedings to determine the recovery method and timing:						
Regulatory Assets Currently Not Earning a Return						
Storm Related Costs	$ 17,256	$ -		$ 1,239	$ -	
Other Regulatory Assets Not Yet Being Recovered	574	850		613	471	
Total Regulatory Assets Not Yet Being Recovered	17,830	850		1,852	471	
Regulatory assets being recovered:						
Regulatory Assets Currently Earning a Return						
Storm Related Costs	38,499	53,366	3 years	-	3,043	
Red Rock Generating Facility	10,406	10,631	46 years	-	-	
Unamortized Loss on Reacquired Debt	8,277	10,175	9 years	12,422	13,118	33 years
Acquisition of Valley Electric Membership Corporation (VEMCO)	-	-		6,500	-	5 years
Lawton Settlement	-	9,396		-	-	
Regulatory Assets Currently Not Earning a Return						
Pension and OPEB Funded Status	166,333	172,420	13 years	163,870	174,974	13 years
Vegetation Management	13,303	16,014	1 year	-	-	
Deferral of Major Generation Overhauls	4,083	5,083	4 years	-	-	
Energy Efficiency/Peak Demand Reduction	3,705	88	1 year	495	1	1 year
Income Taxes, Net	691	-	34 years	132,118	72,174	29 years
Unrealized Loss on Forward Commitments	285	331	3 years	2,975	73	3 years
Storm Related Costs	-	-		4,800	-	3 years
Rate Case Expense	-	-		4,606	-	3 years
Dolet Hills Deferred Fuel	-	-		2,725	3,353	4 years
Other Regulatory Assets Being Recovered	133	831	various	335	958	various
Total Regulatory Assets Being Recovered	245,715	278,335		330,846	267,694	
Total Noncurrent Regulatory Assets	$ 263,545	$ 279,185		$ 332,698	$ 268,165	

Regulatory Liabilities:	PSO December 31, 2010	PSO December 31, 2009	PSO Remaining Refund Period	SWEPCo December 31, 2010	SWEPCo December 31, 2009	SWEPCo Remaining Refund Period
	(in thousands)			(in thousands)		
Current Regulatory Liability						
Over-recovered Fuel Costs - pays a return	$ -	$ 51,087		$ 16,432	$ 13,762	1 year
Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits						
Regulatory liabilities not yet being paid:						
Regulatory Liabilities Currently Paying a Return						
Refundable Construction Financing Costs	$ -	$ -		$ 20,139	$ -	
Regulatory Liabilities Currently Not Paying a Return						
Over-recovery of Costs Related to gridSMART®	3,806	1,833		-	-	
Over-recovery of Storm Related Costs	3,493	-		-	-	
Excess Earnings	-	-		- (a)	3,167	
Other Regulatory Liabilities Not Yet Being Paid	-	1,171		806	1,006	
Total Regulatory Liabilities Not Yet Being Paid	7,299	3,004		20,945	4,173	
Regulatory liabilities being paid:						
Regulatory Liabilities Currently Paying a Return						
Asset Removal Costs	284,230	283,683	(b)	346,402	308,590	(b)
Excess Earnings	-	-		3,119 (a)	-	43 years
Other Regulatory Liabilities Being Paid	-	-		1,667	2,054	various
Regulatory Liabilities Currently Not Paying a Return						
Deferred Investment Tax Credits	41,166	31,541	38 years	13,868	15,352	28 years
Energy Efficiency/Peak Demand Reduction	4,266	1,120	1 year	-	64	
Vegetation Management	-	-		5,672	-	2 years
Income Taxes, Net	-	5,431		-	-	
Other Regulatory Liabilities Being Paid	-	2,152		2,000	3,702	various
Total Regulatory Liabilities Being Paid	329,662	323,927		372,728	329,762	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	$ 336,961	$ 326,931		$ 393,673	$ 333,935	

(a) Payment of regulatory liability was granted during 2010.

(b) Relieved as removal costs are incurred.

6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

The Registrant Subsidiaries are subject to certain claims and legal actions arising in their ordinary course of business. In addition, their business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation cannot be predicted. For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on the financial statements.

COMMITMENTS

Construction and Commitments – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

The Registrant Subsidiaries have substantial construction commitments to support their operations and environmental investments. In managing the overall construction program and in the normal course of business, the Registrant Subsidiaries contractually commit to third-party construction vendors for certain material purchases and other construction services. The following table shows the forecasted construction expenditures excluding AFUDC and capitalized interest by Registrant Subsidiary for 2011:

Company	Forecasted Construction Expenditures
	(in millions)
APCo	$ 450
CSPCo	187
I&M	305
OPCo	264
PSO	169
SWEPCo	442

The Registrant Subsidiaries purchase fuel, materials, supplies, services and property, plant and equipment under contract as part of their normal course of business. Certain supply contracts contain penalty provisions for early termination.

The following tables summarize the Registrant Subsidiaries' actual contractual commitments at December 31, 2010:

Contractual Commitments - APCo	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 541.7	$ 790.8	$ 487.5	$ 419.7	$ 2,239.7
Energy and Capacity Purchase Contracts (b)	16.4	27.3	27.0	186.4	257.1
Total	$ 558.1	$ 818.1	$ 514.5	$ 606.1	$ 2,496.8

Contractual Commitments - CSPCo	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 254.1	$ 426.9	$ 323.2	$ 497.5	$ 1,501.7
Energy and Capacity Purchase Contracts (b)	5.3	7.1	2.7	16.9	32.0
Total	$ 259.4	$ 434.0	$ 325.9	$ 514.4	$ 1,533.7

Contractual Commitments - I&M	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 429.6	$ 585.3	$ 441.6	$ 169.1	$ 1,625.6
Energy and Capacity Purchase Contracts (b)	2.5	1.2	0.4	-	4.1
Total	$ 432.1	$ 586.5	$ 442.0	$ 169.1	$ 1,629.7

Contractual Commitments - OPCo	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 887.8	$ 1,546.7	$ 1,184.4	$ 2,551.6	$ 6,170.5
Energy and Capacity Purchase Contracts (b)	6.5	8.8	3.4	21.5	40.2
Total	$ 894.3	$ 1,555.5	$ 1,187.8	$ 2,573.1	$ 6,210.7

Contractual Commitments - PSO	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 256.6	$ 113.8	$ 30.1	$ -	$ 400.5
Energy and Capacity Purchase Contracts (b)	18.0	114.8	131.5	590.7	855.0
Total	$ 274.6	$ 228.6	$ 161.6	$ 590.7	$ 1,255.5

Contractual Commitments - SWEPCo	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
			(in millions)		
Fuel Purchase Contracts (a)	$ 257.1	$ 321.2	$ 76.6	$ 80.2	$ 735.1
Energy and Capacity Purchase Contracts (b)	19.0	39.1	39.2	284.9	382.2
Total	$ 276.1	$ 360.3	$ 115.8	$ 365.1	$ 1,117.3

(a) Represents contractual commitments to purchase coal, natural gas, uranium and other consumables as fuel for electric generation along with related transportation of the fuel.
(b) Represents contractual commitments for energy and capacity purchase contracts.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third parties unless specified below.

Letters of Credit – Affecting APCo, I&M, OPCo and SWEPCo

Certain Registrant Subsidiaries enter into standby letters of credit with third parties. These letters of credit are issued in the ordinary course of business and cover items such as insurance programs, security deposits and debt service reserves.

AEP has two $1.5 billion credit facilities, of which $750 million may be issued under one credit facility as letters of credit. In June 2010, AEP terminated one of the $1.5 billion facilities that was scheduled to mature in March 2011 and replaced it with a new $1.5 billion credit facility which matures in 2013 and allows for the issuance of up to $600 million as letters of credit.

In June 2010, the Registrant Subsidiaries and certain other companies in the AEP System reduced a $627 million credit agreement to $478 million. As of December 31, 2010, $477 million of letters of credit were issued by Registrant Subsidiaries under the agreement to support variable rate Pollution Control Bonds.

At December 31, 2010, the maximum future payments of the letters of credit were as follows:

Company	Amount (in thousands)	Maturity	Borrower Sublimit (in thousands)
$1.35 billion letters of credit:			
I&M	$ 150	March 2011	N/A
SWEPCo	4,448	June 2011	N/A
$478 million letter of credit:			
APCo	$ 232,292	March 2011 to April 2011	$ 300,000
I&M	77,886	April 2011	230,000
OPCo	166,899	April 2011	400,000

Guarantees of Third-Party Obligations – Affecting SWEPCo

As part of the process to receive a renewal of a Texas Railroad Commission permit for lignite mining, SWEPCo provides guarantees of mine reclamation of approximately $65 million. Since SWEPCo uses self-bonding, the guarantee provides for SWEPCo to commit to use its resources to complete the reclamation in the event the work is not completed by Sabine Mining Company (Sabine), a consolidated variable interest entity. This guarantee ends upon depletion of reserves and completion of final reclamation. Based on the latest study, it is estimated the reserves will be depleted in 2036 with final reclamation completed by 2046 at an estimated cost of approximately $58 million. As of December 31, 2010, SWEPCo has collected approximately $49 million through a rider for final mine closure and reclamation costs, of which $2 million is recorded in Other Current Liabilities, $25 million is recorded in Deferred Credits and Other Noncurrent Liabilities and $22 million is recorded in Asset Retirement Obligations on SWEPCo's Consolidated Balance Sheets.

Sabine charges SWEPCo, its only customer, all of its costs. SWEPCo passes these costs to customers through its fuel clause.

Indemnifications and Other Guarantees – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

Contracts

The Registrant Subsidiaries enter into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. There are no material liabilities recorded for any indemnifications.

The AEP East companies, PSO and SWEPCo are jointly and severally liable for activity conducted by AEPSC on behalf of the AEP East companies, PSO and SWEPCo related to power purchase and sale activity conducted pursuant to the SIA.

Lease Obligations

Certain Registrant Subsidiaries lease certain equipment under master lease agreements. See "Master Lease Agreements" and "Railcar Lease" sections of Note 13 for disclosure of lease residual value guarantees.

ENVIRONMENTAL CONTINGENCIES

Federal EPA Complaint and Notice of Violation – Affecting CSPCo

The Federal EPA, certain special interest groups and a number of states alleged that APCo, CSPCo, I&M and OPCo modified certain units at their coal-fired generating plants in violation of the NSR requirements of the CAA. Cases with similar allegations against CSPCo, Dayton Power and Light Company and Duke Energy Ohio, Inc. were also filed related to their jointly-owned units. The cases were settled with the exception of a case involving a jointly-owned Beckjord unit which had a liability trial. Following two liability trials, the jury found no liability at the jointly-owned Beckjord unit. The defendants and the plaintiffs appealed to the Seventh Circuit Court of Appeals. In October 2010, the Seventh Circuit dismissed all remaining claims in these cases. Beckjord is operated by Duke Energy Ohio, Inc.

Citizen Suit and Notice of Violation – Affecting SWEPCo

In 2005, two special interest groups, Sierra Club and Public Citizen, filed a complaint alleging violations of the CAA at SWEPCo's Welsh Plant. In 2008, a consent decree resolved all claims in the case and in the pending appeal of an altered permit for the Welsh Plant. The consent decree required SWEPCo to install continuous particulate emission monitors at the Welsh Plant, secure 65 MW of renewable energy capacity, fund $2 million in emission reduction, energy efficiency or environmental mitigation projects and pay a portion of plaintiffs' attorneys' fees and costs.

The Federal EPA issued a Notice of Violation (NOV) based on alleged violations of a percent sulfur in fuel limitation and the heat input values listed in a previous state permit similar to the claims made in the citizen suit. The NOV also alleges that a permit alteration issued by the Texas Commission on Environmental Quality in 2007 was improper. In March 2008, SWEPCo met with the Federal EPA to discuss the alleged violations. The Federal EPA did not object to the settlement of the citizen suit and has taken no further action. Management is unable to predict the timing of any future action by the Federal EPA. Management is unable to determine a range of potential losses that are reasonably possible of occurring.

Carbon Dioxide Public Nuisance Claims – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

In 2004, eight states and the City of New York filed an action in Federal District Court for the Southern District of New York against AEP, AEPSC, Cinergy Corp, Xcel Energy, Southern Company and Tennessee Valley Authority. The Natural Resources Defense Council, on behalf of three special interest groups, filed a similar complaint against the same defendants. The actions allege that CO_2 emissions from the defendants' power plants constitute a public nuisance under federal common law due to impacts of global warming and sought injunctive relief in the form of specific emission reduction commitments from the defendants. The trial court dismissed the lawsuits.

In September 2009, the Second Circuit Court of Appeals issued a ruling on appeal remanding the cases to the Federal District Court for the Southern District of New York. The Second Circuit held that the issues of climate change and global warming do not raise political questions and that Congress' refusal to regulate CO_2 emissions does not mean that plaintiffs must wait for an initial policy determination by Congress or the President's administration to secure the relief sought in their complaints. The court stated that Congress could enact comprehensive legislation to regulate CO_2 emissions or that the Federal EPA could regulate CO_2 emissions under existing CAA authorities and that either of these actions could override any decision made by the district court under federal common law. The Second Circuit did not rule on whether the plaintiffs could proceed with their state common law nuisance claims. In December 2010, the defendants' petition for review by the U.S. Supreme Court was granted. Briefing is underway and the case will be heard in April 2011. Management believes the actions are without merit and intends to continue to defend against the claims.

In October 2009, the Fifth Circuit Court of Appeals reversed a decision by the Federal District Court for the District of Mississippi dismissing state common law nuisance claims in a putative class action by Mississippi residents asserting that CO_2 emissions exacerbated the effects of Hurricane Katrina. The Fifth Circuit held that there was no exclusive commitment of the common law issues raised in plaintiffs' complaint to a coordinate branch of government and that no initial policy determination was required to adjudicate these claims. The court granted petitions for rehearing. An additional recusal left the Fifth Circuit without a quorum to reconsider the decision and the appeal was dismissed, leaving the district court's decision in place. Plaintiffs filed a petition with the U.S. Supreme Court asking the court to remand the case to the Fifth Circuit and reinstate the panel decision. The petition was denied in January 2011.

Management is unable to determine a range of potential losses that are reasonably possible of occurring.

Alaskan Villages' Claims – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

In 2008, the Native Village of Kivalina and the City of Kivalina, Alaska filed a lawsuit in Federal Court in the Northern District of California against AEP, AEPSC and 22 other unrelated defendants including oil and gas companies, a coal company and other electric generating companies. The complaint alleges that the defendants' emissions of CO_2 contribute to global warming and constitute a public and private nuisance and that the defendants are acting together. The complaint further alleges that some of the defendants, including AEP, conspired to create a false scientific debate about global warming in order to deceive the public and perpetuate the alleged nuisance. The plaintiffs also allege that the effects of global warming will require the relocation of the village at an alleged cost of $95 million to $400 million. In October

2009, the judge dismissed plaintiffs' federal common law claim for nuisance, finding the claim barred by the political question doctrine and by plaintiffs' lack of standing to bring the claim. The judge also dismissed plaintiffs' state law claims without prejudice to refiling in state court. The plaintiffs appealed the decision. Briefing is complete and no date has been set for oral argument. The defendants requested that the court defer setting this case for oral argument until after the Supreme Court issues its decision in the CO_2 public nuisance case discussed above. Management believes the action is without merit and intends to defend against the claims. Management is unable to determine a range of potential losses that are reasonably possible of occurring.

The Comprehensive Environmental Response Compensation and Liability Act (Superfund) and State Remediation – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

By-products from the generation of electricity include materials such as ash, slag, sludge, low-level radioactive waste and SNF. Coal combustion by-products, which constitute the overwhelming percentage of these materials, are typically treated and deposited in captive disposal facilities or are beneficially utilized. In addition, the generating plants and transmission and distribution facilities have used asbestos, polychlorinated biphenyls and other hazardous and nonhazardous materials. The Registrant Subsidiaries currently incur costs to dispose of these substances safely.

Superfund addresses clean-up of hazardous substances that have been released to the environment. The Federal EPA administers the clean-up programs. Several states have enacted similar laws. At December 31, 2010, APCo and CSPCo are each named as a Potentially Responsible Party (PRP) for one site and OPCo is named a PRP for two sites by the Federal EPA. There are seven additional sites for which APCo, CSPCo, I&M, OPCo, and SWEPCo have received information requests which could lead to PRP designation. I&M and SWEPCo have also been named potentially liable at two sites each under state law including the I&M site discussed in the next paragraph. In those instances where the Registrant Subsidiaries have been named a PRP or defendant, disposal or recycling activities were in accordance with the then-applicable laws and regulations. Superfund does not recognize compliance as a defense, but imposes strict liability on parties who fall within its broad statutory categories. Liability has been resolved for a number of sites with no significant effect on net income.

In 2008, I&M received a letter from the Michigan Department of Environmental Quality (MDEQ) concerning conditions at a site under state law and requesting I&M take voluntary action necessary to prevent and/or mitigate public harm. I&M started remediation work in accordance with a plan approved by MDEQ and recorded a provision of approximately $11 million. As the remediation work is completed, I&M's cost may continue to increase as new information becomes available concerning either the level of contamination at the site or changes in the scope of remediation required by the MDEQ. Management cannot predict the amount of additional cost, if any.

Management evaluates the potential liability for each Superfund site separately, but several general statements can be made about potential future liability. Allegations that materials were disposed at a particular site are often unsubstantiated and the quantity of materials deposited at a site can be small and often nonhazardous. Although Superfund liability has been interpreted by the courts as joint and several, typically many parties are named as PRPs for each site and several of the parties are financially sound enterprises. At present, management's estimates do not anticipate material cleanup costs for identified Superfund sites, except the I&M site discussed above.

Amos Plant – State and Federal Enforcement Proceedings – Affecting APCo and OPCo

In March 2010, APCo and OPCo received a letter from the West Virginia Department of Environmental Protection, Division of Air Quality (DAQ), alleging that at various times in 2007 through 2009 the units at Amos Plant reported periods of excess opacity (indicator of compliance with particulate matter emission limits) that lasted for more than thirty consecutive minutes in a 24-hour period and that certain required notifications were not made. Management met with representatives of DAQ to discuss these occurrences and the steps taken to prevent a recurrence. DAQ indicated that additional enforcement action may be taken, including imposition of a civil penalty of approximately $240 thousand. APCo and OPCo denied that violations of the reporting requirements occurred and maintain that the proper reporting was done. Management continues to discuss the resolution of these issues with DAQ, but cannot predict the outcome of these discussions or the amount of any penalty that may be assessed.

In March 2010, APCo and OPCo received a request to show cause from the Federal EPA alleging that certain reporting requirements under Superfund and the Emergency Planning and Community Right-to-Know Act had been violated and inviting APCo and OPCo to engage in settlement negotiations. The request includes a proposed civil penalty of approximately $300 thousand. Management indicated a willingness to engage in good faith negotiations and met with representatives of the Federal EPA. APCo and OPCo have not admitted that any violations occurred or that the amount of the proposed penalty is reasonable.

Defective Environmental Equipment – Affecting CSPCo and OPCo

As part of the AEP System's continuing environmental investment program, management chose to retrofit wet flue gas desulfurization systems on units utilizing the jet bubbling reactor (JBR) technology. The retrofits on two of the Cardinal Plant units and a Conesville Plant unit are operational. Due to unexpected operating results, management completed an extensive review in 2009 of the design and manufacture of the JBR internal components. The review concluded that there were fundamental design deficiencies and that inferior and/or inappropriate materials were selected for the internal fiberglass components. Management initiated discussions with Black & Veatch, the original equipment manufacturer, to develop a repair or replacement corrective action plan. In 2010, management settled with Black & Veatch and resolved the issues involving the internal components and JBR vessel corrosion. These settlements resulted in an immaterial increase in the capitalized costs of the projects for modification of the scope of the contracts.

NUCLEAR CONTINGENCIES – AFFECTING I&M

I&M owns and operates the two-unit 2,191 MW Cook Plant under licenses granted by the Nuclear Regulatory Commission (NRC). I&M has a significant future financial commitment to dispose of SNF and to safely decommission and decontaminate the plant. The licenses to operate the two nuclear units at the Cook Plant expire in 2034 and 2037. The operation of a nuclear facility also involves special risks, potential liabilities and specific regulatory and safety requirements. By agreement, I&M is partially liable, together with all other electric utility companies that own nuclear generating units, for a nuclear power plant incident at any nuclear plant in the U.S. Should a nuclear incident occur at any nuclear power plant in the U.S., the liability could be substantial.

Decommissioning and Low Level Waste Accumulation Disposal

The cost to decommission a nuclear plant is affected by NRC regulations and the SNF disposal program. Decommissioning costs are accrued over the service life of the Cook Plant. The most recent decommissioning cost study was performed in 2009. According to that study, the estimated cost of decommissioning and disposal of low-level radioactive waste ranges from $831 million to $1.5 billion in 2009 nondiscounted dollars. The wide range in estimated costs is caused by variables in assumptions. I&M recovers estimated decommissioning costs for the Cook Plant in its rates. The amount recovered in rates was $14 million in 2010, $16 million in 2009 and $27 million in 2008. Reduced annual decommissioning cost recovery amounts reflect the units' longer estimated life and operating licenses granted by the NRC. Decommissioning costs recovered from customers are deposited in external trusts.

At December 31, 2010 and 2009, the total decommissioning trust fund balance was $1.2 billion and $1.1 billion, respectively. Trust fund earnings increase the fund assets and decrease the amount remaining to be recovered from ratepayers. The decommissioning costs (including interest, unrealized gains and losses and expenses of the trust funds) increase or decrease the recorded liability.

I&M continues to work with regulators and customers to recover the remaining estimated costs of decommissioning the Cook Plant. However, future net income, cash flows and possibly financial condition would be adversely affected if the cost of SNF disposal and decommissioning continues to increase and cannot be recovered.

SNF Disposal

The Federal government is responsible for permanent SNF disposal and assesses fees to nuclear plant owners for SNF disposal. A fee of one mill per KWH for fuel consumed after April 6, 1983 at the Cook Plant is being collected from customers and remitted to the U.S. Treasury. At December 31, 2010 and 2009, fees and related interest of $265 million and $265 million, respectively, for fuel consumed prior to April 7, 1983 have been recorded as Long-term Debt and funds collected from customers along with related earnings totaling $307 million and $306 million, respectively, to pay the fee are recorded as part of Spent Nuclear Fuel and Decommissioning Trusts. I&M has not paid the government the pre-April 1983 fees due to continued delays and uncertainties related to the federal disposal program.

See "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11 for disclosure of the fair value of assets within the trusts.

Nuclear Incident Liability

I&M carries insurance coverage for property damage, decommissioning and decontamination at the Cook Plant in the amount of $1.8 billion. I&M purchases $1 billion of excess coverage for property damage, decommissioning and decontamination. Additional insurance provides coverage for a weekly indemnity payment resulting from an insured accidental outage. I&M utilizes an industry mutual insurer for the placement of this insurance coverage. Participation in this mutual insurance requires a contingent financial obligation of up to $41 million for I&M which is assessable if the insurer's financial resources would be inadequate to pay for losses.

The Price-Anderson Act, extended through December 31, 2025, establishes insurance protection for public liability arising from a nuclear incident at $12.6 billion and covers any incident at a licensed reactor in the U.S. Commercially available insurance, which must be carried for each licensed reactor, provides $375 million of coverage. In the event of a nuclear incident at any nuclear plant in the U.S., the remainder of the liability would be provided by a deferred premium assessment of $117.5 million on each licensed reactor in the U.S. payable in annual installments of $17.5 million. As a result, I&M could be assessed $235 million per nuclear incident payable in annual installments of $35 million. The number of incidents for which payments could be required is not limited.

In the event of an incident of a catastrophic nature, I&M is initially covered for the first $375 million through commercially available insurance. The next level of liability coverage of up to $12.2 billion would be covered by claims made under the Price-Anderson Act. If the liability were in excess of amounts recoverable from insurance and retrospective claim payments made under the Price-Anderson Act, I&M would seek to recover those amounts from customers through rate increases. In the event nuclear losses or liabilities are underinsured or exceed accumulated funds and recovery from customers is not possible, net income, cash flows and financial condition could be adversely affected.

Cook Plant Unit 1 Fire and Shutdown

In September 2008, I&M shut down Cook Plant Unit 1 (Unit 1) due to turbine vibrations, caused by blade failure, which resulted in significant turbine damage and a small fire on the electric generator. This equipment, located in the turbine building, is separate and isolated from the nuclear reactor. The turbine rotors that caused the vibration were installed in 2006 and are within the vendor's warranty period. The warranty provides for the repair or replacement of the turbine rotors if the damage was caused by a defect in materials or workmanship. Repair of the property damage and replacement of the turbine rotors and other equipment could cost up to approximately $395 million. Management believes that I&M should recover a significant portion of these costs through the turbine vendor's warranty, insurance and the regulatory process. I&M repaired Unit 1 and it resumed operations in December 2009 at slightly reduced power. The Unit 1 rotors were repaired and reinstalled due to the extensive lead time required to manufacture and install new turbine rotors. As a result, the replacement of the repaired turbine rotors and other equipment is scheduled for the Unit 1 planned outage in the fall of 2011.

I&M maintains property insurance through NEIL with a $1 million deductible. As of December 31, 2010, I&M recorded $46 million on its Consolidated Balance Sheet representing estimated recoverable amounts under the property insurance policy. Through December 31, 2010, I&M received partial payments of $203 million from NEIL for the cost incurred to date to repair the property damage.

I&M also maintains a separate accidental outage policy with NEIL. In 2009, I&M recorded $185 million in revenue under the policy and reduced the cost of replacement power in customers' bills by $78 million.

NEIL is reviewing claims made under the insurance policies to ensure that claims associated with the outage are covered by the policies. The review by NEIL includes the timing of the unit's return to service and whether the return should have occurred earlier reducing the amount received under the accidental outage policy. The treatment of the remaining accidental outage policy revenues through fuel clauses is discussed in "I&M Rate Matters" section of Note 4. The treatment of property damage costs, replacement power costs and insurance proceeds will be the subject of future regulatory proceedings in Indiana and Michigan. If the ultimate costs of the incident are not covered by warranty, insurance or through the regulatory process or if any future regulatory proceedings are adverse, it could have an adverse impact on net income, cash flows and financial condition.

OPERATIONAL CONTINGENCIES

Insurance and Potential Losses – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

The Registrant Subsidiaries maintain insurance coverage normal and customary for electric utilities, subject to various deductibles. Insurance coverage includes all risks of physical loss or damage to nonnuclear assets, subject to insurance policy conditions and exclusions. Covered property generally includes power plants, substations, facilities and inventories. Excluded property generally includes transmission and distribution lines, poles and towers. The insurance programs also generally provide coverage against loss arising from certain claims made by third parties and are in excess of retentions absorbed by the Registrant Subsidiaries. Coverage is generally provided by a combination of the protected cell of EIS and/or various industry mutual and/or commercial insurance carriers.

See "Nuclear Contingencies" section of this footnote for a discussion of I&M's nuclear exposures and related insurance.

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to damage to the Cook Plant and costs of replacement power in the event of an incident at the Cook Plant. Future losses or liabilities, if they occur, which are not completely insured, unless recovered from customers, could have a material adverse effect on net income, cash flows and financial condition.

Fort Wayne Lease – Affecting I&M

Since 1975, I&M has leased certain energy delivery assets from the City of Fort Wayne, Indiana under a long-term lease that expired on February 28, 2010. I&M negotiated with Fort Wayne to purchase the assets at the end of the lease, but no agreement was reached prior to the end of the lease.

I&M and Fort Wayne reached a settlement agreement. The agreement, signed in October 2010, is subject to approval by the IURC. I&M filed a petition with the IURC seeking approval. If the agreement is approved, I&M will purchase the remaining leased property and settle claims Fort Wayne asserted. The agreement provides that I&M will pay Fort Wayne a total of $39 million, inclusive of interest, over 15 years and Fort Wayne will recognize that I&M is the exclusive electricity supplier in the Fort Wayne area. I&M will seek recovery in rates of the payments made to Fort Wayne. If the agreement is not approved by the IURC, the parties have the right to terminate the agreement and pursue other relief.

Coal Transportation Rate Dispute – Affecting PSO

In 1985, the Burlington Northern Railroad Co. (now BNSF) entered into a coal transportation agreement with PSO. The agreement contained a base rate subject to adjustment, a rate floor, a reopener provision and an arbitration provision. In 1992, PSO reopened the pricing provision. The parties failed to reach an agreement and the matter was arbitrated, with the arbitration panel establishing a lowered rate as of July 1, 1992 (the 1992 Rate) and modifying the rate adjustment formula. The decision did not mention the rate floor. From April 1996 through the contract termination in December 2001, the 1992 Rate exceeded the adjusted rate determined according to the decision. PSO paid the adjusted rate and contended that the panel eliminated the rate floor. BNSF invoiced at the 1992 Rate and contended that the 1992 Rate was the new rate floor. PSO terminated the contract by paying a termination fee, as required by the agreement. BNSF contends that the termination fee should have been calculated on the 1992 Rate, not the adjusted rate, resulting in an underpayment of approximately $9.5 million, including interest.

This matter was submitted to an arbitration board. In April 2006, the arbitration board filed its decision, denying BNSF's underpayments claim. PSO filed a request for an order confirming the arbitration award and a request for entry of judgment on the award with the U.S. District Court for the Northern District of Oklahoma. On July 14, 2006, the U.S. District Court issued an order confirming the arbitration award. On July 24, 2006, BNSF filed a Motion to Reconsider the July 14, 2006 Arbitration Confirmation Order and Final Judgment and its Motion to Vacate and Correct the Arbitration Award with the U.S. District Court. In February 2007, the U.S. District Court granted BNSF's Motion to Reconsider. In August 2009, the U.S. District Court upheld the arbitration board's decision. BNSF appealed the U.S. District Court's decision to the U.S. Court of Appeals. In December 2010, the Tenth Circuit Court of Appeals affirmed the U.S. District Court's order confirming the arbitration award, denying BNSF's underpayments claim. In January 2011, the appellate court issued a mandate to send the case back to the U.S. District Court to address the remaining attorney fee issues to determine the award amount to PSO for attorney's fees and expenses related to the proceedings at both the district court and appellate court levels.

7. ACQUISITIONS

2010

Valley Electric Membership Corporation – Affecting SWEPCo

In November 2009, SWEPCo signed a letter of intent to purchase certain transmission and distribution assets of Valley Electric Membership Corporation (VEMCO). In October 2010, SWEPCo finalized the purchase for approximately $102 million and began serving VEMCO's 30,000 customers in Louisiana.

2009

Oxbow Lignite Company and Red River Mining Company – Affecting SWEPCo

On December 29, 2009, SWEPCo purchased 50% of the Oxbow Lignite Company, LLC (OLC) membership interest for $13 million. CLECO acquired the remaining 50% membership interest in the OLC for $13 million. The Oxbow Mine is located near Coushatta, Louisiana and will be used as one of the fuel sources for SWEPCo's and CLECO's jointly-owned Dolet Hills Generating Station. SWEPCo will account for OLC as an equity investment. Also, on December 29, 2009, DHLC purchased mining equipment and assets for $16 million from the Red River Mining Company.

2008

None

8. BENEFIT PLANS

For a discussion of investment strategy, investment limitations, target asset allocations and the classification of investments within the fair value hierarchy, see "Investments Held in Trust for Future Liabilities" and "Fair Value Measurements of Assets and Liabilities" sections of Note 1.

The Registrant Subsidiaries participate in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all employees are covered by the qualified plan or both the qualified and a nonqualified pension plan. The Registrant Subsidiaries also participate in OPEB plans sponsored by AEP to provide medical and life insurance benefits for retired employees.

Due to the Registrant Subsidiaries' participation in AEP's benefits plans, the assumptions used by the actuary and the accounting for the plans by each subsidiary are the same. This section details the assumptions that apply to all Registrant Subsidiaries and the rate of compensation increase for each subsidiary.

The Registrant Subsidiaries recognize the funded status associated with defined benefit pension and OPEB plans in their balance sheets. Disclosures about the plans are required by the "Compensation – Retirement Benefits" accounting guidance. The Registrant Subsidiaries recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of other comprehensive income, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. The Registrant Subsidiaries record a regulatory asset instead of other comprehensive income for qualifying benefit costs of regulated operations that for ratemaking purposes are deferred for future recovery. The cumulative funded status adjustment is equal to the remaining unrecognized deferrals for unamortized actuarial losses or gains, prior service costs and transition obligations, such that remaining deferred costs result in an AOCI equity reduction or regulatory asset and deferred gains result in an AOCI equity addition or regulatory liability.

Actuarial Assumptions for Benefit Obligations

The weighted-average assumptions as of December 31 of each year used in the measurement of the Registrant Subsidiaries' benefit obligations are shown in the following tables:

Assumption	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
Discount Rate	5.05 %	5.60 %	5.25 %	5.85 %

Assumption - Rate of Compensation Increase (a)	Pension Plans 2010	Pension Plans 2009
APCo	4.70 %	4.35 %
CSPCo	5.30 %	4.95 %
I&M	4.90 %	4.55 %
OPCo	4.90 %	4.55 %
PSO	4.95 %	4.60 %
SWEPCo	4.80 %	4.45 %

(a) Rates are for base pay only. In addition, an amount is added to reflect target incentive compensation for exempt employees and overtime and incentive pay for nonexempt employees.

A duration-based method is used to determine the discount rate for the plans. A hypothetical portfolio of high quality corporate bonds similar to those included in the Moody's Aa bond index is constructed with a duration matching the benefit plan liability. The composite yield on the hypothetical bond portfolio is used as the discount rate for the plan. The discount rate is the same for each Registrant Subsidiary.

For 2010, the rate of compensation increase assumed varies with the age of the employee, ranging from 3.5% per year to 11.5% per year, with the average increase shown in the table above. The compensation increase rates reflect variations in each Registrant Subsidiary's population participating in the pension plan.

Actuarial Assumptions for Net Periodic Benefit Costs

The weighted-average assumptions as of January 1 of each year used in the measurement of each Registrant Subsidiary's benefit costs are shown in the following tables:

Assumptions	Pension Plans 2010	Pension Plans 2009	Pension Plans 2008	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009	Other Postretirement Benefit Plans 2008
Discount Rate	5.60 %	6.00 %	6.00 %	5.85 %	6.10 %	6.20 %
Expected Return on Plan Assets	8.00 %	8.00 %	8.00 %	8.00 %	7.75 %	8.00 %

Assumption - Rate of Compensation Increase	Pension Plans 2010	Pension Plans 2009	Pension Plans 2008
APCo	4.35 %	5.65 %	5.65 %
CSP	4.95 %	6.25 %	6.25 %
I&M	4.55 %	5.85 %	5.85 %
OPCo	4.55 %	5.85 %	5.85 %
PSO	4.60 %	5.90 %	5.90 %
SWEPCo	4.45 %	5.75 %	5.75 %

The expected return on plan assets for 2010 was determined by evaluating historical returns, the current investment climate (yield on fixed income securities and other recent investment market indicators), rate of inflation and current prospects for economic growth. The expected return on plan assets is the same for each Registrant Subsidiary.

The health care trend rate assumptions as of January 1 of each year used for OPEB plans measurement purposes are shown below:

Health Care Trend Rates	2010	2009
Initial	8.00 %	6.50 %
Ultimate	5.00 %	5.00 %
Year Ultimate Reached	2016	2012

Assumed health care cost trend rates have a significant effect on the amounts reported for the OPEB health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Effect on Total Service and Interest Cost Components of Net Periodic Postretirement Health Care Benefit Cost:						
1% Increase	$ 3,689	$ 1,619	$ 2,908	$ 3,278	$ 1,273	$ 1,394
1% Decrease	(2,965)	(1,302)	(2,343)	(2,636)	(1,026)	(1,123)
Effect on the Health Care Component of the Accumulated Postretirement Benefit Obligation:						
1% Increase	$ 47,231	$ 20,182	$ 31,596	$ 41,472	$ 13,770	$ 15,276
1% Decrease	(38,564)	(16,501)	(25,905)	(33,902)	(11,297)	(12,533)

Significant Concentrations of Risk within Plan Assets

In addition to establishing the target asset allocation of plan assets, the investment policy also places restrictions on securities to limit significant concentrations within plan assets. The investment policy establishes guidelines that govern maximum market exposure, security restrictions, prohibited asset classes, prohibited types of transactions, minimum credit quality, average portfolio credit quality, portfolio duration and concentration limits. The guidelines were established to mitigate the risk of loss due to significant concentrations in any investment. Management monitors the plans to control security diversification and ensure compliance with the investment policy. At December 31, 2010, the assets were invested in compliance with all investment limits. See "Investments Held in Trust for Future Liabilities" section of Note 1 for limit details.

Benefit Plan Obligations, Plan Assets and Funded Status as of December 31, 2010 and 2009

The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of plan assets and funded status as of December 31. The benefit obligation for the defined benefit pension and OPEB plans are the projected benefit obligation and the accumulated benefit obligation, respectively.

APCo

	Pension Plans		Other Postretirement Benefit Plans	
	2010	**2009**	**2010**	**2009**
Change in Benefit Obligation	(in thousands)			
Benefit Obligation at January 1	$ 632,832	$ 585,806	$ 348,787	$ 333,140
Service Cost	12,908	12,689	5,722	5,142
Interest Cost	33,956	34,050	20,300	19,710
Actuarial Loss	28,909	34,389	33,656	8,892
Plan Amendment Prior Service Credit	-	-	(4,257)	-
Benefit Payments	(56,386)	(34,102)	(27,677)	(24,188)
Participant Contributions	-	-	4,782	4,243
Medicare Subsidy	-	-	1,839	1,848
Benefit Obligation at December 31	$ 652,219	$ 632,832	$ 383,152	$ 348,787
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 474,657	$ 440,386	$ 217,160	$ 169,462
Actual Gain on Plan Assets	57,745	68,337	29,112	42,378
Company Contributions	36,820	36	20,394	25,265
Participant Contributions	-	-	4,782	4,243
Benefit Payments	(56,386)	(34,102)	(27,677)	(24,188)
Fair Value of Plan Assets at December 31	$ 512,836	$ 474,657	$ 243,771	$ 217,160
Underfunded Status at December 31	$ (139,383)	$ (158,175)	$ (139,381)	$ (131,627)

CSPCo

	Pension Plans		Other Postretirement Benefit Plans	
	2010	**2009**	**2010**	**2009**
Change in Benefit Obligation	(in thousands)			
Benefit Obligation at January 1	$ 364,891	$ 344,638	$ 151,161	$ 150,885
Service Cost	5,873	5,504	2,761	2,470
Interest Cost	19,156	19,529	8,713	8,493
Actuarial (Gain) Loss	7,931	15,910	14,171	(2,915)
Plan Amendment Prior Service Credit	-	-	(2,164)	-
Benefit Payments	(43,698)	(20,690)	(11,988)	(10,677)
Participant Contributions	-	-	2,488	2,143
Medicare Subsidy	-	-	765	762
Benefit Obligation at December 31	$ 354,153	$ 364,891	$ 165,907	$ 151,161
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 288,468	$ 271,342	$ 98,754	$ 81,350
Actual Gain on Plan Assets	28,825	37,816	12,208	14,808
Company Contributions	6,998	-	8,072	11,130
Participant Contributions	-	-	2,488	2,143
Benefit Payments	(43,698)	(20,690)	(11,988)	(10,677)
Fair Value of Plan Assets at December 31	$ 280,593	$ 288,468	$ 109,534	$ 98,754
Underfunded Status at December 31	$ (73,560)	$ (76,423)	$ (56,373)	$ (52,407)

I&M

Change in Benefit Obligation	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	(in thousands)			
Benefit Obligation at January 1	$ 526,363	$ 480,447	$ 241,847	$ 227,979
Service Cost	15,284	14,002	6,750	5,990
Interest Cost	29,085	28,520	14,164	13,675
Actuarial Loss	40,694	29,079	20,980	4,443
Plan Amendment Prior Service Credit	-	-	(4,273)	-
Benefit Payments	(50,444)	(25,685)	(17,439)	(14,337)
Participant Contributions	-	-	3,526	2,908
Medicare Subsidy	-	-	1,187	1,189
Benefit Obligation at December 31	$ 560,982	$ 526,363	$ 266,742	$ 241,847
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 379,562	$ 353,624	$ 166,682	$ 128,878
Actual Gain on Plan Assets	50,811	51,612	20,983	30,576
Company Contributions	71,759	11	14,938	18,657
Participant Contributions	-	-	3,526	2,908
Benefit Payments	(50,444)	(25,685)	(17,439)	(14,337)
Fair Value of Plan Assets at December 31	$ 451,688	$ 379,562	$ 188,690	$ 166,682
Underfunded Status at December 31	$ (109,294)	$ (146,801)	$ (78,052)	$ (75,165)

OPCo

Change in Benefit Obligation	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	(in thousands)			
Benefit Obligation at January 1	$ 616,590	$ 573,613	$ 306,711	$ 291,601
Service Cost	11,381	11,034	5,426	4,877
Interest Cost	32,744	33,100	17,785	17,325
Actuarial Loss	23,478	32,454	31,462	9,284
Plan Amendment Prior Service Credit	-	-	(3,875)	-
Benefit Payments	(54,257)	(33,611)	(23,685)	(22,385)
Participant Contributions	-	-	4,765	4,234
Medicare Subsidy	-	-	1,759	1,775
Benefit Obligation at December 31	$ 629,936	$ 616,590	$ 340,348	$ 306,711
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 468,300	$ 435,694	$ 200,797	$ 157,255
Actual Gain on Plan Assets	52,940	66,153	26,258	39,214
Company Contributions	51,705	64	15,529	22,479
Participant Contributions	-	-	4,765	4,234
Benefit Payments	(54,257)	(33,611)	(23,685)	(22,385)
Fair Value of Plan Assets at December 31	$ 518,688	$ 468,300	$ 223,664	$ 200,797
Underfunded Status at December 31	$ (111,248)	$ (148,290)	$ (116,684)	$ (105,914)

PSO

Change in Benefit Obligation	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	(in thousands)			
Benefit Obligation at January 1	$ 285,592	$ 260,936	$ 108,220	$ 101,446
Service Cost	6,052	5,744	2,815	2,522
Interest Cost	14,888	15,369	6,360	6,154
Actuarial (Gain) Loss	(1,047)	18,364	7,540	2,434
Plan Amendment Prior Service Credit	-	-	(2,408)	-
Benefit Payments	(37,305)	(14,821)	(8,049)	(6,510)
Participant Contributions	-	-	1,763	1,472
Medicare Subsidy	-	-	694	702
Benefit Obligation at December 31	$ 268,180	$ 285,592	$ 116,935	$ 108,220
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 216,966	$ 202,447	$ 75,700	$ 58,195
Actual Gain on Plan Assets	21,040	29,316	6,357	12,637
Company Contributions	12,875	24	8,146	9,906
Participant Contributions	-	-	1,763	1,472
Benefit Payments	(37,305)	(14,821)	(8,049)	(6,510)
Fair Value of Plan Assets at December 31	$ 213,576	$ 216,966	$ 83,917	$ 75,700
Underfunded Status at December 31	$ (54,604)	$ (68,626)	$ (33,018)	$ (32,520)

SWEPCo

Change in Benefit Obligation	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	(in thousands)			
Benefit Obligation at January 1	$ 288,081	$ 257,749	$ 118,571	$ 110,689
Service Cost	7,046	6,757	3,108	2,817
Interest Cost	15,093	15,557	6,940	6,735
Actuarial (Gain) Loss	(2,014)	23,126	9,084	2,453
Plan Amendment Prior Service Credit	-	-	(2,399)	-
Benefit Payments	(41,000)	(15,108)	(8,125)	(6,347)
Participant Contributions	-	-	1,907	1,579
Medicare Subsidy	-	-	640	645
Benefit Obligation at December 31	$ 267,206	$ 288,081	$ 129,726	$ 118,571
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at January 1	$ 212,626	$ 194,816	$ 82,940	$ 63,498
Actual Gain on Plan Assets	23,854	32,840	8,150	14,035
Company Contributions	29,138	78	8,225	10,175
Participant Contributions	-	-	1,907	1,579
Benefit Payments	(41,000)	(15,108)	(8,125)	(6,347)
Fair Value of Plan Assets at December 31	$ 224,618	$ 212,626	$ 93,097	$ 82,940
Underfunded Status at December 31	$ (42,588)	$ (75,455)	$ (36,629)	$ (35,631)

Amounts Recognized on the Registrant Subsidiaries' Balance Sheets as of December 31, 2010 and 2009

APCo	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (34)	$ (35)	$ (2,854)	$ (2,705)
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(139,349)	(158,140)	(136,527)	(128,922)
Underfunded Status	$ (139,383)	$ (158,175)	$ (139,381)	$ (131,627)

CSPCo	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ -	$ -	$ (363)	$ (338)
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(73,560)	(76,423)	(56,010)	(52,069)
Underfunded Status	$ (73,560)	$ (76,423)	$ (56,373)	$ (52,407)

I&M	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (57)	$ (87)	$ (313)	$ (327)
Deferred Credits and Other Noncurrent Liabilities Accrued Long-term Benefit Liability	(109,237)	(146,714)	(77,739)	(74,838)
Underfunded Status	$ (109,294)	$ (146,801)	$ (78,052)	$ (75,165)

OPCo	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (59)	$ (64)	$ (304)	$ (240)
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(111,189)	(148,226)	(116,380)	(105,674)
Underfunded Status	$ (111,248)	$ (148,290)	$ (116,684)	$ (105,914)

PSO	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	December 31,			
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (68)	$ (97)	$ -	$ -
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(54,536)	(68,529)	(33,018)	(32,520)
Underfunded Status	$ (54,604)	$ (68,626)	$ (33,018)	$ (32,520)

SWEPCo	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	December 31,			
	(in thousands)			
Other Current Liabilities - Accrued Short-term Benefit Liability	$ (73)	$ (75)	$ -	$ -
Employee Benefits and Pension Obligations - Accrued Long-term Benefit Liability	(42,515)	(75,380)	(36,629)	(35,631)
Underfunded Status	$ (42,588)	$ (75,455)	$ (36,629)	$ (35,631)

Amounts Included in AOCI and Regulatory Assets as of December 31, 2010 and 2009

APCo	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	December 31,			
Components	(in thousands)			
Net Actuarial Loss	$ 290,798	$ 287,871	$ 115,350	$ 96,884
Prior Service Cost (Credit)	2,310	3,227	(2,086)	-
Transition Obligation	-	-	1,947	9,362
Recorded as				
Regulatory Assets	$ 289,214	$ 286,995	$ 45,891	$ 44,636
Deferred Income Taxes	1,366	1,439	23,881	21,213
Net of Tax AOCI	2,528	2,664	45,439	40,397

CSPCo	Pension Plans 2010	Pension Plans 2009	Other Postretirement Benefit Plans 2010	Other Postretirement Benefit Plans 2009
	December 31,			
Components	(in thousands)			
Net Actuarial Loss	$ 200,755	$ 202,025	$ 51,305	$ 43,708
Prior Service Cost (Credit)	1,292	1,856	(898)	-
Transition Obligation	-	-	74	3,771
Recorded as				
Regulatory Assets	$ 144,607	$ 146,082	$ 29,148	$ 28,942
Deferred Income Taxes	20,104	20,230	7,467	6,489
Net of Tax AOCI	37,336	37,569	13,866	12,048

I&M

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
Components	(in thousands)			
Net Actuarial Loss	$ 208,879	$ 194,212	$ 78,483	$ 68,637
Prior Service Cost (Credit)	2,051	2,795	(2,882)	-
Transition Obligation	-	-	320	4,525
Recorded as				
Regulatory Assets	$ 199,982	$ 186,367	$ 68,098	$ 65,644
Deferred Income Taxes	3,830	3,723	2,737	2,630
Net of Tax AOCI	7,118	6,917	5,086	4,888

OPCo

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
Components	(in thousands)			
Net Actuarial Loss	$ 296,277	$ 286,851	$ 107,571	$ 90,839
Prior Service Cost (Credit)	2,207	3,115	(1,699)	-
Transition Obligation	-	-	180	6,566
Recorded as				
Regulatory Assets	$ 148,095	$ 146,818	$ 41,981	$ 41,331
Deferred Income Taxes	52,637	49,332	22,421	19,626
Net of Tax AOCI	97,752	93,816	41,650	36,448

PSO

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
Components	(in thousands)			
Net Actuarial Loss	$ 134,101	$ 141,636	$ 33,922	$ 28,212
Prior Service Credit	(769)	(1,720)	(921)	-
Transition Obligation	-	-	-	4,292
Recorded as				
Regulatory Assets	$ 133,332	$ 139,916	$ 33,001	$ 32,504

SWEPCo

	Pension Plans		Other Postretirement Benefit Plans	
	December 31,			
	2010	2009	2010	2009
Components	(in thousands)			
Net Actuarial Loss	$ 131,343	$ 142,964	$ 37,707	$ 31,848
Prior Service Credit	(235)	(1,031)	(1,095)	-
Transition Obligation	-	-	-	3,765
Recorded as				
Regulatory Assets	$ 131,108	$ 141,933	$ 23,842	$ 23,221
Deferred Income Taxes	-	-	4,469	4,336
Net of Tax AOCI	-	-	8,301	8,056

Components of the change in amounts included in AOCI and Regulatory Assets by Registrant Subsidiary during the years ended December 31, 2010 and 2009 are as follows:

Pension Plans - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Actuarial Loss (Gain) During the Year	$ 14,769	$ 5,439	$ 24,732	$ 20,869	$ (2,346)	$ (6,379)
Amortization of Actuarial Loss	(11,842)	(6,708)	(10,065)	(11,442)	(5,188)	(5,242)
Amortization of Prior Service Cost (Credit)	(917)	(565)	(744)	(909)	950	796
Change for the Year Ended December 31, 2010	$ 2,010	$ (1,834)	$ 13,923	$ 8,518	$ (6,584)	$ (10,825)

Pension Plans - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Actuarial Loss During the Year	$ 10,937	$ 5,372	$ 13,200	$ 10,579	$ 9,484	$ 10,367
Amortization of Actuarial Loss	(7,688)	(4,431)	(6,406)	(7,500)	(3,487)	(3,516)
Amortization of Prior Service Cost (Credit)	(917)	(565)	(744)	(910)	1,082	916
Change for the Year Ended December 31, 2009	$ 2,332	$ 376	$ 6,050	$ 2,169	$ 7,079	$ 7,767

Other Postretirement Benefit Plans - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Actuarial Loss During the Year	$ 23,876	$ 9,858	$ 13,372	$ 21,349	$ 7,283	$ 7,570
Amortization of Actuarial Loss	(5,410)	(2,261)	(3,526)	(4,616)	(1,573)	(1,711)
Prior Service Credit	(4,257)	(2,164)	(4,273)	(3,875)	(2,408)	(2,399)
Amortization of Transition Obligation	(5,244)	(2,431)	(2,814)	(4,211)	(2,805)	(2,461)
Change for the Year Ended December 31, 2010	$ 8,965	$ 3,002	$ 2,759	$ 8,647	$ 497	$ 999

Other Postretirement Benefit Plans - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Actuarial Gain During the Year	$ (21,375)	$ (11,976)	$ (16,408)	$ (18,761)	$ (5,577)	$ (6,540)
Amortization of Actuarial Loss	(7,666)	(3,285)	(5,213)	(6,703)	(2,348)	(2,560)
Amortization of Transition Obligation	(5,244)	(2,432)	(2,814)	(4,211)	(2,805)	(2,461)
Change for the Year Ended December 31, 2009	$ (34,285)	$ (17,693)	$ (24,435)	$ (29,675)	$ (10,730)	$ (11,561)

Pension and Other Postretirement Plans' Assets

The following tables present the classification of pension plan assets within the fair value hierarchy by Registrant Subsidiary at December 31, 2010:

APCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 179,421	$ 366	$ -	$ -	$ 179,787	35.1 %
International	53,559	-	-	-	53,559	10.4 %
Real Estate Investment Trusts	14,932	-	-	-	14,932	2.9 %
Common Collective Trust - International	-	21,619	-	-	21,619	4.2 %
Subtotal - Equities	247,912	21,985	-	-	269,897	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	84,280	-	-	84,280	16.4 %
Corporate Debt	-	89,296	-	-	89,296	17.4 %
Foreign Debt	-	16,900	-	-	16,900	3.3 %
State and Local Government	-	3,021	-	-	3,021	0.6 %
Other - Asset Backed	-	6,798	-	-	6,798	1.3 %
Subtotal - Fixed Income	-	200,295	-	-	200,295	39.0 %
Real Estate	-	-	11,060	-	11,060	2.2 %
Alternative Investments	-	-	17,281	-	17,281	3.4 %
Securities Lending	-	33,804	-	-	33,804	6.6 %
Securities Lending Collateral (a)	-	-	-	(36,664)	(36,664)	(7.1)%
Cash and Cash Equivalents (b)	-	16,870	-	212	17,082	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	81	81	- %
Total	$ 247,912	$ 272,954	$ 28,341	$ (36,371)	$ 512,836	100.0 %

CSPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 98,168	$ 200	$ -	$ -	$ 98,368	35.1 %
International	29,304	-	-	-	29,304	10.4 %
Real Estate Investment Trusts	8,170	-	-	-	8,170	2.9 %
Common Collective Trust - International	-	11,829	-	-	11,829	4.2 %
Subtotal - Equities	135,642	12,029	-	-	147,671	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	46,113	-	-	46,113	16.4 %
Corporate Debt	-	48,857	-	-	48,857	17.4 %
Foreign Debt	-	9,247	-	-	9,247	3.3 %
State and Local Government	-	1,653	-	-	1,653	0.6 %
Other - Asset Backed	-	3,719	-	-	3,719	1.3 %
Subtotal - Fixed Income	-	109,589	-	-	109,589	39.0 %
Real Estate	-	-	6,052	-	6,052	2.2 %
Alternative Investments	-	-	9,455	-	9,455	3.4 %
Securities Lending	-	18,496	-	-	18,496	6.6 %
Securities Lending Collateral (a)	-	-	-	(20,060)	(20,060)	(7.1)%
Cash and Cash Equivalents (b)	-	9,230	-	116	9,346	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	44	44	- %
Total	$ 135,642	$ 149,344	$ 15,507	$ (19,900)	$ 280,593	100.0 %

I&M

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 158,027	$ 323	$ -	$ -	$ 158,350	35.1 %
International	47,173	-	-	-	47,173	10.4 %
Real Estate Investment Trusts	13,152	-	-	-	13,152	2.9 %
Common Collective Trust - International	-	19,041	-	-	19,041	4.2 %
Subtotal - Equities	218,352	19,364	-	-	237,716	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	74,231	-	-	74,231	16.4 %
Corporate Debt	-	78,649	-	-	78,649	17.4 %
Foreign Debt	-	14,885	-	-	14,885	3.3 %
State and Local Government	-	2,661	-	-	2,661	0.6 %
Other - Asset Backed	-	5,987	-	-	5,987	1.3 %
Subtotal - Fixed Income	-	176,413	-	-	176,413	39.0 %
Real Estate	-	-	9,742	-	9,742	2.2 %
Alternative Investments	-	-	15,220	-	15,220	3.4 %
Securities Lending	-	29,773	-	-	29,773	6.6 %
Securities Lending Collateral (a)	-	-	-	(32,292)	(32,292)	(7.1)%
Cash and Cash Equivalents (b)	-	14,859	-	186	15,045	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	71	71	- %
Total	$ 218,352	$ 240,409	$ 24,962	$ (32,035)	$ 451,688	100.0 %

OPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 181,467	$ 371	$ -	$ -	$ 181,838	35.1 %
International	54,169	-	-	-	54,169	10.4 %
Real Estate Investment Trusts	15,103	-	-	-	15,103	2.9 %
Common Collective Trust - International	-	21,866	-	-	21,866	4.2 %
Subtotal - Equities	250,739	22,237	-	-	272,976	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	85,242	-	-	85,242	16.4 %
Corporate Debt	-	90,315	-	-	90,315	17.4 %
Foreign Debt	-	17,093	-	-	17,093	3.3 %
State and Local Government	-	3,055	-	-	3,055	0.6 %
Other - Asset Backed	-	6,875	-	-	6,875	1.3 %
Subtotal - Fixed Income	-	202,580	-	-	202,580	39.0 %
Real Estate	-	-	11,187	-	11,187	2.2 %
Alternative Investments	-	-	17,478	-	17,478	3.4 %
Securities Lending	-	34,190	-	-	34,190	6.6 %
Securities Lending Collateral (a)	-	-	-	(37,082)	(37,082)	(7.1)%
Cash and Cash Equivalents (b)	-	17,063	-	214	17,277	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	82	82	- %
Total	$ 250,739	$ 276,070	$ 28,665	$ (36,786)	$ 518,688	100.0 %

PSO

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 74,721	$ 153	$ -	$ -	$ 74,874	35.1 %
International	22,305	-	-	-	22,305	10.4 %
Real Estate Investment Trusts	6,219	-	-	-	6,219	2.9 %
Common Collective Trust - International	-	9,004	-	-	9,004	4.2 %
Subtotal - Equities	103,245	9,157	-	-	112,402	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	35,099	-	-	35,099	16.4 %
Corporate Debt	-	37,188	-	-	37,188	17.4 %
Foreign Debt	-	7,038	-	-	7,038	3.3 %
State and Local Government	-	1,258	-	-	1,258	0.6 %
Other - Asset Backed	-	2,831	-	-	2,831	1.3 %
Subtotal - Fixed Income	-	83,414	-	-	83,414	39.0 %
Real Estate	-	-	4,606	-	4,606	2.2 %
Alternative Investments	-	-	7,197	-	7,197	3.4 %
Securities Lending	-	14,078	-	-	14,078	6.6 %
Securities Lending Collateral (a)	-	-	-	(15,269)	(15,269)	(7.1)%
Cash and Cash Equivalents (b)	-	7,026	-	88	7,114	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	34	34	- %
Total	$ 103,245	$ 113,675	$ 11,803	$ (15,147)	$ 213,576	100.0 %

SWEPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 78,585	$ 160	$ -	$ -	$ 78,745	35.1 %
International	23,458	-	-	-	23,458	10.4 %
Real Estate Investment Trusts	6,540	-	-	-	6,540	2.9 %
Common Collective Trust - International	-	9,469	-	-	9,469	4.2 %
Subtotal - Equities	108,583	9,629	-	-	118,212	52.6 %
Fixed Income:						
United States Government and Agency Securities	-	36,914	-	-	36,914	16.4 %
Corporate Debt	-	39,111	-	-	39,111	17.4 %
Foreign Debt	-	7,402	-	-	7,402	3.3 %
State and Local Government	-	1,323	-	-	1,323	0.6 %
Other - Asset Backed	-	2,977	-	-	2,977	1.3 %
Subtotal - Fixed Income	-	87,727	-	-	87,727	39.0 %
Real Estate	-	-	4,844	-	4,844	2.2 %
Alternative Investments	-	-	7,569	-	7,569	3.4 %
Securities Lending	-	14,806	-	-	14,806	6.6 %
Securities Lending Collateral (a)	-	-	-	(16,058)	(16,058)	(7.1)%
Cash and Cash Equivalents (b)	-	7,389	-	93	7,482	3.3 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	36	36	- %
Total	$ 108,583	$ 119,551	$ 12,413	$ (15,929)	$ 224,618	100.0 %

(a) Amounts in "Other" column primarily represent an obligation to repay cash collateral received as part of the Securities Lending Program.
(b) Amounts in "Other" column primarily represent foreign currency holdings.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following tables set forth a reconciliation of changes in the fair value of real estate and alternative investments classified as Level 3 in the fair value hierarchy by Registrant Subsidiary for pension assets:

APCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 12,623	$ 14,739	$ 27,362
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(1,563)	412	(1,151)
Relating to Assets Sold During the Period	-	134	134
Purchases and Sales	-	1,996	1,996
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 11,060	$ 17,281	$ 28,341

CSPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 7,671	$ 8,957	$ 16,628
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(1,619)	81	(1,538)
Relating to Assets Sold During the Period	-	26	26
Purchases and Sales	-	391	391
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 6,052	$ 9,455	$ 15,507

I&M	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 10,094	$ 11,786	$ 21,880
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(352)	556	204
Relating to Assets Sold During the Period	-	181	181
Purchases and Sales	-	2,697	2,697
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 9,742	$ 15,220	$ 24,962

OPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 12,454	$ 14,541	$ 26,995
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(1,267)	476	(791)
Relating to Assets Sold During the Period	-	155	155
Purchases and Sales	-	2,306	2,306
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 11,187	$ 17,478	$ 28,665

PSO	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 5,770	$ 6,737	$ 12,507
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(1,164)	75	(1,089)
Relating to Assets Sold During the Period	-	24	24
Purchases and Sales	-	361	361
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 4,606	$ 7,197	$ 11,803

SWEPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2010	$ 5,654	$ 6,602	$ 12,256
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(810)	156	(654)
Relating to Assets Sold During the Period	-	51	51
Purchases and Sales	-	760	760
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Balance as of December 31, 2010	$ 4,844	$ 7,569	$ 12,413

The following tables present the classification of OPEB plan assets within the fair value hierarchy by Registrant Subsidiary at December 31, 2010:

APCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 97,469	$ -	$ -	$ -	$ 97,469	40.0 %
International	36,792	-	-	-	36,792	15.1 %
Common Collective Trust - Global	-	19,153	-	-	19,153	7.9 %
Subtotal - Equities	134,261	19,153	-	-	153,414	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	7,966	-	-	7,966	3.3 %
United States Government and Agency Securities	-	15,636	-	-	15,636	6.4 %
Corporate Debt	-	18,365	-	-	18,365	7.5 %
Foreign Debt	-	4,140	-	-	4,140	1.7 %
State and Local Government	-	583	-	-	583	0.2 %
Other - Asset Backed	-	158	-	-	158	0.1 %
Subtotal - Fixed Income	-	46,848	-	-	46,848	19.2 %
Trust Owned Life Insurance:						
International Equities	-	8,189	-	-	8,189	3.3 %
United States Bonds	-	27,130	-	-	27,130	11.1 %
Cash and Cash Equivalents (a)	3,422	4,179	-	143	7,744	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	446	446	0.2 %
Total	$ 137,683	$ 105,499	$ -	$ 589	$ 243,771	100.0 %

CSPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 43,795	$ -	$ -	$ -	$ 43,795	40.0 %
International	16,532	-	-	-	16,532	15.1 %
Common Collective Trust - Global	-	8,606	-	-	8,606	7.9 %
Subtotal - Equities	60,327	8,606	-	-	68,933	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	3,580	-	-	3,580	3.3 %
United States Government and Agency Securities	-	7,026	-	-	7,026	6.4 %
Corporate Debt	-	8,252	-	-	8,252	7.5 %
Foreign Debt	-	1,860	-	-	1,860	1.7 %
State and Local Government	-	262	-	-	262	0.2 %
Other - Asset Backed	-	71	-	-	71	0.1 %
Subtotal - Fixed Income	-	21,051	-	-	21,051	19.2 %
Trust Owned Life Insurance:						
International Equities	-	3,679	-	-	3,679	3.3 %
United States Bonds	-	12,190	-	-	12,190	11.1 %
Cash and Cash Equivalents (a)	1,538	1,878	-	64	3,480	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	201	201	0.2 %
Total	$ 61,865	$ 47,404	$ -	$ 265	$ 109,534	100.0 %

I&M

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 75,446	$ -	$ -	$ -	$ 75,446	40.0 %
International	28,479	-	-	-	28,479	15.1 %
Common Collective Trust - Global	-	14,825	-	-	14,825	7.9 %
Subtotal - Equities	103,925	14,825	-	-	118,750	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	6,166	-	-	6,166	3.3 %
United States Government and Agency Securities	-	12,103	-	-	12,103	6.4 %
Corporate Debt	-	14,215	-	-	14,215	7.5 %
Foreign Debt	-	3,204	-	-	3,204	1.7 %
State and Local Government	-	452	-	-	452	0.2 %
Other - Asset Backed	-	122	-	-	122	0.1 %
Subtotal - Fixed Income	-	36,262	-	-	36,262	19.2 %
Trust Owned Life Insurance:						
International Equities	-	6,338	-	-	6,338	3.3 %
United States Bonds	-	21,000	-	-	21,000	11.1 %
Cash and Cash Equivalents (a)	2,649	3,234	-	111	5,994	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	346	346	0.2 %
Total	$ 106,574	$ 81,659	$ -	$ 457	$ 188,690	100.0 %

OPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 89,430	$ -	$ -	$ -	$ 89,430	40.0 %
International	33,758	-	-	-	33,758	15.1 %
Common Collective Trust - Global	-	17,573	-	-	17,573	7.9 %
Subtotal Equities	123,188	17,573	-	-	140,761	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	7,309	-	-	7,309	3.3 %
United States Government and Agency Securities	-	14,346	-	-	14,346	6.4 %
Corporate Debt	-	16,850	-	-	16,850	7.5 %
Foreign Debt	-	3,798	-	-	3,798	1.7 %
State and Local Government	-	535	-	-	535	0.2 %
Other - Asset Backed	-	145	-	-	145	0.1 %
Subtotal Fixed Income	-	42,983	-	-	42,983	19.2 %
Trust Owned Life Insurance:						
International Equities	-	7,513	-	-	7,513	3.3 %
United States Bonds	-	24,892	-	-	24,892	11.1 %
Cash and Cash Equivalents (a)	3,140	3,834	-	131	7,105	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	410	410	0.2 %
Total	$ 126,328	$ 96,795	$ -	$ 541	$ 223,664	100.0 %

PSO

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 33,555	$ -	$ -	$ -	$ 33,555	40.0 %
International	12,666	-	-	-	12,666	15.1 %
Common Collective Trust - Global	-	6,593	-	-	6,593	7.9 %
Subtotal - Equities	46,221	6,593	-	-	52,814	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	2,742	-	-	2,742	3.3 %
United States Government and Agency Securities	-	5,382	-	-	5,382	6.4 %
Corporate Debt	-	6,322	-	-	6,322	7.5 %
Foreign Debt	-	1,425	-	-	1,425	1.7 %
State and Local Government	-	201	-	-	201	0.2 %
Other - Asset Backed	-	54	-	-	54	0.1 %
Subtotal - Fixed Income	-	16,126	-	-	16,126	19.2 %
Trust Owned Life Insurance:						
International Equities	-	2,819	-	-	2,819	3.3 %
United States Bonds	-	9,339	-	-	9,339	11.1 %
Cash and Cash Equivalents (a)	1,178	1,438	-	49	2,665	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	154	154	0.2 %
Total	$ 47,399	$ 36,315	$ -	$ 203	$ 83,917	100.0 %

SWEPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 37,225	$ -	$ -	$ -	$ 37,225	40.0 %
International	14,051	-	-	-	14,051	15.1 %
Common Collective Trust - Global	-	7,314	-	-	7,314	7.9 %
Subtotal - Equities	51,276	7,314	-	-	58,590	63.0 %
Fixed Income:						
Common Collective Trust - Debt	-	3,042	-	-	3,042	3.3 %
United States Government and Agency Securities	-	5,971	-	-	5,971	6.4 %
Corporate Debt	-	7,014	-	-	7,014	7.5 %
Foreign Debt	-	1,581	-	-	1,581	1.7 %
State and Local Government	-	223	-	-	223	0.2 %
Other - Asset Backed	-	60	-	-	60	0.1 %
Subtotal - Fixed Income	-	17,891	-	-	17,891	19.2 %
Trust Owned Life Insurance:						
International Equities	-	3,127	-	-	3,127	3.3 %
United States Bonds	-	10,361	-	-	10,361	11.1 %
Cash and Cash Equivalents (a)	1,307	1,596	-	55	2,958	3.2 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	170	170	0.2 %
Total	$ 52,583	$ 40,289	$ -	$ 225	$ 93,097	100.0 %

(a) Amounts in "Other" column primarily represent foreign currency holdings.

(b) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following tables present the classification of pension plan assets within the fair value hierarchy by Registrant Subsidiary at December 31, 2009:

APCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 170,104	$ -	$ -	$ -	$ 170,104	35.8 %
International	44,620	-	-	-	44,620	9.4 %
Real Estate Investment Trusts	12,089	-	-	-	12,089	2.6 %
Common Collective Trust - International	-	22,468	-	-	22,468	4.7 %
Subtotal - Equities	226,813	22,468	-	-	249,281	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	32,473	-	-	32,473	6.9 %
Corporate Debt	-	115,879	-	-	115,879	24.4 %
Foreign Debt	-	23,838	-	-	23,838	5.0 %
State and Local Government	-	4,800	-	-	4,800	1.0 %
Other - Asset Backed	-	3,822	-	-	3,822	0.8 %
Subtotal - Fixed Income	-	180,812	-	-	180,812	38.1 %
Real Estate	-	-	12,623	-	12,623	2.7 %
Alternative Investments	-	-	14,739	-	14,739	3.1 %
Securities Lending	-	24,179	-	-	24,179	5.1 %
Securities Lending Collateral (a)	-	-	-	(27,313)	(27,313)	(5.8)%
Cash and Cash Equivalents (b)	-	16,126	-	562	16,688	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	3,648	3,648	0.8 %
Total	$ 226,813	$ 243,585	$ 27,362	$ (23,103)	$ 474,657	100.0 %

CSPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 103,381	$ -	$ -	$ -	$ 103,381	35.8 %
International	27,117	-	-	-	27,117	9.4 %
Real Estate Investment Trusts	7,347	-	-	-	7,347	2.6 %
Common Collective Trust - International	-	13,655	-	-	13,655	4.7 %
Subtotal - Equities	137,845	13,655	-	-	151,500	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	19,735	-	-	19,735	6.9 %
Corporate Debt	-	70,425	-	-	70,425	24.4 %
Foreign Debt	-	14,487	-	-	14,487	5.0 %
State and Local Government	-	2,917	-	-	2,917	1.0 %
Other - Asset Backed	-	2,323	-	-	2,323	0.8 %
Subtotal - Fixed Income	-	109,887	-	-	109,887	38.1 %
Real Estate	-	-	7,671	-	7,671	2.7 %
Alternative Investments	-	-	8,957	-	8,957	3.1 %
Securities Lending	-	14,694	-	-	14,694	5.1 %
Securities Lending Collateral (a)	-	-	-	(16,599)	(16,599)	(5.8)%
Cash and Cash Equivalents (b)	-	9,800	-	341	10,141	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	2,217	2,217	0.8 %
Total	$ 137,845	$ 148,036	$ 16,628	$ (14,041)	$ 288,468	100.0 %

I&M

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 136,025	$ -	$ -	$ -	$ 136,025	35.8 %
International	35,680	-	-	-	35,680	9.4 %
Real Estate Investment Trusts	9,667	-	-	-	9,667	2.6 %
Common Collective Trust - International	-	17,967	-	-	17,967	4.7 %
Subtotal - Equities	181,372	17,967	-	-	199,339	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	25,967	-	-	25,967	6.9 %
Corporate Debt	-	92,664	-	-	92,664	24.4 %
Foreign Debt	-	19,062	-	-	19,062	5.0 %
State and Local Government	-	3,839	-	-	3,839	1.0 %
Other - Asset Backed	-	3,056	-	-	3,056	0.8 %
Subtotal - Fixed Income	-	144,588	-	-	144,588	38.1 %
Real Estate	-	-	10,094	-	10,094	2.7 %
Alternative Investments	-	-	11,786	-	11,786	3.1 %
Securities Lending	-	19,335	-	-	19,335	5.1 %
Securities Lending Collateral (a)	-	-	-	(21,841)	(21,841)	(5.8)%
Cash and Cash Equivalents (b)	-	12,895	-	449	13,344	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	2,917	2,917	0.8 %
Total	$ 181,372	$ 194,785	$ 21,880	$ (18,475)	$ 379,562	100.0 %

OPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 167,827	$ -	$ -	$ -	$ 167,827	35.8 %
International	44,022	-	-	-	44,022	9.4 %
Real Estate Investment Trusts	11,927	-	-	-	11,927	2.6 %
Common Collective Trust - International	-	22,167	-	-	22,167	4.7 %
Subtotal - Equities	223,776	22,167	-	-	245,943	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	32,038	-	-	32,038	6.9 %
Corporate Debt	-	114,327	-	-	114,327	24.4 %
Foreign Debt	-	23,519	-	-	23,519	5.0 %
State and Local Government	-	4,736	-	-	4,736	1.0 %
Other - Asset Backed	-	3,771	-	-	3,771	0.8 %
Subtotal - Fixed Income	-	178,391	-	-	178,391	38.1 %
Real Estate	-	-	12,454	-	12,454	2.7 %
Alternative Investments	-	-	14,541	-	14,541	3.1 %
Securities Lending	-	23,855	-	-	23,855	5.1 %
Securities Lending Collateral (a)	-	-	-	(26,947)	(26,947)	(5.8)%
Cash and Cash Equivalents (b)	-	15,910	-	554	16,464	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	3,599	3,599	0.8 %
Total	$ 223,776	$ 240,323	$ 26,995	$ (22,794)	$ 468,300	100.0 %

PSO

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 77,756	$ -	$ -	$ -	$ 77,756	35.8 %
International	20,396	-	-	-	20,396	9.4 %
Real Estate Investment Trusts	5,526	-	-	-	5,526	2.6 %
Common Collective Trust - International	-	10,270	-	-	10,270	4.7 %
Subtotal - Equities	103,678	10,270	-	-	113,948	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	14,843	-	-	14,843	6.9 %
Corporate Debt	-	52,968	-	-	52,968	24.4 %
Foreign Debt	-	10,896	-	-	10,896	5.0 %
State and Local Government	-	2,194	-	-	2,194	1.0 %
Other - Asset Backed	-	1,747	-	-	1,747	0.8 %
Subtotal - Fixed Income	-	82,648	-	-	82,648	38.1 %
Real Estate	-	-	5,770	-	5,770	2.7 %
Alternative Investments	-	-	6,737	-	6,737	3.1 %
Securities Lending	-	11,052	-	-	11,052	5.1 %
Securities Lending Collateral (a)	-	-	-	(12,485)	(12,485)	(5.8)%
Cash and Cash Equivalents (b)	-	7,371	-	257	7,628	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	1,668	1,668	0.8 %
Total	$ 103,678	$ 111,341	$ 12,507	$ (10,560)	$ 216,966	100.0 %

SWEPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 76,200	$ -	$ -	$ -	$ 76,200	35.8 %
International	19,988	-	-	-	19,988	9.4 %
Real Estate Investment Trusts	5,415	-	-	-	5,415	2.6 %
Common Collective Trust - International	-	10,065	-	-	10,065	4.7 %
Subtotal - Equities	101,603	10,065	-	-	111,668	52.5 %
Fixed Income:						
United States Government and Agency Securities	-	14,547	-	-	14,547	6.9 %
Corporate Debt	-	51,909	-	-	51,909	24.4 %
Foreign Debt	-	10,678	-	-	10,678	5.0 %
State and Local Government	-	2,150	-	-	2,150	1.0 %
Other - Asset Backed	-	1,712	-	-	1,712	0.8 %
Subtotal - Fixed Income	-	80,996	-	-	80,996	38.1 %
Real Estate	-	-	5,654	-	5,654	2.7 %
Alternative Investments	-	-	6,602	-	6,602	3.1 %
Securities Lending	-	10,831	-	-	10,831	5.1 %
Securities Lending Collateral (a)	-	-	-	(12,235)	(12,235)	(5.8)%
Cash and Cash Equivalents (b)	-	7,224	-	252	7,476	3.5 %
Other - Pending Transactions and Accrued Income (c)	-	-	-	1,634	1,634	0.8 %
Total	$ 101,603	$ 109,116	$ 12,256	$ (10,349)	$ 212,626	100.0 %

(a) Amounts in "Other" column primarily represent an obligation to repay cash collateral received as part of the Securities Lending Program.
(b) Amounts in "Other" column primarily represent foreign currency holdings.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following tables set forth a reconciliation of changes in the fair value of real estate and alternative investments classified as Level 3 in the fair value hierarchy for pension assets by Registrant Subsidiary:

APCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 19,157	$ 14,853	$ 34,010
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(6,534)	(1,933)	(8,467)
Relating to Assets Sold During the Period	-	58	58
Purchases and Sales	-	1,761	1,761
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 12,623	$ 14,739	$ 27,362

CSPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 11,642	$ 9,026	$ 20,668
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(3,971)	(1,175)	(5,146)
Relating to Assets Sold During the Period	-	35	35
Purchases and Sales	-	1,071	1,071
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 7,671	$ 8,957	$ 16,628

I&M	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 15,319	$ 11,877	$ 27,196
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(5,225)	(1,546)	(6,771)
Relating to Assets Sold During the Period	-	46	46
Purchases and Sales	-	1,409	1,409
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 10,094	$ 11,786	$ 21,880

OPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 18,900	$ 14,653	$ 33,553
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(6,446)	(1,907)	(8,353)
Relating to Assets Sold During the Period	-	57	57
Purchases and Sales	-	1,738	1,738
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 12,454	$ 14,541	$ 26,995

PSO	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 8,757	$ 6,790	$ 15,547
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(2,987)	(884)	(3,871)
Relating to Assets Sold During the Period	-	26	26
Purchases and Sales	-	805	805
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 5,770	$ 6,737	$ 12,507

SWEPCo	Real Estate	Alternative Investments	Total Level 3
		(in thousands)	
Balance as of January 1, 2009	$ 8,581	$ 6,653	$ 15,234
Actual Return on Plan Assets			
Relating to Assets Still Held as of the Reporting Date	(2,927)	(866)	(3,793)
Relating to Assets Sold During the Period	-	26	26
Purchases and Sales	-	789	789
Transfers in and/or out of Level 3	-	-	-
Balance as of December 31, 2009	$ 5,654	$ 6,602	$ 12,256

The following tables present the classification of OPEB plan assets within the fair value hierarchy by Registrant Subsidiary at December 31, 2009:

APCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 57,049	$ -	$ -	$ -	$ 57,049	26.2 %
International	62,241	-	-	-	62,241	28.7 %
Common Collective Trust - Global	-	15,468	-	-	15,468	7.1 %
Subtotal - Equities	119,290	15,468	-	-	134,758	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	6,302	-	-	6,302	2.9 %
United States Government and Agency Securities	-	6,955	-	-	6,955	3.2 %
Corporate Debt	-	23,498	-	-	23,498	10.8 %
Foreign Debt	-	5,334	-	-	5,334	2.4 %
State and Local Government	-	996	-	-	996	0.5 %
Other - Asset Backed	-	232	-	-	232	0.2 %
Subtotal - Fixed Income	-	43,317	-	-	43,317	20.0 %
Trust Owned Life Insurance:						
International Equities	-	12,369	-	-	12,369	5.7 %
United States Bonds	-	21,759	-	-	21,759	10.0 %
Cash and Cash Equivalents (a)	1,092	2,389	-	165	3,646	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	1,311	1,311	0.6 %
Total	$ 120,382	$ 95,302	$ -	$ 1,476	$ 217,160	100.0 %

CSPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 25,942	$ -	$ -	$ -	$ 25,942	26.2 %
International	28,304	-	-	-	28,304	28.7 %
Common Collective Trust - Global	-	7,034	-	-	7,034	7.1 %
Subtotal - Equities	54,246	7,034	-	-	61,280	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	2,866	-	-	2,866	2.9 %
United States Government and Agency Securities	-	3,163	-	-	3,163	3.2 %
Corporate Debt	-	10,686	-	-	10,686	10.8 %
Foreign Debt	-	2,426	-	-	2,426	2.4 %
State and Local Government	-	453	-	-	453	0.5 %
Other - Asset Backed	-	106	-	-	106	0.2 %
Subtotal - Fixed Income	-	19,700	-	-	19,700	20.0 %
Trust Owned Life Insurance:						
International Equities	-	5,625	-	-	5,625	5.7 %
United States Bonds	-	9,895	-	-	9,895	10.0 %
Cash and Cash Equivalents (a)	497	1,086	-	75	1,658	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	596	596	0.6 %
Total	$ 54,743	$ 43,340	$ -	$ 671	$ 98,754	100.0 %

I&M

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 43,790	$ -	$ -	$ -	$ 43,790	26.2 %
International	47,773	-	-	-	47,773	28.7 %
Common Collective Trust - Global	-	11,873	-	-	11,873	7.1 %
Subtotal - Equities	91,563	11,873	-	-	103,436	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	4,837	-	-	4,837	2.9 %
United States Government and Agency Securities	-	5,338	-	-	5,338	3.2 %
Corporate Debt	-	18,036	-	-	18,036	10.8 %
Foreign Debt	-	4,094	-	-	4,094	2.4 %
State and Local Government	-	764	-	-	764	0.5 %
Other - Asset Backed	-	178	-	-	178	0.2 %
Subtotal - Fixed Income	-	33,247	-	-	33,247	20.0 %
Trust Owned Life Insurance:						
International Equities	-	9,494	-	-	9,494	5.7 %
United States Bonds	-	16,701	-	-	16,701	10.0 %
Cash and Cash Equivalents (a)	838	1,834	-	126	2,798	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	1,006	1,006	0.6 %
Total	$ 92,401	$ 73,149	$ -	$ 1,132	$ 166,682	100.0 %

OPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 52,752	$ -	$ -	$ -	$ 52,752	26.2 %
International	57,551	-	-	-	57,551	28.7 %
Common Collective Trust - Global	-	14,302	-	-	14,302	7.1 %
Subtotal - Equities	110,303	14,302	-	-	124,605	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	5,827	-	-	5,827	2.9 %
United States Government and Agency Securities	-	6,431	-	-	6,431	3.2 %
Corporate Debt	-	21,727	-	-	21,727	10.8 %
Foreign Debt	-	4,932	-	-	4,932	2.4 %
State and Local Government	-	921	-	-	921	0.5 %
Other - Asset Backed	-	215	-	-	215	0.2 %
Subtotal - Fixed Income	-	40,053	-	-	40,053	20.0 %
Trust Owned Life Insurance:						
International Equities	-	11,437	-	-	11,437	5.7 %
United States Bonds	-	20,119	-	-	20,119	10.0 %
Cash and Cash Equivalents (a)	1,010	2,209	-	152	3,371	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	1,212	1,212	0.6 %
Total	$ 111,313	$ 88,120	$ -	$ 1,364	$ 200,797	100.0 %

PSO

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 19,887	$ -	$ -	$ -	$ 19,887	26.2 %
International	21,697	-	-	-	21,697	28.7 %
Common Collective Trust - Global	-	5,392	-	-	5,392	7.1 %
Subtotal - Equities	41,584	5,392	-	-	46,976	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	2,197	-	-	2,197	2.9 %
United States Government and Agency Securities	-	2,424	-	-	2,424	3.2 %
Corporate Debt	-	8,191	-	-	8,191	10.8 %
Foreign Debt	-	1,859	-	-	1,859	2.4 %
State and Local Government	-	347	-	-	347	0.5 %
Other - Asset Backed	-	81	-	-	81	0.2 %
Subtotal - Fixed Income	-	15,099	-	-	15,099	20.0 %
Trust Owned Life Insurance:						
International Equities	-	4,312	-	-	4,312	5.7 %
United States Bonds	-	7,585	-	-	7,585	10.0 %
Cash and Cash Equivalents (a)	381	833	-	57	1,271	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	457	457	0.6 %
Total	$ 41,965	$ 33,221	$ -	$ 514	$ 75,700	100.0 %

SWEPCo

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in thousands)			
Equities:						
Domestic	$ 21,790	$ -	$ -	$ -	$ 21,790	26.2 %
International	23,772	-	-	-	23,772	28.7 %
Common Collective Trust - Global	-	5,908	-	-	5,908	7.1 %
Subtotal - Equities	45,562	5,908	-	-	51,470	62.0 %
Fixed Income:						
Common Collective Trust - Debt	-	2,407	-	-	2,407	2.9 %
United States Government and Agency Securities	-	2,656	-	-	2,656	3.2 %
Corporate Debt	-	8,974	-	-	8,974	10.8 %
Foreign Debt	-	2,037	-	-	2,037	2.4 %
State and Local Government	-	380	-	-	380	0.5 %
Other - Asset Backed	-	89	-	-	89	0.2 %
Subtotal - Fixed Income	-	16,543	-	-	16,543	20.0 %
Trust Owned Life Insurance:						
International Equities	-	4,724	-	-	4,724	5.7 %
United States Bonds	-	8,310	-	-	8,310	10.0 %
Cash and Cash Equivalents (a)	417	912	-	63	1,392	1.7 %
Other - Pending Transactions and Accrued Income (b)	-	-	-	501	501	0.6 %
Total	$ 45,979	$ 36,397	$ -	$ 564	$ 82,940	100.0 %

(a) Amounts in "Other" column primarily represent foreign currency holdings.
(b) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

Determination of Pension Expense

The determination of pension expense or income is based on a market-related valuation of assets which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded.

Accumulated Benefit Obligation	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Qualified Pension Plan	$ 646,513	$ 350,150	$ 551,702	$ 623,652	$ 261,535	$ 260,838
Nonqualified Pension Plans	221	6	994	793	1,326	1,133
Total as of December 31, 2010	$ 646,734	$ 350,156	$ 552,696	$ 624,445	$ 262,861	$ 261,971

Accumulated Benefit Obligation	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Qualified Pension Plan	$ 626,533	$ 362,037	$ 515,338	$ 611,120	$ 281,452	$ 284,143
Nonqualified Pension Plans	259	1	803	833	1,176	1,081
Total as of December 31, 2009	$ 626,792	$ 362,038	$ 516,141	$ 611,953	$ 282,628	$ 285,224

For the underfunded pension plans that had an accumulated benefit obligation in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets of these plans at December 31, 2010 and 2009 were as follows:

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Projected Benefit Obligation	$ 652,219	$ 354,153	$ 560,982	$ 629,936	$ 268,180	$ 267,206
Accumulated Benefit Obligation	$ 646,734	$ 350,156	$ 552,696	$ 624,445	$ 262,861	$ 261,971
Fair Value of Plan Assets	512,836	280,593	451,688	518,688	213,576	224,618
Underfunded Accumulated Benefit Obligation as of December 31, 2010	$ (133,898)	$ (69,563)	$ (101,008)	$ (105,757)	$ (49,285)	$ (37,353)

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Projected Benefit Obligation	$ 632,832	$ 364,891	$ 526,363	$ 616,590	$ 285,592	$ 288,081
Accumulated Benefit Obligation	$ 626,792	$ 362,038	$ 516,141	$ 611,953	$ 282,628	$ 285,224
Fair Value of Plan Assets	474,657	288,468	379,562	468,300	216,966	212,626
Underfunded Accumulated Benefit Obligation as of December 31, 2009	$ (152,135)	$ (73,570)	$ (136,579)	$ (143,653)	$ (65,662)	$ (72,598)

Estimated Future Benefit Payments and Contributions

The estimated pension benefit payments for the unfunded plan and contributions to the trust are at least the minimum amount required by ERISA plus payment of unfunded nonqualified benefits. For the qualified pension plan, additional discretionary contributions may be made to the trust to maintain the funded status of the plan. The contributions to the OPEB plans are generally based on the amount of the OPEB plans' periodic benefit costs for accounting purposes as provided in agreements with state regulatory authorities, plus the additional discretionary contribution of the Medicare subsidy receipts. The following table provides the estimated contributions and payments by Registrant Subsidiary for 2011:

Company	Pension Plans	Other Postretirement Benefit Plans
	(in thousands)	
APCo	$ 14,735	$ 15,032
CSPCo	4,958	5,544
I&M	21,087	11,756
OPCo	12,578	11,184
PSO	5,376	5,196
SWEPCo	7,287	5,539

The tables below reflect the total benefits expected to be paid from the plan or from the Registrant Subsidiary's assets. The payments include the participants' contributions to the plan for their share of the cost. Medicare subsidy receipts are shown in the year of the corresponding benefit payments, even though actual cash receipts are expected early in the following year. Future benefit payments are dependent on the number of employees retiring, whether the retiring employees elect to receive pension benefits as annuities or as lump sum distributions, future integration of the benefit plans with changes to Medicare and other legislation, future levels of interest rates and variances in actuarial results. The estimated payments for the pension benefits and OPEB are as follows:

Pension Plans	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
2011	$ 43,369	$ 27,274	$ 33,768	$ 43,315	$ 19,313	$ 19,103
2012	43,847	27,316	34,466	43,244	20,198	19,550
2013	44,073	27,164	35,638	43,140	20,601	20,207
2014	45,098	27,572	35,763	44,263	21,167	20,871
2015	45,333	27,496	37,269	44,398	21,585	22,063
Years 2016 to 2020, in Total	241,638	136,426	206,098	233,038	111,796	114,363

Other Postretirement Benefit Plans: Benefit Payments	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
2011	$ 27,094	$ 12,259	$ 17,682	$ 23,622	$ 8,136	$ 8,321
2012	27,634	12,674	18,514	24,116	8,532	8,781
2013	28,353	13,095	19,297	24,493	9,016	9,274
2014	29,439	13,548	20,216	25,110	9,295	9,838
2015	30,306	13,751	21,129	26,036	9,774	10,300
Years 2016 to 2020, in Total	164,970	72,606	120,771	143,818	55,120	59,052

Other Postretirement Benefit Plans: Medicare Subsidy Receipts	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
2011	$ (2,086)	$ (836)	$ (1,322)	$ (1,862)	$ (754)	$ (704)
2012	(2,312)	(948)	(1,455)	(2,077)	(807)	(769)
2013	(2,508)	(1,057)	(1,592)	(2,273)	(863)	(830)
2014	(2,684)	(1,163)	(1,719)	(2,454)	(924)	(889)
2015	(2,865)	(1,284)	(1,846)	(2,616)	(973)	(956)
Years 2016 to 2020, in Total	(17,053)	(8,000)	(11,283)	(15,409)	(5,661)	(5,791)

Components of Net Periodic Benefit Cost (Credit)

The following tables provide the components of net periodic benefit cost (credit) by Registrant Subsidiary for the years ended December 31, 2010, 2009 and 2008:

APCo	**Pension Plans**			**Other Postretirement Benefit Plans**		
	Years Ended December 31,					
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
			(in thousands)			
Service Cost	$ 12,908	$ 12,689	$ 12,407	$ 5,722	$ 5,142	$ 5,228
Interest Cost	33,956	34,050	33,852	20,300	19,710	20,578
Expected Return on Plan Assets	(43,805)	(44,885)	(46,855)	(17,628)	(13,531)	(18,793)
Amortization of Transition Obligation	-	-	-	5,244	5,244	5,244
Amortization of Prior Service Cost	917	917	917	-	-	-
Amortization of Net Actuarial Loss	11,842	7,688	3,016	5,410	7,666	2,639
Net Periodic Benefit Cost	15,818	10,459	3,337	19,048	24,231	14,896
Capitalized Portion	(6,058)	(3,661)	(1,258)	(7,295)	(8,481)	(5,616)
Net Periodic Benefit Cost Recognized as Expense	$ 9,760	$ 6,798	$ 2,079	$ 11,753	$ 15,750	$ 9,280

CSPCo

	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in thousands)					
Service Cost	$ 5,873	$ 5,504	$ 5,367	$ 2,761	$ 2,470	$ 2,435
Interest Cost	19,156	19,529	19,804	8,713	8,493	9,327
Expected Return on Plan Assets	(26,357)	(27,277)	(28,905)	(7,916)	(6,126)	(9,080)
Amortization of Transition Obligation	-	-	-	2,431	2,432	2,431
Amortization of Prior Service Cost	565	565	565	-	-	-
Amortization of Net Actuarial Loss	6,708	4,431	1,771	2,261	3,285	928
Net Periodic Benefit Cost (Credit)	5,945	2,752	(1,398)	8,250	10,554	6,041
Capitalized Portion	(1,891)	(900)	509	(2,624)	(3,451)	(2,199)
Net Periodic Benefit Cost (Credit) Recognized as Expense	$ 4,054	$ 1,852	$ (889)	$ 5,626	$ 7,103	$ 3,842

I&M

	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in thousands)					
Service Cost	$ 15,284	$ 14,002	$ 13,573	$ 6,750	$ 5,990	$ 5,944
Interest Cost	29,085	28,520	27,959	14,164	13,675	14,006
Expected Return on Plan Assets	(35,040)	(35,733)	(37,466)	(13,397)	(10,259)	(14,067)
Amortization of Transition Obligation	-	-	-	2,814	2,814	2,814
Amortization of Prior Service Cost	744	744	745	-	-	-
Amortization of Net Actuarial Loss	10,065	6,406	2,472	3,526	5,213	1,068
Net Periodic Benefit Cost	20,138	13,939	7,283	13,857	17,433	9,765
Capitalized Portion	(4,028)	(2,732)	(1,646)	(2,771)	(3,417)	(2,207)
Net Periodic Benefit Cost Recognized as Expense	$ 16,110	$ 11,207	$ 5,637	$ 11,086	$ 14,016	$ 7,558

OPCo

	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in thousands)					
Service Cost	$ 11,381	$ 11,034	$ 10,715	$ 5,426	$ 4,877	$ 4,893
Interest Cost	32,744	33,100	33,065	17,785	17,325	17,977
Expected Return on Plan Assets	(42,720)	(44,277)	(46,365)	(16,176)	(12,559)	(17,493)
Amortization of Transition Obligation	-	-	-	4,211	4,211	4,211
Amortization of Prior Service Cost	909	910	913	-	-	-
Amortization of Net Actuarial Loss	11,442	7,500	2,949	4,616	6,703	1,769
Net Periodic Benefit Cost	13,756	8,267	1,277	15,862	20,557	11,357
Capitalized Portion	(4,952)	(3,001)	(476)	(5,710)	(7,462)	(4,236)
Net Periodic Benefit Cost Recognized as Expense	$ 8,804	$ 5,266	$ 801	$ 10,152	$ 13,095	$ 7,121

PSO	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in thousands)					
Service Cost	$ 6,052	$ 5,744	$ 5,340	$ 2,815	$ 2,522	$ 2,489
Interest Cost	14,888	15,369	15,087	6,360	6,154	6,137
Expected Return on Plan Assets	(19,739)	(20,438)	(21,546)	(6,110)	(4,695)	(6,271)
Amortization of Transition Obligation	-	-	-	2,805	2,805	2,805
Amortization of Prior Service Credit	(950)	(1,082)	(1,081)	-	-	-
Amortization of Net Actuarial Loss	5,188	3,487	4,233	1,573	2,348	421
Net Periodic Benefit Cost	5,439	3,080	2,033	7,443	9,134	5,581
Capitalized Portion	(1,806)	(1,087)	(777)	(2,471)	(3,224)	(2,132)
Net Periodic Benefit Cost Recognized as Expense	$ 3,633	$ 1,993	$ 1,256	$ 4,972	$ 5,910	$ 3,449

SWEPCo	Pension Plans			Other Postretirement Benefit Plans		
	Years Ended December 31,					
	2010	2009	2008	2010	2009	2008
	(in thousands)					
Service Cost	$ 7,046	$ 6,757	$ 6,284	$ 3,108	$ 2,817	$ 2,745
Interest Cost	15,093	15,557	14,961	6,940	6,735	6,694
Expected Return on Plan Assets	(19,489)	(20,083)	(20,751)	(6,646)	(5,120)	(6,819)
Amortization of Transition Obligation	-	-	-	2,461	2,461	2,461
Amortization of Prior Service Credit	(796)	(916)	(917)	-	-	-
Amortization of Net Actuarial Loss	5,242	3,516	4,165	1,711	2,560	458
Net Periodic Benefit Cost	7,096	4,831	3,742	7,574	9,453	5,539
Capitalized Portion	(2,406)	(1,546)	(1,362)	(2,568)	(3,025)	(2,016)
Net Periodic Benefit Cost Recognized as Expense	$ 4,690	$ 3,285	$ 2,380	$ 5,006	$ 6,428	$ 3,523

Estimated amounts expected to be amortized to net periodic benefit costs and the impact on each Registrant Subsidiary's balance sheet during 2011 are shown in the following tables:

Pension Plan - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Net Actuarial Loss	$ 16,342	$ 8,873	$ 14,061	$ 15,787	$ 6,727	$ 6,701
Prior Service Cost (Credit)	917	565	744	909	(950)	(795)
Total Estimated 2011 Amortization	$ 17,259	$ 9,438	$ 14,805	$ 16,696	$ 5,777	$ 5,906
Pension Plans - Expected to be Recorded as						
Regulatory Asset	$ 17,168	$ 6,470	$ 13,917	$ 7,614	$ 5,777	$ 5,906
Deferred Income Taxes	32	1,039	311	3,179	-	-
Net of Tax AOCI	59	1,929	577	5,903	-	-
Total	$ 17,259	$ 9,438	$ 14,805	$ 16,696	$ 5,777	$ 5,906

Other Postretirement Benefit Plans - Components	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Net Actuarial Loss	$ 6,423	$ 2,700	$ 4,085	$ 5,560	$ 1,766	$ 1,960
Prior Service Credit	(171)	(74)	(236)	(139)	(75)	(90)
Transition Obligation	1,146	44	188	106	-	-
Total Estimated 2011 Amortization	$ 7,398	$ 2,670	$ 4,037	$ 5,527	$ 1,691	$ 1,870
Other Postretirement Benefit Plans - Expected to be Recorded as						
Regulatory Asset	$ 2,419	$ 1,523	$ 3,419	$ 2,190	$ 1,691	$ 1,215
Deferred Income Taxes	1,743	402	216	1,168	-	229
Net of Tax AOCI	3,236	745	402	2,169	-	426
Total	$ 7,398	$ 2,670	$ 4,037	$ 5,527	$ 1,691	$ 1,870

American Electric Power System Retirement Savings Plans

The Registrant Subsidiaries participate in an AEP sponsored defined contribution retirement savings plan, the American Electric Power System Retirement Savings Plan, for substantially all employees who are not members of the United Mine Workers of America (UMWA). This qualified plan offers participants an opportunity to contribute a portion of their pay, includes features under Section 401(k) of the Internal Revenue Code and provides for company matching contributions. The matching contributions to the plan were 75% of the first 6% of eligible compensation contributed by the employee in 2008. Effective January 1, 2009, the match is 100% of the first 1% of eligible employee contributions and 70% of the next 5% of contributions.

The 2009 and 2008 contributions below for SWEPCo include a legacy savings plan of an acquired subsidiary.

The following table provides the cost for contributions to the retirement savings plans by Registrant Subsidiary for the years ended December 31, 2010, 2009 and 2008:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ 7,284	$ 8,673	$ 8,226
CSPCo	3,267	4,008	3,678
I&M	8,969	10,315	9,501
OPCo	6,439	7,632	7,246
PSO	3,505	4,083	3,933
SWEPCo	3,866	5,269	4,943

UMWA Benefits

APCo, CSPCo, I&M and OPCo provide UMWA pension, health and welfare benefits for certain unionized mining employees, retirees and their survivors who meet eligibility requirements. UMWA trustees make final interpretive determinations with regard to all benefits. The pension benefits are administered by UMWA trustees and contributions are made to their trust funds. APCo, CSPCo, I&M and OPCo administer the health and welfare benefits and pay them from their general assets. Contributions and benefits paid were not material in 2010, 2009 and 2008.

9. BUSINESS SEGMENTS

The Registrant Subsidiaries each have one reportable segment, an integrated electricity generation, transmission and distribution business. The Registrant Subsidiaries' other activities are insignificant. The Registrant Subsidiaries' operations are managed on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight on the business process, cost structures and operating results.

10. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

The Registrant Subsidiaries are exposed to certain market risks as major power producers and marketers of wholesale electricity, coal and emission allowances. These risks include commodity price risk, interest rate risk, credit risk and, to a lesser extent, foreign currency exchange risk. These risks represent the risk of loss that may impact the Registrant Subsidiaries due to changes in the underlying market prices or rates. AEPSC, on behalf of the Registrant Subsidiaries, manages these risks using derivative instruments.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Trading Strategies

The strategy surrounding the use of derivative instruments for trading purposes focuses on seizing market opportunities to create value driven by expected changes in the market prices of the commodities in which AEPSC transacts on behalf of the Registrant Subsidiaries.

Risk Management Strategies

The strategy surrounding the use of derivative instruments focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. To accomplish these objectives, AEPSC, on behalf of the Registrant Subsidiaries, primarily employs risk management contracts including physical forward purchase and sale contracts, financial forward purchase and sale contracts and financial swap instruments. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

AEPSC, on behalf of the Registrant Subsidiaries, enters into power, coal, natural gas, interest rate and, to a lesser degree, heating oil and gasoline, emission allowance and other commodity contracts to manage the risk associated with the energy business. AEPSC, on behalf of the Registrant Subsidiaries, enters into interest rate derivative contracts in order to manage the interest rate exposure associated with the Registrant Subsidiaries' commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. AEPSC, on behalf of the Registrant Subsidiaries, also engages in risk management of interest rate risk associated with debt financing and foreign currency risk associated with future purchase obligations denominated in foreign currencies. For disclosure purposes, these risks are grouped as "Interest Rate and Foreign Currency." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with established risk management policies as approved by the Finance Committee of AEP's Board of Directors.

The following tables represent the gross notional volume of the Registrant Subsidiaries' outstanding derivative contracts as of December 31, 2010 and 2009:

Notional Volume of Derivative Instruments
December 31, 2010

Primary Risk Exposure	Unit of Measure	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
				(in thousands)			
Commodity:							
Power	MWHs	194,217	111,959	117,862	136,657	21	34
Coal	Tons	11,195	5,550	6,571	23,033	4,936	8,777
Natural Gas	MMBtus	2,166	1,248	1,302	1,524	15	19
Heating Oil and Gasoline	Gallons	1,054	467	521	776	616	564
Interest Rate	USD	$ 9,541	$ 5,471	$ 5,732	$ 7,185	$ 609	$ 793
Interest Rate and Foreign Currency	USD	$ 200,000	$ -	$ -	$ -	$ 200,000	$ 189

Notional Volume of Derivative Instruments
December 31, 2009

Primary Risk Exposure	Unit of Measure	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
				(in thousands)			
Commodity:							
Power	MWHs	191,121	96,828	99,265	112,745	10	12
Coal	Tons	11,347	5,615	5,150	23,631	5,936	6,790
Natural Gas	MMBtus	17,867	9,051	9,129	10,539	-	-
Heating Oil and Gasoline	Gallons	1,164	474	552	838	668	628
Interest Rate	USD	$ 21,054	$ 10,658	$ 10,716	$ 13,487	$ 1,137	$ 1,457
Interest Rate and Foreign Currency	USD	$ -	$ -	$ -	$ -	$ -	$ 3,798

Fair Value Hedging Strategies

AEPSC, on behalf of the Registrant Subsidiaries, enters into interest rate derivative transactions as part of an overall strategy to manage the mix of fixed-rate and floating-rate debt. Certain interest rate derivative transactions effectively modify an exposure to interest rate risk by converting a portion of fixed-rate debt to a floating rate. Provided specific criteria are met, these interest rate derivatives are designated as fair value hedges.

Cash Flow Hedging Strategies

AEPSC, on behalf of the Registrant Subsidiaries, enters into and designates as cash flow hedges certain derivative transactions for the purchase and sale of power, coal, natural gas and heating oil and gasoline ("Commodity") in order to manage the variable price risk related to the forecasted purchase and sale of these commodities. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and fuel or energy purchases. The Registrant Subsidiaries do not hedge all commodity price risk.

The Registrant Subsidiaries' vehicle fleet is exposed to gasoline and diesel fuel price volatility. AEPSC, on behalf of the Registrant Subsidiaries, enters into financial heating oil and gasoline derivative contracts in order to mitigate price risk of future fuel purchases. For disclosure purposes, these contracts are included with other hedging activity as "Commodity." The Registrant Subsidiaries do not hedge all fuel price risk.

AEPSC, on behalf of the Registrant Subsidiaries, enters into a variety of interest rate derivative transactions in order to manage interest rate risk exposure. Some interest rate derivative transactions effectively modify exposure to interest rate risk by converting a portion of floating-rate debt to a fixed rate. AEPSC, on behalf of the Registrant Subsidiaries, also enters into interest rate derivative contracts to manage interest rate exposure related to anticipated borrowings of fixed-rate debt. The anticipated fixed-rate debt offerings have a high probability of occurrence as the proceeds will be used to fund existing debt maturities and projected capital expenditures. The Registrant Subsidiaries do not hedge all interest rate exposure.

At times, the Registrant Subsidiaries are exposed to foreign currency exchange rate risks primarily when some fixed assets are purchased from foreign suppliers. In accordance with AEP's risk management policy, AEPSC, on behalf of the Registrant Subsidiaries, may enter into foreign currency derivative transactions to protect against the risk of increased cash outflows resulting from a foreign currency's appreciation against the dollar. The Registrant Subsidiaries do not hedge all foreign currency exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON THE FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheet at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and assumptions. In order to determine the relevant fair values of the derivative instruments, the Registrant Subsidiaries apply valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," the Registrant Subsidiaries reflect the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, the Registrant Subsidiaries are required to post or receive cash collateral based on third party contractual agreements and risk profiles. For the December 31, 2010 and 2009 balance sheets, the Registrant Subsidiaries netted cash collateral received from third parties against short-term and long-term risk management assets and cash collateral paid to third parties against short-term and long-term risk management liabilities as follows:

	December 31,			
	2010		2009	
Company	Cash Collateral Received Netted Against Risk Management Assets	Cash Collateral Paid Netted Against Risk Management Liabilities	Cash Collateral Received Netted Against Risk Management Assets	Cash Collateral Paid Netted Against Risk Management Liabilities
	(in thousands)			
APCo	$ 1,809	$ 16,229	$ 3,789	$ 31,806
CSPCo	1,042	9,347	1,920	16,108
I&M	1,087	9,757	1,936	16,222
OPCo	1,272	11,561	2,235	19,512
PSO	-	44	-	194
SWEPCo	-	72	-	305

The following tables represent the gross fair value of the Registrant Subsidiaries' derivative activity on the Balance Sheets as of December 31, 2010 and 2009:

Fair Value of Derivative Instruments
December 31, 2010

APCo

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 267,702	$ 1,956	$ 11,888	$ (228,304)	$ 53,242
Long-term Risk Management Assets	79,560	714	-	(41,854)	38,420
Total Assets	347,262	2,670	11,888	(270,158)	91,662
Current Risk Management Liabilities	262,027	2,363	-	(236,397)	27,993
Long-term Risk Management Liabilities	61,724	701	-	(51,552)	10,873
Total Liabilities	323,751	3,064	-	(287,949)	38,866
Total MTM Derivative Contract Net Assets (Liabilities)	$ 23,511	$ (394)	$ 11,888	$ 17,791	$ 52,796

Fair Value of Derivative Instruments
December 31, 2009

APCo

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 332,764	$ 3,621	$ -	$ (268,429)	$ 67,956
Long-term Risk Management Assets	132,044	-	-	(84,903)	47,141
Total Assets	464,808	3,621	-	(353,332)	115,097
Current Risk Management Liabilities	309,639	5,084	-	(288,931)	25,792
Long-term Risk Management Liabilities	118,702	80	-	(98,418)	20,364
Total Liabilities	428,341	5,164	-	(387,349)	46,156
Total MTM Derivative Contract Net Assets (Liabilities)	$ 36,467	$ (1,543)	$ -	$ 34,017	$ 68,941

Fair Value of Derivative Instruments
December 31, 2010

CSPCo

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Hedging Contracts Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
			(in thousands)		
Current Risk Management Assets	$ 149,886	$ 1,164	$ -	$ (127,276)	$ 23,774
Long-term Risk Management Assets	45,413	412	-	(23,736)	22,089
Total Assets	195,299	1,576	-	(151,012)	45,863
Current Risk Management Liabilities	146,540	1,362	-	(131,935)	15,967
Long-term Risk Management Liabilities	35,144	404	-	(29,325)	6,223
Total Liabilities	181,684	1,766	-	(161,260)	22,190
Total MTM Derivative Contract Net Assets (Liabilities)	$ 13,615	$ (190)	$ -	$ 10,248	$ 23,673

Fair Value of Derivative Instruments
December 31, 2009

CSPCo

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Hedging Contracts Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
			(in thousands)		
Current Risk Management Assets	$ 168,137	$ 1,805	$ -	$ (135,599)	$ 34,343
Long-term Risk Management Assets	66,816	-	-	(42,934)	23,882
Total Assets	234,953	1,805	-	(178,533)	58,225
Current Risk Management Liabilities	156,463	2,574	-	(145,985)	13,052
Long-term Risk Management Liabilities	60,048	41	-	(49,776)	10,313
Total Liabilities	216,511	2,615	-	(195,761)	23,365
Total MTM Derivative Contract Net Assets (Liabilities)	$ 18,442	$ (810)	$ -	$ 17,228	$ 34,860

Fair Value of Derivative Instruments
December 31, 2010

I&M

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Hedging Contracts Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
			(in thousands)		
Current Risk Management Assets	$ 162,896	$ 1,151	$ -	$ (136,521)	$ 27,526
Long-term Risk Management Assets	56,154	429	-	(25,098)	31,485
Total Assets	219,050	1,580	-	(161,619)	59,011
Current Risk Management Liabilities	156,750	1,421	-	(141,386)	16,785
Long-term Risk Management Liabilities	37,039	421	-	(30,930)	6,530
Total Liabilities	193,789	1,842	-	(172,316)	23,315
Total MTM Derivative Contract Net Assets (Liabilities)	$ 25,261	$ (262)	$ -	$ 10,697	$ 35,696

Fair Value of Derivative Instruments
December 31, 2009

I&M

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Hedging Contracts Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
			(in thousands)		
Current Risk Management Assets	$ 167,847	$ 1,839	$ -	$ (135,248)	$ 34,438
Long-term Risk Management Assets	72,127	-	-	(42,993)	29,134
Total Assets	239,974	1,839	-	(178,241)	63,572
Current Risk Management Liabilities	156,561	2,596	-	(145,721)	13,436
Long-term Risk Management Liabilities	60,217	41	-	(49,872)	10,386
Total Liabilities	216,778	2,637	-	(195,593)	23,822
Total MTM Derivative Contract Net Assets (Liabilities)	$ 23,196	$ (798)	$ -	$ 17,352	$ 39,750

Fair Value of Derivative Instruments
December 31, 2010

OPCo

	Risk Management Contracts	Hedging Contracts			
Balance Sheet Location	**Commodity (a)**	**Commodity (a)**	**Interest Rate and Foreign Currency (a)**	**Other (a) (b)**	**Total**
			(in thousands)		
Current Risk Management Assets	$ 262,751	$ 1,316	$ -	$ (233,294)	$ 30,773
Long-term Risk Management Assets	63,533	503	-	(36,024)	28,012
Total Assets	326,284	1,819	-	(269,318)	58,785
Current Risk Management Liabilities	259,635	1,663	-	(239,132)	22,166
Long-term Risk Management Liabilities	50,757	493	-	(42,847)	8,403
Total Liabilities	310,392	2,156	-	(281,979)	30,569
Total MTM Derivative Contract Net Assets (Liabilities)	$ 15,892	$ (337)	$ -	$ 12,661	$ 28,216

Fair Value of Derivative Instruments
December 31, 2009

OPCo

	Risk Management Contracts	Hedging Contracts			
Balance Sheet Location	**Commodity (a)**	**Commodity (a)**	**Interest Rate and Foreign Currency (a)**	**Other (a) (b)**	**Total**
			(in thousands)		
Current Risk Management Assets	$ 255,179	$ 2,199	$ -	$ (207,330)	$ 50,048
Long-term Risk Management Assets	88,064	-	-	(60,061)	28,003
Total Assets	343,243	2,199	-	(267,391)	78,051
Current Risk Management Liabilities	240,877	2,998	-	(219,484)	24,391
Long-term Risk Management Liabilities	81,186	47	-	(68,723)	12,510
Total Liabilities	322,063	3,045	-	(288,207)	36,901
Total MTM Derivative Contract Net Assets (Liabilities)	$ 21,180	$ (846)	$ -	$ 20,816	$ 41,150

Fair Value of Derivative Instruments
December 31, 2010

PSO

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 19,174	$ 134	$ 13,558	$ (18,641)	$ 14,225
Long-term Risk Management Assets	1,944	-	-	(1,692)	252
Total Assets	21,118	134	13,558	(20,333)	14,477
Current Risk Management Liabilities	19,607	-	-	(18,685)	922
Long-term Risk Management Liabilities	1,889	-	-	(1,692)	197
Total Liabilities	21,496	-	-	(20,377)	1,119
Total MTM Derivative Contract Net Assets (Liabilities)	$ (378)	$ 134	$ 13,558	$ 44	$ 13,358

Fair Value of Derivative Instruments
December 31, 2009

PSO

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 14,885	$ 179	$ -	$ (12,688)	$ 2,376
Long-term Risk Management Assets	2,640	-	-	(2,590)	50
Total Assets	17,525	179	-	(15,278)	2,426
Current Risk Management Liabilities	14,981	301	-	(12,703)	2,579
Long-term Risk Management Liabilities	2,913	-	-	(2,769)	144
Total Liabilities	17,894	301	-	(15,472)	2,723
Total MTM Derivative Contract Net Assets (Liabilities)	$ (369)	$ (122)	$ -	$ 194	$ (297)

Fair Value of Derivative Instruments
December 31, 2010

SWEPCo

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 33,284	$ 123	$ -	$ (32,198)	$ 1,209
Long-term Risk Management Assets	3,346	-	5	(2,913)	438
Total Assets	36,630	123	5	(35,111)	1,647
Current Risk Management Liabilities	36,338	-	-	(32,271)	4,067
Long-term Risk Management Liabilities	3,250	-	-	(2,912)	338
Total Liabilities	39,588	-	-	(35,183)	4,405
Total MTM Derivative Contract Net Assets (Liabilities)	$ (2,958)	$ 123	$ 5	$ 72	$ (2,758)

Fair Value of Derivative Instruments
December 31, 2009

SWEPCo

Balance Sheet Location	Risk Management Contracts	Hedging Contracts			
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)	Other (a) (b)	Total
		(in thousands)			
Current Risk Management Assets	$ 22,847	$ 169	$ 42	$ (20,009)	$ 3,049
Long-term Risk Management Assets	4,145	-	5	(4,066)	84
Total Assets	26,992	169	47	(24,075)	3,133
Current Risk Management Liabilities	20,788	-	89	(20,033)	844
Long-term Risk Management Liabilities	4,568	-	-	(4,347)	221
Total Liabilities	25,356	-	89	(24,380)	1,065
Total MTM Derivative Contract Net Assets (Liabilities)	$ 1,636	$ 169	$ (42)	$ 305	$ 2,068

(a) Derivative instruments within these categories are reported gross. These instruments are subject to master netting agreements and are presented on the Balance Sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."

(b) Amounts represent counterparty netting of risk management and hedging contracts, associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging" and dedesignated risk management contracts.

The tables below present the Registrant Subsidiaries' activity of derivative risk management contracts for the years ended December 31, 2010 and 2009:

Amount of Gain (Loss) Recognized on Risk Management Contracts Year Ended December 31, 2010

Location of Gain (Loss)	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Electric Generation, Transmission and Distribution Revenues	$ 5,057	$ 22,429	$ 21,834	$ 18,464	$ 3,156	$ 3,880
Sales to AEP Affiliates	(2,379)	(2,630)	(2,471)	7,673	(794)	(1,523)
Regulatory Assets (a)	(372)	(2,591)	(186)	(3,197)	46	(2,902)
Regulatory Liabilities (a)	27,790	1,498	8,217	1,953	878	351
Total Gain (Loss) on Risk Management Contracts	$ 30,096	$ 18,706	$ 27,394	$ 24,893	$ 3,286	$ (194)

Amount of Gain (Loss) Recognized on Risk Management Contracts Year Ended December 31, 2009

Location of Gain (Loss)	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Electric Generation, Transmission and Distribution Revenues	$ 16,213	$ 28,738	$ 39,188	$ 30,575	$ (94)	$ 44
Sales to AEP Affiliates	(8,978)	(5,650)	(5,450)	(1,120)	912	750
Regulatory Assets (a)	-	(10,281)	(5,837)	(11,784)	(331)	(73)
Regulatory Liabilities (a)	6,908	(3,486)	(2,394)	(4,319)	(1,280)	190
Total Gain (Loss) on Risk Management Contracts	$ 14,143	$ 9,321	$ 25,507	$ 13,352	$ (793)	$ 911

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or non-current on the balance sheet.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the Statements of Income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on the Statements of Income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on the Statements of Income depending on the relevant facts and circumstances. However, unrealized and some realized gains and losses in regulated jurisdictions (APCo, I&M, PSO, the non-Texas portion of SWEPCo generation and beginning in the second quarter of 2009 the Texas portion of SWEPCo generation) for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains) in accordance with the accounting guidance for "Regulated Operations." SWEPCo re-applied the accounting guidance for "Regulated Operations" for the generation portion of SWEPCo's Texas retail jurisdiction effective the second quarter of 2009.

Accounting for Fair Value Hedging Strategies

For fair value hedges (i.e. hedging the exposure to changes in the fair value of an asset, liability or an identified portion thereof attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item associated with the hedged risk impacts Net Income during the period of change.

The Registrant Subsidiaries record realized and unrealized gains or losses on interest rate swaps that qualify for fair value hedge accounting treatment and any offsetting changes in the fair value of the debt being hedged in Interest Expense on the Statements of Income. During December 31, 2010 and 2009, the Registrant Subsidiaries did not employ any fair value hedging strategies. During 2008, APCo employed fair value hedging strategies and recognized an immaterial loss and no hedge ineffectiveness.

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the Registrant Subsidiaries initially report the effective portion of the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the Balance Sheets until the period the hedged item affects Net Income. The Registrant Subsidiaries recognize any hedge ineffectiveness in Net Income immediately during the period of change, except in regulated jurisdictions where hedge ineffectiveness is recorded as a regulatory asset (for losses) or a regulatory liability (for gains).

Realized gains and losses on derivative contracts for the purchase and sale of power, coal, natural gas and heating oil and gasoline designated as cash flow hedges are included in Revenues, Fuel and Other Consumables Used for Electric Generation or Purchased Electricity for Resale on the Statements of Income, or in Regulatory Assets or Regulatory Liabilities on the Balance Sheets, depending on the specific nature of the risk being hedged. During 2010, 2009 and 2008, APCo, CSPCo, I&M and OPCo designated commodity derivatives as cash flow hedges.

The Registrant Subsidiaries reclassify gains and losses on financial fuel derivative contracts designated as cash flow hedges from Accumulated Other Comprehensive Income (Loss) on the Balance Sheets into Other Operation expense, Maintenance expense or Depreciation and Amortization expense, as it relates to capital projects, on the Statements of Income. During 2010 and 2009, the Registrant Subsidiaries designated heating oil and gasoline derivatives as cash flow hedges.

The Registrant Subsidiaries reclassify gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) into Interest Expense in those periods in which hedged interest payments occur. During 2010, APCo and PSO designated interest rate derivatives as cash flow hedges. During 2009, OPCo designated interest rate derivatives as cash flow hedges. During 2008, APCo and OPCo designated interest rate derivatives as cash flow hedges.

The accumulated gains or losses related to foreign currency hedges are reclassified from Accumulated Other Comprehensive Income (Loss) on the Balance Sheets into Depreciation and Amortization expense on the Statements of Income over the depreciable lives of the fixed assets that were designated as the hedged items in qualifying foreign currency hedging relationships. During 2010 and 2009, SWEPCo designated foreign currency derivatives as cash flow hedges. During 2008, APCo, OPCo and SWEPCo designated foreign currency derivatives as cash flow hedges.

During 2009, OPCo recognized a $6 million gain in Interest Expense related to hedge ineffectiveness on interest rate derivatives designated in cash flow hedge strategies. During 2010, 2009 and 2008, hedge ineffectiveness was immaterial or nonexistent for all of the other hedge strategies disclosed above.

The following tables provide details on designated, effective cash flow hedges included in AOCI on the Balance Sheets and the reasons for changes in cash flow hedges for the years ended December 31, 2010 and 2009. All amounts in the following tables are presented net of related income taxes.

Total Accumulated Other Comprehensive Income (Loss) Activity for Cash Flow Hedges
Year Ended December 31, 2010

Commodity Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2009	$ (743)	$ (376)	$ (382)	$ (366)	$ (78)	$ 112
Changes in Fair Value Recognized in AOCI	(1,450)	(852)	(901)	(1,106)	77	69
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Electric Generation, Transmission, and Distribution Revenues	51	112	87	117	-	-
Fuel and Other Consumables Used for Electric Generation	-	-	-	(13)	197	-
Purchased Electricity for Resale	393	1,068	895	1,270	-	-
Other Operation Expense	(43)	(33)	(31)	(39)	(39)	(44)
Maintenance Expense	(70)	(21)	(28)	(33)	(24)	(23)
Property, Plant and Equipment	(71)	(32)	(36)	(55)	(45)	(32)
Regulatory Assets (a)	1,660	-	218	-	-	-
Regulatory Liabilities (a)	-	-	-	(5)	-	-
Balance in AOCI as of December 31, 2010	$ (273)	$ (134)	$ (178)	$ (230)	$ 88	$ 82

Interest Rate and Foreign Currency Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2009	$ (6,450)	$ -	$ (9,514)	$ 12,172	$ (521)	$ (5,047)
Changes in Fair Value Recognized in AOCI	5,042	-	-	-	8,813	(74)
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Depreciation and Amortization Expense	-	-	-	4	-	-
Other Operation Expense	-	-	-	-	-	21
Interest Expense	1,625	-	1,007	(1,363)	114	828
Balance in AOCI as of December 31, 2010	$ 217	$ -	$ (8,507)	$ 10,813	$ 8,406	$ (4,272)

Total Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2009	$ (7,193)	$ (376)	$ (9,896)	$ 11,806	$ (599)	$ (4,935)
Changes in Fair Value Recognized in AOCI	3,592	(852)	(901)	(1,106)	8,890	(5)
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Electric Generation, Transmission, and Distribution Revenues	51	112	87	117	-	-
Fuel and Other Consumables Used for Electric Generation	-	-	-	(13)	197	-
Purchased Electricity for Resale	393	1,068	895	1,270	-	-
Other Operation Expense	(43)	(33)	(31)	(39)	(39)	(23)
Maintenance Expense	(70)	(21)	(28)	(33)	(24)	(23)
Depreciation and Amortization Expense	-	-	-	4	-	-
Interest Expense	1,625	-	1,007	(1,363)	114	828
Property, Plant and Equipment	(71)	(32)	(36)	(55)	(45)	(32)
Regulatory Assets (a)	1,660	-	218	-	-	-
Regulatory Liabilities (a)	-	-	-	(5)	-	-
Balance in AOCI as of December 31, 2010	$ (56)	$ (134)	$ (8,685)	$ 10,583	$ 8,494	$ (4,190)

Total Accumulated Other Comprehensive Income (Loss) Activity for Cash Flow Hedges
Year Ended December 31, 2009

Commodity Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2008	$ 2,726	$ 1,531	$ 1,482	$ 1,898	$ -	$ -
Changes in Fair Value Recognized in AOCI	(669)	(462)	(435)	(522)	5	190
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Electric Generation, Transmission, and Distribution Revenues	(1,646)	(4,088)	(3,189)	(4,903)	-	-
Fuel and Other Consumables Used for Electric Generation	(95)	(41)	(50)	(67)	(49)	(54)
Purchased Electricity for Resale	1,093	2,708	2,142	3,274	-	-
Other Operation Expense	-	-	-	-	-	-
Maintenance Expense	-	-	-	-	-	-
Property, Plant and Equipment	(58)	(24)	(29)	(46)	(34)	(24)
Regulatory Assets (a)	4,003	-	481	-	-	-
Regulatory Liabilities (a)	(6,097)	-	(784)	-	-	-
Balance in AOCI as of December 31, 2009	$ (743)	$ (376)	$ (382)	$ (366)	$ (78)	$ 112

Interest Rate and Foreign Currency Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2008	$ (8,118)	$ -	$ (10,521)	$ 1,752	$ (704)	$ (5,924)
Changes in Fair Value Recognized in AOCI	(1)	-	-	10,915	-	49
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Depreciation and Amortization Expense	-	-	(4)	4	-	-
Interest Expense	1,669	-	1,011	(499)	183	828
Balance in AOCI as of December 31, 2009	$ (6,450)	$ -	$ (9,514)	$ 12,172	$ (521)	$ (5,047)

Total Contracts	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance in AOCI as of December 31, 2008	$ (5,392)	$ 1,531	$ (9,039)	$ 3,650	$ (704)	$ (5,924)
Changes in Fair Value Recognized in AOCI	(670)	(462)	(435)	10,393	5	239
Amount of (Gain) or Loss Reclassified from AOCI to Income Statement/within Balance Sheet:						
Electric Generation, Transmission, and Distribution Revenues	(1,646)	(4,088)	(3,189)	(4,903)	-	-
Fuel and Other Consumables Used for Electric Generation	(95)	(41)	(50)	(67)	(49)	(54)
Purchased Electricity for Resale	1,093	2,708	2,142	3,274	-	-
Other Operation Expense	-	-	-	-	-	-
Maintenance Expense	-	-	-	-	-	-
Depreciation and Amortization Expense	-	-	(4)	4	-	-
Interest Expense	1,669	-	1,011	(499)	183	828
Property, Plant and Equipment	(58)	(24)	(29)	(46)	(34)	(24)
Regulatory Assets (a)	4,003	-	481	-	-	-
Regulatory Liabilities (a)	(6,097)	-	(784)	-	-	-
Balance in AOCI as of December 31, 2009	$ (7,193)	$ (376)	$ (9,896)	$ 11,806	$ (599)	$ (4,935)

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or non-current on the Balance Sheets.

The following table represents amounts of income reclassified from AOCI to net income:

Year	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2008	$ 975	$ 736	$ 1,713	$ 1,528	$ 183	$ 284

Cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on the Balance Sheets at December 31, 2010 and 2009 were:

Impact of Cash Flow Hedges on the Registrant Subsidiaries' Balance Sheets December 31, 2010

	Hedging Assets (a)		Hedging Liabilities (a)		AOCI Gain (Loss) Net of Tax	
Company	Commodity	Interest Rate and Foreign Currency	Commodity	Interest Rate and Foreign Currency	Commodity	Interest Rate and Foreign Currency
			(in thousands)			
APCo	$ 333	$ 11,888	$ (727)	$ -	$ (273)	$ 217
CSPCo	229	-	(419)	-	(134)	-
I&M	175	-	(437)	-	(178)	(8,507)
OPCo	174	-	(511)	-	(230)	10,813
PSO	134	13,558	-	-	88	8,406
SWEPCo	123	5	-	-	82	(4,272)

	Expected to be Reclassified to Net Income During the Next Twelve Months		
Company	Commodity	Interest Rate and Foreign Currency	Maximum Term for Exposure to Variability of Future Cash Flows
	(in thousands)		(in months)
APCo	$ (280)	$ (1,173)	41
CSPCo	(137)	-	41
I&M	(184)	(955)	41
OPCo	(236)	1,359	41
PSO	88	735	12
SWEPCo	82	(829)	23

Impact of Cash Flow Hedges on the Registrant Subsidiaries' Balance Sheets
December 31, 2009

Company	Hedging Assets (a) Commodity	Hedging Assets (a) Interest Rate and Foreign Currency	Hedging Liabilities (a) Commodity	Hedging Liabilities (a) Interest Rate and Foreign Currency	AOCI Gain (Loss) Net of Tax Commodity	AOCI Gain (Loss) Net of Tax Interest Rate and Foreign Currency
			(in thousands)			
APCo	$ 1,999	$ -	$ (3,542)	$ -	$ (743)	$ (6,450)
CSPCo	984	-	(1,794)	-	(376)	-
I&M	1,011	-	(1,809)	-	(382)	(9,514)
OPCo	1,242	-	(2,088)	-	(366)	12,172
PSO	178	-	(300)	-	(78)	(521)
SWEPCo	168	5	-	(46)	112	(5,047)

Company	Expected to be Reclassified to Net Income During the Next Twelve Months Commodity	Expected to be Reclassified to Net Income During the Next Twelve Months Interest Rate and Foreign Currency
	(in thousands)	
APCo	$ (691)	$ (1,301)
CSPCo	(349)	-
I&M	(358)	(1,007)
OPCo	(335)	1,359
PSO	(79)	(114)
SWEPCo	111	(829)

(a) Hedging Assets and Hedging Liabilities are included in Risk Management Assets and Liabilities on the Balance Sheets.

The actual amounts reclassified from Accumulated Other Comprehensive Income (Loss) to Net Income can differ from the estimate above due to market price changes.

Credit Risk

AEPSC, on behalf of the Registrant Subsidiaries, limits credit risk in their wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. AEPSC, on behalf of the Registrant Subsidiaries, uses Moody's, Standard and Poor's and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

AEPSC, on behalf of the Registrant Subsidiaries, uses standardized master agreements which may include collateral requirements. These master agreements facilitate the netting of cash flows associated with a single counterparty. Cash, letters of credit and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, collateral agreements allow for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Collateral Triggering Events

Under the tariffs of the RTOs and Independent System Operators (ISOs) and a limited number of derivative and non-derivative contracts primarily related to competitive retail auction loads, the Registrant Subsidiaries are obligated to post an additional amount of collateral if certain credit ratings decline below investment grade. The amount of collateral required fluctuates based on market prices and total exposure. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering items in contracts. Management does not anticipate a downgrade below investment grade. The following tables represent: (a) the Registrant Subsidiaries' aggregate fair values of such derivative contracts, (b) the amount of collateral the Registrant Subsidiaries would have been required to post for all derivative and non-derivative contracts if credit ratings of the Registrant Subsidiaries had declined below investment grade and (c) how much was attributable to RTO and ISO activities as of December 31, 2010 and 2009:

	December 31, 2010		
Company	Liabilities for Derivative Contracts with Credit Downgrade Triggers	Amount of Collateral the Registrant Subsidiaries Would Have Been Required to Post	Amount Attributable to RTO and ISO Activities
		(in thousands)	
APCo	$ 6,594	$ 12,607	$ 12,574
CSPCo	3,801	7,267	7,248
I&M	3,965	7,581	7,561
OPCo	4,640	8,871	8,847
PSO	16	1,785	1,385
SWEPCo	19	2,139	1,659

	December 31, 2009		
Company	Liabilities for Derivative Contracts with Credit Downgrade Triggers	Amount of Collateral the Registrant Subsidiaries Would Have Been Required to Post	Amount Attributable to RTO and ISO Activities
		(in thousands)	
APCo	$ 2,229	$ 8,433	$ 7,947
CSPCo	1,129	4,272	4,026
I&M	1,139	4,309	4,060
OPCo	1,315	4,975	4,688
PSO	689	2,772	2,083
SWEPCo	819	3,297	2,477

As of December 31, 2010 and 2009, the Registrant Subsidiaries were not required to post any collateral.

In addition, a majority of the Registrant Subsidiaries' non-exchange traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event under outstanding debt in excess of $50 million. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. Management does not anticipate a non-performance event under these provisions. The following tables represent: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral posted by the Registrant Subsidiaries and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering the Registrant Subsidiaries' contractual netting arrangements as of December 31, 2010 and 2009:

	December 31, 2010		
Company	**Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements**	**Amount of Cash Collateral Posted**	**Additional Settlement Liability if Cross Default Provision is Triggered**
		(in thousands)	
APCo	$ 76,810	$ 6,637	$ 23,748
CSPCo	44,277	3,826	13,689
I&M	46,188	3,991	14,280
OPCo	54,066	4,670	16,731
PSO	60	-	28
SWEPCo	75	-	37

	December 31, 2009		
Company	**Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements**	**Amount of Cash Collateral Posted**	**Additional Settlement Liability if Cross Default Provision is Triggered**
		(in thousands)	
APCo	$ 154,924	$ 3,115	$ 33,186
CSPCo	78,489	1,578	16,813
I&M	79,158	1,592	16,955
OPCo	91,430	1,838	19,615
PSO	40	-	40
SWEPCo	139	-	93

11. FAIR VALUE MEASUREMENTS

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of Long-term Debt for the Registrant Subsidiaries as of December 31, 2010 and 2009 are summarized in the following table:

	December 31,			
	2010		2009	
Company	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
APCo	$ 3,561,141	$ 3,878,557	$ 3,477,306	$ 3,699,373
CSPCo	1,438,830	1,571,219	1,536,393	1,616,857
I&M	2,004,226	2,169,520	2,077,906	2,192,854
OPCo	2,729,522	2,945,280	3,242,505	3,380,084
PSO	971,186	1,040,656	968,121	1,007,183
SWEPCo	1,769,520	1,931,516	1,474,153	1,554,165

Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal

I&M records securities held in trust funds for decommissioning nuclear facilities and for the disposal of SNF at fair value. See "Nuclear Trust Funds" section of Note 1.

The following is a summary of nuclear trust fund investments at December 31, 2010 and 2009:

	December 31,					
	2010			2009		
	Estimated Fair Value	Gross Unrealized Gains	Other-Than-Temporary Impairments	Estimated Fair Value	Gross Unrealized Gains	Other-Than-Temporary Impairments
	(in thousands)					
Cash and Cash Equivalents	$ 20,039	$ -	$ -	$ 14,412	$ -	$ -
Fixed Income Securities:						
United States Government	461,084	22,582	(1,489)	400,565	12,708	(3,472)
Corporate Debt	59,463	3,716	(1,905)	57,291	4,636	(2,177)
State and Local Government	340,786	(975)	(340)	368,930	7,924	991
Subtotal Fixed Income Securities	861,333	25,323	(3,734)	826,786	25,268	(4,658)
Equity Securities - Domestic	633,855	183,447	(122,889)	550,721	234,437	(119,379)
Spent Nuclear Fuel and Decommissioning Trusts	$ 1,515,227	$ 208,770	$ (126,623)	$ 1,391,919	$ 259,705	$ (124,037)

The following table provides the securities activity within the decommissioning and SNF trusts for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	2009	2008
	(in thousands)		
Proceeds From Investment Sales	$ 1,361,813	$ 712,742	$ 732,475
Purchases of Investments	1,414,473	770,919	803,664
Gross Realized Gains on Investment Sales	11,570	28,218	32,634
Gross Realized Losses on Investment Sales	2,087	1,241	7,223

The adjusted cost of debt securities was $835 million and $801 million as of December 31, 2010 and 2009, respectively.

The fair value of debt securities held in the nuclear trust funds, summarized by contractual maturities, at December 31, 2010 was as follows:

	Fair Value of Debt Securities
	(in thousands)
Within 1 year	$ 22,424
1 year – 5 years	305,846
5 years – 10 years	257,096
After 10 years	275,967
Total	$ 861,333

Fair Value Measurements of Financial Assets and Liabilities

For a discussion of fair value accounting and the classification of assets and liabilities within the fair value hierarchy, see the "Fair Value Measurements of Assets and Liabilities" section of Note 1.

The following tables set forth, by level within the fair value hierarchy, the Registrant Subsidiaries' financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

APCo

Assets:	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	$ 1,686	$ 330,605	$ 13,791	$ (270,012)	$ 76,070
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,591	-	(2,258)	333
Interest Rate/Foreign Currency Hedges	-	11,888	-	-	11,888
Dedesignated Risk Management Contracts (b)	-	-	-	3,371	3,371
Total Risk Management Assets	$ 1,686	$ 345,084	$ 13,791	$ (268,899)	$ 91,662
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ 1,653	$ 312,258	$ 8,660	$ (284,432)	$ 38,139
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,985	-	(2,258)	727
Total Risk Management Liabilities	$ 1,653	$ 315,243	$ 8,660	$ (286,690)	$ 38,866

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

APCo

Assets:	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Other Cash Deposits (d)	$ 421	$ -	$ -	$ 51	$ 472
Risk Management Assets					
Risk Management Commodity Contracts (a)	2,344	449,406	12,866	(360,248)	104,368
Cash Flow Hedges:					
Commodity Hedges (a)	-	3,620	-	(1,621)	1,999
Dedesignated Risk Management Contracts (b)	-	-	-	8,730	8,730
Total Risk Management Assets	2,344	453,026	12,866	(353,139)	115,097
Total Assets	$ 2,765	$ 453,026	$ 12,866	$ (353,088)	$ 115,569
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ 2,648	$ 422,063	$ 3,438	$ (388,265)	$ 39,884
Cash Flow Hedges:					
Commodity Hedges (a)	-	5,163	-	(1,621)	3,542
DETM Assignment (c)	-	-	-	2,730	2,730
Total Risk Management Liabilities	$ 2,648	$ 427,226	$ 3,438	$ (387,156)	$ 46,156

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

CSPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	$ 972	$ 185,699	$ 7,950	$ (150,930)	$ 43,691
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,531	-	(1,302)	229
Dedesignated Risk Management Contracts (b)	-	-	-	1,943	1,943
Total Risk Management Assets	$ 972	$ 187,230	$ 7,950	$ (150,289)	$ 45,863
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ 953	$ 175,078	$ 4,975	$ (159,235)	$ 21,771
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,721	-	(1,302)	419
Total Risk Management Liabilities	$ 953	$ 176,799	$ 4,975	$ (160,537)	$ 22,190

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

CSPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Other Cash Deposits (d)	$ 16,129	$ -	$ -	$ 21	$ 16,150
Risk Management Assets					
Risk Management Commodity Contracts (a)	1,188	227,150	6,518	(182,038)	52,818
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,805	-	(821)	984
Dedesignated Risk Management Contracts (b)	-	-	-	4,423	4,423
Total Risk Management Assets	1,188	228,955	6,518	(178,436)	58,225
Total Assets	$ 17,317	$ 228,955	$ 6,518	$ (178,415)	$ 74,375
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ 1,342	$ 213,330	$ 1,742	$ (196,226)	$ 20,188
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,615	-	(821)	1,794
DETM Assignment (c)	-	-	-	1,383	1,383
Total Risk Management Liabilities	$ 1,342	$ 215,945	$ 1,742	$ (195,664)	$ 23,365

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

I&M

Assets:	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	$ 1,014	$ 209,031	$ 8,295	$ (161,531)	$ 56,809
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,533	-	(1,358)	175
Dedesignated Risk Management Contracts (b)	-	-	-	2,027	2,027
Total Risk Management Assets	1,014	210,564	8,295	(160,862)	59,011
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	-	7,898	-	12,141	20,039
Fixed Income Securities:					
United States Government	-	461,084	-	-	461,084
Corporate Debt	-	59,463	-	-	59,463
State and Local Government	-	340,786	-	-	340,786
Subtotal Fixed Income Securities	-	861,333	-	-	861,333
Equity Securities - Domestic (f)	633,855	-	-	-	633,855
Total Spent Nuclear Fuel and Decommissioning Trusts	633,855	869,231	-	12,141	1,515,227
Total Assets	$ 634,869	$ 1,079,795	$ 8,295	$ (148,721)	$ 1,574,238
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ 994	$ 186,898	$ 5,187	$ (170,201)	$ 22,878
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,795	-	(1,358)	437
Total Risk Management Liabilities	$ 994	$ 188,693	$ 5,187	$ (171,559)	$ 23,315

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

I&M

Assets:	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a)	$ 1,198	$ 231,777	$ 6,571	$ (181,446)	$ 58,100
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,839	-	(828)	1,011
Dedesignated Risk Management Contracts (b)	-	-	-	4,461	4,461
Total Risk Management Assets	1,198	233,616	6,571	(177,813)	63,572
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	-	3,562	-	10,850	14,412
Fixed Income Securities:					
United States Government	-	400,565	-	-	400,565
Corporate Debt	-	57,291	-	-	57,291
State and Local Government	-	368,930	-	-	368,930
Subtotal Fixed Income Securities	-	826,786	-	-	826,786
Equity Securities - Domestic (f)	550,721	-	-	-	550,721
Total Spent Nuclear Fuel and Decommissioning Trusts	550,721	830,348	-	10,850	1,391,919
Total Assets	$ 551,919	$ 1,063,964	$ 6,571	$ (166,963)	$ 1,455,491
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ 1,353	$ 213,242	$ 1,755	$ (195,732)	$ 20,618
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,637	-	(828)	1,809
DETM Assignment (c)	-	-	-	1,395	1,395
Total Risk Management Liabilities	$ 1,353	$ 215,879	$ 1,755	$ (195,165)	$ 23,822

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

OPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Other Cash Deposits (d)	$ 26	$ -	$ -	$ -	$ 26
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	1,186	314,560	9,709	(269,216)	56,239
Cash Flow Hedges:					
Commodity Hedges (a)	-	1,764	-	(1,590)	174
Dedesignated Risk Management Contracts (b)	-	-	-	2,372	2,372
Total Risk Management Assets	1,186	316,324	9,709	(268,434)	58,785
Total Assets	$ 1,212	$ 316,324	$ 9,709	$ (268,434)	$ 58,811
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ 1,163	$ 302,299	$ 6,101	$ (279,505)	$ 30,058
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,101	-	(1,590)	511
Total Risk Management Liabilities	$ 1,163	$ 304,400	$ 6,101	$ (281,095)	$ 30,569

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

OPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Other Cash Deposits (d)	$ 1,075	$ -	$ -	$ 24	$ 1,099
Risk Management Assets					
Risk Management Commodity Contracts (a)	1,383	332,904	7,644	(270,272)	71,659
Cash Flow Hedges:					
Commodity Hedges (a)	-	2,199	-	(957)	1,242
Dedesignated Risk Management Contracts (b)	-	-	-	5,150	5,150
Total Risk Management Assets	1,383	335,103	7,644	(266,079)	78,051
Total Assets	$ 2,458	$ 335,103	$ 7,644	$ (266,055)	$ 79,150
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ 1,562	$ 317,114	$ 2,075	$ (287,549)	$ 33,202
Cash Flow Hedges:					
Commodity Hedges (a)	-	3,045	-	(957)	2,088
DETM Assignment (c)	-	-	-	1,611	1,611
Total Risk Management Liabilities	$ 1,562	$ 320,159	$ 2,075	$ (286,895)	$ 36,901

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

PSO

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	$ -	$ 21,119	$ 1	$ (20,335)	$ 785
Cash Flow Hedges:					
Commodity Hedges	-	134	-	-	134
Interest Rate/Foreign Currency Hedges	-	13,558	-	-	13,558
Total Risk Management Assets	$ -	$ 34,811	$ 1	$ (20,335)	$ 14,477
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ -	$ 21,498	$ -	$ (20,379)	$ 1,119

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

PSO

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a)	$ -	$ 17,494	$ 14	$ (15,260)	$ 2,248
Cash Flow Hedges:					
Commodity Hedges (a)	-	179	-	(1)	178
Total Risk Management Assets	$ -	$ 17,673	$ 14	$ (15,261)	$ 2,426
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ -	$ 17,865	$ 12	$ (15,454)	$ 2,423
Cash Flow Hedges:					
Commodity Hedges (a)	-	301	-	(1)	300
Total Risk Management Liabilities	$ -	$ 18,166	$ 12	$ (15,455)	$ 2,723

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2010

SWEPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (g)	$ -	$ 36,632	$ 2	$ (35,115)	$ 1,519
Cash Flow Hedges:					
Commodity Hedges	-	123	-	-	123
Interest Rate/Foreign Currency Hedges	-	5	-	-	5
Total Risk Management Assets	$ -	$ 36,760	$ 2	$ (35,115)	$ 1,647
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (g)	$ -	$ 39,592	$ -	$ (35,187)	$ 4,405

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2009

SWEPCo

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a)	$ -	$ 26,945	$ 22	$ (24,007)	$ 2,960
Cash Flow Hedges:					
Commodity Hedges (a)	-	216	-	(43)	173
Total Risk Management Assets	$ -	$ 27,161	$ 22	$ (24,050)	$ 3,133
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a)	$ -	$ 25,312	$ 19	$ (24,312)	$ 1,019
Cash Flow Hedges:					
Commodity Hedges (a)	-	89	-	(43)	46
Total Risk Management Liabilities	$ -	$ 25,401	$ 19	$ (24,355)	$ 1,065

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Represents contracts that were originally MTM but were subsequently elected as normal under the accounting guidance for "Derivatives and Hedging." At the time of the normal election, the MTM value was frozen and no longer fair valued. This MTM value will be amortized into revenues over the remaining life of the contracts.
(c) See "Natural Gas Contracts with DETM" section of Note 15.
(d) Amounts in "Other" column primarily represent cash deposits with third parties. Level 1 amounts primarily represent investments in money market funds.
(e) Amounts in "Other" column primarily represent accrued interest receivables from financial institutions. Level 2 amounts primarily represent investments in money market funds.
(f) Amounts represent publicly traded equity securities and equity-based mutual funds.
(g) Substantially comprised of power contracts for APCo, CSPCo, I&M and OPCo and coal contracts for PSO and SWEPCo.

There have been no transfers between Level 1 and Level 2 during the year ended December 31, 2010.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Year Ended December 31, 2010	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance as of December 31, 2009	$ 9,428	$ 4,776	$ 4,816	$ 5,569	$ 2	$ 3
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,670	946	963	1,107	2	2
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	-	9,601	-	11,713	-	-
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-	-	-	-	-	-
Purchases, Issuances and Settlements (c)	(7,163)	(4,039)	(4,121)	(4,761)	(1)	(1)
Transfers into Level 3 (d) (h)	1,133	614	616	719	-	-
Transfers out of Level 3 (e) (h)	(10,999)	(6,332)	(6,558)	(7,646)	-	-
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	11,062	(2,591)	7,392	(3,093)	(2)	(2)
Balance as of December 31, 2010	$ 5,131	$ 2,975	$ 3,108	$ 3,608	$ 1	$ 2

Year Ended December 31, 2009	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance as of December 31, 2008	$ 8,009	$ 4,497	$ 4,352	$ 5,563	$ (2)	$ (3)
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	(1,324)	(743)	(719)	(921)	-	-
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	-	4,234	-	4,947	-	-
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-	-	-	-	-	-
Purchases, Issuances and Settlements (c)	(5,464)	(2,940)	(2,847)	(3,683)	-	-
Transfers in and/or out of Level 3 (f)	(500)	(272)	(263)	(337)	-	-
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	8,707	-	4,293	-	4	6
Balance as of December 31, 2009	$ 9,428	$ 4,776	$ 4,816	$ 5,569	$ 2	$ 3

Year Ended December 31, 2008	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance as of December 31, 2007	$ (697)	$ (263)	$ (280)	$ (1,607)	$ (243)	$ (408)
Realized (Gain) Loss Included in Net Income (or Changes in Net Assets) (a)	393	86	110	1,406	244	410
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	-	1,724	-	2,082	-	(1)
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income	-	-	-	-	-	-
Purchases, Issuances and Settlements	-	-	-	-	-	-
Transfers in and/or out of Level 3 (f)	(931)	(537)	(516)	(637)	(1)	(2)
Changes in Fair Value Allocated to Regulated Jurisdictions (g)	9,244	3,487	5,038	4,319	(2)	(2)
Balance as of December 31, 2008	$ 8,009	$ 4,497	$ 4,352	$ 5,563	$ (2)	$ (3)

(a) Included in revenues on the Statements of Income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Represents the settlement of risk management commodity contracts for the reporting period.
(d) Represents existing assets or liabilities that were previously categorized as Level 2.
(e) Represents existing assets or liabilities that were previously categorized as Level 3.
(f) Represents existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period.
(g) Relates to the net gains (losses) of those contracts that are not reflected on the Statements of Income. These net gains (losses) are recorded as regulatory assets/liabilities.
(h) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.

12. INCOME TAXES

The details of the Registrant Subsidiaries' income taxes before extraordinary loss as reported are as follows:

Year Ended December 31, 2010	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Income Tax Expense (Credit):						
Current	$ (66,216)	$ 59,310	$ 1,795	$ (47,907)	$ (46,528)	$ (16,066)
Deferred	144,413	74,585	63,947	218,246	92,695	81,764
Deferred Investment Tax Credits	(3,967)	(2,046)	(2,316)	(882)	3,933	(1,484)
Total Income Taxes	$ 74,230	$ 131,849	$ 63,426	$ 169,457	$ 50,100	$ 64,214

Year Ended December 31, 2009	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Income Tax Expense (Credit):						
Current	$ (273,084)	$ 14,294	$ (187,911)	$ (215,371)	$ (11,338)	$ (6,963)
Deferred	322,626	131,407	271,264	382,794	56,029	28,016
Deferred Investment Tax Credits	(4,093)	(1,980)	(2,316)	(949)	(770)	(3,542)
Total Income Taxes	$ 45,449	$ 143,721	$ 81,037	$ 166,474	$ 43,921	$ 17,511

Year Ended December 31, 2008	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Income Tax Expense (Credit):						
Current	$ (97,447)	$ 111,996	$ 2,575	$ 72,847	$ (24,763)	$ (25,055)
Deferred	145,594	(303)	57,879	42,717	67,874	62,060
Deferred Investment Tax Credits	(4,209)	(1,954)	(2,196)	(942)	(834)	(3,964)
Total Income Taxes	$ 43,938	$ 109,739	$ 58,258	$ 114,622	$ 42,277	$ 33,041

Shown below for each Registrant Subsidiary is a reconciliation of the difference between the amounts of federal income taxes computed by multiplying book income before income taxes by the federal statutory rate and the amount of income taxes reported.

APCo	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Net Income	$ 136,668	$ 155,814	$ 122,863
Income Taxes	74,230	45,449	43,938
Pretax Income	$ 210,898	$ 201,263	$ 166,801
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 73,814	$ 70,442	$ 58,380
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	18,134	11,357	9,117
AFUDC	(1,860)	(4,469)	(6,159)
Removal Costs	(6,709)	(6,424)	(6,596)
Investment Tax Credits, Net	(3,967)	(4,093)	(4,209)
State and Local Income Taxes	(7,189)	(15,821)	(7,583)
Conservation Easement	-	(5,250)	-
Other	2,007	(293)	988
Total Income Taxes	$ 74,230	$ 45,449	$ 43,938
Effective Income Tax Rate	35.2 %	22.6 %	26.3 %

CSPCo	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Net Income	$ 230,223	$ 271,661	$ 237,130
Income Taxes	131,849	143,721	109,739
Pretax Income	$ 362,072	$ 415,382	$ 346,869
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 126,725	$ 145,384	$ 121,404
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	5,641	3,775	3,659
Investment Tax Credits, Net	(2,046)	(1,980)	(1,954)
State and Local Income Taxes	2,759	2,880	964
Parent Company Loss Benefit	(7,136)	(2,986)	(6,663)
Other	5,906	(3,352)	(7,671)
Total Income Taxes	$ 131,849	$ 143,721	$ 109,739
Effective Income Tax Rate	36.4 %	34.6 %	31.6 %

I&M

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Net Income	$ 126,091	$ 216,310	$ 131,875
Income Taxes	63,426	81,037	58,258
Pretax Income	$ 189,517	$ 297,347	$ 190,133
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 66,331	$ 104,071	$ 66,547
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	11,419	9,550	4,971
Nuclear Fuel Disposal Costs	(1,655)	(3,249)	(4,381)
AFUDC	(9,032)	(7,413)	(3,362)
Removal Costs	(3,663)	(5,960)	(3,839)
Investment Tax Credits, Net	(2,316)	(2,316)	(2,196)
State and Local Income Taxes	3,966	(15,059)	3,077
Other	(1,624)	1,413	(2,559)
Total Income Taxes	$ 63,426	$ 81,037	$ 58,258
Effective Income Tax Rate	33.5 %	27.3 %	30.6 %

OPCo

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Net Income	$ 311,393	$ 308,615	$ 232,455
Income Taxes	169,457	166,474	114,622
Pretax Income	$ 480,850	$ 475,089	$ 347,077
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 168,298	$ 166,281	$ 121,477
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	5,802	5,371	4,389
Investment Tax Credits, Net	(882)	(949)	(942)
State and Local Income Taxes	(1,853)	4,766	2,102
Other	(1,908)	(8,995)	(12,404)
Total Income Taxes	$ 169,457	$ 166,474	$ 114,622
Effective Income Tax Rate	35.2 %	35.0 %	33.0 %

PSO

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Net Income	$ 72,787	$ 75,602	$ 78,484
Income Taxes	50,100	43,921	42,277
Pretax Income	$ 122,887	$ 119,523	$ 120,761
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 43,010	$ 41,833	$ 42,266
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	(166)	(174)	(502)
Investment Tax Credits, Net	(781)	(770)	(834)
State and Local Income Taxes	10,307	6,025	3,845
Other	(2,270)	(2,993)	(2,498)
Total Income Taxes	$ 50,100	$ 43,921	$ 42,277
Effective Income Tax Rate	40.8 %	36.7 %	35.0 %

SWEPCo

	Years Ended December 31,		
	2010	2009	2008
		(in thousands)	
Net Income	$ 146,684	$ 117,203	$ 96,445
Extraordinary Loss	-	5,325	-
Income Taxes	64,214	17,511	33,041
Pretax Income	$ 210,898	$ 140,039	$ 129,486
Income Taxes on Pretax Income at Statutory Rate (35%)	$ 73,814	$ 49,014	$ 45,320
Increase (Decrease) in Income Taxes resulting from the following items:			
Depreciation	1,223	1,506	502
Depletion	(1,506)	(3,150)	(3,158)
AFUDC	(15,856)	(16,243)	(5,114)
Investment Tax Credits, Net	(1,484)	(3,542)	(3,964)
State and Local Income Taxes	(637)	647	4,121
Parent Company Loss Benefit	-	(4,232)	-
Other	8,660	(6,489)	(4,666)
Total Income Taxes	$ 64,214	$ 17,511	$ 33,041
Effective Income Tax Rate	30.4 %	12.5 %	25.5 %

The following tables show elements of the net deferred tax liability and significant temporary differences for each Registrant Subsidiary.

APCo

	December 31,	
	2010	2009
	(in thousands)	
Deferred Tax Assets	$ 417,393	$ 404,253
Deferred Tax Liabilities	(2,103,645)	(1,912,843)
Net Deferred Tax Liabilities	$ (1,686,252)	$ (1,508,590)
Property Related Temporary Differences	$ (1,151,667)	$ (1,027,656)
Amounts Due from Customers for Future Federal Income Taxes	(104,995)	(106,519)
Deferred State Income Taxes	(242,579)	(202,987)
Deferred Income Taxes on Other Comprehensive Loss	25,859	27,060
Deferred Fuel and Purchased Power	(129,671)	(126,230)
Accrued Pensions	52,406	58,779
Regulatory Assets	(179,686)	(185,880)
All Other, Net	44,081	54,843
Net Deferred Tax Liabilities	$ (1,686,252)	$ (1,508,590)

CSPCo

	December 31,	
	2010	2009
	(in thousands)	
Deferred Tax Assets	$ 143,453	$ 124,087
Deferred Tax Liabilities	(761,834)	(682,624)
Net Deferred Tax Liabilities	$ (618,381)	$ (558,537)
Property Related Temporary Differences	$ (576,649)	$ (493,879)
Amounts Due from Customers for Future Federal Income Taxes	(1,013)	(3,182)
Deferred State Income Taxes	(7,251)	(9,161)
Deferred Income Taxes on Other Comprehensive Loss	27,642	26,920
Accrued Pensions	6,927	8,140
Regulatory Assets	(78,623)	(74,298)
All Other, Net	10,586	(13,077)
Net Deferred Tax Liabilities	$ (618,381)	$ (558,537)

I&M

	December 31, 2010	December 31, 2009
	(in thousands)	
Deferred Tax Assets	$ 751,455	$ 722,974
Deferred Tax Liabilities	(1,530,993)	(1,428,710)
Net Deferred Tax Liabilities	$ (779,538)	$ (705,736)
Property Related Temporary Differences	$ (246,395)	$ (224,113)
Amounts Due from Customers for Future Federal Income Taxes	(27,932)	(25,573)
Deferred State Income Taxes	(79,522)	(80,345)
Deferred Income Taxes on Other Comprehensive Loss	11,248	11,685
Accrued Nuclear Decommissioning Expense	(394,441)	(354,534)
Post Retirement Benefits	41,727	34,236
Accrued Pensions	36,564	49,086
Regulatory Assets	(108,842)	(102,247)
All Other, Net	(11,945)	(13,931)
Net Deferred Tax Liabilities	$ (779,538)	$ (705,736)

OPCo

	December 31, 2010	December 31, 2009
	(in thousands)	
Deferred Tax Assets	$ 290,613	$ 270,381
Deferred Tax Liabilities	(1,841,019)	(1,601,472)
Net Deferred Tax Liabilities	$ (1,550,406)	$ (1,331,091)
Property Related Temporary Differences	$ (1,263,137)	$ (1,127,166)
Amounts Due from Customers for Future Federal Income Taxes	(56,506)	(53,651)
Deferred State Income Taxes	(99,508)	(88,489)
Deferred Income Taxes on Other Comprehensive Loss	69,364	63,785
Deferred Fuel and Purchased Power	(177,057)	(109,204)
Accrued Pensions	(8,852)	3,602
Regulatory Assets	(71,219)	(74,769)
All Other, Net	56,509	54,801
Net Deferred Tax Liabilities	$ (1,550,406)	$ (1,331,091)

PSO

	December 31, 2010	December 31, 2009
	(in thousands)	
Deferred Tax Assets	$ 90,750	$ 101,346
Deferred Tax Liabilities	(751,592)	(663,779)
Net Deferred Tax Liabilities	$ (660,842)	$ (562,433)
Property Related Temporary Differences	$ (561,364)	$ (500,832)
Amounts Due from Customers for Future Federal Income Taxes	(242)	1,901
Deferred State Income Taxes	(76,254)	(60,408)
Deferred Income Taxes on Other Comprehensive Loss	(4,574)	322
Accrued Pensions	18,389	23,382
Regulatory Assets	(74,404)	(75,101)
All Other, Net	37,607	48,303
Net Deferred Tax Liabilities	$ (660,842)	$ (562,433)

SWEPCo

	December 31, 2010	December 31, 2009
	(in thousands)	
Deferred Tax Assets	$ 104,444	$ 89,938
Deferred Tax Liabilities	(713,248)	(562,054)
Net Deferred Tax Liabilities	$ (608,804)	$ (472,116)
Property Related Temporary Differences	$ (521,210)	$ (422,726)
Amounts Due from Customers for Future Federal Income Taxes	(25,800)	(13,927)
Deferred State Income Taxes	(56,315)	(32,260)
Deferred Income Taxes on Other Comprehensive Loss	6,726	6,995
Accrued Pensions	9,821	20,581
Regulatory Assets	(41,956)	(52,894)
All Other, Net	19,930	22,115
Net Deferred Tax Liabilities	$ (608,804)	$ (472,116)

The Registrant Subsidiaries join in the filing of a consolidated federal income tax return with their affiliates in the AEP System. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses to the AEP System companies giving rise to such losses in determining their current tax expense. The tax benefit of the Parent is allocated to its subsidiaries with taxable income. With the exception of the loss of the Parent, the method of allocation reflects a separate return result for each company in the consolidated group.

The Registrant Subsidiaries are no longer subject to U.S. federal examination for years before 2001. The Registrant Subsidiaries have completed the exam for the years 2001 through 2006 and have issues that are being pursued at the appeals level. The years 2007 and 2008 are currently under examination. Although the outcome of tax audits is uncertain, in management's opinion, adequate provisions for federal income taxes have been made for potential liabilities resulting from such matters. In addition, the Registrant Subsidiaries accrue interest on these uncertain tax positions. Management is not aware of any issues for open tax years that upon final resolution are expected to have a material adverse effect on net income.

The Registrant Subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine their tax returns and the Registrant Subsidiaries are currently under examination in several state and local jurisdictions. Management believes that previously filed tax returns have positions that may be challenged by these tax authorities. However, management believes that adequate provisions for income taxes have been made for potential liabilities resulting from such challenges and that the ultimate resolution of these audits will not materially impact net income. With few exceptions, the Registrant Subsidiaries are no longer subject to state or local income tax examinations by tax authorities for years before 2000.

APCo, I&M, OPCo and PSO sustained federal, state and local net income tax operating losses in 2009 driven primarily by bonus depreciation, a change in tax accounting method related to units of property and other book versus tax temporary differences. As a result, these registrant subsidiaries accrued current federal, state and local income tax benefits in 2009. These registrant subsidiaries realized the federal cash flow benefit in 2010 as there was sufficient capacity in prior periods to carry the consolidated federal net operating loss back. Most of the registrant subsidiaries' state and local jurisdictions do not provide for a net operating loss carry back. It is anticipated that future taxable income will be sufficient to realize the tax benefit. As such, management has determined that a valuation allowance is unnecessary.

The Registrant Subsidiaries recognize interest accruals related to uncertain tax positions in interest income or expense as applicable and penalties in Other Operation in accordance with the accounting guidance for "Income Taxes."

The following tables show amounts reported for interest expense, interest income and reversal of prior period interest expense:

	Years Ended December 31,					
	2010			2009		
Company	Interest Expense	Interest Income	Reversal of Prior Period Interest Expense	Interest Expense	Interest Income	Reversal of Prior Period Interest Expense
	(in thousands)					
APCo	$ 2,330	$ -	$ 1,146	$ 593	$ -	$ 1,803
CSPCo	1,549	-	39	1,091	-	200
I&M	-	209	159	-	4,090	119
OPCo	2,399	-	1,614	2,221	-	1,495
PSO	455	-	871	-	721	382
SWEPCo	749	-	320	12	424	428

	Year Ended December 31, 2008		
Company	Interest Expense	Interest Income	Reversal of Prior Period Interest Expense
	(in thousands)		
APCo	$ 2,365	$ 5,367	$ 2,635
CSPCo	153	3,304	3,411
I&M	179	1,371	5,650
OPCo	4,093	5,755	295
PSO	2,008	-	-
SWEPCo	1,340	1,585	-

The following table shows balances for amounts accrued for the receipt of interest:

	December 31,	
Company	2010	2009
	(in thousands)	
APCo	$ 934	$ 2,187
CSPCo	2,784	2,281
I&M	7,642	5,764
OPCo	6	1,339
PSO	-	1,735
SWEPCo	957	1,262

The following table shows balances for amounts accrued for the payment of interest and penalties:

	December 31,	
Company	2010	2009
	(in thousands)	
APCo	$ 1,274	$ 1,733
CSPCo	2,219	206
I&M	1,823	439
OPCo	3,858	4,411
PSO	877	3,028
SWEPCo	1,107	983

The reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance at January 1, 2010	$ 17,292	$ 16,738	$ 20,007	$ 48,813	$ 12,216	$ 10,163
Increase - Tax Positions Taken During a Prior Period	4,177	10,110	4,964	9,104	151	6,128
Decrease - Tax Positions Taken During a Prior Period	(6,376)	(1,496)	(5,287)	(7,341)	(1,200)	(376)
Decrease - Tax Positions Taken During the Current Year	(1,015)	(597)	(1,487)	(1,152)	(517)	(691)
Decrease - Settlements with Taxing Authorities	(811)	-	(236)	(70)	(265)	(4)
Decrease - Lapse of the Applicable Statute of Limitations	-	-	(90)	(5,454)	(540)	(810)
Balance at December 31, 2010	$ 13,267	$ 24,755	$ 17,871	$ 43,900	$ 9,845	$ 14,410

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance at January 1, 2009	$ 20,573	$ 21,179	$ 11,815	$ 52,338	$ 13,310	$ 10,252
Increase - Tax Positions Taken During a Prior Period	5,339	6,068	8,336	11,970	2,304	4,102
Decrease - Tax Positions Taken During a Prior Period	(8,263)	(9,994)	(14,921)	(14,030)	(2,322)	(3,065)
Increase - Tax Positions Taken During the Current Year	2,471	-	14,398	890	-	-
Decrease - Tax Positions Taken During the Current Year	-	(195)	-	-	(533)	(357)
Increase - Settlements with Taxing Authorities	-	-	645	-	-	-
Decrease - Lapse of the Applicable Statute of Limitations	(2,828)	(320)	(266)	(2,355)	(543)	(769)
Balance at December 31, 2009	$ 17,292	$ 16,738	$ 20,007	$ 48,813	$ 12,216	$ 10,163

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Balance at January 1, 2008	$ 19,741	$ 19,753	$ 11,317	$ 51,982	$ 14,105	$ 6,610
Increase - Tax Positions Taken During a Prior Period	1,617	1,198	100	3,133	1,322	2,233
Decrease - Tax Positions Taken During a Prior Period	(486)	(1,207)	(2,976)	(2,692)	(6,383)	(2,271)
Increase - Tax Positions Taken During the Current Year	2,891	1,575	3,335	2,446	4,806	4,193
Decrease - Tax Positions Taken During the Current Year	(1,931)	(311)	(436)	(835)	(540)	(395)
Increase - Settlements with Taxing Authorities	906	171	745	192	-	-
Decrease - Settlements with Taxing Authorities	-	-	-	-	-	(28)
Decrease - Lapse of the Applicable Statute of Limitations	(2,165)	-	(270)	(1,888)	-	(90)
Balance at December 31, 2008	$ 20,573	$ 21,179	$ 11,815	$ 52,338	$ 13,310	$ 10,252

Management believes that there will be no significant net increase or decrease in unrecognized benefits within 12 months of the reporting date. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate for each Registrant Subsidiary was as follows:

Company	2010	2009	2008
		(in thousands)	
APCo	$ 1,109	$ 3,777	$ 5,738
CSPCo	10,626	9,709	11,954
I&M	1,664	1,271	6,283
OPCo	18,123	23,795	27,307
PSO	1,977	2,985	2,974
SWEPCo	2,481	2,278	2,205

Federal Tax Legislation – Affecting APCo

Under the Energy Tax Incentives Act of 2005, AEP filed applications with the United States Department of Energy and the IRS in 2008 for the West Virginia IGCC project and in July 2008 the IRS allocated the project $134 million in credits. In September 2008, AEP entered into a memorandum of understanding with the IRS concerning the requirements of claiming the credits. AEP had until July 2010 to meet certain minimum requirements under the agreement with the IRS or the credits would be forfeited. In July 2010, AEP forfeited the allocated tax credits.

Federal Tax Legislation – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

The Economic Stimulus Act of 2008 provided enhanced expensing provisions for certain assets placed in service in 2008 and a 50% bonus depreciation provision similar to the one in effect in 2003 through 2004 for assets placed in service in 2008. The enacted provisions did not have a material impact on net income or financial condition, but provided a material favorable cash flow benefit for each Registrant Subsidiary as follows:

Company	(in thousands)
APCo	$ 37,831
CSPCo	16,776
I&M	21,830
OPCo	37,696
PSO	6,838
SWEPCo	25,872

The American Recovery and Reinvestment Act of 2009 provided for several new grant programs and expanded tax credits and an extension of the 50% bonus depreciation provision enacted in the Economic Stimulus Act of 2008. The enacted provisions did not have a material impact on net income or financial condition. However, the bonus depreciation contributed to AEP's 2009 federal net operating tax loss that resulted in a 2010 cash flow benefit to the Registrant Subsidiaries as follows:

Company	(in thousands)
APCo	$ 170,466
CSPCo	3,192
I&M	78,456
OPCo	137,919
PSO	10,741
SWEPCo	-

The Patient Protection and Affordable Care Act and the related Health Care and Education Reconciliation Act (Health Care Acts) were enacted in March 2010. The Health Care Acts amend tax rules so that the portion of employer health care costs that are reimbursed by the Medicare Part D prescription drug subsidy will no longer be deductible by the employer for federal income tax purposes effective for years beginning after December 31, 2012. Because of the loss of the future tax deduction, a reduction in the deferred tax asset related to the nondeductible OPEB liabilities accrued to date was recorded by the Registrant Subsidiaries in March 2010. This reduction did not materially affect the Registrant Subsidiaries' cash flows or financial condition. For the year ended December 31, 2010, the Registrant Subsidiaries reflected a decrease in deferred tax assets, which was partially offset by recording net tax regulatory assets in jurisdictions with regulated operations, resulting in a decrease in net income as follows:

Company	Net Reduction to Deferred Tax Assets	Tax Regulatory Assets, Net	Decrease in Net Income
		(in thousands)	
APCo	$ 9,397	$ 8,831	$ 566
CSPCo	4,386	2,970	1,416
I&M	7,212	6,528	684
OPCo	8,385	4,020	4,365
PSO	3,172	3,172	-
SWEPCo	3,412	3,412	-

The Small Business Jobs Act (the Act) was enacted in September 2010. Included in the Act was a one-year extension of the 50% bonus depreciation provision. The Tax Relief, Unemployment Insurance Reauthorization and the Job Creation Act of 2010 extended the life of research and development, employment and several energy tax credits originally scheduled to expire at the end of 2010. In addition, the Act extended the time for claiming bonus depreciation and increased the deduction to 100% for part of 2010 and 2011. The enacted provisions will not have a material impact on the Registrant Subsidiaries' net income or financial condition but had a favorable impact on cash flows in 2010 as follows:

Company	(in thousands)
APCo	$ 43,379
CSPCo	85,180
I&M	49,740
OPCo	39,457
PSO	-
SWEPCo	30,269

State Tax Legislation – Affecting APCo, CSPCo, I&M, OPCo, PSO and SWEPCo

Under Ohio House Bill 66, in 2005, AEP reversed deferred state income tax liabilities that are not expected to reverse during the phase-out as follows:

Company	Other Regulatory Liabilities (a)	Regulatory Asset, Net (b)	State Income Tax Expense (c)	Deferred State Income Tax Liabilities (d)
		(in thousands)		
APCo	$ -	$ 10,945	$ 2,769	$ 13,714
CSPCo	15,104	-	-	15,104
I&M	-	5,195	-	5,195
OPCo	41,864	-	-	41,864
PSO	-	-	706	706
SWEPCo	-	582	119	701

(a) The reversal of deferred state income taxes for CSPCo and OPCo was recorded as a regulatory liability pending rate-making treatment in Ohio.
(b) Deferred state income tax adjustments related to those companies in which state income taxes flow through for rate-making purposes reduced the regulatory asset associated with the deferred state income tax liabilities.
(c) These amounts were recorded as a reduction to Income Tax Expense.
(d) Total deferred state income tax liabilities that reversed during 2005 related to Ohio law change.

In November 2006, the PUCO ordered OPCo and CSPCo to amortize $42 million and $15 million, respectively, to income as an offset to power supply contract losses incurred by OPCo and CSPCo for sales to Ormet and as of December 31, 2008, both regulatory liabilities were fully amortized.

The Ohio legislation also imposed a new commercial activity tax at a fully phased-in rate of 0.26% on all Ohio gross receipts. The tax was phased-in over a five-year period that began July 1, 2005 at 23% of the full 0.26% rate. As a result of this tax, expenses of approximately $6 million, $5 million and $4 million each for CSPCo and OPCo were recorded in 2010, 2009 and 2008, respectively, in Taxes Other Than Income Taxes.

State Tax Legislation – Affecting APCo, CSPCo, I&M and OPCo

Michigan Senate Bill 0094 (MBT Act), effective January 1, 2008, provided a comprehensive restructuring of Michigan's principal business tax. The law replaced the Michigan Single Business Tax. The MBT Act is composed of a new tax which will be calculated based upon two components: (a) a business income tax (BIT) imposed at a rate of 4.95% and (b) a modified gross receipts tax (GRT) imposed at a rate of 0.80%, which will collectively be referred to as the BIT/GRT tax calculation. The law also includes significant credits for engaging in Michigan-based activity.

In September 2007, House Bill 5198 amended the MBT Act to provide for a new deduction on the BIT and GRT tax returns equal to the book-tax basis difference triggered as a result of the enactment of the MBT Act. This state-only temporary difference will be deducted over a 15 year period on the MBT Act tax returns starting in 2015. Management has evaluated the impact of the MBT Act and the application of the MBT Act will not materially affect net income, cash flows or financial condition.

In March 2008, legislation was signed providing for, among other things, a reduction in the West Virginia corporate income tax rate from 8.75% to 8.5% beginning in 2009. The corporate income tax rate could also be reduced to 7.75% in 2012 and 7% in 2013 contingent upon the state government achieving certain minimum levels of shortfall reserve funds. Management has evaluated the impact of the law change and the application of the law change will not materially impact net income, cash flows or financial condition.

13. LEASES

Leases of property, plant and equipment are for periods up to 60 years and require payments of related property taxes, maintenance and operating costs. The majority of the leases have purchase or renewal options and will be renewed or replaced by other leases.

Lease rentals for both operating and capital leases are generally charged to Other Operation and Maintenance expense in accordance with rate-making treatment for regulated operations. Capital leases for nonregulated property are accounted for as if the assets were owned and financed. The components of rental costs are as follows:

Year Ended December 31, 2010	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Net Lease Expense on Operating Leases	$ 18,034	$ 40,011	$ 91,973	$ 22,876	$ 2,649	$ 5,877
Amortization of Capital Leases	7,002	4,204	31,178	7,865	3,992	11,742
Interest on Capital Leases	1,598	639	2,298	2,493	1,057	9,892
Total Lease Rental Costs	$ 26,634	$ 44,854	$ 125,449	$ 33,234	$ 7,698	$ 27,511

Year Ended December 31, 2009	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Net Lease Expense on Operating Leases	$ 21,001	$ 45,124	$ 94,409	$ 28,334	$ 5,807	$ 8,052
Amortization of Capital Leases	3,480	2,715	31,612	4,688	1,485	10,739
Interest on Capital Leases	206	140	1,937	1,284	85	6,372
Total Lease Rental Costs	$ 24,687	$ 47,979	$ 127,958	$ 34,306	$ 7,377	$ 25,163

Year Ended December 31, 2008	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Net Lease Expense on Operating Leases	$ 18,840	$ 42,330	$ 96,595	$ 25,876	$ 6,995	$ 8,519
Amortization of Capital Leases	4,820	3,329	39,697	6,369	1,550	6,926
Interest on Capital Leases	525	482	5,311	1,606	140	3,855
Total Lease Rental Costs	$ 24,185	$ 46,141	$ 141,603	$ 33,851	$ 8,685	$ 19,300

The following table shows the property, plant and equipment under capital leases and related obligations recorded on the Registrant Subsidiaries' balance sheets. For I&M, current capital lease obligations are included in Obligations Under Capital Leases on I&M's Consolidated Balance Sheets. For all other Registrant Subsidiaries, current capital lease obligations are included in Other Current Liabilities. For all Registrant Subsidiaries, long-term capital lease obligations are included in Deferred Credits and Other Noncurrent Liabilities on the Registrant Subsidiaries' balance sheets.

December 31, 2010	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Property, Plant and Equipment Under Capital Leases:						
Generation	$ 10,255	$ 1,696	$ 19,147	$ 32,524	$ 3,471	$ 15,528
Distribution	-	-	-	-	-	-
Other Property, Plant and Equipment	29,154	14,144	26,922	29,965	19,256	142,210
Construction Work in Progress	-	-	-	-	-	-
Total Property, Plant and Equipment	39,409	15,840	46,069	62,489	22,727	157,738
Accumulated Amortization	6,678	3,953	10,366	15,010	4,338	29,370
Net Property, Plant and Equipment Under Capital Leases	$ 32,731	$ 11,887	$ 35,703	$ 47,479	$ 18,389	$ 128,368
Obligations Under Capital Leases:						
Noncurrent Liability	$ 24,617	$ 7,965	$ 26,858	$ 38,237	$ 13,838	$ 115,399
Liability Due Within One Year	8,114	3,990	8,845	12,070	4,551	13,265
Total Obligations Under Capital Leases	$ 32,731	$ 11,955	$ 35,703	$ 50,307	$ 18,389	$ 128,664

December 31, 2009	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Property, Plant and Equipment Under Capital Leases:						
Generation	$ 90	$ 6,989	$ 16,363	$ 23,018	$ 2,041	$ 13,869
Distribution	-	-	-	-	-	-
Other Property, Plant and Equipment	15,401	8,477	50,587	13,344	6,973	164,632
Construction Work in Progress	-	-	-	-	-	-
Total Property, Plant and Equipment	15,491	15,466	66,950	36,362	9,014	178,501
Accumulated Amortization	8,007	10,769	14,400	16,066	3,544	30,858
Net Property, Plant and Equipment Under Capital Leases	$ 7,484	$ 4,697	$ 52,550	$ 20,296	$ 5,470	$ 147,643
Obligations Under Capital Leases:						
Noncurrent Liability	$ 4,539	$ 2,452	$ 27,485	$ 16,926	$ 3,722	$ 134,044
Liability Due Within One Year	2,945	2,274	25,065	5,756	1,748	14,617
Total Obligations Under Capital Leases	$ 7,484	$ 4,726	$ 52,550	$ 22,682	$ 5,470	$ 148,661

Future minimum lease payments consisted of the following at December 31, 2010:

Capital Leases	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2011	$ 9,529	$ 4,472	$ 10,345	$ 11,702	$ 5,448	$ 22,306
2012	8,571	2,769	9,144	9,377	4,208	21,722
2013	5,901	2,379	4,702	8,902	3,610	20,540
2014	3,616	1,820	3,779	6,665	2,689	19,079
2015	2,885	695	2,742	4,773	1,475	17,053
Later Years	6,897	1,284	15,933	21,952	4,082	78,506
Total Future Minimum Lease Payments	37,399	13,419	46,645	63,371	21,512	179,206
Less Estimated Interest Element	4,668	1,464	10,942	13,064	3,123	50,542
Estimated Present Value of Future Minimum Lease Payments	$ 32,731	$ 11,955	$ 35,703	$ 50,307	$ 18,389	$ 128,664

Noncancelable Operating Leases	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2011	$ 14,339	$ 38,904	$ 97,750	$ 20,708	$ 2,281	$ 6,015
2012	11,505	36,479	95,170	19,379	2,031	4,861
2013	9,939	34,911	94,612	18,978	1,464	4,199
2014	9,311	33,456	93,880	18,687	949	3,140
2015	8,332	31,920	90,786	17,408	626	2,599
Later Years	57,971	60,936	561,803	71,457	974	12,518
Total Future Minimum Lease Payments	$ 111,397	$ 236,606	$ 1,034,001	$ 166,617	$ 8,325	$ 33,332

Master Lease Agreements

The Registrant Subsidiaries lease certain equipment under master lease agreements. In December 2010, management signed a new master lease agreement with GE Capital Commercial Inc. (GE) to replace existing operating and capital leases with GE. These assets were included in existing master lease agreements that were to be terminated in 2011 since GE exercised the termination provision related to these leases in 2008. Certain assets were not included in the refinancing, but the assets will be purchased or refinanced in 2011. In addition, certain operating leases that were previously under lease with GE are now recorded as capital leases after the refinancing. The amounts refinanced for the Registrant Subsidiaries are as follows:

Leases Refinanced with GE	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Operating Lease to Operating Lease	$ 6,815	$ 8,382	$ 12,245	$ 7,443	$ 2,458	$ 13,091
Capital Lease to Capital Lease	1,602	965	6,749	1,491	522	652
Operating Lease to Capital Lease	11,252	1,906	4,984	10,087	3,205	4,574

These obligations are included in the future minimum lease payments schedule earlier in this note.

For equipment under the GE master lease agreements, the lessor is guaranteed receipt of up to 84% of the unamortized balance of the equipment at the end of the lease term. If the fair value of the leased equipment is below the unamortized balance at the end of the lease term, the Registrant Subsidiaries are committed to pay the difference between the fair value and the unamortized balance, with the total guarantee not to exceed 84% of the unamortized balance. For equipment under other master lease agreements, the lessor is guaranteed a residual value up to a stated percentage of either the unamortized balance or the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, the Registrant Subsidiaries are committed to pay the difference between the actual fair value and the residual value guarantee. At December 31, 2010, the maximum potential loss by Registrant Subsidiary for these lease agreements assuming the fair value of the equipment is zero at the end of the lease term is as follows:

Company	Maximum Potential Loss	Maximum Potential Loss Net of Tax
	(in thousands)	
APCo	$ 1,197	$ 778
CSPCo	888	577
I&M	1,768	1,149
OPCo	1,216	790
PSO	616	400
SWEPCo	2,572	1,672

Historically, at the end of the lease term the fair value has been in excess of the unamortized balance.

Rockport Lease

AEGCo and I&M entered into a sale-and-leaseback transaction in 1989 with Wilmington Trust Company (Owner Trustee), an unrelated, unconsolidated trustee for Rockport Plant Unit 2 (the Plant). The Owner Trustee was capitalized with equity from six owner participants with no relationship to AEP or any of its subsidiaries and debt from a syndicate of banks and securities in a private placement to certain institutional investors.

The gain from the sale was deferred and is being amortized over the term of the lease, which expires in 2022. The Owner Trustee owns the Plant and leases it equally to AEGCo and I&M. The lease is accounted for as an operating lease with the payment obligations included in the future minimum lease payments schedule earlier in this note. The lease term is for 33 years with potential renewal options. At the end of the lease term, AEGCo and I&M have the option to renew the lease or the Owner Trustee can sell the Plant. Neither AEGCo, I&M nor AEP has an ownership interest in the Owner Trustee and do not guarantee its debt. I&M's future minimum lease payments for this sale-and-leaseback transaction as of December 31, 2010 are as follows:

Future Minimum Lease Payments	I&M
	(in millions)
2011	$ 74
2012	74
2013	74
2014	74
2015	74
Later Years	517
Total Future Minimum Lease Payments	$ 887

Railcar Lease

In June 2003, AEP Transportation LLC (AEP Transportation), a subsidiary of AEP, entered into an agreement with BTM Capital Corporation, as lessor, to lease 875 coal-transporting aluminum railcars. The lease is accounted for as an operating lease. In January 2008, AEP Transportation assigned the remaining 848 railcars under the original lease agreement to I&M (390 railcars) and SWEPCo (458 railcars). The assignment is accounted for as operating leases for I&M and SWEPCo. The initial lease term was five years with three consecutive five-year renewal periods for a maximum lease term of twenty years. I&M and SWEPCo intend to renew these leases for the full lease term of twenty years via the renewal options. The future minimum lease obligations are $17 million for I&M and $19 million for SWEPCo for the remaining railcars as of December 31, 2010. These obligations are included in the future minimum lease payments schedule earlier in this note.

Under the lease agreement, the lessor is guaranteed that the sale proceeds under a return-and-sale option will equal at least a lessee obligation amount specified in the lease, which declines from approximately 84% under the current five year lease term to 77% at the end of the 20-year term of the projected fair value of the equipment. I&M and SWEPCo have assumed the guarantee under the return-and-sale option. I&M's maximum potential loss related to the guarantee is approximately $12 million ($8 million, net of tax) and SWEPCo's is approximately $13 million ($9 million, net of tax) assuming the fair value of the equipment is zero at the end of the current five-year lease term. However, management believes that the fair value would produce a sufficient sales price to avoid any loss.

Sabine Dragline Lease

During 2009, Sabine, an entity consolidated in accordance with the accounting guidance for "Variable Interest Entities," entered into capital lease arrangements with a nonaffiliated company to finance the purchase of two electric draglines to be used for Sabine's mining operations totaling $47 million. The amounts included in the lease represented the aggregate fair value of the existing equipment and a sale and leaseback transaction for additional dragline rebuild costs required to keep the dragline operational. In addition to the 2009 transactions, Sabine has one additional $53 million dragline completed in 2008 that was financed under a capital lease. These capital lease assets are included in Other Property, Plant and Equipment on SWEPCo's December 31, 2010 and 2009 Consolidated Balance Sheets. The short-term and long-term capital lease obligations are included in Other Current Liabilities and Deferred Credits and Other Noncurrent Liabilities on SWEPCo's December 31, 2010 and 2009 Consolidated Balance Sheets. The future payment obligations are included in SWEPCo's future minimum lease payments schedule earlier in this note.

I&M Nuclear Fuel Lease

In December 2007, I&M entered into a sale-and-leaseback transaction with Citicorp Leasing, Inc. (CLI), an unrelated, unconsolidated, wholly-owned subsidiary of Citibank, N.A. to lease nuclear fuel for I&M's Cook Plant. In December 2007, I&M sold a portion of its unamortized nuclear fuel inventory to CLI at cost for $85 million. The lease has a variable rate based on one month LIBOR and is accounted for as a capital lease with lease terms up to 60 months. The future payment obligations of $3 million are included in I&M's future minimum lease payments schedule earlier in this note. The net capital lease asset is included in Other Property, Plant and Equipment and the short-term and long-term capital lease obligations are included in Other Current Liabilities and Deferred Credits and Other Noncurrent Liabilities, respectively, on I&M's December 31, 2010 and 2009 Consolidated Balance Sheets. The future minimum lease payments for this sale-and-leaseback transaction as of December 31, 2010 are as follows, based on estimated fuel burn:

Future Minimum Lease Payments	**Amount (in millions)**
2011	$ 2
2012	1
Total Future Minimum Lease Payments	$ 3

14. FINANCING ACTIVITIES

Preferred Stock

Company	Par Value	Authorized Shares	Shares Outstanding at December 31, 2010	Call Price at December 31, 2010 (a)	Series	Redemption	December 31, 2010	2009
							(in thousands)	
APCo	$ - (b)	8,000,000	177,465	$ 110.00	4.50 %	Any time	$ 17,747	$ 17,752
CSPCo	25	7,000,000	-	-	-	-	-	-
CSPCo	100	2,500,000	-	-	-	-	-	-
I&M	25	11,200,000	-	-	-	-	-	-
I&M	100	(c)	55,257	106.13	4.125 %	Any time	5,525	5,530
I&M	100	(c)	14,412	102.00	4.56 %	Any time	1,441	1,441
I&M	100	(c)	11,055	102.73	4.12 %	Any time	1,106	1,106
OPCo	25	4,000,000	-	-	-	-	-	-
OPCo	100	(d)	14,495	103.00	4.08 %	Any time	1,450	1,460
OPCo	100	(d)	22,824	103.20	4.20 %	Any time	2,282	2,282
OPCo	100	(d)	31,482	104.00	4.40 %	Any time	3,148	3,148
OPCo	100	(d)	97,357	110.00	4.50 %	Any time	9,736	9,737
PSO	100	(e)	44,508	105.75	4.00 %	Any time	4,451	4,451
PSO	100	(e)	4,310	103.19	4.24 %	Any time	431	807
SWEPCo	100	(f)	7,386	103.90	4.28 %	Any time	739	740
SWEPCo	100	(f)	1,907	102.75	4.65 %	Any time	190	190
SWEPCo	100	(f)	37,665	109.00	5.00 %	Any time	3,767	3,767

(a) The cumulative preferred stock is callable at the price indicated plus accrued dividends. If the Registrant Subsidiary defaults on preferred stock dividend payments for a period of one year or longer, preferred stock holders are entitled, voting separately as one class, to elect the number of directors necessary to constitute a majority of the Registrant Subsidiary's full board of directors.
(b) Stated value is $100 per share.
(c) I&M has 2,250,000 authorized $100 par value per share shares in total.
(d) OPCo has 3,762,403 authorized $100 par value per share shares in total.
(e) PSO has 700,000 authorized shares in total.
(f) SWEPCo has 1,860,000 authorized shares in total.

Company	Series	Number of Shares Redeemed for the Years Ended December 31, 2010	2009	2008
APCo	4.50 %	53	2	-
I&M	4.125 %	44	34	-
OPCo	4.08 %	100	-	-
OPCo	4.50 %	6	10	-
PSO	4.00 %	-	40	-
PSO	4.24 %	3,759	-	-
SWEPCo	5.00 %	8	-	-

Long-term Debt

There are certain limitations on establishing liens against the Registrant Subsidiaries' assets under their respective indentures. None of the long-term debt obligations of the Registrant Subsidiaries have been guaranteed or secured by AEP or any of its affiliates.

The following details long-term debt outstanding as of December 31, 2010 and 2009:

Company	Maturity	Weighted Average Interest Rate at December 31, 2010	Interest Rate Ranges at December 31, 2010	2009	Outstanding at December 31, 2010	2009
					(in thousands)	
Senior Unsecured Notes						
APCo	2010-2038	5.98%	3.40%-7.95%	4.40%-7.95%	$ 3,042,060	$ 2,875,885
CSPCo	2010-2035	5.37%	0.702%-6.60%	4.40%-6.60%	1,246,085	1,243,648
I&M	2012-2037	6.25%	5.05%-7.00%	5.05%-7.00%	1,270,116	1,419,633
OPCo	2010-2033	5.74%	4.85%-6.60%	0.4644%-6.60%	2,044,942	2,643,925
PSO	2011-2037	5.86%	4.70%-6.625%	4.70%-6.625%	922,576	921,761
SWEPCo	2015-2040	5.92%	4.90%-6.45%	4.90%-6.45%	1,548,185	1,196,944
Pollution Control Bonds (a)						
APCo	2010-2042 (b)	3.09%	0.29%-6.05%	0.20%-7.125%	516,650	498,972
CSPCo	2012-2038 (b)	4.78%	3.875%-5.80%	3.875%-5.80%	192,745	192,745
I&M	2011-2025 (b)	4.09%	0.33%-6.25%	0.23%-6.25%	266,456	266,418
OPCo	2010-2037 (b)	2.62%	0.30%-5.15%	0.22%-7.125%	484,580	398,580
PSO	2014-2020	5.03%	4.45%-5.25%	4.45%-5.25%	46,360	46,360
SWEPCo	2011-2019 (b)	4.33%	3.25%-4.95%	0.82%-4.95%	176,335	176,335
Notes Payable - Affiliated						
APCo	2010	-	-	4.708%	-	100,000
CSPCo	2010	-	-	4.64%	-	100,000
I&M	2010	-	-	5.375%	-	25,000
OPCo	2015	5.25%	5.25%	5.25%	200,000	200,000
SWEPCo	2010	-	-	4.45%	-	50,000
Notes Payable - Nonaffiliated						
I&M	2013-2015	3.81%	2.07%-5.44%	5.44%	202,753	102,300
SWEPCo	2012-2024	6.66%	6.37%-7.03%	4.47%-7.03%	45,000	50,874
Spent Nuclear Fuel Liability (c)						
I&M					264,901	264,555
Other Long-term Debt						
APCo	2026	13.718%	13.718%	13.718%	2,431	2,449
PSO	2026	3.00%	3.00%	-	2,250	-

(a) For certain series of pollution control bonds, interest rates are subject to periodic adjustment. Certain series may be purchased on demand at periodic interest adjustment dates. Letters of credit from banks, standby bond purchase agreements and insurance policies support certain series.

(b) Certain pollution control bonds are subject to mandatory redemption earlier than the maturity date. Consequently, these bonds have been classified for maturity and repayment purposes based on the mandatory redemption date.

(c) Spent nuclear fuel obligation consists of a liability along with accrued interest for disposal of spent nuclear fuel (see "SNF Disposal" section of Note 6).

At December 31, 2010, $50 million of PSO's Senior Unsecured Notes, which are due within one year, are classified as long-term debt due to management's intent and ability to refinance these notes on a long-term basis. In January 2011, PSO issued $250 million of 4.4% Senior Unsecured Notes due in 2021, demonstrating the ability to refinance these obligations on a long-term basis.

At December 31, 2009, approximately $230 million, $77 million and $165 million of variable-rate, tax-exempt bonds were outstanding for APCo, I&M and OPCo, respectively. These bonds, which are short-term obligations, were classified as long-term debt due to management's intent and ability to refinance each obligation on a long-term basis. At December 31, 2009, the $478 million credit facility had non-cancelable terms in excess of one year, demonstrating the ability to refinance these short-term obligations on a long-term basis.

Long-term debt outstanding at December 31, 2010 is payable as follows:

	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2011	$ 479,672	$ -	$ 154,457	$ 165,000	$ 25,000	$ 41,135
2012	250,025	194,500	161,389	-	150	20,000
2013	70,029	306,000	43,937	500,000	150	-
2014	33	60,000	290,943	343,580	33,850	-
2015	500,038	-	129,027	286,000	150	303,500
After 2015	2,269,284	882,245	1,229,901	1,440,000	914,310	1,406,700
Total Principal Amount	3,569,081	1,442,745	2,009,654	2,734,580	973,610	1,771,335
Unamortized Discount	(7,940)	(3,915)	(5,428)	(5,058)	(2,424)	(1,815)
Total Long-term Debt Outstanding	$ 3,561,141	$ 1,438,830	$ 2,004,226	$ 2,729,522	$ 971,186	$ 1,769,520

In February 2011, APCo issued $65 million of 2% Pollution Control Bonds due in 2041 with a 2012 mandatory put date.

On behalf of OPCo, trustees held $303 million of reacquired variable rate tax-exempt long-term debt as of December 31, 2010.

Dividend Restrictions

The Registrant Subsidiaries pay dividends to Parent provided funds are legally available. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of the Registrant Subsidiaries to transfer funds to Parent in the form of dividends.

Federal Power Act

The Federal Power Act prohibits each of the Registrant Subsidiaries from participating "in the making or paying of any dividends of such public utility from any funds properly included in capital account." The term "capital account" is not defined in the Federal Power Act or its regulations. As applicable, the Registrant Subsidiaries understand "capital account" to mean the par value of the common stock multiplied by the number of shares outstanding.

Additionally, the Federal Power Act creates a reserve on earnings attributable to hydroelectric generating plants. Because of their respective ownership of such plants, this reserve applies to APCo, I&M and OPCo.

None of these restrictions limit the ability of the Registrant Subsidiaries to pay dividends out of retained earnings.

Charter and Leverage Restrictions

Provisions within the articles or certificates of incorporation of the Registrant Subsidiaries relating to preferred stock or shares restrict the payment of cash dividends on common and preferred stock or shares. Pursuant to the credit agreement leverage restrictions, the Registrant Subsidiaries must maintain a percentage of debt to total capitalization at a level that does not exceed 67.5%.

At December 31, 2010, approximately $150 million of the retained earnings of APCo, $77 million of the retained earnings of CSPCo, $101 million of the retained earnings of SWEPCo and none of the retained earnings of I&M, OPCo and PSO have restrictions related to the payment of dividends to Parent.

Utility Money Pool – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of its subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds the utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions approved in a regulatory order. The amount of outstanding loans (borrowings) to/from the Utility Money Pool as of December 31, 2010 and 2009 is included in Advances to/from Affiliates on each of the Registrant Subsidiaries' balance sheets. The Utility Money Pool participants' money pool activity and their corresponding authorized borrowing limits for the years ended December 31, 2010 and 2009 are described in the following tables:

Year Ended December 31, 2010:

Company	Maximum Borrowings from Utility Money Pool	Maximum Loans to Utility Money Pool	Average Borrowings from Utility Money Pool	Average Loans to Utility Money Pool	Loans (Borrowings) to/from Utility Money Pool as of December 31, 2010	Authorized Short-term Borrowing Limit
			(in thousands)			
APCo	$ 438,039	$ -	$ 227,002	$ -	$ (128,331)	$ 600,000
CSPCo	134,592	229,758	32,368	96,009	54,202	350,000
I&M	42,769	223,111	17,972	107,123	(42,769)	500,000
OPCo	-	618,559	-	231,600	100,500	600,000
PSO	107,320	74,751	45,287	31,211	(91,382)	300,000
SWEPCo	78,616	274,958	39,458	184,126	86,222	350,000

Year Ended December 31, 2009:

Company	Maximum Borrowings from Utility Money Pool	Maximum Loans to Utility Money Pool	Average Borrowings from Utility Money Pool	Average Loans to Utility Money Pool	Loans (Borrowings) to/from Utility Money Pool as of December 31, 2009	Authorized Short-term Borrowing Limit
			(in thousands)			
APCo	$ 420,925	$ -	$ 207,121	$ -	$ (229,546)	$ 600,000
CSPCo	203,306	9,029	101,965	5,666	(24,202)	350,000
I&M	491,107	210,813	109,469	110,454	114,012	500,000
OPCo	522,934	451,832	255,870	302,420	438,352	600,000
PSO	77,976	284,647	56,378	61,328	62,695	300,000
SWEPCo	62,871	158,843	18,530	61,828	34,883	350,000

The maximum and minimum interest rates for funds either borrowed from or loaned to the Utility Money Pool were as follows:

	Years Ended December 31,		
	2010	2009	2008
Maximum Interest Rate	0.55%	2.28%	5.47%
Minimum Interest Rate	0.09%	0.15%	2.28%

The average interest rates for funds borrowed from and loaned to the Utility Money Pool for the years ended December 31, 2010, 2009 and 2008 are summarized for all Registrant Subsidiaries in the following table:

Company	Average Interest Rate for Funds Borrowed from Utility Money Pool for Years Ended December 31, 2010	2009	2008	Average Interest Rate for Funds Loaned to Utility Money Pool for Years Ended December 31, 2010	2009	2008
APCo	0.26 %	0.89 %	3.66 %	- %	- %	3.25 %
CSPCo	0.18 %	1.05 %	3.59 %	0.26 %	0.57 %	3.29 %
I&M	0.43 %	1.46 %	3.35 %	0.24 %	0.26 %	- %
OPCo	- %	1.21 %	3.24 %	0.21 %	0.22 %	3.82 %
PSO	0.31 %	2.01 %	3.32 %	0.17 %	0.56 %	4.53 %
SWEPCo	0.19 %	1.66 %	3.38 %	0.27 %	0.52 %	3.12 %

Interest expense related to the Utility Money Pool is included in Interest Expense on each of the Registrant Subsidiaries' Financial Statements. The Registrant Subsidiaries incurred interest expense for amounts borrowed from the Utility Money Pool as follows:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ 611	$ 1,887	$ 6,076
CSPCo	11	1,081	2,287
I&M	17	924	7,903
OPCo	5	2,075	4,912
PSO	102	86	1,856
SWEPCo	11	68	1,480

Interest income related to the Utility Money Pool is included in Interest Income on each of the Registrant Subsidiaries' Financial Statements. The Registrant Subsidiaries earned interest income for amounts advanced to the Utility Money Pool as follows:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ 9	$ -	$ 872
CSPCo	208	-	880
I&M	219	129	-
OPCo	500	228	79
PSO	19	322	293
SWEPCo	438	278	2,540

Short-term Debt

The Registrant Subsidiaries' outstanding short-term debt was as follows:

Company	Type of Debt	December 31, 2010 Outstanding Amount	2010 Interest Rate (b)	2009 Outstanding Amount	2009 Interest Rate (b)
		(in thousands)		(in thousands)	
SWEPCo	Line of Credit – Sabine (a)	$ 6,217	2.15 %	$ 6,890	2.06 %

(a) Sabine Mining Company is a consolidated variable interest entity.
(b) Weighted average rate.

Credit Facilities

AEP has credit facilities totaling $3 billion to support the commercial paper program. The facilities are structured as two $1.5 billion credit facilities, of which $750 million may be issued under the credit facility that matures in April 2012 as letters of credit. In June 2010, AEP terminated one of the $1.5 billion facilities, which was scheduled to mature in March 2011, and replaced it with a new $1.5 billion credit facility which matures in June 2013 and allows for the issuance of up to $600 million as letters of credit. As of December 31, 2010, the maximum future payments for letters of credit issued under the two $1.5 billion credit facilities were $150 thousand for I&M and $4 million for SWEPCo.

In June 2010, the Registrant Subsidiaries and certain other companies in the AEP System reduced a $627 million credit agreement that matures in April 2011 to $478 million. Under the facility, letters of credit may be issued. As of December 31, 2010, $477 million of letters of credit were issued to support variable rate Pollution Control Bonds as follows:

Company	Amount
	(in thousands)
APCo	$ 232,292
I&M	77,886
OPCo	166,899

Sale of Receivables – AEP Credit

Under a sale of receivables arrangement, the Registrant Subsidiaries sell, without recourse, certain of their customer accounts receivable and accrued unbilled revenue balances to AEP Credit and are charged a fee based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience for each Registrant Subsidiaries' receivables. APCo does not have regulatory authority to sell its West Virginia accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation on the Registrant Subsidiaries' income statements. The Registrant Subsidiaries manage and service their customer accounts receivable sold.

In July 2010, AEP Credit renewed its receivables securitization agreement. The agreement provides a commitment of $750 million from bank conduits to purchase receivables. A commitment of $375 million expires in July 2011 and the remaining commitment of $375 million expires in July 2013.

The amount of accounts receivable and accrued unbilled revenues under the sale of receivables agreement for each Registrant Subsidiary as of December 31, 2010 and 2009 was as follows:

	December 31,	
Company	2010	2009
	(in thousands)	
APCo	$ 145,515	$ 143,938
CSPCo	175,997	169,095
I&M	123,366	130,193
OPCo	168,701	160,977
PSO	121,679	73,518
SWEPCo	135,092	117,297

The fees paid by the Registrant Subsidiaries to AEP Credit for customer accounts receivable sold were:

	Years Ended December 31,		
Company	2010	2009	2008
	(in thousands)		
APCo	$ 9,194	$ 5,132	$ 6,140
CSPCo	11,412	11,225	12,744
I&M	6,770	6,191	7,213
OPCo	9,218	8,769	10,003
PSO	5,406	6,954	10,936
SWEPCo	5,688	6,171	7,992

The Registrant Subsidiaries' proceeds on the sale of receivables to AEP Credit were:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ 1,418,487	$ 1,258,860	$ 1,029,779
CSPCo	1,750,902	1,627,444	1,640,598
I&M	1,283,955	1,228,502	1,178,473
OPCo	1,744,707	1,574,323	1,630,446
PSO	1,196,586	1,028,770	1,484,556
SWEPCo	1,402,525	1,300,393	1,347,899

15. RELATED PARTY TRANSACTIONS

For other related party transactions, also see "Utility Money Pool – AEP System" and "Sale of Receivables – AEP Credit" sections of Note 14.

AEP Power Pool

APCo, CSPCo, I&M, KPCo and OPCo are parties to the Interconnection Agreement, dated July 6, 1951, as amended, defining how they share the costs and benefits associated with their generating plants. This sharing is based upon each company's MLR, which is calculated monthly on the basis of each company's maximum peak demand in relation to the sum of the maximum peak demands of all five companies during the preceding 12 months. In December 2010, each AEP Power Pool member gave notice to AEPSC and the other AEP Power Pool members of its decision to terminate the Interconnection Agreement effective January 2014 or such other date approved by the FERC. It is unknown at this time what will replace the Interconnection Agreement. In addition, since 1995, APCo, CSPCo, I&M, KPCo and OPCo have been parties to the AEP System Interim Allowance Agreement, which provides, among other things, for the transfer of SO_2 allowances associated with the transactions under the Interconnection Agreement.

Power, gas and risk management activities are conducted by AEPSC and profits and losses are allocated under the SIA to AEP Power Pool members, PSO and SWEPCo. Risk management activities involve the purchase and sale of electricity and gas under physical forward contracts at fixed and variable prices. In addition, the risk management of electricity, and to a lesser extent gas contracts, includes exchange traded futures and options and OTC options and swaps. The majority of these transactions represent physical forward contracts in the AEP System's traditional marketing area and are typically settled by entering into offsetting contracts. In addition, AEPSC enters into transactions for the purchase and sale of electricity and gas options, futures and swaps, and for the forward purchase and sale of electricity outside of the AEP System's traditional marketing area.

CSW Operating Agreement

PSO, SWEPCo and AEPSC are parties to a Restated and Amended Operating Agreement originally dated as of January 1, 1997 (CSW Operating Agreement), which was approved by the FERC. The CSW Operating Agreement requires PSO and SWEPCo to maintain adequate annual planning reserve margins and requires that capacity in excess of the required margins be made available for sale to other operating companies as capacity commitments. Parties are compensated for energy delivered to recipients based upon the deliverer's incremental cost plus a portion of the recipient's savings realized by the purchaser that avoids the use of more costly alternatives. Revenues and costs arising from third party sales are generally shared based on the amount of energy PSO or SWEPCo contributes that is sold to third parties.

System Integration Agreement (SIA)

The SIA provides for the integration and coordination of AEP East companies' and AEP West companies' zones. This includes joint dispatch of generation within the AEP System and the distribution, between the two zones, of costs and benefits associated with the transfers of power between the two zones (including sales to third parties and risk management and trading activities). The SIA is designed to function as an umbrella agreement in addition to the Interconnection Agreement and the CSW Operating Agreement, each of which controls the distribution of costs and benefits within a zone.

Power generated, allocated or provided under the Interconnection Agreement or CSW Operating Agreement to any Registrant Subsidiary is primarily sold to customers by such Registrant Subsidiary at rates approved (other than in Ohio) by the public utility commission in the jurisdiction of sale. In Ohio, such rates are based on a statutory formula as that jurisdiction transitions to the use of market rates for generation.

Under both the Interconnection Agreement and CSW Operating Agreement, power generated that is not needed to serve the native load of any Registrant Subsidiary is sold in the wholesale market by AEPSC on behalf of the generating subsidiary.

Affiliated Revenues and Purchases

The following tables show the revenues derived from sales to the pools, direct sales to affiliates, natural gas contracts with AEPES and other revenues for the years ended December 31, 2010, 2009 and 2008:

Related Party Revenues	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2010						
Sales to AEP Power Pool	$ 158,873	$ 64,467	$ 327,992	$ 891,424	$ -	$ -
Direct Sales to East Affiliates	123,832	-	-	115,406	1,210	1,248
Direct Sales to West Affiliates	3,471	1,900	1,931	2,225	19,629	39,851
Direct Sales to AEPEP	-	-	-	-	-	(286)
Direct Sales to Transmission Companies	44	113	1,848	123	30	1
Natural Gas Contracts with AEPES	(2,171)	(1,072)	(1,087)	(1,258)	2	3
Other Revenues	32,158	17,586	267	18,003	2,657	11,053
Total Affiliated Revenues	$ 316,207	$ 82,994	$ 330,951	$ 1,025,923	$ 23,528	$ 51,870

Related Party Revenues	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2009						
Sales to AEP Power Pool	$ 130,331	$ 57,373	$ 198,579	$ 935,563	$ -	$ -
Direct Sales to East Affiliates	123,549	-	-	84,078	3,136	1,220
Direct Sales to West Affiliates	2,255	1,169	1,154	1,384	39,197	16,434
Direct Sales to AEPEP	-	-	-	-	-	(659)
Natural Gas Contracts with AEPES	(8,340)	(4,866)	(4,637)	(6,142)	(328)	(387)
Other Revenues	15,594	13,537	1,055	19,407	3,751	12,710
Total Affiliated Revenues	$ 263,389	$ 67,213	$ 196,151	$ 1,034,290	$ 45,756	$ 29,318

Related Party Revenues	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2008						
Sales to AEP Power Pool	$ 219,305	$ 101,743	$ 292,183	$ 849,574	$ -	$ -
Direct Sales to East Affiliates	92,225	-	-	74,465	4,246	3,438
Direct Sales to West Affiliates	16,558	9,849	9,483	11,505	90,545	33,493
Natural Gas Contracts with AEPES	(2,029)	(1,203)	(1,085)	(689)	(467)	(552)
Other Revenues	2,676	12,560	2,160	5,613	7,278	14,463
Total Affiliated Revenues	$ 328,735	$ 122,949	$ 302,741	$ 940,468	$ 101,602	$ 50,842

The following tables show the purchased power expense incurred for purchases from the pools and affiliates for the years ended December 31, 2010, 2009 and 2008:

Related Party Purchases	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2010						
Purchases from AEP Power Pool	$ 916,791	$ 294,838	$ 91,129	$ 90,576	$ -	$ -
Direct Purchases from East Affiliates	-	-	-	-	6,162	4,078
Direct Purchases from West Affiliates	825	458	466	538	39,851	19,629
Purchases from AEGCo	-	113,801	235,740	-	-	-
Gas Purchases from AEPES	-	-	-	2,857	-	-
Total Purchases	$ 917,616	$ 409,097	$ 327,335	$ 93,971	$ 46,013	$ 23,707

Related Party Purchases	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2009						
Purchases from AEP Power Pool	$ 801,624	$ 316,490	$ 99,159	$ 72,360	$ -	$ -
Direct Purchases from East Affiliates	-	-	-	-	2,896	3,515
Direct Purchases from West Affiliates	1,492	802	777	987	16,435	39,197
Direct Purchases from AEGCo	-	75,469	237,372	-	-	-
Gas Purchases from AEPES	-	-	-	1,251	-	-
Total Purchases	$ 803,116	$ 392,761	$ 337,308	$ 74,598	$ 19,331	$ 42,712

Related Party Purchases	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
Year Ended December 31, 2008						
Purchases from AEP Power Pool	$ 783,048	$ 334,983	$ 135,056	$ 135,514	$ -	$ -
Purchases from West System Pool	-	-	-	-	-	2,867
Purchases from AEPEP	-	-	-	-	-	28
Direct Purchases from East Affiliates	-	-	-	-	25,851	25,333
Direct Purchases from West Affiliates	2,143	1,239	1,195	1,483	33,493	90,545
Direct Purchases from AEGCo	-	77,296	247,931	-	-	-
Gas Purchases from AEPES	-	-	-	3,689	-	-
Total Purchases	$ 785,191	$ 413,518	$ 384,182	$ 140,686	$ 59,344	$ 118,773

The above summarized related party revenues and expenses are reported as Sales to AEP Affiliates and Purchased Electricity from AEP Affiliates on the income statements of each Registrant Subsidiary. Since the Registrant Subsidiaries are included in AEP's consolidated results, the above summarized related party transactions are eliminated in total in AEP's consolidated revenues and expenses.

System Transmission Integration Agreement

AEP's System Transmission Integration Agreement provides for the integration and coordination of the planning, operation and maintenance of the transmission facilities of AEP East companies' and AEP West companies' zones. Similar to the SIA, the System Transmission Integration Agreement functions as an umbrella agreement in addition to the Transmission Agreement (TA) and the Transmission Coordination Agreement (TCA). The System Transmission Integration Agreement contains two service schedules that govern:

- The allocation of transmission costs and revenues and
- The allocation of third-party transmission costs and revenues and AEP System dispatch costs.

The System Transmission Integration Agreement anticipates that additional service schedules may be added as circumstances warrant.

APCo, CSPCo, I&M, KPCo and OPCo are parties to the TA, dated April 1, 1984, as amended, defining how they share the costs associated with their relative ownership of the extra-high-voltage transmission system (facilities rated 345 kV and above) and certain facilities operated at lower voltages (138 kV and above). Like the Interconnection Agreement, this sharing is based upon each company's MLR. The FERC approved a new TA effective November 2010. The impacts of the new TA will be phased-in for retail rates, adds KGPCo and WPCo as parties to the agreement and changes the allocation method.

The following table shows the net charges (credits) allocated among the Registrant Subsidiaries, party to the TA, during the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
Company	2010	2009	2008
		(in thousands)	
APCo	$ (16,079)	$ (12,535)	$ (29,146)
CSPCo	42,516	51,309	55,273
I&M	(25,188)	(38,400)	(37,398)
OPCo	6,765	8,461	13,294

The net charges (credits) shown above are recorded in Other Operation expense on the income statements.

PSO, SWEPCo, TNC and AEPSC are parties to the TCA, originally dated January 1, 1997, as amended. The TCA has been approved by the FERC and establishes a coordinating committee, which is charged with overseeing the coordinated planning of the transmission facilities of the parties to the agreement, including the performance of transmission planning studies, the interaction of such companies with independent system operators (ISO) and other regional bodies interested in transmission planning and compliance with the terms of the Open Access Transmission Tariff (OATT) filed with the FERC and the rules of the FERC relating to such a tariff.

Under the TCA, the parties to the agreement delegated to AEPSC the responsibility of monitoring the reliability of their transmission systems and administering the OATT on their behalf. The allocations have been governed by the FERC-approved OATT for the SPP (with respect to PSO, TNC and SWEPCo).

The following table shows the net charges (credits) allocated among parties to the TCA pursuant to the SPP OATT protocols as described above during the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
PSO	$ 10,600	$ 11,100	$ 8,200
SWEPCo	(10,500)	(11,100)	(8,200)

The net charges (credits) shown above are recorded in the Other Operation expense on PSO's and SWEPCo's income statements.

Assignment from SWEPCo to AEPEP

On March 1, 2008, SWEPCo assigned its portion of a 20-year Purchase Power Agreement (PPA) to AEPEP. In addition to the PPA assignment, an intercompany agreement was executed between AEPEP and SWEPCo to provide SWEPCo with future margins related to its share. SWEPCo also retained the rights to the Renewable Energy Credit Offsets from the PPA. The PPA and intercompany agreements are effective through 2019. SWEPCo recorded losses of $286 thousand and $659 thousand and revenue of $903 thousand from AEPEP in Sales to AEP Affiliates on its 2010, 2009 and 2008 Consolidated Statements of Income, respectively.

ERCOT Contracts Transferred to AEPEP

Effective January 1, 2007, PSO and SWEPCo transferred certain existing ERCOT energy marketing contracts to AEPEP and entered into intercompany financial and physical purchase and sale agreements with AEPEP. This was done to lock in PSO and SWEPCo's margins on ERCOT trading and marketing contracts and to transfer the future associated commodity price and credit risk to AEPEP. The contracts ended in December 2009.

PSO and SWEPCo have historically presented third party ERCOT trading and marketing activity on a net basis in Revenues - Electric Generation, Transmission and Distribution. The applicable ERCOT third party trading and marketing contracts that were not transferred to AEPEP will remain until maturity on PSO's and SWEPCo's balance sheets and will be presented on a net basis in Sales to AEP Affiliates on PSO's and SWEPCo's income statements.

The following tables indicate the sales to AEPEP and the amounts reclassified from third party to affiliates:

	Year Ended December 31, 2009		
Company	Net Settlement with AEPEP	Third Party Amounts Reclassified to Affiliate	Net Amount Included in Sales to AEP Affiliates
		(in thousands)	
PSO	$ (3,871)	$ 4,318	$ 447
SWEPCo	(4,569)	5,098	529

	Year Ended December 31, 2008		
Company	Net Settlement with AEPEP	Third Party Amounts Reclassified to Affiliate	Net Amount Included in Sales to AEP Affiliates
		(in thousands)	
PSO	$ 79,445	$ (76,000)	$ 3,445
SWEPCo	84,095	(80,032)	4,063

CSPCo Transfer of Property

In May 2009, CSPCo transferred a parking garage to AEP through a dividend. AEP then transferred the property to AEPSC through a capital contribution. The transfers were effective May 2009 and were recorded at net book value of $8 million.

Natural Gas Contracts with DETM

In 2003, AEPES assigned to AEPSC, as agent for the AEP East companies, approximately $97 million (negative value) associated with its natural gas contracts with DETM. The assignment was executed in order to consolidate DETM positions within AEP. Beginning in 2007, PSO and SWEPCo were allocated a portion of the DETM assignment based on the SIA methodology of sharing trading and marketing margins between the AEP East companies, PSO and SWEPCo. Concurrently, in order to ensure that there would be no financial impact to the AEP East companies, PSO or SWEPCo as a result of the assignment, AEPES and AEPSC entered into agreements requiring AEPES to reimburse AEPSC for any related cash settlements and all income related to the assigned contracts. The agreement between AEPSC and AEPES ended December 31, 2010, coinciding with the settlement of the remaining DETM contracts. The following table represents the Registrant Subsidiaries' risk management liabilities related to DETM at December 31, 2009:

Company	December 31, 2009
	(in thousands)
APCo	$ 2,730
CSPCo	1,383
I&M	1,395
OPCo	1,611

Fuel Agreement between OPCo and AEPES

OPCo and National Power Cooperative, Inc (NPC) have an agreement whereby OPCo operates a 500 MW gas plant owned by NPC (Mone Plant). AEPES entered into a fuel management agreement with OPCo and NPC to manage and procure fuel for the Mone Plant. The gas purchased by AEPES and used in generation is first sold to OPCo then allocated to the AEP East companies, who have an agreement to purchase 100% of the available generating capacity from the plant through May 2012. The related purchases of gas managed by AEPES were as follows:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
APCo	$ 940	$ 431	$ 1,204
CSPCo	535	229	707
I&M	547	224	681
OPCo	640	279	840

These purchases are reflected in Purchased Electricity for Resale on the income statements.

Unit Power Agreements (UPA)

Lawrenceburg UPA between CSPCo and AEGCo

In March 2007, CSPCo and AEGCo entered into a 10-year UPA for the entire output from the Lawrenceburg Generating Station effective with AEGCo's purchase of the plant in May 2007. The UPA has an option for an additional 2-year period. I&M operates the plant under an agreement with AEGCo. Under the UPA, CSPCo pays AEGCo for the capacity, depreciation, fuel, operation and maintenance and tax expenses. These payments are due regardless of whether the plant is operating. The fuel and operation and maintenance payments are based on actual costs incurred. All expenses are trued up periodically.

UPA between AEGCo and I&M

A UPA between AEGCo and I&M (the I&M Power Agreement) provides for the sale by AEGCo to I&M of all the power (and the energy associated therewith) available to AEGCo at the Rockport Plant unless it is sold to another utility. I&M is obligated, whether or not power is available from AEGCo, to pay as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by I&M) net of amounts received by AEGCo from any other sources, sufficient to enable AEGCo to pay all its operating and other expenses, including a rate of return on the common equity of AEGCo as approved by the FERC. The I&M Power Agreement will continue in effect until the expiration of the lease term of Unit 2 of the Rockport Plant unless extended in specified circumstances.

UPA between AEGCo and KPCo

Pursuant to an assignment between I&M and KPCo and a UPA between KPCo and AEGCo, AEGCo sells KPCo 30% of the power (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KPCo pays to AEGCo in consideration for the right to receive such power the same amounts which I&M would have paid AEGCo under the terms of the I&M Power Agreement for such entitlement. The KPCo UPA ends in December 2022.

Cook Coal Terminal

Cook Coal Terminal, a division of OPCo, performs coal transloading services at cost for APCo and I&M. OPCo included revenues for these services in Other Revenues – Affiliated and expenses in Other Operation expense on its Consolidated Statements of Income. The coal transloading revenues in 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
APCo	$ -	$ 916	$ 1,000
I&M	17,208	18,908	15,368

APCo and I&M recorded the cost of transloading services in Fuel on their balance sheets.

In addition, Cook Coal Terminal provided coal transloading services for OVEC in 2008. Cook Coal Terminal did not provide coal transloading services for OVEC in 2009 or 2010. OPCo recorded revenue as Other Revenues – Nonaffiliated on its Consolidated Statements of Income in the amount of $59 thousand in 2008. OVEC is 43.47% owned by AEP (includes CSPCo's 4.3% ownership of OVEC).

In 2010, 2009 and 2008, Cook Coal Terminal also performed railcar maintenance services at cost for APCo, I&M, PSO and SWEPCo. OPCo included revenues for these services in Sales to AEP Affiliates and expenses in Other Operation expense on its Consolidated Statements of Income. The railcar maintenance revenues were as follows:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
APCo	$ 7	$ 98	$ 39
I&M	1,870	2,045	2,720
PSO	522	510	1,160
SWEPCo	1,044	914	434

APCo, I&M, PSO and SWEPCo recorded the cost of the railcar maintenance services in Fuel on their balance sheets.

In addition, Cook Coal Terminal provides railcar maintenance services for OVEC. OPCo recorded revenue as Other Revenues – Nonaffiliated on its Consolidated Statements of Income in the amount of $1 million, for each year in 2010, 2009 and 2008.

SWEPCo Railcar Facility

SWEPCo operates a railcar maintenance facility in Alliance, Nebraska. The facility performs maintenance on its own railcars as well as railcars belonging to I&M, PSO and third parties. SWEPCo billed I&M $1.8 million and $2.2 million for railcar services provided in 2010 and 2009, respectively, and billed PSO $655 thousand and $425 thousand in 2010 and 2009, respectively. These billings, for SWEPCo, and costs, for I&M and PSO, are recorded in Fuel on the balance sheets.

I&M Barging, Urea Transloading and Other Services

I&M provides barging, urea transloading and other transportation services to affiliates. Urea is a chemical used to control NO_x emissions at certain generation plants in the AEP System. I&M recorded revenues from barging, transloading and other services as Other Revenues – Affiliated on its Consolidated Statements of Income. The affiliated companies recorded these costs paid to I&M as fuel expense or other operation expense. The amount of affiliated revenues and affiliated expenses were:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
I&M – Revenues	$ 105,811	$ 94,921	$ 103,436
AEGCo – Expense	12,548	13,167	17,038
APCo – Expense	28,241	29,442	27,058
KPCo – Expense	133	112	9
OPCo – Expense	44,160	38,039	40,950
AEP River Operations LLC – Expense (Nonutility Subsidiary of AEP)	20,729	14,161	18,381

In addition, I&M provided transloading services to OVEC. I&M recorded revenues of $112 thousand, $135 thousand and $3 thousand for 2010, 2009 and 2008, respectively, in Other Revenues – Nonaffiliated on its Consolidated Statements of Income.

Services Provided by AEP River Operations LLC

AEP River Operations LLC provides services for barge towing, chartering and general and administrative expenses to I&M. The costs are recorded by I&M as Other Operation expense. For the years ended December 31, 2010, 2009 and 2008, I&M recorded expenses of $28 million, $24 million and $37 million, respectively, for these activities.

Central Machine Shop

APCo operates a facility which repairs and rebuilds specialized components for the generation plants across the AEP System. APCo defers on its balance sheet the cost of performing the services, then transfers the cost to the affiliate for reimbursement. The AEP subsidiaries recorded these billings as capital or maintenance expense depending on the nature of the services received. These billings are recoverable from customers. The following table provides the amounts billed by APCo to the following affiliates:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
AEGCo	$ 180	$ 31	$ 138
CSPCo	397	1,306	682
I&M	2,112	2,818	2,714
KGPCo	-	5	-
KPCo	368	358	1,183
OPCo	3,268	2,831	1,944
PSO	412	848	1,225
SWEPCo	560	966	288

In addition, APCo billed OVEC and IKEC a total of $541 thousand, $202 thousand and $303 thousand for the years ended December 31, 2010, 2009 and 2008, respectively.

Affiliate Coal Purchases

In 2008, OPCo entered into contracts to sell excess coal purchases to certain AEP subsidiaries through 2010. These sales (purchases) are reflected in Sales to AEP Affiliates on the income statements. The following table shows the realized and unrealized amounts recorded for the years ended December 31, 2010, 2009 and 2008:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ (2,830)	$ (1,573)	$ (187)
CSPCo	(1,558)	(783)	(90)
I&M	(1,383)	(813)	(92)
KPCo	(837)	(340)	(36)
OPCo	8,930	5,022	534
PSO	(796)	(585)	(48)
SWEPCo	(1,526)	(928)	(81)

Affiliate Railcar Agreement

Certain AEP subsidiaries have an agreement providing for the use of each other's leased or owned railcars when available. The agreement specifies that the company using the railcar will be billed, at cost, by the company furnishing the railcar. The AEP subsidiaries recorded these costs or reimbursements as costs or reduction of costs, respectively, in Fuel on their balance sheets and such costs are recoverable from customers. The following tables show the net effect of the railcar agreement on the balance sheets:

Year Ended December 31, 2010
Billing Company

Billed Company	APCo	I&M	OPCo	PSO	SWEPCo	Total
			(in thousands)			
APCo	$ -	$ -	$ 1,195	$ 1	$ (1)	$ 1,195
CSPCo	-	-	-	-	9	9
I&M	142	-	1,536	123	502	2,303
KPCo	399	-	245	-	-	644
OPCo	919	418	-	21	97	1,455
PSO	177	921	191	-	493	1,782
SWEPCo	328	2,162	594	110	-	3,194
Total	$ 1,965	$ 3,501	$ 3,761	$ 255	$ 1,100	$ 10,582

Year Ended December 31, 2009
Billing Company

Billed Company	APCo	I&M	OPCo	PSO	SWEPCo	Total
			(in thousands)			
APCo	$ -	$ 143	$ 1,632	$ 15	$ 44	$ 1,834
CSPCo	-	-	-	-	11	11
I&M	162	-	1,185	195	895	2,437
KPCo	669	-	13	-	-	682
OPCo	969	708	-	37	179	1,893
PSO	277	953	181	-	562	1,973
SWEPCo	79	1,896	1,312	136	-	3,423
Total	$ 2,156	$ 3,700	$ 4,323	$ 383	$ 1,691	$ 12,253

Purchased Power from OVEC

The amounts of power purchased by the Registrant Subsidiaries from OVEC for the years ended December 31, 2010, 2009 and 2008 were:

	Years Ended December 31,		
Company	2010	2009	2008
		(in thousands)	
APCo	$ 105,307	$ 103,369	$ 94,874
CSPCo	29,809	29,261	26,853
I&M	52,687	51,710	47,465
OPCo	103,967	102,057	93,661

The amounts shown above are recoverable from customers and are included in Purchased Electricity for Resale on the income statements.

AEP Power Pool Purchases from OVEC

Beginning in 2006, the AEP Power Pool began purchasing power from OVEC as part of wholesale marketing and risk management activity. These purchases are reflected in Electric Generation, Transmission and Distribution revenues on the income statements. The agreement ended in December 2008. The following table shows the amounts recorded for the year ended December 31, 2008:

Company	Year Ended December 31, 2008
	(in thousands)
APCo	$ 17,795
CSPCo	10,381
I&M	9,999
OPCo	12,359

In January 2010, the AEP Power Pool began purchasing power from OVEC to serve off-system sales and retail sales through June 2010. Purchases serving off-system sales are reported net as a reduction in Electric Generation, Transmission and Distribution revenues and purchases serving retail sales are reported in Purchased Electricity for Resale expenses on the income statements. The following table shows the amounts recorded for the year ended December 31, 2010:

	Year Ended December 31, 2010	
Company	Reported in Revenues	Reported in Expenses
	(in thousands)	
APCo	$ 6,631	$ 3,635
CSPCo	3,689	1,963
I&M	3,721	1,980
OPCo	4,248	2,268

SWEPCo Lignite Purchases from DHLC

Effective January 1, 2010, SWEPCo deconsolidated DHLC due to the adoption of new accounting guidance. See "ASU 2009-17 'Consolidations' " section of Note 2. DHLC sells 50% of its lignite mining output to SWEPCo and the other 50% to CLECO. SWEPCo purchased $56 million of lignite from DHLC and recorded these costs in Fuel on its Consolidated Balance Sheet at December 31, 2010.

SWEPCo Transactions with Oxbow Lignite Company

Oxbow Lignite Company, LLC (OLC) is jointly-owned by SWEPCo and CLECO, each owning 50%. As joint-owners, SWEPCo and CLECO have equal representation in OLC regarding ownership, liability, profit and distributions. OLC has surface lease and lignite and coal lease agreements which provide equal rights to each owner to mine the reserves and equal liability for the depletion costs. DHLC is the exclusive miner of OLC's reserves and 100% of the lignite mined is sold to SWEPCo and CLECO. SWEPCo paid OLC $465 thousand for land leases, lignite leases and administrative services in 2010. SWEPCo recorded these costs in Fuel on its Consolidated Balance Sheet at December 31, 2010. See "Oxbow Lignite Company and Red River Mining Company" section of Note 7 for additional information regarding the purchase of OLC.

Sales and Purchases of Property – Transmission Companies

In 2009, AEP Transmission Company, LLC (AEP Transco) formed seven wholly-owned transmission companies. AEP Transco is the holding company for the seven new transmission companies. These seven companies consist of: AEP Appalachian Transmission Company, Inc., AEP Indiana Michigan Transmission Company, Inc., AEP Kentucky Transmission Company, Inc., AEP Ohio Transmission Company, Inc., AEP West Virginia Transmission Company, Inc., AEP Oklahoma Transmission Company, Inc. (OKTCo) and AEP Southwestern Transmission Company, Inc.

PSO began selling transmission property to OKTCo during 2010 for $1.5 million, which was recorded at net book value. There were no gains or losses recorded on the transactions.

Sales and Purchases of Property

Certain AEP subsidiaries had affiliated sales and purchases of electric property individually amounting to $100 thousand or more for the years ended December 31, 2010, 2009 and 2008 as shown in the following tables:

Companies	Year Ended December 31, 2010
	(in thousands)
AEGCo to APCo	$ 332
AEGCo to OPCo	190
APCo to I&M	1,090
APCo to KPCo	209
CSPCo to I&M	1,459
CSPCo to KPCo	433
I&M to APCo	444
I&M to OPCo	485
I&M to SWEPCo	218
OPCo to APCo	3,011
OPCo to CSPCo	686
OPCo to I&M	976
OPCo to KPCo	527
SWEPCo to PSO	3,680
TCC to SWEPCo	360

Companies	Year Ended December 31, 2009
	(in thousands)
APCo to I&M	$ 155
I&M to APCo	4,004
I&M to OPCo	6,378
OPCo to APCo	908
OPCo to CSPCo	344
OPCo to I&M	6,026
OPCo to TCC	526
PSO to SWEPCo	118
TCC to APCo	426
TCC to SWEPCo	684

Companies	Year Ended December 31, 2008
	(in thousands)
APCo to CSPCo	$ 858
APCo to I&M	2,720
APCo to OPCo	615
CSPCo to PSO	180
I&M to APCo	653
I&M to KPCo	444
I&M to OPCo	1,992
I&M to PSO	666
OPCo to I&M	1,800
OPCo to PSO	259
PSO to I&M	646
TCC to APCo	220

In addition, certain AEP subsidiaries had aggregate affiliated sales and purchases of meters and transformers for the years ended December 31, 2010, 2009 and 2008 as shown in the following tables:

Year Ended December 31, 2010

	Purchaser											
Seller	APCo	CSPCo	I&M	KGPCo	KPCo	OPCo	PSO	SWEPCo	TCC	TNC	WPCo	Total
	(in thousands)											
APCo	$ -	$ 17	$ 112	$ 225	$ 139	$ 120	$ 61	$ 31	$ -	$ -	$ -	$ 705
CSPCo	65	-	3	-	-	1,164	74	908	157	-	6	2,377
I&M	138	46	-	-	7	310	116	1	-	63	14	695
KGPCo	154	-	-	-	-	-	-	-	-	-	-	154
KPCo	364	9	6	23	-	83	-	2	-	-	-	487
OPCo	146	6,085	429	1	139	-	5	196	8	10	366	7,385
PSO	-	42	-	-	-	2	-	560	6	3	-	613
SWEPCo	48	2	4	-	3	212	1,203	-	70	11	-	1,553
TCC	22	-	38	-	-	23	6	266	-	966	-	1,321
TNC	8	-	-	-	-	-	1	70	642	-	4	725
WPCo	-	1	-	-	-	110	-	-	-	-	-	111
Total	$ 945	$ 6,202	$ 592	$ 249	$ 288	$ 2,024	$ 1,466	$ 2,034	$ 883	$ 1,053	$ 390	$ 16,126

Year Ended December 31, 2009

	Purchaser											
Seller	APCo	CSPCo	I&M	KGPCo	KPCo	OPCo	PSO	SWEPCo	TCC	TNC	WPCo	Total
	(in thousands)											
APCo	$ -	$ 32	$ 87	$ 305	$ 161	$ 115	$ -	$ 19	$ 44	$ -	$ -	$ 763
CSPCo	30	-	26	-	-	664	93	6	-	-	3	822
I&M	39	88	-	-	50	315	119	65	37	75	17	805
KGPCo	213	-	-	-	-	-	-	-	-	-	-	213
KPCo	505	23	64	7	-	133	3	8	-	-	1	744
OPCo	372	2,748	297	-	87	-	6	85	1	44	464	4,104
PSO	23	42	7	-	-	1	-	607	26	1	-	707
SWEPCo	38	27	21	-	26	58	1,360	-	162	28	-	1,720
TCC	13	-	72	-	-	19	2	87	-	873	-	1,066
TNC	8	-	10	-	-	17	18	25	750	-	-	828
WPCo	-	6	-	-	-	170	-	-	-	-	-	176
Total	$ 1,241	$ 2,966	$ 584	$ 312	$ 324	$ 1,492	$ 1,601	$ 902	$ 1,020	$ 1,021	$ 485	$ 11,948

Year Ended December 31, 2008

	Purchaser											
Seller	APCo	CSPCo	I&M	KGPCo	KPCo	OPCo	PSO	SWEPCo	TCC	TNC	WPCo	Total
	(in thousands)											
APCo	$ -	$ 27	$ 24	$ 386	$ 112	$ 206	$ 9	$ 164	$ 73	$ -	$ -	$ 1,001
CSPCo	18	-	15	-	-	580	2	-	-	-	5	620
I&M	2	86	-	-	15	270	25	2	5	-	22	427
KGPCo	253	-	-	-	-	-	-	-	-	-	-	253
KPCo	354	11	16	6	-	121	-	2	33	-	-	543
OPCo	249	3,446	613	-	95	-	2	16	14	11	562	5,008
PSO	1	98	-	-	-	4	-	124	-	25	-	252
SWEPCo	-	-	-	-	-	3	655	-	13	9	-	680
TCC	1	-	-	-	-	1	9	535	-	494	-	1,040
TNC	-	-	-	-	-	9	28	26	334	-	-	397
WPCo	-	6	1	-	-	152	-	-	-	-	-	159
Total	$ 878	$ 3,674	$ 669	$ 392	$ 222	$ 1,346	$ 730	$ 869	$ 472	$ 539	$ 589	$ 10,380

The amounts above are recorded in Property, Plant and Equipment. Transfers are recorded at cost.

Global Borrowing Notes

AEP has intercompany notes in place with the Registrant Subsidiaries. The debt is reflected in Long-term Debt – Affiliated on the Registrant Subsidiaries' balance sheets. The Registrant Subsidiaries accrue interest for their share of the global borrowing and remit the interest to AEP. The accrued interest is reflected in either Accrued Interest or Other Current Liabilities on the Registrant Subsidiaries' balance sheets. APCo, CSPCo, I&M, OPCo, PSO and SWEPCo participate in the global borrowing arrangement.

Intercompany Billings

The Registrant Subsidiaries and other AEP subsidiaries perform certain utility services for each other when necessary or practical. The costs of these services are billed on a direct-charge basis, whenever possible, or on reasonable bases of proration for services that benefit multiple companies. The billings for services are made at cost and include no compensation for the use of equity capital. Billings between affiliated subsidiaries are capitalized or expensed depending on the nature of the services rendered.

Variable Interest Entities

The accounting guidance for "Variable Interest Entities" is a consolidation model that considers if a company has a controlling financial interest in a VIE. A controlling financial interest will have both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Entities are required to consolidate a VIE when it is determined that they have a controlling financial interest in a VIE and therefore, are the primary beneficiary of that VIE as defined by the accounting guidance for "Variable Interest Entities." In determining whether they are the primary beneficiary of a VIE, management considers for each Registrant Subsidiary factors such as equity at risk, the amount of the VIE's variability the Registrant Subsidiary absorbs, guarantees of indebtedness, voting rights including kick-out rights, the power to direct the VIE and other factors. Management believes that significant assumptions and judgments were applied consistently. In addition, the Registrant Subsidiaries have not provided financial or other support to any VIE that was not previously contractually required. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

SWEPCo is the primary beneficiary of Sabine. As of January 1, 2010, SWEPCo is no longer the primary beneficiary of DHLC as defined by new accounting guidance for "Variable Interest Entities." I&M is the primary beneficiary of DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC. APCo, CSPCo, I&M, OPCo, PSO and SWEPCo each hold a significant variable interest in AEPSC. I&M and CSPCo each hold a significant variable interest in AEGCo. SWEPCo holds a significant variable interest in DHLC.

Sabine is a mining operator providing mining services to SWEPCo. SWEPCo has no equity investment in Sabine but is Sabine's only customer. SWEPCo guarantees the debt obligations and lease obligations of Sabine. Under the terms of the note agreements, substantially all assets are pledged and all rights under the lignite mining agreement are assigned to SWEPCo. The creditors of Sabine have no recourse to any AEP entity other than SWEPCo. Under the provisions of the mining agreement, SWEPCo is required to pay, as a part of the cost of lignite delivered, an amount equal to mining costs plus a management fee. In addition, SWEPCo determines how much coal will be mined each year. Based on these facts, management concluded that SWEPCo is the primary beneficiary and is required to consolidate Sabine. SWEPCo's total billings from Sabine for the years ended December 31, 2010, 2009 and 2008 were $133 million, $99 million and $110 million, respectively. See the tables below for the classification of Sabine's assets and liabilities on SWEPCo's Consolidated Balance Sheets.

DHLC is a mining operator who sells 50% of the lignite produced to SWEPCo and 50% to CLECO. SWEPCo and CLECO share the executive board seats and its voting rights equally. Each entity guarantees a 50% share of DHLC's debt. SWEPCo and CLECO equally approve DHLC's annual budget. The creditors of DHLC have no recourse to any AEP entity other than SWEPCo. As SWEPCo is the sole equity owner of DHLC, it receives 100% of the management fee. Based on the shared control of DHLC's operations, management concluded as of January 1, 2010 that SWEPCo is no longer the primary beneficiary and is no longer required to consolidate DHLC. SWEPCo's total billings from DHLC for the years ended December 31, 2010, 2009 and 2008 were $56 million, $43 million and $44 million, respectively. See the tables below for the classification of DHLC's assets and liabilities on SWEPCo's Consolidated Balance Sheet at December 31, 2009 as well as SWEPCo's investment and maximum exposure as of December 31, 2010. As of December 31, 2010, DHLC is reported as an equity investment in Deferred Charges and Other Noncurrent Assets on SWEPCo's Consolidated Balance Sheet. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

The balances below represent the assets and liabilities of the VIEs that are consolidated. These balances include intercompany transactions that are eliminated upon consolidation.

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED VARIABLE INTEREST ENTITIES December 31, 2010 (in millions)

	Sabine
ASSETS	
Current Assets	$ 50
Net Property, Plant and Equipment	139
Other Noncurrent Assets	34
Total Assets	$ 223
LIABILITIES AND EQUITY	
Current Liabilities	$ 33
Noncurrent Liabilities	190
Equity	-
Total Liabilities and Equity	$ 223

SOUTHWESTERN ELECTRIC POWER COMPANY CONSOLIDATED VARIABLE INTEREST ENTITIES December 31, 2009 (in millions)

	Sabine	DHLC
ASSETS		
Current Assets	$ 51	$ 8
Net Property, Plant and Equipment	149	44
Other Noncurrent Assets	35	11
Total Assets	$ 235	$ 63
LIABILITIES AND EQUITY		
Current Liabilities	$ 36	$ 17
Noncurrent Liabilities	199	38
Equity	-	8
Total Liabilities and Equity	$ 235	$ 63

SWEPCo's investment in DHLC was:

	December 31, 2010	
	As Reported on the Consolidated Balance Sheets	Maximum Exposure
	(in millions)	
Capital Contribution from SWEPCo	$ 6	$ 6
Retained Earnings	2	2
SWEPCo's Guarantee of Debt	-	48
Total Investment in DHLC	$ 8	$ 56

In September 2009, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel LLC. In April 2010, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel II LLC. In December 2010, I&M entered into a nuclear fuel sale and leaseback transaction with DCC Fuel III LLC. DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC (collectively DCC Fuel) were formed for the purpose of acquiring, owning and leasing nuclear fuel to I&M.

DCC Fuel purchased the nuclear fuel from I&M with funds received from the issuance of notes to financial institutions. Each entity is a single-lessee leasing arrangement with only one asset and is capitalized with all debt. DCC Fuel LLC, DCC Fuel II LLC and DCC Fuel III LLC are separate legal entities from I&M, the assets of which are not available to satisfy the debts of I&M. Payments on the DCC Fuel LLC and DCC Fuel II LLC leases are made semi-annually and began in April 2010 and October 2010, respectively. Payments on the DCC Fuel III LLC lease are made monthly and began in January 2011. Payments on the leases for the year ended December 31, 2010 were $59 million. No payments were made to DCC Fuel in 2009. The leases were recorded as capital leases on I&M's balance sheet as title to the nuclear fuel transfers to I&M at the end of the 48, 54 and 54 month lease term, respectively. Based on I&M's control of DCC Fuel, management concluded that I&M is the primary beneficiary and is required to consolidate DCC Fuel. The capital leases are eliminated upon consolidation. See the tables below for the classification of DCC Fuel's assets and liabilities on I&M's Consolidated Balance Sheets.

The balances below represent the assets and liabilities of the VIE that are consolidated. These balances include intercompany transactions that would be eliminated upon consolidation.

INDIANA MICHIGAN POWER COMPANY AND SUBSIDIARIES
VARIABLE INTEREST ENTITIES
December 31, 2010 and 2009
(in millions)

	DCC Fuel	
ASSETS	**2010**	**2009**
Current Assets	$ 92	$ 47
Net Property, Plant and Equipment	173	89
Other Noncurrent Assets	112	57
Total Assets	$ 377	$ 193
LIABILITIES AND EQUITY		
Current Liabilities	$ 79	$ 39
Noncurrent Liabilities	298	154
Equity	-	-
Total Liabilities and Equity	$ 377	$ 193

AEPSC provides certain managerial and professional services to AEP's subsidiaries. AEP is the sole equity owner of AEPSC. AEP management controls the activities of AEPSC. The costs of the services are based on a direct charge or on a prorated basis and billed to the AEP subsidiary companies at AEPSC's cost. No AEP subsidiary has provided financial or other support outside of the reimbursement of costs for services rendered. AEPSC finances its operations through cost reimbursement from other AEP subsidiaries. There are no other terms or arrangements between AEPSC and any of the AEP subsidiaries that could require additional financial support from an AEP subsidiary or expose them to losses outside of the normal course of business. AEPSC and its billings are subject to regulation by the FERC. AEP's subsidiaries are exposed to losses to the extent they cannot recover the costs of AEPSC through their normal business operations. All Registrant Subsidiaries are considered to have a significant interest in AEPSC due to their activity in AEPSC's cost reimbursement structure. However, no Registrant Subsidiary has control over AEPSC. AEPSC is consolidated by AEP. In the event AEPSC would require financing or other support outside the cost reimbursement billings, this financing would be provided by AEP.

Total AEPSC billings to the Registrant Subsidiaries were as follows:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(in thousands)	
APCo	$ 238,367	$ 200,828	$ 249,897
CSPCo	136,160	124,055	135,586
I&M	139,920	128,372	147,851
OPCo	196,271	175,193	207,773
PSO	102,116	86,375	116,576
SWEPCo	147,928	129,887	138,753

The carrying amount and classification of variable interest in AEPSC's accounts payable are as follows:

	December 31,			
	2010		2009	
Company	As Reported on the Balance Sheet	Maximum Exposure	As Reported on the Balance Sheet	Maximum Exposure
	(in thousands)			
APCo	$ 23,230	$ 23,230	$ 22,693	$ 22,693
CSPCo	12,676	12,676	13,348	13,348
I&M	12,980	12,980	13,119	13,119
OPCo	16,927	16,927	17,647	17,647
PSO	9,384	9,384	8,521	8,521
SWEPCo	14,465	14,465	13,752	13,752

AEGCo, a wholly-owned subsidiary of AEP, is consolidated by AEP. AEGCo owns a 50% ownership interest in Rockport Plant Unit 1, leases a 50% interest in Rockport Plant Unit 2 and owns 100% of the Lawrenceburg Generating Station. AEGCo sells all the output from the Rockport Plant to I&M and KPCo. AEGCo leases the Lawrenceburg Generating Station to CSPCo. AEP guarantees all the debt obligations of AEGCo. I&M and CSPCo are considered to have a significant interest in AEGCo due to these transactions. I&M and CSPCo are exposed to losses to the extent they cannot recover the costs of AEGCo through their normal business operations. In the event AEGCo would require financing or other support outside the billings to I&M, CSPCo and KPCo, this financing would be provided by AEP. For additional information regarding AEGCo's lease, see "Rockport Lease" section of Note 13.

Total billings from AEGCo were as follows:

	Years Ended December 31,		
Company	2010	2009	2008
	(in thousands)		
CSPCo	$ 113,801	$ 75,469	$ 113,875
I&M	235,741	237,372	247,932

The carrying amount and classification of variable interest in AEGCo's accounts payable are as follows:

	December 31,			
	2010		2009	
Company	As Reported on the Consolidated Balance Sheet	Maximum Exposure	As Reported on the Consolidated Balance Sheet	Maximum Exposure
	(in thousands)			
CSPCo	$ 18,165	$ 18,165	$ 5,690	$ 5,690
I&M	27,899	27,899	22,506	22,506

16. PROPERTY, PLANT AND EQUIPMENT

Depreciation, Depletion and Amortization

The Registrant Subsidiaries provide for depreciation of Property, Plant and Equipment, excluding coal-mining properties, on a straight-line basis over the estimated useful lives of property, generally using composite rates by functional class. The following table provides the annual composite depreciation rates by functional class generally used by the Registrant Subsidiaries:

APCo

2010	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 4,736,150	$ 1,701,839	2.4%	40-121	$ -	$ -	-	-
Transmission	1,852,415	445,671	1.6%	25-87	-	-	-	-
Distribution	2,740,752	562,139	3.2%	11-52	-	-	-	-
CWIP	562,280	(18,470)	N.M.	N.M.	-	-	-	-
Other	314,301	139,167	7.8%	24-55	33,712	12,741	N.M.	N.M.
Total	$ 10,205,898	$ 2,830,346			$ 33,712	$ 12,741		

2009	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 4,284,361	$ 1,648,292	2.3%	40-121	$ -	$ -	-	-
Transmission	1,813,777	436,320	1.6%	25-87	-	-	-	-
Distribution	2,642,479	557,963	3.2%	11-52	-	-	-	-
CWIP	730,099	(27,062)	N.M.	N.M.	-	-	-	-
Other	296,149	123,419	8.9%	24-55	33,348	12,511	N.M.	N.M.
Total	$ 9,766,865	$ 2,738,932			$ 33,348	$ 12,511		

2008	Regulated		Nonregulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Generation	2.3%	40-121	-	-
Transmission	1.6%	25-87	-	-
Distribution	3.2%	11-52	-	-
CWIP	N.M.	N.M.	-	-
Other	7.5%	24-55	N.M.	N.M.

N.M. Not Meaningful

CSPCo

2010	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ -	$ -	-	-	$ 2,686,294	$ 967,882	2.2%	50 - 60
Transmission	662,312	241,393	2.3%	33-50	-	-	-	-
Distribution	1,796,023	617,407	3.5%	12-56	-	-	-	-
CWIP	94,845	(2,156)	N.M.	N.M.	77,948	527	N.M.	N.M.
Other	179,276	98,801	8.4%	N.M.	24,317	3,258	N.M.	N.M.
Total	$ 2,732,456	$ 955,445			$ 2,788,559	$ 971,667		

2009	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ -	$ -	-	-	$ 2,641,860	$ 924,842	2.0%	50-60
Transmission	623,680	231,428	2.2%	33-50	-	-	-	-
Distribution	1,745,559	593,541	3.4%	12-56	-	-	-	-
CWIP	112,426	(4,006)	N.M.	N.M.	42,655	10	N.M.	N.M.
Other	164,998	89,968	10.2%	N.M.	24,317	3,057	N.M.	N.M.
Total	$ 2,646,663	$ 910,931			$ 2,708,832	$ 927,909		

2008	Regulated		Nonregulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Generation	-	-	2.7%	40-59
Transmission	2.3%	33-50	-	-
Distribution	3.5%	12-56	-	-
CWIP	N.M.	N.M.	N.M.	N.M.
Other	8.7%	N.M.	N.M.	N.M.

N.M. Not Meaningful

OPCo

2010	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ -	$ -	-	-	$ 6,890,110	$ 2,526,808	3.7%	35-70
Transmission	1,234,677	491,798	2.3%	27-70	-	-	-	-
Distribution	1,626,390	449,390	3.9%	12-55	-	-	-	-
CWIP	98,532	616	N.M.	N.M.	54,578	8,624	N.M.	N.M.
Other	241,238	118,485	9.9%	N.M.	118,016	11,056	N.M.	N.M.
Total	$ 3,200,837	$ 1,060,289			$ 7,062,704	$ 2,546,488		

2009	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ -	$ -	-	-	$ 6,731,469	$ 2,283,322	3.3%	35-70
Transmission	1,166,557	473,342	2.3%	27-70	-	-	-	-
Distribution	1,567,871	422,521	3.9%	12-55	-	-	-	-
CWIP	95,726	(2,623)	N.M.	N.M.	103,117	6,467	N.M.	N.M.
Other	231,416	124,217	11.5%	N.M.	117,302	11,650	N.M.	N.M.
Total	$ 3,061,570	$ 1,017,457			$ 6,951,888	$ 2,301,439		

2008	Regulated		Nonregulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Generation	-	-	2.7%	35-61
Transmission	2.3%	27-70	-	-
Distribution	3.9%	12-55	-	-
CWIP	N.M.	N.M.	N.M.	N.M.
Other	8.5%	N.M.	N.M.	N.M.

N.M. Not Meaningful

SWEPCo

2010	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 2,297,463	$ 1,026,467	1.9%	35-68	$ -	$ -	-	-
Transmission	943,724	272,619	2.4%	50-70	-	-	-	-
Distribution	1,611,129	513,472	2.7%	25-65	-	-	-	-
CWIP	1,065,949 (a)	700	N.M.	N.M.	5,654	-	N.M.	N.M.
Other	403,881	248,544	7.7%	7-47	228,277	68,549	N.M.	N.M.
Total	$ 6,322,146	$ 2,061,802			$ 233,931	$ 68,549		

2009	Regulated				Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 1,837,318	$ 1,089,516	2.7%	22-68	$ -	$ -	-	-
Transmission	870,069	266,524	2.6%	40-72	-	-	-	-
Distribution	1,447,559	397,445	3.6%	18-67	-	-	-	-
CWIP	1,170,823 (a)	(5,920)	N.M.	N.M.	5,816	-	N.M.	N.M.
Other	396,080	192,006	7.6%	7-48	337,230	146,762	N.M.	N.M.
Total	$ 5,721,849	$ 1,939,571			$ 343,046	$ 146,762		

2008	Regulated		Nonregulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Generation	2.9%	19-68	2.9%	30-37
Transmission	2.7%	44-65	-	-
Distribution	3.5%	19-56	-	-
CWIP	N.M.	N.M.	N.M.	N.M.
Other	7.1%	7-45	N.M.	N.M.

(a) Includes CWIP related to SWEPCo's Arkansas jurisdictional share of the Turk Plant.
N.M. Not Meaningful

2010	I&M Regulated				PSO Regulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 3,774,262	$ 2,085,746	1.6%	59-132	$ 1,330,368	$ 648,205	1.8%	9-70
Transmission	1,188,665	408,832	1.4%	46-75	663,994	161,835	1.9%	40-75
Distribution	1,411,095	361,259	2.5%	14-70	1,686,470	311,005	2.4%	27-65
CWIP	301,534	33,046	N.M.	N.M.	59,091	(1,958)	N.M.	N.M.
Other	572,328	129,703	11.7%	N.M.	230,286	135,977	8.3%	5-35
Total	$ 7,247,884	$ 3,018,586			$ 3,970,209	$ 1,255,064		

	I&M Nonregulated				PSO Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Other	$ 147,380	$ 106,412	N.M.	N.M.	$ 5,120	$ -	N.M.	N.M.

2009	I&M Regulated				PSO Regulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Generation	$ 3,634,215	$ 2,056,271	1.6%	59-132	$ 1,300,069	$ 637,317	1.8%	9-70
Transmission	1,154,026	403,760	1.4%	46-75	617,291	157,999	2.0%	40-75
Distribution	1,360,553	358,231	2.4%	14-70	1,596,355	311,352	2.4%	27-65
CWIP	278,278	29,931	N.M.	N.M.	67,138	(1,422)	N.M.	N.M.
Other	605,288	118,433	12.8%	N.M.	223,585	114,931	8.3%	5-35
Total	$ 7,032,360	$ 2,966,626			$ 3,804,438	$ 1,220,177		

	I&M Nonregulated				PSO Nonregulated			
Functional Class of Property	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges	Property, Plant and Equipment	Accumulated Depreciation	Annual Composite Depreciation Rate	Depreciable Life Ranges
	(in thousands)			(in years)	(in thousands)			(in years)
Other	$ 149,844	$ 107,069	N.M.	N.M.	$ 5,120	$ -	N.M.	N.M.

2008	I&M Regulated		PSO Regulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Generation	1.6%	59-132	1.7%	9-70
Transmission	1.4%	46-75	1.9%	40-75
Distribution	2.4%	14-70	2.9%	27-65
CWIP	N.M.	N.M.	N.M.	N.M.
Other	11.3%	N.M.	6.8%	5-35

	I&M Nonregulated		PSO Nonregulated	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges	Annual Composite Depreciation Rate	Depreciable Life Ranges
		(in years)		(in years)
Other	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

The Registrant Subsidiaries provide for depreciation, depletion and amortization of coal-mining assets over each asset's estimated useful life or the estimated life of each mine, whichever is shorter, using the straight-line method for mining structures and equipment. The Registrant Subsidiaries use either the straight-line method or the units-of-production method to amortize mine development costs and deplete coal rights based on estimated recoverable tonnages. The Registrant Subsidiaries include these costs in the cost of coal charged to fuel expense.

For cost-based rate-regulated operations, the composite depreciation rate generally includes a component for nonasset retirement obligation (non-ARO) removal costs, which is credited to Accumulated Depreciation and Amortization. Actual removal costs incurred are charged to Accumulated Depreciation and Amortization. Any excess of accrued non-ARO removal costs over actual removal costs incurred is reclassified from Accumulated Depreciation and Amortization and reflected as a regulatory liability. For nonregulated operations, non-ARO removal costs are expensed as incurred.

As of January 1, 2010, DHLC was deconsolidated and is now reported as an equity investment on SWEPCo's Consolidated Balance Sheet. Also, see the "ASU 2009-17 'Consolidations' " section of Note 2 for a discussion of the impact of new accounting guidance effective January 1, 2010.

Asset Retirement Obligations (ARO)

The Registrant Subsidiaries record ARO in accordance with the accounting guidance for "Asset Retirement and Environmental Obligations" for the retirement of certain ash disposal facilities, closure and monitoring of underground carbon storage facilities at Mountaineer Plant and coal mining facilities as well as asbestos removal. I&M records ARO for the decommissioning of the Cook Plant. The Registrant Subsidiaries have identified, but not recognized, ARO liabilities related to electric transmission and distribution assets, as a result of certain easements on property on which assets are owned. Generally, such easements are perpetual and require only the retirement and removal of assets upon the cessation of the property's use. The retirement obligation is not estimable for such easements since the Registrant Subsidiaries plan to use their facilities indefinitely. The retirement obligation would only be recognized if and when the Registrant Subsidiaries abandon or cease the use of specific easements, which is not expected.

As of December 31, 2010 and 2009, I&M's ARO liability for nuclear decommissioning of the Cook Plant was $930 million and $878 million, respectively. These liabilities are reflected in Asset Retirement Obligations on I&M's Consolidated Balance Sheets. As of December 31, 2010 and 2009, the fair value of I&M's assets that are legally restricted for purposes of settling decommissioning liabilities totaled $1.2 billion and $1.1 billion, respectively. These assets are included in Spent Nuclear Fuel and Decommissioning Trusts on I&M's Consolidated Balance Sheets.

The following is a reconciliation of the 2010 and 2009 aggregate carrying amounts of ARO by Registrant Subsidiary:

Company		ARO at December 31, 2009		Accretion Expense		Liabilities Incurred		Liabilities Settled		Revisions in Cash Flow Estimates		ARO at December 31, 2010
						(in thousands)						
APCo (a)(d)	$	125,289	$	8,541	$	5,341	$	(4,064)	$	6,817	$	141,924
CSPCo (a)(d)		40,522		2,869		1,452		(1,711)		11,643		54,775
I&M (a)(b)(d)		894,746		47,844		7,216		(1,694)		14,917		963,029
OPCo (a)(d)		94,221		8,565		3,579		(2,497)		30,628		134,496
PSO (a)(d)		15,652		1,332		4,746		(173)		-		21,557
SWEPCo (a)(c)(d)(e)		51,684 (f)		4,290		9,056		(7,709)		2,061		59,382

Company		ARO at December 31, 2008		Accretion Expense		Liabilities Incurred		Liabilities Settled		Revisions in Cash Flow Estimates		ARO at December 31, 2009
						(in thousands)						
APCo (a)(d)	$	51,879	$	4,969	$	38,654	$	(2,656)	$	32,443	$	125,289
CSPCo (a)(d)		17,428		1,458		-		(2,858)		24,494		40,522
I&M (a)(b)(d)		902,920		48,662		2,396		(1,480)		(57,752)		894,746
OPCo (a)(d)		89,316		7,935		-		(3,946)		916		94,221
PSO (a)(d)		14,826		1,250		-		(390)		(34)		15,652
SWEPCo (a)(c)(d)(e)		55,086		7,384		6,039		(11,081)		6,673		64,101

(a) Includes ARO related to ash disposal facilities.
(b) Includes ARO related to nuclear decommissioning costs for the Cook Plant ($930 million and $878 million at December 31, 2010 and 2009, respectively).
(c) Includes ARO related to Sabine and DHLC.
(d) Includes ARO related to asbestos removal.
(e) The current portion of SWEPCo's ARO, totaling $2.6 million and $3.5 million, at December 31, 2010 and and 2009 respectively, is included in Other Current Liabilities on SWEPCo's Consolidated Balance Sheets.
(f) SWEPCo adopted ASU 2009-17 effective January 1, 2010 and deconsolidated DHLC. As a result, SWEPCo recorded only 50% ($12 million) of the final reclamation based on its share of the obligation instead of the previous 100%.

Allowance for Funds Used During Construction (AFUDC) and Interest Capitalization

The amounts of AFUDC included in Allowance for Equity Funds Used During Construction on the Registrant Subsidiaries' income statements for 2010, 2009 and 2008 were as follows:

Company		Years Ended December 31, 2010		2009		2008
				(in thousands)		
APCo	$	2,967	$	7,000	$	8,938
CSPCo		2,072		3,382		3,364
I&M		15,678		12,013		965
OPCo		3,877		2,712		3,073
PSO		804		1,787		1,822
SWEPCo		45,646		46,737		14,908

The amounts of allowance for borrowed funds used during construction or interest capitalized included in Interest Expense on the Registrant Subsidiaries' income statements for 2010, 2009 and 2008 were as follows:

Company	Years Ended December 31, 2010	2009	2008
		(in thousands)	
APCo	$ 2,251	$ 6,014	$ 9,040
CSPCo	2,311	5,968	2,677
I&M	8,500	8,348	4,609
OPCo	1,475	10,538	25,269
PSO	572	1,142	2,174
SWEPCo	33,668	29,546	19,800

Jointly-owned Electric Facilities

APCo, CSPCo, I&M, OPCo, PSO and SWEPCo have electric facilities that are jointly-owned with affiliated and nonaffiliated companies. Using its own financing, each participating company is obligated to pay its share of the costs of any such jointly-owned facilities in the same proportion as its ownership interest. Each Registrant Subsidiary's proportionate share of the operating costs associated with such facilities is included in its statements of operations and the investments and accumulated depreciation are reflected in its balance sheets under Property, Plant and Equipment as follows:

Company	Fuel Type	Percent of Ownership	Company's Share at December 31, 2010 Utility Plant in Service	Construction Work in Progress	Accumulated Depreciation
				(in thousands)	
APCo					
John E. Amos Generating Station (Unit No. 3) (a)	Coal	33.33 %	$ 472,244	$ 5,638	$ 77,786
CSPCo					
W.C. Beckjord Generating Station (Unit No. 6) (b)	Coal	12.5 %	$ 19,079	$ 248	$ 8,003
Conesville Generating Station (Unit No. 4) (c)	Coal	43.5 %	300,618	8,259	49,121
J.M. Stuart Generating Station (d)	Coal	26.0 %	506,756	22,435	162,869
Wm. H. Zimmer Generating Station (b)	Coal	25.4 %	771,236	9,636	365,989
Transmission	N/A	(f)	62,952	3,008	47,957
Total			$ 1,660,641	$ 43,586	$ 633,939
I&M					
Rockport Generating Plant (Unit No. 1) (e)	Coal	50.0 %	$ 742,538	$ 25,304	$ 437,371
OPCo					
John E. Amos Generating Station (Unit No. 3) (a)	Coal	66.67 %	$ 988,870	$ 6,354	$ 168,933
PSO					
Oklaunion Generating Station (Unit No. 1) (g)	Coal	15.6 %	$ 91,275	$ 1,124	$ 56,160
SWEPCo					
Dolet Hills Generating Station (Unit No. 1) (h)	Lignite	40.2 %	$ 258,261	$ 4,648	$ 191,486
Flint Creek Generating Station (Unit No. 1) (i)	Coal	50.0 %	115,742	6,725	61,750
Pirkey Generating Station (Unit No. 1) (i)	Lignite	85.9 %	502,520	10,317	358,241
Turk Generating Plant (j)	Coal	73.33 %	-	971,131	-
Total			$ 876,523	$ 992,821	$ 611,477

Company	Fuel Type	Percent of Ownership	Company's Share at December 31, 2009 Utility Plant in Service	Construction Work in Progress	Accumulated Depreciation
				(in thousands)	
CSPCo					
W.C. Beckjord Generating Station (Unit No. 6) (b)	Coal	12.5 %	$ 19,400	$ 120	$ 8,097
Conesville Generating Station (Unit No. 4) (c)	Coal	43.5 %	300,646	3,829	44,832
J.M. Stuart Generating Station (d)	Coal	26.0 %	498,851	15,442	152,601
Wm. H. Zimmer Generating Station (b)	Coal	25.4 %	767,654	4,082	355,457
Transmission	N/A	(f)	69,868	355	46,815
Total			$ 1,656,419	$ 23,828	$ 607,802
PSO					
Oklaunion Generating Station (Unit No. 1) (g)	Coal	15.6 %	$ 89,823	$ 1,688	$ 55,772
SWEPCo					
Dolet Hills Generating Station (Unit No. 1) (h)	Lignite	40.2 %	$ 255,274	$ 4,212	$ 188,475
Flint Creek Generating Station (Unit No. 1) (i)	Coal	50.0 %	115,839	4,627	60,772
Pirkey Generating Station (Unit No. 1) (i)	Lignite	85.9 %	496,786	7,724	350,079
Turk Generating Plant (j)	Coal	73.33 %	-	688,167	-
Total			$ 867,899	$ 704,730	$ 599,326

(a) Operated by APCo.
(b) Operated by Duke Energy Corporation, a nonaffiliated company.
(c) Operated by CSPCo.
(d) Operated by The Dayton Power & Light Company, a nonaffiliated company.
(e) Operated by I&M.
(f) Varying percentages of ownership.
(g) Operated by PSO and also jointly-owned (54.7%) by TNC.
(h) Operated by Cleco Corporation, a nonaffiliated company.
(i) Operated by SWEPCo.
(j) Turk Generating Plant is currently under construction with a projected commercial operation date of 2012. SWEPCo jointly owns the plant with Arkansas Electric Cooperative Corporation (11.67%), East Texas Electric Cooperative (8.33%) and Oklahoma Municipal Power Authority (6.67%). Through December 2010, construction costs totaling $279 million have been billed to the other owners.
N/A Not Applicable

17. COST REDUCTION INITIATIVES

In April 2010, management began initiatives to decrease both labor and non-labor expenses with a goal of achieving significant reductions in operation and maintenance expenses. A total of 2,461 positions were eliminated across the AEP System as a result of process improvements, streamlined organizational designs and other efficiencies. Most of the affected employees terminated employment May 31, 2010. The severance program provides two weeks of base pay for every year of service along with other severance benefits.

Management recorded a charge to expense in 2010 primarily related to the headcount reduction initiatives. Management does not expect additional costs to be incurred related to this initiative.

	Expense Allocation from AEPSC	Incurred for Registrant Subsidiaries	Settled	Adjustments	Remaining Balance at December 31, 2010
			(in thousands)		
APCo	$ 20,526	$ 36,399	$ 51,826	$ (1,373)	$ 3,726
CSPCo	11,048	21,244	30,948	110	1,454
I&M	12,051	32,985	41,503	(1,335)	2,198
OPCo	19,427	33,681	53,691	3,502	2,919
PSO	10,681	13,324	22,970	491	1,526
SWEPCo	12,588	17,074	28,874	965	1,753

These costs relate primarily to severance benefits. They are included primarily in Other Operation on the Consolidated Statements of Income and Other Current Liabilities on the Consolidated Balance Sheets.

18. UNAUDITED QUARTERLY FINANCIAL INFORMATION

In management's opinion, the unaudited quarterly information reflects all normal and recurring accruals and adjustments necessary for a fair presentation of the results of operations for interim periods. Quarterly results are not necessarily indicative of a full year's operations because of various factors. The unaudited quarterly financial information for each Registrant Subsidiary is as follows:

Quarterly Periods Ended:	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
March 31, 2010						
Total Revenues	$ 926,623	$ 517,439	$ 553,056	$ 861,273	$ 237,755	$ 342,804
Operating Income	157,938	98,401	87,870	181,343	22,622	43,468
Net Income	70,282	51,650	45,058	91,903	4,139	31,083
June 30, 2010						
Total Revenues	$ 703,274	$ 524,104	$ 509,915	$ 721,964	$ 327,686	$ 361,467
Operating Income (a)	9,033 (b)	97,150	42,140	89,623	39,265	43,518
Net Income (Loss) (a)	(19,619)(b)	52,116	14,602	37,548	15,489	26,705
September 30, 2010						
Total Revenues	$ 840,622	$ 648,394	$ 608,250	$ 855,859	$ 426,569	$ 480,982
Operating Income	112,060	186,844	115,904	190,063	104,654	128,428
Net Income	50,071	107,057	62,300	100,865	55,432	81,685
December 31, 2010						
Total Revenues	$ 804,584	$ 459,104	$ 524,506	$ 784,611	$ 281,652	$ 338,281
Operating Income	101,992	54,413 (c)	29,001 (d)	146,773	15,451	33,383
Net Income (Loss)	35,934	19,400 (c)	4,131 (d)	81,077	(2,273)	7,211

Quarterly Periods Ended:	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
March 31, 2009						
Total Revenues	$ 786,029	$ 471,736	$ 567,044	$ 762,715	$ 295,287	$ 321,802
Operating Income	153,898	90,533	136,570	145,077	21,872	24,993
Net Income	74,407	48,858	80,952	72,609	6,038	11,700
June 30, 2009						
Total Revenues	$ 636,112	$ 507,876	$ 530,416	$ 678,013	$ 277,141	$ 340,782
Operating Income	85,567	150,966	91,874	133,839	50,891	48,870
Income Before Extraordinary Loss	29,170	84,178	48,509	63,912	24,122	35,778
Extraordinary Loss, Net of Tax	-	-	-	-	-	(5,325)(e)
Net Income	29,170	84,178	48,509	63,912	24,122	30,453
September 30, 2009						
Total Revenues	$ 695,673	$ 556,143	$ 552,267	$ 765,971	$ 318,555	$ 414,974
Operating Income	83,698	167,412	100,143	186,121	81,352	83,023
Net Income	27,370	97,593	54,859	96,575	43,577	65,058
December 31, 2009						
Total Revenues	$ 758,841	$ 468,818	$ 535,297	$ 804,875	$ 233,767	$ 311,744
Operating Income	49,362 (f)	82,815	52,116	148,156	16,193	5,626
Net Income	24,867 (f)	41,032	31,990	75,519	1,865	9,992

(a) See Note 17 for discussion of expenses related to cost reduction initiatives recorded in the second quarter of 2010.
(b) Includes a $54 million write-off of APCo's Virginia share of the Mountaineer Carbon Capture and Storage Product Validation Facility.
(c) Includes a $43 million refund provision for the 2009 Significantly Excessive Earnings Test.
(d) Includes provisions for certain regulatory and legal matters.
(e) See "SWEPCo Texas Restructuring" in "Extraordinary Item" section of Note 2 for discussion of the extraordinary loss recorded in the second quarter of 2009.
(f) Includes a $68 million increase in storm, plant maintenance and other maintenance expenses.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS OF REGISTRANT SUBSIDIARIES

The following is a combined presentation of certain components of the Registrant Subsidiaries' management's discussion and analysis. The information in this section completes the information necessary for management's discussion and analysis of financial condition and net income and is meant to be read with (a) Management's Financial Discussion and Analysis, (b) financial statements, (c) footnotes and (d) the schedules of each individual registrant.

EXECUTIVE OVERVIEW

Economic Conditions

The Registrant Subsidiaries' retail margins increased primarily due to successful rate proceedings in Indiana, Ohio, Oklahoma, Michigan and Virginia and higher residential and commercial demand for electricity as a result of favorable weather.

In comparison to the recessionary lows of 2009, industrial sales increased 5% in 2010 for the AEP System. During 2009, the Registrant Subsidiaries' operations were impacted by difficult economic conditions especially their industrial sales reflecting customers' curtailments or closures of facilities. In 2009, CSPCo's and OPCo's largest customer, Ormet, a major industrial customer, operated at a reduced load of approximately 330 MW and continued operations at this reduced level during 2010. In February 2009, Century Aluminum, a major industrial customer (325 MW load) of APCo, announced the curtailment of operations at its Ravenswood, WV facility.

Management forecasts slight improvement in economic conditions in 2011 for all operating companies. Industrial sales are expected to increase 4% for CSPCo and OPCo due to Ormet's announcement of increased production in 2011. Residential growth for the Registrant Subsidiaries is expected to see slow improvement, similar to 2010.

Cost Reduction Initiatives

Due to the continued slow recovery in the U.S. economy and a corresponding negative impact on energy consumption, the AEP System implemented cost reduction initiatives in the second quarter of 2010 to reduce its workforce by 11.5% and reduce other operation and maintenance spending. Achieving these goals involved identifying process improvements, streamlining organizational designs and developing other efficiencies that will deliver additional savings. In 2010, pretax expense of $293 million was recorded related to these cost reduction initiatives. Starting with the third quarter of 2010, the Registrant Subsidiaries realized cost savings in Other Operation and Maintenance expenses on their statements of income. Management anticipates continued savings to help offset future inflationary impacts.

LITIGATION

Potential Uninsured Losses

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to damage to the Cook Plant and costs of replacement power in the event of a nuclear incident at the Cook Plant. Future losses or liabilities, which are not completely insured, unless recovered from customers, could have a material adverse effect on net income, cash flows and financial condition.

ENVIRONMENTAL ISSUES

The Registrant Subsidiaries are implementing a substantial capital investment program and incurring additional operational costs to comply with new environmental control requirements. The Registrant Subsidiaries will need to make additional investments and operational changes in response to existing and anticipated requirements such as CAA requirements to reduce emissions of SO_2, NO_x, PM and hazardous air pollutants from fossil fuel-fired power plants and new proposals governing the beneficial use and disposal of coal combustion products.

The Registrant Subsidiaries are engaged in litigation about environmental issues, have been notified of potential responsibility for the clean-up of contaminated sites and incur costs for disposal of SNF and future decommissioning of I&M's nuclear units. Management is also engaged in the development of possible future requirements to reduce CO_2 emissions to address concerns about global climate change.

Clean Air Act Requirements

The CAA establishes a comprehensive program to protect and improve the nation's air quality and control sources of air emissions. The states implement and administer many of these programs and could impose additional or more stringent requirements. Notable developments in CAA regulatory requirements affecting the Registrant Subsidiaries' operations are discussed briefly below.

The Federal EPA issued the Clean Air Interstate Rule (CAIR) in 2005 requiring specific reductions in SO_2 and NO_x emissions from power plants. In 2008, the D.C. Circuit Court of Appeals issued a decision remanding CAIR to the Federal EPA. CAIR remains in effect while a new rulemaking is conducted. Nearly all of the states in which the AEP System's power plants are located are covered by CAIR. In July 2010, the Federal EPA issued a proposed rule (Transport Rule) to replace CAIR that would impose new and more stringent requirements to control SO_2 and NO_x emissions from fossil fuel-fired electric generating units in 31 states and the District of Columbia. Each state covered by the Transport Rule is assigned an allowance budget for SO_2 and/or NO_x. Limited interstate trading is allowed on a sub-regional basis and intrastate trading is allowed among generating units. Texas, Arkansas and Oklahoma would be subject to only the seasonal NO_x program, with new limits that are proposed to take effect in 2012. The remainder of the states in which the Registrant Subsidiaries operate would be subject to seasonal and annual NO_x programs and an annual SO_2 emissions reduction program that takes effect in two phases. The first phase becomes effective in 2012 and requires approximately one million tons per year more SO_2 emission reductions across the region than would have been required under CAIR. The second phase takes effect in 2014 and reduces SO_2 emissions by an additional 800,000 tons per year. The SO_2 and NO_x programs rely on newly-created allowances rather than relying on the CAIR NO_x allowances or the Title IV Acid Rain Program allowances used in the CAIR rule. The time frames for and stringency of the additional emission reductions, coupled with the lack of robust interstate trading and the elimination of historic allowance banks, pose significant concerns for the AEP System and its electric utility customers, as these features could accelerate unit retirements, increase capital requirements, constrain operations, decrease reliability and unfavorably impact financial condition if the increased costs are not recovered in rates or market prices. The Federal EPA requested comments on a scheme based exclusively on intrastate trading of allowances or a scheme that establishes unit-by-unit emission rates. Either of these options would provide less flexibility and exacerbate the negative impact of the rule. The proposal indicates that the requirements are expected to be finalized in June 2011 and be effective January 1, 2012.

The Federal EPA issued a Clean Air Mercury Rule (CAMR) setting mercury standards for new coal-fired power plants and requiring all states to issue new state implementation plans (SIPs) including mercury requirements for existing coal-fired power plants. The CAMR was vacated and remanded to the Federal EPA by the D.C. Circuit Court of Appeals in 2008.

Under the terms of a consent decree, the Federal EPA is required to issue final maximum achievable control technology (MACT) standards for coal and oil-fired power plants by November 2011. The Federal EPA has substantial discretion in determining how to structure the MACT standards. Management will urge the Federal EPA to carefully consider all of the options available so that costly and inefficient control requirements are not imposed regardless of unit size, age or other operating characteristics. However, the AEP System has approximately 5,000 MW of older coal units, including 2,000 MW of older coal-fired capacity already subject to control requirements under the NSR consent decree, for which it may be economically inefficient to install scrubbers or other environmental controls. The timing and ultimate disposition of those units will be affected by: (a) the MACT standards and other environmental regulations, (b) the economics of maintaining the units, (c) demand for electricity, (d) availability and cost of replacement power and (e) regulatory decisions about cost recovery of the remaining investment in those units.

The Federal EPA issued a Clean Air Visibility Rule (CAVR), detailing how the CAA's best available retrofit technology requirements will be applied to facilities built between 1962 and 1977 that emit more than 250 tons per year of certain pollutants in specific industrial categories, including power plants. CAVR will be implemented through individual SIPs or, if SIPs are not adequate or are not developed on schedule, through federal implementation plans (FIPs). The Federal

EPA has proposed disapproval of SIPs in a few states, and proposed more stringent control requirements for affected units in those states. If the Federal EPA takes such action in the states where the AEP System's facilities are located, it could increase the costs of compliance, accelerate the installation of required controls, and/or force the premature retirement of existing units.

In 2009, the Federal EPA issued a final mandatory reporting rule for CO_2 and other greenhouse gases covering a broad range of facilities emitting in excess of 25,000 tons of CO_2 emissions per year. The Federal EPA issued a final endangerment finding for greenhouse gas emissions from new motor vehicles in 2009 and final rules limiting CO_2 emissions from new motor vehicles in May 2010. The Federal EPA determined that greenhouse gas emissions from stationary sources will be subject to regulation under the CAA beginning January 2011 and finalized its proposed scheme to streamline and phase-in regulation of stationary source CO_2 emissions through the NSR prevention of significant deterioration and Title V operating permit programs through the issuance of final federal rules, SIP calls and FIPs. The Federal EPA is reconsidering whether to include CO_2 emissions in a number of stationary source standards, including standards that apply to new and modified electric utility units and announced a settlement agreement to issue proposed new source performance standards for utility boilers. It is not possible at this time to estimate the costs of compliance with these new standards, but they may be material.

The Federal EPA has also issued new, more stringent national ambient air quality standards (NAAQS) for SO_2, NO_2 and lead, and is currently reviewing the NAAQS for ozone and PM. States are in the process of evaluating the attainment status and need for additional control measures in order to attain and maintain the new NAAQS and may develop additional requirements for facilities as a result of those evaluations. Management cannot currently predict the nature, stringency or timing of those requirements.

Estimated Air Quality Environmental Investments

The CAIR, CAVR and the consent decree signed to settle the NSR litigation require significant additional investments, some of which are estimable. Management's estimates are subject to significant uncertainties and will be affected by any changes in the outcome of several interrelated variables and assumptions, including: (a) the timing of implementation, (b) required levels of reductions, (c) methods for allocation of allowances and (d) selected compliance alternatives and their costs. These obligations may also be affected or altered by the development of new regulations described above. In short, management cannot estimate compliance costs with certainty and the actual costs to comply could differ significantly from the estimates discussed below.

The CAIR, CAVR and commitments in the consent decree will require installation of additional controls on the Registrant Subsidiaries' power plants through 2020. The Registrant Subsidiaries plan to install additional scrubbers on 5,970 MW for SO_2 control. This amount includes the installation of scrubbers on the Rockport Plant (50% I&M and 50% AEGCo). From 2011 to 2020, the following table shows the total estimated costs for environmental investment to meet these requirements including investment in scrubbers and other SO_2 equipment by Registrant Subsidiary:

Company	Required Total Environmental (in millions)
APCo	$ 857
CSPCo	500
I&M	1,556
OPCo	1,551
PSO	1,186
SWEPCo	2,458

These estimates are highly uncertain due to the variability associated with: (a) the states' implementation of these regulatory programs, including the potential for SIPs or FIPS that impose standards more stringent than CAIR or CAVR, (b) additional rulemaking activities in response to the court decisions remanding the CAIR and CAMR, (c) the actual performance of the pollution control technologies installed on each units, (d) changes in costs for new pollution controls, (e) new generating technology developments and (f) other factors. Associated operational and maintenance expenses will also increase during those years. Management cannot estimate these additional operational and maintenance costs due to the uncertainties described above, but they are expected to be significant.

The Registrant Subsidiaries will seek recovery of expenditures for pollution control technologies, replacement or additional generation and associated operating costs from customers through regulated rates. The Registrant Subsidiaries should be able to recover these expenditures through market prices in deregulated jurisdictions. If not, those costs could adversely affect future net income, cash flows and possibly financial condition.

Coal Combustion Residual Rule

In June 2010, the Federal EPA published a proposed rule to regulate the disposal and beneficial re-use of coal combustion residuals, including fly ash and bottom ash generated at coal-fired electric generating units. The rule contains two alternative proposals, one that would impose federal hazardous waste disposal and management standards on these materials and one that would allow states to retain primary authority to regulate the beneficial re-use and disposal of these materials under state solid waste management standards, including minimum federal standards for disposal and management. Both proposals would impose stringent requirements for the construction of new coal ash landfills and would require existing unlined surface impoundments to upgrade to the new standards or stop receiving coal ash and initiate closure within five years of the issuance of a final rule.

Currently, approximately 40% of the coal ash and other residual products from the AEP System's generating facilities are re-used in the production of cement and wallboard, as structural fill or soil amendments, as abrasives or road treatment materials and for other beneficial uses. Certain of these uses would no longer be available and others are likely to significantly decline if coal ash and related materials are classified as hazardous wastes. In addition, surface impoundments and landfills to manage these materials are currently used at the generating facilities. The Registrant Subsidiaries will incur significant costs to upgrade or close and replace their existing facilities. Management estimates that the potential compliance costs associated with the proposed solid waste management alternative could be as high as $3.9 billion for units across the AEP System. Regulation of these materials as hazardous wastes would significantly increase these costs. The Registrant Subsidiaries will seek recovery of expenditures for pollution control technologies and associated costs from customers through regulated rates or market prices for electricity. If these costs are not recovered, it will have a material adverse impact on net income, cash flows and financial condition.

Global Warming

National public policy makers and regulators in the 10 states the Registrant Subsidiaries serve have conflicting views on global warming. Management is focused on taking, in the short term, actions that are seen as prudent, such as improving energy efficiency, investing in developing cost-effective and less carbon-intensive technologies and evaluating assets across a range of plausible scenarios and outcomes. Management is also an active participant in a variety of public policy discussions at state and federal levels to assure that proposed new requirements are feasible and the economies of the states served are not placed at a competitive disadvantage.

Management believes that this is a global issue and that the United States should assume a leadership role in developing a new international approach that will address growing emissions of CO_2 and other greenhouse gases (generally referred to as CO_2 in this discussion) from all nations, including developing countries. Management supports a reasonable approach to CO_2 emission reductions that recognizes a reliable and affordable electric supply is vital to economic stability and that allows sufficient time for technology development. Management proposed to national policy makers that national and international policy for reasonable CO_2 controls should involve the following principles:

- Comprehensiveness
- Cost-effectiveness
- Realistic emission reduction objectives
- Reliable monitoring and verification mechanisms
- Incentives to develop and deploy CO_2 reduction technologies
- Removal of regulatory or economic barriers to CO_2 emission reductions
- Recognition for early actions/investments in CO_2 reduction/mitigation
- Inclusion of adjustment provisions if largest emitters in developing world do not take action

For additional information on climate change see Part I of the Annual Report under the headings entitled "Business – General – Environmental and Other Matters – Global Warming."

While comprehensive economy-wide regulation of CO_2 emissions might be achieved through future legislation, Congress has yet to enact such legislation. The Federal EPA continues to take action to regulate CO_2 emissions under the existing requirements of the CAA discussed above.

The Registrant Subsidiaries' fossil fuel-fired generating units are very large sources of CO_2 emissions. If substantial CO_2 emission reductions are required, there will be significant increases in capital expenditures and operating costs which would impact the ultimate retirement of older, less-efficient, coal-fired units. To the extent the Registrant Subsidiaries install additional controls on their generating plants to limit CO_2 emissions and receive regulatory approvals to increase rates, cost recovery could have a positive effect on future earnings. Prudently incurred capital investments made by the Registrant Subsidiaries in rate-regulated jurisdictions to comply with legal requirements and benefit customers are generally included in rate base for recovery and earn a return on investment. Management would expect these principles to apply to investments made to address new environmental requirements. However, requests for rate increases reflecting these costs can affect the Registrant Subsidiaries adversely because the regulators could limit the amount or timing of increased costs that would be recoverable through higher rates. In addition, to the extent the Registrant Subsidiaries' costs are relatively higher than their competitors' costs, such as operators of nuclear and natural gas based generation, it could reduce off-system sales or cause the Registrant Subsidiaries to lose customers in jurisdictions that permit customers to choose their supplier of generation service.

Several states have adopted programs that directly regulate CO_2 emissions from power plants, but none of these programs are currently in effect in states where the Registrant Subsidiaries have generating facilities. Certain states, including Ohio, Michigan, Texas and Virginia, passed legislation establishing renewable energy, alternative energy and/or energy efficiency requirements. The Registrant Subsidiaries are taking steps to comply with these requirements. In order to meet these requirements and as a key part of AEP's corporate sustainability effort, management pledged to increase wind power by an additional 2,000 MW from 2007 levels by 2011. By the end of 2010, the Registrant Subsidiaries secured, through power purchase agreements, an additional 1,111 MW of wind power. To the extent demand for renewable energy from wind power increases, it could have a positive effect on future earnings from transmission activities.

The AEP System has taken measurable, voluntary actions to reduce and offset CO_2 emissions. The AEP System participates in a number of voluntary programs to monitor, mitigate and reduce CO_2 emissions, but many of these programs have been discontinued due to anticipated legislative or regulatory actions. Through the end of 2009, the AEP System reduced emissions by a cumulative 94 million metric tons from adjusted baseline levels in 1998 through 2001 as a result of these voluntary actions. The AEP System's total CO_2 emissions in 2009 were 136 million metric tons. Management estimates that 2010 emissions were approximately 140 million metric tons.

Certain groups have filed lawsuits alleging that emissions of CO_2 are a "public nuisance" and seeking injunctive relief and/or damages from small groups of coal-fired electricity generators, petroleum refiners and marketers, coal companies and others. The Registrant Subsidiaries have been named in pending lawsuits, which management is vigorously defending. It is not possible to predict the outcome of these lawsuits or their impact on operations or financial condition. See "Carbon Dioxide Public Nuisance Claims" and "Alaskan Villages' Claims" sections of Note 6.

Future federal and state legislation or regulations that mandate limits on the emission of CO_2 would result in significant increases in capital expenditures and operating costs, which, in turn, could lead to increased liquidity needs and higher financing costs. Excessive costs to comply with future legislation or regulations might force the Registrant Subsidiaries to close some coal-fired facilities and could lead to possible impairment of assets. As a result, mandatory limits could have a material adverse impact on net income, cash flows and financial condition.

Global warming creates the potential for physical and financial risk. The materiality of the risks depends on whether any physical changes occur quickly or over several decades and the extent and nature of those changes. Physical risks from climate change could include changes in weather conditions. Customers' energy needs currently vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling today represent their largest energy use. To the extent weather patterns change significantly, customers' energy use could increase or decrease depending on the duration and magnitude of the changes. Increased energy use due to weather changes could require the Registrant Subsidiaries to invest in more generating assets, transmission and other infrastructure to serve increased load, driving the cost of electricity higher. Decreased energy use due to weather changes could affect financial condition through lower sales and decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions and increased storm restoration costs. The Registrant Subsidiaries may not recover all costs related to mitigating these physical and financial risks. Weather conditions outside of the AEP System's service territory could also have an impact on revenues, either directly through changes in the patterns of off-system power purchases and sales or indirectly through demographic changes as people adapt to changing weather. The Registrant Subsidiaries buy and sell electricity depending upon system needs and market opportunities. Extreme weather conditions that create high energy demand could raise electricity prices, which would increase the cost of energy the Registrant Subsidiaries provide to customers and could provide opportunity for increased wholesale sales.

To the extent climate change impacts a region's economic health, it could also impact revenues. The Registrant Subsidiaries' financial performance is tied to the health of the regional economies served. The price of energy, as a factor in a region's cost of living as well as an important input into the cost of goods, has an impact on the economic health of communities served. The cost of additional regulatory requirements would normally be borne by consumers through higher prices for energy and purchased goods.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Sources of Funding

Short-term funding for the Registrant Subsidiaries comes from AEP's commercial paper program and revolving credit facilities through the Utility Money Pool. AEP and its Registrant Subsidiaries operate a money pool to minimize the AEP System's external short-term funding requirements and sell accounts receivable to provide liquidity. Under credit facilities, $1.35 billion may be issued as letters of credit (LOC). The Registrant Subsidiaries generally use short-term funding sources (the Utility Money Pool or receivables sales) to provide for interim financing of capital expenditures that exceed internally generated funds and periodically reduce their outstanding short-term debt through issuances of long-term debt, sale-leasebacks, leasing arrangements and additional capital contributions from Parent.

The Registrant Subsidiaries and certain other companies in the AEP System entered into a 3-year credit agreement which matures in April 2011. In June 2010, the credit facility was reduced from $627 million to $478 million. The Registrant Subsidiaries may issue LOCs under the credit facility. Each subsidiary has a borrowing/LOC limit under the credit facility. This facility is fully utilized for letters of credit providing liquidity support for Pollution Control Bonds. Management intends to replace the revolving credit facility with bilateral letters of credit or refinance the bonds. Management may redeem some portion of the Pollution Control Bonds supported by the facility. As of December 31, 2010, a total of $477 million of LOCs were issued under the credit agreement. The following table shows each Registrant Subsidiaries' borrowing/LOC limit under the credit facility and the outstanding amount of LOCs.

Company	Credit Facility Borrowing/LOC Limit	LOC Amount Outstanding Against the Agreement at December 31, 2010
	(in millions)	
APCo	$ 300	$ 232
CSPCo	230	-
I&M	230	78
OPCo	400	167
PSO	65	-
SWEPCo	230	-

Dividend Restrictions

Under the Federal Power Act, the Registrant Subsidiaries are restricted from paying dividends out of stated capital. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of the Registrant Subsidiaries to transfer funds to Parent in the form of dividends.

Sales of Receivables

In 2010, AEP Credit renewed its receivables securitization agreement. The agreement provides a commitment of $750 million from bank conduits to purchase receivables. A commitment of $375 million expires in July 2011 and the remaining commitment of $375 million expires in July 2013. AEP Credit purchases accounts receivable from the Registrant Subsidiaries. Management intends to extend or replace AEP Credit's agreement expiring in July 2011 on or before its maturity.

BUDGETED CONSTRUCTION EXPENDITURES

The 2011 estimated construction expenditures by Registrant Subsidiary include generation, transmission and distribution related investments, as well as expenditures for compliance with environmental regulations as follows:

	Budgeted Construction Expenditures					
Company	**Environmental**	**Generation**	**Transmission**	**Distribution**	**Other**	**Total**
			(in millions)			
APCo	$ 112	$ 62	$ 103	$ 161	$ 12	$ 450
CSPCo	21	50	25	84	7	187
I&M	1	185	29	82	8	305
OPCo	50	82	37	85	10	264
PSO	7	24	32	99	7	169
SWEPCo	10	266	85	71	10	442

For 2012 through 2014, management forecasts annual construction expenditures for the AEP System to average between $2.6 billion and $3.1 billion. The projected increases are generally the result of required environmental investment to comply with Federal EPA rules and additional transmission spending. Estimated construction expenditures are subject to periodic review and modification and may vary based on the ongoing effects of regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, weather, legal reviews and the ability to access capital. The budgeted amounts exclude AFUDC and capitalized interest. These construction expenditures will be funded through cash flows from operations and financing activities. Generally, the Registrant Subsidiaries use cash or short-term borrowings under the money pool to fund these expenditures until long-term funding is arranged. SWEPCo's budgeted construction expenditures include an amount for scheduled completion of the Turk Plant in 2012.

SIGNIFICANT TAX LEGISLATION

The American Recovery and Reinvestment Tax Act of 2009 provided for several new grant programs, expanded tax credits and extended the 50% bonus depreciation provision enacted in the Economic Stimulus Act of 2008. The Small Business Jobs Act, enacted in September 2010, included a one-year extension of the 50% bonus depreciation provision. The Tax Relief, Unemployment Insurance Reauthorization and the Job Creation Act of 2010 extended the life of research and development, employment and several energy tax credits originally scheduled to expire at the end of 2010. In addition, this act extended the time for claiming bonus depreciation and increased the deduction to 100% starting in September 2010 through 2011 and decreasing the deduction to 50% for 2012.

These enacted provisions will have no material impact on the Registrant Subsidiaries' net income or financial condition but will have a favorable impact on their cash flows in 2011. The provisions are expected to result in material future cash flow benefits.

MINE SAFETY INFORMATION

The Federal Mine Safety and Health Act of 1977 (Mine Act) imposes stringent health and safety standards on various mining operations. The Mine Act and its related regulations affect numerous aspects of mining operations, including training of mine personnel, mining procedures, equipment used in mine emergency procedures, mine plans and other matters. SWEPCo, through its ownership of DHLC, CSPCo, through its ownership of Conesville Coal Preparation Company (CCPC), and OPCo, through its use of the Conner Run fly ash impoundment, are subject to the provisions of the Mine Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires companies that operate mines to include in their periodic reports filed with the SEC, certain mine safety information covered by the Mine Act. DHLC, CCPC and Conner Run received the following notices of violation and proposed assessments under the Mine Act for the quarter ended December 31, 2010:

	DHLC	CCPC	Conner Run
Number of Citations for Violations of Mandatory Health or Safety Standards under 104 *	1	-	-
Number of Orders Issued under 104(b) *	-	-	-
Number of Citations and Orders for Unwarrantable Failure to Comply with Mandatory Health or Safety Standards under 104(d) *	-	-	-
Number of Flagrant Violations under 110(b)(2) *	-	-	-
Number of Imminent Danger Orders Issued under 107(a) *	-	-	-
Total Dollar Value of Proposed Assessments	$ 1,026	$ -	$ -
Number of Mining-related Fatalities	-	-	-

* References to sections under the Mine Act

DHLC currently has two legal actions pending before the Mine Safety and Health Administration (MSHA) challenging four violations issued by MSHA following an employee fatality in March 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES, NEW ACCOUNTING PRONOUNCEMENTS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures, including amounts related to legal matters and contingencies. Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made; and
- Changes in the estimate or different estimates that could have been selected could have a material effect on net income or financial condition.

Management discusses the development and selection of critical accounting estimates as presented below with the Audit Committee of AEP's Board of Directors and the Audit Committee reviews the disclosure relating to them.

Management believes that the current assumptions and other considerations used to estimate amounts reflected in the financial statements are appropriate. However, actual results can differ significantly from those estimates.

The sections that follow present information about the Registrant Subsidiaries' critical accounting estimates, as well as the effects of hypothetical changes in the material assumptions used to develop each estimate.

Regulatory Accounting

Nature of Estimates Required

The financial statements of the Registrant Subsidiaries with cost-based rate-regulated operations (APCo, I&M, PSO, SWEPCo, and a portion of CSPCo and OPCo) reflect the actions of regulators that can result in the recognition of revenues and expenses in different time periods than enterprises that are not rate-regulated.

The Registrant Subsidiaries recognize regulatory assets (deferred expenses to be recovered in the future) and regulatory liabilities (deferred future revenue reductions or refunds) for the economic effects of regulation. Specifically, the Registrant Subsidiaries match the timing of expense recognition with the recovery of such expense in regulated revenues. Likewise, they match income with the regulated revenues from their customers in the same accounting period. Liabilities are also recorded for refunds, or probable refunds, to customers that have not been made.

Assumptions and Approach Used

When incurred costs are probable of recovery through regulated rates, the Registrant Subsidiaries record them as regulatory assets on the balance sheet. Management reviews the probability of recovery at each balance sheet date and whenever new events occur. Examples of new events include changes in the regulatory environment, issuance of a regulatory commission order or passage of new legislation. The assumptions and judgments used by regulatory authorities continue to have an impact on the recovery of costs, rate of return earned on invested capital and timing and amount of assets to be recovered through regulated rates. If recovery of a regulatory asset is no longer probable, that regulatory asset is written-off as a charge against earnings. A write-off of regulatory assets may also reduce future cash flows since there will be no recovery through regulated rates.

Effect if Different Assumptions Used

A change in the above assumptions may result in a material impact on net income. Refer to Note 5 for further detail related to regulatory assets and liabilities.

Revenue Recognition – Unbilled Revenues

Nature of Estimates Required

The Registrant Subsidiaries record revenues when energy is delivered to the customer. The determination of sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue accrual is recorded. This estimate is reversed in the following month and actual revenue is recorded based on meter readings. In accordance with the applicable state commission regulatory treatment in Arkansas, Louisiana, Oklahoma and Texas, PSO and SWEPCo do not record the fuel portion of unbilled revenue.

The changes in unbilled electricity utility revenues included in Revenue for the years ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
Company	**2010**	**2009**	**2008**
	(in thousands)		
APCo	$ 30,337	$ 25,378	$ 32,815
CSPCo	11,272	7,030	7,614
I&M	2,194	2,695	12,934
OPCo	(1,408)	5,845	4,048
PSO	(4,159)	4,415	(211)
SWEPCo	(1,175)	(282)	5,008

Assumptions and Approach Used

For each Registrant Subsidiary, the monthly estimate for unbilled revenues is computed as net generation less the current month's billed KWH plus the prior month's unbilled KWH. However, due to meter reading issues, meter drift and other anomalies, a separate monthly calculation limits the unbilled estimate within a range of values. This limiter calculation is derived from an allocation of billed KWH to the current month and previous month, on a cycle-by-cycle basis, and dividing the current month aggregated result by the billed KWH. The limits are statistically set at one standard deviation from this percentage to determine the upper and lower limits of the range. The unbilled estimate is compared to the limiter calculation and adjusted for variances exceeding the upper and lower limits.

Effect if Different Assumptions Used

Significant fluctuations in energy demand for the unbilled period, weather, line losses or changes in the composition of customer classes could impact the accuracy of the unbilled revenue estimate. A 1% change in the limiter calculation when it is outside the range would increase or decrease unbilled revenues by 1% of the accrued unbilled revenues.

Accounting for Derivative Instruments

Nature of Estimates Required

Management considers fair value techniques, valuation adjustments related to credit and liquidity and judgments related to the probability of forecasted transactions occurring within the specified time period to be critical accounting estimates. These estimates are considered significant because they are highly susceptible to change from period to period and are dependent on many subjective factors.

Assumptions and Approach Used

The Registrant Subsidiaries measure the fair values of derivative instruments and hedge instruments accounted for using MTM accounting based on exchange prices and broker quotes. If a quoted market price is not available, the fair value is estimated based on the best market information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and other assumptions. Fair value estimates, based upon the best market information available, involve uncertainties and matters of significant judgment. These uncertainties include projections of macroeconomic trends and future commodity prices, including supply and demand levels and future price volatility.

The Registrant Subsidiaries reduce fair values by estimated valuation adjustments for items such as discounting, liquidity and credit quality. Liquidity adjustments are calculated by utilizing bid/ask spreads to estimate the potential fair value impact of liquidating open positions over a reasonable period of time. Credit adjustments on risk management contracts are calculated using estimated default probabilities and recovery rates relative to the counterparties or counterparties with similar credit profiles and contractual netting agreements. With respect to hedge accounting, management assesses hedge effectiveness and evaluates a forecasted transaction's probability of occurrence within the specified time period as provided in the original hedge documentation.

Effect if Different Assumptions Used

There is inherent risk in valuation modeling given the complexity and volatility of energy markets. Therefore, it is possible that results in future periods may be materially different as contracts settle.

The probability that hedged forecasted transactions will not occur by the end of the specified time period could change operating results by requiring amounts currently classified in Accumulated Other Comprehensive Income (Loss) to be classified into operating income.

For additional information regarding derivatives, hedging and fair value measurements, see Notes 10 and 11. See "Fair Value Measurements of Assets and Liabilities" section of Note 1 for fair value calculation policy.

Long-Lived Assets

Nature of Estimates Required

In accordance with the requirements of "Property, Plant and Equipment" accounting guidance, the Registrant Subsidiaries evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any such assets may not be recoverable or the assets meet the held for sale criteria. The Registrant Subsidiaries utilize a group composite method of depreciation to estimate the useful lives of long-lived assets as approved by their regulators. The evaluations of long-lived held and used assets may result from abandonments, significant decreases in the market price of an asset, a significant adverse change in the extent or 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 that could affect the value of an asset, as well as other economic or operations analyses. If the carrying amount is not recoverable, the Registrant Subsidiary records an impairment to the extent that the fair value of the asset is less than its book value. For assets held for sale, an impairment is recognized if the expected net sales price is less than its book value. For regulated assets, an impairment charge could be offset by the establishment of a regulatory asset, if rate recovery is probable. For nonregulated assets, any impairment charge is recorded against earnings.

Assumptions and Approach Used

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets in active markets, the Registrant Subsidiaries estimate fair value using various internal and external valuation methods including cash flow projections or other market indicators of fair value such as bids received, comparable sales or independent appraisals. The Registrant Subsidiaries perform depreciation studies to determine composite depreciation rates and related lives which are subject to periodic review by state regulatory commissions. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques.

Effect if Different Assumptions Used

In connection with the evaluation of long-lived assets in accordance with the requirements of "Property, Plant and Equipment" accounting guidance, the fair value of the asset can vary if different estimates and assumptions would have been used in the applied valuation techniques. The estimate for depreciation rates takes into account the past history of interim capital replacements and the amount of salvage expected. In cases of impairment, the best estimate of fair value was made using valuation methods based on the most current information at that time. Fluctuations in realized sales proceeds versus the estimated fair value of the asset are generally due to a variety of factors including, but not limited to, differences in subsequent market conditions, the level of bidder interest, timing and terms of the transactions and management's analysis of the benefits of the transaction.

Pension and Other Postretirement Benefits

AEP maintains a qualified, defined benefit pension plan (Qualified Plan), which covers substantially all nonunion and certain union employees, and unfunded, nonqualified supplemental plans (Nonqualified Plans) to provide benefits in excess of amounts permitted under the provisions of the tax law to be paid to participants in the Qualified Plans (collectively the Pension Plans). Additionally, AEP entered into individual employment contracts with certain current and retired executives that provide additional retirement benefits as a part of the Nonqualified Plans. AEP also sponsors other postretirement benefit plans to provide medical and life insurance benefits for retired employees (Postretirement Plans). The Pension Plans and Postretirement Plans are collectively the Plans.

The Registrant Subsidiaries participate in the Plans. The Plans cover all employees who meet eligibility requirements.

For a discussion of investment strategy, investment limitations, target asset allocations and the classification of investments within the fair value hierarchy, see "Investments Held in Trust for Future Liabilities" and "Fair Value Measurements of Assets and Liabilities" sections of Note 1. See Note 8 for information regarding costs and assumptions for employee retirement and postretirement benefits.

The following table shows the net periodic cost (credit) for the years ended December 31, 2010, 2009 and 2008 by Registrant Subsidiary for the Plans:

Pension Plans	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2010	$ 15,818	$ 5,945	$ 20,138	$ 13,756	$ 5,439	$ 7,096
2009	10,459	2,752	13,939	8,267	3,080	4,831
2008	3,337	(1,398)	7,283	1,277	2,033	3,742

Other Postretirement Benefit Plans	APCo	CSPCo	I&M	OPCo	PSO	SWEPCo
			(in thousands)			
2010	$ 19,048	$ 8,250	$ 13,857	$ 15,862	$ 7,443	$ 7,574
2009	24,231	10,554	17,433	20,557	9,134	9,453
2008	14,896	6,041	9,765	11,357	5,581	5,539

The net periodic benefit cost is calculated based upon a number of actuarial assumptions, including expected long-term rates of return on the Plans' assets. In developing the expected long-term rate of return assumption for 2011, management evaluated input from actuaries and investment consultants, including their reviews of asset class return expectations as well as long-term inflation assumptions. Management also considered historical returns of the investment markets. Management anticipates that the investment managers employed for the Plans will invest the assets to generate future returns averaging 7.75% for the Qualified Plan and 7.5% for the Postretirement Plans.

The expected long-term rate of return on the Plans' assets is based on AEP's targeted asset allocation and expected investment returns for each investment category. Assumptions for the Plans are summarized in the following table:

	Pension Plans		Other Postretirement Benefit Plans	
	2011 Target Asset Allocation	Assumed/ Expected Long-Term Rate of Return	2011 Target Asset Allocation	Assumed/ Expected Long-Term Rate of Return
Equity	50 %	9.00 %	66 %	9.00 %
Real Estate	5 %	7.60 %	-%	- %
Debt Securities	39 %	5.75 %	32 %	5.75 %
Other Investments	5 %	10.50 %	-%	- %
Cash and Cash Equivalents	1 %	3.00 %	2 %	3.00 %
Total	100 %		100 %	

Management regularly reviews the actual asset allocation and periodically rebalances the investments to the targeted allocation. Management believes that 7.75% for the Pension Plan and 7.5% for the Postretirement Plans are reasonable long-term rates of return on the Plans' assets despite the recent market volatility. The Pension Plan's assets had an actual gain of 13.4% and 17.1% for the years ended December 31, 2010 and 2009, respectively. The Postretirement Plans' assets had an actual gain of 11.3% and 23.7% for the years ended December 31, 2010 and 2009, respectively. Management will continue to evaluate the actuarial assumptions, including the expected rate of return, at least annually, and will adjust the assumptions as necessary.

AEP bases the determination of pension expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded. As of December 31, 2010, AEP had cumulative losses of approximately $285 million that remain to be recognized in the calculation of the market-related value of assets. These unrecognized net actuarial losses will result in increases in the future pension costs depending on several factors, including whether such losses at each measurement date exceed the corridor in accordance with "Compensation – Retirement Benefits" accounting guidance. See the table below for the amount of cumulative losses by Registrant Subsidiary.

The method used to determine the discount rate that AEP utilizes for determining future obligations is a duration-based method in which a hypothetical portfolio of high quality corporate bonds similar to those included in the Moody's Aa bond index is constructed with a duration matching the benefit plan liability. The composite yield on the hypothetical bond portfolio is used as the discount rate for the plan. The discount rate at December 31, 2010 under this method was 5.05% for the Qualified Plan, 4.95% for the Nonqualified Plans and 5.25% for the Postretirement Plans. Due to the effect of the unrecognized actuarial losses and based on an expected rate of return on the Pension Plans' assets of 7.75%, a discount rate of 5.05% and 4.95% and various other assumptions, management estimates that the pension costs by Registrant Subsidiary for all pension plans will approximate the amounts in the following table. Based on an expected rate of return on the OPEB plans' assets of 7.5%, a discount rate of 5.25% and various other assumptions, management estimates Postretirement Plan costs by Registrant Subsidiary will approximate the amounts in the following tables:

Cumulative Losses	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
Deferred Asset Loss	$ 37,859	$ 20,714	$ 33,345	$ 38,291	$ 15,767	$ 16,582

Pension Plans	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
2011	$ 17,433	$ 8,659	$ 17,412	$ 14,295	$ 9,811	$ 10,175
2012	20,219	11,656	18,984	17,177	12,681	13,166
2013	24,887	13,516	24,207	21,549	11,755	11,949

Other Postretirement Benefit Plans	**APCo**	**CSPCo**	**I&M**	**OPCo**	**PSO**	**SWEPCo**
			(in thousands)			
2011	$ 14,762	$ 5,791	$ 11,635	$ 12,251	$ 4,445	$ 4,845
2012	13,561	5,475	10,186	11,679	4,270	4,654
2013	12,012	5,193	9,731	11,172	4,124	4,492

Future actual costs will depend on future investment performance, changes in future discount rates and various other factors related to each Registrant Subsidiary's populations participating in the Plans. The actuarial assumptions used may differ materially from actual results. The effects of a 50 basis point change to selective actuarial assumptions are included in the "Effect if Different Assumptions Used" section below.

The value of AEP's Pension Plans' assets increased to $3.9 billion at December 31, 2010 from $3.4 billion at December 31, 2009 primarily due to a $500 million contribution. During 2010, the Qualified Plan paid $465 million in benefits to plan participants and the nonqualified plans paid $15 million in benefits. The value of AEP's Postretirement Plans' assets increased to $1.5 billion at December 31, 2010 from $1.3 billion at December 31, 2009 primarily due to investment gains and contributions. The Postretirement Plans paid $142 million in benefits to plan participants during 2010. See Note 8 for complete details by Registrant Subsidiary.

Nature of Estimates Required

The Registrant Subsidiaries participate in AEP sponsored pension and other retirement and postretirement benefit plans in various forms covering all employees who meet eligibility requirements. These benefits are accounted for under "Compensation" and "Plan Accounting" accounting guidance. The measurement of pension and postretirement benefit obligations, costs and liabilities is dependent on a variety of assumptions.

Assumptions and Approach Used

The critical assumptions used in developing the required estimates include the following key factors:

- Discount rate
- Rate of compensation increase
- Cash balance crediting rate
- Health care cost trend rate
- Expected return on plan assets

Other assumptions, such as retirement, mortality and turnover, are evaluated periodically and updated to reflect actual experience.

Effect if Different Assumptions Used

The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants or higher or lower lump sum versus annuity payout elections by plan participants. These differences may result in a significant impact to the amount of pension and postretirement benefit expense recorded. If a 50 basis point change were to occur for the following assumptions, the approximate effect on the financial statements would be as follows:

APCo

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
		(in thousands)		
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (32,159)	$ 35,286	$ (22,728)	$ 25,268
Compensation Increase Rate	1,166	(1,086)	3	(3)
Cash Balance Crediting Rate	4,904	(4,116)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	19,401	(17,875)
Effect on 2010 Periodic Cost				
Discount Rate	(2,751)	3,006	(2,366)	2,655
Compensation Increase Rate	479	(439)	113	(106)
Cash Balance Crediting Rate	1,412	(1,259)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	3,257	(2,910)
Expected Return on Plan Assets	(2,697)	2,697	(1,050)	1,054

CSPCo

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
		(in thousands)		
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (15,931)	$ 17,396	$ (9,880)	$ 11,002
Compensation Increase Rate	624	(577)	2	(2)
Cash Balance Crediting Rate	1,746	(1,507)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	8,300	(7,630)
Effect on 2010 Periodic Cost				
Discount Rate	(1,494)	1,632	(991)	1,110
Compensation Increase Rate	260	(239)	51	(48)
Cash Balance Crediting Rate	767	(684)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	1,413	(1,259)
Expected Return on Plan Assets	(1,465)	1,465	(472)	474

I&M

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
	(in thousands)			
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (29,382)	$ 32,383	$ (16,618)	$ 18,564
Compensation Increase Rate	1,499	(1,388)	3	(3)
Cash Balance Crediting Rate	5,229	(4,475)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	14,170	(12,858)
Effect on 2010 Periodic Cost				
Discount Rate	(2,365)	2,584	(1,482)	1,651
Compensation Increase Rate	412	(378)	88	(82)
Cash Balance Crediting Rate	1,213	(1,082)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	2,275	(2,014)
Expected Return on Plan Assets	(2,316)	2,316	(812)	815

OPCo

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
	(in thousands)			
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (30,215)	$ 33,096	$ (21,157)	$ 23,654
Compensation Increase Rate	1,050	(968)	2	(2)
Cash Balance Crediting Rate	4,262	(3,562)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	18,318	(16,812)
Effect on 2010 Periodic Cost				
Discount Rate	(2,656)	2,902	(2,041)	2,287
Compensation Increase Rate	462	(424)	104	(98)
Cash Balance Crediting Rate	1,363	(1,215)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	2,899	(2,583)
Expected Return on Plan Assets	(2,602)	2,602	(964)	968

PSO

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
	(in thousands)			
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (11,647)	$ 12,698	$ (7,330)	$ 8,191
Compensation Increase Rate	673	(608)	3	(3)
Cash Balance Crediting Rate	3,529	(3,303)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	6,518	(5,434)
Effect on 2010 Periodic Cost				
Discount Rate	(1,129)	1,234	(639)	712
Compensation Increase Rate	197	(180)	39	(37)
Cash Balance Crediting Rate	578	(516)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	998	(883)
Expected Return on Plan Assets	(1,104)	1,104	(361)	363

SWEPCo

	Pension Plans		Other Postretirement Benefit Plans	
	+0.5%	-0.5%	+0.5%	-0.5%
	(in thousands)			
Effect on December 31, 2010 Benefit Obligations				
Discount Rate	$ (11,515)	$ 12,552	$ (8,411)	$ 9,411
Compensation Increase Rate	666	(598)	4	(4)
Cash Balance Crediting Rate	4,295	(4,035)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	7,541	(6,338)
Effect on 2010 Periodic Cost				
Discount Rate	(1,126)	1,230	(708)	789
Compensation Increase Rate	196	(180)	43	(40)
Cash Balance Crediting Rate	577	(514)	N/A	N/A
Health Care Cost Trend Rate	N/A	N/A	1,106	(978)
Expected Return on Plan Assets	(1,100)	1,100	(400)	402

N/A Not Applicable

Nuclear Trust Funds

Nuclear decommissioning and spent nuclear fuel trust funds represent funds that regulatory commissions allow I&M to collect through rates to fund future decommissioning and spent nuclear fuel disposal liabilities. By rules or orders, the IURC, the MPSC and the FERC established investment limitations and general risk management guidelines.

I&M maintains trust funds for each regulatory jurisdiction. These funds are managed by external investment managers who must comply with the guidelines and rules of the applicable regulatory authorities. The trust assets are invested to optimize the net of tax earnings of the trust giving consideration to liquidity, risk, diversification and other prudent investment objectives. I&M records securities held in these trust funds as Spent Nuclear Fuel and Decommissioning Trusts on its Consolidated Balance Sheets. I&M records these securities at fair value. Management utilizes the trustee's external pricing service to estimate the fair value of the underlying investments held in these trusts. I&M's investment managers review and validate the prices utilized by the trustee to determine fair value. Management performs valuation testing to verify the fair values of the securities. Management receives audit reports of the trustee's operating controls and valuation processes. See "Investments Held in Trust for Future Liabilities" section of Note 1 and "Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal" section of Note 11.

NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncement Adopted During 2010

The Registrant Subsidiaries prospectively adopted ASU 2009-17 "Consolidation" effective January 1, 2010. SWEPCo no longer consolidates DHLC effective with the adoption of this standard.

See Note 2 for further discussion of accounting pronouncements.

Future Accounting Changes

The FASB's standard-setting process is ongoing and until new standards have been finalized and issued, management cannot determine the impact on the reporting of the Registrant Subsidiaries' operations and financial position that may result from any such future changes. The FASB is currently working on several projects including revenue recognition, contingencies, financial instruments, emission allowances, fair value measurements, leases, insurance, hedge accounting, consolidation policy and discontinued operations. Management also expects to see more FASB projects as a result of its desire to converge International Accounting Standards with GAAP. The ultimate pronouncements resulting from these and future projects could have an impact on future net income and financial position.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

Market Risks

The Registrant Subsidiaries' risk management assets and liabilities are managed by AEPSC as agent. The related risk management policies and procedures are instituted and administered by AEPSC. See complete discussion within AEP's "Quantitative and Qualitative Disclosures About Risk Management Activities" section. Also, see Note 10 – Derivatives and Hedging and Note 11 – Fair Value Measurements for additional information related to the Registrant Subsidiaries' risk management contracts.

The following tables summarize the reasons for changes in total mark-to-market (MTM) value as compared to December 31, 2009:

MTM Risk Management Contract Net Assets (Liabilities)
Year Ended December 31, 2010
(in thousands)

APCo

Total MTM Risk Management Contract Net Assets at December 31, 2009	$ 45,197
(Gain) Loss from Contracts Realized/Settled During the Period and Entered in a Prior Period	(28,148)
Fair Value of New Contracts at Inception When Entered During the Period (a)	-
Net Option Premiums Paid/(Received) for Unexercised or Unexpired Option Contracts Entered During the Period	(217)
Changes in Fair Value Due to Market Fluctuations During the Period (c)	65
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	9,985
Total MTM Risk Management Contract Net Assets	26,882
Cash Flow Hedge Contracts	11,494
Collateral Deposits	14,420
Total MTM Derivative Contract Net Assets at December 31, 2010	$ 52,796

OPCo

Total MTM Risk Management Contract Net Assets at December 31, 2009	$ 26,330
(Gain) Loss from Contracts Realized/Settled During the Period and Entered in a Prior Period	(17,265)
Fair Value of New Contracts at Inception When Entered During the Period (a)	9,434
Changes in Fair Value Due to Valuation Methodology Changes on Forward Contracts (b)	(715)
Net Option Premiums Paid/(Received) for Unexercised or Unexpired Option Contracts Entered During the Period	(441)
Changes in Fair Value Due to Market Fluctuations During the Period (c)	4,013
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	(3,092)
Total MTM Risk Management Contract Net Assets	18,264
Cash Flow Hedge Contracts	(337)
Collateral Deposits	10,289
Total MTM Derivative Contract Net Assets at December 31, 2010	$ 28,216

PSO

Total MTM Risk Management Contract Net Assets (Liabilities) at December 31, 2009	$ (369)
(Gain) Loss from Contracts Realized/Settled During the Period and Entered in a Prior Period	96
Fair Value of New Contracts at Inception When Entered During the Period (a)	-
Net Option Premiums Paid/(Received) for Unexercised or Unexpired Option Contracts Entered During the Period	(74)
Changes in Fair Value Due to Market Fluctuations During the Period (c)	(19)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	(12)
Total MTM Risk Management Contract Net Assets	(378)
Cash Flow Hedge Contracts	13,692
Collateral Deposits	44
Total MTM Derivative Contract Net Assets at December 31, 2010	$ 13,358

SWEPCo

Total MTM Risk Management Contract Net Assets at December 31, 2009	$ 1,636
(Gain) Loss from Contracts Realized/Settled During the Period and Entered in a Prior Period	(2,059)
Fair Value of New Contracts at Inception When Entered During the Period (a)	-
Net Option Premiums Paid/(Received) for Unexercised or Unexpired Option Contracts Entered During the Period	(128)
Changes in Fair Value Due to Market Fluctuations During the Period (c)	(25)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	(2,382)
Total MTM Risk Management Contract Net Assets	(2,958)
Cash Flow Hedge Contracts	128
Collateral Deposits	72
Total MTM Derivative Contract Net Assets at December 31, 2010	$ (2,758)

(a) Reflects fair value on primarily long-term contracts which are typically with customers that seek fixed pricing to limit their risk against fluctuating energy prices. The contract prices are valued against market curves associated with the delivery location and delivery term. A significant portion of the total volumetric position has been economically hedged.
(b) Reflects changes in methodology in calculating the credit and discounting liability fair value adjustments.
(c) Market fluctuations are attributable to various factors such as supply/demand, weather, etc.
(d) Relates to the net gains (losses) of those contracts that are not reflected on the Consolidated Statements of Income. These net gains (losses) are recorded as regulatory liabilities/assets.

The following tables present the maturity, by year, of net assets/liabilities to give an indication of when these MTM amounts will settle and generate or (require) cash:

Maturity and Source of Fair Value of MTM
Risk Management Contract Net Assets (Liabilities)
December 31, 2010

APCo

	2011	2012-2014	2015+	Total
		(in thousands)		
Level 1 (a)	$ 33	$ -	$ -	$ 33
Level 2 (b)	3,588	14,518	241	18,347
Level 3 (c)	2,053	1,909	1,169	5,131
Total	5,674	16,427	1,410	23,511
Dedesignated Risk Management Contracts (d)	1,779	1,592	-	3,371
Total MTM Risk Management Contract Net Assets	$ 7,453	$ 18,019	$ 1,410	$ 26,882

OPCo

	2011	2012-2014	2015+	Total
		(in thousands)		
Level 1 (a)	$ 23	$ -	$ -	$ 23
Level 2 (b)	1,637	10,454	170	12,261
Level 3 (c)	1,455	1,330	823	3,608
Total	3,115	11,784	993	15,892
Dedesignated Risk Management Contracts (d)	1,252	1,120	-	2,372
Total MTM Risk Management Contract Net Assets	$ 4,367	$ 12,904	$ 993	$ 18,264

PSO

	2011	2012-2014	Total
		(in thousands)	
Level 1 (a)	$ -	$ -	$ -
Level 2 (b)	(432)	53	(379)
Level 3 (c)	(1)	2	1
Total MTM Risk Management Contract Net Assets	$ (433)	$ 55	$ (378)

SWEPCo

	2011	2012-2014	Total
		(in thousands)	
Level 1 (a)	$ -	$ -	$ -
Level 2 (b)	(3,055)	95	(2,960)
Level 3 (c)	2	-	2
Total MTM Risk Management Contract Net Assets	$ (3,053)	$ 95	$ (2,958)

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 inputs primarily consist of exchange traded contracts that exhibit sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, exchange traded contracts where there was not sufficient market activity to warrant inclusion in Level 1 and OTC broker quotes that are corroborated by the same or similar transactions that have occurred in the market.

(c) Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 inputs primarily consist of unobservable market data or are valued based on models and/or assumptions.

(d) Dedesignated Risk Management Contracts are contracts that were originally MTM but were subsequently elected as normal under the accounting guidance for "Derivatives and Hedging." At the time of the normal election, the MTM value was frozen and no longer fair valued. This will be amortized into Revenues over the remaining life of the contracts.

Credit Risk

Counterparty credit quality and exposure of the Registrant Subsidiaries is generally consistent with that of AEP.

Value at Risk (VaR) Associated with Risk Management Contracts

Management uses a risk measurement model, which calculates VaR to measure commodity price risk in the risk management portfolio. The VaR is based on the variance-covariance method using historical prices to estimate volatilities and correlations and assumes a 95% confidence level and a one-day holding period. Based on this VaR analysis, at December 31, 2010, a near term typical change in commodity prices is not expected to have a material effect on net income, cash flows or financial condition.

The following table shows the end, high, average and low market risk as measured by VaR for the trading portfolio for the periods indicated:

VaR Model

Twelve Months Ended December 31,

Company	2010 End	2010 High	2010 Average	2010 Low	2009 End	2009 High	2009 Average	2009 Low
				(in thousands)				
APCo	$ 124	$ 659	$ 193	$ 71	$ 275	$ 699	$ 333	$ 151
OPCo	100	545	161	54	201	530	244	113
PSO	3	70	15	1	10	34	12	4
SWEPCo	6	93	21	2	16	49	18	6

Management back-tests its VaR results against performance due to actual price movements. Based on the assumed 95% confidence interval, the performance due to actual price movements would be expected to exceed the VaR at least once every 20 trading days.

As the VaR calculations capture recent price movements, management also performs regular stress testing of the portfolio to understand the exposure to extreme price movements. Management employs a historical-based method whereby the current portfolio is subjected to actual, observed price movements from the last four years in order to ascertain which historical price movements translated into the largest potential MTM loss. Management then researches the underlying positions, price movements and market events that created the most significant exposure and report the findings to the Risk Executive Committee or the Commercial Operations Risk Committee as appropriate.

Interest Rate Risk

Management utilizes an Earnings at Risk (EaR) model to measure interest rate market risk exposure. EaR statistically quantifies the extent to which interest expense could vary over the next twelve months and gives a probabilistic estimate of different levels of interest expense. The resulting EaR is interpreted as the dollar amount by which actual interest expense for the next twelve months could exceed expected interest expense with a one-in-twenty chance of occurrence. The primary drivers of EaR are from the existing floating rate debt (including short-term debt) as well as long-term debt issuances in the next twelve months. As calculated on the Registrant Subsidiaries' outstanding debt as of December 31, 2010 and 2009, the estimated EaR on the Registrant Subsidiaries' debt portfolio was as follows:

Company	December 31, 2010	December 31, 2009
	(in thousands)	
APCo	$ 1,165	$ 1,837
CSPCo	178	216
I&M	274	227
OPCo	926	1,373
PSO	658	119
SWEPCo	1,027	305

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AEP: AMERICAN ELEC PWR INC - Stock Earnings Estimates

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AMERICAN ELEC PWR INC (NYSE)

ZACKS RANK: 4 - SELL

AEP 39.46 ▾-0.49 (-1.23%) Vol. 13,053,282 16.00 CST

Current Quarter Estimate	0.79	Next Report Date	Apr 19, 2012
Next Quarter Estimate	0.67	EPS last quarter	0.40
Current Year Estimate	3.18	Last Quarter EPS Surprise	0%
Next Year Estimate	3.29	EPS (Trailing 12 Mos.)	3.12
Expected Earnings Growth	4%	PE (forward)	12.56
Expected Sales Growth	1.04%	ABR	2.47

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Zacks Rank
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AMERICAN ELEC PWR INC	AEP	PREMIUM
NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

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Earnings Growth Estimates

	AEP	IND	S&P
Current Qtr (03/2012)	-4.3	N/A	N/A
Next Qtr (06/2012)	-7.8	N/A	N/A
Current Year (01/2011)	1.9	-7.6	0.0
Next Year (01/2012)	3.6	7.4	5.9
Past 5 Years	1.9	11.3	0.0
Next 5 Years	4.0	5.1	0.0
PE	12.8	13.1	13.6
PEG Ratio	3.1	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (03/2012)	Next Quarter (06/2012)	Current Year (12/2012)	Next Year (12/2013)
Zacks Consensus Estimate	0.79	0.67	3.18	3.29
# of Estimates	6	6	18	12
Most Recent Consensus	0.51	0.41	3.08	3.30
High Estimate	0.87	0.76	3.25	3.39
Low Estimate	0.51	0.41	3.07	3.16
Year ago EPS	0.82	0.73	3.12	3.18
Year over Year Growth Est.	-4.27%	-7.76%	1.94%	3.57%

Agreement - Estimate Revisions

	Current Qtr (03/2012)	Next Qtr (06/2012)	Current Year (12/2012)	Next Year (12/2013)
Up Last 7 Days	0	0	2	0
Up Last 30 Days	0	0	3	1
Down Last 7 Days	1	1	0	2
Down Last 30 Days	2	2	1	2

Magnitude - Consensus Estimate Trend

	Current Quarter (03/2012)	Next Quarter (06/2012)	Current Year (12/2012)	Next Year (12/2013)
Current	0.79	0.67	3.18	3.29
7 Days Ago	0.83	0.72	3.18	3.30
30 Days Ago	0.82	0.73	3.18	3.31
60 Days Ago	0.83	0.75	3.21	3.35
90 Days Ago	0.83	0.75	3.21	3.36

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (03/2012)	Next Quarter (06/2012)	Current Year (12/2012)	Next Year (12/2013)
Most Accurate Estimate	0.74	0.60	3.16	3.28
Zacks Consensus Estimate	0.79	0.67	3.18	3.29
Upside Potential	-6.33% ▾	-10.45% ▾	-0.63% ▾	-0.30% ▾

Surprise - Reported Earnings History

	12/2011	09/2011	06/2011	03/2011	Average Surprise
Reported	0.40	1.17	0.73	0.82	
Estimate	0.40	1.14	0.76	0.79	

Difference	0.00	0.03	-0.03	0.03	0.01
Surprise	0.00%	2.63%	-3.95%	3.80%	0.83%

Earnings Transcript for AEP from 10/26/2011

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AVA: AVISTA CORP - Stock Earnings Estimates

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AVISTA CORP (NYSE) ZACKS RANK: 3 - HOLD

AVA 25.07 -0.46 (-1.80%) Vol. 274,167 16.00 CST

Current Quarter Estimate	0.45	Next Report Date	Feb 15, 2012
Next Quarter Estimate	0.69	EPS last quarter	0.18
Current Year Estimate	1.75	Last Quarter EPS Surprise	5.88%
Next Year Estimate	1.77	EPS (Trailing 12 Mos.)	1.75
Expected Earnings Growth	4.67%	PE (forward)	14.44
Expected Sales Growth	1.43%	ABR	3

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Zacks Rank upgraded 01/10/2012 Short-Term Rating 1-3 Months — PREMIUM
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AVISTA CORP	AVA	PREMIUM

NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

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Earnings Growth Estimates

	AVA	IND	S&P
Current Qtr (12/2011)	0.0	N/A	N/A
Next Qtr (03/2012)	-5.0	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	4.8	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	4.7	5.1	0.0
PE	14.6	13.1	13.6
PEG Ratio	3.1	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.45	0.69	1.75	1.77
# of Estimates	4	3	6	6
Most Recent Consensus	0.46	0.73	1.75	1.75
High Estimate	0.46	0.73	1.76	1.83
Low Estimate	0.44	0.63	1.74	1.72
Year ago EPS	0.45	0.73	1.65	1.75
Year over Year Growth Est.	0.00%	-5.02%	5.96%	1.14%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	1	0	0
Up Last 30 Days	0	1	0	0
Down Last 7 Days	0	0	1	0
Down Last 30 Days	0	0	1	0

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.45	0.69	1.75	1.77
7 Days Ago	0.45	0.69	1.76	1.77
30 Days Ago	0.45	0.69	1.76	1.77
60 Days Ago	0.45	0.68	1.76	1.77
90 Days Ago	0.44	0.69	1.74	1.87

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.46	0.73	1.75	0.00
Zacks Consensus Estimate	0.45	0.69	1.75	1.77
Upside Potential	*2.22%* ▲	*5.80%* ▲	0.00%	0.00%

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	0.18	0.39	0.73	0.45	
Estimate	0.17	0.48	0.64	0.47	
Difference	0.01	-0.09	0.09	-0.02	-0.00
Surprise	5.88% ▲	-18.75% ▼	14.06% ▲	-4.26% ▼	-0.77% ▼

Earnings Transcript for AVA from 10/28/2010

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ENTERGY CORP NEW (NYSE)

ZACKS RANK: 3 - HOLD

ETR 70.43 -0.19 (-0.27%) Vol. 3,123,371 16.00 CST

Current Quarter Estimate	0.96	Next Report Date	Jan 31, 2012
Next Quarter Estimate	1.25	EPS last quarter	3.53
Current Year Estimate	7.40	Last Quarter EPS Surprise	5.06%
Next Year Estimate	5.80	EPS (Trailing 12 Mos.)	7.97
Expected Earnings Growth	2%	PE (forward)	12.17
Expected Sales Growth	-.33%	ABR	2.81

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Zacks Recommendation Long-Term Rating 6+ Months	PREMIUM
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Target Price	PREMIUM
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ENTERGY CORP NEW	ETR	PREMIUM
NORTHEAST UTIL	NU	PREMIUM

CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

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Earnings Growth Estimates

	ETR	IND	S&P
Current Qtr (12/2011)	-26.5	N/A	N/A
Next Qtr (03/2012)	-9.4	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	-2.7	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	2.0	5.1	0.0
PE	8.9	13.1	13.6
PEG Ratio	6.1	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.96	1.25	7.40	5.80
# of Estimates	5	4	5	15
Most Recent Consensus	0.94	1.24	7.61	6.01
High Estimate	1.01	1.43	7.61	6.40
Low Estimate	0.93	1.16	6.60	5.36
Year ago EPS	1.30	1.38	7.10	7.40
Year over Year Growth Est.	-26.46%	-9.42%	4.28%	-21.63%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	1	1	1	0
Up Last 30 Days	2	1	1	1
Down Last 7 Days	2	0	3	2
Down Last 30 Days	1	1	3	7

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.96	1.25	7.40	5.80
7 Days Ago	0.92	1.18	7.49	5.85
30 Days Ago	0.89	1.20	7.56	5.90
60 Days Ago	0.90	1.22	7.56	5.88
90 Days Ago	1.03	1.22	7.30	6.02

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.96	1.28	7.61	5.73
Zacks Consensus Estimate	0.96	1.25	7.40	5.80
Upside Potential	0.00%	2.40%	2.84%	-1.21%

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	3.53	1.76	1.38	1.30	
Estimate	3.36	1.75	1.37	1.29	
Difference	0.17	0.01	0.01	0.01	0.05
Surprise	5.06%	0.57%	0.73%	0.78%	1.79%

Earnings Transcript for ETR from 11/01/2011

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HE: HAWAIIAN ELEC INDUSTRIES - Stock Earnings Estimates

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HAWAIIAN ELEC INDUSTRIES (NYSE) **ZACKS RANK: 3 - HOLD**

HE 25.80 -0.13 (-0.50%) Vol. 594,201 16.00 CST

Current Quarter Estimate	0.37	Next Report Date	Feb 08, 2012
Next Quarter Estimate	0.37	EPS last quarter	0.50
Current Year Estimate	1.45	Last Quarter EPS Surprise	16.28%
Next Year Estimate	1.72	EPS (Trailing 12 Mos.)	1.34
Expected Earnings Growth	8.03%	PE (forward)	15.11
Expected Sales Growth	1.85%	ABR	3.2

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PINNACLE WEST CAP CORP (NYSE) ZACKS RANK: 3 - HOLD

PNW 47.27 ▼-0.41 (-0.86%) Vol. 755,667 16.00 CST

Current Quarter Estimate	0.05	Next Report Date	Feb 24, 2012
Next Quarter Estimate	-0.05	EPS last quarter	2.24
Current Year Estimate	2.90	Last Quarter EPS Surprise	6.67%
Next Year Estimate	3.36	EPS (Trailing 12 Mos.)	3.04
Expected Earnings Growth	5.33%	PE (forward)	14.35
Expected Sales Growth	-1.54%	ABR	2.82

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Premium Research: Stock Analysis

Zacks Rank ⓘ downgraded 01/18/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ⓘ Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ⓘ	PREMIUM
Target Price ⓘ	PREMIUM
Equity Research Report ⓘ Updated as of 08/09/2011	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank

PINNACLE WEST CAP CORP	PNW	PREMIUM
NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	PNW	IND	S&P
Current Qtr (12/2011)	0.0	N/A	N/A
Next Qtr (03/2012)	-335.0	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	4.0	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	5.3	5.1	0.0
PE	15.9	13.1	13.6
PEG Ratio	2.7	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.05	-0.05	2.90	3.36
# of Estimates	9	3	13	12
Most Recent Consensus	0.04	-0.16	2.90	0.00
High Estimate	0.11	0.12	2.99	3.46
Low Estimate	0.00	-0.16	2.80	3.25
Year ago EPS	0.00	0.02	3.15	2.90
Year over Year Growth Est.	0.00%	-335.04%	-7.90%	15.82%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	2	1
Up Last 30 Days	1	1	3	2
Down Last 7 Days	0	0	0	0
Down Last 30 Days	0	0	0	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.05	-0.05	2.90	3.36
7 Days Ago	0.04	-0.05	2.88	3.36
30 Days Ago	0.03	-0.10	2.87	3.36
60 Days Ago	0.04	-0.10	2.88	3.36
90 Days Ago	0.07	-0.10	2.83	3.35

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.05	0.12	2.94	3.38
Zacks Consensus Estimate	0.05	-0.05	2.90	3.36
Upside Potential	0.00%	340.00% ▲	1.38% ▲	0.60% ▲

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	2.24	0.78	0.02	0.00	
Estimate	2.10	0.88	-0.02	0.01	

Difference	0.14	-0.10	0.04	-0.01	0.02
Surprise	6.67%	-11.36%	200.00%	-100.00%	23.83%

Earnings Transcript for PNW from 11/01/2011

Quarterly Estimates by Analyst

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Annual Estimates by Analyst

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TE: TECO ENERGY INC - Stock Earnings Estimates

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--Estimates

TECO ENERGY INC (NYSE) ZACKS RANK: 5 - STRONG SELL

TE 18.07 ▼-0.29 (-1.58%) Vol. 2,056,609 16.00 CST

Current Quarter Estimate	0.28	Next Report Date	Feb 02, 2012
Next Quarter Estimate	0.25	EPS last quarter	0.42
Current Year Estimate	1.31	Last Quarter EPS Surprise	5%
Next Year Estimate	1.39	EPS (Trailing 12 Mos.)	1.25
Expected Earnings Growth	4.67%	PE (forward)	13.23
Expected Sales Growth	-.6%	ABR	2.67

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Premium Research: Stock Analysis

Zacks Rank ? downgraded 01/20/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ? Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ?	PREMIUM
Target Price ?	PREMIUM
Equity Research Report ? Updated as of 11/11/2011	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank
TECO ENERGY INC	TE	PREMIUM

NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	TE	IND	S&P
Current Qtr (12/2011)	23.5	N/A	N/A
Next Qtr (03/2012)	6.3	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	5.3	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	4.7	5.1	0.0
PE	14.7	13.1	13.6
PEG Ratio	2.8	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.28	0.25	1.31	1.39
# of Estimates	10	2	15	15
Most Recent Consensus	0.26	0.25	1.28	1.32
High Estimate	0.31	0.26	1.35	1.55
Low Estimate	0.26	0.25	1.28	1.28
Year ago EPS	0.23	0.24	1.28	1.31
Year over Year Growth Est.	23.48%	6.25%	2.03%	6.28%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	0
Up Last 30 Days	2	0	1	0
Down Last 7 Days	2	0	1	2
Down Last 30 Days	3	1	2	11

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.28	0.25	1.31	1.39
7 Days Ago	0.29	0.25	1.31	1.41
30 Days Ago	0.28	0.25	1.31	1.48
60 Days Ago	0.28	0.25	1.31	1.48
90 Days Ago	0.31	0.23	1.32	1.49

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.28	0.25	1.31	1.36
Zacks Consensus Estimate	0.28	0.25	1.31	1.39
Upside Potential	0.00%	0.00%	0.00%	-2.16%

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	0.42	0.36	0.24	0.23	
Estimate	0.40	0.36	0.30	0.24	
Difference	0.02	0.00	-0.06	-0.01	-0.02
Surprise	5.00%	0.00%	-20.00%	-4.17%	-6.39%

Earnings Transcript for TE from 11/01/2011

Quarterly Estimates by Analyst

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WR: WESTAR ENERGY INC - Stock Earnings Estimates

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--Estimates

WESTAR ENERGY INC (NYSE) ZACKS RANK: 3 - HOLD

WR 28.40 -0.36 (-1.25%) Vol. 940,585 16.00 CST

Current Quarter Estimate	0.16	Next Report Date	Feb 23, 2012
Next Quarter Estimate	0.29	EPS last quarter	0.98
Current Year Estimate	1.79	Last Quarter EPS Surprise	-3.92%
Next Year Estimate	1.96	EPS (Trailing 12 Mos.)	1.29
Expected Earnings Growth	6.09%	PE (forward)	14.65
Expected Sales Growth	5.88%	ABR	2

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Premium Research: Stock Analysis

Zacks Rank ? downgraded 01/07/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ? Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ?	PREMIUM
Target Price ?	PREMIUM
Equity Research Report ? Updated as of 01/23/2012	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank
WESTAR ENERGY INC	WR	PREMIUM

NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	WR	IND	S&P
Current Qtr (12/2011)	289.3	N/A	N/A
Next Qtr (03/2012)	5.6	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	5.7	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	6.1	5.1	0.0
PE	22.3	13.1	13.6
PEG Ratio	2.4	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.16	0.29	1.79	1.96
# of Estimates	7	2	8	11
Most Recent Consensus	0.15	0.00	1.77	1.96
High Estimate	0.19	0.30	1.86	2.05
Low Estimate	0.08	0.27	1.70	1.84
Year ago EPS	0.04	0.27	1.81	1.79
Year over Year Growth Est.	289.29%	5.56%	-0.97%	9.50%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	1
Down Last 7 Days	0	0	0	1
Down Last 30 Days	1	0	1	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.16	0.29	1.79	1.96
7 Days Ago	0.15	0.29	1.78	1.97
30 Days Ago	0.16	0.29	1.79	1.96
60 Days Ago	0.15	0.29	1.79	1.96
90 Days Ago	0.10	0.25	1.77	1.96

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.14	0.00	1.81	1.87
Zacks Consensus Estimate	0.16	0.29	1.79	1.96
Upside Potential	-12.50% ▼	0.00%	1.12% ▲	-4.59% ▼

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	0.98	0.00	0.27	0.04	
Estimate	1.02	0.44	0.28	0.09	
Difference	-0.04	-0.44	-0.01	-0.05	-0.14
Surprise	-3.92% ▼	-100.00% ▼	-3.57% ▼	-55.56% ▼	-40.76% ▼

Earnings Transcript for WR from 11/04/2011

Quarterly Estimates by Analyst

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ALE Analyst Estimates | Allete, Inc. Stock - Yah

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ALE

Allete, Inc. (ALE)

-NYSE

40.97 ↓0.50(1.21%) 4:00PM EST|After Hours: 40.97 0.00 (0.00%) 4:29PM EST - Nasdaq Real Time Price

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Earnings Est	Current Qtr. Dec 11	Next Qtr. Mar 12	Current Year Dec 11	Next Year Dec 12
Avg. Estimate	0.58	0.89	2.44	2.61
No. of Analysts	4.00	3.00	4.00	5.00
Low Estimate	0.53	0.87	2.40	2.56
High Estimate	0.66	0.91	2.52	2.68
Year Ago EPS	0.38	0.89	2.19	2.44

Revenue Est	Current Qtr. Dec 11	Next Qtr. Mar 12	Current Year Dec 11	Next Year Dec 12
Avg. Estimate	240.55M	243 90M	929.55M	967.77M
No. of Analysts	2	1	2	3
Low Estimate	236.80M	243.90M	925.80M	942.00M
High Estimate	244.30M	243.90M	933.30M	999.00M
Year Ago Sales	238.10M	242 20M	907.00M	929.55M
Sales Growth (year/est)	1.00%	0.70%	2.50%	4.10%

Earnings History	Dec 10	Mar 11	Jun 11	Sep 11
EPS Est	0.44	0.81	0.47	0.54
EPS Actual	0.38	0.89	0.40	0.57
Difference	-0.06	0.08	-0.07	0.03
Surprise %	-13.60%	9.90%	-14.90%	5.60%

EPS Trends	Current Qtr. Dec 11	Next Qtr. Mar 12	Current Year Dec 11	Next Year Dec 12
Current Estimate	0.58	0.89	2.44	2.61
7 Days Ago	0.58	0.89	2.44	2.61
30 Days Ago	0.58	0.89	2.44	2.61
60 Days Ago	0.54	0.90	2.40	2.63
90 Days Ago	0.60	0.91	2.41	2.63

EPS Revisions	Current Qtr. Dec 11	Next Qtr. Mar 12	Current Year Dec 11	Next Year Dec 12
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	ALE	Industry	Sector	S&P 500
Current Qtr.	52.60%	-4.00%	-46.80%	18.70%
Next Qtr.	0.00%	7.00%	-51.50%	19.70%
This Year	11.40%	2.30%	40.30%	10.40%
Next Year	7.00%	9.00%	2.80%	12.20%
Past 5 Years (per annum)	-9.07%	N/A	N/A	N/A
Next 5 Years (per annum)	5.00%	7.71%	9.53%	10.78%
Price/Earnings (avg. for comparison categories)	17.12	14.80	14.16	9.29
PEG Ratio (avg. for comparison categories)	3.42	-3.13	0.58	-0.24

Currency in USD.

Zacks-ALE.pdf

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Proven Ratings, Research & Recommendations

ALE: ALLETE INC - Stock Earnings Estimates

ALLETE INC (NYSE)

ZACKS RANK: 3 - HOLD

ALE 40.97 -0.50 (-1.21%) Vol. 180,345 16.00 CST

Current Quarter Estimate	0.57	Next Report Date	Feb 15, 2012
Next Quarter Estimate	0.89	EPS last quarter	0.57
Current Year Estimate	2.44	Last Quarter EPS Surprise	5.56%
Next Year Estimate	2.61	EPS (Trailing 12 Mos.)	2.50
Expected Earnings Growth	5%	PE (forward)	15.88
Expected Sales Growth	2.7%	ABR	1.8

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Premium Research: Stock Analysis

Zacks Rank Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank	PREMIUM
Target Price	PREMIUM
Equity Research Report Updated as of 01/13/2012	PREMIUM

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Top Peers	Ticker	Zacks Rank
ALLETE INC	ALE	PREMIUM
NORTHEAST UTIL	NU	PREMIUM

CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	ALE	IND	S&P
Current Qtr (12/2011)	50.0	N/A	N/A
Next Qtr (03/2012)	-16.6	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	9.2	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	5.0	5.1	0.0
PE	16.6	13.1	13.6
PEG Ratio	3.2	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.57	0.89	2.44	2.61
# of Estimates	5	4	5	5
Most Recent Consensus	0.66	0.91	2.52	2.56
High Estimate	0.66	0.91	2.52	2.68
Low Estimate	0.53	0.87	2.40	2.56
Year ago EPS	0.38	1.07	2.19	2.44
Year over Year Growth Est.	50.00%	-16.59%	11.23%	7.22%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 7 Days	0	0	0	0
Down Last 30 Days	0	0	0	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.57	0.89	2.44	2.61
7 Days Ago	0.57	0.89	2.44	2.61
30 Days Ago	0.57	0.89	2.44	2.61
60 Days Ago	0.54	0.90	2.40	2.63
90 Days Ago	0.60	0.91	2.41	2.63

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.00	0.91	0.00	2.68
Zacks Consensus Estimate	0.57	0.89	2.44	2.61
Upside Potential	0.00%	2.25% ▲	0.00%	2.68% ▲

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	0.57	0.48	1.07	0.38	
Estimate	0.54	0.47	0.81	0.44	
Difference	0.03	0.01	0.26	-0.06	0.06
Surprise	5.56% ▲	2.13% ▲	32.10% ▲	-13.64% ▼	6.54% ▲

Earnings Transcript for ALE from 10/29/2010

Quarterly Estimates by Analyst

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CNL: CLECO CORP NEW - Stock Earnings Estimates

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CLECO CORP NEW (NYSE)

ZACKS RANK: 3 - HOLD

CNL 37.85 -0.34 (-0.89%) Vol. 517,691 16.00 CST

Current Quarter Estimate	0.37	Next Report Date	Feb 22, 2012
Next Quarter Estimate	0.51	EPS last quarter	1.09
Current Year Estimate	2.44	Last Quarter EPS Surprise	9%
Next Year Estimate	2.45	EPS (Trailing 12 Mos.)	2.42
Expected Earnings Growth	%	PE (forward)	15.59
Expected Sales Growth	1.55%	ABR	2.25

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Premium Research: Stock Analysis

Zacks Rank ? downgraded 01/05/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ? Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ?	PREMIUM
Target Price ?	PREMIUM
Equity Research Report ? Updated as of 01/18/2012	PREMIUM

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Top Peers	Ticker	Zacks Rank
CLECO CORP NEW	CNL	PREMIUM

NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	CNL	IND	S&P
Current Qtr (12/2011)	8.8	N/A	N/A
Next Qtr (03/2012)	8.5	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	0.6	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	0.0	5.1	0.0
PE	15.8	13.1	13.6
PEG Ratio	0.0	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.37	0.51	2.44	2.45
# of Estimates	3	1	4	4
Most Recent Consensus	0.37	0.00	2.45	0.00
High Estimate	0.37	0.51	2.45	2.55
Low Estimate	0.37	0.51	2.43	2.37
Year ago EPS	0.34	0.47	2.28	2.44
Year over Year Growth Est.	8.82%	8.51%	7.13%	0.31%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	1
Up Last 30 Days	0	0	0	1
Down Last 7 Days	0	0	0	0
Down Last 30 Days	0	1	0	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.37	0.51	2.44	2.45
7 Days Ago	0.37	0.51	2.44	2.43
30 Days Ago	0.37	0.60	2.44	2.46
60 Days Ago	0.37	0.59	2.44	2.45
90 Days Ago	0.37	0.61	2.35	2.45

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.37	0.51	0.00	2.52
Zacks Consensus Estimate	0.37	0.51	2.44	2.45
Upside Potential	0.00%	0.00%	0.00%	2.86% ▲

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	1.09	0.52	0.47	0.34	
Estimate	1.00	0.63	0.41	0.26	
Difference	0.09	-0.11	0.06	0.08	0.03
Surprise	9.00% ▲	-17.46% ▼	14.63% ▲	30.77% ▲	9.24% ▲

Earnings Transcript for CNL from 02/27/2009

Quarterly Estimates by Analyst

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FE: FIRSTENERGY CORP - Stock Earnings Estimates

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--Estimates

FIRSTENERGY CORP (NYSE) ZACKS RANK: 3 - HOLD

FE 42.15 -0.11 (-0.26%) Vol. 11,136,684 16.00 CST

Current Quarter Estimate	0.71	Next Report Date	Feb 28, 2012
Next Quarter Estimate	0.86	EPS last quarter	1.34
Current Year Estimate	3.69	Last Quarter EPS Surprise	8.94%
Next Year Estimate	3.25	EPS (Trailing 12 Mos.)	3.37
Expected Earnings Growth	1%	PE (forward)	12.98
Expected Sales Growth	3.41%	ABR	2.25

Learn More About Estimate Research
See Brokerage Recommendations

Premium Research: Stock Analysis

Zacks Rank Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank	PREMIUM
Target Price	PREMIUM
Equity Research Report Updated as of 08/12/2011	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank
FIRSTENERGY CORP	FE	PREMIUM
NORTHEAST UTIL	NU	PREMIUM

CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	FE	IND	S&P
Current Qtr (12/2011)	0.0	N/A	N/A
Next Qtr (03/2012)	26.0	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	-4.4	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	1.0	5.1	0.0
PE	12.5	13.1	13.6
PEG Ratio	13.0	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.71	0.86	3.69	3.25
# of Estimates	11	3	2	14
Most Recent Consensus	0.69	0.98	3.35	3.20
High Estimate	0.82	0.98	3.74	3.46
Low Estimate	0.66	0.79	3.64	3.00
Year ago EPS	0.71	0.68	3.62	3.69
Year over Year Growth Est.	0.00%	25.98%	1.93%	-11.79%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	1	2	0
Up Last 30 Days	1	1	2	0
Down Last 7 Days	0	0	0	2
Down Last 30 Days	3	0	0	6

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.71	0.86	3.69	3.25
7 Days Ago	0.71	0.85	3.38	3.26
30 Days Ago	0.73	0.88	3.40	3.30
60 Days Ago	0.75	0.78	3.39	3.31
90 Days Ago	0.74	0.77	3.35	3.32

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.71	0.89	3.69	3.16
Zacks Consensus Estimate	0.71	0.86	3.69	3.25
Upside Potential	0.00%	3.49% ▲	0.00%	-2.77% ▼

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	1.34	0.64	0.68	0.71	
Estimate	1.23	0.72	0.74	0.78	
Difference	0.11	-0.08	-0.06	-0.07	-0.03
Surprise	8.94% ▲	-11.11% ▼	-8.11% ▼	-8.97% ▼	-4.81% ▼

Earnings Transcript for FE from 11/01/2011

Quarterly Estimates by Analyst

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PCG: PG&E CORP - Stock Earnings Estimates

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PG&E CORP (NYSE) ZACKS RANK: 4 - SELL

PCG 40.40 -0.43 (-1.05%) Vol. 2,463,345 16.00 CST

Current Quarter Estimate	0.85	Next Report Date	Feb 16, 2012
Next Quarter Estimate	0.63	EPS last quarter	1.08
Current Year Estimate	3.53	Last Quarter EPS Surprise	1.89%
Next Year Estimate	3.19	EPS (Trailing 12 Mos.)	3.38
Expected Earnings Growth	4.27%	PE (forward)	12.79
Expected Sales Growth	2%	ABR	2.33

Learn More About Estimate Research
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Premium Research: Stock Analysis

Zacks Rank downgraded 01/05/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank	PREMIUM
Target Price	PREMIUM
Equity Research Report Updated as of 01/09/2012	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank
PG&E CORP	PCG	PREMIUM

NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	PCG	IND	S&P
Current Qtr (12/2011)	20.7	N/A	N/A
Next Qtr (03/2012)	8.1	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	4.3	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	4.3	5.1	0.0
PE	12.1	13.1	13.6
PEG Ratio	3.0	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.85	0.63	3.53	3.19
# of Estimates	12	3	15	16
Most Recent Consensus	0.87	0.49	3.54	3.18
High Estimate	0.89	0.70	3.57	3.30
Low Estimate	0.80	0.49	3.50	3.11
Year ago EPS	0.70	0.58	3.42	3.53
Year over Year Growth Est.	20.71%	8.05%	3.22%	-9.54%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	0
Up Last 30 Days	1	0	1	0
Down Last 7 Days	0	1	1	2
Down Last 30 Days	0	1	1	2

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.85	0.63	3.53	3.19
7 Days Ago	0.85	0.63	3.53	3.20
30 Days Ago	0.84	0.63	3.53	3.20
60 Days Ago	0.84	0.63	3.53	3.26
90 Days Ago	0.84	0.73	3.52	3.66

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.85	0.49	3.54	3.17
Zacks Consensus Estimate	0.85	0.63	3.53	3.19
Upside Potential	0.00%	-22.22% ▼	0.28% ▲	-0.63% ▼

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	1.08	1.02	0.58	0.70	
Estimate	1.06	1.03	0.80	0.73	
Difference	0.02	-0.01	-0.22	-0.03	-0.06
Surprise	1.89% ▲	-0.97% ▼	-27.50% ▼	-4.11% ▼	-7.67% ▼

Earnings Transcript for PCG from 11/03/2011

Quarterly Estimates by Analyst

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Home Run Investor
Insider Trader
Options Trader
Reitmeister Trader
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POR: PORTLAND GEN ELEC CO - Stock Earnings Estimates

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--Estimates

PORTLAND GEN ELEC CO (NYSE) ZACKS RANK: 3 - HOLD

POR 24.88 ▼-0.25 (-0.99%) Vol. 427,153 16.00 CST

Current Quarter Estimate	0.45	Next Report Date	Feb 24, 2012
Next Quarter Estimate	0.84	EPS last quarter	0.36
Current Year Estimate	2.00	Last Quarter EPS Surprise	-21.74%
Next Year Estimate	1.93	EPS (Trailing 12 Mos.)	1.91
Expected Earnings Growth	5%	PE (forward)	13.04
Expected Sales Growth	2.55%	ABR	2.44

Learn More About Estimate Research
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Premium Research: Stock Analysis

Zacks Rank ⓘ upgraded 01/24/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ⓘ Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ⓘ	PREMIUM
Target Price ⓘ	PREMIUM
Equity Research Report ⓘ Updated as of 01/23/2012	PREMIUM

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Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank

PORTLAND GEN ELEC CO	POR	PREMIUM
NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	POR	IND	S&P
Current Qtr (12/2011)	31.1	N/A	N/A
Next Qtr (03/2012)	-8.4	N/A	N/A
Current Year (01/2010)	20.7	-7.6	0.0
Next Year (01/2011)	-3.8	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	5.0	5.1	0.0
PE	13.2	13.1	13.6
PEG Ratio	2.6	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.45	0.84	2.00	1.93
# of Estimates	7	4	10	10
Most Recent Consensus	0.41	1.19	1.97	1.85
High Estimate	0.47	1.19	2.12	2.10
Low Estimate	0.41	0.67	1.95	1.83
Year ago EPS	0.34	0.92	1.66	2.00
Year over Year Growth Est.	31.09%	-8.42%	20.72%	-3.84%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	1	0	1	0
Up Last 30 Days	0	0	1	0
Down Last 7 Days	0	0	0	0
Down Last 30 Days	1	1	1	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.45	0.84	2.00	1.93
7 Days Ago	0.44	0.84	2.00	1.93
30 Days Ago	0.45	0.85	2.01	1.93
60 Days Ago	0.45	0.85	1.99	1.93
90 Days Ago	0.36	0.87	2.01	1.93

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.45	0.67	2.01	1.83
Zacks Consensus Estimate	0.45	0.84	2.00	1.93
Upside Potential	0.00%	-20.24% ▼	0.50% ▲	-5.18% ▼

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	0.36	0.29	0.92	0.34	
Estimate	0.46	0.35	0.55	0.40	

Difference	-0.10	-0.06	0.37	-0.06	0.04
Surprise	-21.74%	-17.14%	67.27%	-15.00%	3.35%

Earnings Transcript for POR from 11/03/2011

Quarterly Estimates by Analyst

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Annual Estimates by Analyst

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UNS: UNISOURCE ENERGY CORP - Stock Earnings Estimates

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Quote Estimates Charts Company Reports News Financials

--Estimates

UNISOURCE ENERGY CORP (NYSE) ZACKS RANK: 5 - STRONG SELL

UNS 36.94 -0.27 (-0.73%) Vol. 184,858 16.00 CST

Current Quarter Estimate	0.28	Next Report Date	Mar 05, 2012
Next Quarter Estimate	0.31	EPS last quarter	1.36
Current Year Estimate	2.84	Last Quarter EPS Surprise	0%
Next Year Estimate	2.48	EPS (Trailing 12 Mos.)	2.70
Expected Earnings Growth	2.6%	PE (forward)	14.98
Expected Sales Growth	2.21%	ABR	3

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Premium Research: Stock Analysis

Zacks Rank ⓘ downgraded 01/21/2012 Short-Term Rating 1-3 Months	PREMIUM
Zacks Recommendation ⓘ Long-Term Rating 6+ Months	PREMIUM
Zacks Industry Rank ⓘ	PREMIUM
Target Price ⓘ	PREMIUM
Equity Research Report ⓘ Updated as of 01/23/2012	PREMIUM

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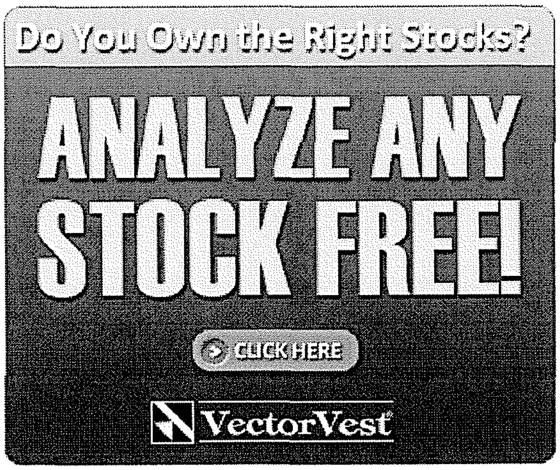

Premium Research: Industry Analysis

Top Peers	Ticker	Zacks Rank

UNISOURCE ENERGY CORP	UNS	PREMIUM
NORTHEAST UTIL	NU	PREMIUM
CONSOL EDISON	ED	PREMIUM
CMS ENERGY	CMS	PREMIUM

See all UTIL-ELEC PWR Peers

Earnings Growth Estimates

	UNS	IND	S&P
Current Qtr (12/2011)	-3.5	N/A	N/A
Next Qtr (03/2012)	-8.8	N/A	N/A
Current Year (01/2010)	0.0	-7.6	0.0
Next Year (01/2011)	16.8	7.4	5.9
Past 5 Years	0.0	11.3	0.0
Next 5 Years	2.6	5.1	0.0
PE	13.8	13.1	13.6
PEG Ratio	5.8	12.7	0.0

Detailed Earnings Estimates

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Zacks Consensus Estimate	0.28	0.31	2.84	2.48
# of Estimates	3	1	1	3
Most Recent Consensus	0.25	0.00	0.00	2.30
High Estimate	0.33	0.31	2.84	2.66
Low Estimate	0.25	0.31	2.84	2.30
Year ago EPS	0.29	0.34	2.82	2.84
Year over Year Growth Est.	-3.45%	-8.82%	0.71%	-12.56%

Agreement - Estimate Revisions

	Current Qtr (12/2011)	Next Qtr (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 7 Days	0	0	0	0
Down Last 30 Days	0	0	0	1

Magnitude - Consensus Estimate Trend

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Current	0.28	0.31	2.84	2.48
7 Days Ago	0.28	0.31	2.84	2.48
30 Days Ago	0.30	0.31	2.84	2.68
60 Days Ago	0.30	0.31	2.84	2.69
90 Days Ago	0.33	0.31	2.84	2.72

Upside - Most Accurate Estimate versus Zacks Consensus

	Current Quarter (12/2011)	Next Quarter (03/2012)	Current Year (12/2011)	Next Year (12/2012)
Most Accurate Estimate	0.25	0.00	0.00	2.39
Zacks Consensus Estimate	0.28	0.31	2.84	2.48
Upside Potential	-10.71% ▾	0.00%	0.00%	-3.63% ▾

Surprise - Reported Earnings History

	09/2011	06/2011	03/2011	12/2010	Average Surprise
Reported	1.36	0.71	0.34	0.29	
Estimate	1.36	0.70	0.35	0.29	

Difference	0.00	0.01	-0.01	0.00	0.00
Surprise	0.00%	1.43%	-2.86%	0.00%	-0.72%

Earnings Transcript for UNS from 04/30/2010

Quarterly Estimates by Analyst

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Annual Estimates by Analyst

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NYSE and AMEX data is at least 20 minutes delayed. NASDAQ data is at least 15 minutes delayed.

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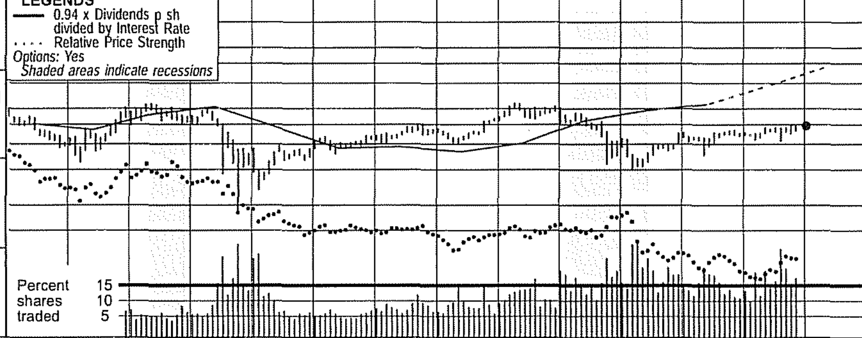
AMERICAN ELEC. PWR. NYSE-AEP

RECENT PRICE	39.46	P/E RATIO	12.0 (Trailing: 12.8; Median: 13.0)	RELATIVE P/E RATIO	0.87	DIV'D YLD	4.8%	VALUE LINE

TIMELINESS **2** Raised 8/19/11
SAFETY **3** Lowered 10/4/02
TECHNICAL **3** Lowered 12/9/11
BETA .70 (1.00 = Market)

High:	48.9	51.2	48.8	31.5	35.5	40.8	43.1	51.2	49.1	36.5	37.9	40.1
Low:	25.9	39.3	15.1	19.0	28.5	32.3	32.3	41.7	25.5	24.0	28.2	33.1

LEGENDS
— 0.94 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range 2014 | 2015 | 2016

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+40%)	13%
Low	35	(-10%)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	235	236	291
to Sell	236	233	205
Hld's(000)	315480	318229	317500

Percent shares traded 15 / 10 / 5

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.3	1.2
3 yr.	48.0	104.4
5 yr.	20.4	22.3

American Electric Power acquired Central and South West Corporation (CSW) in 2000. CSW common stockholders received 0.6 of an AEP common share for each of their shares, for a total of $4.5 billion. The transaction was effected under pooling-of-interests accounting rules.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
190.10	42.96	36.82	35.51	30.76	31.82	33.41	35.56	28.22	30.01	*31.60*	*33.20*	Revenues per sh	*39.00*
7.65	6.99	5.76	5.89	5.96	6.67	6.80	6.84	6.32	6.29	*6.75*	*6.95*	"Cash Flow" per sh	*8.00*
3.27	2.86	2.53	2.61	2.64	2.86	2.86	2.99	2.97	2.60	*3.15*	*3.25*	Earnings per sh A	*3.75*
2.40	2.40	1.65	1.40	1.42	1.50	1.58	1.64	1.64	1.71	*1.85*	*1.90*	Div'd Decl'd per sh B ■	*2.10*
5.69	5.08	3.44	4.28	6.11	8.89	8.88	9.83	6.19	5.07	*5.75*	*6.30*	Cap'l Spending per sh	*7.00*
25.54	20.85	19.93	21.32	23.08	23.73	25.17	26.33	27.49	28.33	*30.40*	*31.85*	Book Value per sh C	*36.75*
322.24	338.84	395.02	395.86	393.72	396.67	400.43	406.07	478.05	480.81	*484.00*	*488.00*	Common Shs Outst'g D	*500.00*
13.9	12.7	10.7	12.4	13.7	12.9	16.3	13.1	10.0	13.4	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	*12.5*
.71	.69	.61	.66	.73	.70	.87	.79	.67	.86			Relative P/E Ratio	*.85*
5.3%	6.6%	6.1%	4.3%	3.9%	4.1%	3.4%	4.2%	5.5%	4.9%			Avg Ann'l Div'd Yield	*4.5%*
61257	14555	14545	14057	12111	12622	13380	14440	13489	14427	*15300*	*16200*	Revenues ($mill)	*19500*
1063.0	976.0	984.0	1038.0	1036.0	1131.0	1147.0	1208.0	1365.0	1248.0	*1520*	*1590*	Net Profit ($mill)	*1910*
36.0%	25.2%	38.8%	33.1%	29.3%	33.0%	31.1%	31.3%	29.7%	34.8%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
--	--	3.8%	3.6%	5.4%	9.9%	9.8%	9.9%	10.9%	10.4%	*11.0%*	*11.0%*	AFUDC % to Net Profit	*10.0%*
54.6%	56.0%	60.6%	56.2%	54.8%	56.7%	58.3%	59.1%	54.4%	53.1%	*51.5%*	*51.0%*	Long-Term Debt Ratio	*49.0%*
44.6%	43.1%	38.7%	43.1%	44.9%	43.0%	41.4%	40.7%	45.4%	46.7%	*48.5%*	*49.0%*	Common Equity Ratio	*51.0%*
18459	16393	20333	19584	20222	21902	24342	26290	28958	29184	*30450*	*31775*	Total Capital ($mill)	*36100*
24543	21684	22029	22801	24284	26781	29870	32987	34344	35674	*36725*	*38000*	Net Plant ($mill)	*41800*
7.5%	7.5%	6.6%	7.0%	6.6%	6.7%	6.3%	6.2%	6.2%	5.7%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
12.7%	13.5%	12.3%	12.1%	11.3%	11.9%	11.3%	11.2%	10.3%	9.1%	*10.5%*	*10.5%*	Return on Shr. Equity	*10.5%*
12.8%	13.7%	12.4%	12.2%	11.3%	12.0%	11.4%	11.3%	10.4%	9.1%	*10.5%*	*10.5%*	Return on Com Equity E	*10.5%*
3.4%	2.4%	4.5%	5.7%	5.2%	5.7%	5.1%	5.1%	4.6%	3.1%	*4.5%*	*4.5%*	Retained to Com Eq	*5.0%*
74%	82%	64%	54%	54%	53%	55%	55%	56%	66%	*59%*	*58%*	All Div'ds to Net Prof	*55%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $17729 mill. **Due in 5 Yrs** $6972 mill.
LT Debt $15183 mill. **LT Interest** $835 mill.
Incl. $1625 mill. securitized bonds.
(LT interest earned: 3.3x)

Leases, Uncapitalized Annual rentals $306 mill.

Pension Assets-12/10 $3.86 bill. **Oblig.** $4.81 bill.

Pfd Stock $61 mill. **Pfd Div'd** $3 mill.
607,044 shs. 4%-5%, cumulative, callable at $102-$110. Redeemed 12/1/11.

Common Stock 482,912,247 shs. as of 10/27/11

MARKET CAP: $19 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-.1	-6.4	+4.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	5.08	4.83	4.95
Capacity at Peak (Mw)	NA	NA	NA
Peak Load (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA
Fixed Charge Cov. (%)	244	265	257

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	-1.5%	-2.0%	*4.0%*
"Cash Flow"	1.0%	2.0%	*3.5%*
Earnings	2.5%	2.0%	*4.5%*
Dividends	-3.5%	2.0%	*4.0%*
Book Value	1.0%	5.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3467	3546	4191	3236	14440
2009	3458	3202	3547	3282	13489
2010	3569	3360	4064	3434	14427
2011	3730	3609	4333	*3628*	*15300*
2012	*3900*	*3900*	*4500*	*3900*	*16200*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.02	.70	.93	.34	2.99
2009	.89	.68	.93	.49	2.97
2010	.72	.35	1.16	.37	2.60
2011	.83	.73	1.18	*.41*	*3.15*
2012	*.90*	*.80*	*1.10*	*.45*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.39	.39	.39	.41	1.58
2008	.41	.41	.41	.41	1.64
2009	.41	.41	.41	.41	1.64
2010	.41	.42	.42	.46	1.71
2011	.46	.46	.46	.47	

BUSINESS: American Electric Power Company, Inc. (AEP), through 10 operating utilities, serves about 5.3 million customers in Arkansas, Kentucky, Indiana, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia. Electric revenue breakdown: residential, 37%; commercial, 25%; industrial, 21%; wholesale, 14%; other, 3%. Sold 50% stake in Yorkshire Holdings (British utility) '01; sold SEEBOARD (British utility) '02; sold Houston Pipeline '05. Generating sources not available. Fuel costs: 35% of revenues. '10 deprec. rate: 3.3%. Has 18,700 employees. Chairman: Michael G. Morris. President & CEO: Nicholas K. Akins. Inc.: New York. Address: 1 Riverside Plaza, Columbus, Ohio 43215-2373. Tel.: 614-716-1000. Internet: www.aep.com.

American Electric Power is awaiting a decision on its regulatory settlement for generation in Ohio. It would lessen the adverse effects that customer choice of power suppliers has on owners of generating assets in the state. The agreement calls for a gradual transition to market prices by 2015. Generating facilities would be separated into a nonregulated subsidiary. This means that AEP wouldn't recover environmental capital spending. There wouldn't be a rate hike in the first year, but there would be price increases afterwards. Some opposition to the settlement remains, however, and there is no assurance that the Ohio commission will approve it. Its decision is expected by the end of December. In a related filing, AEP's utilities in Ohio have reached a settlement, calling for distribution rate hikes totaling $70 million, based on a 10.2% return on equity. This agreement awaits a commission ruling, as well.

Rate activity is occurring in other jurisdictions. In Virginia, the utility was granted a rate increase that will take effect at the start of February. Rate cases are pending in Michigan and Indiana. In each of these states, AEP is significantly underearning its allowed return on equity. Rate relief and modest growth in customer usage should benefit the bottom line in 2012.

AEP expects to issue some $800 million of securitized bonds in Texas in the first quarter. This will enable it to monetize a favorable ruling from the state Supreme Court. The company plans to use the cash for capital spending and to make a pension contribution.

AEP will incur significant costs to comply with new federal environmental rules. The company projects that it will spend $6 billion-$8 billion through 2020. Some coal-fired plants will be retired, some will be converted to gas, and gas-fired generation will be built.

The board of directors has raised the dividend. The increase was a cent a share (2.2%) quarterly. AEP is targeting a payout ratio of 50%-60% and expects to continue providing annual dividend boosts.

This timely stock offers a yield and 3- to 5-year total return potential that are above the utility averages.

Paul E. Debbas, CFA *December 23, 2011*

(A) Excl. nonrec. gains (losses): '02, ($3.86); '03, ($1.92); '04, 24¢; '05, (62¢); '06, (20¢); '07, (20¢); '08, 40¢; '10, (7¢); '11, 65¢; gains (losses) on disc. ops.: '02, (57¢); '03, (32¢); '04, 15¢; '05, 7¢; '06, 2¢; '08, 3¢; '09, (1¢). '09 EPS don't add due to change in shs. Next egs. due late Jan. (B) Div'ds historically paid early Mar., June, Sept. & Dec. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '10: $16.31/sh. (D) In mill. (E) Rate base: various. Rates allowed on com. eq.: 9.96%-10.9%; earned on avg. com. eq., '10: 9.3%. Regul. Climate: Avg.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	90

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AVISTA CORP. NYSE-AVA

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
24.82	14.3 (Trailing: 14.2; Median: 16.0)	0.95	4.8%	VALUE LINE

TIMELINESS 3 Lowered 8/12/11
SAFETY 2 Raised 5/7/10
TECHNICAL 3 Lowered 8/12/11
BETA .70 (1.00 = Market)

2014-16 PROJECTIONS	Price	Gain	Ann'l Total Return
High	35	(+40%)	13%
Low	25	(Nil)	5%

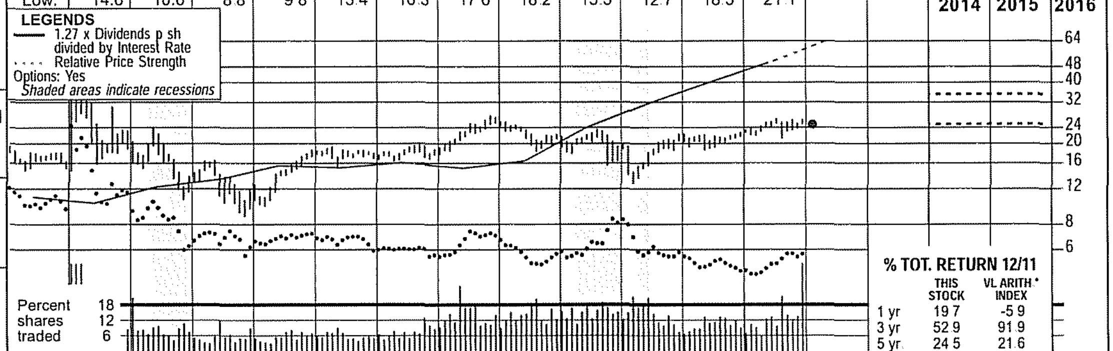
Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	7	0	0	0	1	0	0
to Sell	3	0	11	0	0	1	2	0	3

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	77	104	88
to Sell	72	69	85
Hld's(000)	40326	40394	40696

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	68.0	24.0	16.6	18.7	19.4	20.2	27.5	25.8	23.6	22.4	22.8	26.5
Low:	14.6	10.6	8.8	9.8	15.4	16.3	17.6	18.2	15.5	12.7	18.5	21.1



Target Price Range
2014 | 2015 | 2016

% TOT. RETURN 12/11	THIS STOCK	VL ARITH.* INDEX
1 yr	19.7	-5.9
3 yr	52.9	91.9
5 yr	24.5	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
13.49	16.89	23.27	91.07	221.75	167.59	126.17	20.41	23.24	23.76	27.98	28.68	26.80	30.77	27.58	27.29	*27.35*	*28.55*	Revenues per sh	*32.75*
2.60	2.64	3.20	3.47	2.28	3.31	2.71	2.19	2.63	2.35	2.72	4.27	2.93	3.98	4.45	3.50	*3.70*	*3.85*	"Cash Flow" per sh	*4.50*
1.41	1.35	1.96	1.28	.12	1.76	1.20	.67	1.02	.73	.92	1.47	.72	1.36	1.58	1.65	*1.75*	*1.80*	Earnings per sh A	*2.00*
1.24	1.24	1.24	1.05	.48	.48	.48	.48	.49	.52	.55	.57	.60	.69	.81	1.00	1.10	*1.18*	Div'd Decl'd per sh B ■ †	*1.40*
1.55	1.67	1.82	2.70	3.30	4.24	5.92	1.74	2.21	2.47	3.23	3.14	4.04	4.09	3.86	3.64	*4.00*	*4.20*	Cap'l Spending per sh	*4.50*
12.82	12.70	13.38	11.76	10.69	15.34	15.12	14.84	15.54	15.54	15.87	17.46	17.27	18.30	19.17	19.71	*20.35*	*21.05*	Book Value per sh C	*22.75*
55.95	55.96	55.96	40.45	35.65	47.21	47.63	48.04	48.34	48.47	48.59	52.51	52.91	54.49	54.84	57.12	*58.50*	*59.50*	Common Shs Outst'g D	*61.00*
11.2	13.8	10.0	16.5	NMF	13.6	13.7	19.3	13.8	24.4	19.4	15.4	30.9	15.0	11.4	12.7	*13.8*		Avg Ann'l P/E Ratio	*14.5*
.75	.86	.58	.86	NMF	.88	.70	1.05	.79	1.29	1.03	.83	1.64	.90	.76	.81	*.85*		Relative P/E Ratio	*.95*
7.8%	6.7%	6.4%	5.0%	2.8%	2.0%	2.9%	3.7%	3.5%	2.9%	3.0%	2.5%	2.7%	3.4%	4.5%	4.8%	4.5%		Avg Ann'l Div'd Yield	*4.8%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1289.8 mill. **Due in 5 Yrs** $212.8 mill.
LT Debt $1172.5 mill. **LT Interest** $64.5 mill.
Incl. $51.5 mill. debt to affiliated trusts; $36.3 mill. nonrecourse debt.
(LT interest earned: 3.2x)
Leases, Uncapitalized Annual rentals $4.5 mill.
Pension Assets-12/10 $306.7 mill. **Oblig.** $433.5 mill.
Pfd Stock None

Common Stock 58,215,534 shs.
as of 10/31/11
MARKET CAP: $1.4 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
6009.8	980.4	1123.4	1151.6	1359.6	1506.3	1417.8	1676.8	1512.6	1558.7	*1600*	*1700*	Revenues ($mill)	*2000*
59.6	34.3	51.8	37.8	47.2	75.1	38.5	73.6	87.1	92.4	*105*	*110*	Net Profit ($mill)	*125*
36.6%	46.6%	40.5%	36.4%	35.4%	35.9%	38.7%	38.3%	34.3%	35.0%	*35.0%*	*36.0%*	Income Tax Rate	*36.0%*
17.6%	21.8%	2.1%	3.7%	3.6%	3.9%	22.4%	14.0%	4.2%	4.0%	*4.0%*	*6.0%*	AFUDC % to Net Profit	*6.0%*
62.8%	57.3%	57.1%	56.5%	58.0%	53.7%	41.0%	48.1%	50.9%	51.6%	*52.0%*	*50.5%*	Long-Term Debt Ratio	*52.0%*
35.5%	40.8%	41.3%	41.9%	40.6%	46.3%	59.0%	51.9%	49.1%	48.4%	*48.0%*	*49.5%*	Common Equity Ratio	*48.0%*
2030.8	1748.7	1819.4	1796.2	1900.8	1980.1	1548.9	1919.5	2139.0	2325.3	*2475*	*2540*	Total Capital ($mill)	*2900*
1565.6	1563.7	1944.6	1956.1	2126.4	2215.0	2351.3	2492.2	2607.0	2714.2	*2835*	*2965*	Net Plant ($mill)	*3350*
5.4%	4.8%	5.2%	4.3%	4.8%	6.1%	5.2%	5.8%	5.5%	5.4%	*5.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
7.9%	4.6%	6.6%	4.8%	5.9%	8.2%	4.2%	7.4%	8.3%	8.2%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
7.9%	4.5%	6.6%	4.7%	5.9%	8.0%	4.2%	7.4%	8.3%	8.2%	*8.5%*	*8.5%*	Return on Com Equity E	*9.0%*
4.8%	1.2%	3.4%	1.4%	2.4%	4.9%	8%	3.7%	4.1%	3.3%	*3.5%*	*3.0%*	Retained to Com Eq	*2.5%*
42%	74%	50%	72%	60%	40%	82%	50%	51%	60%	*61%*	*64%*	All Div'ds to Net Prof	*68%*

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	+1.2	-.8	-1.1
Avg. Indust. Use (MWH)	1483	1397	1525
Avg. Indust. Revs. per KWH (¢)	4.94	5.53	5.47
Capacity at Peak (Mw)	2480	2514	2905
Peak Load, Winter (Mw)	2383	2371	2507
Annual Load Factor (%)	62.0	61.0	60.0
% Change Customers (yr-end)	+.9	+.3	+.5
Fixed Charge Cov. (%)	232	299	301

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	-16.0%	2.5%	*2.5%*
"Cash Flow"	3.0%	9.0%	*2.0%*
Earnings	4.0%	11.5%	*4.5%*
Dividends	2.0%	10.0%	*9.0%*
Book Value	4.0%	4.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	496.3	350.3	382.7	447.5	1676.8
2009	487.5	307.1	314.7	403.3	1512.6
2010	456.4	360.7	367.2	374.4	1558.7
2011	476.6	360.6	343.7	*419.1*	*1600*
2012	*500*	*375*	*375*	*450*	*1700*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.47	.44	.13	.32	1.36
2009	.57	.47	.15	.40	1.58
2010	.52	.46	.22	.45	1.65
2011	.73	.39	.18	*.45*	*1.75*
2012	*.65*	*.45*	*.20*	*.50*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.165	.165	.18	.18	.69
2009	.18	.21	.21	.21	.81
2010	.25	.25	.25	.25	1.00
2011	.275	.275	.275	.275	1.10
2012					

BUSINESS: Avista Corporation (formerly The Washington Water Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies gas to part of Oregon. Customers: 359,000 electric, 319,000 gas. Has nonutility subsidiary (Ecova) involved in energy-management services. Electric revenue breakdown: residential, 30%; commercial, 27%; industrial, 12%; wholesale, 17%; other, 14%. Generating sources: hydro, 27%; gas, 13%; coal, 13%; wood waste, 2%; purchased, 45%. Fuel costs: 52% of revenues. '10 reported deprec. rate (utility): 2.8%. Has 2,500 employees. Chairman, President & CEO: Scott L. Morris. Inc.: WA. Address: 1411 E. Mission Ave., Spokane, WA 99202-2600. Tel.: 509-489-0500. Internet: www.avistacorp.com.

The Washington Utilities and Transportation Commission has approved Avista's rate settlement. At the start of 2012, the utility's electric and gas tariffs were raised by $20.0 million (4.5%) and $3.75 million (2.5%), respectively. The settlement was a "black box" agreement in which an allowed return on equity was not specified. Under terms of the deal, Avista may not file another rate application in the state before April 1, 2012.

Even with frequent rate relief, the utility isn't earning an adequate ROE. Washington and Idaho look at historical expenses when setting rates, unlike states that consider forward-looking data. This means that the company is constantly trying to catch up to capital spending and rising expenses. So, Avista expects to file another petition in Washington shortly after April 1st. Rates in Idaho (where electric and gas increases took effect on October 1, 2011) are frozen until April of 2013. The utility may put forth an application before then, as long as new tariffs wouldn't take effect until after the rate freeze is over.

We look for a slight profit increase in 2012. Rate relief should help. On the other hand, we assume that hydro conditions won't be as favorable as in 2011. Our 2012 share-net estimate is within Avista's targeted range of $1.65-$1.85.

The Ecova energy-services subsidiary is expanding. Ecova has been making acquisitions that enable it to provide energy efficiency services to its customers, in addition to its traditional cost-management offerings. In the past few months, the company acquired two companies with revenues that totaled $27.4 million in the first nine months of 2011. Ecova's income should improve by a few cents a share this year from an expected $0.13-$0.16 in 2011.

Dividend growth has been rapid in recent years. We expect another increase at the board meeting later this month. We estimate a boost of $0.02 a share (7.3%) quarterly. In fact, by 2013, the annual dividend might well exceed its level prior to the reduction in 1998. Avista is targeting a payout ratio of 60%-70%.

This stock has some appeal for utility investors. The dividend yield is above the industry average, as is total return potential to mid-decade.

Paul E. Debbas, CFA *February 3, 2012*

(A) Dil. EPS. Excl. nonrec. losses: '00, 27¢; '02, 9¢; '03, 3¢; gain (losses) on disc. ops.: '01, ($1.00); '02, 2¢; '03, (10¢). '09 EPS don't add due to rounding. Next egs. report due mid-Feb. (B) Div'ds historically paid in mid-Mar., June, Sept. & Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. def'd chgs. In '10: $8.33/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in WA in '12: none specified; in ID in '10: none specified; earned on avg. com. eq., '10: 8.5%. Regulatory Climate: WA, Avg.; ID, Above Avg.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	65

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THE VALUE LINE
Investment Survey®

PAGES 1825-1836
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PART 2 — *Selection & Opinion* — DECEMBER 30, 2011

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The 2012 Stock Market: A Forecast

In This Issue

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 19.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

VALUE LINE ECONOMIC AND STOCK MARKET COMMENTARY

Wall Street's performance during 2011—to paraphrase Shakespeare's *Macbeth*—was a tale full of sound and fury signifying nothing. That is, there was a lot of noise, with a series of spirited rallies and frenetic selloffs along the way, but relatively little change. Thus, we find the Dow Jones Industrial Average up just 4.5% for the year to date; the Standard & Poor's 500 Index down 1.3%; and the NASDAQ off 1.9%. This lackluster performance follows solid increases in 2009 and 2010, when the nation was recovering not only from the worst business downturn since the Great Depression, but also from the most severe bear market in decades. Now, with the memory of those dour events moving further back into the rearview mirror—and equity prices having moved much higher to reflect this changing state of affairs—the Dow found the going more difficult in 2011. That is especially so from its more elevated starting perch of 11,578, on January 3, 2011.

As for the Dow, there were a few strong performances in 2011. These came notably from *McDonald's*, *IBM*, *Pfizer*, *Home Depot*, and *Kraft*. At the same time, we saw a number of key laggards, including *Bank of America*, *Alcoa*, *Hewlett-Packard*, *JPMorgan Chase*, and *Cisco*. In all, there were a few more winners than losers in the Dow in 2011 as we went to press—in what was largely a lost year.

Twelve months ago, as we were putting the finishing touches on a much better market showing—with a low-double-digit gain in the Dow Jones Industrials—we opined that "the just-concluded year had its share of challenges." What we had alluded to were the uncertainties in China and Europe, the election-year drama in Washington, and the tenuous path of the U.S. economy. Regrettably, little has changed in the interim. In fact, even though China has eased out of the daily headlines, and our own economy is looking a little more resilient, as we peer out to 2012, the tension between the political parties is rising at a fevered pitch, and the news out of Europe remains relatively sobering. Indeed, the tidings there are often a prime mover for the daily ups and downs on Wall Street.

As we critique the final months of 2011, and look out to 2012, we see little sense the Continent will lessen as a concern. Unfortunately, even the somewhat better outlook at home is contingent upon a rise in stability in the euro zone and data

(Continued on page 1827)

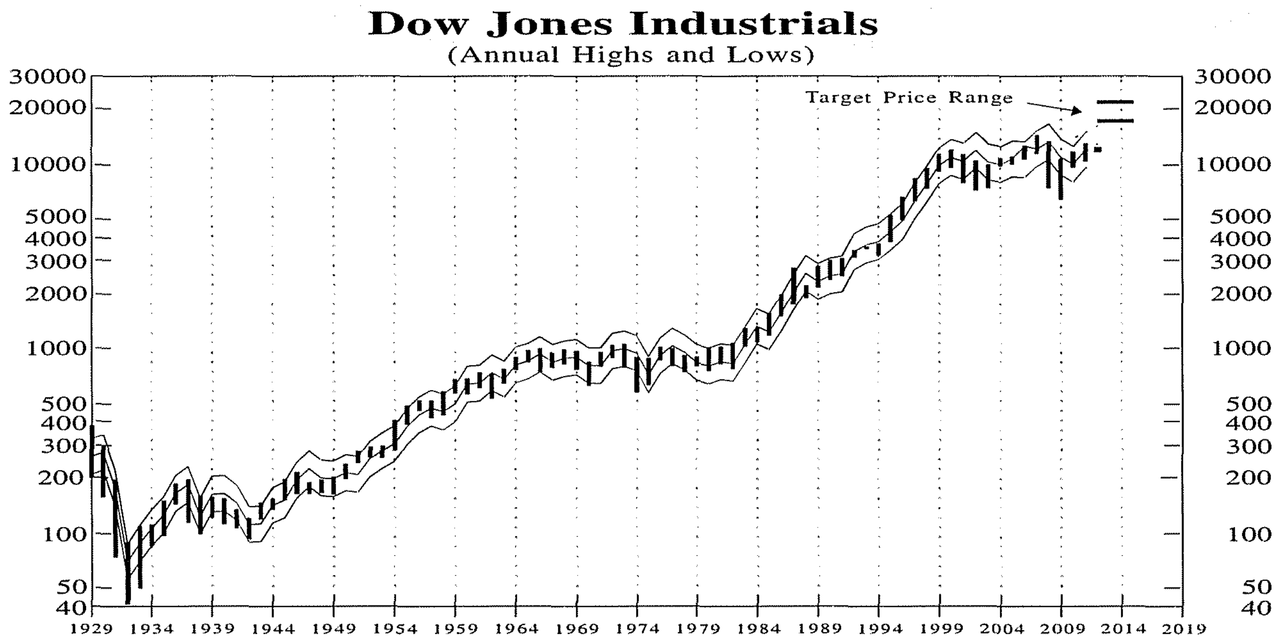
CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	12/14/2011	12/21/2011	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	11823.48	12107.74	+2.4%	+5.0%
Standard & Poor's 500	1211.82	1243.72	+2.6%	-0.9%
N.Y. Stock Exchange Composite	7184.75	7388.52	+2.8%	-6.5%
NASDAQ Composite	2539.31	2577.97	+1.5%	-3.4%
NASDAQ 100	2233.03	2249.03	+0.7%	+0.6%
American Stock Exchange Index	2213.68	2237.63	+1.1%	+3.4%
Value Line (Geometric)	316.53	327.65	+3.5%	-12.4%
Value Line (Arithmetic)	2581.34	2675.39	+3.6%	-7.0%
London (FT-SE 100)	5366.80	5389.74	+0.4%	-9.4%
Tokyo (Nikkei)	8519.13	8459.98	-0.7%	-18.4%
Russell 2000	708.46	740.45	+4.5%	-6.3%

Dow Jones Industrials: Earnings and Dividends

Ratings & Reports Page	Company	2010 (Actual) Earnings	2010 (Actual) Dividends	2011 (Estimated) Earnings	2011 (Estimated) Dividends	2012 (Estimated) Earnings	2012 (Estimated) Dividends	2014-2016 (Targeted Price) High	2014-2016 (Targeted Price) Low
1768	3M Company	5.75	2.10	5.90	2.20	6.30	2.30	160	130
1565	Alcoa Inc.	0.25	0.12	0.77	0.12	0.95	0.12	25	18
2535	American Express Company	3.35	0.72	4.11	0.72	4.35	0.80	90	65
923	AT&T Inc.	2.29	1.68	2.30	1.72	2.55	1.76	50	40
2504	Bank of America	(0.37)	0.04	—	0.04	0.80	0.04	20	13
706	Boeing Company	4.46	1.68	4.44	1.68	5.30	1.68	120	90
162	Caterpillar Inc.	4.15	1.72	7.30	1.80	9.00	1.86	210	140
503	Chevron Corporation	9.48	2.84	14.40	3.09	13.10	3.30	155	125
954	Cisco Systems	1.32	—	1.25	0.18	1.60	0.24	35	30
1968	Coca-Cola Company	3.49	1.76	3.87	1.88	4.20	2.04	130	105
2327	Disney (Walt)	2.28	0.35	2.56	0.40	3.18	0.60	80	65
1582	Du Pont	3.28	1.64	3.92	1.64	4.30	1.68	120	95
505	Exxon Mobil Corp.	6.22	1.74	8.50	1.85	8.50	1.91	140	115
1751	General Electric Co.	1.15	0.46	1.35	0.58	1.60	0.72	50	30
1406	Hewlett-Packard Company	3.93	0.32	2.71	0.48	3.59	0.48	75	60
1138	Home Depot, Inc.	2.03	0.95	2.38	1.04	2.70	1.20	55	45
1362	Intel Corporation	2.05	0.63	2.45	0.78	2.65	0.84	60	50
1409	Int'l Business Machines Corp.	11.52	2.50	12.95	2.90	14.25	3.15	285	235
223	Johnson & Johnson	4.76	2.11	4.96	2.25	5.25	2.40	100	85
2515	JPMorgan Chase & Co.	3.96	0.20	4.50	1.00	4.70	1.00	90	60
1923	Kraft Foods Inc.	2.02	1.16	2.30	1.16	2.60	1.16	60	50
365	McDonald's Corp.	4.60	2.26	5.25	2.54	5.70	2.85	120	100
1609	Merck & Co.	3.42	1.52	3.75	1.67	3.90	1.68	50	40
2584	Microsoft Corp.	2.35	0.52	2.79	0.72	2.86	0.82	55	45
1619	Pfizer, Inc.	1.03	0.72	1.30	0.80	1.60	0.88	30	25
1196	Procter & Gamble	3.67	1.89	3.91	2.06	4.38	2.22	110	90
773	Travelers Cos	6.31	1.44	3.40	1.60	5.80	1.70	100	80
1770	United Technologies	4.74	1.70	5.48	1.87	6.15	2.10	135	110
943	Verizon Communication	2.21	1.93	2.20	1.96	2.55	2.00	65	55
2152	Wal-Mart Stores	4.07	1.21	4.55	1.46	5.00	1.65	85	70
	Dow Jones Industrials*	**830.78**	**286.92**	**950.20**	**319.27**	**1,055.10**	**341.94**	**21,645**	**17,112**

* Column totals are adjusted by using a divisor (currently 0.132129493) to adjust for stock splits and substitutions. Earnings and dividends figures are based on the twelve months ending December 31st.



Regression Formula: $P_t = 1.023\ P_{t-1} \times \left[\frac{\text{EARNINGS } t}{\text{EARNINGS } t\text{-}1}\right]^{.220} \times \left[\frac{\text{DIVIDENDS } t}{\text{DIVIDENDS } t\text{-}1}\right]^{.341} \times \left[\frac{\text{Aaa BOND YLD } t}{\text{Aaa BOND YLD } t\text{-}1}\right]^{-.349}$

(Continued from cover page)

showing that the worst is over on the housing and employment fronts in our country. That may be a tall order—especially with regard to Europe. Then, there is the contentious setting in the nation's Capitol. With the two parties gearing up for a tough election-year fight, for both Congress and the White House, there is likely to be little room for compromise. Fiscal policies, in fact, may continue to be held captive to election-year politics. That could put additional pressure on our economy, especially if tax policies friendly to consumers are not retained.

As for our economy, meantime, we probably ended the fourth quarter with gross domestic product growth in the range of 2.5%. That would be the high point for 2011. However, we are wary about 2012, especially with the cloud hanging over Europe still quite menacing. For now, we look for a mild recession on the Continent, and for growth stateside to be in the area of 2.0%-2.5%. The caveat is Europe. If the economy there unwinds more severely than we now expect, and a serious recession results, we might need to reconfigure our U.S. model.

Meanwhile, at the end of 2010, we had forecast that the average price for the Dow Jones Industrial Average in 2011 would be 11,600. That figure, which proved too low, but only incrementally so, reflected our earnings forecast for the Dow, our dividend estimates for that index, and our thinking that interest rates would remain at historically low levels. The average price for the Dow in 2011 was 11,950, which was 3% above our 11,600 estimate. Our estimation fell short largely as a result of the solid uptick in earnings in the now-ending year for the Dow companies. Overall, the presumptive gain in earnings in 2011 was 14.4%. That was better, in terms of the overall number, than our forecast made at this time a year ago, with especially favorable results at *Caterpillar*, *Chevron*, *Exxon Mobil*, and *United Technologies*. It is worth noting that the healthy net gain inked in 2011 was less dramatic than the outsized increase posted in 2010, as that earlier improvement followed the painful recession years of 2008 and 2009. In the meantime, our dividend forecast was low by 3.3%.

Our current estimates, reflecting the further distancing of the nation's economy from the sharpest downturn since the Great Depression, call for Dow earnings of $1,055 in 2012 and dividends of $342. Employing these projections, the average price for the Dow in 2012—using our model—would be 12,900. The accompanying table of the Dow Jones Industrial Average shows a prospective profit gain of 11.0% in 2012. Among the leaders in this growing profit stream are likely to be *Boeing*, *Caterpillar*, *Disney (Walt)*, *Hewlett-Packard*, and *Travelers Cos*. For the most part, this 30-company group figures to extend its noteworthy earnings expansion in 2012. No Dow component is estimated to have a down year in 2012, with just *Exxon Mobil* forecast to show no increase. Such projected gains assume that the current maturing economic up cycle won't take a step back in 2012, under pressure from proliferating business woes in Europe—where a recession is likely, in our opinion.

As noted, our projection for the average price for the Dow Jones Industrial Average in 2012 stands at 12,900. That is 7.9% higher than the average 2011 price for the Dow of 11,950, and 6.6% above the press-time level. This suggests that the current price discounts some of the further gains we see ahead for earnings and dividends in the year upcoming, as it falls short of the projected double-digit earnings growth. The Dow target also takes into account the flattish long-term interest-rate trend we see in place in 2012. With the Federal Reserve understandably focused more on the distressingly high U.S. unemployment rate, which is still at 8.6%, than on inflation, which remains largely dormant, any change in the level of borrowing costs will be incremental, at most.

Meanwhile, the undervaluation we saw in 2008 and 2009 is now further into the history books. The valuations now in place, while not rich by most measures, are best catergorized as reasonable, especially given the low level of inflation that, as noted, we think will stay in place for some time to come.

As for 2012, we expect the Dow's earnings to rise by 11.0%, dividends to gain 7.1%, and interest rates, as represented by AAA corporate bonds, to tick down slightly, as the central bank possibly moves to adopt further monetary easing policies. Such a mix of mildly positive variables explains why we see an average price for the Dow in 2012 that is about 8% higher than the recent level. Also assuming an average price of 12,900, the Dow would be selling at 12.2 our earnings forecast of $1,055. Such a P/E, which is slightly below the 12.5 P/E in place a year ago at this time, clearly does not suggest that the stock market is now over-extended. As noted, we feel that the equity market is capitalized reasonably at this time.

Note: The band about the 12,900 Dow Industrials target allows for a wide variance in price during 2012. Specifically, our Dow model's target of 12,900 represents the midpoint of a wide projected range in which the average price of the Dow is likely to wind up in 2012. The range for the year about to begin is 16,140 on the high end and 10,330 on the low end. Our projected 2014-2016 range for the Dow is about 17,100 to 21,600. Note that on the chart on the prior page, the vertical lines represent the annual highs and lows of the 30-stock Dow Jones Industrial Average.

Conclusion: We remain generally constructive on prospects in the year ahead, despite the myriad ills in Europe, and the Continent's potential to restrain the business performance over here. Our sense is that the U.S. economy will prove to be sufficiently resilient to lumber on at a modest gait of 2%, or so, in 2012. That likely will translate into additional earnings growth in the year ahead. Our sense is that within such a benign setting, stocks should head irregularly higher. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

Model Portfolios: Recent Developments

PORTFOLIO I

We are purchasing *Kirby Corp.* shares for Portfolio I this week. The company operates in the marine transportation industry, providing inland waterway transportation of chemicals and petroleum products and offshore transportation of dry-bulk shipments. *Kirby* has been experiencing healthy demand for its services, as favorable natural gas prices have worked to improve the business environment for the domestic petrochemical industry. In addition, increasing production from shale oil fields in South Texas, the Midwest, and Canada is boosting demand for Kirby's services, reflecting the need to transport shale crude to the Gulf Coast. Recent acquisitions have proved to be a benefit by either extending or enhancing the demand for the company's services. From a financial perspective, *Kirby*'s operating and net profit margins show remarkable stability, in our view, and it has a respectable record for returns on total capital. The combination suggests that the company has been effective at investing in its operations.

As is stands now, it looks like 2012 should be another good year for *Kirby*. Although the stock is not now trading in bargain territory, there could be some relative strength in the year ahead at its current valuation. To make room for *KEX* shares, we are selling TE Connectivity stock, which is now ranked 3 (Average) for Timeliness.

PORTFOLIO II

We are not making any changes to Portfolio II this week. Overall, the U.S. stock market has remained volatile, as investors weigh ever-changing news out of Europe, against a flurry of optimistic economic reports in the United States. A batch of uneven earnings reports and guidance issued by some bellwether U.S. companies has further complicated matters. Recently, *Emerson Electric* noted some weakness in orders. This did not come as a surprise, given that the company has previously spoken of a challenging environment. The stock, which is currently ranked 3 for Timeliness, has encountered some selling, but will, hopefully, find support near the current price level. Also, *Telefonica* has announced that it will be lowering its cash dividend. Shares of the Spanish telecom giant have not done well this quarter, as investors worry about a slowdown in Europe, and the company's debt level. The issue is neutrally ranked for year-ahead performance and bears monitoring.

On a more positive note, many of our holdings are making progress. In pharmaceuticals, *Abbott Labs.* is near its 52-week high, while its rival *Sanofi* and medical-devices maker *Medtronic* seem to be firming up. In the food area, *Coca-Cola* and *McDonald's* are also making steady progress, helped by expansion in international markets. In addition, our transportation-related holdings *United Parcel* and newly added *Union Pacific* are near high ground as well.

PORTFOLIO III

Portfolio III has performed roughly in line with the U.S. stock market in 2011, a year dominated by macroeconomic issues, most notably the ongoing sovereign-debt crisis in Europe. The group maintains a good long-term track record, however, and looks poised to outpace the major averages over the next several quarters. Relative strength will come, we think, from our two energy plays, *Halliburton* and *National Oilwell Varco*. These volatile issues should benefit from oil prices, which have been on an upswing since dipping below the $80-a-barrel mark in early October. China's thirst for oil, in particular, ought to swell as automobile ownership rises and gross domestic product per capita in the country remains in a strong expansion mode.

In the meantime, company-specific fundamentals across the portfolio look to be improving, by and large, which should support higher equity prices in the year ahead. Pharmacy chain *CVS Caremark*, for one, seems to be on the verge of another growth spurt. The company recently pleased Wall Street by indicating that earnings would advance by about 15% in 2012, due largely to market-share advances in the recovering PBM (pharmacy benefit management) division. That business is benefiting from new management, a more effective marketing strategy, and miscues from rival Walgreen, which failed to renew a key contract with employee-benefits manager Express Scripts. We are making no changes to the group this week.

PORTFOLIO IV

As we close out 2011, Portfolio IV has weathered the volatile market relatively well. High-yielding equities performed well during the year, in many cases rising more than the broader indices in price, while also providing investors with a steady stream of income. The positive showing reflects a shift towards safety amid uncertain economic conditions, high unemployment, and inflated commodity prices. Certainly, the majority of these holdings are ranked highly for Safety and carry below-market betas.

The current portfolio is heavy on electric utilities, food and tobacco providers, and foreign companies. Other high-yielding sectors, such as telecommunications, drugs, and chemicals are represented in smaller portions. There are also several large manufacturers representing a diverse set of industries. Specifically, shares of *International Paper, DuPont, and Northrop Grumman* help to provide an added boost of capital-appreciation potential. Also, *McDonald's* stock had a nice run during 2011, while *Reynolds American* soared.

We expect a number of Portfolio IV companies to hike their payouts when declaring dividends in January. And, December-quarter earnings reports should provide an indication of the direction our group may head in 2012. As a reminder, a stock is automatically removed from the portfolio if its Timeliness rank falls below 4 (Below Average).

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	68.99	1	3	14.4	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	395.95	2	2	12.9	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	35.10	1	2	12.2	0.8	0.95	B++	Packaging & Container
383	CSTR	Coinstar Inc.	47.05	2	3	13.8	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	11.16	1	4	8.6	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.09	1	3	10.9	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	23.34	2	3	12.4	2.8	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	60.79	1	3	15.4	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	30.17	2	3	8.6	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	36.07	1	3	9.6	1.6	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	64.60	1	3	18.0	Nil	1.15	B+	Maritime
2141	KSS	Kohl's Corp.	49.09	1	2	10.2	2.3	1.00	A+	Retail Store
932	MIICF	Millicom Int'l Cellular	104.58	1	3	12.2	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	70.86	1	3	12.5	2.4	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	40.41	1	3	16.3	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	68.62	2	3	12.9	0.2	1.25	B+	Apparel
327	R	Ryder System	51.95	2	3	13.6	2.2	1.25	B+	Trucking
1622	TEVA	Teva Pharmac. (ADR)	42.34	1	1	7.9	2.2	0.60	A	Drug
738	TKR	Timken Co.	38.15	1	3	8.0	2.1	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	59.44	1	3	12.8	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	54.86	1	1	11.2	3.5	0.60	A++	Drug
2539	BLK	BlackRock, Inc.	173.14	3	3	13.7	3.2	1.20	A	Financial Svcs. (Div.)
503	CVX	Chevron Corp.	103.67	1	1	7.6	3.1	0.95	A++	Petroleum (Integrated)
1968	KO	Coca-Cola	68.40	3	1	16.6	2.7	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	91.55	3	1	17.3	2.5	0.60	A++	Household Products
504	COP	ConocoPhillips	69.78	2	1	7.8	4.0	1.10	A++	Petroleum (Integrated)
1582	DD	Du Pont	45.01	3	1	11.5	3.7	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	49.67	3	1	13.5	3.2	1.05	A++	Electrical Equipment
1753	HON	Honeywell Int'l	54.36	2	1	12.7	2.7	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	23.84	2	1	9.4	3.5	1.00	A++	Semiconductor
718	LMT	Lockheed Martin	78.53	2	1	9.9	5.2	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	98.82	3	1	18.2	2.8	0.65	A++	Restaurant
193	MDT	Medtronic, Inc.	36.17	3	1	10.2	2.8	0.85	A++	Med Supp Invasive
1337	MOLX	Molex Inc.	23.29	3	2	12.5	3.4	1.20	A	Electronics
409	RSG	Republic Services	26.90	2	3	13.1	3.3	0.95	B+	Environmental
1621	SNY	Sanofi ADR	35.71	3	1	11.7	5.2	0.80	A+	Drug
1048	TEF	Telefonica SA ADR	17.14	3	2	7.0	9.0	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	101.20	2	2	14.3	2.4	1.15	A	Railroad
317	UPS	United Parcel Serv.	72.56	3	1	16.1	2.9	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	59.19	2	1	12.4	2.5	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1541	AFL	Aflac Inc.	40.85	2	3	6.6	3.2	1.15	60 - 135%	Insurance (Life)
973	CVS	CVS Caremark Corp.	39.80	2	1	13.4	1.6	0.80	50 - 90	Pharmacy Services
355	CBOU	Caribou Coffee	13.52	3	4	33.0	Nil	0.95	50 - 160	Restaurant
1596	CELG	Celgene Corp.	66.43	3	2	20.1	Nil	0.75	50 - 105	Drug
2327	DIS	Disney (Walt)	36.17	3	1	12.4	1.7	1.05	80 - 120	Entertainment
927	DY	Dycom Inds.	20.16	1	3	17.5	Nil	1.40	50 - 125	Telecom. Services
2623	GOOG	Google, Inc.	630.37	3	2	17.0	Nil	0.90	115 - 185	Internet
2105	GES	Guess Inc.	29.05	4	3	8.1	2.8	1.25	125 - 245	Apparel
2411	HAL	Halliburton Co.	33.21	2	3	8.5	1.1	1.35	95 - 200	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	37.57	3	3	14.3	1.3	1.50	35 - 85	Recreation
1920	HRL	Hormel Foods	28.92	3	1	15.9	2.1	0.65	20 - 55	Food Processing
1998	ESI	ITT Educational	51.60	2	3	5.7	Nil	0.70	115 - 220	Educational Services
223	JNJ	Johnson & Johnson	64.52	3	1	12.9	3.5	0.65	30 - 55	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	32.15	3	3	7.1	3.1	1.20	150 - 275	Auto Parts
1585	MOS	Mosaic Company	49.93	3	3	9.2	0.5	1.60	70 - 160	Chemical (Basic)
2416	NOV	National Oilwell Varco	67.36	3	3	13.2	0.7	1.55	65 - 150	Oilfield Svcs/Equip.
1976	PEP	PepsiCo, Inc.	65.53	3	1	14.4	3.2	0.60	70 - 105	Beverage
753	X	U.S. Steel Corp.	25.07	2	3	NMF	0.8	1.70	140 - 240	Steel
815	UNH	UnitedHealth Group	49.82	2	2	10.7	1.3	1.00	70 - 130	Medical Services
1384	XLNX	Xilinx Inc.	31.97	4	2	15.9	2.4	0.90	40 - 90	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	54.86	1	1	11.2	3.5	0.60	A++	Drug
600	ARLP	Alliance Resource	73.65	1	3	9.3	5.2	1.10	B+	Coal
903	LNT	Alliant Energy	42.91	3	2	15.7	4.2	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	29.77	1	3	8.0	4.3	1.00	B+	Telecom. Utility
1987	BTI	Brit. Amer Tobac. ADR	93.08	3	2	15.1	4.1	0.70	B++	Tobacco
140	ED	Consol. Edison	60.80	3	1	17.0	3.9	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	43.93	4	3	12.6	3.9	1.05	A	Restaurant
1582	DD	Du Pont	45.01	3	1	11.5	3.7	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	53.03	4	1	15.1	3.6	0.65	A+	Food Processing
1160	IP	Int'l Paper	28.50	1	3	8.9	3.7	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.18	3	2	15.6	4.1	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	98.82	3	1	18.2	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	56.75	2	1	8.1	3.7	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	55.30	2	2	16.5	2.9	0.80	A	Electric Util. (Central)
2247	POR	Portland General	24.85	3	3	13.1	4.3	0.75	B+	Electric Utility (West)
1990	RAI	Reynolds American	41.01	4	2	15.1	5.5	0.60	B+	Tobacco
1930	SLE	Sara Lee Corp.	18.72	NR	2	20.8	2.6	0.80	B++	Food Processing
154	SO	Southern Co.	45.42	2	1	17.4	4.3	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	20.77	3	3	16.6	5.6	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	42.10	3	3	16.8	5.3	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Damon Churchwell, Senior Analyst.

Investors' Datebook: January, 2012

DATE	EVENT
1/2	**New Year's Day (observed)—U.S. Financial Markets Closed**
1/3	13- & 26-Week Treasury Bill Auction Construction Expenditures, November-10:00 ISM's Purchasing Manager's Index (Manufacturing), December-10:00
1/4	Factory Orders, November-10:00
1/5	Initial Unemployment Claims-8:30 ISM's Purchasing Manager's Index (Non-Manufacturing), December-10:00 Weekly Fed Data-4:30
1/6	Employment Situation, December-8:30
1/9	13- & 26-Week Treasury Bill Auction Consumer Credit, November-3:00
1/10	Wholesale Trade, November
1/12	Advance Retail Sales, December-8:30 Initial Unemployment Claims-8:30 Mfg. & Trade: Inventories & Sales, November-10:00 Treasury Budget Report, December-2:00 Weekly Fed Data-4:30
1/13	Merchandise Trade Balance, November-8:30
1/16	**Martin Luther King Day—U.S. Financial Markets Closed**
1/17	13- & 26-Week Treasury Bill Auction
1/18	Producer Price Index, December-8:30 Capacity Utilization, December-9:15 Industrial Production, December-9:15
1/19	Consumer Price Index, December-8:30 Housing Starts & Building Permits, December-8:30 Initial Unemployment Claims-8:30 Weekly Fed Data-4:30 Real Earnings, December
1/20	Existing Home Sales, December-10:00
1/23	13- & 26-Week Treasury Bill Auction Existing Home Sales, December-10:00
1/25	FOMC Meeting
1/26	FOMC Meeting Durable Goods Orders, December-8:30 Initial Unemployment Claims-8:30 Leading Indicators, December-10:00 New Home Sales, December-10:00 Weekly Fed Data-4:30
1/27	Gross Domestic Product, 4Q11 (Advance)
1/30	13- & 26-Week Treasury Bill Auction Personal Income and Outlays, December-8:30
1/31	Agricultural Prices Employment Cost Index, 4Q11

Source: Office of Management & Budget.

Timely Stocks with High Price and Earnings Momentum

Share price and earnings momentum are among the criteria used by the Value Line Timeliness Ranking System to identify stocks likely to outperform the market over the next six to 12 months.

Each stock listed below had to appreciate by at least 15% in price over the last 13 weeks. We note that by way of comparison, the Value Line (Arithmetic) Average, a broad measure of the stock market, increased 4.2% during the same period. In addition, these companies all posted year-over-year gains in earnings per share of at least 25% during the most recent three-month period for which they have reported financial results. And according to Value Line's analysts, their year-over-year share net is estimated to advance by at least 25% in the next earnings period and 25% for the current fiscal year as a whole. By these measures, then, the equities in this week's screen can be characterized as investor favorites.

Moreover, all of these stocks are ranked at least 2 (Above Average) for relative price performance in the year ahead. And, to provide a cushion in today's volatile market, we eliminated all stocks that were rated below 3 (Average) for Safety. We have presented the roster in descending order of estimated earnings growth in the upcoming quarter.

Having constructed a list of stocks with attractive near-term growth prospects, we also provide their beta coefficients (a measure of the correlation of a stock's return relative to that of the broader market) and valuations, as expressed by their price-earnings (P/E) ratios. Contrasting with what is usually the case, this roster calls attention to the fact that, on balance, investors are not willing to pay a large premium for these companies' relatively rapid earnings growth. Indeed, taken more broadly, the group's median P/E ratio of 14.3 (average = 13.6) is only slightly higher than the current median (14.0) of the entire Value Line universe. Nonetheless, only one of the 13 stocks in this list have a beta coefficient below the market (1.00).

As always, we advise investors to review the latest supplementary and full-page reports in Part 3, *Ratings & Reports*, when reviewing any equity as a potential portfolio addition.

Ratings & Reports Page	Ticker	Company	Timeliness	Safety	Recent Price	Last 13 Wks Price Change	Last Qtr EPS Change	Next Qtr Est'd Change	Fiscal Year Est'd Change	Beta	P/E
1707	CASC	Cascade Corp.	1	3	45.91	34%	79%	70%	104%	1.40	8.8
1759	MYE	Myers Inds.	1	3	12.91	18	55	50	66	1.45	17.7
2419	OIS	Oil States Int'l	1	3	74.67	22	89	50	67	1.50	11.0
327	R	Ryder System	2	3	51.95	20	43	50	56	1.25	13.6
555	ARG	Airgas Inc.	2	3	78.72	18	29	46	33	1.00	19.6
326	ODFL	Old Dominion Freight	1	3	40.41	28	52	43	70	1.10	16.3
963	NTGR	NETGEAR	2	3	36.21	33	94	42	66	1.10	14.8
629	PAA	Plains All Amer. Pipe.	2	3	70.44	16	102	34	61	0.85	15.1
1718	LECO	Lincoln Elec Hldgs.	2	3	38.86	17	67	33	60	1.25	14.9
1548	PL	Protective Life	2	3	21.05	28	38	29	26	1.50	6.4
1732	SWK	Stanley Black & Decker	2	2	66.36	23	38	28	32	1.10	12.0
2569	WXS	Wright Express	2	3	54.11	33	37	28	30	1.05	14.3
729	TGI	Triumph Group Inc.	1	3	59.44	20	32	25	29	1.10	12.8

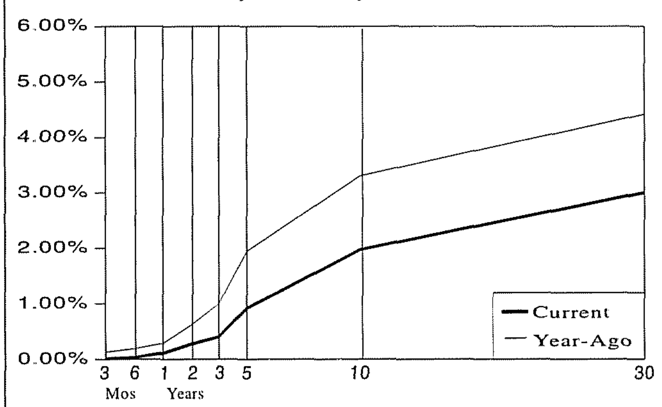
Selected Yields

TAXABLE

	Recent (12/21/11)	3 Months Ago (9/21/11)	Year Ago (12/21/10)
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.29	0.42	0.26
3-month LIBOR	0.57	0.36	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.49
5-year	1.15	1.26	1.52
U.S. Treasury Securities			
3-month	0.01	0.01	0.13
6-month	0.03	0.02	0.19
1-year	0.11	0.10	0.28
5-year	0.92	0.84	1.95
10-year	1.97	1.86	3.30
10-year (inflation-protected)	-0.12	0.00	0.98
30-year	3.00	2.99	4.42
30-year Zero	3.10	3.25	4.72

	Recent (12/21/11)	3 Months Ago (9/21/11)	Year Ago (12/21/10)
Mortgage-Backed Securities			
GNMA 5.5%	1.05	1.14	2.83
FHLMC 5.5% (Gold)	2.12	1.93	3.16
FNMA 5.5%	1.95	1.85	3.01
FNMA ARM	2.37	2.50	2.80
Corporate Bonds			
Financial (10-year) A	4.11	3.59	4.75
Industrial (25/30-year) A	4.21	4.31	5.49
Utility (25/30-year) A	4.12	4.23	5.74
Utility (25/30-year) Baa/BBB	4.77	4.86	6.11
Foreign Bonds (10-Year)			
Canada	1.96	2.12	3.14
Germany	1.93	1.77	2.99
Japan	0.98	0.99	1.18
United Kingdom	2.07	2.41	3.51
Preferred Stocks			
Utility A	5.36	5.23	5.79
Financial A	6.55	6.38	6.57
Financial Adjustable A	5.47	5.47	5.47

Treasury Security Yield Curve



TAX-EXEMPT

	Recent (12/21/11)	3 Months Ago (9/21/11)	Year Ago (12/21/10)
Bond Buyer Indexes			
20-Bond Index (GOs)	3.92	4.07	5.15
25-Bond Index (Revs)	5.01	5.11	5.48
General Obligation Bonds (GOs)			
1-year Aaa	0.21	0.21	0.41
1-year A	1.03	0.99	1.35
5-year Aaa	0.97	1.00	1.72
5-year A	2.07	1.99	2.88
10-year Aaa	2.15	2.21	3.41
10-year A	3.25	3.56	4.47
25/30-year Aaa	3.86	3.89	4.88
25/30-year A	5.24	5.63	5.90
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.56	4.62	5.25
Electric AA	4.74	4.97	5.27
Housing AA	5.34	5.60	6.13
Hospital AA	4.87	4.97	5.43
Toll Road Aaa	4.54	4.69	5.32

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

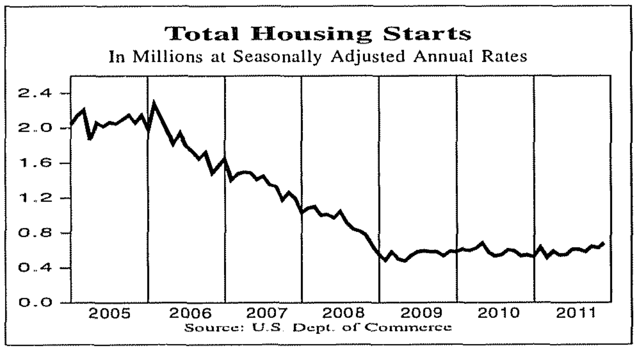
	Recent Levels			Average Levels Over the Last...		
	12/14/11	11/30/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1528578	1460815	67763	1528506	1561949	1418363
Borrowed Reserves	9841	10019	-178	10826	11617	18227
Net Free/Borrowed Reserves	1518737	1450796	67941	1517680	1550332	1400136

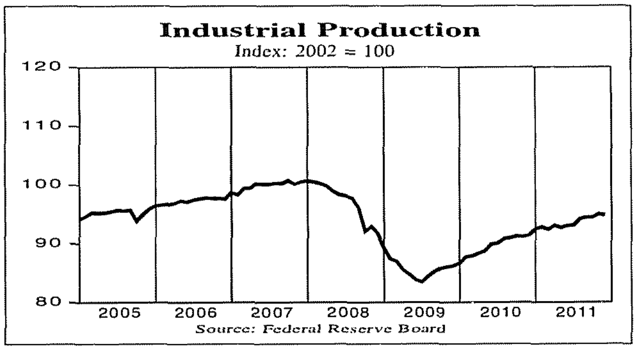
MONEY SUPPLY

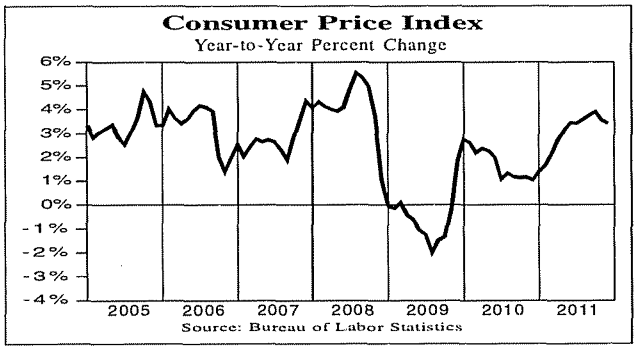
(One-Week Period; in Billions, Seasonally Adjusted)

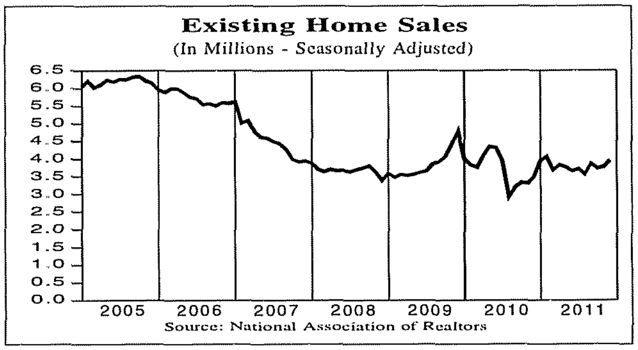
	Recent Levels			Ann'l Growth Rates Over the Last...		
	12/5/11	11/28/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2147.9	2149.4	-1.5	2.3%	23.6%	18.3%
M2 (M1+savings+small time deposits)	9639.9	9620.8	19.1	2.6%	13.9%	9.7%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
561	3	Ecolab Inc.	D.S. Sanders, Dir.	12/13/11	5,000	46,290	$55.19	55.48
933	3	NII Holdings	S. Chaia, Officer	12/8/11-12/9/11	38,770	73,224	$20.48-$21.16	20.77
2350	1	Pinnacle Entertain.	A.M. Sanfilippo, CEO	12/13/11	40,000	520,000	$9.06	9.42
409	2	Republic Services	W.H. Gates III *	12/7/11-12/9/11	4,000,000	65,154,169	$26.49-$27.46	26.90
1935	-	Snyder's-Lance	M.A. Warehime, Chair.	12/12/11-12/13/11	23,750	848,670	$20.99-$21.28	22.73
1623	-	Valeant Pharm. Int'l	H. Schiller, CFO	12/8/11	11,000	54,500	$45.51	45.48
2366	3	Wiley (John) & Sons	D. Wiley *	12/13/11	10,000	27,920	$45.57	44.10

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
2124	2	AutoZone Inc.	E.S. Lampert *	12/7/11-12/9/11	118,854	2,134,572	$330.25-$338.07	325.29
2137	3	Dollar General	R.W. Dreiling, Chair.	12/12/11	75,263	323,197	$37.64	40.86
2137	3	Dollar General	D.M. Tehle, CFO	12/12/11	58,993	9,140	$37.64	40.86
2623	3	Google, Inc.	N. Arora, V.P.	12/12/11	4,556	NA	$621.88	630.37
2623	3	Google, Inc.	P. Pichette, CFO	12/7/11	3,801	NA	$621.68	630.37
324	3	Hunt (J.B.)	E. Garrison, Dir.	12/9/11	100,000	4,200,000	$44.54	44.83
2235	2	Zumiez Inc.	T. Campion, Chair.	12/9/11	60,415	5,090,565	$30.01	28.78

* *Beneficial owner of more than 10% of common stock.*
† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

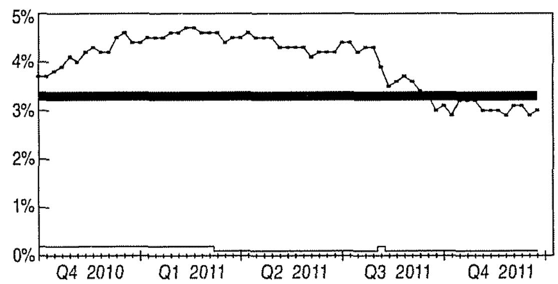
Market Monitor

Valuations and Yields	12/21	12/14	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.0	13.8	12.9 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.1	11.8	11.4 - 12.4	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.3%	2.4%	2.2 - 2.5%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.8%	2.8%	2.7 - 3.0%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.2%	5.0%	0.3%
AAA Corporate bond yield	3.8%	3.9%	3.7 - 4.1%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.0%	2.9%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-3.4%	-3.3%	-4.0 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	15.2	16.0	13.0 - 16.0	10.2 - 16.0	8.1	8.6
CBOE put volume/call volume	1.03	1.07	.93 - 1.26	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



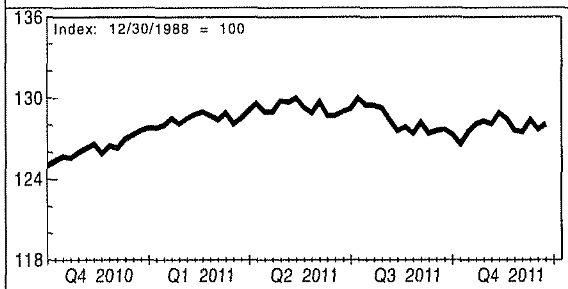
INTEREST RATES

Prime Rate

Federal Funds

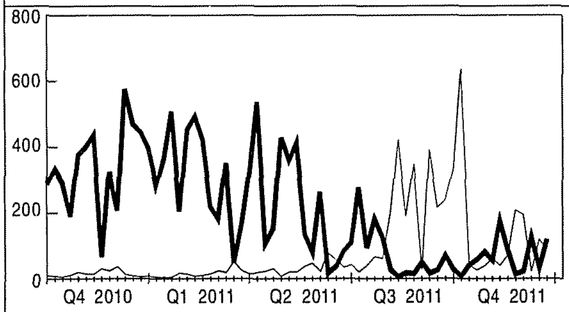
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.0%	2.9%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	1187	212
Declines	488	1468
Issues Covered	1698	1699
Market Value ($ Trillion)	17.304	17.128



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	119	33
New Lows	89	118

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 12/20/2011

7 Best Performing Industries

Newspaper	+11.6%
Beverage	+3.8%
Building Materials	+3.7%
Oil/Gas Distribution	+3.7%
Homebuilding	+2.5%
Retail Automotive	+1.9%
Retail Building Supply	+1.8%

7 Worst Performing Industries

Power	-18.9%
Entertainment Techn.	-18.5%
Coal	-17.1%
Apparel	-13.2%
Metals & Mining (Div.)	-13.0%
Chemical (Basic)	-12.1%
Semiconductor	-11.9%

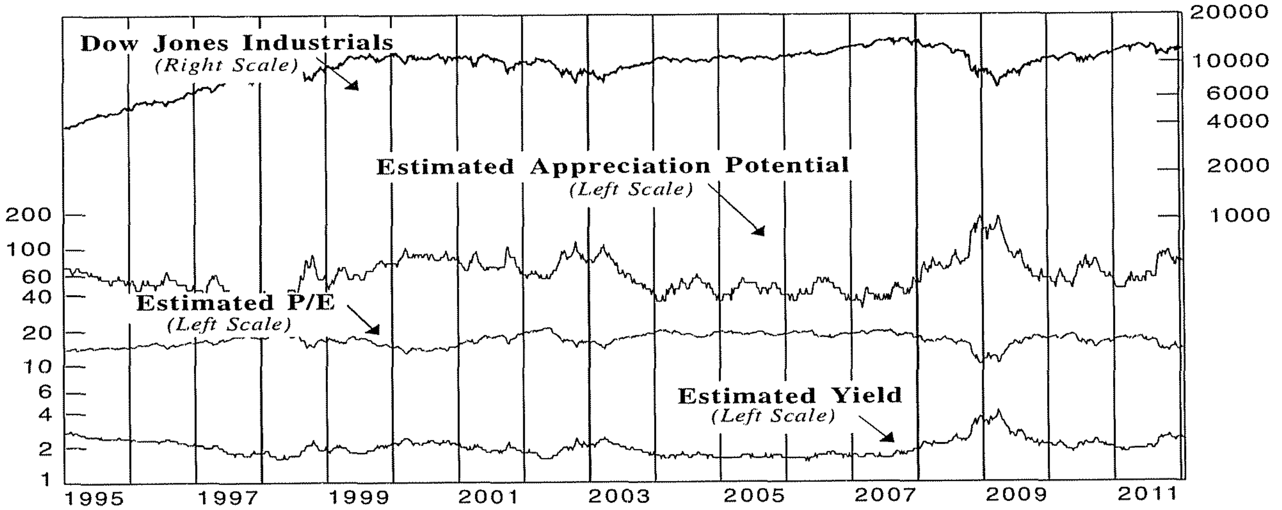
The corresponding change in the Value Line Arithmetic Average* is -3.9%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
EnerNOC, Inc.	B+	B	1218
Lennar Corp.	C++	B	1127
Ormat Technologies	B	C++	1224
Vulcan Materials	B+	B	1120
WD-40 Co.	B++	A	1199

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL VERSUS DOW JONES INDUSTRIALS *(JANUARY 5, 1995 - DECEMBER 20, 2011)*



THE VALUE LINE GEOMETRIC AVERAGES

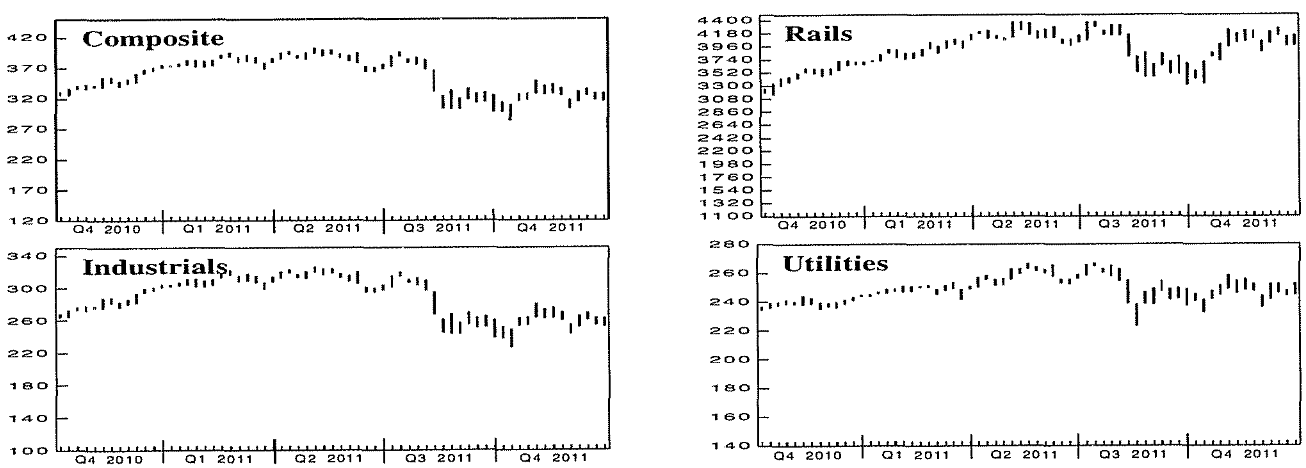
	Composite 1670 stocks	Industrials 1559 stocks	Rails 8 stocks	Utilities 103 stocks
12/15/2011	318.90	255.12	3962.41	246.64
12/16/2011	320.88	256.76	4017.81	247.13
12/19/2011	314.99	251.92	3968.85	244.20
12/20/2011	326.54	261.38	4100.33	250.12
12/21/2011	327.65	262.02	4143.13	252.52
%Change last 4 weeks	+7.2%	+7.2%	+6.1%	+6.8%

Arithmetic* Composite 1670 stocks
2601.21
2617.83
2570.52
2665.52
2675.39
+7.8%

THE DOW JONES AVERAGES

Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4092.63	11868.81	4832.37	446.84
4109.47	11866.39	4906.26	446.15
4056.53	11766.26	4794.31	442.00
4173.86	12103.58	4955.87	451.72
4193.66	12107.74	4984.84	458.71
+8.1%	+7.6%	+9.2%	+8.2%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(OCTOBER 1, 2010 - DECEMBER 21, 2011)*



THE VALUE LINE Investment Survey®

PAGES 1765-1776
File in page order in the *Selection & Opinion* binder.

PART 2 *Selection & Opinion* FEBRUARY 3, 2012

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As part of our ongoing efforts to keep *The Value Line Investment Survey* the most valuable investment resource for our subscribers, the entire service, including all Ranks, is now being released on the Value Line Web Site at 8:00 A.M. Eastern Time on Mondays. You can access each week's issue at www.valueline.com by entering your user name and password. We look forward to continuing to provide you with accurate and timely investment research. Thank you.

The Value Line View

In This Issue

The *Selection & Opinion* Index appears on page 1880 (December 2, 2011).

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 24.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

ECONOMIC AND STOCK MARKET COMMENTARY

So far, so good—at least as it pertains to the U.S. economy, which appears to be strengthening, as we move further into 2012. For example, weekly jobless claims (which recently fell to their lowest level since 2008), industrial production, factory use, and orders for durable goods are gaining traction on a fairly steady basis, while some belated stability is now evolving in homebuilding and housing resales. Not surprisingly, fears of faltering growth—or worse, a recession—are fading. This better news, meanwhile, is helping the bulls to gain the upper hand thus far in 2012, after a listless showing in 2011. Even so . . .

Retaining the business upturn's positive bias will be a major test in 2012. Indeed, the Federal Reserve's statement—following its latest FOMC meeting—that it will keep interest rates "exceptionally low" at least through 2014 implies as much. The Fed's reluctance to abandon its low rate policies, meanwhile, is supported by benign inflation data. Overall, we think the chances of a new recession are declining, with 2012 likely being another year of modest—but steadily stronger—economic growth.

The major tipping point could well be Europe, as the debt-strained Continent appears headed for at least a mild recession in 2012. The breadth and depth of that presumptive decline in business activity will go a long way in gauging whether our U.S. business model will prove on target. Although Europe and other economies—notably China—have the potential to push us into recession, it likely would take a sharp downturn in Europe, or a major slowdown in China, to bring about a business reversal along our shores.

Earnings season is in high gear. On balance, the results have been decent, but not eyecatching. That is especially so for the high-profile Dow-30 concerns, which have issued in-line results, for the most part, that have not unleashed additional buying.

Investors are hanging in there. Signs that Europe now acknowledges there are big problems in the region suggest that progress can be made in time. That is good news for stocks over here, which have been rising on hopes for discernible and sustainable gains in Europe.

Conclusion: For now, we continue to see the investment glass as half full. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	1/18/2012	1/25/2012	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	12578.95	12756.96	+1.4%	+6.5%
Standard & Poor's 500	1308.04	1326.05	+1.4%	+2.7%
N.Y. Stock Exchange Composite	7766.95	7914.81	+1.9%	-2.8%
NASDAQ Composite	2769.71	2818.31	+1.8%	+3.6%
NASDAQ 100	2425.96	2465.66	+1.6%	+7.0%
American Stock Exchange Index	2289.44	2347.10	+2.5%	+9.6%
Value Line (Geometric)	347.90	355.56	+2.2%	-5.2%
Value Line (Arithmetic)	2851.28	2917.15	+2.3%	+0.7%
London (FT-SE 100)	5702.37	5723.00	+0.4%	-3.3%
Tokyo (Nikkei)	8550.58	8883.69	+3.9%	-15.1%
Russell 2000	779.26	795.58	+2.1%	+2.0%

Model Portfolios: Recent Developments

PORTFOLIO I

At this writing, four companies held in Portfolio I have released earnings for the December quarter—namely, *Apple*, *Ball Corp.*, *Kennametal*, and *Norfolk Southern*. Much has been said in the financial community about the strong performance by *Apple*, so we will turn our attention to the remaining three companies. *Ball* and *Kennametal* released earnings reports that largely made for good reading, reflecting healthy demand for their products and services. Both companies were also reasonably sanguine concerning their prospects for 2012, noting that economic expansion seems set to remain on a moderate climb and their businesses should benefit. Meanwhile, *Norfolk Southern*'s report was less well received by the market, though *NSC* shares held up reasonably well after the release. The railroad's top line was a bit light, reflecting lower yields in its coal and intermodal segments. Nonetheless, *Norfolk* noted that its business prospects remain favorable for 2012, as the domestic economy seems on the mend and its customers continue investing in their businesses. Adding it all up, we did not see anything in these reports that would move us to trade out of the stocks.

In all, the portfolio has continued to perform quite well, with its return well ahead of its benchmark, as we move into February.

PORTFOLIO II

Two recent high-profile earnings reports provided some encouraging news for Portfolio II. Fast-food giant *McDonald's* handily beat sales and earnings expectations for the fourth quarter of 2011. The share price, though, retreated 2.2% after hitting all-time highs in the week before the earnings posting. This looks like a classic case of buying in anticipation of strong results and taking profits on confirmation. Investors were also concerned about a warning that the weak euro would dent share net in 2012. We note, however, that same-store sales in Europe jumped 10.8% for the month of December.

As expected, diversified manufacturer and chemicals producer *DuPont* reported lower December-period share earnings ($0.35, versus $0.50 a year ago), but edged past our estimate of $0.34. Sales were hurt by inventory destocking in consumer electronics and solar panel materials. But sales of agricultural products remained strong, and the company is seeing a recovery in other end markets, led by vehicle production. Earnings guidance for 2012 was left unchanged, representing a prospective improvement of more than 9% at the midpoint.

Overall, we're comfortable with our holdings so far this earnings season and are making no changes to our portfolio this week.

PORTFOLIO III

Portfolio III and the broader equity market continue to exhibit strength as investors digest a slew of earnings releases and the latest headlines from Europe. Most of the company-specific news has been pretty good.

For instance, *Harley-Davidson's* fourth-quarter results demonstrate that the motorcycle maker is back on a growth track. Share net for the period of $0.24 actually missed our estimate by a penny, due to high raw materials costs and restructuring-related expenses. But the top line continued to improve, with worldwide retail sales climbing 10.9%, their fastest pace in several years. Moreover, the company appears leaner than ever, and still looks to be in the early stages of a turnaround that should propel earnings to record heights by mid-decade. In particular, as we head toward 2014-2016, we see *Harley-Davidson* benefiting from efforts to rebuild depleted inventories, a dominant market position in North America, and expansion into emerging countries, like China and India.

One negative note was *Google's* fourth-quarter performance, which was viewed as a disappointment by Wall Street. True, the company experienced an unexpected 8% decline in the important cost-per-click (CPC) metric, owing to a mix shift toward mobile advertising. Paid-click growth was a strong 34%, however. And Android, the company's mobile operating system, and Google+, a new social networking service, continued to gain traction. This momentum augurs well for the future, as the company attempts to fend off competition from the likes of Apple and Facebook. We are making no changes to the portfolio this week.

PORTFOLIO IV

We are not making any changes to Portfolio IV this week. The U.S. stock market continues to build on the rally that started in early October. However, some investors are now wondering if a pullback is in the cards. A less bullish sentiment for equities might actually help our portfolio's relative performance, assuming investors rotate into higher-yielding names.

Meanwhile, earnings season continues to progress. *DuPont* posted decent fourth-quarter results, thanks to more favorable pricing. The company also reaffirmed its year 2012 outlook. Its stock had been range bound for a while, but is now firming up in price. *McDonald's* posted solid profits in the fourth quarter. However, Wall Street had concerns about narrower margins, owing to rising commodity costs and higher rents. This equity staged an impressive run in 2011, but may still have room to move higher, thanks to an expanding international business. Elsewhere, we heard from one of our numerous utility holdings. *Southern Company* posted solid profits, but the top line was a bit weaker than anticipated. After a sizable price advance in 2011, this issue has pulled back in January, along with others in the industry. In the drug sector, *Abbott Labs* put out decent results, but, more importantly, reaffirmed its 2012 guidance. Its shares carry our Highest rank (1) for Timeliness.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	75.23	1	3	13.8	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	420.41	1	2	13.0	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	37.75	2	2	13.1	0.7	0.95	B++	Packaging & Container
583	CELL	Brightpoint, Inc.	11.92	1	3	12.4	Nil	1.30	B+	Wireless Networking
383	CSTR	Coinstar Inc.	47.38	2	3	13.9	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	15.18	1	4	11.7	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.77	1	3	11.1	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	26.08	2	3	13.5	2.5	1.05	B++	Retail (Softlines)
2156	GCO	Genesco Inc.	60.55	1	3	15.2	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	32.50	1	3	13.0	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	43.34	1	3	11.6	1.3	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	67.50	1	3	18.9	Nil	1.15	B+	Maritime
932	MIICF	Millicom Int'l Cellular	101.85	1	3	11.9	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	75.48	2	3	13.3	2.5	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	41.01	1	3	16.5	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	77.94	2	3	14.3	0.2	1.25	B+	Apparel
327	R	Ryder System	54.54	2	3	14.3	2.1	1.25	B+	Trucking
1628	TEVA	Teva Pharmac. (ADR)	45.87	1	1	8.3	2.0	0.60	A	Drug
738	TKR	Timken Co.	47.72	1	3	10.0	1.7	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	60.35	1	3	13.0	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	55.98	1	1	11.6	3.4	0.60	A++	Drug
503	CVX	Chevron Corp.	106.72	2	1	7.8	3.0	0.95	A++	Petroleum (Integrated)
1969	KO	Coca-Cola	67.90	3	1	16.8	2.8	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	88.25	3	1	16.7	2.6	0.60	A++	Household Products
504	COP	ConocoPhillips	70.61	2	1	7.9	4.0	1.10	A++	Petroleum (Integrated)
1588	DD	Du Pont	49.41	3	1	12.3	3.4	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	50.64	3	1	14.0	3.2	1.05	A++	Electrical Equipment
1752	HON	Honeywell Int'l	57.63	2	1	13.5	2.6	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	26.90	2	1	11.3	3.1	1.00	A++	Semiconductor
1923	KFT	Kraft Foods	38.30	3	1	15.6	3.0	0.65	A+	Food Processing
718	LMT	Lockheed Martin	82.24	2	1	10.3	5.0	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	98.75	3	1	18.2	2.8	0.65	A++	Restaurant
1337	MOLX	Molex Inc.	27.43	3	2	16.1	2.9	1.20	A	Electronics
409	RSG	Republic Services	28.35	2	3	13.8	3.1	0.95	B+	Environmental
1627	SNY	Sanofi ADR	36.29	3	1	11.7	5.1	0.80	A+	Drug
1956	SYY	Sysco Corp.	30.29	3	1	14.4	3.6	0.70	A++	Retail/Wholesale Food
1048	TEF	Telefonica SA ADR	17.19	3	2	7.0	9.0	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	111.21	2	2	15.8	2.2	1.15	A	Railroad
317	UPS	United Parcel Serv.	75.00	3	1	16.6	2.8	0.85	A	Air Transport
2151	WMT	Wal-Mart Stores	61.39	2	1	13.0	2.4	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Craig Sirois, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1546	AFL	Aflac Inc.	49.07	2	3	8.0	2.8	1.15	30 - 95%	Insurance (Life)
973	CVS	CVS Caremark Corp.	42.44	2	1	14.2	1.5	0.80	40 - 75	Pharmacy Services
355	CBOU	Caribou Coffee	16.43	3	4	40.1	Nil	0.95	20 - 115	Restaurant
1603	CELG	Celgene Corp.	74.02	2	2	22.2	Nil	0.75	35 - 80	Drug
2327	DIS	Disney (Walt)	39.25	3	1	13.5	1.5	1.05	65 - 105	Entertainment
927	DY	Dycom Inds.	21.39	1	3	18.6	Nil	1.40	40 - 110	Telecom. Services
2623	GOOG	Google, Inc.	580.93	3	2	17.2	Nil	0.90	130 - 210	Internet
2105	GES	Guess Inc.	29.50	3	3	9.1	2.7	1.25	105 - 205	Apparel
2411	HAL	Halliburton Co.	36.36	2	3	9.3	1.0	1.35	80 - 175	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	43.32	3	3	16.5	1.2	1.50	15 - 60	Recreation
1920	HRL	Hormel Foods	29.55	3	1	16.5	2.0	0.65	20 - 50	Food Processing
2000	ESI	ITT Educational	67.17	2	3	7.4	Nil	0.70	65 - 145	Educational Services
223	JNJ	Johnson & Johnson	65.00	3	1	13.0	3.5	0.65	30 - 55	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	43.03	3	3	9.6	2.3	1.20	85 - 180	Auto Parts
1591	MOS	Mosaic Company	54.97	3	3	10.4	0.4	1.60	55 - 135	Chemical (Basic)
2416	NOV	National Oilwell Varco	75.98	3	3	14.9	0.6	1.55	45 - 125	Oilfield Svcs/Equip.
1977	PEP	PepsiCo, Inc.	66.20	3	1	14.9	3.3	0.60	60 - 95	Beverage
753	X	U.S. Steel Corp.	28.96	2	3	NMF	0.7	1.70	105 - 195	Steel
815	UNH	UnitedHealth Group	51.33	2	2	11.0	1.3	1.00	65 - 125	Medical Services
1385	XLNX	Xilinx Inc.	36.06	4	2	22.7	2.1	0.90	10 - 40	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	55.98	1	1	11.6	3.4	0.60	A++	Drug
600	ARLP	Alliance Resource	78.54	1	3	9.9	4.9	1.10	B+	Coal
903	LNT	Alliant Energy	42.25	3	2	15.5	4.3	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	32.67	1	3	8.8	3.9	1.00	B+	Telecom. Utility
1989	BTI	Brit. Amer Tobac. ADR	92.00	3	2	14.9	4.2	0.70	B++	Tobacco
140	ED	Consol. Edison	58.38	3	1	16.4	4.1	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	46.08	4	3	13.2	3.7	1.05	A	Restaurant
1588	DD	Du Pont	49.41	3	1	12.3	3.4	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	51.91	4	1	15.4	3.9	0.65	A+	Food Processing
1160	IP	Int'l Paper	32.16	1	3	10.1	3.3	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.62	3	2	15.7	4.1	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	98.75	3	1	18.2	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	60.00	2	1	8.5	3.5	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	55.30	2	2	16.5	2.9	0.80	A	Electric Util. (Central)
2247	POR	Portland General	24.71	3	3	13.4	4.4	0.75	B+	Electric Utility (West)
1992	RAI	Reynolds American	39.72	4	2	14.2	5.9	0.60	B+	Tobacco
1931	SLE	Sara Lee Corp.	19.03	NR	2	21.1	2.5	0.80	B++	Food Processing
154	SO	Southern Co.	44.90	3	1	17.2	4.3	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	20.33	3	3	16.3	5.7	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	42.23	3	3	16.8	5.3	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

Stock Selection: The Coca-Cola Company

Brand managers at **The Coca-Cola Company's** (KO) North American Sparkling Beverages unit (NASB) have pretty good reason to smile these days. Early in 2011, *Diet Coke* overtook **PepsiCo's** (PEP) *Pepsi* as the number two selling soda brand in the United States (behind regular *Coke*, of course). What's more, in a generally shrinking domestic market for carbonated soft drinks (amid growing popularity of bottled water and juice drinks, including Coke's own still brands), overall NASB sales are holding up better than those of competitors, and a return to actual sales growth no longer seems out of the question in the not-so-distant future. Indeed, after declines of 3% in both 2008 and 2009, Coke's NASB unit-volume sales have been roughly flat in the 18 months ended September 30, 2011. (Coca-Cola is scheduled to report fourth-quarter financial results on February 7th.)

Stateside Strategy

So, what's behind the improved performance at Coke's NASB unit? Major contributors have been the company's keen focus of late on market segmentation and an increased ability to create incremental consumption opportunities that don't cannibalize sales elsewhere. Toward that end, the soda giant is expanding a multi-pronged strategy that's been a huge success in Latin America, one that seeks to better understand and exploit market opportunities, based on occasion, brand, pricing, packaging, and (sales) channel.

On the packaging front, for example, Coke continues to roll out new shapes and sizes of both single-serve offerings and multipacks, all in an attempt to not only attract new consumers but also spur increased consumption by its most loyal customers. In that regard, the 7.5-ounce mini can has certainly been a hit (if not an all-out home run). Since its introduction in late 2009, the mini (sold in eight-packs, versus the standard six-pack configuration) has been flying off grocers' shelves. What's more, Coke reports that 70%-plus of mini sales are incremental, coming from either category expansion or the harnessing of (previously non-Coke) drinkers who've suddenly found the brands they loved in a great new size. Notably, light users who struggled to finish a whole 12-ounce can of soda (and didn't want it to go to waste) are huge fans of the mini. The mini also has a certain undeniable cuteness and is a play on the portion-control packaging that's increasingly popular within the snack-food aisle.

Elsewhere, the NASB unit recently rolled out the *Coca-Cola* handheld, a 12.5-ounce bottle that retails for around $0.89 at convenience stores and gas stations. Importantly, the new handheld is expected to generate incremental demand, and not cannibalize the sales of its close cousin, the 12-ounce, aluminum can.

The Coca-Cola Company is also having good success these days, targeting specific demographics and developing seemingly familiar products that, nonetheless, have distinct identities and that don't overlap existing brands. *Coca-Cola Zero (CZ)*, for example, is the umpteenth addition to the company's low/no-calorie soft-drink line up. Nevertheless, *CZ* sales have so far been nothing less than remarkable, as product messaging has been spot-on for a target market (males, ages 18-24) that hasn't typically been the focus of diet products. Notably, *Coke Zero's* "And" marketing campaign emphasizes the possibility of having it all (great taste "And" zero calories) rather than the absence of something (calories) that has been a mainstay of traditional (female-focused) campaigns.

Coke's entire North American Beverage unit (including its carbonated and non-carb portfolios) should also continue to benefit from a more-focused selling organization, following the company's late-2010 acquisition of a large affiliated bottler's (Coca-Cola Enterprises') domestic operations and that unit's subsequent rechristening as Coca-Cola Refreshments. The $12.3 billion deal has given Coke greater control of its route to market, including all-important points-of-sale on grocers' shelves and in convenience store cold cases. Importantly, the move promises improved, more-dedicated customer service, with less overlap and a streamlined ordering process for the company's retail partners. Missed sales opportunities (namely, out of stocks) ought to be fewer. The company should also be more attuned to changes in consumer behavior and in the overall marketplace.

Global Perpsective

All in all, the positive investment case for the Coca-Cola Company and its high-quality shares is still largely based on the huge sales opportunity in overseas markets like China and India, where per-capita consumption of Coke products is increasing at a relatively rapid pace (but the overall level remains well below more-established geographies). Indeed, as personal incomes rise in these and other countries, more and more people from Shanghai to Mumbai should enjoy a "coke and a smile." That said, investors may also be pleasantly surprised by the soda giant's performance in its more-mature North American market, and specifically within the sparkling category. A keen focus on specific market segments should give Coke a leg up on the competition. Route to market improvements ought to help domestically, as well.

Bottom line, we think Coca-Cola shareholders will enjoy very competitive returns out to mid-decade. What's more, a well-covered (and growing) dividend should limit the risk of a down year. For conservative investors, that's something to smile about.

Nils C. Van Liew
Editorial Analyst

At the time of this article's writing, the author did not have positions in any of the companies mentioned.

Timely Stocks with High Return on Equity

This screen focuses on Timeliness and return on shareholders' equity, a well regarded measure of company performance. We started with stocks that are currently ranked 2 (Above Average), or better, for Timeliness. Then we computed the average percentage earned on shareholder equity (net profit divided by common and preferred equity) by each of these companies over the last five years for which we have actual data. The 30 highest are listed below, in descending order. To show current trends, we also include return on share equity for the latest fiscal year for which we have actual data, as well as our estimate for the current fiscal year. Finally, we have included each stock's Safety rank and relative market valuation.

The use of a five-year average tends to favor consistent earners of substantial returns on common equity over companies that have recently experienced recoveries. And a focus on share equity, rather than total capital, helps identify firms that have used debt effectively and, thus, have successfully employed financial leverage.

The stocks listed below are not necessarily more attractive than other top-ranked issues. Still, this screen may be of use to investors seeking shares with superior year-ahead performance prospects that also boast a record of consistent corporate performance, at least in terms of profitability. Note that in this screen, only three equities trade at price-earnings multiples that are 10% or greater than the market, suggesting that investors seem to be much less willing than in the past to pay a premium for high, stable returns.

As always, investors should review the analyses in Part 3, *Ratings & Reports*, before purchasing any of the issues listed below.

Ratings & Reports Page	Ticker	Company	Recent Price	5 Yr. Avg.	Latest Year	Current Year	Safety	Relative P/E Ratio
2384	VCI	Valassis Communic.	20.85	90.0	18.7	24.0	4	0.51
2106	HBI	Hanesbrands, Inc.	24.89	68.4	36.5	28.0	3	0.62
1910	DF	Dean Foods	10.78	66.6	9.6	55.0	3	0.88
718	LMT	Lockheed Martin	82.24	64.1	71.3	76.5	1	0.68
803	HMA	Health Mgmt. Assoc.	6.60	62.1	31.5	23.0	5	0.53
2315	PII	Polaris Inds.	62.69	61.4	39.7	29.5	3	1.25
1409	IBM	Int'l Business Mach.	191.93	56.8	64.0	61.5	1	0.93
358	CBRL	Cracker Barrel	52.11	54.1	34.0	27.5	3	0.82
1402	DELL	Dell Inc.	16.85	50.9	33.9	27.0	3	0.63
1609	GILD	Gilead Sciences	47.67	49.4	47.4	45.0	3	0.83
1388	AMKR	Amkor Technology	5.66	47.8	36.8	19.0	5	1.14
1578	SCCO	Southern Copper	35.33	43.7	39.9	60.0	3	0.76
2584	MSFT	Microsoft Corp.	29.34	42.4	40.6	38.5	1	0.70
2231	TJX	TJX Companies	33.63	40.5	43.2	43.0	1	1.06
162	CAT	Caterpillar Inc.	106.29	37.2	24.9	31.0	3	0.88
1177	OI	Owens-Illinois	23.14	35.1	23.9	22.0	3	0.60
704	ATK	Alliant Techsystems	61.30	33.9	26.9	17.0	3	0.46
2399	UPL	Ultra Petroleum	24.82	33.8	29.5	22.0	3	0.63
1573	BHP	BHP Billiton Ltd. ADR	78.12	33.3	41.7	34.0	3	0.58
2228	ROST	Ross Stores	52.02	32.8	41.6	44.0	2	1.15
2406	DO	Diamond Offshore	61.31	32.7	24.7	16.0	3	0.73
1735	TTC	Toro Co.	63.62	31.6	33.8	43.0	3	1.01
1760	PKOH	Park-Ohio	20.22	31.2	28.9	40.0	4	0.54
932	MIICF	Millicom Int'l Cellular	101.85	31.1	18.6	18.5	3	0.79
369	PZZA	Papa John's Int'l	39.01	30.7	23.0	23.0	3	1.17
505	XOM	Exxon Mobil Corp.	87.18	29.2	20.7	21.5	1	0.69
1171	BLL	Ball Corp.	37.75	29.1	35.8	33.0	2	0.87
1010	WBC	WABCO Hldgs.	50.98	29.0	42.3	38.0	3	0.67
567	NEU	NewMarket Corp.	214.89	28.1	36.0	31.0	3	0.94
1595	ABT	Abbott Labs.	55.98	26.8	29.0	27.5	1	0.77

Timely Growth Stocks

To be sure, earnings growth is one of the most important criteria in equity investment. On point, relative earnings performance is one of the key components of Value Line's Timeliness Ranking System. Even greater emphasis was placed on profits when we conducted this screen. We focused on timely shares that have recorded good per-share earnings gains in recent years and that should continue to do so in the future.

We first screened for stocks that were ranked at least 2 (Above Average) for Timeliness. Each equity also needed to score 3 (Average) or better for Safety. Moreover, all of these companies have managed to grow earnings at a 10% or better compound annual rate over the past five years, which is no easy feat considering that this time span included varying rates of economic growth. We also required at least 10% earnings growth in the current fiscal year and a minimum of 10% projected three- to five-year profit growth. Additionally, in terms of price, these stocks needed to have to risen in price by 10% in the last 13 weeks, thus ensuring respectable relative price momentum.

The resulting list is a diverse group of companies that not only performed well even as economic growth slowed, but are projected by our analysts to have worthwhile earnings growth prospects in the year ahead. Stocks that meet the rigorous test outlined above often trade at a meaningful premium to the market multiple. This list supplies no evidence to support the historical norm, with no stock trading above the current market median of 15.1. Looked at another way, though, most of the stocks in this roster are trading nicely below the current market median, possibly offering investors a favorable entry point. As always, subscribers should carefully review the analyses in *Ratings & Reports* before committing funds to any particular equity.

Ratings & Reports Page	Ticker	Company Name	Earnings Growth Est'd FY	Earnings Growth Past 5 Yrs.	Earnings Growth Proj. 3-5 Yrs.	Recent Price	Timeliness	Safety	P/E
1008	TWI	Titan Int'l	215%	31%	38%	25.05	2	3	13.8
2392	DNR	Denbury Resources	129	16	14	18.31	2	3	14.2
846	UTHR	United Therapeutics	103	26	29	48.09	2	3	11.7
745	CLF	Cliffs Natural Res.	102	29	24	73.90	1	3	5.4
163	CMI	Cummins Inc.	69	19	22	106.80	2	3	11.5
1318	WCC	WESCO Int'l	59	17	17	58.71	2	3	13.0
1024	DISH	Dish Network 'A'	55	16	12	28.85	1	3	9.8
1156	SCS	Steelcase, Inc. 'A'	42	20	29	8.60	2	3	13.2
796	AET	Aetna Inc.	36	15	10	42.77	1	3	8.9
2569	WXS	Wright Express	31	22	15	56.08	2	3	14.8
1577	RIO	Rio Tinto plc	18	17	19	58.03	1	3	6.3
2121	AAP	Advance Auto Parts	17	13	16	75.23	1	3	13.8
1229	ACM	AECOM Techn.	11	23	12	22.56	2	3	8.8
1241	STN.TO	Stantec Inc.	11	20	14	27.00	2	3	10.9

Investors' Datebook: February, 2012

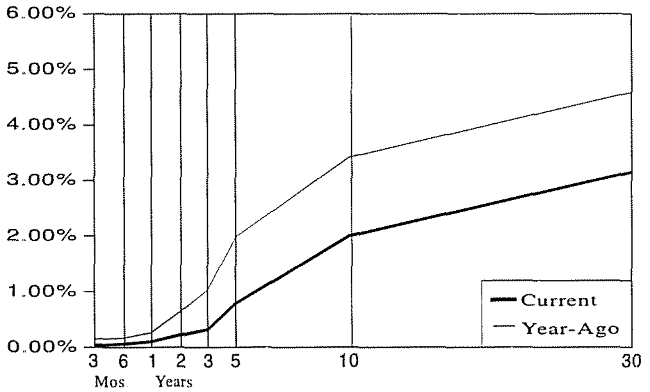
DATE	EVENT
2/1	Construction Expenditures, December-10:00 ISM's Purchasing Manager's Index (Manufacturing), January-10:00
2/2	Initial Unemployment Claims-8:30 Weekly Fed Data-4:30 Productivity & Costs (Preliminary)
2/3	Employment Situation, January-8:30 Factory Orders, December-10:00 ISM's Purchasing Manager's Index (Non-Manufacturing), January-10:00
2/6	13- & 26-Week Treasury Bill Auction
2/7	Consumer Credit, December-3:00
2/9	Initial Unemployment Claims-8:30 Weekly Fed Data-4:30 Wholesale Trade, December
2/10	Merchandise Trade Balance, December-8:30 Mfg. & Trade: Inventories & Sales, December-10:00 Treasury Budget Report, January-2:00
2/13	13- & 26-Week Treasury Bill Auction
2/14	Advance Retail Sales, January-8:30
2/15	Capacity Utilization, January-9:15 Industrial Production, January-9:15
2/16	Housing Starts & Building Permits, January-8:30 Initial Unemployment Claims-8:30 Producer Price Index, January-8:30 Weekly Fed Data-4:30
2/17	Consumer Price Index, January-8:30 Leading Indicators, January-10:00 Real Earnings, January
2/20	**Presidents Day—U.S. Financial Markets Closed**
2/21	13- & 26-Week Treasury Bill Auction
2/22	Existing Home Sales, January-10:00
2/23	Initial Unemployment Claims-8:30 Weekly Fed Data-4:30
2/24	New Home Sales, January-10:00
2/27	13- & 26-Week Treasury Bill Auction
2/28	Durable Goods Orders, January-8:30
2/29	Agricultural Prices Beige Book (Commentary on Current Economic Conditions) Gross Domestic Product, 4Q11 (Preliminary)

Source: Office of Management & Budget.

Selected Yields

	Recent (1/25/12)	3 Months Ago (10/26/11)	Year Ago (1/26/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.49	0.27
3-month LIBOR	0.56	0.42	0.30
Bank CDs			
6-month	0.22	0.17	0.31
1-year	0.34	0.21	0.49
5-year	1.15	1.14	1.65
U.S. Treasury Securities			
3-month	0.04	0.01	0.15
6-month	0.06	0.06	0.17
1-year	0.10	0.11	0.26
5-year	0.79	1.06	1.99
10-year	2.00	2.20	3.42
10-year (inflation-protected)	-0.25	0.12	1.03
30-year	3.15	3.22	4.59
30-year Zero	3.35	3.43	4.93

Treasury Security Yield Curve



	Recent (1/25/12)	3 Months Ago (10/26/11)	Year Ago (1/26/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.22	1.76	2.90
FHLMC 5.5% (Gold)	2.11	2.39	3.19
FNMA 5.5%	2.01	2.19	3.06
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.15	4.41	4.73
Industrial (25/30-year) A	4.42	4.49	5.52
Utility (25/30-year) A	4.47	4.41	5.64
Utility (25/30-year) Baa/BBB	5.14	5.05	6.10
Foreign Bonds (10-Year)			
Canada	2.04	2.38	3.31
Germany	1.95	2.04	3.19
Japan	1.01	1.00	1.24
United Kingdom	2.16	2.47	3.69
Preferred Stocks			
Utility A	5.39	5.21	5.79
Financial A	6.09	6.49	6.52
Financial Adjustable A	5.50	5.50	5.50
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.60	4.08	5.41
25-Bond Index (Revs)	4.77	5.07	5.66
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.29	0.41
1-year A	1.13	1.00	1.28
5-year Aaa	0.87	1.41	1.91
5-year A	2.01	2.42	2.96
10-year Aaa	2.00	2.69	3.60
10-year A	2.98	3.60	4.49
25/30-year Aaa	3.59	4.10	5.06
25/30-year A	5.02	5.42	6.27
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.43	4.56	5.46
Electric AA	4.50	4.94	5.57
Housing AA	4.93	5.66	6.44
Hospital AA	4.64	4.97	5.75
Toll Road Aaa	4.48	4.57	5.60

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

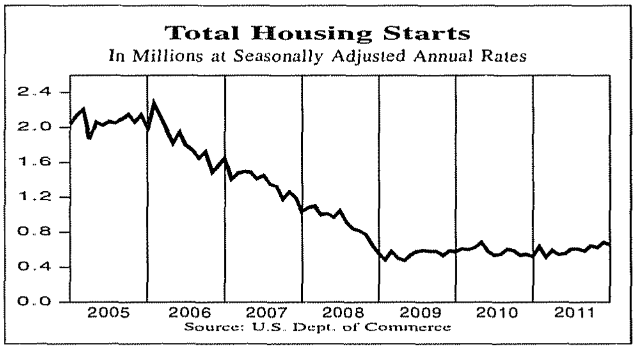
	Recent Levels			Average Levels Over the Last...		
	1/11/12	12/28/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1523788	1471460	52328	1514963	1548942	1454626
Borrowed Reserves	8985	9328	-343	10151	11035	15534
Net Free/Borrowed Reserves	1514803	1462132	52671	1504812	1537907	1439092

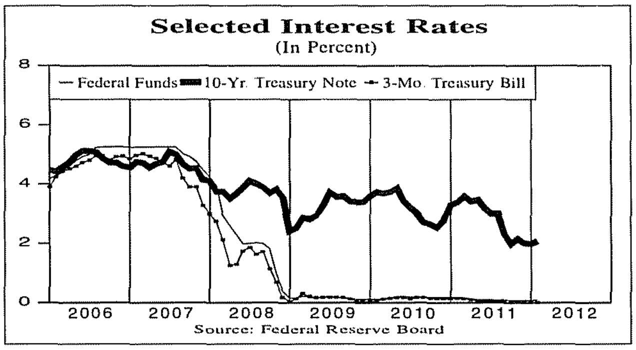
MONEY SUPPLY

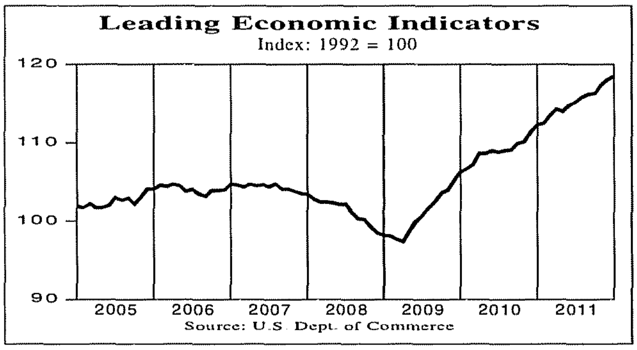
(One-Week Period; in Billions, Seasonally Adjusted)

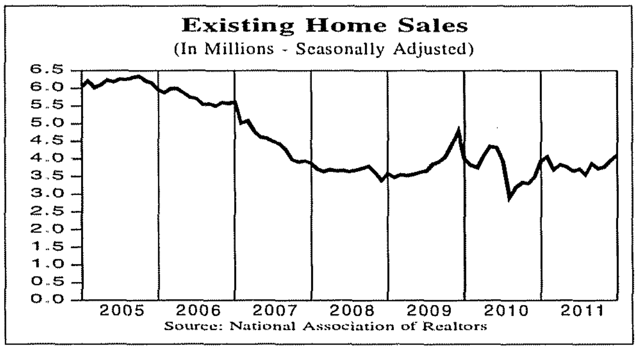
	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/9/12	1/2/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2229.9	2203.4	26.5	14.1%	27.5%	22.6%
M2 (M1+savings+small time deposits)	9756.1	9733.8	22.3	5.7%	11.4%	10.7%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
746	2	Commercial Metals	R.J. Mills, Dir.	1/17/12	5,000	6,000	$13.25	13.17
2369	3	Gannett Co.	J. Louis, Dir.	1/17/12	2,000	13,653	$14.86	15.41
565	1	Kronos Worldwide	H.C. Simmons, Chair.	1/18/12	5,000	548,440	$21.00	21.26
2148	5	Sears Holdings	E.S. Lampert, Chair.	1/12/12	105,650	22,747,453	$31.20	45.78

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
1996	3	Apollo Group 'A'	P.V. Sperling, Dir.	1/12/12-1/13/12	150,000	2,675,340	$57.10-$58.04	55.59
985	2	BorgWarner	J.J. Gasparovic, V.P.	1/17/12	27,428	27,094	$74.91	75.99
1967	4	Brown-Forman 'B'	F. Brown *	1/17/12-1/18/12	204,519	37,916	$80.50-$80.66	82.28
954	3	Comtech Telecom.	R.L. McCollum, V.P.	1/19/12	55,000	36,028	$30.15	30.50
1720	3	MSC Industrial Direct	M. Jacobson *	1/12/12	81,004	61,334	$73.36	76.78
843	5	Regeneron Pharmac.	A.F. Ryan, Dir.	1/12/12	25,500	67,355	$79.01	79.41
2332	3	Scripps Networks	J.G. NeCastro, CFO	1/18/12	57,200	18,801	$45.00	45.24

* *Beneficial owner of more than 10% of common stock.*

† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

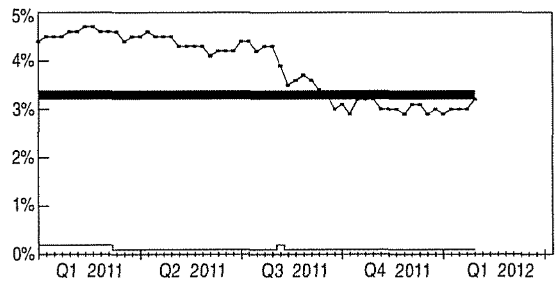
Market Monitor

Valuations and Yields	1/25	1/18	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	15.1	14.8	13.4 - 15.1	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.8	12.6	11.4 - 12.8	11.3 - 13.8	16.1	17.3
Median dividend yield of VL stocks	2.2%	2.2%	2.2 - 2.4%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.6%	2.7%	2.6 - 2.9%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.1%	5.0%	0.3%
AAA Corporate bond yield	4.0%	3.8%	3.8 - 4.0%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.2%	3.0%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-2.7%	-2.9%	-3.6 - -2.7%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	18.3	16.3	13.3 - 18.3	10.2 - 18.3	8.1	8.6
CBOE put volume/call volume	.85	.81	.81 - 1.17	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



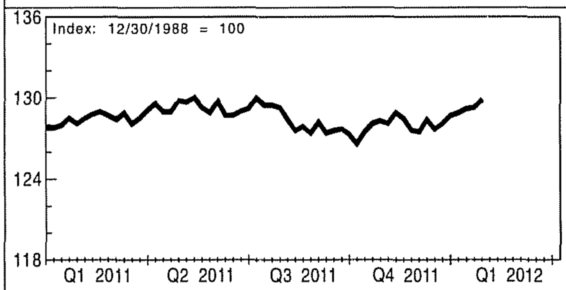
INTEREST RATES

Prime Rate

Federal Funds

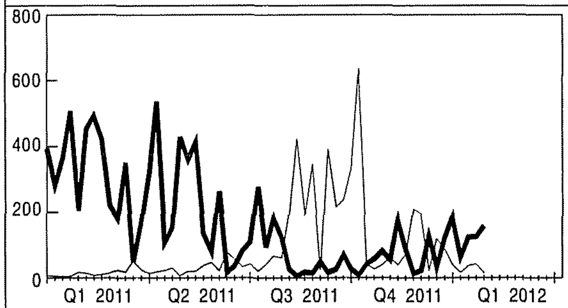
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.2%	3.0%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	1327	933
Declines	369	757
Issues Covered	1709	1710
Market Value ($ Trillion)	18.736	18.387



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	157	125
New Lows	13	42

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 1/24/2012

7 Best Performing Industries

Homebuilding	+25.2%
Insurance (Life)	+23.9%
Chemical (Basic)	+22.7%
Semiconductor Equip.	+22.7%
Semiconductor	+20.7%
Biotechnology	+19.5%
Building Materials	+19.2%

7 Worst Performing Industries

Precious Metals	-3.7%
Natural Gas (Div.)	-3.7%
Electric Utility (East)	-1.5%
Telecom. Utility	-1.4%
Foreign Electronics	-0.6%
Electric Util. (Central)	+1.1%
Publishing	+1.5%

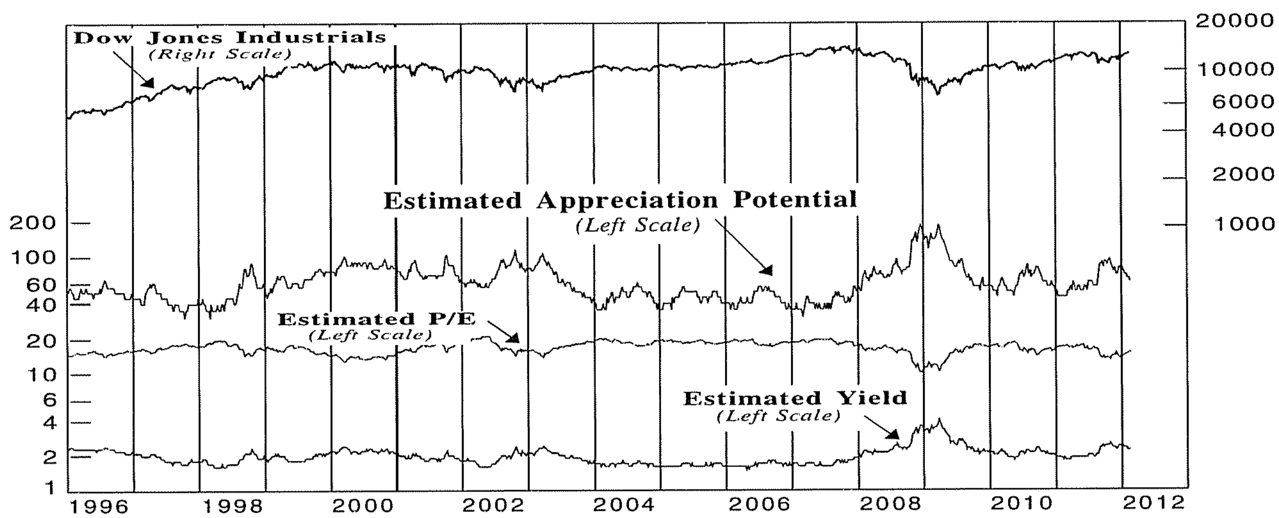
The corresponding change in the Value Line Arithmetic Average* is +10.2%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Christopher & Banks	B	C+	2211
Citi Trends, Inc.	B+	B	2212
Iconix Brand	B	B+	2107
K-Swiss Inc.	B	C++	2157
Movado Group	B	B+	2182
Sonic Auto.	C+	B	2131

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL VERSUS DOW JONES INDUSTRIALS *(JANUARY 2, 1996 - JANUARY 24, 2012)*



THE VALUE LINE GEOMETRIC AVERAGES

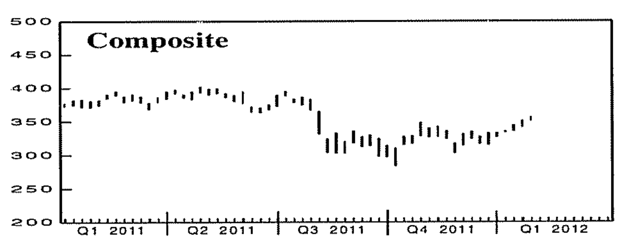
	Composite 1682 stocks	Industrials 1573 stocks	Rails 8 stocks	Utilities 101 stocks
1/19/2012	350.21	281.44	4515.37	249.10
1/20/2012	350.79	281.88	4484.79	249.82
1/23/2012	350.70	281.81	4457.32	249.99
1/24/2012	352.03	283.04	4345.05	248.80
1/25/2012	355.56	285.88	4401.85	251.49
%Change last 4 weeks	+8.8%	+9.4%	+5.4%	-0.3%

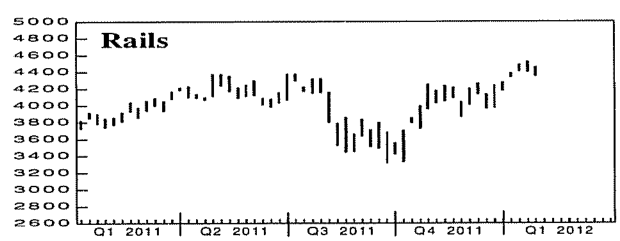
Arithmetic* Composite 1682 stocks
2871.01
2876.35
2876.06
2887.47
2917.15
+9.3%

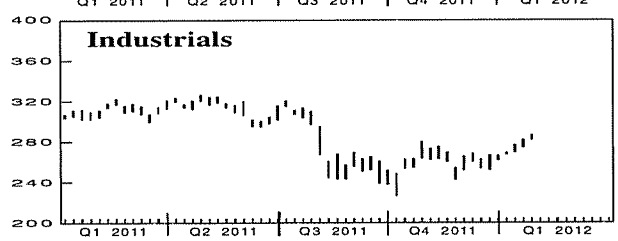
THE DOW JONES AVERAGES

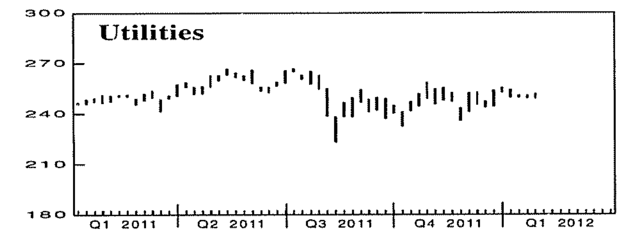
Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4346.64	12623.98	5301.87	447.24
4360.91	12720.48	5280.75	448.54
4350.89	12708.82	5240.94	449.76
4330.24	12675.75	5205.54	446.27
4376.07	12756.96	5282.00	453.49
+4.0%	+5.0%	+6.2%	-2.1%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(JANUARY 4, 2011 - JANUARY 25, 2012)*









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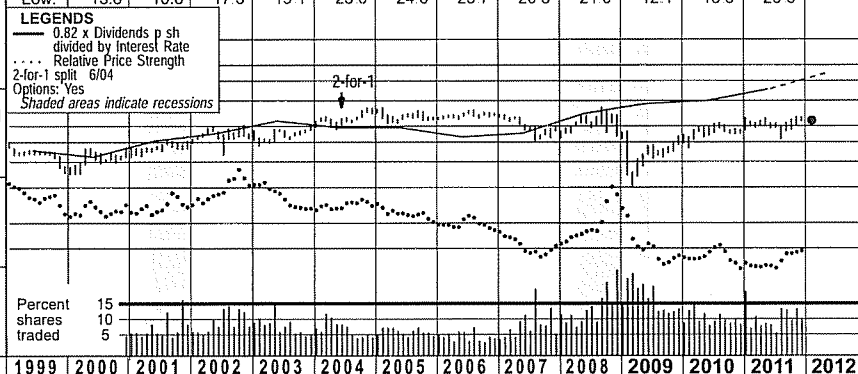
HAWAIIAN ELECTRIC NYSE-HE

RECENT PRICE	25.50	P/E RATIO	14.8 (Trailing: 19.0; Median: 19.0)	RELATIVE P/E RATIO	0.98	DIV'D YLD	4.9%	VALUE LINE

TIMELINESS 2 Raised 11/18/11
SAFETY 3 Lowered 5/8/09
TECHNICAL 3 Lowered 10/28/11
BETA .70 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	19.0	20.6	24.5	24.0	29.5	29.8	28.9	27.5	29.8	22.7	25.0	26.8
Low:	13.8	16.8	17.3	19.1	23.0	24.6	25.7	20.3	21.0	12.1	18.6	20.6

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+20%)	8%
Low	19	(-25%)	-2%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	2	0	0	1	0	1	1	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	2	0	2	1	0	0	1	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	91	74	72
to Sell	82	91	86
Hld's(000)	38026	36557	36149

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	22.2	-5.9
3 yr	43.1	91.9
5 yr	29.1	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
21.76	22.86	22.95	23.12	23.64	26.05	24.26	22.46	23.49	23.85	27.36	30.21	30.40	35.56	24.96	28.14	*34.40*	*36.75*	Revenues per sh	*39.50*
2.73	2.81	3.01	3.23	3.35	3.08	3.33	3.52	3.54	3.09	3.22	3.19	3.01	2.72	2.59	2.88	*3.25*	*3.50*	"Cash Flow" per sh	*3.75*
1.33	1.30	1.38	1.48	1.45	1.27	1.60	1.62	1.58	1.36	1.46	1.33	1.11	1.07	.91	1.21	*1.50*	*1.70*	Earnings per sh A	*2.00*
1.19	1.21	1.22	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	*1.24*	Div'd Decl'd per sh B ■ †	*1.30*
3.27	3.33	2.31	2.60	2.09	2.04	1.77	1.74	2.15	2.66	2.76	2.58	2.62	3.12	3.29	1.92	*2.80*	*3.85*	Cap'l Spending per sh	*6.00*
12.25	12.52	12.77	12.87	13.16	12.72	13.06	14.21	14.36	15.01	15.02	13.44	15.29	15.35	15.58	15.67	*16.05*	*16.65*	Book Value per sh C	*19.00*
59.55	61.71	63.79	64.23	64.43	65.98	71.20	73.62	75.84	80.69	80.98	81.46	83.43	90.52	92.52	94.69	*96.00*	*98.00*	Common Shs Outst'g D	*110.00*
13.5	13.7	13.2	13.4	12.1	12.9	11.8	13.5	13.8	19.2	18.3	20.3	21.6	23.2	19.8	18.6	*16.4*		Avg Ann'l P/E Ratio	*12.0*
.90	.86	.76	.70	.69	.84	.60	.74	.79	1.01	.97	1.10	1.15	1.40	1.32	1.18	*1.05*		Relative P/E Ratio	*.80*
6.6%	6.8%	6.7%	6.2%	7.1%	7.5%	6.6%	5.7%	5.7%	4.8%	4.6%	4.6%	5.2%	5.0%	6.9%	5.5%	5.0%		Avg Ann'l Div'd Yield	*5.5%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1391.2 mill. **Due in 5 Yrs** $252.1 mill.
LT Debt $1340.0 mill. **LT Interest** $73.1 mill.
Incl. $50 mill. 6.5% oblig. pfd. sec. of trust subsid.
(LT interest earned: 3.2x)
Pension Assets-12/10 $832.4 mill. **Oblig.** $1.17 bill.
Pfd Stock $34.3 mill. **Pfd Div'd** $2.0 mill.
1,114,657 shs. 4¼% to 5¼%, $20 par. call. $20 to $21; 120,000 shs. 7⅝%, $100 par. call. $100. Sinking fund ends 2018.
Common Stock 95,975,024 shs. **as of 10/31/11**
MARKET CAP: $2.4 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1727.3	1653.7	1781.3	1924.1	2215.6	2460.9	2536.4	3218.9	2309.6	2665.0	*3300*	*3600*	Revenues ($mill)	*4350*
109.8	120.2	120.1	109.6	120.3	109.9	93.6	92.2	84.9	115.4	*145*	*170*	Net Profit ($mill)	*225*
34.6%	34.6%	34.9%	45.8%	36.4%	36.5%	35.4%	34.7%	34.1%	37.0%	*35.0%*	*35.0%*	Income Tax Rate	*32.0%*
5.9%	4.8%	5.1%	7.6%	5.9%	8.4%	8.3%	14.2%	20.6%	7.4%	*6.0%*	*7.0%*	AFUDC % to Net Profit	*24.0%*
56.9%	52.0%	48.6%	47.6%	45.2%	49.9%	47.6%	46.0%	48.0%	44.5%	*45.0%*	*45.0%*	Long-Term Debt Ratio	*44.5%*
41.6%	46.5%	49.8%	51.0%	53.3%	48.6%	51.0%	52.7%	50.7%	54.3%	*54.0%*	*54.0%*	Common Equity Ratio	*54.5%*
2235.8	2251.0	2186.9	2375.1	2283.9	2252.7	2501.8	2635.2	2840.8	2732.9	*2855*	*3035*	Total Capital ($mill)	*3850*
2067.5	2079.3	2311.9	2422.3	2542.8	2647.5	2743.4	2907.4	3088.6	3165.9	*3265*	*3465*	Net Plant ($mill)	*4500*
6.7%	7.3%	7.3%	6.0%	6.8%	6.4%	5.2%	4.7%	4.3%	5.6%	*6.5%*	*7.0%*	Return on Total Cap'l	*7.0%*
11.4%	11.1%	10.7%	8.8%	9.6%	9.7%	7.1%	6.5%	5.8%	7.6%	*9.0%*	*10.0%*	Return on Shr. Equity	*10.5%*
11.6%	11.3%	10.8%	8.9%	9.7%	9.9%	7.2%	6.5%	5.8%	7.7%	*9.0%*	*10.0%*	Return on Com Equity E	*10.5%*
4.4%	4.3%	3.9%	1.1%	1.5%	.7%	.8%	.5%	NMF	1.4%	*1.5%*	*3.0%*	Retained to Com Eq	*4.0%*
63%	63%	64%	87%	85%	93%	89%	93%	NMF	82%	*83%*	*73%*	All Div'ds to Net Prof F	*63%*

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.8	-2.5	-1.1
Avg. Indust. Use (MWH)	6623	6403	6352
Avg. Indust. Revs. per KWH (¢)	25.36	17.68	21.41
Capacity at Yearend (Mw)	2227	2347	2325
Peak Load, Winter (Mw)	1590	1618	1562
Annual Load Factor (%)	75.3	72.2	73.9
% Change Customers (yr-end)	+.1	+.5	+.5
Fixed Charge Cov. (%)	255	234	300

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	2.0%	3.5%	*5.0%*
"Cash Flow"	-1.5%	-3.5%	*5.5%*
Earnings	-2.5%	-6.0%	*11.0%*
Dividends	--	--	*1.0%*
Book Value	2.0%	1.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	729.6	774.1	915.4	799.8	3218.9
2009	543.8	525.9	620.3	619.6	2309.6
2010	619.0	655.7	694.6	695.7	2665.0
2011	710.6	794.3	886.4	*908.7*	*3300*
2012	*900*	*900*	*900*	*900*	*3600*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.41	.06	.44	.16	1.07
2009	.22	.17	.37	.15	.91
2010	.29	.31	.35	.26	1.21
2011	.30	.28	.50	*.42*	*1.50*
2012	*.40*	*.40*	*.50*	*.40*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.31	.31	.31	.31	1.24
2009	.31	.31	.31	.31	1.24
2010	.31	.31	.31	.31	1.24
2011	.31	.31	.31	.31	1.24
2012					

BUSINESS: Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company (HECO) & American Savings Bank (ASB). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 446,000 customers on Oahu, Maui, Molokai, Lanai, & Hawaii. Operating companies' systems are not interconnected. Disc. int'l power sub. in '01. Elec. rev. breakdown: res'l, 33%; comm'l, 34%; large light & power, 32%; other, 1%. Generating sources: oil, 60%; purchased, 40%. Fuel costs: 54% of revs. '10 reported depr. rate (util.): 3.5%. Has 3,400 empls. Chairman: Jeffrey N. Watanabe. Pres. & CEO: Constance H. Lau. Inc.: HI. Address: 900 Richards St., P.O. Box 730, Honolulu, HI 96808-0730. Tel.: 808-543-5662. Web: www.hei.com.

Hawaiian Electric Industries' earnings are benefiting from a new regulatory mechanism that is in effect for its largest utility. In 2011, Hawaiian Electric Company (HECO) began operating under a regulatory plan that decoupled electric revenues and volume and provided for annual rate adjustments (at the start of June) for capital spending and rising operating and maintenance expenses. Before the new rules were enacted, HECO wasn't earning an adequate return on equity due to conservation programs and rising costs.

Earnings have begun to recover. Following the rate adjustment, earnings rose in the third quarter and probably in the fourth period as well. With the decoupling mechanism at HECO in place for all of 2012, profits should climb again this year.

Maui Electric Company (MECO) has a rate case pending, and Hawaii Electric Light Company (HELCO) plans to file an application in mid-2012. MECO is requesting a rate increase of $27.5 million (6.7%), based on an 11% return on a 56.85% common-equity ratio. An interim order is expected in May or June. At that time, the Hawaii commission will probably implement the same decoupling mechanism under which HECO operates. If HELCO files its petition in mid-2012, it would probably receive an interim decision in mid-2013. This would most likely include decoupling, as well.

American Savings Bank is showing signs of improvement. Loans are increasing, and the net interest margin and return on assets are at healthy levels. This has not come at the expense of credit quality, as the provisions for loan losses and net loan charge-offs remain low. On the down side, fee income is lower, and the efficiency ratio has room for improvement. Still, higher bank income should contribute to the company's profit expansion in the coming years.

This timely equity's dividend yield is fractionally above the utility average. However, the stock is not appealing for long-term investors. With the combination of a quotation already within our 2014-2016 Target Price Range and little dividend growth potential over that time frame, 3- to 5-year total return prospects are low.

Paul E. Debbas, CFA *February 3, 2012*

(A) Dil. EPS. Excl. gains (losses) from disc. ops.: '00, (56¢); '01, (36¢); '03, (5¢); '04, 2¢; '05, (1¢); nonrec. gain (loss): '05, 11¢; '07, (9¢). Next egs. due Feb. 8. (B) Div'ds histor. paid in early Mar., June, Sept., & Dec. ■ Div'd reinv. plan avail. † Sharehldr. invest. plan avail. (C) Incl. intang. In '10: $5.92/sh. (D) In mill., adj. for split. (E) Rate base: Orig. cost. Rate all'd on com. eq. in '11: HECO, 10%; in '07: HELCO, 10.7%; in '07: MECO, 10.7%; earned on avg. com. eq., '10: 7.7%. Regul. Climate: Avg. (F) Excl. div'ds paid through reinv. plan.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	20
Earnings Predictability	70

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Investment Survey®

PAGES 1801-1812

File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — JANUARY 13, 2012

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The Value Line View

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The *Selection & Opinion* Index appears on page 1880 (December 2, 2011).

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 21.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

See back cover for important disclosures.

ECONOMIC AND STOCK MARKET COMMENTARY

Our economy is starting out the new year on an upbeat note. That is similar to how we commenced 2011, however, before a series of unsettling events (e.g., the earthquake and tsunami in Japan, a deepening slump in housing, the divide in Washington, and the domino effect in Europe—as one struggling nation after another saw its financial house teeter) took the starch out of the now-maturing business upturn. The result was an uneven year for our economy and a forgettable 12 months on Wall Street.

This time, though, the early read on our economy may be more of a harbinger of things to come, as the reports have been rather positive for a number of weeks now. Still, with the hindsight of 2011, the potential for an increase in tensions in the fractious Middle East, the festering problems in Europe, and probable Washington gridlock in an election year at home, we are taking a cautious view of 2012. In all, we see growth averaging an unassuming 2.0%-2.5% this year. But that would still be above the likely 2011 rate.

Our concerns are more overseas than at home, as we sense the tide of events in Europe, in China (where growth is slowing, but still pressing forward), and in the Middle East, will all loom very large over our business results. For now, we aren't factoring in any new shocks in the Middle East, a hard landing in China, or a serious recession in Europe. Should a less inviting set of circumstances evolve, our business model might need to be revisited. Meanwhile . . .

The initial challenge in 2012 is likely to be the pending release of fourth-quarter earnings reports, where we expect to see relatively decent results, given the likelihood that GDP growth reached 3% in the final quarter of 2011, and the general absence of significant profit warnings to date for the fourth quarter.

There is a lot for investors to mull over, as we celebrate a new year, and we look back on a flattish 2011. However, we can take solace in the fact that the U.S. market's 2011 performance, while uninspiring in the absolute, was much better than the showing in Japan, where the Nikkei 225 Index fell to a near-three-decade low, and in Europe, where Germany's DAX and France's CAC-40 were both notably in the loss column.

Conclusion: We continue to see the economic and investment glasses as half full rather than half empty. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	12/28/2011	1/4/2012	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	12151.41	12418.42	+2.2%	+6.2%
Standard & Poor's 500	1249.64	1277.30	+2.2%	+0.6%
N.Y. Stock Exchange Composite	7396.99	7612.15	+2.9%	-5.1%
NASDAQ Composite	2589.98	2648.36	+2.3%	-1.2%
NASDAQ 100	2267.08	2329.71	+2.8%	+3.5%
American Stock Exchange Index	2249.45	2317.03	+3.0%	+5.4%
Value Line (Geometric)	326.68	333.78	+2.2%	-10.7%
Value Line (Arithmetic)	2669.58	2729.49	+2.2%	-5.1%
London (FT-SE 100)	5507.40	5668.45	+2.9%	-5.7%
Tokyo (Nikkei)	8423.62	8560.11	+1.6%	-17.7%
Russell 2000	735.21	747.28	+1.6%	-4.9%

Stock Market Review: Fourth Quarter, 2011

The just-ended year was hardly a confidence builder. True, the latest 12 months started out in a positive enough way, with initial-quarter gains scored by the major equity averages, in spite of the tragic natural disasters in Japan and the conflicting economic signals at home. In assessing the first-quarter results, we went back to J.P. Morgan, who upon being asked what the stock market will do, wisely intoned "it will fluctuate." Given the frenetic trading in the opening period and during the following nine months, he would have been rather prophetic about 2011. In all, our market went up in the first quarter, broke even in the second, fell back in the third, and pressed ahead again in the closing period. After all these ups and downs—including some frantic short-term swings along the way—we finished about where we began, with the Dow gaining a handful of points, the Standard and Poor's 500 Index just breaking even, and the NASDAQ easing by 1.8%. The only thing that did not vary much during the year was the elevated level of volatility, which rattled even the most intrepid of investors at times.

Events overseas were the main drivers of 2011's underwhelming performance. First, it was the natural disasters in Japan; then it was the fear of a hard landing in China; after that it was concerns about a default in Greece; later on it was worries about the health of other euro-zone nations; and all the while it was fears about a succession of upheavals and regime changes in the Middle East and North Africa. The waxing and waning of events abroad—particularly those in Europe—are still notable influences, as we start 2012. All the while . . .

The fundamentals were mixed at home. Initially, the key reports were supportive. But the earthquake in Japan and the tsunami that followed late in the opening period exacted a quick toll worldwide and had residual effects in the second three months, leading to listless GDP results in our own country. The financial setbacks that struck Europe in the second half, meantime, brought fresh concerns to our country. Still, growth quickened in the third quarter, and our presumption is that GDP stepped up another notch in the final period, even though there were some holes in the growth story, especially in housing. These ups and downs led to frenetic trading in the closing half, especially in the late summer and early fall, as unsettling events in Europe and the Middle East, and the impasse in politically charged Washington made investors that much more frazzled.

The Dow, meantime, led the way. However, that 30-stock index, which gained by a listless 5.5% in 2011, looked good only in comparison to the other principal equity indexes. Among the Dow winners were such venerable blue chips as *McDonald's*, *IBM*, *Pfizer*, *Home Depot*, and *Kraft Foods*. Even here, though, there were some big losers, among them *Bank of America*, *Alcoa*, *Hewlett-Packard*, and *JPMorgan Chase*.

The mid- and small-cap indexes were the principal laggards. With uncertainty the rule on both sides of the Atlantic, edgy investors logically sought the perceived relative safety of larger-cap names, where earnings and financials are more assured. The recent year also marked a reversal of sorts, as the Dow had lagged in 2009 and 2010, and for portions of the past decade. The 2011 outperformance of this 30-stock index was also due, we sense, to a little sector rotation. By comparison, the Russell 2000, the small-cap benchmark, fell by 5.5%.

We are cautiously optimistic as we head into 2012. Our constructive view reflects the moderate valuations now in place in our market, the better economic fundamentals at home, the remedial steps being taken in Europe, and the hope that constructive efforts will take hold in Washington—even during an election year.

Harvey S. Katz, CFA
Chief Economist

	FOURTH QUARTER			FULL YEAR		
	9/30/11	12/30/11	% Change	12/31/10	12/30/11	% Change
Dow Jones Industrial Average	10913.38	12217.56	12.0	11577.51	12217.56	5.5
Dow Jones Transportation Average	4189.37	5019.69	19.8	5106.75	5019.69	-1.7
Dow Jones Utility Average	433.38	464.68	7.2	404.99	464.68	14.7
Standard & Poor's 500 Index	1131.42	1257.60	11.2	1257.64	1257.60	—
NASDAQ Composite	2415.40	2605.15	7.9	2652.87	2605.15	-1.8
NASDAQ 100	2139.18	2277.83	6.5	2217.86	2277.83	2.7
New York Stock Exchange Composite	6791.65	7477.03	10.1	7964.02	7477.03	-6.1
American Stock Exchange Composite	2050.48	2278.34	11.1	2208.38	2278.34	3.2
Russell 2000	644.16	740.92	15.0	783.65	740.92	-5.5
Value Line (Arithmetic) Average	2385.05	2695.60	13.0	2865.39	2695.60	-5.9
Value Line (Geometric) Average	297.59	329.80	10.8	372.21	329.80	-11.4
Value Line Industrials	237.85	263.71	10.9	302.50	263.71	-12.8
Value Line Rails	3422.18	4270.07	24.8	3723.66	4270.07	14.7
Value Line Utilities	240.70	254.27	5.6	243.48	254.27	4.4
London (FT-SE 100)	5128.48	5572.28	8.7	5899.94	5572.28	-5.6
Tokyo (Nikkei)	*8700.29*	*8455.35*	-2.8	10228.92	8455.35	-17.3
Toronto (TSE 300)	11623.84	11955.09	2.8	13443.22	11955.09	-11.1

Stocks for Dividend Growth with Low Risk

In this screen, we turned our attention to low-risk stocks that have good records for dividend growth. In addition, our selection criteria focused on those issues that our analysts project to continue providing investors with dividends that are likely to increase at above-average rates.

We began our search with stocks whose dividends have advanced at a compounded annual rate of at least 5% over the last five years. Similarly, we next narrowed the list to equities with projected annual dividend growth rates of at least 7% over the next three to five years. We also set a minimum estimated yield for the year ahead of 3.5%, which is 120 basis points (100 basis points equals one percentage point) higher than the current median for all dividend-paying stocks under our review. For comparative purposes, we also show payout ratios (all dividends as a percentage of net profit) for the most recent fiscal year.

We then restricted our search to stocks with Safety ranks of at least 2 (Above Average), and Financial Strength Ratings of B++ or better (B+ is Average). Companies whose shares earn high marks for these metrics generally will fare better in volatile markets than the typical stock under our review. Lastly, to reduce the risk of underperformance, we limited the selection to issues ranked 3 (Average), or better, for relative price performance over the next six to 12 months.

The set of stocks that made the final cut are not only judged to be safer than most, but also possess proven and prospective dividend growth rates that have and are likely to advance at a rate exceeding the average rate of inflation under the time periods chosen under this review. We note that although this group includes a few utility stocks, its composition is much broader, in keeping with most recent screens. As usual, we advise investors to carefully review both full-page and supplementary analyses in our *Ratings & Reports* before making commitments to any of the equities on the list of stocks below.

Ratings & Reports Page	Ticker	Company	Dividend Yield	Time-liness	Safety	Payout Ratio	AVG. ANN'L GROWTH Last 5 Years	Next 3-5 Years	Financial Strength Rating	Industry
1599	AZN	AstraZeneca PLC (ADS)	3.6%	3	2	42%	20%	9%	B++	Drug
2237	AVA	Avista Corp.	4.5	3	2	60	10	9	B++	Electric Utility (West)
1987	BTI	Brit. Amer Tobac. ADR	4.0	3	2	64	19	8	B++	Tobacco
504	COP	ConocoPhillips	3.8	2	1	36	16	10	A++	Petroleum (Integrated)
2310	HAS	Hasbro, Inc.	3.7	3	2	33	29	9	B++	Recreation
718	LMT	Lockheed Martin	5.0	2	1	37	22	15	A++	Aerospace/Defense
1619	NVS	Novartis AG ADR	4.0	3	1	45	19	8	A++	Drug
723	RTN	Raytheon Co.	3.9	3	1	30	10	12	A++	Aerospace/Defense
2248	SRE	Sempra Energy	3.7	2	2	37	8	9	A	Electric Utility (West)
552	UGI	UGI Corp.	3.6	3	2	38	6	8	B++	Natural Gas Utility
1940	UL	Unilever PLC ADR	3.9	3	1	55	7	8	A++	Food Processing
943	VOD	Vodafone Group ADR	7.5	2	2	51	19	12	B++	Telecom. Services

Model Portfolios: Recent Developments

PORTFOLIO I

We are purchasing *Brightpoint, Inc.* shares for Portfolio I this week. The company is a provider of distribution and logistics services to a range of players in the wireless telephone business, including network operators, retailers, and manufacturers. The popularity of smartphones and other data-capable devices such at tablet computers should work to keep *Brightpoint*'s growth on an upward trajectory for some time yet. Indeed, the unit volume through the company's operations progressed nicely through the first nine months of 2011, and our sense is it remained on a rapid advance in the December period. And, as it stands now, we expect the company's revenue to increase some 8% in 2012, which should support earnings growth of better than 40%. Last, but not least, this issue's prospects look favorable for the year ahead, and it should fit in well with the portfolio's performance objective. Meanwhile, although *Brightpoint* is in a low-margined business, its financial record over the last five years shows a marked consistency, a characteristic we look for when making a selection.

To make room for *CELL* stock, we are selling our position in Kohl's Corp. shares, which are now ranked 3 (Average) for Timeliness. The retailer recently reported weak same-store sales for the holiday season, and it reduced its earnings forecast.

PORTFOLIO II

We are not making any changes to Portfolio II this week. The U.S. stock market got off to a good start in the opening days of 2012. Economic data in the United States have been a bit better, and many traders may be optimistic about upcoming corporate earnings releases.

We have had some strong performers in Portfolio II in recent months. In the energy area, *Chevron* has been doing well. The oil giant is getting support from the recent recovery in oil prices, which are back above $100 a barrel. Although, we have a 40% profit in this holding, we think the stock, which is ranked 1 (Highest) for Timeliness, still has decent upside. Our other energy stock, *ConocoPhillips* is firming up, too. *ConocoPhillips* is a diversified company, with a substantial refining and chemicals business. These operations do not always reflect oil price moves. Also, a planned separation of *Conoco's* businesses may be causing concerns.

Elsewhere, *McDonald's* had a strong run in 2011, outperforming the Dow Industrial Average. Investors may be wondering if the run can continue. The neutrally ranked stock now trades at a price-to-earnings multiple that is a bit elevated. However, the company is aggressively pursuing international expansion, which may provide some upside. We have a better-than-50% profit in the stock, but are sticking with the story, for now.

PORTFOLIO III

Portfolio III and the major market indices have edged higher during 2012's early trading sessions, bolstered by encouraging economic data from around the globe. The group's energy plays, *Halliburton* and *National Oilwell Varco*, have been especially buoyant, as the price of crude has once again topped $100 a barrel. And we expect this momentum to persist in the near term, given the tight oil supplies at present and the concerns that Iran may try to blockade the Strait of Hormuz in the Persian Gulf.

Mosaic, meanwhile, our newest addition, is already up over 10% since we purchased it a few weeks ago. The Minnesota-based fertilizer company posted better-than-expected share net of $1.40 for the November period (up 39% on a year-over-year basis), thanks to lower corporate expenses and, more important, higher prices for potash and phosphate. The favorable pricing trends augur well for the future, along with new plans to capitalize on the growing demand for agricultural commodities by significantly expanding potash production. In fact, *Mosaic* shares still appear attractive to us, and we look for the company's bottom line to climb at a strong 15%-20% annual rate through mid-decade.

Elsewhere in the portfolio, shares of *Google* remain on a roll. While still dominating the world of online advertising, the company is benefiting from efforts to monetize its Chrome user base and YouTube platform. The widespread adoption of Android, *Google's* mobile operating system, is also supporting strong growth. We are making no changes to Portfolio III this week.

PORTFOLIO IV

Portfolio IV registered a modest total return for December, though its performance did exceed that of the broader market indices. The above-average increase was attributable to a transition to safer investments that lifted the prices of numerous stocks in this high-yielding group. Indeed, more highly stable equities, including those from the Electric Utility industries, tended to make headway in the month. Specifically, the shares of *OGE Energy, Southern Co., Consolidated Edison,* and *Alliant Energy* all climbed significantly. Moreover, the shares of fast food giant and Dow 30 component, *McDonald's* continued to cheer investors, closing out a nice run during 2011. On the other hand, our other restaurant stock, *Darden Restaurants* sold off modestly, due to a weak November-quarter outlook from management. Additionally, the portfolio's other Dow stock, *DuPont*, dropped a bit, also limiting the overall performance. Late 2011 and very early 2012 price movements have been encouraging, and we think our group will continue to benefit if the trend persists.

In recent news, food processor, *Sara Lee* is making further moves to alter its asset mix. For one, it acquired Tea Forte, an ultra-premium tea category with annual revenues of about $12 million. Second, the company completed the sale of the majority of its North American Foodservice coffee and tea operations.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	69.10	1	3	14.4	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	411.23	2	2	12.7	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	36.32	1	2	12.6	0.8	0.95	B++	Packaging & Container
583	CELL	Brightpoint, Inc.	10.96	1	3	11.4	Nil	1.30	B+	Wireless Networking
383	CSTR	Coinstar Inc.	44.95	2	3	13.2	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	12.56	1	4	9.7	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.32	1	3	11.0	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	23.99	2	3	12.8	2.8	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	58.66	1	3	14.9	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	31.57	1	3	9.0	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	37.43	1	3	10.0	1.5	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	64.93	1	3	18.1	Nil	1.15	B+	Maritime
932	MIICF	Millicom Int'l Cellular	103.36	1	3	12.1	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	73.79	1	3	13.0	2.3	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	40.82	1	3	16.5	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	71.22	2	3	13.4	0.2	1.25	B+	Apparel
327	R	Ryder System	54.38	2	3	14.3	2.1	1.25	B+	Trucking
1628	TEVA	Teva Pharmac. (ADR)	43.10	1	1	7.8	2.1	0.60	A	Drug
738	TKR	Timken Co.	39.93	1	3	8.4	2.0	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	58.57	1	3	12.6	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	56.72	1	1	11.7	3.4	0.60	A++	Drug
2539	BLK	BlackRock, Inc.	181.27	3	3	14.3	3.0	1.20	A	Financial Svcs. (Div.)
503	CVX	Chevron Corp.	110.37	1	1	8.1	2.9	0.95	A++	Petroleum (Integrated)
1968	KO	Coca-Cola	70.14	3	1	17.0	2.7	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	91.08	3	1	17.2	2.5	0.60	A++	Household Products
504	COP	ConocoPhillips	74.17	2	1	8.3	3.8	1.10	A++	Petroleum (Integrated)
1588	DD	Du Pont	46.51	3	1	11.6	3.6	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	47.72	3	1	13.2	3.4	1.05	A++	Electrical Equipment
1753	HON	Honeywell Int'l	55.58	2	1	13.0	2.7	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	24.54	2	1	10.6	3.4	1.00	A++	Semiconductor
718	LMT	Lockheed Martin	82.02	2	1	10.3	5.0	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	98.84	3	1	18.2	2.8	0.65	A++	Restaurant
193	MDT	Medtronic, Inc.	38.69	3	1	10.9	2.6	0.85	A++	Med Supp Invasive
1337	MOLX	Molex Inc.	24.35	3	2	13.9	3.3	1.20	A	Electronics
409	RSG	Republic Services	27.55	2	3	13.4	3.2	0.95	B+	Environmental
1627	SNY	Sanofi ADR	37.23	3	1	12.0	5.0	0.80	A+	Drug
1048	TEF	Telefonica SA ADR	17.73	3	2	7.3	8.7	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	108.00	2	2	15.3	2.2	1.15	A	Railroad
317	UPS	United Parcel Serv.	74.16	3	1	16.4	2.8	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	60.33	2	1	12.6	2.4	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1546	AFL	Aflac Inc.	44.88	2	3	7.3	3.0	1.15	45 - 110%	Insurance (Life)
973	CVS	CVS Caremark Corp.	41.52	2	1	13.9	1.6	0.80	45 - 80	Pharmacy Services
355	CBOU	Caribou Coffee	14.15	3	4	34.5	Nil	0.95	40 - 145	Restaurant
1603	CELG	Celgene Corp.	68.66	3	2	20.6	Nil	0.75	45 - 95	Drug
2327	DIS	Disney (Walt)	38.31	3	1	13.2	1.6	1.05	70 - 110	Entertainment
927	DY	Dycom Inds.	21.71	1	3	18.9	Nil	1.40	40 - 105	Telecom. Services
2623	GOOG	Google, Inc.	665.41	3	2	17.9	Nil	0.90	100 - 170	Internet
2105	GES	Guess Inc.	30.40	4	3	8.4	2.6	1.25	115 - 230	Apparel
2411	HAL	Halliburton Co.	34.15	2	3	8.8	1.1	1.35	90 - 195	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	39.33	3	3	15.0	1.3	1.50	25 - 80	Recreation
1920	HRL	Hormel Foods	29.18	3	1	16.0	2.1	0.65	20 - 55	Food Processing
1998	ESI	ITT Educational	54.55	2	3	6.0	Nil	0.70	100 - 200	Educational Services
223	JNJ	Johnson & Johnson	65.88	3	1	13.1	3.5	0.65	30 - 50	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	34.02	3	3	7.6	2.9	1.20	135 - 255	Auto Parts
1591	MOS	Mosaic Company	52.59	3	3	9.9	0.4	1.60	60 - 145	Chemical (Basic)
2416	NOV	National Oilwell Varco	70.87	3	3	13.9	0.7	1.55	55 - 140	Oilfield Svcs/Equip.
1976	PEP	PepsiCo, Inc.	66.40	3	1	14.6	3.1	0.60	65 - 105	Beverage
753	X	U.S. Steel Corp.	28.17	2	3	NMF	0.7	1.70	115 - 200	Steel
815	UNH	UnitedHealth Group	51.49	2	2	11.1	1.3	1.00	65 - 125	Medical Services
1385	XLNX	Xilinx Inc.	32.44	4	2	20.4	2.3	0.90	25 - 55	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	56.72	1	1	11.7	3.4	0.60	A++	Drug
600	ARLP	Alliance Resource	76.65	1	3	9.7	5.0	1.10	B+	Coal
903	LNT	Alliant Energy	43.52	3	2	15.9	4.1	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	31.19	1	3	8.4	4.1	1.00	B+	Telecom. Utility
1987	BTI	Brit. Amer Tobac. ADR	95.90	3	2	15.5	4.0	0.70	B++	Tobacco
140	ED	Consol. Edison	60.65	3	1	17.0	4.0	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	44.65	4	3	12.8	3.9	1.05	A	Restaurant
1588	DD	Du Pont	46.51	3	1	11.6	3.6	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	53.49	4	1	15.2	3.6	0.65	A+	Food Processing
1160	IP	Int'l Paper	29.97	1	3	9.4	3.5	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.65	3	2	15.8	4.1	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	98.84	3	1	18.2	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	58.66	2	1	8.4	3.6	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	55.67	2	2	16.6	2.9	0.80	A	Electric Util. (Central)
2247	POR	Portland General	25.00	3	3	13.2	4.3	0.75	B+	Electric Utility (West)
1990	RAI	Reynolds American	41.23	4	2	15.2	5.4	0.60	B+	Tobacco
1930	SLE	Sara Lee Corp.	18.79	NR	2	20.9	2.6	0.80	B++	Food Processing
154	SO	Southern Co.	45.03	2	1	17.3	4.3	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	21.37	3	3	17.1	5.4	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	41.65	3	3	16.6	5.4	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Damon Churchwell, Senior Analyst.

Model Portfolios: Company Snapshots

Some of the holdings in the Model Portfolios, though integral to each group of 20 stocks, may have held their positions for some time without receiving attention. To bring interested subscribers up to date, a handful of these less visible contributors are now featured in the Model Portfolios: Company Snapshots page, which appears on an occasional basis in *Selection & Opinion*.

The rationale for making any trades in the portfolios, along with a brief analysis of the salient factors that are currently affecting each group's performance, continues to be found in the Model Portfolios: Recent Developments page included in this and every issue of *Selection & Opinion*.

Advance Auto Parts (AAP)

Held In: Portfolio I
Purchase Date: September 12, 2011
Purchase Price: $60.41
Recent Price: $69.10

Advance Auto Parts is a leading automotive aftermarket retailer, selling parts, accessories, batteries, and maintenance items through a network of more than 3,600 stores in 39 states, Puerto Rico, and the Virgin Islands. The company serves predominantly do-it-yourself (DIY) customers (they account for around 70% of the revenue mix), but it has a growing presence in the professional installer, or do-it-for-me (DIFM), market segment.

Wall Street's bears have been predicting an end to the multiyear growth story at *Advance*, mainly due to improving new car sales and a fear that inflated gasoline prices would prompt consumers to drive less. The bottom-line momentum is showing no signs of letting up, however, and will likely propel share net to the $7.75 level by mid-decade. Earnings gains are being supported by efforts to streamline the cost structure, as well as customer service enhancements that are helping to turn around the uneven DIY business. Deeper penetration of the professional installer space is lifting profits, too, along with unit development in underserved territories.

Our current position in *Advance Auto Parts* is 3,500 shares, unchanged from our initial purchase in September. Although the stock languished shortly after it was placed in Portfolio I, it has largely performed well since being added, and we have accumulated an unrealized gain of nearly 15%. At this writing, our position in *AAP* stock accounts for some 5.3% of the portfolio's market value.

CVS Caremark (CVS)

Held In: Portfolio III
Purchase Date: June 23, 2008
Purchase Price: $40.21
Recent Price: $41.52

CVS Caremark is the largest pharmacy health care provider in the United States, with a network of roughly 7,200 retail drugstores. The company is also, following its 2007 acquisition of Caremark Rx, the biggest provider of pharmacy benefit management (PBM) services to medical plan sponsors and individuals throughout the country, offering clients mail order pharmacy services, specialty pharmacy services, plan design and administration, formulary management, and claims processing.

CVS shares have exhibited good relative strength lately, after a lengthy period when the stock was hampered by sluggish PBM results and questions about whether its vertically integrated business model was working. In fact, with a strong close to 2011, we are now up slightly on our position. And we continue to like the issue as a core long-term holding. Over the pull to 2014-2016, profits should rise as *CVS* rolls out more store brands, increases its digital advertising capabilities, and enhances its *ExtraCare* customer loyalty program. The PBM division ought to remain on the mend, too, thanks to a new management team, a more effective marketing strategy, and miscues from rivals like Walgreen.

We purchased 5,200 *CVS* shares in the middle of 2008 and twice added to our position, averaging down in both 2010 and 2011, when the stock appeared especially undervalued. We currently hold a total 6,800 shares, and see no reason to lighten our stake at this point, as the company's vertical platform finally seems to be driving market-share advances on the retail and PBM sides of the business.

International Paper (IP)

Held In: Portfolio IV
Purchase Date: April 18, 2011
Purchase Price: $29.16
Recent Price: $29.97

International Paper is a global paper and packaging outfit that is complemented by an extensive North American merchant distribution system. Incorporated in New York in 1941, it is the largest producer of uncoated free sheet (i.e., copy/printer paper) in the world, as well as the largest containerboard and box maker in the United States.

The company has been in a recovery mode since 2009, when share net bottomed out at $0.88. Moreover, we think the turnaround story will continue to play out over the next few years, as containerboard returns improve and cost-cutting initiatives, including steps to streamline the supply chain, begin to bear more fruit. A pending merger with Temple-Inland, an American corrugated packaging and building products firm, should also be accretive to earnings.

IP shares were purchased for Portfolio IV in April of 2011. A total of 2,800 shares were added at a cost of $29.16 each. The position stands at that amount. Although providing only minimal capital appreciation, the stock has rewarded shareholders with an attractive dividend yield. We plan to retain the equity, ranked 1 (Highest) for year-ahead price action, for now.

Growth Stocks with Moderate Risk

This list is designed for investors seeking stocks with worthwhile long-term appreciation potential and low-to-moderate risk.

We began by screening for companies whose share earnings have compounded at a minimum 10% annual rate over the past five years and which are expected to at least maintain a 10% annual growth rate over the next 3 to 5 years.

Next, we pared the list to stocks with price appreciation potential of 80% or more over the next three to five years, measured from the mid-point of each issue's target price range. By way of comparison, the current projected median appreciation for the entire Value Line universe is 70%. To control for risk, we required that all stocks selected have a Safety rank of at least 3 (Average). Going one step further, we also set better-than-average hurdles for the two measures that determine the Safety rank. We required that each company have a Financial Strength rating of B+ or better and a score of 85 or more on the Price Stability Index, the range of which runs from 5 to 100. These factors should help select those companies with lower-than-average risk profiles. Finally, to guard against near-term underperformance, we required a Timeliness rank of at least 3 (Average).

Given these relatively stringent criteria, it isn't surprising that there were not too many issues in our universe that made the final cut. In fact, selecting growth stocks with the combination of worthwhile appreciation potential and low-to-moderate risk remains a difficult task, especially given uncertainties regarding in the prospects for global economic growth. Thus, the stocks listed below comprise an elite group. Meanwhile, many growth stocks, including some with better historical and prospective appreciation potential, were eliminated due to their less-than-stellar marks for Financial Strength or their volatile share price movements. We note, however, that the equities included below are likely to provide investors with worthwhile returns over the next 3 to 5 years, reflecting each issue's prospects for price appreciation during that time frame.

This is a short list, with a tilt towards companies operating in the healthcare and high technology industries. Those wanting to hold less-risky stocks with good prospects may consider most of the choices listed below. As always, we strongly urge investors to consult the individual analyses in Part 3, *Ratings & Reports*, before committing to any of the issues that appear in this screen.

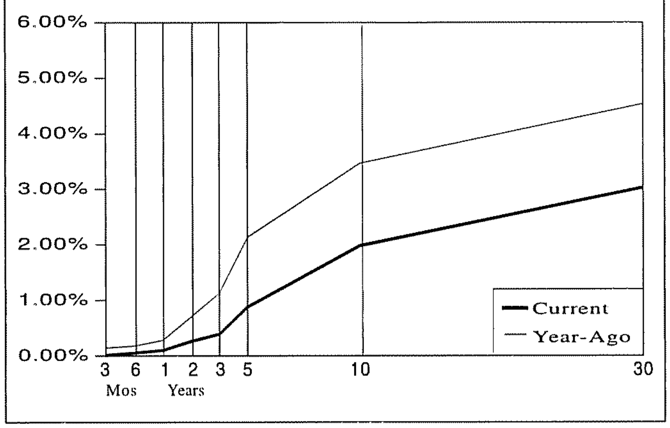
Ratings & Reports Page	Ticker	Company	Timeliness	Safety	3-5 Year Apprec. Potential	Annual E.P.S. Growth Last 5 Years	Annual E.P.S. Growth Next 5 Years	Price Stability Index	Financial Strength Rating	Industry
208	ABC	AmerisourceBergen	3	2	85%	13.5%	12.0%	95	B++	Med Supp Non-Invasive
1745	CHE	Chemed Corp.	3	3	80	24.0	11.5	85	B++	Diversified Co.
1747	DHR	Danaher Corp.	3	2	85	13.0	14.0	90	B++	Diversified Co.
2327	DIS	Disney (Walt)	3	1	90	15.0	15.0	85	A+	Entertainment
2607	FISV	Fiserv Inc.	2	2	130	13.0	11.5	90	B++	IT Services
224	LIFE	Life Technologies	2	2	135	30.5	10.0	85	B++	Med Supp Non-Invasive
2584	MSFT	Microsoft Corp.	2	1	85	13.5	12.0	90	A++	Computer Software
2586	ORCL	Oracle Corp.	3	1	95	22.0	13.0	85	A++	Computer Software
409	RSG	Republic Services	2	3	80	11.0	11.0	85	B+	Environmental
1628	TEVA	Teva Pharmac. (ADR)	1	1	120	22.0	10.5	100	A	Drug
132	TMO	Thermo Fisher Sci.	2	2	105	20.5	12.0	85	A	Precision Instrument
2366	JWA	Wiley (John) & Sons	3	3	120	11.0	12.5	85	B+	Publishing

Selected Yields

	Recent (01/04/12)	3 Months Ago (10/05/11)	Year Ago (1/05/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.25	0.41	0.29
3-month LIBOR	0.58	0.38	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.16	1.18	1.57
U.S. Treasury Securities			
3-month	0.01	0.01	0.14
6-month	0.05	0.02	0.18
1-year	0.10	0.09	0.28
5-year	0.88	0.95	2.14
10-year	1.98	1.89	3.47
10-year (inflation-protected)	-0.14	0.08	1.02
30-year	3.03	2.85	4.54
30-year Zero	3.13	3.03	4.84

	Recent (01/04/12)	3 Months Ago (10/05/11)	Year Ago (1/05/11)
Mortgage-Backed Securities			
GNMA 5.5%	0.99	1.54	2.86
FHLMC 5.5% (Gold)	2.03	2.23	3.19
FNMA 5.5%	1.86	2.13	3.05
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.25	3.88	4.89
Industrial (25/30-year) A	4.33	4.29	5.59
Utility (25/30-year) A	4.22	4.21	5.86
Utility (25/30-year) Baa/BBB	4.95	4.65	6.19
Foreign Bonds (10-Year)			
Canada	1.99	2.14	3.28
Germany	1.92	1.84	2.94
Japan	0.99	0.97	1.16
United Kingdom	2.05	2.36	3.55
Preferred Stocks			
Utility A	5.11	5.29	5.79
Financial A	6.38	6.51	6.48
Financial Adjustable A	5.48	5.48	5.48
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.88	3.93	4.95
25-Bond Index (Revs)	4.97	5.01	5.38
General Obligation Bonds (GOs)			
1-year Aaa	0.22	0.20	0.40
1-year A	1.07	0.97	1.37
5-year Aaa	0.92	1.13	1.75
5-year A	2.06	2.18	2.95
10-year Aaa	2.07	2.36	3.40
10-year A	3.12	3.47	4.41
25/30-year Aaa	3.80	3.88	4.90
25/30-year A	5.20	5.53	5.92
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.53	4.56	5.29
Electric AA	4.70	4.92	5.28
Housing AA	5.26	5.55	6.13
Hospital AA	4.72	4.92	5.43
Toll Road Aaa	4.53	4.58	5.33

Treasury Security Yield Curve



Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

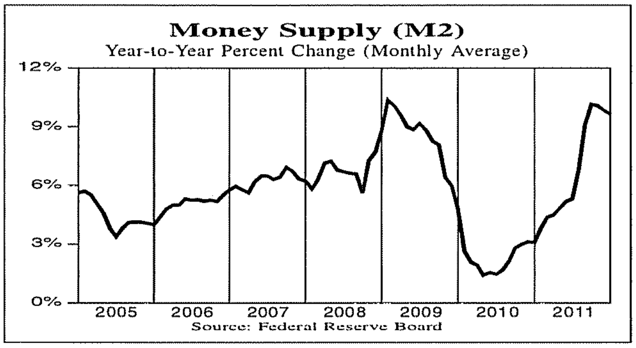
	Recent Levels 12/28/11	12/14/11	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1471463	1528580	-57117	1517529	1552068	1434904
Borrowed Reserves	9328	9841	-513	10500	11327	16880
Net Free/Borrowed Reserves	1462135	1518739	-56604	1507029	1540741	1418024

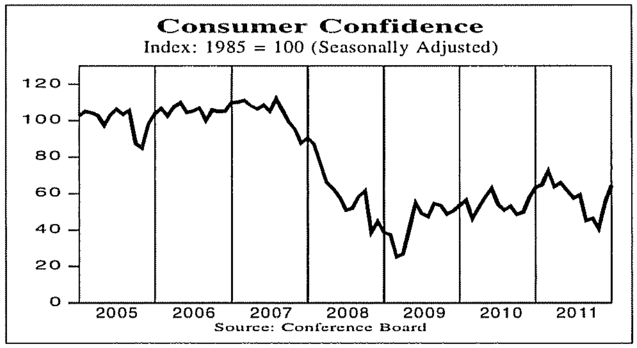
MONEY SUPPLY

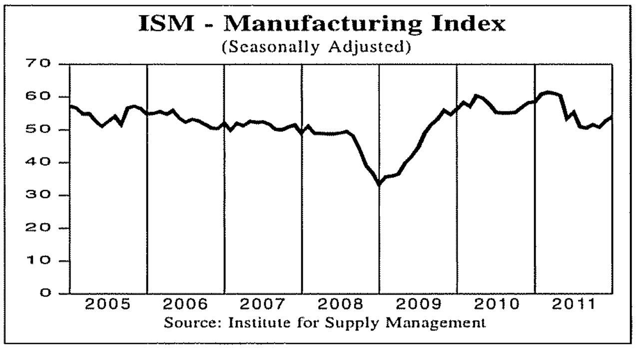
(One-Week Period; in Billions, Seasonally Adjusted)

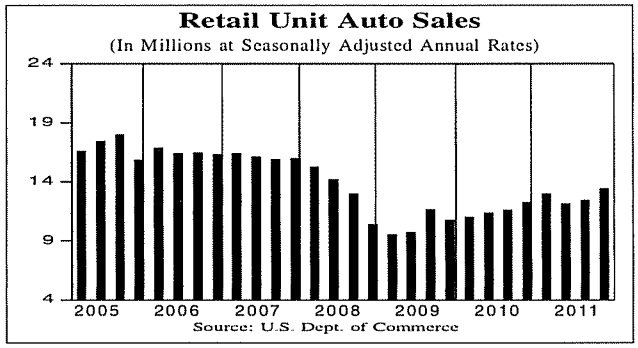
	Recent Levels 12/19/11	12/12/11	Change	Ann'l Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2136.9	2138.3	-1.4	3.4%	21.7%	16.8%
M2 (M1+savings+small time deposits)	9666.4	9672.8	-6.4	4.3%	13.5%	9.7%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
757	5	Alleghany Corp.	R. Wong, Dir.	12/27/11-12/28/11	430	3,311	$283.00-$285.00	284.86
1136	3	Fastenal Co.	N.J. Lundquist, V.P.	12/23/11	5,000	121,000	$43.35	43.76
2555	4	Kemper Corp.	R. Hedlund, Dir.	12/23/11	1,000	7,020	$29.45	29.38
565	1	Kronos Worldwide	H.C. Simmons, Chair.	12/28/11-12/29/11	25,000	543,440	$17.50-$18.00	18.77
933	3	NII Holdings	G.D. Begeman, Officer	12/22/11	5,000	58,161	$21.10	21.64
933	3	NII Holdings	R. Butvilofsky, Officer	12/27/11-12/28/11	15,275	31,828	$20.50-$21.32	21.64
1819	3	Stewart Enterpr. 'A'	T. Kitchen, CEO	12/28/11	2,500	406,583	$5.55	5.75

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
946	5	Acme Packet	P.J. Melampy, Dir.	12/21/11-12/22/11	60,000	2,883,470	$30.76-$31.59	31.81
2124	2	AutoZone Inc.	E.S. Lampert *	12/21/11-12/29/11	109,383	1,895,516	$326.16-$331.10	319.79
2305	3	Carnival Corp.	H.S. Frank, COO	12/23/11	124,603	149,762	$33.16	32.96
2305	3	Carnival Corp.	S. Kruse, Officer	12/23/11	35,601	66,567	$32.72	32.96
2223	3	lululemon athletica	D.J. Wilson, Chair.	12/23/11-12/27/11	50,000	NA	$47.50-$48.11	47.03
629	2	Plains All Amer. Pipe.	T. Moore, V.P.	12/28/11	15,000	30,000	$71.72	73.38
1540	3	Ventas, Inc.	D.M. Pasquale, Dir.	12/23/11-12/27/11	58,550	180,259	$54.61-$55.26	55.59

* *Beneficial owner of more than 10% of common stock.*
† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

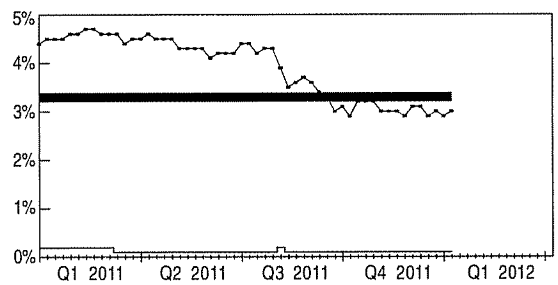
Market Monitor

Valuations and Yields	1/4	12/28	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.5	14.4	13.4 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.5	12.2	11.4 - 12.5	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.3%	2.3%	2.2 - 2.4%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.7%	2.7%	2.7 - 2.9%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.2%	5.0%	0.3%
AAA Corporate bond yield	3.9%	3.8%	3.8 - 4.1%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.0%	2.9%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-3.0%	-3.1%	-3.6 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	16.4	15.4	13.0 - 16.4	10.2 - 16.4	8.1	8.6
CBOE put volume/call volume	.90	.95	.90 - 1.26	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



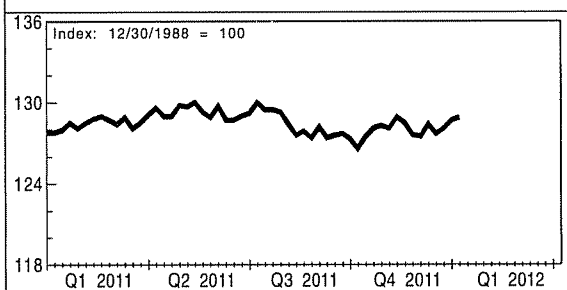
INTEREST RATES

Prime Rate

Federal Funds

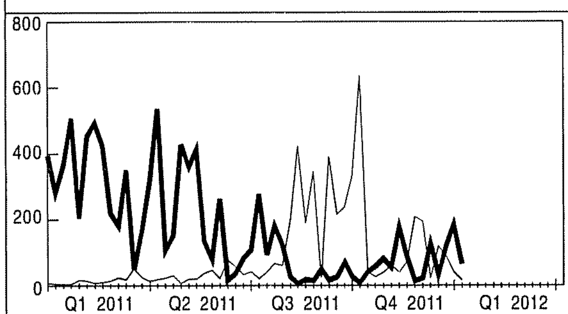
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.0%	2.9%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	993	1357
Declines	692	323
Issues Covered	1707	1699
Market Value ($ Trillion)	17.916	17.615



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	64	183
New Lows	16	39

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 1/3/2012

7 Best Performing Industries

Newspaper	+23.0%
Building Materials	+15.1%
Semiconductor Equip.	+12.8%
Bank (Midwest)	+12.2%
Homebuilding	+12.2%
Insurance (Life)	+12.2%
Bank	+11.2%

7 Worst Performing Industries

Entertainment Tech.	-5.2%
Maritime	-4.2%
Air Transport	-2.2%
Investment Co. (Foreign)	-1.7%
Funeral Services	-1.6%
Telecom. Equipment	-1.4%
Telecom. Utility	-1.1%

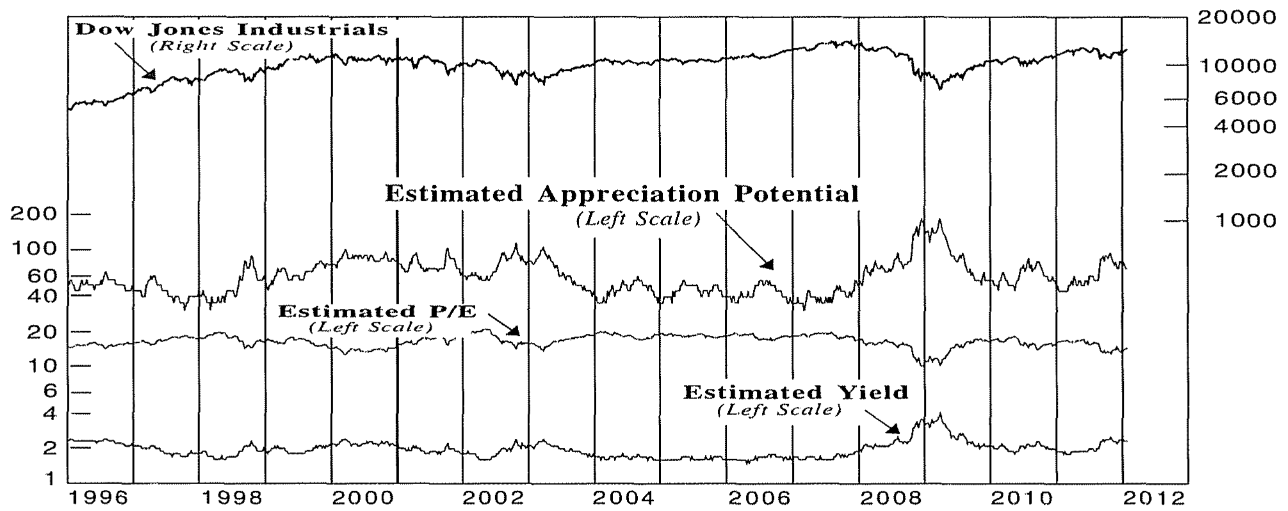
The corresponding change in the Value Line Arithmetic Average* is +7.3%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Realty Income	B+	B++	1536
Warner Chilcott	B+	B	1630

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL
VERSUS DOW JONES INDUSTRIALS *(JANUARY 2, 1996 - JANUARY 3, 2012)*



THE VALUE LINE GEOMETRIC AVERAGES

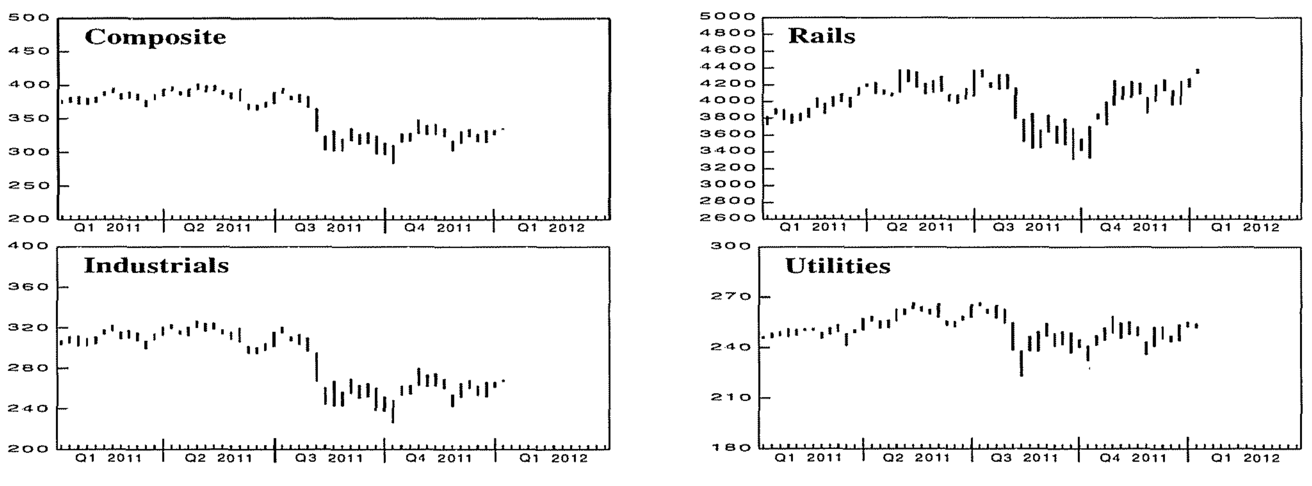
	Composite 1670 stocks	Industrials 1559 stocks	Rails 8 stocks	Utilities 103 stocks
12/29/2011	330.89	264.62	4221.99	255.10
12/30/2011	329.80	263.71	4270.07	254.27
1/2/2012		HOLIDAY		
1/3/2012	335.11	268.19	4337.94	254.27
1/4/2012	333.78	267.21	4378.45	251.94
%Change last 4 weeks	**-0.2%**	**-0.4%**	**+4.1%**	**+0.4%**

Arithmetic* Composite 1670 stocks
2704.26
2695.60
HOLIDAY
2739.70
2729.49
+0.2%

THE DOW JONES AVERAGES

Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4254.40	12287.04	5042.29	467.12
4232.17	12217.56	5019.69	464.68
	HOLIDAY		
4261.02	12397.38	5065.71	455.72
4264.59	12418.42	5082.97	453.02
+1.8%	**+1.8%**	**+1.9%**	**+1.3%**

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(JANUARY 4, 2011 - JANUARY 4, 2012)*



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THE VALUE LINE Investment Survey®

PAGES 1777-1788

File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — JANUARY 27, 2012

Dear Subscribers,

As part of our ongoing efforts to keep *The Value Line Investment Survey* the most valuable investment resource for our subscribers, the entire service is now being released on the Value Line Web Site at 8:00 A.M. Eastern Time on Mondays. You can access each week's issue at www.valueline.com by entering your user name and password. We look forward to continuing to provide you with accurate and timely investment research. Thank you.

The Value Line Ranking Systems—2011

In This Issue

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 23.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

The Value Line Ranking Systems—2011

In our last review of the Value Line Ranking Systems, we noted that the market took investors on a roller coaster ride in the first half. In hindsight, those initial six months were gentle sways compared to the wild swings and heightened volatility experienced in the second half. The market's precipitous decline in late July and early August coincided with the contentious political maneuverings in Washington related to the lifting of the nation's debt ceiling. Moreover, the news from Europe was much less than uplifting, as the Continent's sovereign-debt problems worsened and members of the European Monetary Union and the European Central Bank had difficulty agreeing on a plan to resolve the crisis. Add in the uneven prospects for economic expansion in the United States, the potential for slower growth in China, and further tensions in the fractious Middle East, and it is easy to see why the stock market had problems finding direction.

To wit, the S&P 500 Index, which was up 8.4% at the end of April, dropped to a year low in early October, registering a year-to-date loss of 12.6%. It then climbed back to breakeven for 2011, following a solid rally after the Thanksgiving holiday. The broader market beyond the biggest stocks, as measured by the equally weighted Value Line (Arithmetic) Average was even more volatile, with this benchmark recording a gain of 9.5% at the end of April, only to sink to a cumulative loss of 20.6% in early October. From there, it climbed unsteadily to end the year off by 5.9%. Con-

(*Continued on page 1781*)

RECORD OF TIMELINESS RANKS

Without Allowing for Changes in Rank

Average Percentage Change in Price 12/31/10 to 12/30/11	
Group 1	-6.7%
Group 2	-0.5%
Group 3	-3.4%
Group 4	-10.8%
Group 5	-26.1%
Average	-5.7%
S&P 500	0.0%
Dow Jones Ind'l Avg.	5.5%
Wilshire 5000	-1.3%
	(arithmetic averaging)

Allowing for Changes in Rank Each Week

Average Percentage Change in Price 12/31/10 to 12/30/11		
Group 1	-11.2%	-6.0%
Group 2	-5.6%	-1.2%
Group 3	-8.7%	-3.9%
Group 4	-15.7%	-10.6%
Group 5	-36.6%	-26.8%
	(geometric averaging)	*(arithmetic averaging)*

RECORD OF TIMELINESS RANKS

Allowing for Changes in Rank Each Quarter

Average Percentage Change in Price 12/31/10 to 12/30/11	
Group 1	-4.4%
Group 2	-2.0%
Group 3	-2.8%
Group 4	-11.4%
Group 5	-24.6%
	(arithmetic averaging)

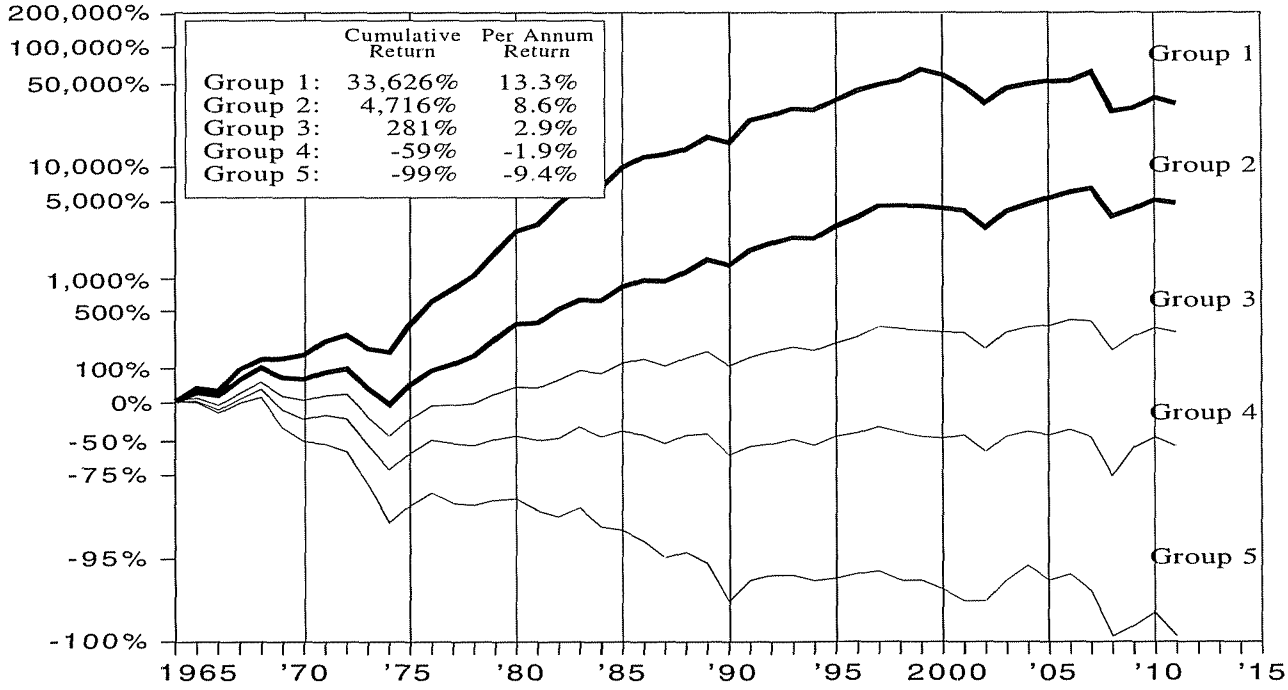
RECORD OF TECHNICAL RANKS

Allowing for Changes in Rank Each Quarter

Average Percentage Change in Price 12/31/10 to 12/30/11	
Group 1	-29.8%
Group 2	-14.6%
Group 3	-2.0%
Group 4	2.2%
Group 5	-7.7%
	(arithmetic averaging)

Record of Value Line Ranks for Timeliness

Allowing for Changes in Rank Each Week (1965 - 2011)



RECORD OF VALUE LINE RANKINGS FOR TIMELINESS (ALLOWING FOR CHANGES IN RANK EACH WEEK)†

April 16, 1965 to December 30, 2011

Group	'65*	'66	'67	'68	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84
1	28.8%	-5.5%	53.4%	37.1%	-10.4%	7.3%	30.6%	12.6%	-19.1%	-11.1%	75.6%	54.0%	26.6%	32.6%	54.7%	52.6%	13.6%	50.6%	40.9%	-2.1%
2	18.5	-6.2	36.1	26.9	-17.5	-3.2	13.7	7.4	-28.9	-29.5	47.4	31.2	13.4	18.3	38.0	35.7	1.8	31.0	19.1	-0.8
3	6.7	-13.9	27.1	24.0	-23.8	-8.0	9.3	3.5	-33.6	-34.1	40.7	29.0	1.3	3.0	20.7	15.4	-3.3	17.9	20.2	-5.6
4	-0.4	-15.7	23.8	20.9	-33.3	-16.3	8.4	-7.1	-37.9	-40.6	39.3	28.8	-6.9	-3.8	12.8	7.4	-8.7	5.1	25.0	-17.4
5	-3.2	-18.2	21.5	11.8	-44.9	-23.3	-5.5	-13.4	-43.8	-55.7	40.9	26.7	-17.6	-3.2	10.4	2.9	-21.4	-10.9	19.0	-31.0

Group	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04
1	47.0%	22.9	5.4%	9.5%	27.9%	-10.4%	55.4%	10.0%	13.4%	-2.6%	22.8%	20.4%	11.3%	8.2%	24.1%	-10.4%	-20.3%	-27.2%	33.8%	8.4%
2	30.7	14.4	-2.4	20.4	26.5	-10.2	34.1	14.3	12.4	-2.2	28.1	19.0	24.0	0.1	-0.5	-4.4	-3.8	-28.8	38.2	14.5
3	22.8	7.7	-12.6	16.1	13.7	-24.4	18.9	11.0	9.8	-6.9	16.6	12.3	21.5	-3.9	-3.3	-3.2	-0.8	-27.1	38.2	10.5
4	11.4	-6.8	--15.8	17.6	2.6	-33.7	16.7	6.2	8.5	-9.9	17.1	7.1	14.5	-11.0	-7.5	-3.7	5.9	-26.7	34.2	9.4
5	-5.6	-19.6	-28.0	11.4	-19.2	-45.5	25.5	15.4	0.3	-15.2	5.2	7.5	16.6	-11.5	-1.3	-19.7	-7.2	-15.7	52.2	15.2

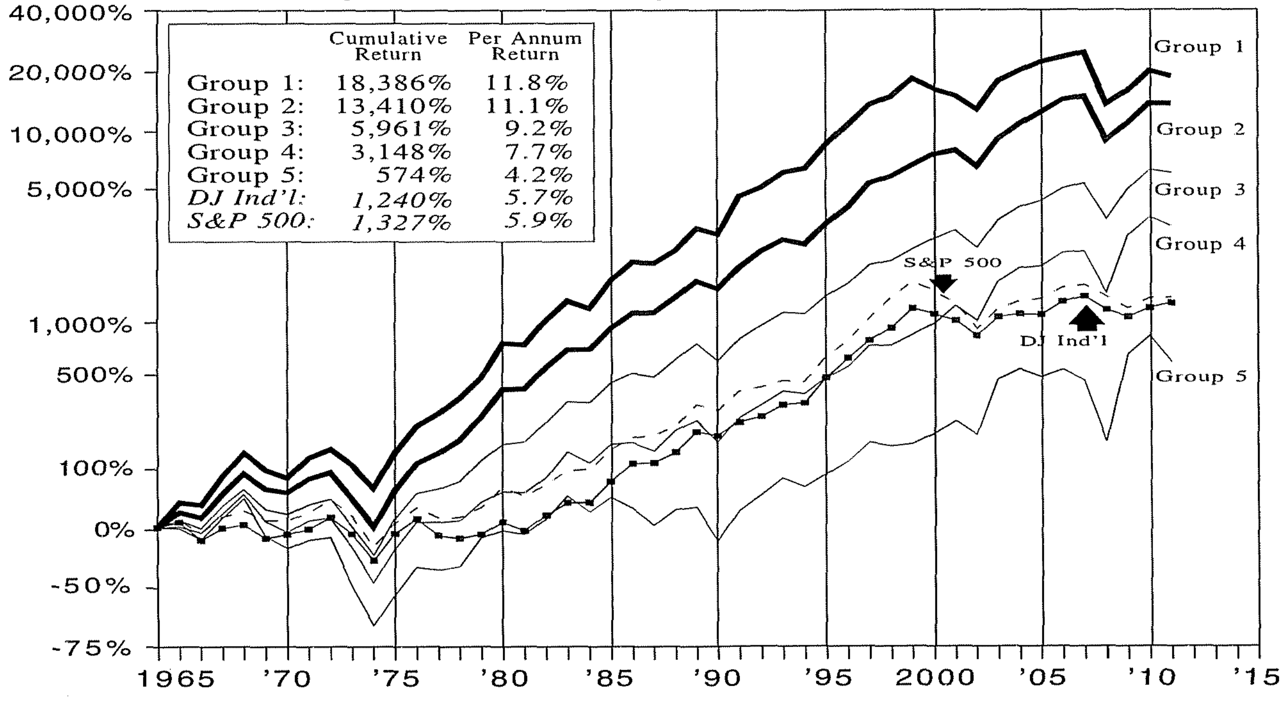
Group	'05	'06	'07	'08	'09	'10	'11	'65* to 2011
1	5.6%	0.7%	18.2%	-53.4%	15.9%	23.0%	-11.2%	33,626%
2	12.9	12.1	6.6	-41.6	19.7	19.4	-5.6	4,716
3	3.6	11.3	-2.6	-43.5	23.7	18.8	-8.7	281
4	-6.7	11.8	-14.3	-53.8	40.1	21.1	-15.7	-59
5	-12.6	7.8	-28.0	-73.3	38.7	26.9	-36.6	-99

**April through December*

† Geometric Averaging

Record of Value Line Ranks for Timeliness

Allowing for Annual Changes in Rank (1965 - 2011)



RECORD OF VALUE LINE RANKINGS FOR TIMELINESS (ALLOWING FOR ANNUAL CHANGES IN RANK)†

April 16, 1965 to December 30, 2011

Group	'65*	'66	'67	'68	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84
1	33.6%	-3.1%	39.2%	31.2%	-17.7%	-8.9%	26.5%	10.1%	-17.1%	-23.1%	51.6%	35.3%	15.8%	19.8%	25.6%	50.2%	-1.9%	33.7%	25.2%	-8.6%
2	18.9	-6.0	31.9	26.3	-16.3	-4.0	17.4	7.5	-26.2	-27.8	53.0	36.3	12.7	16.1	30.8	37.4	0.7	29.0	22.2	-0.1
3	8.9	-9.7	30.1	21.4	-20.7	-5.5	12.2	6.2	-27.0	-28.5	52.9	33.8	5.2	9.2	27.6	20.8	2.7	25.5	26.7	-1.6
4	0.8	-7.2	25.1	25.1	-26.8	-11.7	14.2	3.2	-29.1	-33.6	48.4	36.1	-0.2	2.4	23.1	13.2	-0.9	18.1	35.2	-12.3
5	-1.2	-12.4	28.4	25.9	-35.7	-13.1	10.5	2.9	-43.1	-36.8	42.1	38.2	-2.8	4.0	39.9	8.4	-4.2	19.9	30.0	-17.1
Avg.	10.1	-7.9	29.9	24.6	-22.1	-7.5	14.9	5.5	-27.7	-29.6	51.2	35.1	5.8	9.6	28.0	23.4	0.9	25.0	27.5	-4.7

Group	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04
1	38.6%	23.5%	-1.2%	16.0%	28.7%	-6.6%	56.7%	10.1%	18.5%	4.6%	31.3%	27.0%	25.8%	9.3%	23.7%	-11.7%	-7.4%	-15.0%	40.1%	12.2%
2	29.5	18.7	0.4	19.7	20.3	-8.7	29.8	19.9	13.6	-5.3	27.1	21.4	31.3	8.5	13.9	13.2	4.8	-17.3	37.9	18.8
3	26.6	11.5	-4.1	23.2	19.6	-18.6	30.0	17.5	15.3	-1.6	22.8	16.1	24.1	4.8	14.5	13.0	10.2	-18.8	38.6	15.8
4	24.6	1.5	-9.1	27.2	12.4	-22.8	34.1	15.6	16.5	-2.9	20.2	14.3	26.6	0.6	13.5	14.0	23.3	-16.2	58.2	16.5
5	18.7	-12.1	-17.9	20.0	3.3	-33.0	43.8	19.9	20.3	-9.3	15.7	15.8	24.4	-4.0	2.8	11.6	16.4	-14.5	90.1	12.3
Avg.	27.0	10.2	-4.9	22.6	17.8	-17.6	33.4	17.3	15.7	-2.6	23.2	17.4	26.1	4.4	14.0	11.4	11.0	-17.5	45.4	16.0

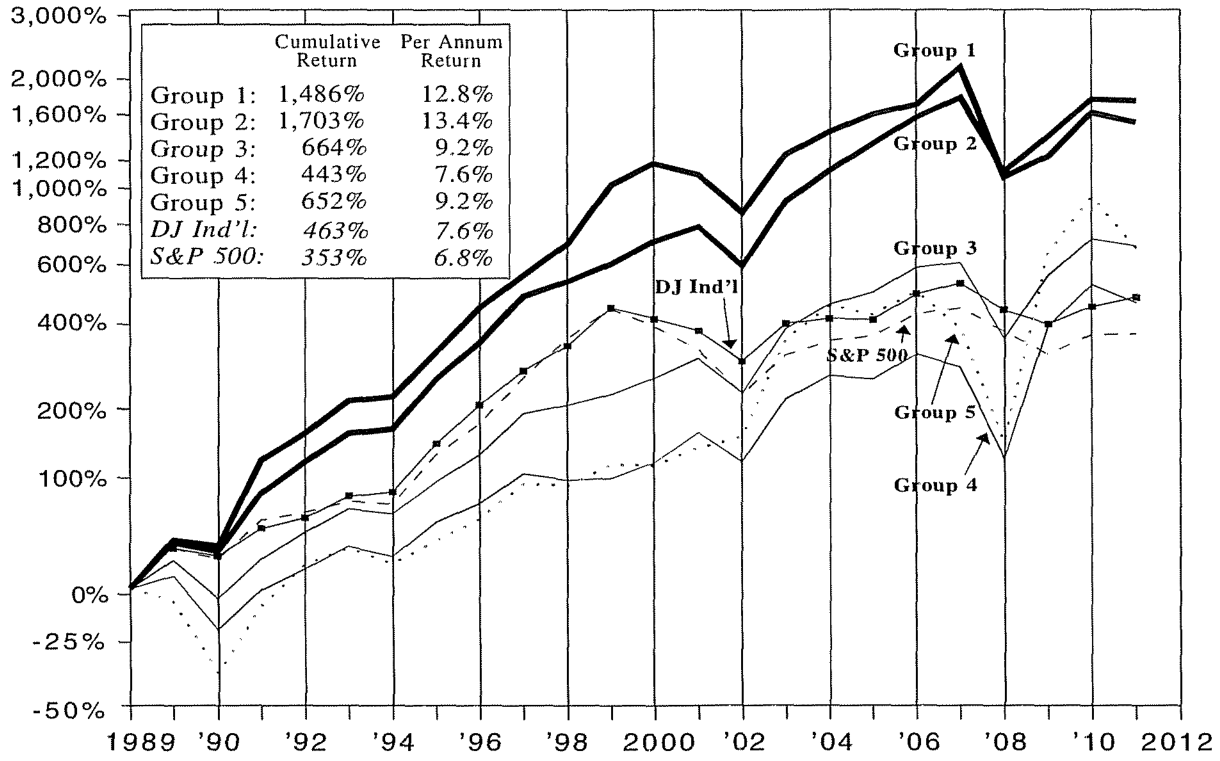
Group	'05	'06	'07	'08	'09	'10	'11	'65* to 2011
1	11.3	5.7%	5.4%	-45.0%	16.0%	26.4%	-6.7%	18,386%
2	15.0	15.6	3.9	-40.1	22.4	25.4	-0.5	13,410
3	7.8	15.2	6.4	-34.2	41.5	24.9	-3.4	5,961
4	2.4	16.7	1.4	-38.2	95.0	23.6	-10.8	3,148
5	-8.7	9.1	-12.0	-50.9	175.4	23.8	-26.1	574
Avg.	7.3	14.6	3.7	-38.0	55.5	24.8	-5.7	6,215
						Dow Jones Industrials		1,240%
						S&P 500		1,327%

** April through December*

† Arithmetic Averaging

Record of Value Line Ranks for Timeliness

Allowing for Changes in Rank Each Week (1989 - 2011)



RECORD OF VALUE LINE RANKINGS FOR TIMELINESS (ALLOWING FOR CHANGES IN RANK EACH WEEK)†

December 30, 1988 to December 30, 2011

Group	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04
1	33.5%	-3.8%	66.7%	17.4%	21.2%	2.3%	30.5%	30.4%	21.1%	20.5%	42.1%	13.5%	-6.5%	-20.2%	41.3%	14.3%
2	31.1	-5.2	41.7	20.3	18.6	2.5	34.1	25.1	31.3	9.2	11.0	14.3	9.1	-20.6	46.3	19.9
3	18.2	-20.2	26.1	17.3	15.1	-3.1	21.2	17.4	27.6	5.0	6.6	10.2	12.7	-18.9	46.8	15.4
4	7.6	-27.2	26.6	13.2	14.5	-5.9	22.5	11.7	19.3	-3.7	1.2	9.7	19.6	-16.0	45.1	14.7
5	-7.5	-34.6	48.6	28.5	10.0	-8.9	14.7	14.0	22.9	-1.1	13.3	-0.4	11.1	+7.0	78.3	23.4
DJIA	27.0	-4.3	20.3	4.2	13.7	2.1	33.5	26.0	22.6	16.1	25.2	-6.2	-7.1	-16.8	25.3	3.1
S&P 500	27.3	-6.6	26.3	4.5	7.1	-1.5	34.1	20.3	31.0	26.7	19.5	-10.1	-13.0	-23.4	26.4	9.0

Group	'05	'06	'07	'08	'09	'10	'11	'89 to 2011
1	10.9%	6.1%	24.8%	-47.9%	13.1%	29.7%	-6.0%	1,486%
2	17.5	17.1	12.2	-35.7	23.5	24.7	-1.2	1,703
3	7.7	15.7	2.8	-36.1	45.0	24.1	-3.9	664
4	-2.0	16.4	-7.7	-41.9	119.4	28.2	-10.6	443
5	-5.5	14.8	-19.6	-49.2	208.0	39.9	-26.8	652
DJIA	-0.6	16.3	6.4	-33.8	18.8	11.0	5.5	463
S&P 500	3.0	13.6	3.5	-38.5	23.5	12.8	0.0	353

† *Arithmetic Averaging*

The Value Line View

The economic news continues to be largely supportive. Recent data, for example, indicated that industrial production and factory use are both firming. Also, homebuilding is finally stabilizing (with housing starts and building permits now above year-ago levels); car sales are gaining traction; consumer sentiment is firming; and initial jobless claims recently plunged to near a four-year low. Conversely, retail sales growth has slowed, while exports, which helped to underpin the business expansion earlier, have eased, reflecting lesser demand from debt-burdened Europe.

The challenge will be to keep the momentum going. And that will not be that easy, in part because of the struggles in the euro zone, where the economy in Germany contracted in the fourth quarter, and where smaller, less-resilient, economies look to be recession bound. Over here, better industrial output, increasing payroll growth, and rising equity prices are boosting consumer confidence. If the stronger sentiment readings persist, retail sales growth, which slowed in December, should resume its climb.

Meantime, the troubles in Europe persist, and pressures there likely will remain high, as one nation after another holds debt auctions, after seeing their ratings downgraded. The possibility that borrowing costs will rise in that setting is almost a given. In all, we think that 2012 will be a recession year on the Continent. Should such a pullback prove mild, our growth story would likely remain intact. A less benign eurozone scenario would lead us to reassess our U.S. economic model.

The current focus, meanwhile, is on earnings, which are coming out en masse for the fourth quarter. Thus far, the results have largely met lowered expectations. However, that is a less-compelling outcome than we had seen earlier in the economic up cycle, when earnings had routinely exceeded forecasts. We think in-line results will be the rule in 2012, which should prove supportive for the equity market—if this in-line showing doesn't reflect further reductions in guidance.

The stock market is doing well so far in the new year, with up days easily topping down days, as investor optimism grows regarding the 2012 business outlook at home.

Conclusion: We are maintaining our constructive stance on equities for the year ahead. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	1/11/2012	1/18/2012	% Change 1 week	% Change 12 months
Dow Jones Industrial Average	12449.45	12578.95	+1.0%	+6.3%
Standard & Poor's 500	1292.48	1308.04	+1.2%	+1.0%
N.Y. Stock Exchange Composite	7661.98	7766.95	+1.4%	-5.2%
NASDAQ Composite	2710.76	2769.71	+2.2%	+0.1%
NASDAQ 100	2372.25	2425.96	+2.3%	+4.2%
American Stock Exchange Index	2279.69	2289.44	+0.4%	+4.4%
Value Line (Geometric)	342.47	347.90	+1.6%	-9.2%
Value Line (Arithmetic)	2804.21	2851.28	+1.7%	-3.5%
London (FT-SE 100)	5670.82	5702.37	+0.6%	-5.8%
Tokyo (Nikkei)	8447.88	8550.58	+1.2%	-18.7%
Russell 2000	767.24	779.26	+1.6%	-3.5%

The Value Line Ranking Systems—2011

(Continued from page 1777)
servative, large market-cap stocks, especially those paying dividends, held up best in 2011.

Against this volatile backdrop, the Value Line Timeliness Ranking System followed the path taken by the Value Line (Arithmetic) Average, and all groups recorded losses for the year. Nonetheless, the 400 stocks in Groups 1 and 2, taken together, outperformed the neutrally ranked Group 3s. Meanwhile, the Timeliness Ranking System was effective in keeping investors out of the Group 4 and 5 stocks. These two unfavorably ranked groups both had large double-digit declines for the year, with the Group 5s being down 26.8% (allowing for changes in rank each week, using arithmetic averaging).

The Technical System was found not able to outperform in a year of close to record volatility.

As we begin 2012, many of the factors that caused the market volatility in 2011 remain, and are likely to keep investors on their toes, if not on edge. Still, we seem to be starting the year with improving economic prospects and general optimism on that score going forward—at least on this side of the Atlantic. Adding it all up, we continue to recommend that subscribers invest in our Timeliness Groups 1 and 2. Their long historical record shows that this investment strategy has outperformed the market averages.

Model Portfolios: Recent Developments

PORTFOLIO I

Portfolio I has gotten a good start in 2012, with the group advancing well ahead of its benchmark, the S&P 500 Index (adjusted for dividends). The outperformance exhibited so far can be traced primarily to four selections—*Dana Holding*, *Kennametal*, *Timken*, and *Teva Pharmaceuticals*.

Of the four companies, *Kennametal* and *Timken* are scheduled to report their latest financial results on January 26th, so we will soon see if investors' current enthusiasm is warranted, as we expect it is. Meanwhile, *Dana Holding* and *Teva* will not be releasing financial results until mid-February. We note that the company's positive comments regarding its fourth-quarter results and its prospects for 2012 were the genesis of *DAN* stock's recent support. *Teva* shares, on the other hand, had found support somewhat difficult to come by since August of last year, reflecting a range of issues including a delay for a major generic launch. Our sense is the fundamental strength embodied in *Teva*'s operations is starting to shine through, and this issue should continue contributing nicely to the portfolio's return.

Over half of the companies held in Portfolio I will be releasing earnings in the next couple of weeks, so there may well be plenty of activity. For now, though, we have decided to stand pat, and are making no changes this week.

PORTFOLIO II

We are adding Dow-30 component *Kraft Foods Inc.* stock to Portfolio II this week. Its share price increased nearly 20% in the final quarter of 2011, and momentum continued into the new year. Results beat expectations in the September period, and management recently raised full-year guidance for organic revenue and operating income growth.

But the intriguing aspect of this blue chip is that the company plans to split the business into two separate, publicly traded entities, which we don't believe is fully reflected in the current price. The namesake company will consist of the mature North American labels, including beverages, cheese, and convenient meals. Before the spinoff is completed, efforts will be made to make this into a lean, low-cost food company. Plans include headcount reductions, distribution outsourcing, and the consolidation of operations. Excess cash flow will be steered to shareholders in the form of dividends. The second, yet to be named, company will encompass the faster-growing global snacks operation.

To make room for *KFT* stock, we are selling our investment in Medtronic. This issue had a bearish run in mid-2011, and has not fully recovered. Its dividend yield is also about 50 basis points lower than that of *Kraft*. Additionally, we are buying shares of foodservices distributor *Sysco* to replace BlackRock stock, which has dropped to a 4 (Below Average) for Timeliness rank.

PORTFOLIO III

Portfolio III remains in a welcome rally mode, and is now up nearly 6% so far this year, almost two percentage points more than the benchmark Standard & Poor's 500 Index. The group is benefitting from renewed strength in high-beta commodity-oriented issues, including *National Oilwell Varco*, *Halliburton*, *Mosaic*, and *U.S. Steel*, and a recovery in some of our other more beaten-down names, most notably *Magna International*. The auto parts maker has been hampered of late by soft sales and costly operating inefficiencies in Europe. But efforts to restructure the beleaguered European unit should get the company back on a solid growth track by the middle of 2012. Over the pull to mid-decade, *Magna* and its still-inexpensive shares are likely to get a lift from increased North American production, inroads in emerging markets, and an expansion into lucrative new businesses, such as commercial vehicles.

A rally in *Xilinx*, meanwhile, a leading maker of specialty semiconductor chips called programmable logic devices (PLDs), is also bolstering the portfolio. The company pleased investors when it posted better-than-expected earnings for the December interim. And this momentum will probably persist in the coming quarters, as PLDs, which are more competitively priced than they've ever been, continue to gain ground against traditional application-specific integrated circuits (ASICs). We are making no changes to Portfolio III this week, though we continue our search for attractively valued companies with good long-range prospects.

PORTFOLIO IV

We are not making any changes to Portfolio IV this week. Overall, the U.S. stock market is off to a good start in 2012. Positive economic data at home and a flurry of fourth-quarter earnings reports have likely lifted sentiment, for now. Our group has enjoyed some of the rally, though our performance over the past few weeks has been a bit subdued.

This probably has to do with the fact that we are our heavily weighted with electrical utilities. Notably, the Dow Jones Utility Average has weakened in January, vastly underperforming the broader S&P 500 Index. Traders, eager to capture gains, have likely been rotating into more volatile sectors, such as basic materials and technology. In keeping with this, our utility holdings, including *Alliant Energy*, *Consolidated Edison*, *Portland General*, and *Southern Company*, have pulled back or lagged. However, it is also worth mentioning that the utility group outperformed the broader market over the past year. Our utility holdings, many of which offer attractive yields and have low Beta coefficients, may still serve us well, if volatility returns to Wall Street.

On a more positive note, we have seen some strength in our other names, particularly in the basic-materials area. *DuPont* has been making strides over the past few weeks. Also, *International Paper* has put in an impressive performance so far in January.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	72.08	1	3	15.0	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	424.70	2	2	13.1	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	37.14	1	2	12.9	0.8	0.95	B++	Packaging & Container
583	CELL	Brightpoint, Inc.	11.54	1	3	12.0	Nil	1.30	B+	Wireless Networking
383	CSTR	Coinstar Inc.	44.93	2	3	13.2	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	14.34	1	4	11.0	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.50	1	3	11.0	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	24.69	2	3	13.1	2.7	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	59.82	1	3	15.0	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	31.85	1	3	12.7	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	42.57	1	3	11.4	1.3	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	67.71	1	3	18.9	Nil	1.15	B+	Maritime
932	MIICF	Millicom Int'l Cellular	100.60	1	3	11.8	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	76.31	2	3	13.5	2.3	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	40.28	1	3	16.2	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	74.99	2	3	14.1	0.2	1.25	B+	Apparel
327	R	Ryder System	55.05	2	3	14.4	2.1	1.25	B+	Trucking
1628	TEVA	Teva Pharmac. ADR	44.87	1	1	8.1	2.1	0.60	A	Drug
738	TKR	Timken Co.	45.11	1	3	9.4	1.8	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	58.84	1	3	12.7	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	55.71	1	1	11.5	3.4	0.60	A++	Drug
503	CVX	Chevron Corp.	106.72	2	1	7.8	3.0	0.95	A++	Petroleum (Integrated)
1969	KO	Coca-Cola	67.35	3	1	16.6	2.8	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	89.73	3	1	17.0	2.6	0.60	A++	Household Products
504	COP	ConocoPhillips	70.80	2	1	7.9	4.0	1.10	A++	Petroleum (Integrated)
1588	DD	Du Pont	48.54	3	1	12.1	3.5	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	49.05	3	1	13.5	3.3	1.05	A++	Electrical Equipment
1752	HON	Honeywell Int'l	57.16	2	1	13.4	2.6	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	25.04	2	1	10.8	3.4	1.00	A++	Semiconductor
1923	KFT	Kraft Foods	38.13	3	1	15.6	3.0	0.65	A+	Food Processing
718	LMT	Lockheed Martin	81.64	2	1	10.3	5.0	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	100.55	3	1	18.6	2.8	0.65	A++	Restaurant
1337	MOLX	Molex Inc.	26.06	3	2	14.9	3.1	1.20	A	Electronics
409	RSG	Republic Services	27.51	2	3	13.4	3.2	0.95	B+	Environmental
1627	SNY	Sanofi ADR	35.77	3	1	11.6	5.2	0.80	A+	Drug
1956	SYY	Sysco Corp.	29.83	3	1	14.2	3.6	0.70	A++	Retail/Wholesale Food
1048	TEF	Telefonica SA ADR	17.21	3	2	7.1	9.0	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	109.50	2	2	15.5	2.2	1.15	A	Railroad
317	UPS	United Parcel Serv.	74.20	3	1	16.4	2.8	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	59.85	2	1	12.5	2.4	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Craig Sirois, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1546	AFL	Aflac Inc.	43.76	2	3	7.1	3.1	1.15	50 - 115%	Insurance (Life)
973	CVS	CVS Caremark Corp.	42.54	2	1	14.3	1.5	0.80	40 - 75	Pharmacy Services
355	CBOU	Caribou Coffee	15.35	3	4	37.4	Nil	0.95	30 - 130	Restaurant
1603	CELG	Celgene Corp.	73.11	2	2	22.0	Nil	0.75	35 - 85	Drug
2327	DIS	Disney (Walt)	38.48	3	1	13.2	1.6	1.05	70 - 110	Entertainment
927	DY	Dycom Inds.	21.08	1	3	18.3	Nil	1.40	40 - 115	Telecom. Services
2623	GOOG	Google, Inc.	628.58	3	2	16.9	Nil	0.90	115 - 190	Internet
2105	GES	Guess Inc.	29.11	3	3	8.1	2.7	1.25	125 - 245	Apparel
2411	HAL	Halliburton Co.	33.86	2	3	8.7	1.1	1.35	90 - 195	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	41.42	3	3	15.8	1.2	1.50	20 - 70	Recreation
1920	HRL	Hormel Foods	29.24	3	1	16.3	2.1	0.65	20 - 55	Food Processing
2000	ESI	ITT Educational	65.39	2	3	7.2	Nil	0.70	70 - 150	Educational Services
223	JNJ	Johnson & Johnson	65.12	3	1	13.0	3.5	0.65	30 - 55	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	39.40	3	3	8.8	2.5	1.20	105 - 205	Auto Parts
1591	MOS	Mosaic Company	55.30	3	3	10.4	0.4	1.60	55 - 135	Chemical (Basic)
2416	NOV	National Oilwell Varco	74.12	3	3	14.5	0.6	1.55	50 - 130	Oilfield Svcs/Equip.
1977	PEP	PepsiCo, Inc.	64.65	3	1	14.5	3.4	0.60	60 - 100	Beverage
753	X	U.S. Steel Corp.	27.33	2	3	NMF	0.7	1.70	120 - 210	Steel
815	UNH	UnitedHealth Group	53.57	2	2	11.5	1.2	1.00	60 - 115	Medical Services
1385	XLNX	Xilinx Inc.	33.35	4	2	21.0	2.3	0.90	20 - 50	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	55.71	1	1	11.5	3.4	0.60	A++	Drug
600	ARLP	Alliance Resource	79.72	1	3	10.1	4.8	1.10	B+	Coal
903	LNT	Alliant Energy	43.11	3	2	15.8	4.2	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	31.49	1	3	8.5	4.1	1.00	B+	Telecom. Utility
1989	BTI	Brit. Amer Tobac. ADR	91.04	3	2	14.7	4.2	0.70	B++	Tobacco
140	ED	Consol. Edison	59.34	3	1	16.6	4.0	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	44.90	4	3	12.8	3.8	1.05	A	Restaurant
1588	DD	Du Pont	48.54	3	1	12.1	3.5	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	53.04	4	1	15.7	3.8	0.65	A+	Food Processing
1160	IP	Int'l Paper	31.68	1	3	9.9	3.3	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.27	3	2	15.6	4.1	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	100.55	3	1	18.6	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	59.63	2	1	8.5	3.5	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	55.36	2	2	16.5	2.9	0.80	A	Electric Util. (Central)
2247	POR	Portland General	24.78	3	3	13.1	4.3	0.75	B+	Electric Utility (West)
1992	RAI	Reynolds American	41.62	4	2	14.9	5.7	0.60	B+	Tobacco
1931	SLE	Sara Lee Corp.	18.98	NR	2	21.1	2.5	0.80	B++	Food Processing
154	SO	Southern Co.	45.19	2	1	17.3	4.3	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	20.62	3	3	16.5	5.6	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	42.15	3	3	16.8	5.3	0.85	B+	Property Management

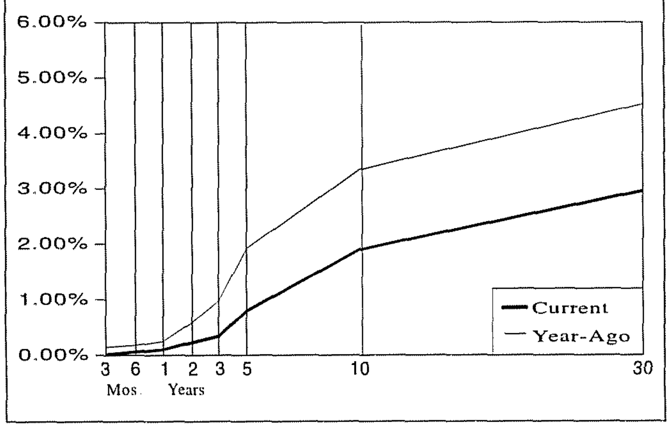
To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

Selected Yields

	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.44	0.27
3-month LIBOR	0.56	0.41	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.16	1.14	1.60
U.S. Treasury Securities			
3-month	0.02	0.02	0.15
6-month	0.06	0.05	0.18
1-year	0.10	0.11	0.25
5-year	0.80	1.04	1.93
10-year	1.90	2.16	3.34
10-year (inflation-protected)	-0.21	0.20	0.93
30-year	2.96	3.18	4.53
30-year Zero	3.14	3.38	4.87

	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.07	1.84	2.38
FHLMC 5.5% (Gold)	1.94	2.36	3.03
FNMA 5.5%	1.72	2.17	2.89
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.00	4.33	4.78
Industrial (25/30-year) A	4.25	4.53	5.57
Utility (25/30-year) A	4.33	4.40	5.72
Utility (25/30-year) Baa/BBB	4.94	4.92	6.15
Foreign Bonds (10-Year)			
Canada	1.96	2.33	3.24
Germany	1.79	2.06	3.11
Japan	0.97	1.02	1.27
United Kingdom	1.96	2.47	3.64
Preferred Stocks			
Utility A	4.95	5.25	5.79
Financial A	6.18	6.69	6.04
Financial Adjustable A	5.49	5.49	5.49

Treasury Security Yield Curve



	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.62	4.17	5.39
25-Bond Index (Revs)	4.74	5.06	5.60
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.25	0.39
1-year A	1.02	1.08	1.32
5-year Aaa	0.85	1.39	1.90
5-year A	1.93	2.40	3.00
10-year Aaa	1.93	2.69	3.58
10-year A	2.91	3.67	4.54
25/30-year Aaa	3.56	4.09	5.18
25/30-year A	4.96	5.45	6.31
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.40	4.56	5.56
Electric AA	4.54	4.94	5.57
Housing AA	5.01	5.64	6.42
Hospital AA	4.61	4.97	5.73
Toll Road Aaa	4.48	4.57	5.63

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

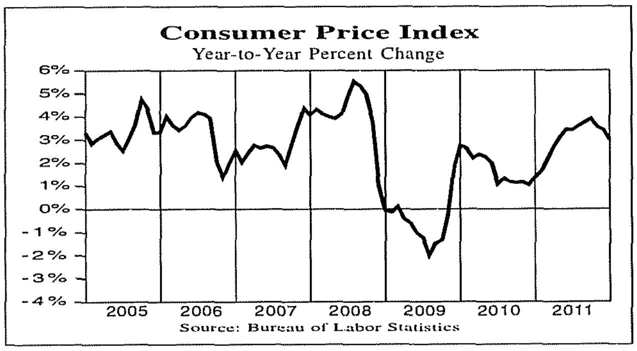
	Recent Levels			Average Levels Over the Last...		
	1/11/12	**12/28/11**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1523791	1471462	52329	1514978	1548950	1454630
Borrowed Reserves	8985	9328	-343	10151	11035	15534
Net Free/Borrowed Reserves	1514806	1462134	52672	1504828	1537915	1439096

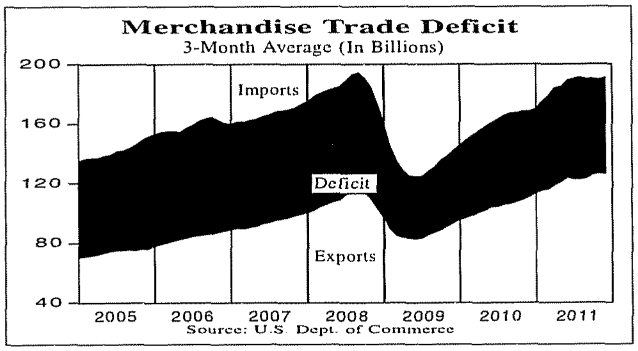
MONEY SUPPLY

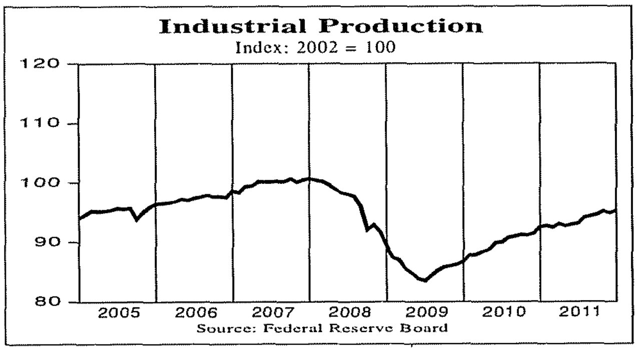
(One-Week Period; in Billions, Seasonally Adjusted)

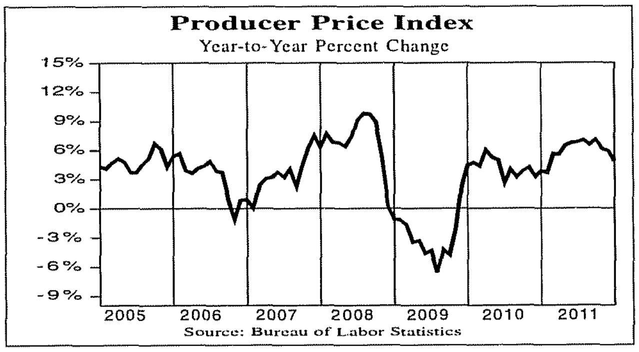
	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/2/12	**12/26/11**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	2234.3	2167.9	66.4	6.8%	25.4%	22.2%
M2 (M1+savings+small time deposits)	9751.1	9665.5	85.6	6.2%	11.4%	10.8%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
702	2	AAR Corp.	M. Walfish, Dir.	1/10/12	2,500	32,528	$20.35	20.54
159	2	Actuant Corp.	S. Grissom, V.P.	1/4/12	2,136	19,730	$23.27	24.52
746	2	Commercial Metals	R.J. Best, Dir.	1/12/12	5,000	10,000	$13.55	13.26
746	2	Commercial Metals	B.R. Smith, CFO	1/10/12-1/11/12	4,000	4,000	$14.07-$14.88	13.26
927	1	Dycom Inds.	C.B. Coe, Dir.	1/9/12	2,600	36,483	$20.99	21.08
1177	2	Owens-Illinois	H.H. Wehmeier, Dir.	1/11/12	1,159	43,734	$21.60	21.78
2149	5	Sears Holdings	E.S. Lampert *	1/9/12-1/11/12	4,870,529	22,080,083	$29.20-$30.99	36.75

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
1601	3	Biogen Idec Inc.	P. Clancy, CFO	1/3/12	20,244	21,168	$112.35	116.90
1967	4	Brown-Forman 'B'	F. Brown *	1/9/12-1/11/12	165,090	268,690	$79.07-$80.14	80.27
1014	1	Helen of Troy Ltd.	G.J. Rubin, Chair.	1/10/12	63,823	2,035,836	$32.28	31.85
1755	3	Kadant Inc.	W.A. Rainville, Chair.	1/11/12	175,000	48,150	$22.25	23.89
1720	3	MSC Industrial Direct	M. Jacobson, Chair.	1/6/12-1/9/12	87,500	73,834	$73.03-$73.09	75.58
1720	3	MSC Industrial Direct	E. Gershwind, Pres.	1/9/12	25,000	32,038	$73.09	75.58
1807	3	Rackspace Hosting	L. Moorman, Pres.	1/5/12	60,000	376,345	$41.72	42.99

* *Beneficial owner of more than 10% of common stock*

† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

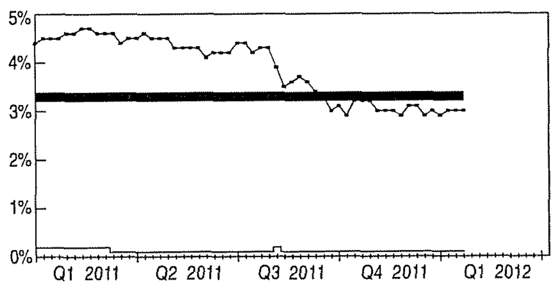
Market Monitor

Valuations and Yields	1/18	1/11	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.8	14.7	13.4 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.6	12.5	11.4 - 12.6	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.2%	2.2%	2.2 - 2.4%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.7%	2.7%	2.7 - 2.9%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.1%	5.0%	0.3%
AAA Corporate bond yield	3.8%	3.8%	3.8 - 4.1%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.0%	3.0%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-2.9%	-3.0%	-3.6 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	16.3	15.9	13.1 - 16.4	10.2 - 16.4	8.1	8.6
CBOE put volume/call volume	.81	.86	.81 - 1.17	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



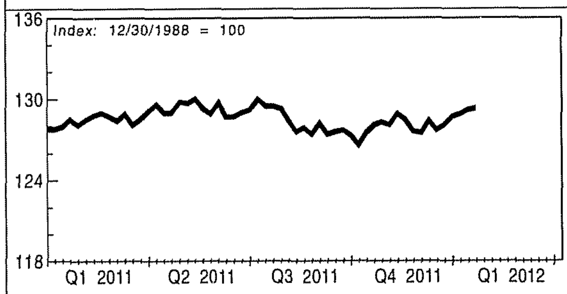
INTEREST RATES

Prime Rate

Federal Funds

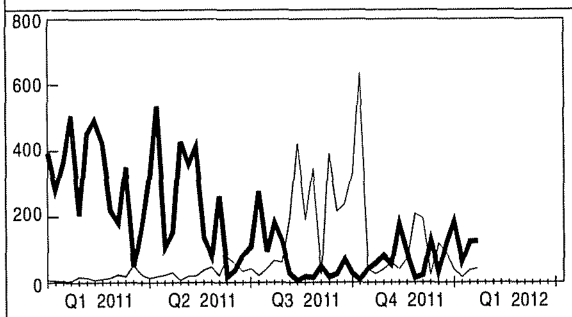
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.0%	3.0%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	933	1124
Declines	757	572
Issues Covered	1710	1708
Market Value ($ Trillion)	18.387	18.162



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	125	123
New Lows	42	38

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 1/17/2012

7 Best Performing Industries

Newspaper	+20.5%
Homebuilding	+13.2%
Chemical (Basic)	+12.5%
Retail Building Supply	+12.1%
Biotechnology	+12.0%
Building Materials	+11.3%
Bank (Midwest)	+11.2%

7 Worst Performing Industries

Natural Gas (Div.)	-9.9%
Coal	-9.5%
Precious Metals	-9.2%
Entertainment Tech.	-7.4%
Telecom. Utility	-6.2%
Foreign Electronics	-5.7%
Oilfield Svcs/Equip.	-5.5%

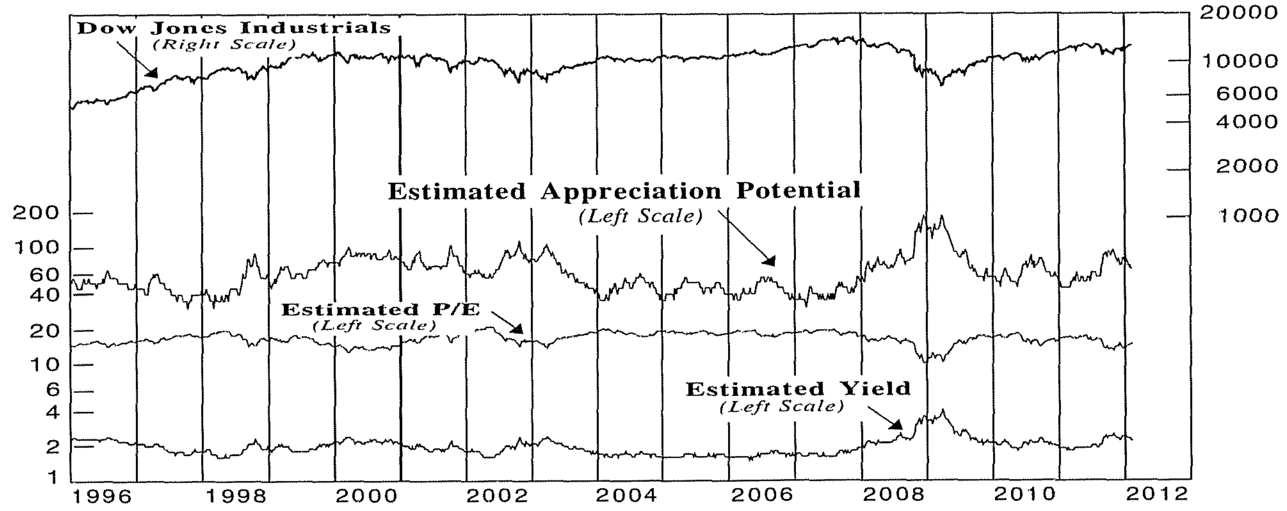
The corresponding change in the Value Line Arithmetic Average* is +3.0%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
AB InBev	A	A+	1964
ConAgra Foods	A	A+	1908
Daktronics, Inc.	B+	B	2008
Diamond Foods	B+	B	1911
NutriSystem, Inc.	B++	B+	1927
Synchronoss Techn.	B	B+	2017
THQ Inc.	C++	C	2018

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL
VERSUS DOW JONES INDUSTRIALS *(JANUARY 2, 1996 - JANUARY 17, 2012)*

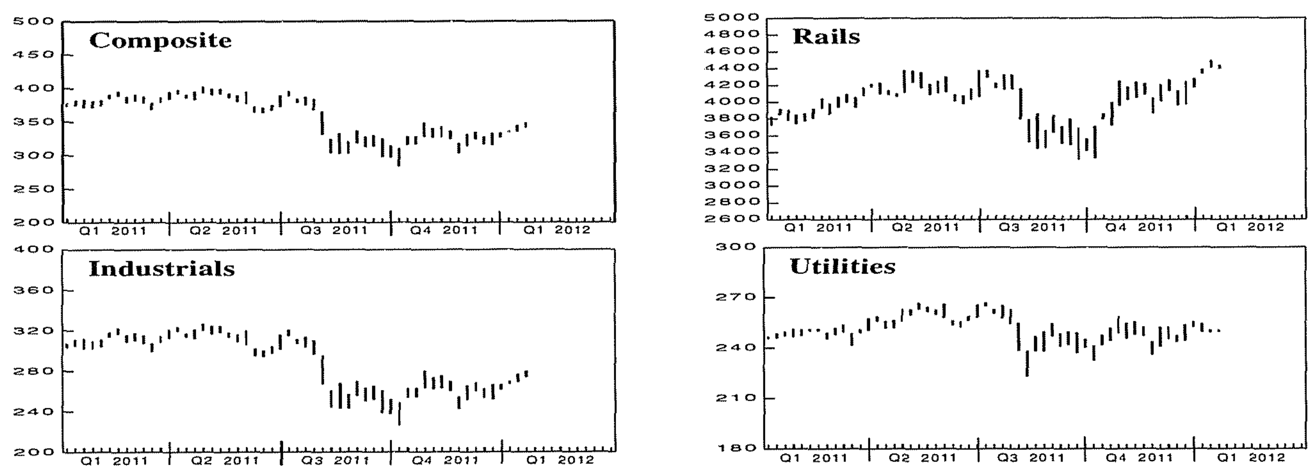


THE VALUE LINE GEOMETRIC AVERAGES	Composite 1682 stocks	Industrials 1573 stocks	Rails 8 stocks	Utilities 101stocks
1/12/2012	344.24	276.23	4483.60	250.76
1/13/2012	341.41	273.93	4412.38	249.33
1/16/2012		HOLIDAY		
1/17/2012	341.89	274.32	4396.98	249.61
1/18/2012	347.90	279.39	4431.90	250.47
%Change last 4 weeks	**+6.2%**	**+6.6%**	**+7.0%**	**-0.8%**

Arithmetic* Composite 1682 stocks
2819.32
2796.72
HOLIDAY
2801.26
2851.28
+6.6%

THE DOW JONES AVERAGES			
Composite 65 stocks	**Industrials 30 stocks**	**Transportation 20 stocks**	**Utilities 15 stocks**
4303.18	12471.02	5209.36	451.54
4284.95	12422.06	5175.92	450.90
	HOLIDAY		
4295.27	12482.07	5168.73	451.69
4325.16	12578.95	5218.18	451.75
+3.1%	**+3.9%**	**+4.7%**	**-1.5%**

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(JANUARY 4, 2011 - JANUARY 18, 2012)*



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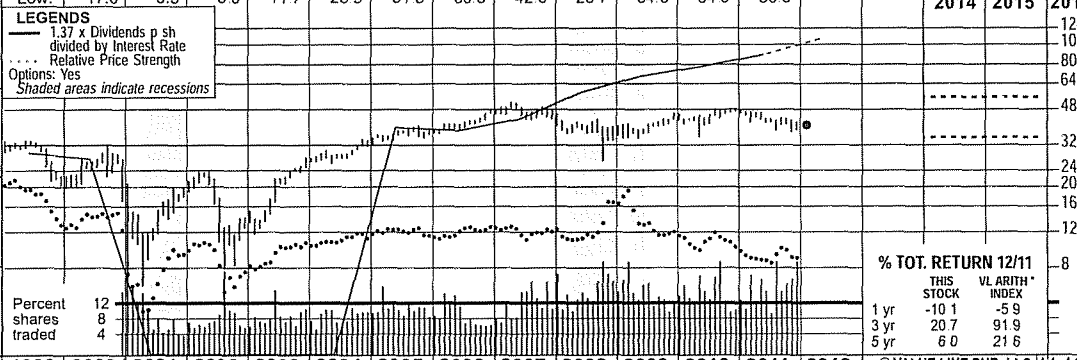
PG&E CORP. NYSE-PCG

RECENT PRICE **40.16** | P/E RATIO **14.4** (Trailing: 14.8; Median: 14.0) | RELATIVE P/E RATIO **0.95** | DIV'D YLD **4.5%** | **VALUE LINE**

TIMELINESS 3 Lowered 11/11/11
SAFETY 3 Lowered 2/3/12
TECHNICAL 2 Raised 1/20/12
BETA .55 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	31.8	20.9	23.8	28.0	34.5	40.1	48.2	52.2	45.7	45.8	48.6	48.0
Low:	17.0	6.5	8.0	11.7	25.9	31.8	36.3	42.6	26.7	34.5	34.9	36.8

LEGENDS
— 1.37 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range
2014 | 2015 | 2016

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	12%
Low	35	(-15%)	2%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	1	0	0
Options	2	0	1	0	0	1	0	0	1
to Sell	10	0	1	0	0	1	0	0	2

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	190	194	183
to Sell	221	211	198
Hld's(000)	272189	281663	285620

Percent shares traded 12 8 4

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	-10.1	-5.9
3 yr	20.7	91.9
5 yr	6.0	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
23.24	23.82	36.87	52.12	57.74	67.75	63.18	32.74	25.05	26.47	31.78	36.02	37.42	40.51	36.15	35.02	36.70	37.15	Revenues per sh	44.75
6.31	5.24	5.98	6.08	7.15	.80	5.66	1.14	4.80	5.71	7.12	7.76	8.02	8.44	8.37	8.22	8.50	8.70	"Cash Flow" per sh	10.50
2.95	2.16	1.57	1.88	2.24	d9.21	3.02	d2.36	2.05	2.12	2.35	2.76	2.78	3.22	3.03	2.82	2.80	2.95	Earnings per sh A	4.00
1.96	1.77	1.20	1.20	1.20	1.20	--	--	--	--	1.23	1.32	1.44	1.56	1.68	1.82	1.82	1.82	Div'd Decl'd per sh B ■ †	2.00
2.25	3.05	4.36	4.23	4.39	4.54	7.33	7.94	4.08	3.72	4.90	6.90	7.83	10.05	10.68	9.62	10.35	11.45	Cap'l Spending per sh	12.25
20.77	20.73	21.30	21.08	19.10	8.19	11.89	9.47	10.12	20.62	19.60	22.44	24.18	25.97	27.88	28.55	29.55	31.15	Book Value per sh C	36.75
414.03	403.50	417.67	382.60	360.59	387.19	363.38	381.67	416.52	418.62	368.27	348.14	353.72	361.06	370.60	395.23	406.00	420.00	Common Shs Outst'g D	425.00
9.4	10.9	15.5	16.8	13.1	--	4.8	--	9.5	13.8	15.4	14.8	16.8	12.1	13.0	15.8	15.3		Avg Ann'l P/E Ratio	11.0
.63	.68	.89	.87	.75	--	.25	--	.54	.73	.82	.80	.89	.73	.87	1.01	.95		Relative P/E Ratio	.75
7.1%	7.5%	4.9%	3.8%	4.1%	4.8%	--	--	--	--	3.4%	3.2%	3.1%	4.0%	4.3%	4.1%	4.2%		Avg Ann'l Div'd Yield	4.5%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $13231 mill. **Due in 5 yrs** $3573 mill.
LT Debt $11626 mill. **LT Interest** $617.0 mill.
Incl. $110.0 mill. Energy Recovery Bonds.
(LT interest earned: 3.3x)
Pension Assets-12/10 $10.3 bill. **Oblig.** $12.1 bill.
Pfd Stock $252.0 mill. **Pfd Div'd** $14.0 mill.
4,534,958 shs. 4.36% to 5%, cumulative and $25 par, redeemable from $25.75 to $27.25; 5,784,825 shs. 5.00% to 6.00%, cumulative nonredeemable and $25 par.
Common Stock 405,169,162 shs.

MARKET CAP: $16 billion (Large Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
22959	12495	10435	11080	11703	12539	13237	14628	13399	13841	14900	15600	Revenues ($mill)	19000
1099.0	d874.0	791.0	901.0	904.0	1005.0	1020.0	1198.0	1168.0	1113.0	1140	1250	Net Profit ($mill)	1735
35.6%	--	36.7%	35.0%	37.6%	35.5%	34.6%	26.2%	31.1%	33.0%	32.0%	32.0%	Income Tax Rate	32.0%
1.6%	--	3.7%	3.6%	5.6%	6.7%	9.4%	9.5%	11.9%	14.4%	11.0%	10.0%	AFUDC % to Net Profit	8.0%
58.9%	51.5%	42.4%	45.1%	48.3%	51.7%	52.6%	52.2%	51.4%	49.6%	48.5%	47.5%	Long-Term Debt Ratio	46.5%
34.9%	42.8%	53.9%	53.2%	50.0%	46.8%	46.1%	46.5%	47.4%	49.3%	50.5%	51.5%	Common Equity Ratio	52.5%
12399	8438.0	7815.0	16242	14446	16696	18558	20163	21793	22863	23825	25500	Total Capital ($mill)	29700
19167	16928	18107	18989	19955	21785	23656	26261	28892	31449	33325	35700	Net Plant ($mill)	42800
13.3%	NMF	16.3%	7.6%	8.1%	7.6%	7.4%	7.8%	6.7%	6.2%	6.0%	6.0%	Return on Total Cap'l	7.0%
21.5%	NMF	17.6%	10.1%	12.1%	12.5%	11.6%	12.4%	11.0%	9.6%	9.5%	9.5%	Return on Shr. Equity	11.0%
22.9%	NMF	18.5%	10.3%	12.3%	12.7%	11.8%	12.6%	11.2%	9.7%	9.5%	9.5%	Return on Com Equity E	11.0%
22.9%	NMF	18.5%	10.3%	7.7%	6.8%	6.0%	6.8%	5.5%	3.9%	3.5%	3.5%	Retained to Com Eq	5.5%
10%	--	2%	1%	39%	47%	50%	47%	52%	61%	65%	61%	All Div'ds to Net Prof	50%

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	+2.3	-2.8	-2.0
Avg. Indust. Use (MWH)	12765	NA	NA
Avg. Indust. Revs. per KWH (¢)	8.67	NA	NA
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.3	+.2	+.5
Fixed Charge Cov. (%)	288	296	303

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	-4.5%	6.0%	3.0%
"Cash Flow"	6.0%	7.5%	4.0%
Earnings	--	7.0%	5.0%
Dividends	3.5%	--	3.0%
Book Value	5.5%	10.5%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3733	3578	3674	3643	14628
2009	3431	3194	3235	3539	13399
2010	3475	3232	3513	3621	13841
2011	3597	3684	3860	3759	14900
2012	3950	3750	3950	3950	15600

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.62	.80	.83	.97	3.22
2009	.65	.87	.80	.71	3.03
2010	.67	.86	.66	.63	2.82
2011	.50	.91	.68	.71	2.80
2012	.70	.70	.75	.80	2.95

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.36	.39	.39	.39	1.53
2009	.39	.42	.42	.42	1.65
2010	.42	.455	.455	.455	1.79
2011	.455	.455	.455	.455	1.82
2012	.455				

BUSINESS: PG&E Corporation is a holding company for Pacific Gas and Electric Company and nonutility subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.1 million electric and 4.3 million gas customers. Electric revenue breakdown: residential, 40%; commercial, 38%; industrial, 12%; agricultural, 7%; other, 3%. Generating sources: nuclear, 24%; hydro, 13%; gas, 5%; purchased, 58%. Fuel costs: 37% of revenues. '10 reported depreciation rate (utility): 3.4%. Has 19,400 employees. Chairman, President & Chief Executive Officer: Anthony F. Earley, Jr. Incorporated: California. Address: One Market, Spear Tower, Suite 2400, San Francisco, California 94105. Telephone: 415-267-7000. Internet: www.pgecorp.com.

Concerns about costs associated with a September, 2010 pipeline explosion are weighing down PG&E's stock. The explosion of a Pacific Gas and Electric pipeline in San Bruno, California caused fatalities, injuries, and extensive property damage. The stock declined 14% in 2011, which was a very *good year for most utility* equities. The utility is incurring expenses associated with items such as increased pipeline inspections. This has hurt the company's earnings since the third quarter of *2010*, and *will continue to do so* this year and next. (The utility won't seek recovery of certain costs from its customers.) PG&E is also taking reserves for third-party claims. All of these costs, and any insurance recoveries for the third-party claims, are *included* in our earnings presentation. The California Public Utilities Commission (CPUC) also has the authority to fine PG&E. Given the criticism that the utility has received in investigations by the National Transportation Safety Board and the CPUC, only the size and timing of the fine are in question. The uncertainty has prompted us to lower the stock's Safety rank a notch, to 3 (Average).

PG&E has announced that this will be the second-straight year without a dividend increase. This is understandable, considering the aftermath of the San Bruno tragedy. Even before reflecting some of the pipeline expenses that the company expects to incur in 2012, management expects profits to wind up in a range of $3.10-$3.30 a share this year—well below our previous forecast of $3.55. Our revised earnings estimate of $2.90 a share includes some pipeline-related expenses that are not included in PG&E's guidance, but does not assume any insurance recoveries because the timing and amount of these are impossible to predict. We expect improved earnings in 2013, but now believe that, once again, a dividend boost is unlikely next year.

We don't recommend this stock. Even after more than a year of underperforming most utility issues, the dividend yield is just slightly above average for the industry. What's more, we have lowered our sights for the 3- to 5-year period. Total return potential over that time frame is only about average for a utility.

Paul E. Debbas, CFA *February 3, 2012*

(A) Diluted EPS. Excl. nonrec. gains (losses): '95, 4¢; '96, (41¢); '97, 18¢; '99, ($2.44); '04, $6.95; '09, 18¢; '11, 18¢; gain from discont. ops.: '08, 41¢. Incl. nonrec. loss: '00, $11.83. Next earnings report due mid-Feb. (B) Div'ds *historically paid in mid-Jan., Apr., July and Oct.* ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intangibles. In '10: $14.79/sh. (D) In mill. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '07: 11.35%; earned on avg. com. eq., '10: 10.0%. Regulatory Climate: Above Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	90

PortlandGen.pdf

PORTLAND GENERAL NYSE-POR

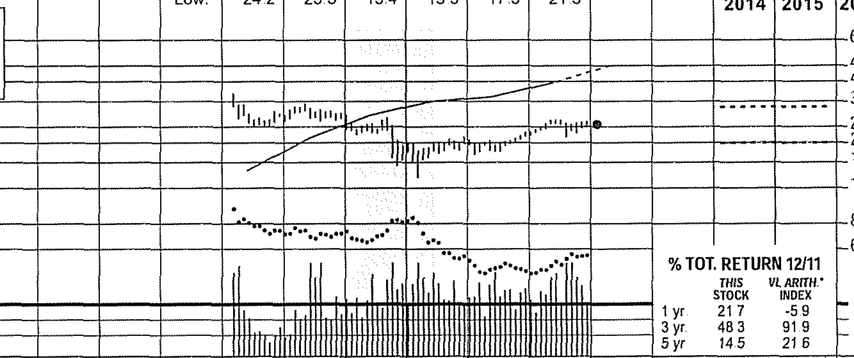
RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
24.71	13.4	(Trailing: 12.9 Median: NMF)	0.89	4.4%	VALUE LINE

TIMELINESS 3 Lowered 8/19/11
SAFETY 3 Lowered 5/7/10
TECHNICAL 3 Raised 2/3/12
BETA .75 (1.00 = Market)

High:	35.0	31.3	27.7	21.4	22.7	26.0
Low:	24.2	25.5	15.4	13.5	17.5	21.3

Target Price Range 2014 | 2015 | 2016

LEGENDS
—— 1.04 x Dividends p sh divided by Interest Rate
. . . . Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+20%)	*9%*
Low	20	(-20%)	*Nil*

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	107	121	119
to Sell	89	104	119
Hld's(000)	71103	70500	69437

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.7	-5.9
3 yr.	48.3	91.9
5 yr.	14.5	21.6

On April 3, 2006, Portland General Electric's existing stock (which was owned by Enron) was canceled, and 62.5 million shares were issued to Enron's creditors or the Disputed Claims Reserve (DCR). The stock began trading on a when-issued basis that day, and regular trading began on April 10, 2006. Shares issued to the DCR were released over time to Enron's creditors until all of the remaining shares were released in June, 2007.

2001	2002	2003	2004	2005[G]	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	--	--	23.14	24.32	27.87	27.89	23.99	23.67	*23.90*	*24.50*	Revenues per sh	*27.00*
--	--	--	--	4.75	4.64	5.21	4.71	4.07	4.82	*4.90*	*5.15*	"Cash Flow" per sh	*6.00*
--	--	--	--	1.02	1.14	2.33	1.39	1.31	1.66	*1.95*	*2.00*	Earnings per sh [A]	*2.25*
--	--	--	--	--	.68	.93	.97	1.01	1.04	1.06	*1.08*	Div'd Decl'd per sh [B] ■ †	*1.20*
--	--	--	--	4.08	5.94	7.28	6.12	9.25	5.97	*4.15*	*3.95*	Cap'l Spending per sh	*3.75*
--	--	--	--	19.15	19.58	21.05	21.64	20.50	21.14	*22.00*	*22.85*	Book Value per sh [C]	*25.50*
--	--	--	--	62.50	62.50	62.53	62.58	75.21	75.32	*75.35*	*75.50*	Common Shs Outst'g [D]	*76.25*
--	--	--	--	--	23.4	11.9	16.3	14.4	12.0	*12.4*		Avg Ann'l P/E Ratio	*11.0*
--	--	--	--	--	1.26	.63	.98	.96	.76	*.80*		Relative P/E Ratio	*.75*
--	--	--	--	--	2.5%	3.3%	4.3%	5.4%	5.2%	4.4%		Avg Ann'l Div'd Yield	*4.8%*
--	--	--	1454.0	1446.0	1520.0	1743.0	1745.0	1804.0	1783.0	*1800*	*1850*	Revenues ($mill)	*2050*
--	--	--	92.0	64.0	71.0	145.0	87.0	95.0	125.0	*145*	*150*	*Net Profit ($mill)*	*170*
--	--	--	37.0%	40.2%	33.6%	33.8%	28.7%	28.8%	30.5%	*25.0%*	*25.0%*	Income Tax Rate	*25.0%*
--	--	--	9.8%	18.8%	33.8%	17.9%	17.2%	31.6%	17.6%	*7.0%*	*3.0%*	AFUDC % to Net Profit	*3.0%*
--	--	--	41.1%	42.3%	43.4%	49.9%	46.2%	50.3%	53.0%	*50.5%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
--	--	--	58.9%	57.7%	56.6%	50.1%	53.8%	49.7%	47.0%	*49.5%*	*49.0%*	Common Equity Ratio	*48.0%*
--	--	--	2171.0	2076.0	2161.0	2629.0	2518.0	3100.0	3390.0	*3355*	*3525*	Total Capital ($mill)	*4075*
--	--	--	2275.0	2436.0	2718.0	3066.0	3301.0	3858.0	4133.0	*4220*	*4280*	Net Plant ($mill)	*4275*
--	--	--	5.6%	4.6%	4.7%	6.9%	5.0%	4.5%	5.4%	*6.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
--	--	--	7.2%	5.3%	5.8%	11.0%	6.4%	6.2%	7.9%	*9.0%*	*8.5%*	Return on Shr. Equity	*9.0%*
--	--	--	7.2%	5.3%	5.8%	11.0%	6.4%	6.2%	7.9%	*9.0%*	*8.5%*	Return on Com Equity [E]	*9.0%*
--	--	--	7.2%	5.3%	3.5%	6.6%	2.0%	1.5%	3.0%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
--	--	--	--	--	39%	40%	69%	76%	62%	*55%*	*54%*	All Div'ds to Net Prof	*53%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1798.0 mill. **Due in 5 Yrs** $333.0 mill.
LT Debt $1798.0 mill. **LT Interest** $104.0 mill.
(LT interest earned: 2.6x)
Leases, Uncapitalized Annual rentals $10.0 mill.

Pension Assets-12/10 $473.0 mill. **Oblig.** $550.0 mill.

Pfd Stock None

Common Stock 75,345,583 shs. **as of 10/28/11**

MARKET CAP: $1.9 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	+.7	-3.3	-3.1
Avg. Indust. Use (MWH)	16255	14303	15109
Avg. Indust. Revs. per KWH (¢)	6.42	7.07	6.62
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) [F]	4031	3949	3582
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.8	+.7	+.5
Fixed Charge Cov. (%)	226	179	224

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	1.5%	*1.0%*
"Cash Flow"	--	-1.0%	*5.0%*
Earnings	--	7.5%	*7.5%*
Dividends	--	--	*3.0%*
Book Value	--	2.0%	*3.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	471.0	425.0	400.0	449.0	1745.0
2009	485.0	389.0	445.0	485.0	1804.0
2010	449.0	415.0	464.0	455.0	1783.0
2011	484.0	411.0	439.0	*466*	*1800*
2012	*500*	*425*	*450*	*475*	*1850*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.44	.63	--	.32	1.39
2009	.47	.31	.43	.11	1.31
2010	.36	.32	.65	.34	1.66
2011	.92	.29	.36	*.38*	*1.95*
2012	*.70*	*.40*	*.50*	*.40*	*2.00*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.235	.245	.245	.245	.97
2009	.245	.245	.255	.255	1.00
2010	.255	.255	.26	.26	1.03
2011	.26	.26	.265	.265	1.05
2012	.265				

BUSINESS: Portland General Electric Company (PGE) provides electricity to *825,000 customers in 52 cities in a 4,000-square-mile* area of Oregon, including Portland and Salem. The company is in the process of decommissioning the Trojan nuclear plant, which it *closed in 1993. Electric revenue breakdown: residential,* 45%; commercial, 34%; industrial, 12%; other, 9%. Generating sources: coal, 23%; gas, 21%; hydro, 9%; wind, 4%; purchased, 43%. Fuel costs: 46% of revenues. '10 reported depreciation rate: 3.9%. Has 2,700 employees. Chairman: Corbin A. McNeill, Jr. Chief Executive Officer and President: Jim Piro. Incorporated: Oregon. Address: 121 SW Salmon Street, Portland, Oregon 97204. Telephone: 503-464-8000. Internet: www.portlandgeneral.com.

We estimate that Portland General Electric Company's earnings will rise just slightly in 2012. In the first quarter of 2011, the utility benefited from favorable hydro conditions, which lowered its power costs and helped the bottom line. *We assume a return to normal weather this year.* The one positive factor for 2012 should be modest load growth, as the service area's economy continues to improve. (Intel is building a project, and other high-tech manufacturers are expanding their operations, as well.) Putting it all together, we estimate that share net will wind up at $2.00 in 2012, slightly above our expectation of $1.95 for 2011. We look for only slight improvement in 2013, too. PGE's earnings guidance for 2011 (as of November) was $1.90-$2.05 a share, and management won't put forth a profit target for 2012 until it releases fourth-quarter earnings in late February. The shares are ranked 3 (Average) for Timeliness.

PGE has issued a draft request for proposals (RFP) and will issue another one later this year. The first RFP is for the utility's generating capacity and energy needs for the 2013-2017 time frame. The company will put forth its own project proposal, which will be evaluated versus other projects or purchased-power agreements. Later in 2012, PGE will issue a separate RFP for renewable-energy requirements. The outcome of each of these RFPs should be known in late 2012 or early 2013. Thus, whatever happens won't affect PGE in 2012, but will necessitate higher capital spending, and some financing, in 2013 and beyond if the company's proposal wins the bid.

No rate cases will be pending for a while. A $65 million (3.9%) tariff increase took effect at the start of 2011, which helped boost earnings last year. The next rate application will likely happen in early 2013, with new tariffs taking effect at the start of 2014.

We regard this equity as an average electric utility selection. The dividend yield and 3- to 5-year total return potential are comparable with the industry averages. There is, perhaps, some takeover speculation reflected in the stock price, but we advise against buying this issue solely for the possibility of an acquisition.

Paul E. Debbas, CFA *February 3, 2012*

(A) Diluted EPS. '09 & '10 EPS don't add due to rounding. Next earnings report due late Feb. (B) Div'ds paid mid-Jan., Apr., July and Oct. ■ *Div'd reinvestment plan avail.* † Shareholder investment plan avail. (C) *Incl. deferred charges.* In '10: $7.22/sh. (D) In mill. (E) Rate base: Net original cost. Rate allowed on common equity in '11: 10.0%; earned on average com. eq., '10: 8.0%. Regulatory Climate: Below Average. (F) Summer peak in '09. (G) '05 per-share data are pro forma, based on shares outstanding when the stock began trading in '06.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	45

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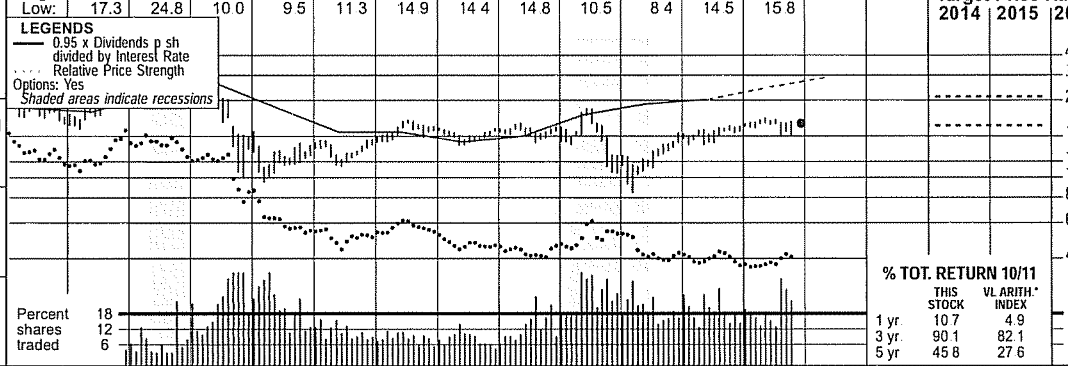
TECO ENERGY, INC. NYSE-TE

RECENT PRICE 18.50 | P/E RATIO 13.2 (Trailing: 15.5 / Median: 15.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 4.8% | VALUE LINE

TIMELINESS 2 Raised 8/26/11
SAFETY 3 Lowered 3/7/03
TECHNICAL 3 Lowered 9/23/11
BETA .85 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	33.2	33.0	29.0	17.0	15.5	19.3	17.7	18.6	22.0	16.7	18.1	19.7
Low:	17.3	24.8	10.0	9.5	11.3	14.9	14.4	14.8	10.5	8.4	14.5	15.8

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+35%)	11%
Low	18	(-5%)	4%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	2	0	0	0
to Sell	1	0	0	0	0	2	0	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	141	117	135
to Sell	156	181	135
Hld's(000)	118085	113977	119103

Percent shares traded 18 12 6

% TOT. RETURN 10/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.7	4.9
3 yr.	90.1	82.1
5 yr.	45.8	27.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.90	12.53	14.23	14.83	15.01	18.17	18.97	15.22	14.59	13.37	14.46	16.46	16.77	15.85	15.48	16.23	**15.75**	**16.15**	Revenues per sh	**18.75**
3.08	3.28	3.34	3.25	3.28	4.11	4.31	3.20	1.96	2.14	2.37	2.51	2.51	2.01	2.35	2.59	**2.80**	**3.00**	"Cash Flow" per sh	**3.50**
1.60	1.71	1.61	1.52	1.53	1.97	2.24	1.95	d.08	.71	1.00	1.17	1.27	.77	1.00	1.13	**1.30**	**1.45**	Earnings per sh A	**1.75**
1.05	1.11	1.17	1.23	1.29	1.33	1.37	1.41	.93	.76	.76	.76	.78	.80	.80	.82	**.85**	**.89**	Div'd Decl'd per sh B ■	**1.05**
3.70	2.28	1.62	2.24	3.23	5.45	6.92	6.06	3.14	1.37	1.42	2.18	2.34	2.77	2.99	2.28	**2.05**	**2.15**	Cap'l Spending per sh	**2.25**
9.98	10.73	11.04	11.42	10.73	11.93	14.12	14.86	8.93	6.43	7.65	8.25	9.56	9.43	9.75	10.10	**10.55**	**11.10**	Book Value per sh C	**13.25**
116.96	117.60	130.90	132.00	132.10	126.30	139.60	175.80	187.80	199.70	208.20	209.50	210.90	212.90	213.90	214.90	**216.00**	**217.00**	Common Shs Outst'g D	**220.00**
13.8	14.3	15.4	17.8	14.2	11.9	12.9	11.0	--	19.3	17.1	13.8	13.3	21.2	12.6	14.6	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	**12.5**
.92	.90	.89	.93	.81	.77	.66	.60	--	1.02	.91	.75	.71	1.28	.84	.93	*estimates*		Relative P/E Ratio	**.85**
4.7%	4.5%	4.7%	4.5%	5.9%	5.7%	4.8%	6.6%	7.4%	5.5%	4.4%	4.7%	4.6%	4.9%	6.3%	4.9%			Avg Ann'l Div'd Yield	**4.8%**

CAPITAL STRUCTURE as of 9/30/11
Total Debt $3076.1 mill. **Due in 5 Yrs** $924.1 mill.
LT Debt $2690.0 mill. **LT Interest** $173.5 mill.
(LT interest earned: 3.2x)

Leases, Uncapitalized Annual rentals $17.3 mill.

Pension Assets-12/10 $479.7 mill.
Oblig. $610.3 mill.

Pfd Stock None

Common Stock 215,766,935 shs.
as of 11/1/11
MARKET CAP: $4.0 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
2648.6	2675.8	2740.0	2669.1	3010.1	3448.1	3536.1	3375.3	3310.5	3487.9	**3400**	**3500**	Revenues ($mill)	**4100**
303.7	298.2	d14.7	137.4	211.0	244.4	265.8	162.4	213.9	242.9	**285**	**320**	Net Profit ($mill)	**400**
--	--	--	38.5%	45.1%	40.4%	40.7%	36.8%	31.6%	34.8%	**35.0%**	**35.0%**	Income Tax Rate	**35.0%**
3.0%	4.4%	--	.7%	.0%	1.6%	2.3%	5.4%	6.5%	1.2%	**1.0%**	**3.0%**	AFUDC % to Net Profit	**1.0%**
48.3%	50.5%	72.4%	75.1%	70.0%	65.0%	61.0%	61.5%	60.6%	59.2%	**51.0%**	**56.0%**	Long-Term Debt Ratio	**52.5%**
51.7%	39.7%	27.6%	24.9%	30.0%	35.0%	39.0%	38.5%	39.4%	40.8%	**49.0%**	**44.0%**	Common Equity Ratio	**47.5%**
3814.1	6585.1	6070.3	5163.9	5300.9	4941.6	5175.4	5214.3	5287.0	5317.8	**4635**	**5510**	Total Capital ($mill)	**6125**
4838.3	5464.0	5679.0	4657.9	4566.9	4766.9	4888.2	5221.3	5544.1	5841.0	**5955**	**6085**	Net Plant ($mill)	**6350**
9.7%	5.7%	2.1%	5.6%	6.5%	7.3%	7.3%	5.1%	6.0%	6.4%	**8.5%**	**7.5%**	Return on Total Cap'l	**8.0%**
15.4%	9.1%	NMF	10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	**12.5%**	**13.0%**	Return on Shr. Equity	**14.0%**
15.4%	9.9%	NMF	10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	**12.5%**	**13.0%**	Return on Com Equity E	**14.0%**
6.1%	3.2%	NMF	NMF	3.3%	5.0%	5.1%	NMF	2.1%	3.1%	**4.5%**	**5.5%**	Retained to Com Eq	**6.0%**
61%	72%	NMF	106%	75%	65%	61%	104%	80%	72%	**65%**	**61%**	All Div'ds to Net Prof	**57%**

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.8	-1.1	+2.3
Avg. Indust. Use (Mw)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	8.04	9.63	9.35
Capacity at Peak (Mw)	4477	4719	4684
Peak Load, Winter (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+.1	-.1	+.6
Fixed Charge Cov. (%)	166	199	270

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	2.5%	3.0%
"Cash Flow"	-4.0%	1.5%	7.0%
Earnings	-5.5%	12.0%	10.5%
Dividends	-4.5%	-.5%	4.5%
Book Value	-1.5%	5.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	791.7	887.2	926.1	770.3	3375.3
2009	824.0	825.2	896.3	765.0	3310.5
2010	912.3	898.8	901.8	775.0	3487.9
2011	796.1	885.7	911.4	**806.8**	**3400**
2012	**800**	**900**	**950**	**850**	**3500**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.15	.24	.27	.10	.77
2009	.16	.29	.30	.25	1.00
2010	.26	.35	.35	.17	1.13
2011	.24	.36	.42	**.28**	**1.30**
2012	**.35**	**.35**	**.40**	**.35**	**1.45**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.19	.195	.195	.195	.78
2008	.195	.20	.20	.20	.80
2009	.20	.20	.20	.20	.80
2010	.20	.205	.205	.205	.82
2011	.205	.215	.215	.215	

BUSINESS: TECO Energy, Inc. is a holding company for Tampa Electric, which serves 672,000 customers in west central Florida, and Peoples Gas (acquired 6/97), which serves 336,000 customers in Florida. TECO also mines coal and has generation investments in Guatemala. Sold TECO Transport 12/07. Electric revenue breakdown: residential, 50%; commercial, 30%; industrial, 9%; other, 11%. Generating sources: coal, 53%; gas, 38%; purchased, 9%. Fuel costs: 35% of revenues. '10 reported deprec. rate (utility): 3.6%. Has 4,100 employees. Chairman: Sherrill W. Hudson. President & CEO: John B. Ramil. Incorporated: Florida. Address: TECO Plaza, 702 N. Franklin Street, Tampa, Florida 33602. Telephone: 813-228-1111. Internet: www.tecoenergy.com.

TECO Energy's earnings are likely to wind up higher in 2011. The company's two utilities, Tampa Electric and Peoples Gas, are benefiting from an uptick in the customer count. The economy and housing market in the service area are improving, albeit slowly. Each utility should earn its allowed return on equity this year, despite less-favorable weather patterns than in 2010. We are sticking with our share-earnings estimate of $1.30, which is at the midpoint of management's targeted range of $1.25-$1.35.

At TECO Coal, prices are up, but so are costs. The company estimates that it will receive over $88 a ton in 2011, compared with $76 a ton a year ago. However, production costs will rise to an estimated $79 a ton, versus $69 a ton in 2010. Higher oil prices and the rising cost of contract miners are two factors that are putting pressure on expenses. More-frequent federal mine inspections are another factor, and these are also lowering production. TECO Coal sold 8.8 million tons in 2010, but will probably sell 8.2 million-8.5 million tons this year.

We look for significantly higher profits in 2012. A key factor will be the repricing of a 600,000-ton coal contract that was well below market prices. This output has already been repriced, and will add $24 million to revenues next year. We expect modest growth from the utilities, too. All told, we are sticking with our earnings forecast of $1.45 a share. TECO has not yet provided guidance for 2012.

TECO Coal has discovered 65 million tons of metallurgical coal reserves. They are located below existing reserves on property that is already controlled by TECO Coal. Management estimates that it can produce as much as two million tons annually from these new reserves. It will probably be at least two to three years before the company can start mining them, however.

TECO Energy stock is timely and offers some appeal for income-oriented investors. The yield is fractionally above the industry average. We project solid earnings and dividend growth through the period to 2014-2016, which ought to produce an above-average total return (by utility standards) over that time frame.

Paul E. Debbas, CFA *November 25, 2011*

(A) Dil. earnings. Excl. nonrec. gain (losses): '97, (6¢); '99, (11¢); '03, ($4.97); '07, 63¢; '10, (2¢) net; gains (loss) on discont. ops.: '04, (77¢); '05, 31¢; '06, 1¢; '07, 7¢. '08 EPS don't add due to rounding. Next earnings report due early Feb. (B) Div'ds paid in late Feb., May, Aug. & Nov. ■ Div'd reinvestment plan avail. (C) Incl. def'd chgs. In '10: $2.77/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '09 (elec.): 10.25%-12.25%; in '09 (gas): 9.75%-11.75%; earned on avg. com. eq., '10: 11.4%. Regulatory Climate: Average.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	70

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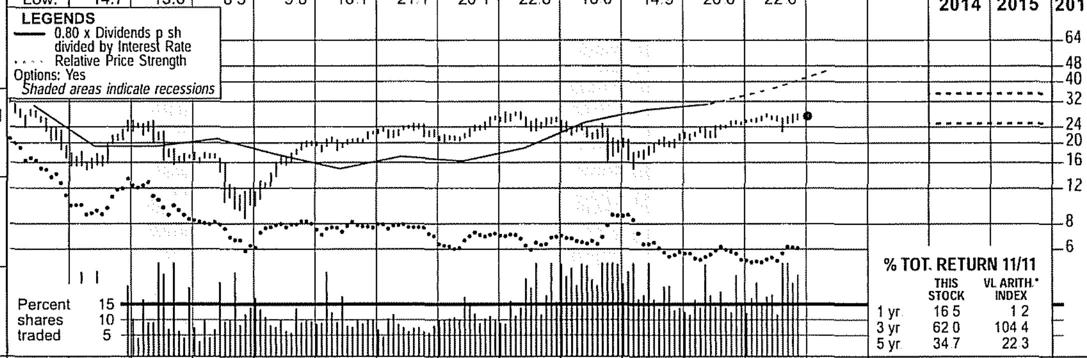
WESTAR ENERGY NYSE-WR

RECENT PRICE **27.12** | P/E RATIO **14.4** (Trailing: 16.2 Median: 14.0) | RELATIVE P/E RATIO **1.04** | DIV'D YLD **4.8%** | VALUE LINE

TIMELINESS 3 Lowered 12/23/11
SAFETY 2 Raised 4/1/05
TECHNICAL 3 Lowered 11/18/11
BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	25.9	25.9	18.0	20.5	22.9	25.0	27.2	28.6	25.9	22.3	25.9	28.0
Low:	14.7	15.6	8.5	9.8	18.1	21.1	20.1	22.8	16.0	14.9	20.6	22.6

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+30%)	11%
Low	25	(-10%)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	3	0	3	0	0	1	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	107	98	89
to Sell	98	107	110
Hld's(000)	81083	77664	76581

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	16.5	1.2
3 yr	62.0	104.4
5 yr	34.7	22.3

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
25.01	31.67	32.90	30.86	30.21	33.80	31.20	24.77	20.06	17.02	18.23	18.37	18.09	16.98	17.04	18.34	*18.35*	*18.75*	Revenues per sh	*20.30*
5.17	5.52	3.47	6.35	7.51	6.96	5.32	4.77	3.77	3.12	3.28	3.94	3.77	3.14	3.59	4.24	*4.15*	*4.30*	"Cash Flow" per sh	*4.90*
2.71	2.60	d.46	2.13	1.48	.89	d.58	1.00	1.48	1.17	1.55	1.88	1.84	1.31	1.28	1.80	*1.75*	*1.90*	Earnings per sh A	*2.40*
2.03	2.07	2.10	2.14	2.14	1.44	1.20	1.20	.87	.80	.92	.98	1.08	1.16	1.20	1.24	*1.28*	*1.32*	Div'd Decl'd per sh B■†	*1.44*
3.77	3.09	3.22	2.77	4.09	4.40	3.37	1.89	2.06	2.19	2.45	3.95	7.84	8.65	5.26	4.82	*5.80*	*6.00*	Cap'l Spending per sh	*7.05*
24.71	25.14	30.79	29.40	27.83	27.20	25.97	13.68	14.23	16.13	16.31	17.62	19.14	20.18	20.59	21.25	*22.20*	*22.90*	Book Value per sh C	*24.20*
62.86	64.63	65.41	65.91	67.40	70.08	70.08	71.51	72.84	86.03	86.84	87.39	95.46	108.31	109.07	112.13	*117.50*	*120.00*	Common Shs Outst'g E	*128.00*
11.7	11.7	--	18.4	17.2	20.6	--	14.0	10.8	17.4	14.8	12.2	14.1	17.0	14.9	13.0	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*12.5*
.78	.73	--	.96	.98	1.34	--	.76	.62	.92	.79	.66	.75	1.02	.99	.84	*estimates*		Relative P/E Ratio	*.85*
6.4%	6.8%	6.3%	5.5%	8.4%	7.9%	5.8%	8.6%	5.5%	3.9%	4.0%	4.3%	4.2%	5.2%	6.3%	5.3%			Avg Ann'l Div'd Yield	*4.8%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $3161.6 mill. **Due in 5 Yrs** $780.0 mill.
LT Debt $2741.6 mill. **LT Interest** $175.0 mill.
(LT interest earned: 2.8x)

Pension Assets-12/10 $432 mill. **Oblig.** $747 mill.

Pfd Stock $21.4 mill. **Pfd Div'd** $1.0 mill.
121,613 shs. 4 1/2%, callable 108; 54,970 shs. 4 1/4%, callable 101.50; 37,780 shs. 5%, callable 102. All cum. $100 par.

Common Stock 117,180,729 shs. as of 10/26/11
MARKET CAP: $3.2 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
2186.3	1771.1	1461.1	1464.5	1583.3	1605.7	1726.8	1839.0	1858.2	2056.2	*2155*	*2250*	Revenues ($mill)	*2600*
d40.0	72.0	108.1	100.1	134.9	165.3	168.4	136.8	141.3	203.9	*205*	*225*	Net Profit ($mill)	*305*
NMF	53.4%	43.1%	25.0%	31.0%	25.4%	27.5%	24.8%	29.4%	29.0%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
--	--	5.0%	--	--	--	10.4%	--	10.4%	10.0%	*10.0%*	*10.0%*	AFUDC % to Net Profit	*10.0%*
61.8%	71.6%	66.2%	53.8%	52.1%	50.0%	50.6%	49.8%	53.4%	53.6%	*52.0%*	*52.0%*	Long-Term Debt Ratio	*53.0%*
37.7%	22.9%	33.2%	45.5%	47.2%	49.3%	48.9%	49.7%	46.1%	46.4%	*48.0%*	*48.0%*	Common Equity Ratio	*47.0%*
4822.4	4272.4	3127.3	3049.2	3000.4	3124.2	3738.3	4400.1	4866.8	5180.8	*5410*	*5750*	Total Capital ($mill)	*6600*
4042.9	3995.4	3909.5	3911.0	3947.7	4071.6	4803.7	5533.5	5771.7	6309.5	*6650*	*6800*	Net Plant ($mill)	*8000*
1.5%	4.4%	7.0%	5.5%	6.2%	6.7%	5.8%	4.2%	4.4%	5.3%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
NMF	5.9%	10.2%	7.1%	9.4%	10.6%	9.1%	6.2%	6.2%	8.1%	*8.0%*	*8.0%*	Return on Shr. Equity	*10.0%*
NMF	7.3%	10.3%	7.1%	9.5%	10.7%	9.2%	6.2%	6.3%	8.2%	*8.0%*	*8.0%*	Return on Com Equity D	*10.0%*
NMF	NMF	4.9%	3.2%	4.3%	5.5%	4.3%	1.2%	.8%	2.8%	*2.0%*	*2.5%*	Retained to Com Eq	*4.0%*
NMF	120%	53%	56%	55%	49%	53%	80%	87%	65%	*72%*	*70%*	All Div'ds to Net Prof	*59%*

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.0	-2.0	+6.2
Avg. Indust. Use (MWH)	5769	5145	5468
Avg. Indust. Revs. per KWH (¢)	5.06	5.67	5.82
Capacity at Peak (Mw)	6508	6807	6756
Peak Load, Summer (Mw)	4754	4545	5485
Annual Load Factor (%)	55.0	54.5	55.0
% Change Customers (yr-end)	+.7	+.9	+.3
Fixed Charge Cov. (%)	263	226	267

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	-6.0%	-1.0%	2.5%
"Cash Flow"	-6.0%	1.5%	5.0%
Earnings	--	1.0%	8.5%
Dividends	-4.5%	7.0%	3.0%
Book Value	-3.0%	6.0%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	406.8	451.2	574.9	406.1	1839.0
2009	421.8	467.8	528.5	440.1	1858.2
2010	459.8	495.2	644.4	456.8	2056.2
2011	481.7	524.9	678.2	*470.2*	*2155*
2012	*500*	*540*	*700*	*510*	*2250*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.23	.06	.81	.21	1.31
2009	.10	.35	.73	.10	1.28
2010	.27	.47	1.01	.04	1.80
2011	.27	.38	.98	*.12*	*1.75*
2012	*.32*	*.46*	*1.00*	*.12*	*1.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.25	.27	.27	.27	1.06
2008	.27	.29	.29	.29	1.14
2009	.29	.30	.30	.30	1.19
2010	.30	.31	.31	.31	1.23
2011	.31	.32	.32	.32	

BUSINESS: Westar Energy, Inc., formerly Western Resources, is the parent of Kansas Gas & Electric Company. Westar supplies electricity to 687,000 customers in Kansas. Electric revenue sources: residential and rural, 43%; commercial, 37%; industrial, 20%. Sold investment in ONEOK in 2003 and 85% ownership in Protection One in 2004. 2010 depreciation rate: 4.6%. Estimated plant age: 13 years. Fuels: coal, 51%; nuclear, 8%; gas, 41%. Has 2,409 employees. BlackRock, Inc. owns 6.3% of common; off. & dir., less than 1% (4/11 proxy). Chairman: Charles Q. Chandler IV. Chief Executive Officer: Mark A. Ruelle. Inc.: Kansas. Address: 818 South Kansas Avenue, Topeka, Kansas 66612. Telephone: 785-575-6300. Internet: www.westarenergy.com.

Westar Energy posted mixed results for the third quarter. The top line advanced somewhat, thanks to higher prices. However, operating expenses and the share count also increased, and share earnings declined slightly from the prior-year tally.

Bottom-line performance may well improve somewhat in the coming quarters. Revenue comparisons should remain favorable going forward. The Kansas economy will probably continue to fare better than the nation's. Unemployment in Kansas ought to remain below the national average, and most industrial sectors should post further improvement, given the state's attractive business climate. That said, our estimates may prove somewhat optimistic, should considerable economic weakness materialize. Moreover, higher operating expenses ought to continue to hurt margins. Some rate relief (discussed below) and a measure of cost control would benefit earnings nicely.

The company is seeking higher rates. Westar has filed with the Kansas Corporation Commission (KCC), requesting to increase base prices by roughly 5.85%, which would add about $91 million in annual revenue. The company cited higher operating and maintenance expenses, and greater regulatory compliance costs, as reasons for the request. A decision on this matter is expected in the spring.

Investment in operations should continue going forward. The company continues to make progress with its 345-kilovolt transmission line from Wichita to Oklahoma. This project is trending favorably with respect to budget and schedule, and is now expected to be completed by April. We also anticipate significant investment in air quality controls over the next few years.

These shares are ranked to track the broader market averages for the next six to 12 months. Looking further out, we anticipate higher revenues and share earnings for the company by 2014-2016. Moreover, Westar earns good marks for Safety, Price Stability, and Earnings Predictability. From the present quotation, this equity has decent risk-adjusted total return potential, considering its healthy dividend yield.

Michael Napoli, CFA *December 23, 2011*

(A) EPS diluted from 2010 onward. Excl. nonrecur gains (losses): '96, ($0.19); '97, $7.97; '98, ($1.45); '99, ($1.31); '00, $1.07; '01, 27¢; '02, ($12.06); '03, 77¢; '08, 39¢. Totals may not sum due to rounding. Next egs. rep't due late February/early March. (B) Div'ds paid in early Jan., April, July, and Oct. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. reg. assets. In 2010: $7.68/sh. (D) Rate base determined: fair value; Rate allowed on common equity in '09: 10.4%; earned on avg. com. eq., '10: 8.7%. Regul. Clim.: Avg. (E) In mill.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	75

ALLETE.pdf

xerox

ALLETE NYSE-ALE

RECENT PRICE	40.09	P/E RATIO	15.7 (Trailing: 16.0; Median: NMF)	RELATIVE P/E RATIO	1.14	DIV'D YLD	4.5%

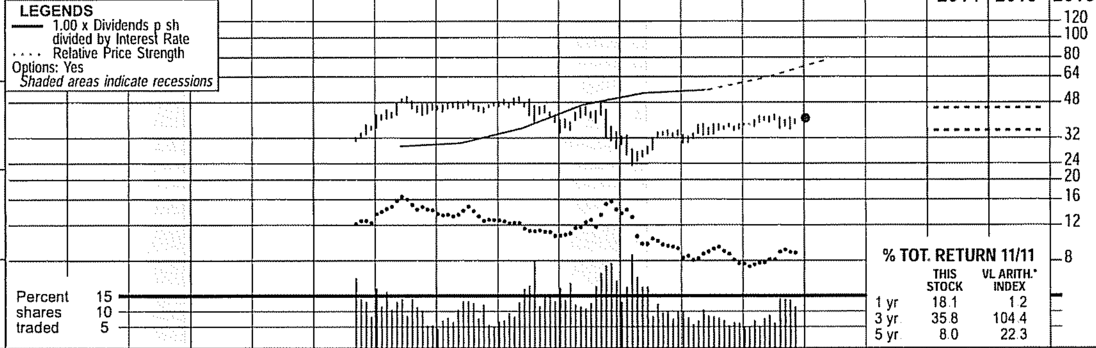
VALUE LINE

TIMELINESS **3** Lowered 8/12/11
SAFETY **2** New 10/1/04
TECHNICAL **3** Lowered 10/21/11
BETA .70 (1.00 = Market)

High:	37.5	51.7	49.3	51.3	49.0	35.3	37.9	42.1
Low:	30.8	35.7	42.6	38.2	28.3	23.3	30.0	35.1

Target Price Range 2014 | 2015 | 2016

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+10%)	7%
Low	35	(-15%)	2%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	0	2	0
to Sell	0	1	2	1	0	1	0	3	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	59	74	75
to Sell	61	57	50
Hld's(000)	21297	21760	21519

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	18.1	1.2
3 yr	35.8	104.4
5 yr	8.0	22.3

ALLETE, in its current configuration, began trading on September 21, 2004, the day after it spun off its automotive services business, ADESA (now KAR Auction Services, NYSE: KAR), to shareholders and effected a 1-for-3 reverse stock split. ALLETE shareholders received one share of ADESA for each ALLETE share held. Data for the "old" ALLETE are not shown because they are not comparable.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	--	25.30	24.50	25.23	27.33	24.57	21.57	25.34	*25.25*	*26.05*	Revenues per sh	*29.00*
--	--	--	2.97	3.85	4.14	4.42	4.23	3.57	4.35	*4.95*	*5.05*	"Cash Flow" per sh	*6.00*
--	--	--	1.35	2.48	2.77	3.08	2.82	1.89	2.19	*2.65*	*2.65*	Earnings per sh A	*3.25*
--	--	--	.30	1.25	1.45	1.64	1.72	1.76	1.76	*1.78*	*1.80*	Div'd Decl'd per sh B ■ †	*1.95*
--	--	--	2.12	1.95	3.37	6.82	9.24	9.05	6.95	*7.50*	*11.50*	Cap'l Spending per sh	*3.00*
--	--	--	21.23	20.03	21.90	24.11	25.37	26.41	27.26	*28.30*	*29.45*	Book Value per sh C	*32.75*
--	--	--	29.70	30.10	30.40	30.80	32.60	35.20	35.80	*37.00*	*38.20*	Common Shs Outst'g D	*40.00*
--	--	--	25.2	17.9	16.5	14.8	13.9	16.1	16.0	*Bold figures are*		Avg Ann'l P/E Ratio	*12.5*
--	--	--	1.33	.95	.89	.79	.84	1.07	1.03	*Value Line*		Relative P/E Ratio	*.85*
--	--	--	.9%	2.8%	3.2%	3.6%	4.4%	5.8%	5.0%	*estimates*		Avg Ann'l Div'd Yield	*4.8%*
--	--	--	751.4	737.4	767.1	841.7	801.0	759.1	907.0	*935*	*995*	Revenues ($mill)	*1155*
--	--	--	38.5	68.0	77.3	87.6	82.5	61.0	75.3	*95.0*	*100*	Net Profit ($mill)	*125*
--	--	--	38.8%	28.4%	37.5%	34.8%	34.3%	33.7%	37.2%	*25.0%*	*30.0%*	Income Tax Rate	*30.0%*
--	--	--	1.8%	.4%	1.4%	6.6%	5.8%	12.8%	8.9%	*4.0%*	*3.0%*	AFUDC % to Net Profit	*2.0%*
--	--	--	38.2%	39.1%	35.1%	35.6%	41.6%	42.8%	44.2%	*44.5%*	*44.5%*	Long-Term Debt Ratio	*41.5%*
--	--	--	61.8%	60.9%	64.9%	64.4%	58.4%	57.2%	55.8%	*55.5%*	*55.5%*	Common Equity Ratio	*58.5%*
--	--	--	1020.7	990.6	1025.6	1153.5	1415.4	1625.3	1747.6	*1895*	*2025*	Total Capital ($mill)	*2225*
--	--	--	883.1	860.4	921.6	1104.5	1387.3	1622.7	1805.6	*2000*	*2345*	Net Plant ($mill)	*2400*
--	--	--	5.1%	8.0%	8.6%	8.6%	6.7%	4.8%	5.4%	*6.5%*	*6.0%*	Return on Total Cap'l	*7.0%*
--	--	--	6.1%	11.3%	11.6%	11.8%	10.0%	6.6%	7.7%	*9.0%*	*9.0%*	Return on Shr. Equity	*9.5%*
--	--	--	6.1%	11.3%	11.6%	11.8%	10.0%	6.6%	7.7%	*9.0%*	*9.0%*	Return on Com Equity E	*9.5%*
--	--	--	4.7%	5.2%	5.0%	5.8%	3.9%	.5%	1.5%	*3.0%*	*3.0%*	Retained to Com Eq	*3.5%*
--	--	--	23%	54%	57%	51%	61%	93%	81%	*67%*	*68%*	All Div'ds to Net Prof	*62%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $862.8 mill. **Due in 5 Yrs** $206.5 mill.
LT Debt $844.4 mill. **LT Interest** $43.9 mill.
(LT interest earned: 3.6x)
Leases, Uncapitalized Annual rentals $8.1 mill.

Pension Assets-12/10 $382.0 mill.
Oblig. $525.6 mill.

Pfd Stock None

Common Stock 36,809,561 shs.

MARKET CAP: $1.5 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	+1.5	-25.6	+29.1
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	4.73	2.98	5.20
Capacity at Peak (Mw)	1757	1757	1812
Peak Load, Winter (Mw) F	1582	1414	1604
Annual Load Factor (%)	*80.0*	81.2	79.0
% Change Customers (avg.)	+.7	+1.4	+1.0
Fixed Charge Cov. (%)	438	296	334

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	-1.0%	*3.5%*
"Cash Flow"	--	3.5%	*7.0%*
Earnings	--	3.5%	*6.0%*
Dividends	--	17.5%	*2.0%*
Book Value	--	5.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	213.4	189.8	201.7	196.1	801.0
2009	199.6	164.7	178.8	216.0	759.1
2010	233.6	211.2	224.1	238.1	907.0
2011	242.2	219.9	226.9	*246*	*935*
2012	*255*	*230*	*250*	*260*	*995*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.82	.37	.85	.78	2.82
2009	.55	.29	.49	.56	1.89
2010	.68	.57	.56	.38	2.19
2011	1.07	.48	.57	*.53*	*2.65*
2012	*.95*	*.50*	*.65*	*.55*	*2.65*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.43	.43	.43	.43	1.72
2009	.44	.44	.44	.44	1.76
2010	.44	.44	.44	.44	1.76
2011	.445	.445	.445	.445	

BUSINESS: ALLETE, Inc. is the parent company of Minnesota Power, which supplies electricity to 146,000 customers in northeastern MN, & Superior Water, Light & Power in northwestern WI. Electric revenue breakdown: taconite mining/processing, 24%; paper/wood products, 9%; other industrial, 10%; residential, 13%; commercial, 14%; wholesale, 13% other, 17%. Has real estate operation in FL. Discont. water-utility ops. in '01. Spun off automotive remarketing operation in '04. Generating sources: coal & lignite, 55%; hydro, 3%; other, 3%; purchased, 39%. '10 deprec. rate: 2.9%. Has 1,500 employees. Chairman, President & CEO: Alan R. Hodnik. Inc.: MN. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

We estimate that ALLETE's earnings will be flat in 2012. On the positive side, the company's primary utility subsidiary, Minnesota Power, benefits from a regulatory mechanism that allows current cost recovery (via riders on customers' bills) for certain kinds of capital spending. The wind projects that are under construction (see below) qualify for this kind of regulatory treatment. The utility's taconite customers are faring well, too, which is a plus for the demand for power. On the negative side, the company booked $0.18 a share of tax benefits in the first quarter of 2011 and $0.08 a share in the second period, and we assume that the tax rate will be higher in 2012. Pension and other postretirement benefits expense should be higher due to a decline in the discount rate. (ALLETE is not alone in this regard.) Interest and depreciation expenses are likely to rise, as well. Finally, ALLETE's real estate subsidiary in Florida, which was once a solid contributor to profits, remains in the red. Our 2012 earnings estimate is at the upper end of management's targeted range of $2.45-$2.65 a share.

We look for a modest dividend hike in the first quarter of 2012, despite the probable lack of profit growth. We estimate that the board of directors will boost the annual dividend by $0.02 a share (1.1%), as it did in early 2011. The payout ratio is high for a utility, but not so lofty that it should preclude an increase.

Three wind projects are under construction. These will help Minnesota Power meet the state's requirements for renewable energy. The first project, named Bison 1, is nearly complete. It will add 82 megawatts of capacity at an expected cost of $177 million. Bison 2 and 3 will each provide 105 mw of capacity at a cost of $157 million. These two projects are scheduled for completion in 2012. Due to the cost of Bison 2 and 3, capital spending will be much higher than usual in 2012. This will necessitate some debt and equity financing.

We believe this stock is fairly valued. The yield and 3- to 5-year total return potential are close to the norms for the electric utility industry. Investors should note, too, that the quotation is near the midpoint of our 2014-2016 Target Price Range.

Paul E. Debbas, CFA — *December 23, 2011*

(A) Diluted EPS. Excl. nonrec. gain (loss): '04, 2¢; '05, ($1.84); gain (losses) on disc. ops.: '04, $2.57, '05, (16¢); '06, (2¢); loss from accounting change: '04, 27¢. Next egs. report due mid-Feb. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred chgs. In '10: $8.66/sh. (D) In mill. (E) Rate base: Original cost deprec. Rate allowed on com. eq. in '10: 10.38%; earned on avg. com. eq., '10: 7.8%. Regulatory Climate: Average. (F) Summer peak in '10.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	70

Cleco.pdf

CLECO CORPORATION NYSE-CNL

RECENT PRICE 35.95 | P/E RATIO 14.7 (Trailing: 14.9 Median: 14.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 3 Lowered 12/16/11
SAFETY 2 Raised 6/24/11
TECHNICAL 3 Raised 6/10/11
BETA .70 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	28.3	27.3	24.9	18.4	20.8	24.4	26.2	29.8	28.4	28.1	31.8	37.7
Low:	15.1	19.2	9.7	11.0	16.2	18.9	20.5	22.1	17.3	18.7	24.3	30.1

2014-16 PROJECTIONS

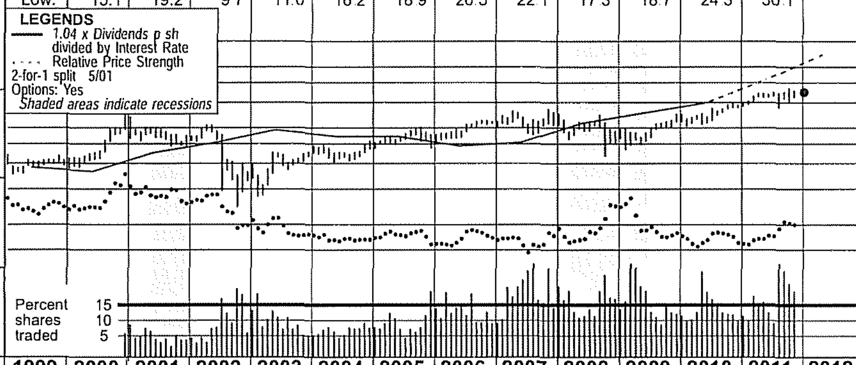
	Price	Gain	Ann'l Total Return
High	40	(+10%)	6%
Low	30	(-15%)	Nil

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	2	0	0	0	0	2	0
Options	0	0	2	0	0	1	0	1	0
to Sell	0	0	3	0	2	0	0	1	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	85	73	103
to Sell	80	94	74
Hld's(000)	44515	44773	44000



Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	23.2	1.2
3 yr	70.6	104.4
5 yr	68.8	22.3

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
8.79	9.70	10.16	11.46	17.12	18.23	23.55	15.33	18.54	15.03	18.41	17.38	17.19	17.99	14.17	18.98	**18.95**	**19.75**	Revenues per sh	**22.25**
1.99	2.11	2.18	2.28	2.36	2.77	2.94	3.05	2.98	2.56	2.76	2.63	2.69	3.71	3.78	5.12	**5.70**	**5.75**	"Cash Flow" per sh	**6.50**
1.04	1.12	1.09	1.12	1.19	1.46	1.51	1.52	1.26	1.32	1.42	1.36	1.32	1.70	1.76	2.29	**2.45**	**2.40**	Earnings per sh A	**2.75**
.75	.77	.79	.81	.83	.85	.87	.90	.90	.90	.90	.90	.90	.90	.90	.98	**1.12**	**1.25**	Div'd Decl'd per sh B ■ †	**1.60**
1.29	1.43	1.73	2.09	3.99	2.52	1.10	1.91	1.58	1.61	3.19	4.11	8.51	5.59	4.15	4.68	**4.15**	**3.80**	Cap'l Spending per sh	**2.25**
7.91	8.30	8.68	9.07	9.44	10.04	10.69	11.77	10.09	10.83	13.69	15.22	16.85	17.65	18.50	21.76	**23.65**	**24.80**	Book Value per sh C	**28.25**
44.85	44.91	44.93	44.97	44.88	44.99	44.96	47.04	47.18	49.62	49.99	57.57	59.94	60.04	60.26	60.53	**60.70**	**60.70**	Common Shs Outst'g D	**60.70**
11.6	11.9	12.5	14.4	13.4	13.2	14.6	12.2	12.4	13.8	15.0	17.3	19.6	14.1	13.2	12.3	*Bold figures are*		Avg Ann'l P/E Ratio	**13.0**
.78	.75	.72	.75	.76	.86	.75	.67	.71	.73	.80	.93	1.04	.85	.88	.79	*Value Line*		Relative P/E Ratio	**.85**
6.2%	5.8%	5.8%	5.0%	5.2%	4.4%	3.9%	4.8%	5.8%	5.0%	4.2%	3.8%	3.5%	3.8%	3.9%	3.5%	*estimates*		Avg Ann'l Div'd Yield	**4.6%**
						1058.6	721.2	874.6	745.8	920.2	1000.7	1030.6	1080.2	853.8	1148.7	**1150**	**1200**	Revenues ($mill)	**1350**
						72.3	74.2	61.2	66.1	75.0	74.7	79.6	102.1	106.3	139.5	**150**	**145**	Net Profit ($mill)	**165**
						34.7%	36.9%	37.2%	35.2%	39.2%	36.0%	24.3%	15.3%	8.3%	44.1%	**37.0%**	**37.0%**	Income Tax Rate	**37.0%**
						16.7%	12.6%	5.8%	7.5%	4.3%	14.2%	57.9%	82.8%	93.5%	12.2%	**7.0%**	**5.0%**	AFUDC % to Net Profit	**3.0%**
						55.2%	60.0%	64.4%	44.5%	46.3%	40.9%	43.2%	51.1%	54.2%	51.5%	**46.5%**	**45.5%**	Long-Term Debt Ratio	**42.0%**
						42.4%	38.2%	33.8%	53.1%	52.0%	57.8%	56.7%	48.9%	45.8%	48.5%	**53.5%**	**54.5%**	Common Equity Ratio	**58.0%**
						1134.7	1448.7	1408.5	1011.6	1315.9	1515.6	1780.5	2167.7	2436.4	2717.9	**2685**	**2755**	Total Capital ($mill)	**2975**
						1224.7	1566.2	1417.1	1060.0	1188.7	1304.9	1725.9	2045.3	2247.0	2784.2	**2840**	**2865**	Net Plant ($mill)	**2600**
						8.6%	7.1%	6.7%	8.9%	7.1%	6.3%	5.6%	6.1%	5.9%	6.6%	**7.0%**	**6.5%**	Return on Total Cap'l	**7.0%**
						14.2%	12.8%	12.2%	11.8%	10.6%	8.3%	7.9%	9.6%	9.5%	10.6%	**10.5%**	**9.5%**	Return on Shr. Equity	**9.5%**
						14.6%	13.1%	12.5%	11.9%	10.7%	8.3%	7.8%	9.6%	9.5%	10.6%	**10.5%**	**9.5%**	Return on Com Equity E	**9.5%**
						6.5%	5.6%	3.5%	3.9%	4.1%	3.0%	2.6%	4.5%	4.7%	6.1%	**5.5%**	**4.5%**	Retained to Com Eq	**4.0%**
						57%	58%	72%	68%	62%	65%	68%	53%	51%	42%	**46%**	**52%**	All Div'ds to Net Prof	**59%**

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1383.7 mill. **Due in 5 Yrs** $230.2 mill.
LT Debt $1370.6 mill. **LT Interest** $83.6 mill.
Incl. $17.5 million capitalized leases.
(LT interest earned: 3.5x)

Leases, Uncapitalized Annual rentals $9.2 mill.
Pension Assets-12/10 $242.5 mill. **Oblig.** $330.3 mill.

Pfd Stock None

Common Stock 60,665,607 shs. **as of 10/28/11**
MARKET CAP: $2.2 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.1	-6.0	+5.9
Avg. Indust. Use (MWH)	4535	3532	3657
Avg. Indust. Revs. per KWH (¢)	7.89	6.48	7.68
Capacity at Peak (Mw)	2254	2355	NA
Peak Load, Summer (Mw)	2113	2242	2348
Annual Load Factor (%)	57.0	53.5	55.8
% Change Customers (avg.)	+.9	+.7	+.7
Fixed Charge Cov. (%)	159	138	294

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	1.0%	-.5%	4.5%
"Cash Flow"	5.5%	8.5%	7.5%
Earnings	4.5%	7.5%	6.0%
Dividends	1.0%	.5%	9.5%
Book Value	7.5%	11.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	222.5	274.8	343.7	239.2	1080.2
2009	213.0	207.2	241.5	192.1	853.8
2010	272.3	275.9	343.9	256.6	1148.7
2011	253.7	272.9	351.6	**271.8**	**1150**
2012	**270**	**280**	**370**	**280**	**1200**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.37	.49	.62	.22	1.70
2009	.11	.45	.99	.21	1.76
2010	.56	.58	.82	.33	2.29
2011	.48	.52	1.09	**.36**	**2.45**
2012	**.40**	**.60**	**1.05**	**.35**	**2.40**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.225	.225	.225	.225	.90
2008	.225	.225	.225	.225	.90
2009	.225	.225	.225	.225	.90
2010	.225	.25	.25	.25	.98
2011	.25	.28	.28	.3125	

BUSINESS: Cleco Corporation is a holding company for Cleco Power, which supplies electricity to about 279,000 customers in central Louisiana. Through a subsidiary, has 775 megawatts of wholesale capacity. Electric revenue breakdown: residential, 45%; commercial, 27%; industrial, 14%; other, 14%. Largest industrial customers are paper mills and other wood-product industries. Generating sources: gas & oil, 30%; coal & lignite, 29%; petroleum coke, 16%; purchased, 25%. Fuel costs: 44% of revenues. '10 reported deprec. rate (utility): 2.6%. Has 1,300 employees. Chairman: J. Patrick Garrett. President & CEO: Bruce A. Williamson. Inc.: Louisiana. Address: 2030 Donahue Ferry Road, P.O. Box 5000, Pineville, LA 71361-5000. Tel.: 318-484-7400. Internet: www.cleco.com.

Cleco's board of directors has raised the dividend for the second time this year. In the fourth quarter of 2011, the board raised the quarterly disbursement by $0.0325 a share (11.6%). Cleco had indicated that an increase of that amount would occur, but the move came two quarters sooner than we had expected. We aren't projecting an increase in 2012, but we don't rule one out, either, since the directors will review the dividend each quarter. Cleco has plenty of room for dividend growth, thanks to its low payout ratio and strong cash flow.

Investors shouldn't be alarmed by the modest earnings decline we expect in 2012. Profits in 2011 were boosted by favorable weather patterns, and we base our forecast on a return to normal weather. One positive factor in 2012 should be lower interest expense. Our 2011 and 2012 share-earnings estimates are within Cleco's targeted ranges of $2.42-$2.48 and $2.34-$2.44, respectively.

Some capital projects are under construction. Cleco has a 50% stake in a $250 million transmission line that is expected to be in service in 2012. The utility will automatically get rate base treatment of this project through its formula rate plan in Louisiana. Cleco is also installing an advanced metering system. A grant from the U.S. Department of Energy will provide $20 million of the estimated $73 million cost. *The project is expected to be* completed in 2013. In the next five years, Cleco will also have a projected $115 million of expenditures for compliance with new federal environmental rules.

There is no news regarding the Coughlin plant. This 775-megawatt, nonregulated gas-fired facility has a contract that expires at the end of 2011. It might become a more valuable asset because stricter environmental rules are more favorable for gas-fired facilities than for coal-fired units.

Cleco stock has been one of the best performing electric utility issues in 2011, having risen more than 15% so far this year. Investors are attracted to the company's good dividend growth prospects. The dividend yield is somewhat below the industry average, and total return potential to 2014-2016 is unexciting.

Paul E. Debbas, CFA *December 23, 2011*

(A) Diluted earnings. Excl. nonrec. gains (losses): '00, 5¢; '02, (5¢), '03, ($2.05); '05, $2.11; '07, $1.22; '10, $1.91; '11, 63¢; losses from discont. ops.: '00, 14¢; '01, 4¢. Next earnings report due late Feb. (B) Div'ds historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred charges. In '10: $10.51/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '09: 11.7%; earned on avg. com. eq., '10: 11.9%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	75

Entergy.pdf

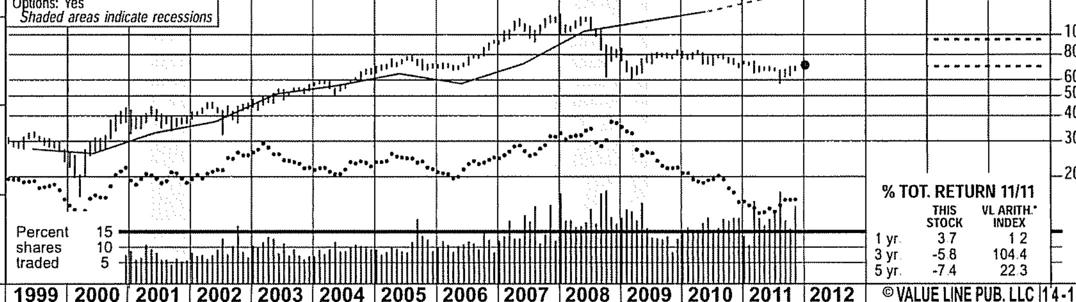
ENTERGY CORP. NYSE-ETR

RECENT PRICE **71.01** | P/E RATIO **10.2** (Trailing: 9.0; Median: 14.0) | RELATIVE P/E RATIO **0.74** | DIV'D YLD **4.7%** | VALUE LINE

TIMELINESS 2 Raised 7/29/11
SAFETY 2 New 12/26/08
TECHNICAL 3 Lowered 12/16/11
BETA .70 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:					43.9	44.7	46.8	57.2	68.7	79.2	94.0	125.0	127.5	86.6	84.3	74.5	
Low:					15.9	32.6	32.1	42.3	50.6	64.5	66.8	89.6	61.9	59.9	68.7	57.6	

LEGENDS
— 1.28 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range
2014 | 2015 | 2016

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	95	(+35%)	*11%*
Low	70	(Nil)	*4%*

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	1	2	2	1	2	1
to Sell	0	0	1	1	2	2	1	2	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	210	215	216
to Sell	219	209	194
Hld's(000)	132321	133167	144030

Percent shares traded 15 / 10 / 5

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	3.7	1.2
3 yr.	-5.8	104.4
5 yr.	-7.4	22.3

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
27.55	30.75	38.89	46.57	35.51	45.61	43.59	37.34	40.17	46.69	46.61	53.94	59.47	69.15	56.82	64.27	*64.20*	*64.20*	Revenues per sh	*73.00*
5.16	5.84	6.20	6.11	5.06	6.49	6.41	7.62	7.43	8.33	8.18	10.69	11.73	12.89	13.29	16.54	*17.45*	*16.25*	"Cash Flow" per sh	*18.25*
2.13	2.48	2.25	2.22	2.25	2.97	3.08	3.68	3.69	3.93	4.40	5.36	5.60	6.20	6.30	6.66	*7.40*	*6.00*	Earnings per sh A	*6.50*
1.80	1.80	1.80	1.50	1.20	1.22	1.28	1.34	1.60	1.89	2.16	2.16	2.58	3.00	3.00	3.24	*3.32*	*3.32*	Div'd Decl'd per sh B ■ †	*3.50*
2.72	2.45	3.45	4.63	4.84	6.80	6.25	6.88	6.85	6.51	6.72	9.44	10.29	13.92	12.99	13.33	*14.75*	*15.05*	Cap'l Spending per sh	*14.25*
28.41	28.51	27.23	28.79	28.81	31.89	33.78	35.24	38.02	38.26	35.71	40.45	40.71	42.07	45.54	47.53	*51.05*	*53.75*	Book Value per sh C	*62.00*
227.77	232.96	245.84	246.83	247.08	219.60	220.73	222.42	228.90	216.83	216.83	202.67	193.12	189.36	189.12	178.75	*176.00*	*176.00*	Common Shs Outst'g D	*171.00*
11.5	11.1	11.6	12.9	13.2	10.1	12.5	11.5	13.8	15.1	16.3	14.3	19.3	16.6	12.0	11.6	*Bold figures are*		Avg Ann'l P/E Ratio	*12.5*
.77	.70	.67	.67	.75	.66	.64	.63	.79	.80	.87	.77	1.02	1.00	.80	.74	*Value Line*		Relative P/E Ratio	*.85*
7.4%	6.5%	6.9%	5.2%	4.1%	4.1%	3.3%	3.2%	3.1%	3.2%	3.0%	2.8%	2.4%	2.9%	4.0%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $12452 mill. **Due in 5 Yrs** $3841.0 mill.
LT Debt $10281 mill. **LT Interest** $463.0 mill.
Incl. $1086 mill. of securitization bonds.
(LT interest earned: 4.5x)
Leases, Uncapitalized Annual rentals $88.3 mill.
Pension Assets-12/10 $3.22 bill. **Oblig.** $4.30 bill.
Pfd Stock $310.7 mill. **Pfd Div'd** $20.0 mill.
6,115,105 shs. $4.20 to $7.88, $100 par; 1,000,000 shs. 11.50%, all without sinking fund.
Common Stock 176,116,403 shs.
as of 10/31/11
MARKET CAP: $13 billion (Large Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
9621.0	8305.0	9195.0	10124	10106	10932	11484	13094	10746	11488	*11300*	*11300*	Revenues ($mill)	*12500*
716.8	878.4	874.2	933.1	943.1	1160.9	1160.0	1240.5	1251.1	1270.3	*1335*	*1080*	Net Profit ($mill)	*1145*
38.9%	25.1%	35.9%	28.2%	37.2%	27.6%	30.7%	32.7%	33.6%	32.7%	*17.5%*	*34.0%*	Income Tax Rate	*34.0%*
6.6%	6.4%	8.7%	7.0%	8.0%	5.5%	5.8%	5.6%	7.4%	7.4%	*8.0%*	*10.0%*	AFUDC % to Net Profit	*10.0%*
47.7%	45.7%	44.8%	44.7%	51.9%	51.2%	54.3%	58.2%	55.3%	56.3%	*56.0%*	*56.0%*	Long-Term Debt Ratio	*57.5%*
48.6%	50.6%	53.2%	52.9%	45.5%	46.7%	43.9%	40.2%	43.1%	42.1%	*42.5%*	*42.5%*	Common Equity Ratio	*41.0%*
15353	15499	16361	15696	17013	17539	17902	19795	19985	20166	*21150*	*22225*	Total Capital ($mill)	*25800*
17264	17195	18299	18696	19197	19438	20974	22429	23389	23848	*24750*	*25650*	Net Plant ($mill)	*27000*
6.4%	7.3%	6.8%	7.4%	6.8%	8.0%	7.9%	7.5%	7.6%	7.7%	*7.5%*	*6.0%*	Return on Total Cap'l	*6.0%*
8.9%	10.4%	9.7%	10.8%	11.5%	13.6%	14.2%	15.0%	14.0%	14.4%	*14.5%*	*11.0%*	Return on Shr. Equity	*10.5%*
9.3%	10.9%	9.8%	11.0%	11.9%	13.8%	14.4%	15.3%	14.3%	14.7%	*14.5%*	*11.0%*	Return on Com Equity E	*10.5%*
5.7%	7.1%	5.6%	5.8%	6.0%	8.3%	8.0%	8.1%	7.6%	7.6%	*8.0%*	*5.0%*	Retained to Com Eq	*5.0%*
41%	37%	44%	48%	51%	41%	46%	48%	48%	49%	*46%*	*56%*	All Div'ds to Net Prof	*54%*

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.4	-1.5	+8.4
Avg. Indust. Use (MWH)	898	874	936
Avg. Indust. Revs. per KWH(¢)	7.75	5.60	5.70
Capacity at Peak (Mw)	24844	23578	24310
Peak Load, Summer (Mw)	21241	21009	21799
Annual Load Factor (%)	59.0	60.0	62.0
% Change Customers (yr-end)	+.8	+1.1	+.9
Fixed Charge Cov. (%)	339	355	342

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	4.0%	7.5%	*2.5%*
"Cash Flow"	9.0%	12.5%	*4.0%*
Earnings	10.0%	10.0%	*.5%*
Dividends	9.0%	10.5%	*2.0%*
Book Value	4.0%	4.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	2865	3264	3964	3001	13094
2009	2789	2521	2937	2499	10746
2010	2760	2863	3332	2533	11488
2011	2541	2803	3396	*2560*	*11300*
2012	*2600*	*2850*	*3250*	*2600*	*11300*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.56	1.37	2.41	.89	6.20
2009	1.20	1.14	2.32	1.64	6.30
2010	1.12	1.65	2.62	1.26	6.66
2011	1.38	1.76	3.53	*.73*	*7.40*
2012	*1.10*	*1.60*	*2.20*	*1.10*	*6.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.54	.54	.75	.75	2.58
2008	.75	.75	.75	.75	3.00
2009	.75	.75	.75	.75	3.00
2010	.75	.83	.83	.83	3.24
2011	.83	.83	.83	.83	

BUSINESS: Entergy Corporation supplies electricity to 2.7 million customers through subsidiaries in Arkansas, Louisiana, Mississippi, Texas, and New Orleans. Distributes gas to 191,000 customers in Louisiana. Has a nonutility nuclear subsidiary that owns six units. Electric revenue breakdown: residential, 39%; commercial, 26%; industrial, 25%; other, 10%. Generating sources: nuclear, 36%; gas, 22%; coal, 13%; purchased, 29%. Fuel costs: 36% of revenues. '10 reported depreciation rates: 1.8%-3.1%. Has 15,000 employees. Chairman & CEO: J. Wayne Leonard. President & COO: Richard J. Smith. Incorporated: Delaware. Address: 639 Loyola Avenue, P.O. Box 61000, New Orleans, Louisiana 70161. Telephone: 504-576-4000. Internet: www.entergy.com.

Entergy is getting out of the electric transmission business. It has agreed to sell its transmission assets to ITC Holdings in a complicated transaction. Entergy would wind up with $1.775 billion in cash, which it would use for debt reduction. The deal also calls for ITC to issue stock to Entergy shareholders, who would then own 50.1% of ITC. This would make the asset sale tax-free for Entergy. The transaction requires the approval of the regulatory commissions in Texas, Louisiana, New Orleans (which has a separate regulatory body), Arkansas, and Mississippi, plus the Federal Energy Regulatory Commission. ITC stockholders must also approve it. The companies expect it to close in 2013. Note that our estimates and projections are for Entergy in its current configuration.

What does this move do? Entergy decided to make it because transmission is capital-intensive and a relatively small part of its operations, making up less than 10% of total assets. It will probably be dilutive to earnings, but Entergy stockholders would benefit from the ITC stock they would receive. ITC stock has a much lower yield than Entergy, however, so ITC won't be suitable for every Entergy shareholder. Also, we expect no dividend increase for Entergy for a few years, at least.

Entergy is still facing nuclear worries in Vermont and New York. The company has filed suit against the Vermont government over its attempt to force a shutdown of Vermont Yankee. In New York, state officials insist that Entergy build cooling towers at Indian Point, but the company believes that it has an environmental solution that is much less costly and can be accomplished much sooner.

Earnings will probably decline in 2012. Margins from the power sold by Entergy's nonregulated nuclear assets are likely to be lower due to unfavorable conditions in the wholesale power markets. Also, favorable weather conditions and an unusually low tax rate boosted profits in 2011, making the comparison tough. We have slashed our 2012 share-earnings estimate by $0.70, to $6.00.

Timely Entergy stock reacted favorably to the news of the asset sale to ITC. Even after the modest run-up, its yield is still above the utility average.

Paul E. Debbas, CFA *December 23, 2011*

(A) Diluted EPS. Excl. nonrecur. gains (losses): '97, ($1.22); '98, 78¢; '01, 15¢; '02, ($1.04); '03, 33¢ net; '05, (21¢). '08 EPS don't add due to change in shares, '10 to rounding. Next earnings report due early Feb. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '10: $29.28/sh. (D) In mill. (E) Rate base: net orig. cost. Allowed return on equity (blended): 10.5%; earned on avg. com. eq., '10: 14.6%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	95

FirstEnergy.pdf

xerox

FIRSTENERGY NYSE-FE

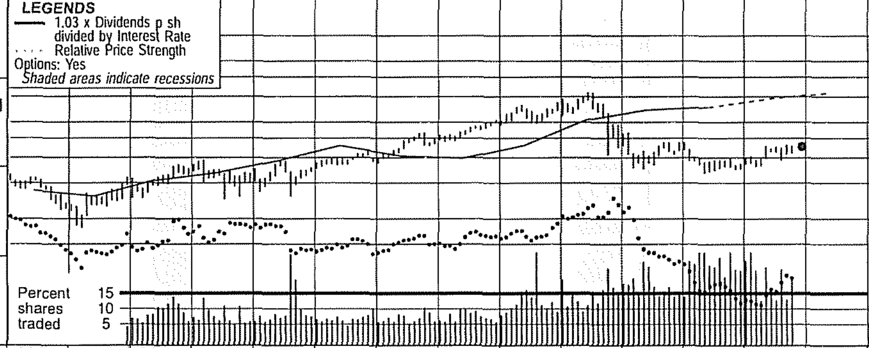
RECENT PRICE 45.51 | P/E RATIO 13.7 (Trailing: 18.9; Median: 14.0) | RELATIVE P/E RATIO 0.98 | DIV'D YLD 4.8% | VALUE LINE

TIMELINESS **2** Raised 11/11/11
SAFETY **2** Raised 6/2/06
TECHNICAL **3** Lowered 11/25/11
BETA .80 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	32.1	37.0	39.1	38.9	43.4	53.4	61.7	75.0	84.0	53.6	47.8	46.5
Low:	18.0	25.1	24.8	25.8	35.2	37.7	47.8	57.8	41.2	35.3	33.6	36.1

Target Price Range 2014 | 2015 | 2016

LEGENDS
— 1.03 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+20%)	9%
Low	40	(-10%)	2%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	1	0	0	0	0	0	0
Options	0	1	0	11	0	0	0	1	0
to Sell	0	0	0	4	1	3	1	0	0

Institutional Decisions

	4Q2010	1Q2011	2Q2011
to Buy	258	217	234
to Sell	203	252	238
Hld's(000)	303364	282105	291154

Percent shares traded 15 10 5

% TOT. RETURN 10/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	29.0	4.9
3 yr	-0.4	82.1
5 yr	-6.2	27.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
16.16	16.19	12.26	24.72	27.19	31.31	26.88	40.83	37.31	37.76	36.35	36.03	42.00	44.70	41.70	43.76	**39.45**	**41.15**	Revenues per sh	**45.00**
4.07	4.83	3.66	5.33	6.89	7.28	5.48	6.45	4.79	7.60	7.55	7.22	8.34	9.04	8.80	8.50	**6.40**	**7.35**	"Cash Flow" per sh	**8.00**
2.05	2.10	1.94	1.95	2.50	2.69	2.84	2.54	1.47	2.77	2.84	3.82	4.22	4.38	3.32	3.25	**2.50**	**3.40**	Earnings per sh A	**3.75**
1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.91	1.71	1.85	2.05	2.20	2.20	2.20	**2.20**	**2.20**	Div'd Decl'd per sh B ■	**2.30**
1.30	.97	.89	2.75	2.69	2.74	2.86	3.35	2.60	2.57	3.66	4.12	5.36	9.47	7.23	6.44	**5.55**	**5.40**	Cap'l Spending per sh	**5.50**
15.78	16.41	18.07	18.77	19.63	20.72	24.86	23.92	25.13	26.04	27.86	28.30	29.45	27.17	28.08	28.03	**32.05**	**33.30**	Book Value per sh C	**37.25**
152.57	152.57	230.21	237.07	232.45	224.53	297.64	297.64	329.84	329.84	329.84	319.21	304.84	304.84	304.84	304.84	**418.22**	**418.22**	Common Shs Outst'g D	**418.22**
10.5	10.4	11.8	15.4	11.3	9.2	10.9	13.0	22.5	14.1	16.1	14.2	15.6	15.6	13.0	11.7	*Bold figures are*		Avg Ann'l P/E Ratio	**13.0**
.70	.65	.68	.80	.64	.60	.56	.71	1.28	.74	.86	.77	.83	.94	.87	.75	*Value Line*		Relative P/E Ratio	**.85**
7.0%	6.9%	6.6%	5.0%	5.3%	6.1%	4.8%	4.6%	4.5%	4.9%	3.7%	3.4%	3.1%	3.2%	5.1%	5.8%	*estimates*		Avg Ann'l Div'd Yield	**4.7%**

CAPITAL STRUCTURE as of 9/30/11
Total Debt $19205 mill. **Due in 5 Yrs** NA
LT Debt $16491 mill. **LT Interest** $973.0 mill.
Incl. $284.8 mill. 9% ($25 par) cumulative mandatorily redeemable preferred securities.
(LT interest earned: 2.6x)
Leases, Uncapitalized Annual rentals $213.0 mill.
Pension Assets-12/10 $4.54 bill. **Oblig.** $5.86 bill.
Pfd Stock None

Common Stock 418,216,437 shs.
as of 10/31/11
MARKET CAP: $19 billion (Large Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
7999.4	12152	12307	12453	11989	11501	12802	13627	12712	13339	**16500**	**17200**	Revenues ($mill)	**18800**
727.0	827.6	490.8	932.6	951.0	1265.0	1309.0	1342.0	1015.0	991.0	**980**	**1410**	Net Profit ($mill)	**1535**
39.5%	41.5%	43.9%	42.2%	42.1%	38.6%	40.3%	36.7%	19.6%	38.6%	**40.5%**	**38.0%**	Income Tax Rate	**38.0%**
4.9%	3.0%	6.5%	2.7%	2.0%	2.1%	2.4%	3.9%	12.8%	16.6%	**8.0%**	**6.0%**	AFUDC % to Net Profit	**6.0%**
60.1%	60.2%	53.1%	52.8%	46.5%	48.6%	49.7%	52.4%	58.2%	59.5%	**53.5%**	**53.5%**	Long-Term Debt Ratio	**53.5%**
37.2%	38.0%	45.0%	45.4%	52.4%	51.4%	50.3%	47.7%	41.8%	40.5%	**46.5%**	**46.5%**	Common Equity Ratio	**46.5%**
19907	18756	18414	18938	17527	17570	17846	17383	20467	21124	**28925**	**30000**	Total Capital ($mill)	**33600**
12428	12680	13269	13478	13998	14667	15383	17723	19164	19788	**29375**	**30025**	Net Plant ($mill)	**31500**
4.9%	6.3%	4.6%	6.5%	7.1%	9.0%	9.0%	9.7%	6.9%	6.3%	**5.0%**	**6.5%**	Return on Total Cap'l	**6.0%**
9.2%	11.1%	5.7%	10.4%	10.1%	14.0%	14.6%	16.2%	11.9%	11.6%	**7.5%**	**10.0%**	Return on Shr. Equity	**10.0%**
8.9%	10.5%	5.4%	10.6%	10.2%	13.9%	14.6%	16.2%	11.9%	11.6%	**7.5%**	**10.5%**	Return on Com Equity E	**10.0%**
4.3%	4.3%	NMF	4.9%	4.2%	7.4%	7.7%	8.1%	4.0%	3.8%	**1.0%**	**3.5%**	Retained to Com Eq	**4.0%**
56%	63%	101%	55%	59%	47%	47%	50%	66%	68%	**90%**	**65%**	All Div'ds to Net Prof	**63%**

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.6	-8.3	+5.6
Avg. Indust. Use (MWH)	NMF	NMF	NMF
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.2	--	NA
Fixed Charge Cov. (%)	366	193	253

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	4.5%	3.0%	*5%*
"Cash Flow"	3.0%	5.5%	*-1.5%*
Earnings	4.5%	9.0%	*.5%*
Dividends	4.0%	5.0%	*.5%*
Book Value	3.5%	1.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3277	3245	3904	3201	13627
2009	3334	3017	3408	2953	12712
2010	3299	3128	3693	3219	13339
2011	3576	4060	4719	**4145**	**16500**
2012	**4250**	**4100**	**4600**	**4250**	**17200**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.90	.85	1.54	1.09	4.38
2009	.94	.84	.77	.78	3.32
2010	.59	.87	1.19	.61	3.25
2011	.15	.43	1.22	**.70**	**2.50**
2012	**.65**	**.75**	**1.25**	**.75**	**3.40**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.50	.50	.50	.50	2.00
2008	.55	.55	.55	.55	2.20
2009	.55	.55	.55	.55	2.20
2010	.55	.55	.55	.55	2.20
2011	.55	.55	.55		

BUSINESS: FirstEnergy Corp. is a holding company for Ohio Edison, Pennsylvania Power, Cleveland Electric, Toledo Edison, Metropolitan Edison, Penelec, Jersey Central Power & Light, West Penn Power, Potomac Edison, & Mon Power. Provides electric service to over 6 million customers in OH, NJ, PA, MD, and WV. Acq'd Allegheny Energy 2/11. Electric revenue breakdown by customer class not available. Generating sources: coal, 44%; nuclear, 26%; purchased, 30%. Fuel costs: 45% of revs. '10 reported deprec. rates: 2.2%-4.0%. Has 17,000 employees. Chairman: George M. Smart. President & CEO: Anthony J. Alexander. COO: Richard R. Grigg. Inc.: OH. Address: 76 South Main Street, Akron, OH 44308-1890. Tel.: 800-736-3402. Internet: www.firstenergycorp.com.

We estimate that FirstEnergy's earnings will rise significantly in 2012, but make no progress in 2013. In February, the company completed the acquisition of Allegheny Energy. FirstEnergy is incurring merger-related expenses (estimated at $0.57 a share in 2011), and is on track to attain its expected merger-related benefits of $210 million. Merger-related costs are likely to decline significantly next year, and merger-related benefits are estimated to rise to $365 million, resulting in higher profits. Our 2012 earnings forecast is within management's targeted range of $3.20-$3.50 a share. However, the company's earnings guidance for 2013 is no higher, despite the expected rise in merger-related benefits, to $450 million. Low power prices are likely to squeeze the margins that FirstEnergy gets for the output of its nonregulated generating assets, thereby offsetting growth in other areas of the company's operations, such as FirstEnergy Solutions, a retail energy provider that is experiencing healthy customer growth.

FirstEnergy has sold some noncore assets. This included gas-fired generating assets and part of an interest in a coal mine. The divestitures totaled about $840 million in proceeds. The company expects to book a nonrecurring gain of $0.93 a share in the fourth quarter. The cash is being used for a portion of FirstEnergy's planned debt reduction of $2.4 billion in 2011.

The outage of the Davis-Besse nuclear plant is potentially a problem. The facility is out of service due to the discovery of some hairline cracks in architectural elements of a building. FirstEnergy believes these cracks do not undermine the structural integrity of the building and expects the plant to return to service by the end of November. Nevertheless, this matter bears watching, considering that Davis-Besse had a lengthy unplanned outage from 2002 through 2004.

This timely stock offers a high dividend yield. It is fractionally above the mean for electric utilities. However, with the quotation within our 2014-2016 Target Price Range and low dividend growth potential over that time frame, total return prospects are unexciting.

Paul E. Debbas, CFA *November 25, 2011*

(A) Dil. EPS. Excl. nonrec. gain (losses): '04, (11¢); '05, (28¢); '09, (3¢); '10, (68¢); 4Q '11, 93¢; gain (loss) from disc. ops.: '03, (33¢); '05, 5¢. '10 EPS don't add due to rounding. Next egs. report due mid-Feb. **(B)** Div'ds paid early Mar., June, Sept. & Dec. Five div'ds declared in '04. ■ Div'd reinvestment plan avail. **(C)** Incl. intang.: In '10: $24.28/sh. **(D)** In mill. **(E)** Rate base: Deprec. orig. cost. Rates allowed on com. eq.: 9.75%-12.9%; earned on avg. com. eq., '10: 11.4%. Regulatory Climate: OH Above Avg.; PA, NJ Avg.; MD, WV Below Avg.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	80

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THE VALUE LINE Investment Survey®

PAGES 1813-1824

File in page order in the *Selection & Opinion* binder.

PART 2 — ***Selection & Opinion*** — JANUARY 6, 2012

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The Value Line View

In This Issue

The *Selection & Opinion* Index appears on page 1880 (December 2, 2011).

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 20.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

ECONOMIC AND STOCK MARKET COMMENTARY

The housing decline seems to be in its final stages, as recent reports showed solid gains in housing starts and building permits, and moderate increases in sales of new homes and existing properties. Also, inventories of unsold residences are falling, as are mortgage rates, while weak prices mean affordability is increasing, making further volume gains reasonable to expect. Even so,

A frustratingly slow and fitfully uneven housing upturn lies ahead. First, even with the recoveries cited above, construction remains off some two-thirds from its peak, while new home sales are down more. In fact, the better figures aside, sufficient problems remain (including high rates of joblessness, falling home prices in most locales, and low appraisals), to keep potential buyers from returning to this sector en masse. Meantime,

We're getting more constructive about the rest of the economy, and now believe fourth-quarter growth topped 2.5%. (By comparison, gross domestic product growth was a tepid 1.8% in the third quarter.) Moreover, we see GDP gaining 2.0%-2.5% in 2012. Behind this brighter picture, in addition to the better housing metrics, are gains in personal income and spending, and consumer confidence.

There are some caveats: First, there is the job market, where we see employment rising in 2012, but not at the level needed to sharply pare the unemployment rate. Second, there is the prospect of further government belt tightening, as federal, state, and local authorities enact new budget cuts. Such efforts will again pressure payrolls. Finally, there is Europe, where a recession is all but assured. The scope of that likely downturn—we sense it will be modest—will have an effect on our fortunes. At present, we think our nation will muddle through without a recession. Should Europe prove more problematic than we now suspect, we likely would revisit our U.S. economic model.

Through it all, investors here are keeping a stiff upper lip, by refusing to accede to the temptation to abandon stocks (especially given the little allure of fixed-income alternatives), even in the face of often dour tidings out of Europe. This attests, we think, to the seeming staying power of our business up cycle. Should this confidence wane, equities could face tougher sledding in the new year.

Conclusion: We think stocks will push modestly higher in 2012—based on our expectation of a durable U.S. economic expansion. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	12/21/2011	12/28/2011	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	12107.74	12151.41	+0.4%	+5.0%
Standard & Poor's 500	1243.72	1249.64	+0.5%	-0.7%
N.Y. Stock Exchange Composite	7388.52	7396.99	+0.1%	-6.7%
NASDAQ Composite	2577.97	2589.98	+0.5%	-2.7%
NASDAQ 100	2249.03	2267.08	+0.8%	+1.8%
American Stock Exchange Index	2237.63	2249.45	+0.5%	+2.7%
Value Line (Geometric)	327.65	326.68	-0.3%	-12.6%
Value Line (Arithmetic)	2675.39	2669.58	-0.2%	-7.2%
London (FT-SE 100)	5389.74	5507.40	+2.2%	-8.3%
Tokyo (Nikkei)	8459.98	8423.62	-0.4%	-18.2%
Russell 2000	740.45	735.21	-0.7%	-6.9%

Model Portfolios: Recent Developments

PORTFOLIO I

Although Portfolio I's performance for the fourth quarter has not yet been finalized, it looks like its return will handily outdistance its benchmark, the S&P 500 Index (adjusted for dividends). It was the strong support that the market accorded the portfolio's holdings in the month of October that made the difference, as our group advanced 17.2% versus the gain of 10.9% inked by its benchmark. Otherwise, the months of November and December largely worked out to be draws, notwithstanding the market's gyration around the Thanksgiving holiday.

Meanwhile, we thought we would provide a quick run down on our best and worst performing holdings in the December period. At this writing, our top performer is *Ryder System*, which has advanced some 40%. *Ryder* is followed by *Advance Auto Parts*, *Genesco*, *Helen of Troy*, and *Triumph Group*, which have each gained around 20%. On the other side of the ledger, we took a substantial loss in our position in RPC, Inc. The stock did not perform all that badly in the December quarter, but the loss sustained in the third quarter would have been very difficult to recover, in our view, and we brought in a new holding, generic drugmaker *Teva*.

We have decided to stand pat this week, and are making no changes to the portfolio.

PORTFOLIO II

Looking back, 2011 was an extremely volatile year for equities, as stocks whipsawed back and forth due to a seemingly endless flow of headline-making macroeconomic news from both sides of the Atlantic. Consequently, Portfolio II's focus on large, stable, dividend paying companies served it well, as investors tended to look favorably on these securities in an attempt to reduce volatility and beat the paltry yields on many fixed-income offerings.

McDonald's has been one of the portfolio's top holdings, thanks to its strong overseas presence, remodeled restaurants, innovative menu, and focus on value. Indeed, the company posted another round of strong comparable-store sales in November. The stock has been trading near its 52-week high and is ranked to keep pace with the broader market averages in the year ahead. Retailer *Wal-Mart Stores* likely had a solid holiday season, thanks to bargain-hungry shoppers, and its timely shares are also near high ground.

At this time, we are making no changes to the portfolio. Although uneven economic conditions in the United States and an even more fragile situation in Europe will probably continue to pose challenges to equities in 2012, the holdings in Portfolio II should be relatively steady. We note, however, that if volatility eases in the new year, investors may trade out to higher-growth stocks, which could reduce demand for the kind of stable issues found in Portfolio II.

PORTFOLIO III

This past year was a frustrating one for most equity investors, with macroeconomic issues (from Europe's sovereign-debt crisis to slower growth in China) dominating the headlines, and both Portfolio III and the broader market averages lacking direction. The group had some big losers, too, most notably apparel maker *Guess* (it lost over a third of its value) and *U.S. Steel* (down more than 50%). Still, our commodity plays appear poised for a rebound in 2012, as the euro zone situation slowly stabilizes and global supplies, particularly of crude oil, tighten. Speculative investors also seem apt to return to commodity issues after taking a few quarters off, given the cautiously renewed appetite for risk and the historically low valuations in the space at present.

The portfolio did have a couple of large gainers in 2011, including shares of infrastructure company *Dycom Industries*, which benefited from a capital spending pickup across the cable and telecom industries. One of our newest additions, *Caribou Coffee*, also appreciated sharply, thanks to improving operating trends and a new partnership with CROSSMARK, a provider of sales and marketing services, that promises to help the company expand into the huge grocery channel. Indeed, *Caribou's* prospects look brighter than ever, and its bottom line should continue to climb as it expands geographically, inks new commercial deals, and seizes on opportunities in the booming single-serve coffee market. We are leaving the portfolio unaltered this week.

PORTFOLIO IV

Portfolio IV should continue its solid showing in early 2012, as income stocks have come into favor amid uncertain market conditions. Our grouping, which includes stocks featuring dividend yields that were at least 1.0% above the *Value Line* median when purchased, figures to be a relatively stable investment versus most other equity portfolios. Among our holdings, the highest yield offered is offered by *TransAlta Corp.*, a Canadian power company. There are several other holdings that would also deliver a better-than-5% yield to investors at this time.

We expect the beginning of this year to be more eventful than December, when Portfolio IV likely posted moderate gains. With numerous dividend announcements and December-quarter earnings on the way, our collection ought to experience more significant price movements. Profit forecasts are generally positive for 2012, and most of these companies appear to have healthy balance sheets, factors indicating that steady distributions to shareholders will persist.

The group's composition is likely to stay intact for now. In addition to domestic stocks, income-oriented investments can be found among a group of master limited partnerships (MLPs), which normally pay out virtually all of their profits as dividends, or European ADRs.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	70.92	1	3	14.8	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	406.53	2	2	12.5	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	35.88	1	2	12.5	0.8	0.95	B++	Packaging & Container
383	CSTR	Coinstar Inc.	46.26	2	3	13.6	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	12.05	1	4	9.3	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.08	1	3	10.9	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	23.77	2	3	12.6	2.8	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	62.93	1	3	15.9	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	30.84	2	3	8.8	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	36.63	1	3	9.8	1.5	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	65.74	1	3	18.4	Nil	1.15	B+	Maritime
2141	KSS	Kohl's Corp.	49.87	1	2	10.3	2.3	1.00	A+	Retail Store
932	MIICF	Millicom Int'l Cellular	100.16	1	3	11.7	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	72.76	1	3	12.8	2.4	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	41.36	1	3	16.7	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	71.19	2	3	13.4	0.2	1.25	B+	Apparel
327	R	Ryder System	53.92	2	3	14.2	2.2	1.25	B+	Trucking
1622	TEVA	Teva Pharmac. (ADR)	41.68	1	1	7.8	2.2	0.60	A	Drug
738	TKR	Timken Co.	38.77	1	3	8.1	2.1	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	60.00	1	3	12.9	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	56.23	1	1	11.5	3.4	0.60	A++	Drug
2539	BLK	BlackRock, Inc.	177.84	3	3	14.0	3.1	1.20	A	Financial Svcs. (Div.)
503	CVX	Chevron Corp.	107.98	1	1	7.9	3.0	0.95	A++	Petroleum (Integrated)
1968	KO	Coca-Cola	69.88	3	1	17.0	2.7	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	93.34	3	1	17.6	2.5	0.60	A++	Household Products
504	COP	ConocoPhillips	72.94	2	1	8.1	3.8	1.10	A++	Petroleum (Integrated)
1582	DD	Du Pont	46.23	3	1	11.8	3.6	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	46.37	3	1	12.8	3.5	1.05	A++	Electrical Equipment
1753	HON	Honeywell Int'l	54.95	2	1	12.9	2.7	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	24.56	2	1	10.6	3.4	1.00	A++	Semiconductor
718	LMT	Lockheed Martin	81.32	2	1	10.2	5.0	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	100.55	3	1	18.6	2.8	0.65	A++	Restaurant
193	MDT	Medtronic, Inc.	37.75	3	1	10.6	2.6	0.85	A++	Med Supp Invasive
1337	MOLX	Molex Inc.	24.23	3	2	13.8	3.3	1.20	A	Electronics
409	RSG	Republic Services	28.12	2	3	13.7	3.1	0.95	B+	Environmental
1621	SNY	Sanofi ADR	36.14	3	1	11.8	5.1	0.80	A+	Drug
1048	TEF	Telefonica SA ADR	17.20	3	2	7.0	9.0	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	105.69	2	2	15.0	2.3	1.15	A	Railroad
317	UPS	United Parcel Serv.	73.49	3	1	16.3	2.8	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	59.83	2	1	12.5	2.4	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1541	AFL	Aflac Inc.	43.30	2	3	7.0	3.0	1.15	50 - 120%	Insurance (Life)
973	CVS	CVS Caremark Corp.	41.01	2	1	13.8	1.6	0.80	45 - 85	Pharmacy Services
355	CBOU	Caribou Coffee	14.11	3	4	34.4	Nil	0.95	40 - 150	Restaurant
1596	CELG	Celgene Corp.	68.01	3	2	20.6	Nil	0.75	45 - 100	Drug
2327	DIS	Disney (Walt)	37.61	3	1	12.9	1.6	1.05	75 - 115	Entertainment
927	DY	Dycom Inds.	21.13	1	3	18.4	Nil	1.40	40 - 115	Telecom. Services
2623	GOOG	Google, Inc.	640.25	3	2	17.2	Nil	0.90	110 - 185	Internet
2105	GES	Guess Inc.	30.72	4	3	8.5	2.6	1.25	110 - 225	Apparel
2411	HAL	Halliburton Co.	34.14	2	3	8.8	1.1	1.35	90 - 195	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	38.71	3	3	14.8	1.3	1.50	30 - 80	Recreation
1920	HRL	Hormel Foods	29.53	3	1	16.2	2.0	0.65	20 - 50	Food Processing
1998	ESI	ITT Educational	57.83	2	3	6.4	Nil	0.70	90 - 185	Educational Services
223	JNJ	Johnson & Johnson	66.02	3	1	13.2	3.5	0.65	30 - 50	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	33.24	3	3	7.4	3.0	1.20	140 - 260	Auto Parts
1585	MOS	Mosaic Company	52.33	3	3	9.7	0.4	1.60	60 - 150	Chemical (Basic)
2416	NOV	National Oilwell Varco	68.64	3	3	13.5	0.7	1.55	60 - 150	Oilfield Svcs/Equip.
1976	PEP	PepsiCo, Inc.	66.38	3	1	14.6	3.1	0.60	65 - 105	Beverage
753	X	U.S. Steel Corp.	26.20	2	3	NMF	0.8	1.70	130 - 225	Steel
815	UNH	UnitedHealth Group	51.35	2	2	11.0	1.3	1.00	65 - 125	Medical Services
1385	XLNX	Xilinx Inc.	32.29	4	2	20.3	2.4	0.90	25 - 55	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	56.23	1	1	11.5	3.4	0.60	A++	Drug
600	ARLP	Alliance Resource	75.97	1	3	9.6	5.1	1.10	B+	Coal
903	LNT	Alliant Energy	44.28	3	2	16.2	4.1	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	29.99	1	3	8.1	4.3	1.00	B+	Telecom. Utility
1987	BTI	Brit. Amer Tobac. ADR	94.63	3	2	15.3	4.1	0.70	B++	Tobacco
140	ED	Consol. Edison	62.50	3	1	17.5	3.8	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	46.30	4	3	13.2	3.7	1.05	A	Restaurant
1582	DD	Du Pont	46.23	3	1	11.8	3.6	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	54.31	4	1	15.4	3.5	0.65	A+	Food Processing
1160	IP	Int'l Paper	29.42	1	3	9.2	3.6	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	41.10	3	2	15.9	4.0	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	100.55	3	1	18.6	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	58.86	2	1	8.4	3.6	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	56.71	2	2	16.9	2.8	0.80	A	Electric Util. (Central)
2247	POR	Portland General	25.42	3	3	13.4	4.2	0.75	B+	Electric Utility (West)
1990	RAI	Reynolds American	41.74	4	2	15.3	5.4	0.60	B+	Tobacco
1930	SLE	Sara Lee Corp.	18.91	NR	2	21.0	2.5	0.80	B++	Food Processing
154	SO	Southern Co.	46.54	2	1	17.8	4.2	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	20.86	3	3	16.7	5.6	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	44.34	3	3	17.7	5.1	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Damon Churchwell, Senior Analyst.

The 30 Largest Market Capitalizations

This is an update to our screen of the 30 stocks in the Value Line universe with the largest stock market capitalizations.

General Observations

The composition of the table below has not changed too much from the roster that was last published on September 16, 2011. In fact, this list includes 28 of the 30 companies that made the previous screen. The two that failed to make the grade this time were *Toyota Motor* and *Schlumberger Ltd.*, leaving a couple of open positions, which were filled by *Merck & Co.* and *Verizon Communications.*

Position and Valuation

The top honor in our roster has changed hands, with *Exxon Mobil* now being the most valuable publicly traded company, as measured by the market value of its common stock. However, we note that *Apple*'s market value is not too far behind, and the number one and two positions are likely to be exchanged from time to time, merely due to normal price action. Meanwhile, *Google* has made a notable move upward, advancing from slot 14 to 8. The change reflects strong investor support for the Internet search behemoth, which has seen its stock rise some 22.5% since our September review. On the other hand, *BHP Billiton Ltd.* and *Petroleo Brasileiro* have both dropped down in our table, as market support for companies operating in the extractive industries has gotten somewhat more selective.

Our 30 companies are currently capitalized at about $5.5 trillion, up some 12% from the figure recorded with our previous screen. For comparative purposes, the Dow Jones Industrial Average rose 10.3% and the S&P 500 Index advanced 8.6% over the same period. Meanwhile, the Value Line (Arithmetic) Average, a much broader measure of stock market performance, progressed some 8.1%. Finally, the average P/E ratio for our select group of 30 stocks has declined about 1.7% since we last presented our table. The average market value of our 30 issues is about $182.5 billion.

30 LARGEST COMPANIES BY MARKET CAP

Ratings & Reports Page	Ticker	Company	Previous Position	Recent Price	Market Cap ($Billion)	P/E	*Timeliness*	Safety
505	XOM	Exxon Mobil Corp.	2	85.28	408.8	10.2	2	1
1400	AAPL	Apple Inc.	1	406.53	377.8	12.5	2	2
1980	HIT	Hitachi, Ltd. ADR	3	51.86	234.3	7.7	3	3
513	RDSA	Royal Dutch Shell 'A'	6	73.43	229.0	8.7	2	1
2584	MSFT	Microsoft Corp.	5	26.04	219.0	9.3	2	1
1409	IBM	Int'l Business Mach.	7	184.95	218.0	13.6	2	1
503	CVX	Chevron Corp.	8	107.98	215.0	7.9	1	1
2623	GOOG	Google, Inc.	14	640.25	207.3	17.2	3	2
2152	WMT	Wal-Mart Stores	9	59.83	205.6	12.5	2	1
1568	BHP	BHP Billiton Ltd. ADR	4	70.84	198.0	7.9	2	3
761	BRKB	Berkshire Hathaway 'B'	13	77.23	191.2	16.1	4	1
1751	GE	General Electric	16	18.01	190.9	12.3	3	3
1195	PG	Procter & Gamble	12	66.79	183.8	15.8	4	1
223	JNJ	Johnson & Johnson	11	66.02	180.4	13.2	3	1
922	T	AT&T Inc.	15	30.04	178.0	12.6	2	1
1619	PFE	Pfizer, Inc.	18	21.77	167.3	14.3	3	1
512	PBR	Petroleo Brasileiro ADR	10	25.49	166.3	6.6	3	3
1968	KO	Coca-Cola	17	69.88	158.7	17.0	3	1
2529	WFC	Wells Fargo	23	27.61	144.3	9.1	2	3
943	VOD	Vodafone Group ADR	21	27.85	143.6	11.1	2	2
1612	NVS	Novartis AG ADR	19	57.08	138.1	11.7	3	1
1989	PM	Philip Morris Int'l	24	78.83	137.2	15.6	2	2
502	BP	BP PLC ADR	25	43.14	136.3	6.5	2	3
2586	ORCL	Oracle Corp.	20	25.63	129.5	10.6	3	1
2515	JPM	JPMorgan Chase	22	33.03	129.2	8.2	3	3
1362	INTC	Intel Corp.	29	24.56	125.7	10.6	2	1
1604	GSK	GlaxoSmithKline ADR	27	45.74	120.4	12.3	3	1
1609	MRK	Merck & Co.	—	37.75	115.2	9.8	1	1
517	TOT	Total ADR	30	50.66	114.2	7.1	2	1
942	VZ	Verizon Communic.	—	39.99	113.2	16.9	2	1
				Total Market Cap of 30 Stocks	5476.1			

Average P/E	**11.5**
Median P/E	**11.4**
Current Value Line Median P/E	**14.4**

Stock Selection: Republic Services

Republic Services (RSG), incorporated in Delaware in 1996 and headquartered in Phoenix, Arizona, is the second-largest solid waste outfit in the United States, with annual revenues of more than $8 billion. The hauler provides non-hazardous solid waste collection services for commercial, industrial, municipal, and residential customers through a network of 348 collection companies in 40 states, with a particular emphasis on the populous Sunbelt region. It has about 204 transfer stations, 193 active solid waste landfills, and 76 recycling facilities, and operates 73 landfill gas and renewable energy projects.

Republic shares have been relatively steady performers over the past decade, besting the benchmark Standard & Poor's 500 Index and providing investors with a decent dividend yield. Moreover, at the current quotation, we still like them as a long-term play, and believe that they'd make a fine addition to nearly any diversified stock portfolio. Indeed, investors feeling queasy from past years' market turbulence would do well, we think, to take a serious look at this quality environmental services name.

Earnings advances over the next 3 to 5 years, apt to average upwards of 10% annually by our estimation, should be driven by good organic revenue growth, including gains on the volume and pricing fronts, and significant margin expansion. Accretive acquisitions are also a distinct possibility, given the company's healthy free cash flow, the fragmented state of the industry (private firms and municipal/local governmental authorities still generate roughly 40% of total sector revenue), and the company's record of aggressive M&A moves.

Republic cemented its status as an active industry consolidator in December, 2008, when it purchased rival Allied Waste Industries in a $4.4 billion deal. That blockbuster transaction greatly expanded the company's geographic footprint, shored up its struggling landfill business, and created numerous cost-savings opportunities. And it left the trash hauler with only one national competitor, industry leader **Waste Management** (WM). Future deals are likely to be much smaller, however, where Republic can more easily integrate assets (e.g., collection routes) and realize economies of scale.

After several difficult quarters, volume growth resumed during the September interim, inching 0.3% higher. The outlook seems to be getting brighter, too. In 2012, we expect the company to generate far more substantial volume growth (in the 1%-2% range), as the economic recovery persists (we do not envision another recession at this time), and the depressed housing and job markets gradually get better. Improvements in these segments of the economy will go a long way toward jumpstarting Republic's important construction-related business lines. Longer term, ongoing population booms across the company's large Sunbelt markets ought to lift core residential collection volumes. Chief among these markets are Florida, Georgia, Nevada, southern California, and Texas.

The pricing environment, meanwhile, ought to remain favorable for some time to come. In fact, in light of the virtual duopoly that now exists in the domestic waste industry, we think that Republic will have little trouble pushing through rate hikes in its service territories. Notably, since the financial crisis hit, neither the company nor Waste Management has exhibited an appetite for a destructive price war. Instead, both seem intent on steadily raising collection/disposal rates while attempting to trim overhead expenses and bolster volumes. All in all, with improving volumes and moderate rate progress, we think that Republic can generate healthy internal revenue growth in the low single-digits through the middle of the decade.

Below the top line, prospects are also pretty encouraging. We see the operating margin widening well beyond the present 30% mark, despite probable headwinds from inflated diesel fuel prices. Profitability levels should rise as the company garners further benefits from the Allied acquisition (synergies are tracking at around $175 million a year), and increases its waste internalization rate. This closely watched metric measures the percentage of collected trash that a hauler disposes of in its own landfills, as opposed to those of third parties. And it has been grinding higher of late while Republic has brought former Allied-owned landfills into the fold.

From a financial standpoint, the company is in excellent shape, in our opinion. Although the debt-to-capital ratio is nearly 50%, debt tallies are poised to fall in the years ahead. (The debt-to-capital ratio ought to be below 40% by the 2014-2016 time frame, which would be low by industry standards.) What's more, as already suggested, free cash flow remains ample. This is supporting not only select M&A activity, but stock repurchases and an above-average dividend payout.

Buybacks have been particularly high on Republic's agenda in the last year, perhaps signaling that it plans to become a bit more conservative when it comes to pursuing acquisitions in the current economic climate. In the third quarter of 2011 alone, the company repurchased six million shares for $167 million.

In sum, we recommend this large-cap issue to investors of all stripes, especially to those in search of a safer equity that will reduce their overall portfolio risk. Now looks like a good time to build positions, too, since the stock offers attractive appreciation potential out to mid-decade and yields slightly better than 3%.

Justin Hellman
Editorial Analyst

At the time of this article's writing, the author did not have positions in any of the companies mentioned.

Income Stocks with Worthwhile Total Return Potential

This screen focuses on stocks with good current dividend yields that have at least average prospects for relative price performance over the next three to five years. This combination should result in a group of stocks with worthwhile total return potential.

In the first two steps of the selection process, we limited the field to equities with Timeliness ranks of 3 (Average), or better, and Safety ranks of at least 3 (Average). Next, we pared our universe with respect to income generation. We selected issues with current dividend yields of at least 3.3%, 100 basis points (1.0%) above the current median of 2.3% for all dividend-paying stocks under Value Line's review; projected 2014-2016 dividend yields were pegged to be at least 2.5%. At that point, equities with three- to five-year projected price appreciation of less than 80% were cast aside (the current median is 70%). We then selected the remaining issues with a projected average annual total return to 2014-2016 (price gains plus dividends) of at least 20%, which is quite favorable in light of the fact that we may experience a period of lower economic growth with a reduction in available investment returns. Finally, to be included in our list, a company had to have a financial strength rating of no lower than B, and a recent stock price at least $10 a share.

Investors seeking above-average current income, along with worthwhile three- to five-year total return potential, may find these equities of interest. Nonetheless, we would encourage subscribers to consult each company's most recent review in *Rating & Reports* before making new commitments.

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	Current Yield	3-5 Year Est. Yield	3-5 Year Appreciation Potential	3-5 Year Avg. Total Return
2534	AB	AllianceBernstein Hldg.	13.23	3	3	12.7%	5.6%	220%	40%
2642	BX	Blackstone Group LP	14.33	3	3	5.6	4.2	145	29
2306	FUN	Cedar Fair L.P.	22.65	2	3	4.4	4.4	100	22
102	DDAIF	Daimler AG	45.17	2	3	5.9	2.5	175	32
1046	DTEGY	Deutsche Telekom ADR	11.42	2	2	8.8	4.2	120	26
2362	RRD	Donnelley (R.R) & Sons	14.75	2	3	7.1	2.8	190	34
1751	GE	Gen'l Electric	18.01	3	3	3.8	3.0	120	25
1509	PBCT	People's United Fin'l	12.84	3	3	4.9	2.9	95	21
1029	SJRB.TO	Shaw Commun. 'B'	20.02	1	3	4.6	2.7	110	24
1381	TSM	Taiwan Semic. ADR	13.02	3	3	4.0	4.0	90	21
337	TK	Teekay Corp.	26.66	3	3	4.7	3.6	90	20
1048	TEF	Telefonica SA ADR	17.20	3	2	9.0	5.0	135	29
1227	TA.TO	TransAlta Corp.	20.86	3	3	5.6	3.1	105	23

Timely Stocks with Healthy Price Appreciation Potential

This screen focuses on stocks that are ranked to outperform the market both in the next six to 12 months and for the pull to 2014-2016. For stocks to be included on this elite list, they had to be ranked either 1 (Highest) or 2 (Above Average) for Timeliness. Next, capital appreciation potential over the next three to five years, as derived from our analysts' earnings projections, had to be at least 175%, compared with the median of 70% for all stocks under our review. Additionally, the minimum annual total return potential was pegged at 29%, versus a 16.7% median for Value Line's universe. Meanwhile, to eliminate issues that entail more than normal risk, we called for Safety ranks of no less than 3 (Average). Finally, any stock that had recently traded at a price of less than $10 a share was dropped from the list.

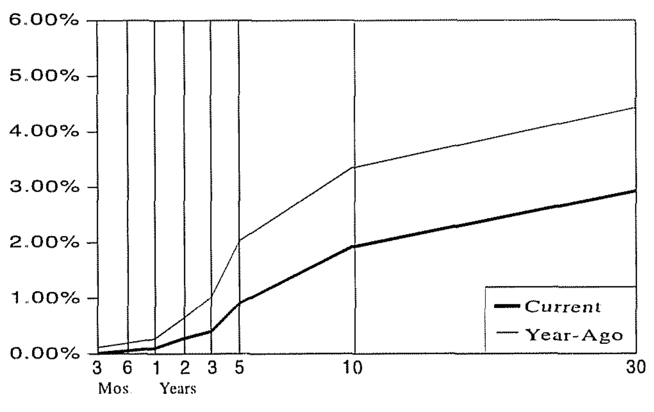
The result is a group of stocks that, based on their recent strong earnings growth and relative price performance, seem likely to outpace the average equity under our review in the year ahead. Better yet, our analysts feel that these stocks appear to be good long-term holdings. Traditionally, these equities might be expected to trade at a premium to the market, given their excellent price-appreciation prospects. However, this list does not neatly conform with such logic, since only one of the stocks in the current roster is trading above the current market median of 14.4 (U.S. Steel's multiple exceeds 150). In fact, a number of the stocks in this particular group are trading at a meaningful discount to the market, as measured by the median P/E for the Value Line universe. Whether this situation presents investors with a good entry point for these stocks is always an open question. Indeed, are these particular issues' valuations a result of investors' current preferences, or is there something more fundamental going on, such as a slowdown in the prospects for earnings growth? As usual, we encourage readers to consult the full-page analyses and supplementary reports of each stock in *Ratings & Reports* before committing any funds.

Ratings & Reports Page	Ticker	Company Name	Recent Price	Timeliness	Safety	3-5 Year Appreciation Potential	P/E	Industry
583	CELL	Brightpoint, Inc.	10.71	1	3	250%	11.2	Wireless Networking
800	CYH	Community Health	17.20	2	3	320	4.9	Medical Services
102	DDAIF	Daimler AG	45.17	2	3	175	5.6	Automotive
1023	DTV	DIRECTV	43.08	1	3	235	10.9	Cable TV
2362	RRD	Donnelley (R.R) & Sons	14.75	2	3	190	7.1	Publishing
2159	KCP	Kenneth Cole 'A'	10.77	2	3	180	10.8	Shoe
1026	KNOL	Knology	14.10	1	3	200	10.1	Cable TV
2415	NBR	Nabors Inds.	18.16	2	3	190	8.6	Oilfield Svcs/Equip.
2395	NXY.TO	Nexen Inc.	15.99	2	3	180	9.7	Petroleum (Producing)
1008	TWI	Titan Int'l	19.17	2	3	185	10.5	Auto Parts
2399	UPL	Ultra Petroleum	30.55	2	3	270	11.7	Petroleum (Producing)
753	X	U.S. Steel Corp.	26.20	2	3	175	NMF	Steel
846	UTHR	United Therapeutics	47.00	2	3	210	11.4	Biotechnology

Selected Yields

	Recent (12/28/11)	3 Months Ago (9/28/11)	Year Ago (12/29/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.19	0.42	0.28
3-month LIBOR	0.58	0.37	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.15	1.26	1.55
U.S. Treasury Securities			
3-month	0.01	0.01	0.12
6-month	0.05	0.03	0.19
1-year	0.10	0.10	0.27
5-year	0.91	0.94	2.03
10-year	1.92	1.98	3.35
10-year (inflation-protected)	-0.11	0.11	1.02
30-year	2.92	3.07	4.43
30-year Zero	3.02	3.28	4.71
Mortgage-Backed Securities			
GNMA 5.5%	1.12	1.62	3.08
FHLMC 5.5% (Gold)	2.12	2.08	3.13
FNMA 5.5%	1.99	1.97	2.94
FNMA ARM	2.37	2.50	2.80
Corporate Bonds			
Financial (10-year) A	4.17	3.87	4.76
Industrial (25/30-year) A	4.26	4.50	5.50
Utility (25/30-year) A	4.14	4.34	5.78
Utility (25/30-year) Baa/BBB	4.78	4.98	6.10
Foreign Bonds (10-Year)			
Canada	1.96	2.20	3.16
Germany	1.89	2.01	3.02
Japan	1.00	1.00	1.17
United Kingdom	2.01	2.55	3.57
Preferred Stocks			
Utility A	5.37	5.24	5.79
Financial A	6.71	6.45	6.48
Financial Adjustable A	5.48	5.48	5.48
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.92	3.85	5.00
25-Bond Index (Revs)	5.01	4.96	4.52
General Obligation Bonds (GOs)			
1-year Aaa	0.22	0.24	0.44
1-year A	1.06	0.99	1.36
5-year Aaa	0.97	1.04	1.74
5-year A	2.07	2.05	2.88
10-year Aaa	2.12	2.15	3.44
10-year A	3.23	3.42	4.39
25/30-year Aaa	3.86	3.87	4.90
25/30-year A	5.24	5.53	5.90
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.56	4.56	5.27
Electric AA	4.73	4.92	5.28
Housing AA	5.29	5.55	6.11
Hospital AA	4.87	4.90	5.45
Toll Road Aaa	4.54	4.58	5.33

Treasury Security Yield Curve



Federal Reserve Data

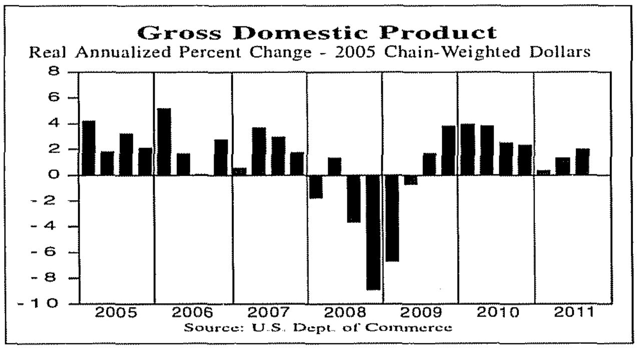
BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

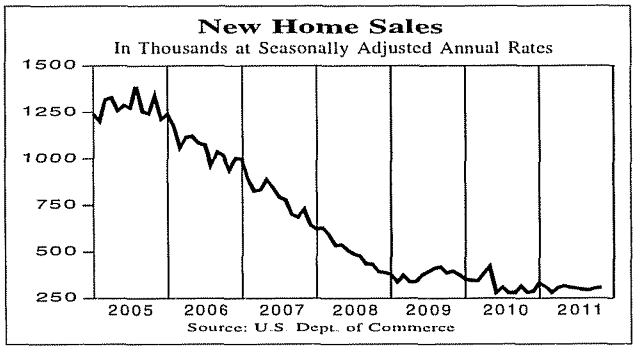
	Recent Levels 12/14/11	11/30/11	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1528579	1460818	67761	1528506	1561949	1418363
Borrowed Reserves	9841	10019	-178	10826	11617	18227
Net Free/Borrowed Reserves	1518738	1450799	67939	1517680	1550332	1400136

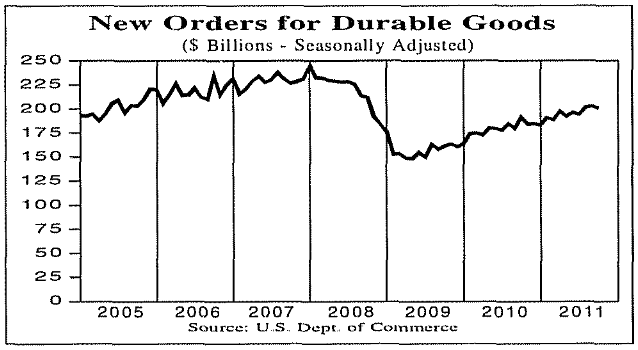
MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

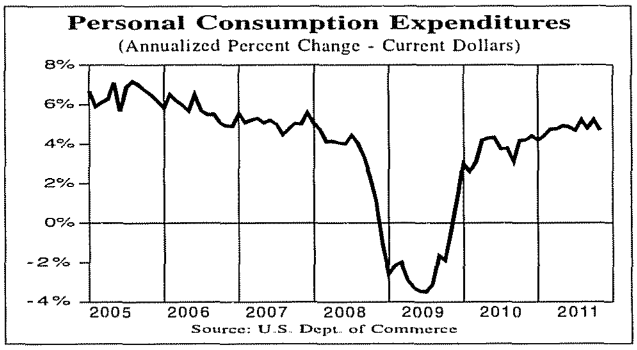
	Recent Levels 12/12/11	12/5/11	Change	Ann'l Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2138.2	2147.8	-9.6	6.1%	23.1%	17.3%
M2 (M1+savings+small time deposits)	9672.2	9639.9	32.3	4.2%	14.4%	9.8%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
2389	2	Apache Corp.	W. Montgomery, Dir.	12/20/11	2,000	9,000	$88.72	90.76
2240	1	El Paso Electric	D.W. Stevens, CEO	12/16/11	5,000	102,867	$32.87	35.48
1945	-	Fresh Market (The)	M.D. Tucci, Dir.	12/14/11	2,875	3,637	$39.57	40.86
220	3	IDEXX Labs.	R.J. Murray, Dir.	12/16/11	6,500	19,746	$74.54	78.64
2554	3	Janus Capital Group	B.L. Koepfgen, CFO	12/21/11	17,100	33,700	$5.86	6.21
2014	5	Sigma Designs	W.J. Almon, Dir.	12/19/11	10,000	116,987	$5.71	6.13
2439	2	Zoltek Cos.	M.D. Latta, Dir.	12/16/11	10,000	157,886	$7.45	7.86

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
2124	2	AutoZone Inc.	E.S. Lampert *	12/16/11-12/20/11	118,181	2,005,091	$325.41-$330.03	330.25
1173	3	CLARCOR Inc.	N.E. Johnson, Chair.	12/20/11	100,000	389,434	$50.00	50.82
309	2	FedEx Corp.	D.J. Bronczek, Officer	12/16/11	12,500	63,393	$85.45	84.70
835	4	Gen-Probe	H.L. Nordhoff, Chair.	12/16/11	20,000	28,606	$56.35	59.26
1027	4	Liberty Global	C.H.R. Bracken, CFO	12/16/11	31,099	65,063	$39.69	41.63
2223	3	lululemon athletica	D.J. Wilson, Chair.	12/16/11	25,000	50,000	$45.41	48.64
1133	4	Toll Brothers	R.I. Toll, Chair.	12/21/11	1,000,000	9,441,772	$20.56	20.09

* *Beneficial owner of more than 10% of common stock.*

† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

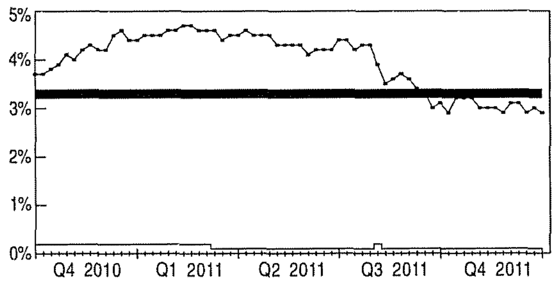
Market Monitor

Valuations and Yields	12/28	12/21	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.4	14.0	12.9 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.2	12.1	11.4 - 12.4	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.3%	2.3%	2.2 - 2.5%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.7%	2.8%	2.7 - 3.0%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.2%	5.0%	0.3%
AAA Corporate bond yield	3.8%	3.8%	3.7 - 4.1%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	2.9%	3.0%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-3.1%	-3.4%	-4.0 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	15.4	15.2	13.0 - 16.0	10.2 - 16.0	8.1	8.6
CBOE put volume/call volume	.95	1.03	.93 - 1.26	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



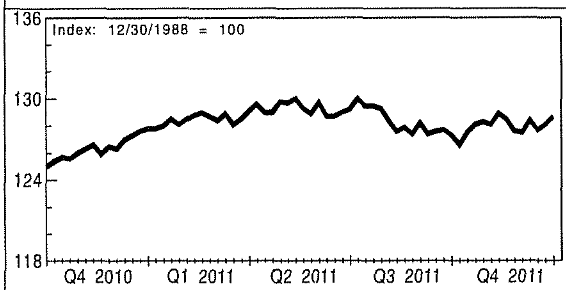
INTEREST RATES

Prime Rate

Federal Funds

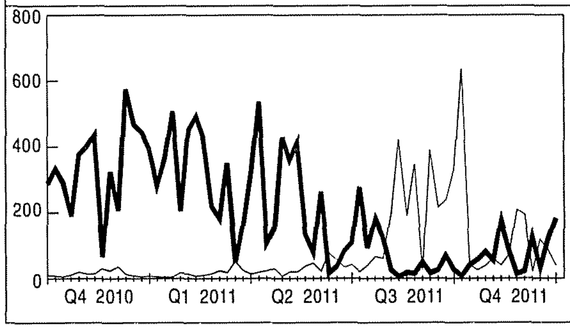
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	2.9%	3.0%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	1357	1187
Declines	323	488
Issues Covered	1699	1698
Market Value ($ Trillion)	17.615	17.304



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	183	119
New Lows	39	89

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 12/27/2011

7 Best Performing Industries

Newspaper	+15.1%
Beverage	+7.7%
Building Materials	+6.6%
Bank (Midwest)	+6.3%
Paper/Forest Products	+6.3%
Drug	+5.4%
Oil/Gas Distribution	+5.3%

7 Worst Performing Industries

Maritime	-13.9%
Entertainment Techn.	-11.8%
Metals & Mining (Div.)	-10.7%
Power	-10.4%
Coal	-10.0%
Telecom. Equipment	-9.8%
Semiconductor	-8.2%

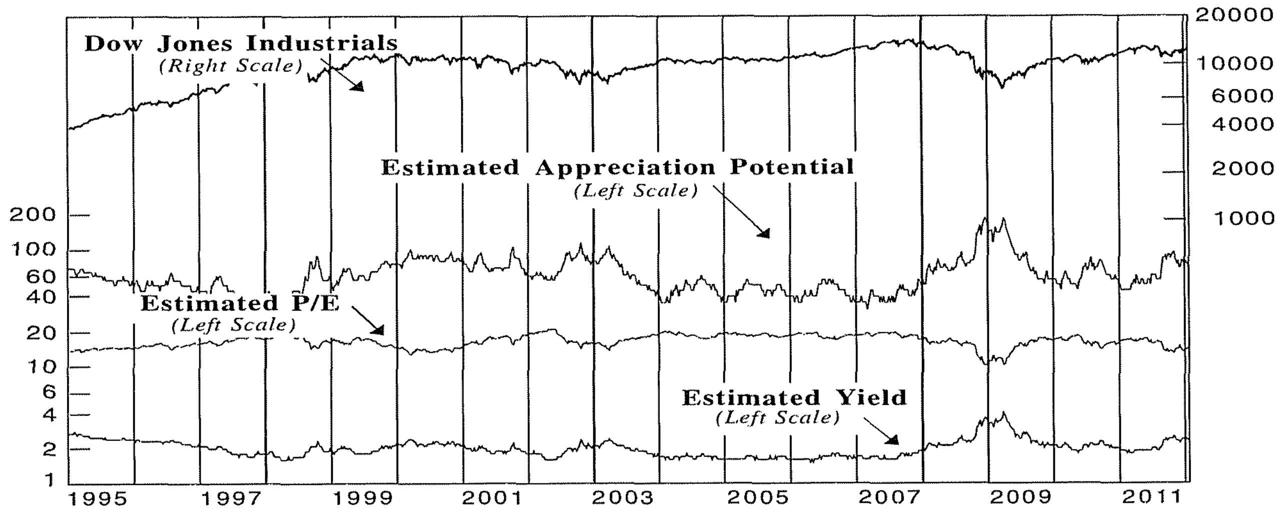
The corresponding change in the Value Line Arithmetic Average* is -0.2%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Avnet, Inc.	B+	B++	1325
Brocade Comm. Sys.	C+	C++	1401
Harris Corp.	A	A+	1332
Hewlett-Packard	A++	A+	1406
Rambus, Inc.	B	C++	1376

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL VERSUS DOW JONES INDUSTRIALS *(JANUARY 5, 1995 - DECEMBER 27, 2011)*



THE VALUE LINE GEOMETRIC AVERAGES

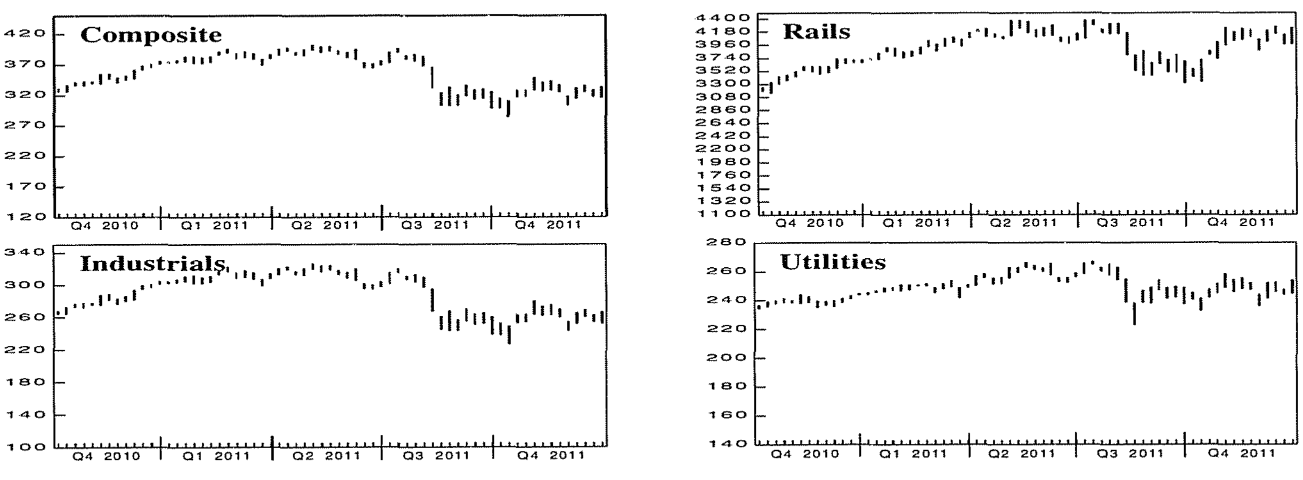
	Composite 1670 stocks	Industrials 1559 stocks	Rails 8 stocks	Utilities 103 stocks
12/22/2011	330.70	264.63	4209.06	252.43
12/23/2011	332.54	266.11	4235.30	253.68
12/26/2011		HOLIDAY		
12/27/2011	332.81	266.25	4234.02	255.31
12/28/2011	326.68	261.20	4175.26	252.37
%Change last 4 weeks	-1.3%	-1.4%	-0.5%	0.0%

Arithmetic* Composite 1670 stocks
2701.56
2716.83
HOLIDAY
2719.41
2669.58
-0.8%

THE DOW JONES AVERAGES

Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4217.72	12169.65	5030.31	459.66
4251.33	12294.00	5053.29	462.94
	HOLIDAY		
4257.30	12291.35	5054.43	466.58
4206.51	12151.41	4974.01	463.28
+1.2%	+0.9%	+0.6%	+3.2%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(OCTOBER 1, 2010 - DECEMBER 28, 2011)*



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THE VALUE LINE
Investment Survey®

PAGES 1789-1800
File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — JANUARY 20, 2012

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The Value Line View

In This Issue

The *Selection & Opinion* Index appears on page 1880 (December 2, 2011).

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 22.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

ECONOMIC AND STOCK MARKET COMMENTARY

Employment prospects are looking up, with the nation having now added 1.6 million jobs during the past year. That improvement follows months of unrelenting job losses during the last recession and its painful aftermath. In truth, though, employment is still well below where it was before the recent recession began in 2007. That said, the latest report, which included a better-than-expected 200,000 gain in payrolls in December, does provide a basis for optimism. In fact . . .

We think further gains will follow in 2012. In the past quarter, payrolls have risen by an average of 137,300 a month. We expect this level will be exceeded in 2012, as the business upturn broadens. Getting the jobless rate much below the current 8.5% rate will be more problematic, as this metric is a lagging indicator. Indeed, as payrolls rise, discouraged workers, who have left the labor force and are not considered unemployed, re-enter the labor market, putting temporary upward pressure on the jobless rate. On the whole, though, the worst looks to be over for this struggling sector.

Progress is being made in most other areas, as well. For example, recent weeks have seen firming in construction outlays, manufacturing, nonmanufacturing, and vehicle sales. At the same time, there has been some evidence of slowing growth in retail spending. On balance, though, this has been one of the better stretches for the economy since the listless recovery began in mid-2009.

All of this could spell a better year, with business growth likely averaging 2.0%-2.5%. That would be above the presumptive 1.5%-2.0% rate of growth in 2011. (Data for the recently ended fourth quarter and full year will be issued next week.) This forecast comes with some key assumptions—notably that home prices finally stabilize, that U.S. fiscal policy contracts only modestly, that Europe suffers no worse than a modest recession, and that there are no new upheavals in the Middle East.

Wall Street seems impressed so far, as the new year has started on a rather positive note. How long this good feeling lasts will be determined, we think, by the business and profit outlook at home and by the course of events overseas—especially in the crisis-driven euro zone.

Conclusion: We're fairly sanguine about U.S. stocks in the year ahead, but warn that Europe is an especially big wild card in this overall equation. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	1/4/2012	1/11/2012	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	12418.42	12449.45	+0.2%	+6.7%
Standard & Poor's 500	1277.30	1292.48	+1.2%	+1.4%
N.Y. Stock Exchange Composite	7612.15	7661.98	+0.7%	-4.4%
NASDAQ Composite	2648.36	2710.76	+2.4%	-0.2%
NASDAQ 100	2329.71	2372.25	+1.8%	+3.6%
American Stock Exchange Index	2317.03	2279.69	-1.6%	+4.2%
Value Line (Geometric)	333.78	342.47	+2.6%	-9.1%
Value Line (Arithmetic)	2729.49	2804.21	+2.7%	-3.4%
London (FT-SE 100)	5668.45	5670.82	0.0%	-5.7%
Tokyo (Nikkei)	8560.11	8447.88	-1.3%	-19.6%
Russell 2000	747.28	767.24	+2.7%	-3.5%

Model Portfolios: Recent Developments

PORTFOLIO I

Portfolio I has gotten off to a good start in 2012, with most of its holdings moving forward in the first part of January. *Dana Holding* is of particular note, having gained better than 20% in the early days of 2012, as a recent company update was received well by investors. *Timken* shares also have been strong performers, gaining some 15% since the first of the year, reflecting good earnings prospects for the coming 12 months and wide support from Wall Street.

Elsewhere, *PVH Corp.* shares came under momentary pressure after the company provided details on its fiscal fourth quarter (ends January) and for 2012. The reality is that earnings for the final period are set to come in ahead of most investors previous estimates, and that 2012, taken as a whole, is likely to turn out little different than had been expected. Still, *PVH* emphasized that growth is most likely to come in the second half, reflecting the flow through of higher input costs that began affecting operations in the second half of last year. Meanwhile, our sense is the company's guidance reflects a degree of conservatism, which, for our part, is welcome. Adding it all up, the stock is trading nicely above our purchase price, and we will continue to hold it, for now.

PORTFOLIO II

The U.S. stock market continued to rally through the first weeks of 2012. At least for now, traders appear more focused on earnings season than the debt situation in Europe.

Portfolio II's holdings have yet to report their December-quarter results, but we have received some preliminary news from *Chevron*. Shares of the oil and gas giant, which are still near their 52-week high, have pulled back somewhat. The company expects fourth-quarter profits to fall short of its third-quarter showing. Strength at the exploration and production unit likely reflects higher oil prices, due partly to political tensions in the Middle East. This has been somewhat offset by a sluggish refinery business, owing to decreased gasoline demand and rising raw-materials costs. We have also noted some sluggishness in *Coca-Cola* shares lately, and this may be related to skyrocketing orange-juice prices, due to crop problems.

The news was a bit better for some of our other holdings. *McDonald's*, which had a banner year in 2011, is looking to increase its investment in China, now its third largest market. Also, medical devices company *Medtronic* may benefit from an aggressive acquisition campaign. The company has set aside about $2 billion to fund acquisitions, as it attempts to enter more vibrant international markets. We are not making any changes to Portfolio II this week.

PORTFOLIO III

Portfolio III, following its bounce-back performance during 2011's final quarter, has gotten off to a fine start this year. The group is already up nearly 4%, about a full percentage point more than the S&P 500 Index. We don't expect smooth sailing through 2012, however, given the macroeconomic issues that continue to hang over stock markets around the world. The biggest is the sovereign-debt crisis in Europe, which has investors focused on weekly government bond auctions that are needed to keep struggling countries like Italy and Spain from default. The possibility of supply disruptions in the energy sector, which would likely squeeze consumers and hurt corporate profits, are also apt to keep equity investors on edge. With oil already above the $100-a-barrel mark, negative developments in politically volatile places, such as Iran and Nigeria, could push crude to record heights.

The challenging backdrop makes it even more important for investors to maintain a diversified portfolio. Our energy holdings, for instance, including *National Oilwell Varco* and *Halliburton*, would likely serve us well if oil prices do spike this year. And companies with domestic-oriented businesses, such as *CVS Caremark*, *Dycom Industries*, and *UnitedHealth Group*, may continue to thrive even if the euro zone enters a prolonged recession.

One name we continue to like a lot is *Caribou Coffee*. The stock is up almost 50% since we added it to the group less than a year ago. And it looks to have plenty of room to run, as the restaurant company expands geographically, further penetrates the commercial space, and capitalizes on opportunities in the single-serve coffee market. We are leaving Portfolio III unaltered this week.

PORTFOLIO IV

Portfolio IV holding *International Paper* recently declared a dividend of $0.2625 a share, payable in March. The payout is in line with that of recent quarters, and represents a yield of 3.4%. *IP*, the corrugated packaging manufacturer, fared very well in 2011, likely doubling its share earnings year over year. Results probably soared behind stable volumes and pricing, along with growth overseas. Moreover, the company's pending acquisition of Temple Inland looks poised for completion, after Temple shareholders approved the sizable buyout in December.

Meanwhile, *IP* shares are currently ranked 1 (Highest) for the year ahead. In fact, we think the positive trends will persist in 2012. In addition to Temple, *IP* has acquired a controlling stake in an Indian paper company. It is also adding production capacity. The dividend is well covered by cash flows, and we like the odds of further hikes in 2012. On that note, just two years ago, *IP* had been distributing $0.10 a share annually. The hefty debt load expected following the acquisition could raise concerns about its ability to continue to pay sizable dividends. But, we think the board will maintain an attractive payout policy. We are making no changes to our group this week, as we await fourth-quarter earnings releases.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	71.54	1	3	14.9	0.3	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	423.24	2	2	13.1	Nil	1.05	A++	Computers/Peripherals
1171	BLL	Ball Corp.	36.86	1	2	12.8	0.8	0.95	B++	Packaging & Container
583	CELL	Brightpoint, Inc.	11.79	1	3	12.3	Nil	1.30	B+	Wireless Networking
383	CSTR	Coinstar Inc.	44.18	2	3	13.0	Nil	0.90	B+	Industrial Services
989	DAN	Dana Holding Corp.	14.19	1	4	10.9	Nil	2.60	B+	Auto Parts
1023	DTV	DIRECTV	43.03	1	3	10.9	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	24.99	2	3	13.3	2.6	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	61.51	1	3	15.5	Nil	1.20	B+	Shoe
1014	HELE	Helen of Troy Ltd.	32.20	1	3	12.9	Nil	1.10	B++	Toiletries/Cosmetics
734	KMT	Kennametal Inc.	39.88	1	3	10.6	1.4	1.40	B++	Metal Fabricating
335	KEX	Kirby Corp.	66.92	1	3	18.7	Nil	1.15	B+	Maritime
932	MIICF	Millicom Int'l Cellular	100.30	1	3	11.7	1.9	1.45	B++	Telecom. Services
344	NSC	Norfolk Southern	77.72	1	3	13.7	2.2	1.10	B++	Railroad
326	ODFL	Old Dominion Freight	39.61	1	3	16.0	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	74.00	2	3	13.9	0.2	1.25	B+	Apparel
327	R	Ryder System	56.16	2	3	14.7	2.1	1.25	B+	Trucking
1628	TEVA	Teva Pharmac. (ADR)	44.84	1	1	8.1	2.1	0.60	A	Drug
738	TKR	Timken Co.	43.88	1	3	9.2	1.8	1.40	B+	Metal Fabricating
729	TGI	Triumph Group Inc.	61.60	1	3	13.3	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	56.11	1	1	11.6	3.4	0.60	A++	Drug
2539	BLK	BlackRock, Inc.	183.09	3	3	14.4	3.0	1.20	A	Financial Svcs. (Div.)
503	CVX	Chevron Corp.	109.06	2	1	8.0	3.0	0.95	A++	Petroleum (Integrated)
1968	KO	Coca-Cola	69.34	3	1	16.8	2.7	0.60	A++	Beverage
1188	CL	Colgate-Palmolive	89.45	3	1	16.9	2.6	0.60	A++	Household Products
504	COP	ConocoPhillips	73.28	2	1	8.2	3.8	1.10	A++	Petroleum (Integrated)
1588	DD	Du Pont	47.14	3	1	11.8	3.6	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	48.70	3	1	13.5	3.3	1.05	A++	Electrical Equipment
1752	HON	Honeywell Int'l	56.58	2	1	13.3	2.6	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	25.59	2	1	11.1	3.3	1.00	A++	Semiconductor
718	LMT	Lockheed Martin	80.62	2	1	10.1	5.1	0.80	A++	Aerospace/Defense
365	MCD	McDonald's Corp.	99.70	3	1	18.4	2.8	0.65	A++	Restaurant
193	MDT	Medtronic, Inc.	39.10	3	1	11.0	2.6	0.85	A++	Med Supp Invasive
1337	MOLX	Molex Inc.	25.56	3	2	14.6	3.1	1.20	A	Electronics
409	RSG	Republic Services	27.78	2	3	13.6	3.2	0.95	B+	Environmental
1627	SNY	Sanofi ADR	36.26	3	1	11.7	5.1	0.80	A+	Drug
1048	TEF	Telefonica SA ADR	17.10	3	2	7.0	9.1	0.90	B++	Telecom. Utility
346	UNP	Union Pacific	111.36	2	2	15.8	2.2	1.15	A	Railroad
317	UPS	United Parcel Serv.	74.19	3	1	16.4	2.8	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	59.04	2	1	12.4	2.5	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1546	AFL	Aflac Inc.	43.87	2	3	7.1	3.1	1.15	50 - 115%	Insurance (Life)
973	CVS	CVS Caremark Corp.	41.95	2	1	14.1	1.5	0.80	45 - 80	Pharmacy Services
355	CBOU	Caribou Coffee	14.31	3	4	34.9	Nil	0.95	40 - 145	Restaurant
1603	CELG	Celgene Corp.	70.26	2	2	21.1	Nil	0.75	40 - 90	Drug
2327	DIS	Disney (Walt)	39.63	3	1	13.6	1.5	1.05	65 - 100	Entertainment
927	DY	Dycom Inds.	21.72	1	3	18.9	Nil	1.40	40 - 105	Telecom. Services
2623	GOOG	Google, Inc.	623.14	3	2	16.8	Nil	0.90	115 - 190	Internet
2105	GES	Guess Inc.	30.72	3	3	8.5	2.6	1.25	110 - 225	Apparel
2411	HAL	Halliburton Co.	36.33	2	3	9.3	1.0	1.35	80 - 175	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	40.33	3	3	15.4	1.2	1.50	25 - 75	Recreation
1920	HRL	Hormel Foods	29.29	3	1	16.1	2.0	0.65	20 - 55	Food Processing
1998	ESI	ITT Educational	64.01	2	3	7.0	Nil	0.70	70 - 160	Educational Services
223	JNJ	Johnson & Johnson	65.20	3	1	13.0	3.5	0.65	30 - 55	Med Supp Non-Invasive
1001	MGA	Magna Int'l 'A'	37.75	3	3	8.4	2.6	1.20	110 - 220	Auto Parts
1591	MOS	Mosaic Company	54.85	3	3	10.3	0.4	1.60	55 - 135	Chemical (Basic)
2416	NOV	National Oilwell Varco	73.89	3	3	14.5	0.6	1.55	50 - 130	Oilfield Svcs/Equip.
1976	PEP	PepsiCo, Inc.	65.66	3	1	14.4	3.2	0.60	70 - 105	Beverage
753	X	U.S. Steel Corp.	27.29	2	3	NMF	0.7	1.70	120 - 210	Steel
815	UNH	UnitedHealth Group	52.62	2	2	11.3	1.2	1.00	60 - 120	Medical Services
1385	XLNX	Xilinx Inc.	32.93	4	2	20.7	2.3	0.90	20 - 50	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1595	ABT	Abbott Labs.	56.11	1	1	11.6	3.4	0.60	A++	Drug
600	ARLP	Alliance Resource	79.80	1	3	10.1	4.8	1.10	B+	Coal
903	LNT	Alliant Energy	43.42	3	2	15.9	4.1	0.75	A	Electric Util. (Central)
1042	BT	BT Group ADR	30.97	1	3	8.4	4.1	1.00	B+	Telecom. Utility
1987	BTI	Brit. Amer Tobac. ADR	93.73	3	2	15.2	4.1	0.70	B++	Tobacco
140	ED	Consol. Edison	59.34	3	1	16.6	4.0	0.60	A+	Electric Utility (East)
359	DRI	Darden Restaurants	44.38	4	3	12.7	3.9	1.05	A	Restaurant
1588	DD	Du Pont	47.14	3	1	11.8	3.6	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	53.11	4	1	15.1	3.6	0.65	A+	Food Processing
1160	IP	Int'l Paper	31.32	1	3	9.8	3.4	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.49	3	2	15.7	4.1	0.60	B++	Natural Gas Utility
365	MCD	McDonald's Corp.	99.70	3	1	18.4	2.8	0.65	A++	Restaurant
720	NOC	Northrop Grumman	58.62	2	1	8.4	3.6	0.85	A++	Aerospace/Defense
916	OGE	OGE Energy	55.90	2	2	16.6	2.8	0.80	A	Electric Util. (Central)
2247	POR	Portland General	24.66	3	3	13.0	4.3	0.75	B+	Electric Utility (West)
1990	RAI	Reynolds American	41.15	4	2	15.1	5.4	0.60	B+	Tobacco
1930	SLE	Sara Lee Corp.	18.91	NR	2	21.0	2.5	0.80	B++	Food Processing
154	SO	Southern Co.	44.79	2	1	17.2	4.3	0.55	A	Electric Utility (East)
1227	TA.TO	TransAlta Corp.	21.02	3	3	16.8	5.5	0.70	B+	Power
1038	WPC	W.P. Carey & Co. LLC	42.02	3	3	16.7	5.4	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Damon Churchwell, Senior Analyst.

Equity Funds Average Performance

TOTAL RETURN*
Percent Change through December, 2011

	Year-to-Date	Three Month	Six Month	One Year	Five Year (Annualized)
Performance Objective					
Aggressive Growth	-3.8	7.8	-8.1	-3.8	-0.2
Growth	-3.0	10.2	-8.2	-3.0	-0.4
Growth/Income	-0.6	11.1	-5.8	-0.6	-1.0
Income	1.3	9.7	-3.9	1.3	-0.3
Balanced	-0.1	6.4	-4.3	-0.1	1.4
International					
European Equity	-12.8	5.1	-18.4	-12.8	-5.2
Foreign Equity	-14.7	4.2	-17.4	-14.7	-3.2
Global Equity	-7.4	6.7	-11.7	-7.4	-1.5
Pacific Equity	-19.8	1.4	-18.6	-19.8	-3.2
Sector					
Energy/Natural Res	-13.0	13.1	-16.3	-13.0	1.0
Financial Services	-16.0	9.7	-15.1	-16.0	-11.1
Health	7.7	8.1	-6.5	7.7	3.3
Precious Metals	-19.3	-4.9	-11.6	-19.3	8.0
Real Estate	0.5	11.3	-7.0	0.5	-4.1
Technology	-7.8	6.2	-11.5	-7.8	2.0
Utilities	5.1	7.9	-2.4	5.1	0.4
Other					
Convertible	-5.5	4.8	-9.1	-5.5	2.0
Flexible	-1.9	4.9	-5.0	-1.9	1.2
Specialty	-6.0	6.7	-9.3	-6.0	-1.7
Small Company	-4.2	13.3	-10.5	-4.2	0.2
S&P 500	**2.1**	**11.8**	**-3.7**	**2.1**	**-0.4**

Source: The Value Line Fund Advisor
* *Dividends plus capital appreciation. Dividends are reinvested as of the ex-dividend date. The returns are arithmetic averages based on the performances of all funds within each category.*

Fixed-Income Funds Average Performance

TOTAL REINVESTMENT*
Percent Change through December, 2011

	Year-to-Date	Three Month	Six Month	One Year	Five Year (Annualized)
U.S. Government and Agency Bond					
U.S. Gov't	5.5	0.8	3.5	5.5	4.5
GNMA	4.8	1.1	2.3	4.8	4.5
Corporate Bond					
High Quality	4.4	1.1	1.8	4.4	4.1
High Yield	1.8	4.9	-1.6	1.8	3.1
International	2.5	1.7	-1.4	2.5	5.4
Municipal Bond					
California Tax Exempt	9.7	2.1	5.8	9.7	3.3
New York State Tax Exempt	9.0	1.7	5.1	9.0	3.7
National Tax Exempt	7.2	1.2	3.7	7.2	3.2

Source: The Value Line Fund Advisor
* *The cumulative rate of investment growth, including the reinvestment of dividend income and capital gains distributions as of the ex-dividend date. The investment objective averages are arithmetic averages calculated on the basis of the total reinvested rates of return produced by all funds within each investment objective category.*

Model Portfolios Performance: Fourth Quarter, 2011

This week, we are providing a review of the performances of our Model Portfolios I, II, III, and IV for the three and 12 months that ended on December 31, 2011. With the exception of Portfolio IV, which was created in January 2009, we also include annualized returns for the past three, five and 10 years, and since the portfolios were created in April 1995. In addition, we are providing details on each portfolio relating to composition, cost basis, and ending market value of every holding, and the change in portfolio value over the most recent three-month period.

We note that the performance figures represent total return (i.e., price change plus dividend income), and that our calculations *do not* include transaction costs or taxes. Furthermore, any changes to a portfolio's composition noted in our weekly updates are priced as of the market's close on the day that the Service is made available on the *Value Line* website. For example, any buying or selling activity discussed in this week's Issue (dated January 20th) would have taken place on January 16th at the market's close.

PORTFOLIO I

Portfolio I returned 15.1% for the fourth quarter of 2011, nicely ahead of the 11.8% recorded by its benchmark the S&P 500 Index (adjusted for dividends). The portfolio's performance can be directly traced to the market support it received during the month of October, as investor sentiment took an optimistic bent as the December period began. However the balance of the quarter was much less eventful, and it is best described as period of give and take, with our group slipping a bit in both November and December.

Meanwhile, the portfolio gained 8.1% during 2011, versus the 2.1 % advance inked by its S&P benchmark. Our group performed reasonably well in the months leading up to September, when investors showed a marked distaste for our commodity-related holdings (since replaced), and the portfolio lost some 13.6% of its value as the seasons turned from summer to fall. Indeed, if not for the reversal of fortune in October, we would not be able to report nearly as favorable results for the year.

There were seven trades in the fourth quarter, which included three commodity-related names—Eastman Chemical, Freeport-McMoRan C&G, and RPC, Inc. The trading activity was in keeping with the elevated turnover rate of the last couple of years, which was 150% for 2011.

Portfolio I has begun 2012 on an upswing, benefiting from strong market support for *Teva Pharmaceuticals* and *Dana Holding*, among others. Still, earnings season has not yet been a factor in the portfolio's fortunes, though our sense is our group is fairly well positioned in this regard. We will find out if we are correct in late January and early February, when over half of our holdings report earnings for the fourth quarter.

PORTFOLIO II

Portfolio II performed well during the fourth quarter of 2011, gaining 12.3%, and outpacing the benchmark S&P 500 Index for the period. We also put in a good showing for the full-year 2011, registering a return of nearly 5%, versus 2% for the broader market. Volatility remained a key theme throughout the year, as the market staged a large run up in October, pulled back in November, and finished with added gains in December. We attribute much of our success in the fourth quarter to sharp recoveries in some of our more volatile holdings, such as *Honeywell*, *DuPont*, and *Molex*. We were also helped by a rebound in our financial services issue, *BlackRock*. This was somewhat offset by a weak showing by *Telefonica*, our high-yielding European telecom ADRs.

For the most part, we made only a few minor changes to our holdings during the past three months. Shares of Darden

PERFORMANCE SUMMARY

	Fourth Quarter	One-Year	Three-Year [1]	Five-Year [1]	Ten-Year [1]	Since Inception [1,2]
Portfolio I	15.1%	8.1%	15.9%	4.2%	5.0%	9.7%
Portfolio II	12.3%	4.8%	6.9%	-0.1%	3.3%	8.7%
Portfolio III	14.3%	3.2%	18.8%	3.6%	5.0%	10.0%
Portfolio IV	12.1%	10.5%				21.2%
Dow Jones Industrials	12.0%	5.5%	11.7%	-0.4%	2.0%	6.4%
S & P 500 [3]	11.8%	2.1%	14.1%	-0.2%	2.9%	7.5%
NASDAQ Composite	7.9%	-1.8%	18.2%	1.5%	2.9%	7.0%
Value Line (Arithmetic)	13.0%	-5.9%	24.3%	4.0%	8.0%	10.7%
Mergent Div'd Achievers	10.9%	6.5%				14.0%

[1] Returns are annualized.
[2] *Inception dates: Portfolios I, II, III—April 28, 1995; Portfolio IV—January 23, 2009.*
[3] Adjusted for dividends.

Restaurants weakened, when business turned sluggish at its Olive Garden chain. Moreover, the company tempered its profit outlook and the issue dropped in Timeliness rank, necessitating its removal from our portfolio. We replaced Darden with *Union Pacific,* one of the nation's largest providers of rail transportation. In addition, we sold our position in ITT Corp after the diversified manufacturer was divided into three separately traded businesses. We replaced this issue with shares of *Republic Services,* a leading waste removal business.

PORTFOLIO III

After a difficult third quarter, Portfolio III made up a lot of lost ground in 2011's final period. In fact, the group increased 14.3% in value during the three months, more than the 11.8% advance (adjusted for dividends) registered by the benchmark S&P 500 Index. This strong bounce-back performance put the portfolio up 3.2% for the year, not bad in a shaky market environment and coming on the heels of 2010's 18% rally. Even more notable, we think, is the fact that the group has outpaced the S&P 500 Index by about two and a half percentage points, on an average annual basis, since it debuted back in April of 1995.

There was only one loser during the December period, apparel maker *Guess*, which was hurt by its high exposure to depressed countries in Western Europe, such as France, Italy, and Spain. There were plenty of big winners, however, including shares of pharmacy chain *CVS Caremark*, infrastructure outfit *Dycom Industries*, and Internet giant *Google*. Our energy and commodity-oriented plays, namely *National Oilwell Varco*, *Halliburton*, and *U.S. Steel*, also showed resilience after taking a beating earlier in the year. These equities appear poised for a further recovery in 2012, too, as the euro-zone situation slowly stabilizes and worldwide supplies, particularly of crude oil, tighten.

We made one change to the group in the quarter, selling cereal maker Kellogg (it had been a disappointing laggard for us)

PORTFOLIO I

Company Name	Ticker	Shares Held	Average Cost per Share	Share Price 12/30/11	Market Value 12/30/11
Advance Auto Parts	AAP	3500	60.41	69.63	243,705
Apple Inc.	AAPL	625	396.75	405.00	253,125
Ball Corp.	BLL	6300	30.06	35.71	224,973
Coinstar Inc	CSTR	4650	48.55	45.64	212,226
Dana Holding Corp.	DAN	18150	11.64	12.15	220,523
DIRECTV	DTV	5275	39.64	42.76	225,559
Foot Locker	FL	11000	23.08	23.84	262,240
Genesco Inc.	GCO	4325	41.77	61.74	267,026
Helen of Troy Ltd.	HELE	7325	27.25	30.70	224,878
Kennametal Inc.	KMT	5975	38.89	36.52	218,207
Kirby Corp.	KEX	3350	65.74	65.84	220,564
Kohl's Corp.	KSS	4000	51.74	49.35	197,400
Millicom Int'l Cellular	MIICF	1700	97.34	100.99	171,683
Norfolk Southern	NSC	3200	75.04	72.86	233,152
Old Dominion Freight	ODFL	6300	37.30	40.53	255,339
PVH Corp.	PVH	3575	66.96	70.49	252,002
Ryder System	R	4925	45.45	53.14	261,715
Teva Pharmac. (ADR)	TEVA	5000	41.71	40.36	201,800
Timken Co.	TKR	5525	42.99	38.71	213,873
Triumph Group Inc.	TGI	4400	49.97	58.45	257,180
					4,617,168
				Cash	43,569
				Portfolio Value	4,660,737
				Portfolio Value at 9/30/11	4,044,836

PORTFOLIO II

Company Name	Ticker	Shares Held	Average Cost per Share	Share Price 12/30/11	Market Value 12/30/11
Abbott Labs.	ABT	3865	54.59	56.23	217,329
BlackRock, Inc.	BLK	1100	171.48	178.24	196,064
Chevron Corp.	CVX	2350	78.73	106.40	250,040
Coca-Cola	KO	3000	43.97	69.97	209,910
Colgate-Palmolive	CL	2400	86.26	92.39	221,736
ConocoPhillips	COP	3050	68.09	72.87	222,254
Du Pont	DD	3200	51.75	45.78	146,496
Emerson Electric	EMR	3310	54.86	46.59	154,213
Honeywell Int'l	HON	3500	57.60	54.35	190,225
Intel Corp.	INTC	7810	16.04	24.25	189,393
Lockheed Martin	LMT	2600	78.40	80.90	210,340
McDonald's Corp.	MCD	2100	63.37	100.33	210,693
Medtronic, Inc.	MDT	4310	37.20	38.25	164,858
Molex Inc.	MOLX	7250	27.60	23.86	172,985
Republic Services	RSG	5600	28.46	27.55	154,280
Sanofi-Aventis	SNY	5200	26.66	36.54	190,008
Telefonica SA ADR	TEF	8250	22.39	17.19	141,818
Union Pacific	UNP	1890	100.63	105.94	200,227
United Parcel Services	UPS	2500	69.79	73.19	182,975
Wal-Mart Stores	WMT	3905	51.21	59.76	233,363
					3,859,204
				Cash	136,814
				Portfolio Value	3,996,018
				Portfolio Value at 9/30/11	3,557,647

PORTFOLIO III

Company Name	Ticker	Shares Held	Average Cost per Share	Share Price 12/30/11	Market Value 12/30/11
Aflac Inc.	AFL	4900	32.63	43.26	211,974
Caribou Coffee	CBOU	18500	10.19	13.95	258,075
Celgene Corp.	CELE	3500	45.03	67.60	236,600
CVS Caremark Corp.	CVS	6800	38.27	40.78	277,304
Disney (Walt)	DIS	6900	24.60	37.50	258,750
Dycom Inds.	DY	12700	11.06	20.92	265,684
Google, Inc.	GOOG	400	302.11	645.90	258,360
Guess Inc.	GES	7100	35.91	29.82	211,722
Halliburton Co.	HAL	6700	35.33	34.51	231,217
Harley-Davidson	HOG	6400	23.29	38.87	248,768
Hormel Foods	HRL	9400	12.27	29.29	275,326
ITT Educational	ESI	3400	73.82	56.89	193,426
Johnson & Johnson	JNJ	3300	57.11	65.58	216,414
Magna Int'l 'A'	MGA	7100	32.78	33.31	236,501
Mosaic Company	MOS	4500	47.38	50.43	226,935
National Oilwell Varco	NOV	3600	32.66	67.99	244,764
PepsiCo, Inc.	PEP	3100	47.51	66.35	205,685
U.S. Steel Corp.	X	8000	31.25	26.46	211,680
UnitedHealth Group	UNH	5000	42.05	50.68	253,400
Xilinx Inc.	XLNX	8000	24.97	32.06	256,480
					4,779,065
				Cash	90,402
				Portfolio Value	4,869,467
				Portfolio Value at 9/30/11	4,260,977

PORTFOLIO IV

Company Name	Ticker	Shares Held	Average Cost per Share	Share Price 12/30/11	Market Value 12/30/11
Abbott Labs.	ABT	1725	52.25	56.23	96,997
Alliance Resource	ARLP	1075	39.92	75.58	81,249
Alliant Energy	LNT	2125	37.30	44.11	93,734
Brit Amer Tobacco ADR	BTI	950	76.53	94.88	90,136
BT Group ADR	BT	2750	29.17	29.64	81,510
Consol. Edison	ED	1450	39.74	62.03	89,944
Darden Restaurants	DRI	1675	48.28	45.58	76,347
Du Pont	DD	1575	32.38	45.78	72,104
Heinz (H.J.)	HNZ	1550	38.65	54.04	83,762
Int'l Paper	IP	2800	29.16	29.60	82,880
Laclede Group	LG	2100	35.88	40.47	84,987
McDonald's Corp.	MCD	900	67.85	100.33	90,297
Northrup Grumman	NOC	1250	61.88	58.48	73,100
OGE Energy	OGE	1775	36.53	56.71	100,660
Portland General	POR	3425	23.83	25.29	86,618
Reynolds American	RAI	2450	20.72	41.42	101,479
Sara Lee Corp.	SLE	4550	12.44	18.92	86,086
Southern Co.	SO	2000	32.84	46.29	92,580
TransAlta Corp.	TA.TO	3525	21.82	20.62	72,686
W.P. Carey & Co. LLC	WPC	2150	38.92	40.94	88,021
					1,725,175
				Cash	26,986
				Portfolio Value	1,752,161
				Portfolio Value at 9/30/11	1,563,551

and adding *Mosaic*, a leading fertilizer producer. While struggling of late, *Mosaic's* fortunes should turn markedly higher by mid-decade, thanks to potash capacity expansions, rising corn prices, and population booms in developing nations.

PORTFOLIO IV

Portfolio IV realized a 12.1% total return for the final period of 2011, more than erasing the losses it incurred during the September quarter. The upturn essentially matched that of the broader market indices. For the full year, our income-oriented group provided investors with a 10.5% return, significantly better than the overall market and its benchmark. Cautious investment strategies spurred a shift into defensive and higher-yielding holdings during both interims. Gains were broad-based, as Dow stocks and British ADRs, among others, fared well.

Certainly, the recent market recovery was not limited to cyclical stocks. Within our portfolio, shares of several electric utilities posted sizable December-quarter advances. Those issues, typically purchased for their generous yields and stable price actions, were a boon to the portfolio value. Elsewhere, the stocks of one corrugated paper manufacturer and a major food processor performed nicely, both possibly benefiting from merger and divestiture initiatives. The shares of a well-known fast-food giant and a coal producer enhanced results, too. There was just one down stock in the group, that of *TransAlta*, a power company that trades on the Toronto Exchange.

We made no trades during the fourth quarter, leaving the group intact through uncertain market conditions. For 2011, turnover was 45%. On a cost basis, the portfolio yields nearly 5%.

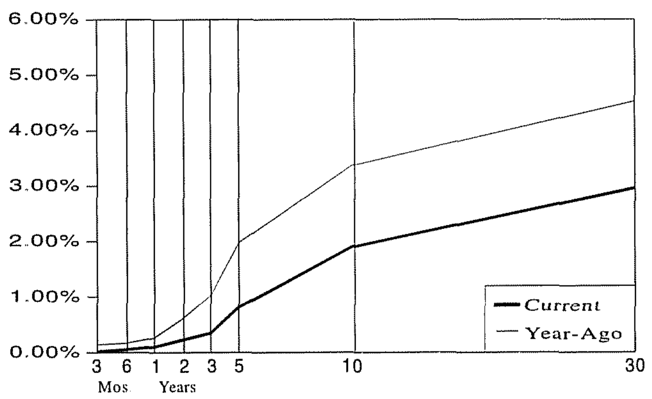
Looking ahead, income shares may well continue to be in favor, given ongoing concerns about the domestic economy and the European debt situation. Price multiples are still quite reasonable and dividend hikes appear likely, based on strong earnings outlooks.

Selected Yields

TAXABLE	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.25	0.38	0.27
3-month LIBOR	0.58	0.40	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.17	1.14	1.57
U.S. Treasury Securities			
3-month	0.02	0.02	0.14
6-month	0.05	0.04	0.17
1-year	0.10	0.08	0.26
5-year	0.82	1.15	1.98
10-year	1.90	2.21	3.37
10-year (inflation-protected)	-0.16	0.23	0.93
30-year	2.96	3.20	4.53
30-year Zero	3.15	3.39	4.86

	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
Mortgage-Backed Securities			
GNMA 5.5%	0.91	1.89	2.61
FHLMC 5.5% (Gold)	1.91	2.32	3.14
FNMA 5.5%	1.74	2.17	2.99
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.12	4.37	4.80
Industrial (25/30-year) A	4.22	4.59	5.58
Utility (25/30-year) A	4.17	4.53	5.77
Utility (25/30-year) Baa/BBB	4.90	4.99	6.17
Foreign Bonds (10-Year)			
Canada	1.94	2.35	3.26
Germany	1.81	2.19	3.05
Japan	0.97	1.00	1.18
United Kingdom	2.01	2.64	3.64
Preferred Stocks			
Utility A	4.94	5.57	5.79
Financial A	6.27	6.81	6.03
Financial Adjustable A	5.49	5.49	5.49

Treasury Security Yield Curve



TAX-EXEMPT	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
Bond Buyer Indexes			
20-Bond Index (GOs)	3.83	4.14	5.08
25-Bond Index (Revs)	4.93	5.04	5.44
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.26	0.41
1-year A	1.00	1.11	1.28
5-year Aaa	0.89	1.41	1.79
5-year A	1.98	2.43	2.92
10-year Aaa	1.99	2.63	3.38
10-year A	3.03	3.75	4.38
25/30-year Aaa	3.70	4.12	4.94
25/30-year A	5.12	5.50	5.97
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.49	4.59	5.31
Electric AA	4.63	4.97	5.30
Housing AA	5.10	5.63	6.13
Hospital AA	4.72	5.00	5.43
Toll Road Aaa	4.53	4.60	5.35

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

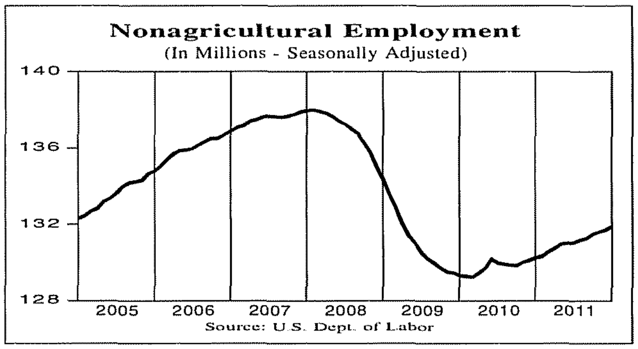
	Recent Levels			Average Levels Over the Last...		
	12/28/11	**12/14/11**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1471463	1528581	-57118	1517529	1552068	1434904
Borrowed Reserves	9328	9841	-513	10500	11327	16880
Net Free/Borrowed Reserves	1462135	1518740	-56605	1507029	1540742	1418024

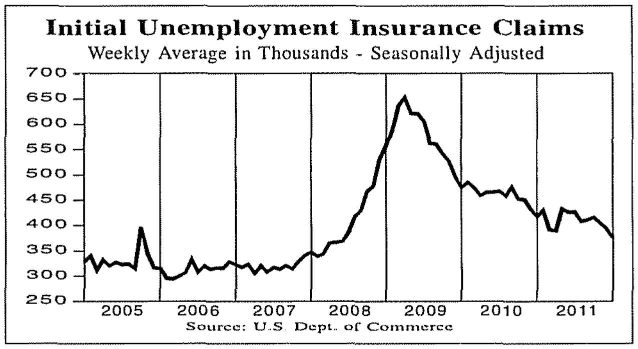
MONEY SUPPLY

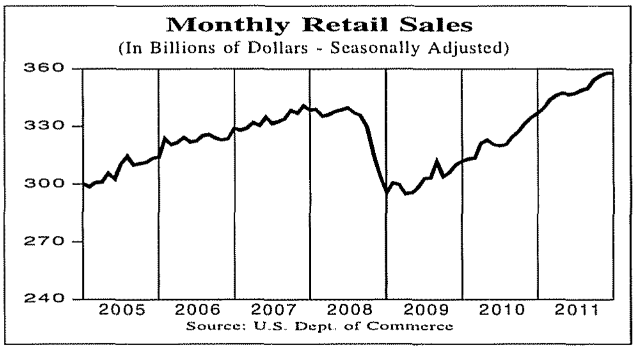
(One-Week Period; in Billions, Seasonally Adjusted)

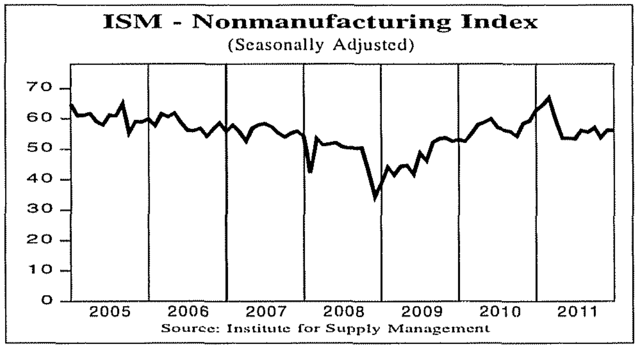
	Recent Levels			Ann'l Growth Rates Over the Last...		
	12/26/11	**12/19/11**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	2167.8	2137.1	30.7	3.8%	24.0%	17.9%
M2 (M1+savings+small time deposits)	9664.8	9666.7	-1.9	3.3%	11.6%	9.4%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
710	4	Esterline Technologies	R. Lawrence, CEO	12/30/11	3,960	5,351	$56.03	60.34
1425	3	Lexmark Int'l 'A'	S.R. Hardis, Dir.	1/3/12	867	75,970	$34.18	34.12
933	3	NII Holdings	R. Butvilofsky, Officer	12/27/11	6,220	22,773	$21.15	21.28
2519	3	PNC Financial Serv.	H.H. Wehmeier, Dir.	1/3/12	340	21,291	$59.14	61.57
1819	3	Stewart Enterpr. 'A'	L. Winningkoff, V.P.	12/30/11	2,000	29,904	$5.74	5.88
1820	5	StoneMor Partners L.P.	R.B. Hellman Jr., Dir.	1/3/12	423	2,226	$23.66	24.28
2375	4	Washington Post	L.D. Thompson, Dir.	12/30/11	76	76	$392.00	388.13

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
1994	3	Apollo Group 'A'	P.V. Sperling, Dir.	1/3/12	30,000	2,825,340	$53.37	56.92
1601	3	Biogen Idec Inc.	P.J. Clancy, CFO	1/3/12	20,244	21,168	$112.35	114.88
1966	4	Brown-Forman 'B'	F. Brown *	12/29/11-01/04/12	162,226	490,016	$79.58-$81.58	80.30
2102	4	Carter's Inc.	M. Casey, Chair.	1/3/12	22,248	511,474	$39.80	41.54
1136	3	Fastenal Co.	S.M. Slaggie, Dir.	12/30/11	50,000	9,887,968	$44.02	45.01
2027	4	RenaissanceRe Hldgs.	N.A. Currie, CEO	1/3/12	12,500	366,383	$75.03	73.47
1540	3	Ventas, Inc.	D.M. Pasquale, Dir.	1/3/12	20,000	155,783	$56.13	54.39

* *Beneficial owner of more than 10% of common stock.*
† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

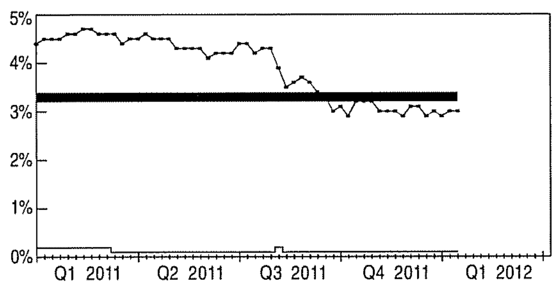
Market Monitor

Valuations and Yields	1/11	1/4	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.7	14.5	13.4 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	12.5	12.5	11.4 - 12.5	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.2%	2.3%	2.2 - 2.4%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.7%	2.7%	2.7 - 2.9%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.2%	5.0%	0.3%
AAA Corporate bond yield	3.8%	3.9%	3.8 - 4.1%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.0%	3.0%	2.9 - 3.2%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-3.0%	-3.0%	-3.6 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	15.9	16.4	13.0 - 16.4	10.2 - 16.4	8.1	8.6
CBOE put volume/call volume	.86	.90	.86 - 1.17	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



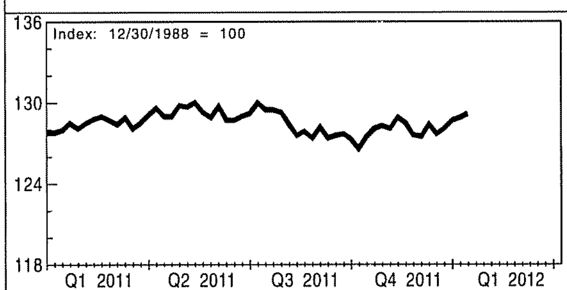
INTEREST RATES

Prime Rate

Federal Funds

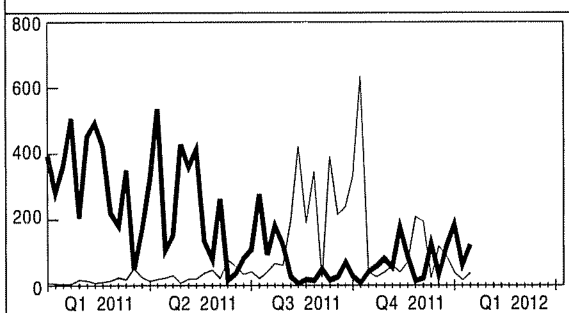
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.0%	3.0%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	1124	993
Declines	572	692
Issues Covered	1708	1707
Market Value ($ Trillion)	18.162	17.916



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	123	64
New Lows	38	16

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 1/10/2012

7 Best Performing Industries

Newspaper	+30.3%
Homebuilding	+25.0%
Semiconductor Equip.	+23.7%
Bank (Midwest)	+21.1%
Building Materials	+20.2%
Bank	+18.5%
Thrift	+15.8%

7 Worst Performing Industries

Telecom. Utility	-3.7%
Precious Metals	-2.2%
Retail Store	-1.5%
Foreign Electronics	-1.5%
Investment Co. (Foreign)	-1.2%
Entertainment Tech.	-0.9%
Natural Gas (Div.)	-0.3%

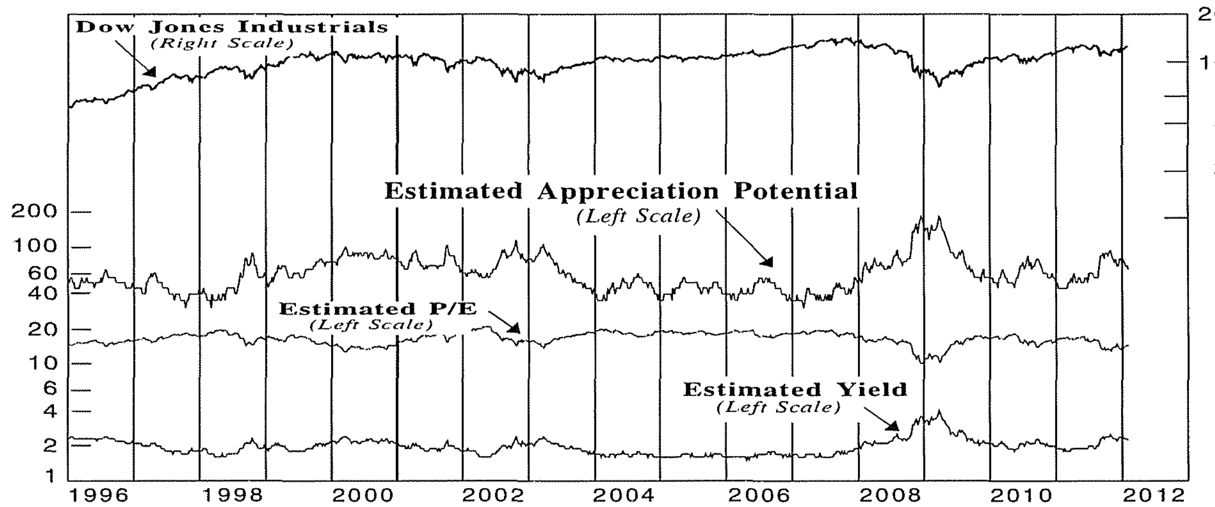
The corresponding change in the Value Line Arithmetic Average* is +9.0%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
E*Trade Fin'l	C+	C++	1784
Middlesex Water	B+	B++	1779
Parker-Hannifin	A	A+	1761
StarTek, Inc.	C++	C+	1811
Textron, Inc.	B	B+	1767

Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL VERSUS DOW JONES INDUSTRIALS *(JANUARY 2, 1996 - JANUARY 10, 2012)*

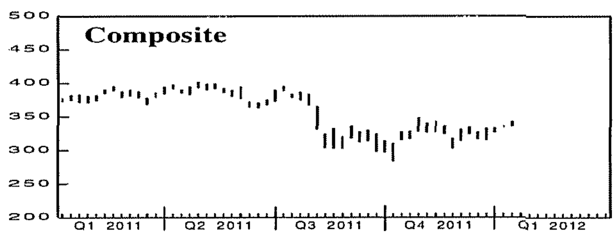


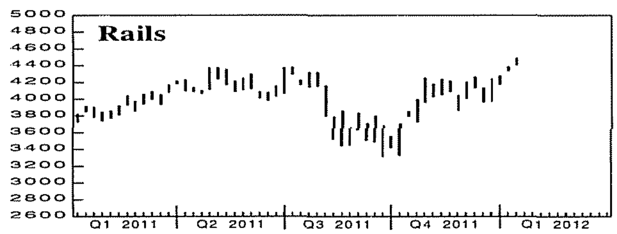
THE VALUE LINE GEOMETRIC AVERAGES	Composite 1670 stocks	Industrials 1559 stocks	Rails 8 stocks	Utilities 103 stocks
1/5/2012	335.39	268.66	4376.66	250.88
1/6/2012	334.60	268.07	4354.10	249.38
1/9/2012	336.21	269.44	4401.20	249.19
1/10/2012	340.65	273.18	4468.84	250.22
1/11/2012	342.47	274.76	4484.09	249.98
%Change last 4 weeks	+8.2%	+8.5%	+12.7%	+2.6%

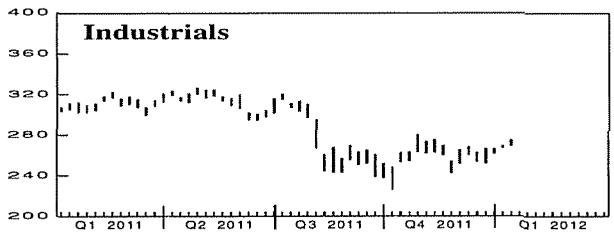
Arithmetic* Composite 1670 stocks
2743.35
2737.41
2751.10
2788.27
2804.21
+8.6%

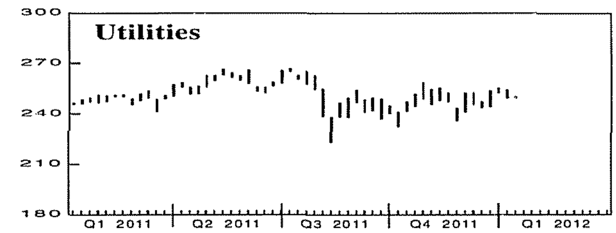
THE DOW JONES AVERAGES Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
4262.60	12415.70	5071.21	453.88
4247.54	12359.92	5069.03	451.20
4263.48	12392.69	5100.01	452.58
4295.26	12462.47	5172.65	453.20
4296.09	12449.45	5196.18	451.58
+5.9%	+5.3%	+9.2%	+2.5%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(JANUARY 4, 2011 - JANUARY 11, 2012)*









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THE VALUE LINE Investment Survey®

PAGES 1885-1900

File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — NOVEMBER 25, 2011

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The Quarterly Economic Review

In This Issue

In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, Number 14.

Published weekly by VALUE LINE PUBLISHING LLC
220 East 42nd Street, New York, NY 10017-5891

ECONOMIC AND STOCK MARKET COMMENTARY

The world has changed in the three months since our last "Quarterly Economic Review." Unfortunately, it does not appear to have changed for the better. True, our nation did step up its pace of gross domestic product growth during the third quarter, as GDP rose by 2.5%—the high-water mark for the year so far—as business investment, exports, and consumer spending all rallied. However, even as those figures were being released, more forward-looking data were being issued on personal income growth, manufacturing, non-manufacturing, and consumer confidence that told a less-compelling story. Such reports, along with further sobering metrics on unemployment and housing, suggest that the third-quarter GDP level of growth may not persist. Then, there is China—the feel-good story of the early 21st Century. Growth there is now moderating and that could lead to other retracements on the global scene—especially on the export front. Most ominously, there is Europe, where efforts to shore up the flagging economies on the Continent—notably in Greece and now Italy—are works in progress. Three months ago, we had intoned that there was an effort under way "to stem Europe's widening debt crisis." We also observed that: "a recession on the Continent is quite possible." The intervening three months have changed little. In fact, the outlook in the euro zone looks even a little more challenging now.

Prospects are mixed for the next several quarters along our shores. As we noted, the recent third quarter may have exaggerated the strength in our economy somewhat, as several components of that accelerating gain, especially the rise in business fixed investment, might not be sustainable. Our sense is that the recent Federal Reserve meeting changed little of note, though Fed Chairman Bernanke raised the spector of renewed asset purchases if growth fails to improve. As things stand now, such assistance could be an option—especially if Europe goes into recession, raising the risks of a downturn here. Indeed, even a mild business downturn on the Continent would

(Continued on page 1888)

VALUE LINE FORECAST FOR THE U.S. ECONOMY

Statistical Summary for 2011-2013

	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	2013:1	2011	2012
GDP AND OTHER KEY MEASURES									
Real Gross Domestic Product	*13354*	*13421*	*13477*	*13537*	*13605*	*13682*	*13774*	*13319*	*13575*
Total Light Vehicle Sales (Mill. Units)	*12.5*	*12.5*	*13.0*	*13.0*	*13.5*	*13.5*	*14.0*	*12.5*	*13.3*
Housing Starts (Million Units)	*0.62*	*0.63*	*0.64*	*0.65*	*0.70*	*0.75*	*0.80*	*0.60*	*0.69*
After-Tax Profits ($Bill.)	*1558*	*1499*	*1572*	*1558*	*1605*	*1589*	*1698*	*1496*	*1581*
ANNUALIZED RATES OF CHANGE									
Gross Domestic Product (Real)	*2.5*	*2.0*	*1.7*	*1.8*	*2.0*	*2.3*	*2.7*	*1.8*	*1.9*
GDP Deflator	*2.5*	*1.0*	*1.0*	*1.0*	*1.0*	*1.1*	*1.2*	*2.1*	*1.0*
CPI-All Urban Consumers	*3.1*	*1.2*	*1.3*	*1.5*	*1.5*	*1.8*	*2.0*	*3.4*	*1.5*
AVERAGE FOR THE PERIOD									
National Unemployment Rate	*9.1*	*9.1*	*9.0*	*9.0*	*8.9*	*8.9*	*8.8*	*9.1*	*9.0*
Prime Rate	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*
10-Year Treasury Note Rate	*2.4*	*2.1*	*2.1*	*2.3*	*2.4*	*2.5*	*2.6*	*2.8*	*2.3*

Value Line Forecast for the U.S. Economy

	ACTUAL	ESTIMATED						
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	2013:1
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS (2005 CHAIN WEIGHTED $) BILLIONS OF DOLLARS								
Final Sales	13234	*13352*	*13418*	*13472*	*13525*	*13586*	*13660*	*13748*
Total Consumption	9393	*9449*	*9496*	*9543*	*9590*	*9638*	*9686*	*9734*
Nonresidential Fixed Investment	1413	*1468*	*1496*	*1511*	*1526*	*1545*	*1564*	*1587*
Structures	322	*332*	*336*	*335*	*331*	*325*	*323*	*326*
Equipment & Software	1104	*1149*	*1166*	*1180*	*1195*	*1212*	*1233*	*1254*
Residential Fixed Investment	324	*326*	*329*	*332*	*336*	*344*	*354*	*367*
Exports	1765	*1783*	*1796*	*1809*	*1823*	*1845*	*1877*	*1913*
Imports	2181	*2192*	*2197*	*2208*	*2222*	*2237*	*2254*	*2265*
Federal Government	1059	*1064*	*1056*	*1045*	*1034*	*1024*	*1015*	*1006*
State & Local Governments	1456	*1452*	*1441*	*1430*	*1419*	*1412*	*1408*	*1405*
Gross Domestic Product	15122	*15309*	*15424*	*15527*	*15636*	*15752*	*15886*	*16040*
Real GDP (2005 Chain Weighted $)	13272	*13354*	*13421*	*13477*	*13537*	*13605*	*13682*	*13774*
PRICES AND WAGES-ANNUAL RATES OF CHANGE								
GDP Deflator	2.5	*2.5*	*1.0*	*1.0*	*1.0*	*1.0*	*1.1*	*1.2*
CPI-All Urban Consumers	4.1	*3.1*	*1.2*	*1.3*	*1.5*	*1.5*	*1.8*	*2.0*
PPI-Finished Goods	7.3	*1.8*	*0.5*	*1.0*	*1.2*	*1.3*	*1.5*	*1.5*
Employment Cost Index—Total Comp.	3.2	*1.4*	*2.0*	*2.0*	*2.0*	*2.1*	*2.2*	*2.3*
Productivity	-0.7	*3.7*	*1.8*	*1.2*	*1.0*	*1.0*	*1.0*	*1.2*
PRODUCTION AND OTHER KEY MEASURES								
Industrial Prod. (% Change, Annualized)	0.5	*5.1*	*1.2*	*1.5*	*2.0*	*3.0*	*3.0*	*3.5*
Factory Operating Rate (%)	74.3	*74.9*	*75.0*	*75.5*	*75.7*	*76.0*	*76.5*	*76.5*
Nonfarm Inven. Change (2005 Chain Weighted $)	51.0	*19.0*	*20.0*	*30.0*	*35.0*	*40.0*	*40.0*	*40.0*
Housing Starts (Mill. Units)	0.57	*0.62*	*0.63*	*0.64*	*0.65*	*0.70*	*0.75*	*0.80*
Existing House Sales (Mill. Units)	4.88	*4.88*	*4.80*	*4.90*	*5.00*	*5.15*	*5.30*	*5.40*
Total Light Vehicle Sales (Mill. Units)	12.1	*12.5*	*12.5*	*13.0*	*13.0*	*13.5*	*13.5*	*14.0*
National Unemployment Rate (%)	9.1	*9.1*	*9.1*	*9.0*	*9.0*	*8.9*	*8.9*	*8.8*
Federal Budget Surplus (Unified, FY, $Bill)	-141	*-328*	*-350*	*-400*	*-100*	*-250*	*-300*	*-300*
Price of Oil ($Bbl., U.S. Refiners' Cost)	107.78	*95.54*	*97.00*	*100.00*	*102.00*	*104.00*	*105.00*	*106.00*
MONEY AND INTEREST RATES								
3-Month Treasury Bill Rate (%)	0.1	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Federal Funds Rate (%)	0.1	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
10-Year Treasury Note Rate (%)	3.2	*2.4*	*2.1*	*2.1*	*2.3*	*2.4*	*2.5*	*2.6*
Long-Term Treasury Bond Rate (%)	4.3	*3.8*	*3.7*	*3.8*	*3.9*	*3.9*	*4.0*	*4.0*
AAA Corporate Bond Rate (%)	5.0	*4.6*	*4.4*	*4.5*	*4.5*	*4.6*	*4.6*	*4.6*
Prime Rate (%)	3.3	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*	*3.3*
INCOMES								
Personal Income (Annualized % Change)	4.6	*0.9*	*2.0*	*3.0*	*3.5*	*3.5*	*3.5*	*3.5*
Real Disp. Inc. (Annualized % Change)	0.6	*-1.7*	*1.7*	*2.0*	*2.0*	*1.5*	*1.5*	*1.0*
Personal Savings Rate (%)	5.1	*4.1*	*4.0*	*4.0*	*4.0*	*4.0*	*3.5*	*3.0*
After-Tax Profits (Annualized $Bill)	1470	*1558*	*1499*	*1572*	*1558*	*1605*	*1589*	*1698*
Yr-to-Yr % Change	0.3	*10.2*	*12.0*	*8.0*	*6.0*	*3.0*	*6.0*	*8.0*
COMPOSITION OF REAL GDP-ANNUAL RATES OF CHANGE								
Gross Domestic Product	1.3	*2.5*	*2.0*	*1.7*	*1.8*	*2.0*	*2.3*	*2.7*
Final Sales	1.6	*3.6*	*2.0*	*1.6*	*1.6*	*1.8*	*2.2*	*2.6*
Total Consumption	0.7	*2.4*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Nonresidential Fixed Investment	10.3	*16.3*	*8.0*	*4.0*	*4.0*	*5.0*	*5.0*	*6.0*
Structures	22.6	*13.3*	*5.0*	*-2.0*	*-4.0*	*-7.0*	*-3.0*	*4.0*
Equipment & Software	6.2	*17.4*	*6.0*	*5.0*	*5.0*	*6.0*	*7.0*	*7.0*
Residential Fixed Investment	4.2	*2.4*	*4.0*	*3.0*	*5.0*	*10.0*	*12.0*	*16.0*
Exports	3.6	*4.0*	*3.0*	*3.0*	*3.0*	*5.0*	*7.0*	*8.0*
Imports	1.4	*1.9*	*1.0*	*2.0*	*2.5*	*2.8*	*3.0*	*2.0*
Federal Government	1.9	*2.0*	*-3.0*	*-4.0*	*-4.0*	*-4.0*	*-3.5*	*-3.5*
State & Local Governments	-2.8	*-1.3*	*-3.0*	*-3.0*	*-3.0*	*-2.0*	*-1.0*	*-1.0*

Value Line Forecast for the U.S. Economy

	ACTUAL					ESTIMATED				
	2006	2007	2008	2009	2010	**2011**	**2012**	**2013**	**2014**	**2015**
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS (2005 CHAIN WEIGHTED $) BILLIONS OF DOLLARS										
Final Sales	12899	13178	13201	12853	13029	*13297*	*13560*	*13896*	*14341*	*14829*
Total Consumption	9055	9263	9212	9038	9221	*9429*	*9614*	*9804*	*10010*	*10240*
Nonresidential Fixed Investment	1456	1550	1538	1263	1319	*1439*	*1536*	*1631*	*1762*	*1885*
Structures	384	438	466	367	309	*324*	*328*	*334*	*368*	*412*
Equipment & Software	1071	1107	1059	890	1019	*1127*	*1205*	*1289*	*1392*	*1475*
Residential Fixed Investment	718	584	444	346	331	*325*	*341*	*396*	*475*	*556*
Exports	1422	1554	1649	1494	1663	*1774*	*1839*	*1970*	*2147*	*2319*
Imports	2152	2203	2144	1853	2085	*2186*	*2230*	*2291*	*2383*	*2502*
Federal Government	895	906	971	1030	1076	*1058*	*1030*	*995*	*965*	*946*
State & Local Governments	1507	1528	1528	1514	1487	*1454*	*1417*	*1410*	*1417*	*1431*
Gross Domestic Product	13377	14029	14292	13939	14527	*15209*	*15700*	*16306*	*17097*	*17979*
Real GDP (2005 Chain Weighted $)	12959	13206	13162	12703	13088	*13319*	*13575*	*13933*	*14379*	*14853*
PRICES AND WAGES-ANNUAL RATES OF CHANGE										
GDP Deflator	3.2	2.9	2.2	1.1	1.2	*2.1*	*1.0*	*1.3*	*1.6*	*1.8*
CPI-All Urban Consumers	3.2	2.9	3.8	-0.3	1.6	*3.4*	*1.5*	*2.1*	*2.2*	*2.2*
PPI-Finished Goods	3.0	3.9	6.4	-2.5	4.2	*5.5*	*1.3*	*1.8*	*2.0*	*2.2*
Employment Cost Index—Total Comp.	2.9	3.1	2.9	1.4	1.9	*2.2*	*2.1*	*2.4*	*2.5*	*2.5*
Productivity	0.9	1.5	0.6	2.3	4.1	*1.1*	*1.1*	*1.4*	*1.2*	*1.0*
PRODUCTION AND OTHER KEY MEASURES										
Industrial Prod. (% Change)	2.2	2.7	-3.7	-11.2	5.3	*2.9*	*2.4*	*3.8*	*4.0*	*3.7*
Factory Operating Rate (%)	78.6	79.2	74.9	66.2	71.7	*74.7*	*75.9*	*77.3*	*79.0*	*80.0*
Nonfarm Inven. Change (2005 Chain Weighted $)	63.2	28.7	-37.6	-143.8	60.7	*37.4*	*36.3*	*45.0*	*50.0*	*40.0*
Housing Starts (Mill. Units)	1.81	1.34	0.90	0.55	0.59	*0.60*	*0.69*	*0.95*	*1.30*	*1.50*
Existing House Sales (Mill. Units)	6.51	5.68	4.89	5.15	4.92	*4.93*	*5.09*	*5.51*	*5.80*	*6.00*
Total Light Vehicle Sales (Mill. Units)	16.5	16.1	13.2	10.4	11.6	*12.5*	*13.3*	*14.6*	*15.0*	*15.0*
National Unemployment Rate (%)	4.6	4.6	5.8	9.3	9.6	*9.1*	*9.0*	*8.8*	*8.2*	*7.8*
Federal Budget Surplus (Unified, FY, $Bill)	-248.0	-162.0	-455.0	-1416	-1294	*-1280*	*-1050*	*-850*	*-650*	*-600*
Price of Oil ($Bbl., U.S. Refiners' Cost)	60.09	67.98	95.29	59.20	76.70	*98.54*	*102.75*	*109.00*	*110.00*	*115.00*
MONEY AND INTEREST RATES										
3-Month Treasury Bill Rate (%)	4.7	4.4	1.4	0.2	0.1	*0.1*	*0.1*	*0.2*	*1.3*	*2.0*
Federal Funds Rate (%)	5.0	5.0	1.9	0.2	0.2	*0.1*	*0.1*	*0.2*	*1.5*	*2.5*
10-Year Treasury Note Rate (%)	4.8	4.6	3.7	3.3	3.2	*2.8*	*2.3*	*2.8*	*3.5*	*4.0*
Long-Term Treasury Bond Rate (%)	4.9	4.8	4.3	4.1	4.3	*4.1*	*3.9*	*4.1*	*4.5*	*5.0*
AAA Corporate Bond Rate (%)	5.6	5.6	5.6	5.3	4.9	*4.8*	*4.6*	*4.7*	*5.2*	*5.7*
Prime Rate (%)	8.0	8.1	5.1	3.3	3.3	*3.3*	*3.3*	*3.4*	*4.5*	*6.0*
INCOMES										
Personal Income (% Change)	7.5	5.7	4.6	-4.3	3.7	*4.1*	*3.4*	*4.0*	*5.0*	*5.0*
Real Disp. Inc. (% Change)	4.0	2.4	2.4	-2.3	1.8	*0.5*	*1.8*	*1.8*	*3.0*	*3.0*
Personal Savings Rate (%)	2.6	2.4	5.4	5.2	5.3	*4.6*	*3.9*	*3.1*	*3.7*	*4.0*
After-Tax Profits ($Bill)	1349	1293	1051	1183	1408	*1496*	*1581*	*1748*	*1870*	*1964*
Yr-to-Yr % Change	9.9	-4.2	-18.7	12.6	19.0	*6.2*	*5.7*	*10.5*	*7.0*	*5.0*
COMPOSITION OF REAL GDP-ANNUAL RATES OF CHANGE										
Gross Domestic Product	2.7	1.9	-0.3	-3.5	3.0	*1.8*	*1.9*	*2.6*	*3.2*	*3.3*
Final Sales	2.6	2.2	0.2	-2.6	1.4	*2.1*	*2.0*	*2.5*	*3.2*	*3.4*
Total Consumption	2.9	2.3	-0.6	-1.9	2.0	*2.3*	*2.0*	*2.0*	*2.1*	*2.3*
Nonresidential Fixed Investment	8.0	6.5	-0.8	-17.9	4.4	*9.1*	*6.7*	*6.2*	*8.0*	*7.0*
Structures	9.2	14.1	6.4	-21.2	-15.8	*4.9*	*1.3*	*1.7*	*10.0*	*12.0*
Equipment & Software	7.6	3.3	-4.3	-16.0	14.6	*10.6*	*7.0*	*6.9*	*8.0*	*6.0*
Residential Fixed Investment	-7.3	-18.7	-23.9	-22.2	-4.3	*-1.7*	*5.0*	*16.0*	*20.0*	*17.0*
Exports	9.0	9.3	6.1	-9.4	11.3	*6.7*	*3.7*	*7.1*	*9.0*	*8.0*
Imports	6.1	2.4	-2.7	-13.6	12.5	*4.8*	*2.0*	*2.7*	*4.0*	*5.0*
Federal Government	2.1	1.2	7.2	6.0	4.5	*-1.7*	*-2.7*	*-3.3*	*-3.0*	*-2.0*
State & Local Governments	0.9	1.4	0.0	-0.9	-1.8	*-2.2*	*-2.5*	*-0.5*	*0.5*	*1.0*

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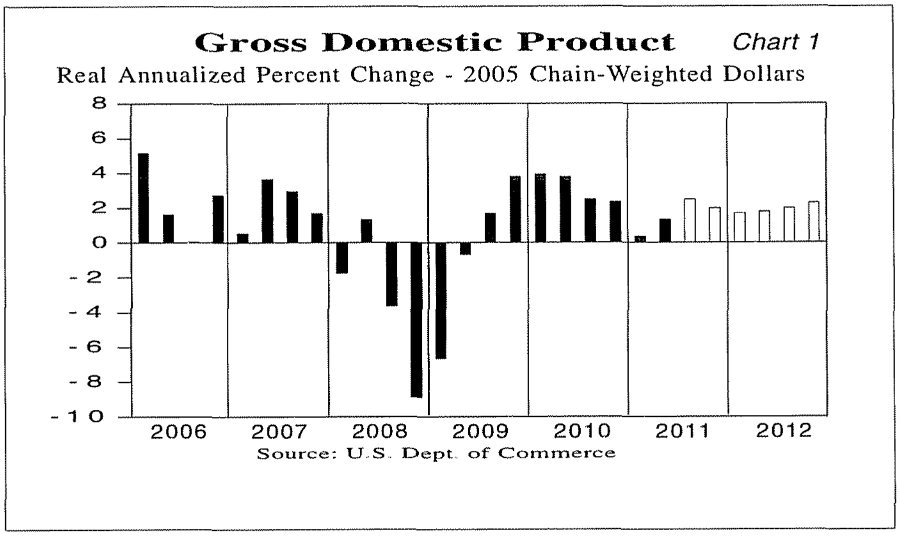
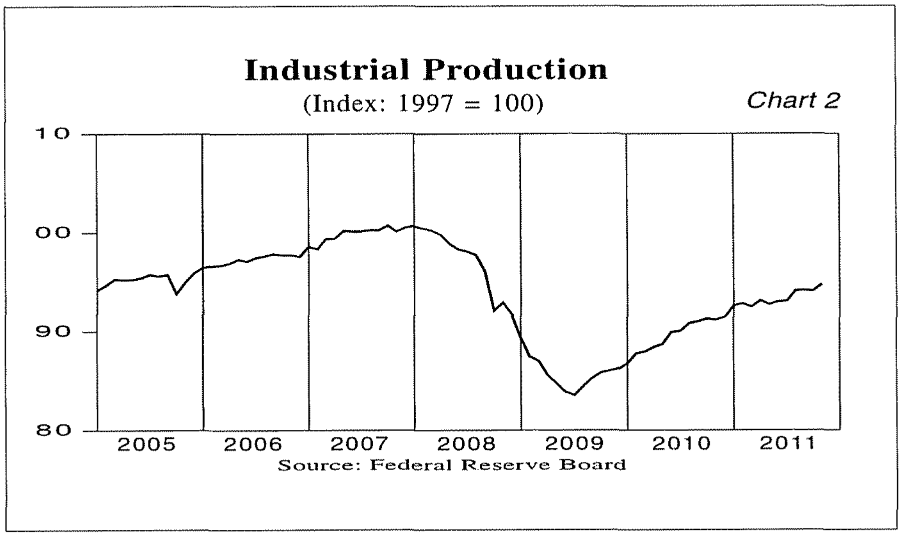
Continued from cover page

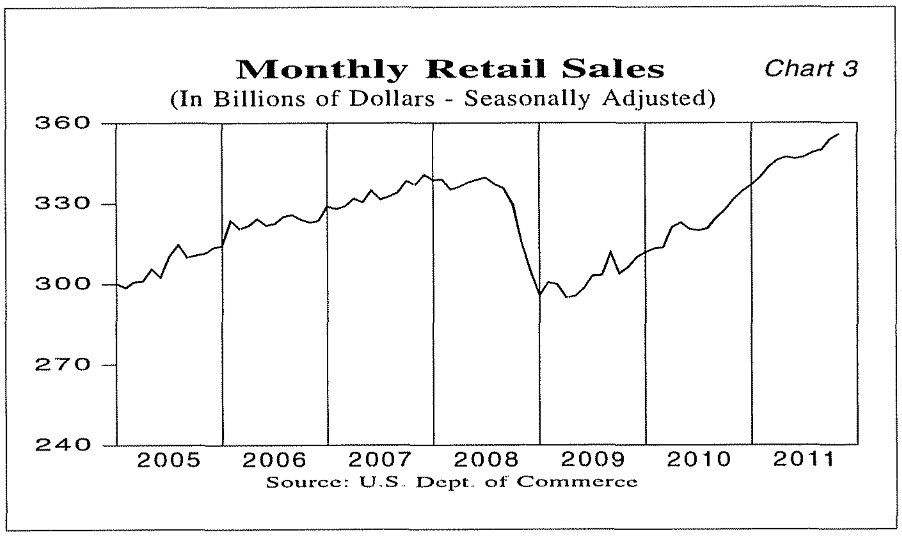
harm U.S. corporate balance sheets as well as the broad economy. A more severe shock over there, such as a disorderly default in Greece or a major financial setback in Italy—a far larger country—would have serious ramifications for our nation, and particularly so for China, where the euro zone is a big export market.

Absent such a European event, a misstep by the Fed, or an exogenous shock (such as a new war, a terrorist attack, or a major weather event), we do not figure to suffer a recession in 2012—that is, if we define a recession as two straight quarters of shrinking gross domestic product. A recession call by the recognized arbiter of such dour events—the National Bureau of Economic Research—is much harder to predict, or time. However, we have noted in the past that whether we technically suffer a mild recession or narrowly sidestep such an event, is largely a matter of semantics. In fact, some pundits are now claiming, with a degree of accuracy, that current sentiment readings say recession, but much of the underlying data suggests growth. Suffice it to say that even a near recession may have major side effects. These would possibly include new setbacks in housing, a further rise in joblessness, the potential for a decline in personal income, and the risk that consumers may begin to act on their gloomy sentiment readings and pull back on the spending front. Such an outcome might, in turn, lead to overzealousness in fiscal or monetary policies, with the long-term financial risks inherent in such efforts. On balance, we think the Fed will try to do more. However, its powers and options are limited at this stage of the game. Overall...

We think the odds our nation will fall into a new recession, so soon after the last one, and while the wounds of that downturn are still raw, are fairly low. We sense such a prospect has, at most, a one in three chance of evolving. Unfortunately, the risks appear to be to the down-







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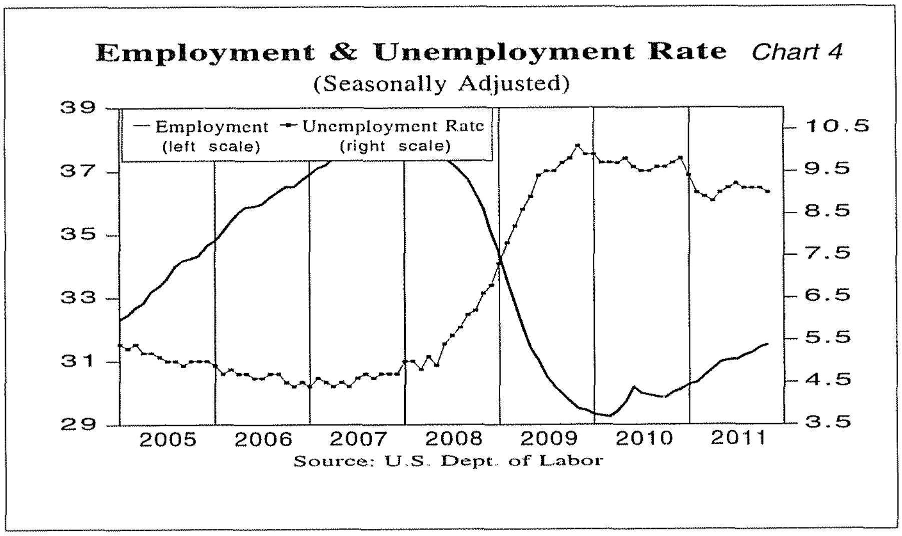

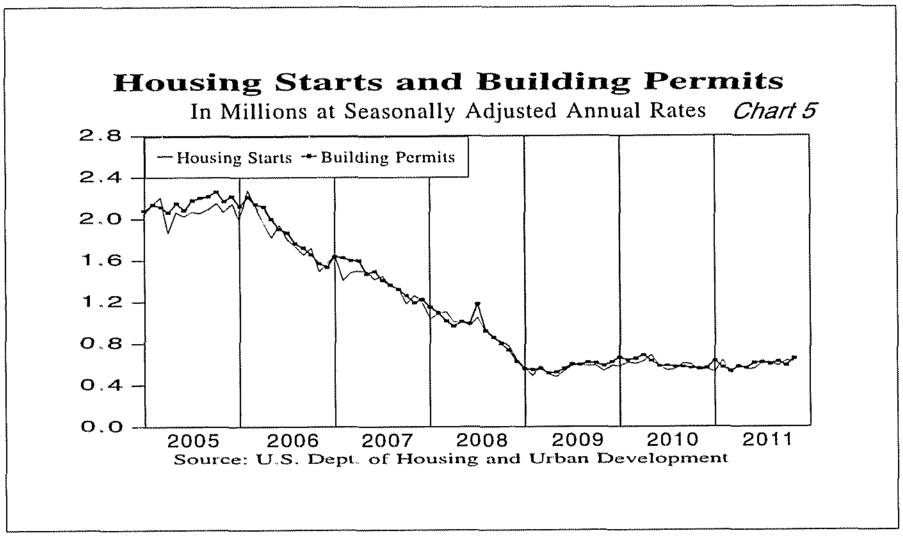

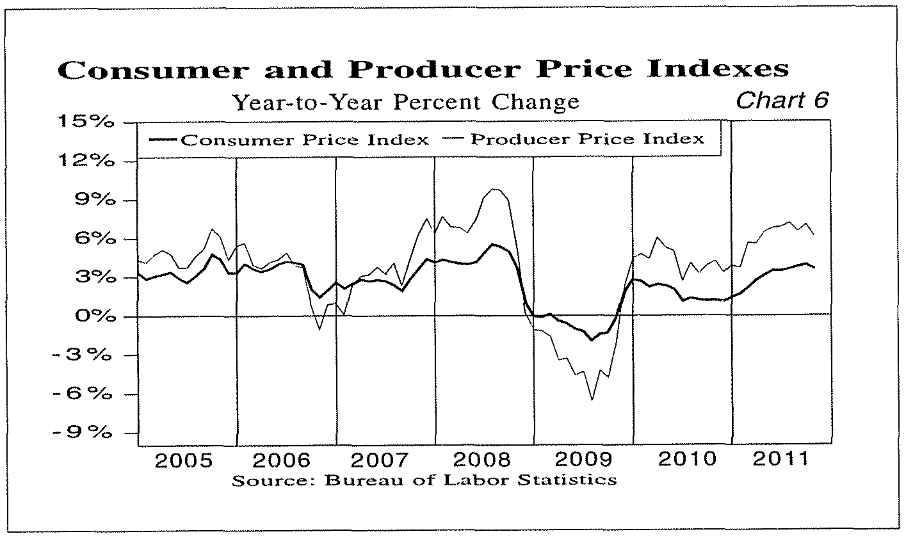

side, particularly if recent efforts to buy more time in Europe do not lead to a meaningful long-term resolution of the Continent's problems.

SOME SPECIFICS

Economic Growth: As noted, the nation's economy pressed forward by 2.5% in the third quarter. Now, taken by itself, that was not a memorable performance, as it was still a percent, or so, below the rate generally seen as needed to measurably reduce the 9.0% jobless rate. More important, it is likely that this moderately better economic pace is not sustainable. In fact, we expect growth during the final three months of this year and the first half of 2012 to ease back to 2%, or less, as business investment, which was so potent in the recent period, figures to be more restrained, along with consumer spending and export demand. Still, even that lesser rate of growth would be clearly preferable to the 1.3% gain inked during this year's second quarter and even further ahead of the 0.4% growth tallied in the initial period of this year (Chart 1).

Looking out, our economic model assumes that Europe will suffer no worse than a mild recession and that China and much of Asia will stay on a modest growth trajectory. Over here, a further rise in industrial production (Chart 2), modest retail improvement (Chart 3), progressively better payroll numbers and a gradual decline in the unemployment rate (Chart 4), and a belated turnaround in the troubled U.S. housing market, where pent-up demand is becoming a key variable (Chart 5) are all probable next year.

Combined, they should yield steadily strengthening growth later on in 2012. That said, we sense that much of this decade will be noted for below-trend growth of 3.0%-3.5%—at best. That is not an enterprising prospect, but it may be realistic given the excesses that prevailed in some areas (i.e., housing) during the first years of the young century. These excesses have taken years to wind down and could take further time to fully correct. Until that happens, a stable

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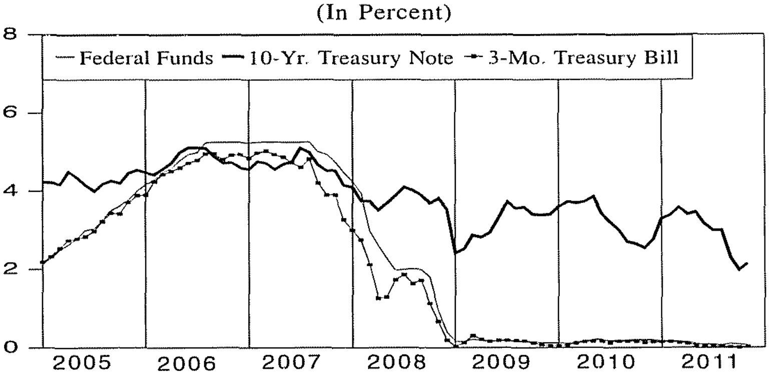
financial future may be at some risk.

Inflation: Worries here are easing, although that is hard to tell those who shop for food, fill up their cars with gas, or heat or cool their homes. On the whole, inflation at the producer (or wholesale) and consumer levels are now showing moderating gains this year. Meanwhile, there could well be limited pressure from oil and food in 2012, as GDP growth probably will be muted. Also, with listless business and consumer demand in 2012, there figures to be a pullback in commodity prices and limited wage growth. That should help to keep the so-called core rate of inflation, which excludes energy and food, under control. Over a more extended period, inflationary pressures should build, as the fiscal and monetary bills engendered by the efforts to fight the repercussions of the long 2007-2009 recession come due. That eventuality could well rattle equity investors and fixed-income holders alike (Chart 6).

Interest Rates: Interest rates have trended mostly lower since August's "Quarterly Economic Review," with yields on the benchmark 10-year Treasury note easing from 2.17% to 2.00%. Six months ago, such yields were up at 3.18%. At the same time, the yield on the companion 30-year Treasury bond has fallen from 3.56% three months ago to 3.00% recently. Six months ago, the 30-year bond was yielding 4.30%. Concerns about Europe, China, and our own ability to sidestep a recession have led to this "flight to quality," pushing yields down in the process. The Federal Reserve, in keeping with the present macroeconomic reality, has pared its growth targets, embarked on a $400 billion "twist" operation aimed at reducing long-term interest rates, and left the door open for another round of easing in 2012, a QE III program, if you will, following on the heels of the two prior efforts. We think the Fed, which has few options left, may push for such a move by early next year. Looking further out, we sense interest rates will stay near their historic lows until well into 2013 (Chart 7).

Selected Interest Rates Chart 7

(In Percent)



Source: Federal Reserve Board

Corporate Profits: Here, the news has been good for almost three years now, as Corporate America has met or exceeded profit forecasts for the most part. Such steady progress has made comparisons that much tougher going forward. In fact, we saw some instances of that in the third quarter, when there looked to be more misses at the bottom line than in some prior quarters. With the economy likely to press ahead at an unexceptional gait in the months to come, it figures that profit matchups may get more difficult in 2012, making progressively smaller quarterly increases more the norm, in our view. We may then see a heating up in earnings in 2013.

THE STOCK MARKET

The words that might summarize this analysis thus far are steady, gradual, or muted. Specifically, the economy has ambled along at a slow, but uneven, growth pace; inflation has been muted; yields have risen or fallen within a tight range; and profits have climbed steadily. For the most part, few dramatics have been seen. That is not the case with the stock market, however, which has been on a frenetic path in 2011, most notably over the past few months, as moves of multiple percentage points have become the new norm, not only on a day-to-day basis, but often from hour to hour. We have seen such moves in the exaggerated gains and losses in the major averages and the elevated reading in the volatility indexes, such as the VIX, which have remained at unusually high levels this year. In large part, the market has stayed in a trading range—but it has been a wide range, from roughly 10,500 to 12,500 in the Dow Jones Industrial Average. And within this range, we have seen swings of 300 to 500 points a week, or more, mostly on changing fortunes in Europe, and to a lesser degree on the ebb and flow of economic news at home. At some point, Europe will lessen as a flash point, and volatility will ease. For now, though, investors seem to be captive to the daily musings from the Continent, with the outcome in our equity markets often pre-ordained by the latest tidings from the Continent. This isn't a confidence builder, to say the least.

Conclusion: Given the potential for unsettling developments abroad and the elevated level of volatility that has evolved from it, the respectable, but not inspiring, showing by equities this year is impressive, and gives us confidence that when the euro zone does settle down, as it will, stocks should again press forward nicely. For now, valuations and yields seem attractive enough for investors to stay the course. Please refer to the inside back cover of *Selection & Opinion* for our statistically-based Asset Allocation Model's current reading.

Investors' Datebook: December, 2011

DATE	EVENT
12/1	Initial Unemployment Claims-8:30 Construction Expenditures, October-10:00 ISM's Purchasing Manager's Index (Manufacturing), November-10:00 Weekly Fed Data-4:30 Productivity & Costs (Revised)
12/2	Employment Situation, November-8:30
12/5	13- & 26-Week Treasury Bill Auction Factory Orders, October-10:00 ISM's Purchasing Manager's Index (Non-Manufacturing), November-10:00
12/7	Consumer Credit, October-3:00
12/8	Initial Unemployment Claims-8:30 Weekly Fed Data-4:30 Wholesale Trade, October
12/9	Merchandise Trade Balance, October-8:30
12/12	13- & 26-Week Treasury Bill Auction Treasury Budget Report, November-2:00
12/13	FOMC Meeting Advance Retail Sales, November-8:30 Mfg. & Trade: Inventories & Sales, October-10:00
12/15	Initial Unemployment Claims-8:30 Producer Price Index, November-8:30 Capacity Utilization, November-9:15 Industrial Production, November-9:15 Weekly Fed Data-4:30
12/16	Consumer Price Index, November-8:30 Real Earnings, November
12/19	13- & 26-Week Treasury Bill Auction
12/20	Housing Starts & Building Permits, November-8:30
12/21	Existing Home Sales, November-10:00
12/22	Initial Unemployment Claims-8:30 Leading Indicators, November-10:00 Weekly Fed Data-4:30 Corporate Profits, 3Q11 (Final) Gross Domestic Product, 3Q11 (Final)
12/23	Durable Goods Orders, November-8:30 Personal Income and Outlays, November-8:30 New Home Sales, November-10:00
12/26	**Christmas (observed)—U.S. Financial Markets Closed**
12/27	13- & 26-Week Treasury Bill Auction
12/29	Initial Unemployment Claims-8:30 Weekly Fed Data-4:30
12/30	Agricultural Prices

Source: Office of Management & Budget.

Model Portfolios: Recent Developments

PORTFOLIO I

In contrast to the broad support that Portfolio I experienced during the month of October, our group has found November less pleasing, so far. It is not that the portfolio has lost that much ground. Indeed, at this writing, its market value has advanced better than 15.5% since the end of the third quarter, well ahead of its benchmark (the S&P 500 Index adjusted for dividends). Rather, the intensity of the market's enthusiasm appears to have fallen off, reflecting the ongoing sovereign-debt problems in southern Europe, the lackluster prospects for economic growth, the stubbornly high unemployment rate in the United States, and hints that economic progress may be slowing in China.

To be fair, many of the portfolio's holdings had taken on favorable valuations relative to their prospects in the wake of the drubbing meted out in July, August, and September, making them attractive just as investors turned more optimistic as October began. Accordingly, much of the damage that was sustained in the summer and early fall has now been repaired.

Although we are always on watch for new ideas, we remain comfortable with the portfolio's current composition, and we are making no changes to it this week.

PORTFOLIO II

The U.S. equity market has not been able to mount a sustained advance so far in November. Europe's problems, and the resulting fear that the region will slip into recession, have become the center of attention. The euro has weakened, making it hard for large multinational companies to sell goods to that region. The crisis could also influence the commodity markets, potentially depressing related equities, as well.

Portfolio II is holding up well, in our view. Generally, our companies have met their earnings targets of late. Recently, retailer *Wal-Mart* put out a mixed report. The top line was healthy. The company posted a sales increase at its U.S. stores, which had been weak for some time, and it is also enjoying success in China and Mexico. Still, earnings per share came in a bit lower than we had anticipated. Wall Street's response to the news was slightly negative. Prior to this, the issue had performed well in October and early November, hitting a 52-week high. We have noticed that recent retail data have been positive and think this stock may benefit from investors buying into the sector. The issue is ranked favorably for Timeliness and has a high Safety Rank. The yield is about 2.5%, the lowest in our portfolio, which would become a concern, if the stock price stagnates.

We have made no changes to our portfolio this week.

PORTFOLIO III

With the holiday season now in full swing, hopes for a "Santa Claus" rally across Portfolio III and the broader U.S. equity market may hinge on events in Europe, where policymakers continue to struggle with an ever-widening sovereign debt problem. Anxious investors seem to be hanging on every headline from the other side of the Atlantic these days, like the results of a recent bond auction in Spain (that left the country paying its highest interest rates in nearly 15 years), for clues as to whether the debt crisis can be contained. News on the domestic economic front is also garnering plenty of attention. Notably, data, including a drop in applications for unemployment benefits and an improvement in new building permits, has been fairly encouraging of late. This supports our view that the U.S. will be able to avoid slipping into another recession.

The price of crude, meanwhile, has topped the psychological $100-a-barrel threshold, bolstered by two new pipeline plans that promise to reduce large oil stockpiles in Middle America. This has given a lift to our volatile energy plays, namely *Halliburton* and *National Oilwell Varco*. And the strengthening of the U.S. dollar against the euro has prompted investors to bid up shares of *United States Steel*, our other big commodity play. The metal issue has badly lagged the Standard & Poor's 500 Index over the past few months, likely hurt by fears of a sharp drop-off in shipments to Europe. But we expect it to bounce back over time, as domestic demand further picks up and pricing trends stabilize. We are making no changes to Portfolio III this week.

PORTFOLIO IV

Portfolio IV is holding up well in a rocky market. Plus, the group's dividend yield, its primary allure, remains well above the *Value Line* median, providing investors with a healthy income stream. Many of the stocks in our portfolio are ranked favorably for Timeliness and the majority offers above-average Safety ranks and relatively low betas, indicating low volatility. As we enter the normally light trading holiday season, we continue to keep the portfolio's composition unchanged.

Northrop Grumman declared a fourth-quarter dividend of $0.50 a share, as anticipated. The stock yields 3.5% at the current quotation. We added shares of the global defense contractor in March, 2011, after the company spun off its shipbuilding unit, Huntington Ingalls. *NOC* caught our attention for its solid earnings outlook, and we continue to believe that it will benefit from strong military aircraft demand in the December quarter and into 2012. Besides the U.S., numerous other nations are looking to procure Northrop's F-35 fighter jets. Its wide array of product offerings is also a plus. *NOC* stock holds appeal to investors looking for year-ahead capital appreciation, along with a stable payout. It historically distributes just below 30% of profits as dividends. In addition, management utilizes cash to repurchase shares and occasionally to reduce long-term debt, moves that could help bolster returns.

PORTFOLIO I: STOCKS WITH ABOVE-AVERAGE YEAR-AHEAD PRICE POTENTIAL

(primarily suitable for more aggressive investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
2121	AAP	Advance Auto Parts	68.45	1	3	14.3	0.4	0.85	B+	Retail Automotive
1400	AAPL	Apple Inc.	388.83	2	2	12.6	Nil	1.05	A++	Computers/Peripherals
1172	BLL	Ball Corp.	34.75	1	2	11.5	0.8	0.95	B++	Packaging & Container
381	CSTR	Coinstar Inc.	44.86	2	3	11.0	Nil	0.90	B+	Industrial Services
990	DAN	Dana Holding Corp.	13.85	1	4	7.4	Nil	2.60	B+	Auto Parts
1024	DTV	DIRECTV	47.08	1	3	12.4	Nil	0.90	B+	Cable TV
2218	FL	Foot Locker	22.57	2	3	12.0	2.9	1.05	B++	Retail (Softlines)
2157	GCO	Genesco Inc.	59.95	1	3	16.6	Nil	1.20	B+	Shoe
1015	HELE	Helen of Troy Ltd.	28.67	2	3	8.5	Nil	1.10	B++	Toiletries/Cosmetics
733	KMT	Kennametal Inc.	36.81	1	3	9.9	1.5	1.40	B++	Metal Fabricating
2141	KSS	Kohl's Corp.	55.76	1	2	11.5	2.1	1.00	A+	Retail Store
933	MIICF	Millicom Int'l Cellular	108.60	1	3	14.8	1.7	1.45	B++	Telecom. Services
343	NSC	Norfolk Southern	75.36	1	3	13.3	2.3	1.10	B++	Railroad
325	ODFL	Old Dominion Freight	39.07	1	3	15.8	Nil	1.10	B+	Trucking
2112	PVH	PVH Corp.	69.82	1	3	13.1	0.2	1.25	B+	Apparel
2420	RES	RPC Inc.	21.47	1	3	9.1	1.9	1.55	B++	Oilfield Svcs/Equip.
326	R	Ryder System	53.54	2	3	13.9	2.2	1.25	B+	Trucking
1345	TEL	TE Connectivity	34.65	2	3	10.2	2.1	1.25	B++	Electronics
737	TKR	Timken Co.	43.95	1	3	9.2	1.8	1.40	B+	Metal Fabricating
728	TGI	Triumph Group Inc.	58.37	1	3	12.6	0.3	1.10	B++	Aerospace/Defense

To qualify for purchase in the above portfolio, a stock must have a Timeliness Rank of 1 and a Financial Strength Rating of at least B+. If a stock's Timeliness rank falls below 2, it will be automatically removed. Stocks in the above portfolio are selected and monitored by Charles Clark, Associate Research Director.

PORTFOLIO II: STOCKS FOR INCOME AND POTENTIAL PRICE APPRECIATION

(primarily suitable for more conservative investors)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	54.50	1	1	11.1	3.5	0.60	A++	Drug
2539	BLK	BlackRock, Inc.	165.88	3	3	13.1	3.3	1.20	A	Financial Svcs. (Div.)
503	CVX	Chevron Corp.	103.27	1	1	7.5	3.1	0.95	A++	Petroleum (Integrated)
1968	KO	Coca-Cola	68.00	3	1	16.5	2.8	0.60	A++	Beverage
1189	CL	Colgate-Palmolive	88.79	3	1	16.8	2.7	0.60	A++	Household Products
504	COP	ConocoPhillips	71.99	2	1	8.4	3.8	1.10	A++	Petroleum (Integrated)
358	DRI	Darden Restaurants	48.09	3	3	12.9	3.6	1.05	A	Restaurant
1582	DD	Du Pont	48.30	3	1	11.1	3.5	1.15	A++	Chemical (Basic)
1306	EMR	Emerson Electric	51.39	3	1	14.0	3.1	1.05	A++	Electrical Equipment
1753	HON	Honeywell Int'l	54.78	2	1	12.8	2.7	1.15	A++	Diversified Co.
1362	INTC	Intel Corp.	25.34	1	1	9.6	3.3	1.00	A++	Semiconductor
718	LMT	Lockheed Martin	77.85	2	1	9.8	5.1	0.80	A++	Aerospace/Defense
363	MCD	McDonald's Corp.	94.47	3	1	17.4	3.0	0.65	A++	Restaurant
193	MDT	Medtronic, Inc.	34.99	3	1	9.8	2.9	0.85	A++	Med Supp Invasive
1337	MOLX	Molex Inc.	24.73	3	2	13.3	3.2	1.20	A	Electronics
407	RSG	Republic Services	27.23	2	3	13.2	3.2	0.95	B+	Environmental
1621	SNY	Sanofi ADR	33.67	3	1	11.0	5.5	0.80	A+	Drug
1049	TEF	Telefonica SA ADR	18.60	3	2	7.5	11.6	0.90	B++	Telecom. Utility
316	UPS	United Parcel Serv.	70.57	3	1	16.5	2.9	0.85	A	Air Transport
2152	WMT	Wal-Mart Stores	57.46	2	1	12.0	2.5	0.60	A++	Retail Store

To qualify for purchase in the above portfolio, a stock must have a yield that is in the top half of the Value Line universe, a Timeliness Rank of at least 3 (unranked stocks may be selected occasionally), and a Safety Rank of 3 or better. If a stock's Timeliness Rank falls below 3, that stock will be automatically removed. Stocks are selected and monitored by Adam Rosner, Editorial Analyst.

PORTFOLIO III: STOCKS WITH LONG-TERM PRICE GROWTH POTENTIAL

(primarily suitable for investors with a 3- to 5-year horizon)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	3- to 5-yr Appreciation Potential	Industry Name
1541	AFL	Aflac Inc.	44.20	2	3	7.1	3.0	1.15	45 - 115%	Insurance (Life)
974	CVS	CVS Caremark Corp.	38.95	2	1	13.1	1.3	0.80	55 - 95	Pharmacy Services
354	CBOU	Caribou Coffee	13.99	3	4	34.1	Nil	0.95	45 - 150	Restaurant
1596	CELG	Celgene Corp.	65.41	3	2	19.8	Nil	0.75	55 - 105	Drug
2327	DIS	Disney (Walt)	36.45	3	1	12.5	1.1	1.05	80 - 120	Entertainment
928	DY	Dycom Inds.	20.26	1	3	20.3	Nil	1.40	0 - 75	Telecom. Services
2623	GOOG	Google, Inc.	616.56	3	2	16.6	Nil	0.90	115 - 195	Internet
2105	GES	Guess Inc.	31.04	3	3	8.6	2.6	1.25	110 - 220	Apparel
2411	HAL	Halliburton Co.	38.91	2	3	10.0	0.9	1.35	65 - 155	Oilfield Svcs/Equip.
2309	HOG	Harley-Davidson	40.07	3	3	15.3	1.2	1.50	25 - 75	Recreation
1920	HRL	Hormel Foods	29.93	3	1	16.4	1.9	0.65	15 - 50	Food Processing
1998	ESI	ITT Educational	58.01	2	3	6.4	Nil	0.70	90 - 185	Educational Services
223	JNJ	Johnson & Johnson	64.99	3	1	13.0	3.5	0.65	30 - 55	Med Supp Non-Invasive
1922	K	Kellogg	49.80	4	1	14.7	3.5	0.55	50 - 90	Food Processing
1002	MGA	Magna Int'l 'A'	34.43	3	3	7.0	2.9	1.20	130 - 250	Auto Parts
2416	NOV	National Oilwell Varco	70.65	3	3	13.9	0.7	1.55	55 - 140	Oilfield Svcs/Equip.
1976	PEP	PepsiCo, Inc.	64.50	3	1	14.2	3.2	0.60	70 - 110	Beverage
752	X	U.S. Steel Corp.	27.13	2	3	9.7	0.7	1.70	160 - 305	Steel
813	UNH	UnitedHealth Group	46.55	2	2	10.4	1.4	1.00	70 - 135	Medical Services
1384	XLNX	Xilinx Inc.	32.97	4	2	16.4	2.3	0.90	35 - 80	Semiconductor

To qualify for purchase in the above portfolio, a stock must have worthwhile and longer-term appreciation potential. Among the factors considered for selection are a stock's Timeliness and Safety Rank and its 3- to 5-year appreciation potential. (Occasionally a stock will be unranked (NR), usually because of a short trading history or a major corporate reorganization.) Stocks in the above portfolio are selected and monitored by Justin Hellman, Editorial Analyst.

PORTFOLIO IV: STOCKS WITH ABOVE-AVERAGE DIVIDEND YIELDS

(primarily suitable for investors interested in current income)

Ratings & Reports Page	Ticker	Company	Recent Price	Time-liness	Safety	P/E	Yield%	Beta	Financial Strength	Industry Name
1589	ABT	Abbott Labs.	54.50	1	1	11.1	3.5	0.60	A++	Drug
602	ARLP	Alliance Resource	73.60	1	3	9.3	5.2	1.10	B+	Coal
903	LNT	Alliant Energy	42.15	3	2	15.9	4.2	0.75	A	Electric Util. (Central)
1043	BT	BT Group ADR	30.73	1	3	8.6	3.9	1.00	B+	Telecom. Utility
1987	BTI	Brit. Amer Tobac. ADR	94.03	3	2	15.2	4.1	0.70	B++	Tobacco
140	ED	Consol. Edison	58.75	3	1	16.5	4.1	0.60	A+	Electric Utility (East)
358	DRI	Darden Restaurants	48.09	3	3	12.9	3.6	1.05	A	Restaurant
1582	DD	Du Pont	48.30	3	1	11.1	3.5	1.15	A++	Chemical (Basic)
1917	HNZ	Heinz (H.J.)	53.78	3	1	15.3	3.6	0.65	A+	Food Processing
1161	IP	Int'l Paper	28.14	1	3	8.9	3.7	1.45	B+	Paper/Forest Products
544	LG	Laclede Group	40.49	3	2	15.8	4.1	0.60	B++	Natural Gas Utility
363	MCD	McDonald's Corp.	94.47	3	1	17.4	3.0	0.65	A++	Restaurant
720	NOC	Northrop Grumman	59.45	2	1	8.3	3.5	0.85	A++	Aerospace/Defense
917	OGE	OGE Energy	52.15	2	2	15.1	3.0	0.80	A	Electric Util. (Central)
2247	POR	Portland General	24.52	3	3	13.0	4.4	0.75	B+	Electric Utility (West)
1990	RAI	Reynolds American	39.54	4	2	14.5	5.7	0.60	B+	Tobacco
1930	SLE	Sara Lee Corp.	18.55	NR	2	20.6	2.6	0.80	B++	Food Processing
154	SO	Southern Co.	43.45	2	1	16.6	4.5	0.55	A	Electric Utility (East)
1229	TA.TO	TransAlta Corp.	21.32	3	3	16.8	5.4	0.70	B+	Power
1039	WPC	W.P. Carey & Co. LLC	40.62	3	3	16.1	5.5	0.85	B+	Property Management

To qualify for purchase in the above portfolio, a stock must have a yield that is at least 1% above the median for the Value Line universe, a Timeliness Rank of at least 3, and a Financial Strength Rating of at least B+. If a stock's Timeliness Rank falls below 4, that stock will be automatically removed. Stocks are selected and monitored by Damon Churchwell, Senior Analyst.

Low-Risk Stocks for Worthwhile Total Return

This week we have screened the *Value Line* database for stocks that combine below-average risk with worthwhile total return potential over the long haul. First, we limited the field to equities with Safety ranks of 1 (or 2). By definition, these are stocks that, in our opinion, have less than normal total risk.

Then, we required price appreciation potential to 2014-2016 of at least 70%, which is in line with the current median for all stocks under our review. Next, we specified that the remaining equities must have a current dividend yield of at least 2.8%, 50 basis points higher than the 2.3% median yield for the *Value Line* universe. We further limited the selection to stocks with projected three- to five-year average annual dividend growth of at least 5.0% (well above the average pace of inflation that Value Line forecasts for the same period). To tie the growth and income criteria together, we required an average annual total return over the next three to five years of 17%, which is favorable given the returns currently available on low-risk assets. For reference, we also present the projected average annual earnings growth over the three- to five-year pull for companies that survived this examination.

Finally, we eliminated all holdings with subpar prospects for market performance over the next six to 12 months. That is, equities ranked below 3, or Average, for Timeliness were discarded. This step was taken to screen out stocks that are most at risk of underperformance in the near term, in spite of their otherwise attractive investment attributes.

Of course, the sturdy relative price momentum and high investment quality implied by the above criteria would suggest limited opportunities for a good dividend yield and worthwhile three- to five-year price gains. Indeed, the resulting roster is a quite small and elite group of stocks that appears suitable for patient investors who seek worthwhile total returns, but are also averse to excess risk.

We would advise investors to use this screen, and all others presented in *Selection & Opinion*, as a starting point for investigating stocks that meet specific investment criteria. We suggest that a point for further investigation would begin by consulting the latest *Ratings & Reports* page for those stocks of interest.

Ratings & Reports Page	Ticker	Company Name	Safety	3-5 Year E.P.S. Growth	3-5 Year Avg. Apprec. Potential	Current Yield	3-5 Year Div'd Growth	Total Return	Timeliness
993	ETN	Eaton Corp.	2	14.0%	90%	2.9%	8%	19%	2
1362	INTC	Intel Corp.	1	14.5	115	3.3	11	23	1
807	LNCR	Lincare Holdings	2	12.0	100	3.4	35	21	3
1988	LO	Lorillard Inc.	2	14.0	80	4.8	12	19	3
2584	MSFT	Microsoft Corp.	1	12.0	85	3.0	17	19	2
1430	SPLS	Staples, Inc.	2	11.5	170	2.9	9	30	3

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	11/9/2011	11/16/2011	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	11780.94	11905.59	+1.1%	+8.0%
Standard & Poor's 500	1229.10	1236.91	+0.6%	+5.0%
N.Y. Stock Exchange Composite	7353.45	7392.02	+0.5%	-1.1%
NASDAQ Composite	2621.65	2639.61	+0.7%	+6.9%
NASDAQ 100	2314.10	2324.37	+0.4%	+11.0%
American Stock Exchange Index	2261.01	2271.00	+0.4%	+10.7%
Value Line (Geometric)	327.60	330.33	+0.8%	-3.0%
Value Line (Arithmetic)	2653.84	2679.13	+1.0%	+2.7%
London (FT-SE 100)	5460.38	5509.02	+0.9%	-3.0%
Tokyo (Nikkei)	8755.44	8463.16	-3.3%	-13.6%
Russell 2000	718.86	729.86	+1.5%	+3.5%

Income Stocks with Worthwhile Total Return Potential

This screen focuses on stocks with good current dividend yields that have at least average prospects for relative price performance over the next three to five years. This combination should result in a group of stocks with worthwhile total return potential.

In the first two steps of the selection process, we limited the field to equities with Timeliness ranks of 3 (Average), or better, and Safety ranks of at least 3 (Average). Next, we pared our universe with respect to income generation. We selected issues with current dividend yields of at least 3.3%, 100 basis points (1.0%) above the current median of 2.3% for all dividend-paying stocks under Value Line's review; projected 2014-2016 dividend yields were pegged to be at least 2.5%. At that point, equities with three- to five-year projected price appreciation of less than 80% were cast aside (the current median is 70%). We then selected the remaining issues with a projected average annual total return to 2014-2016 (price gains plus dividends) of at least 20%, which is quite favorable in light of the fact that we may experience a period of lower economic growth with a reduction in available investment returns. Finally, to be included in our list, a company had to have a financial strength rating of no lower than B, and a recent stock price at least $10 a share.

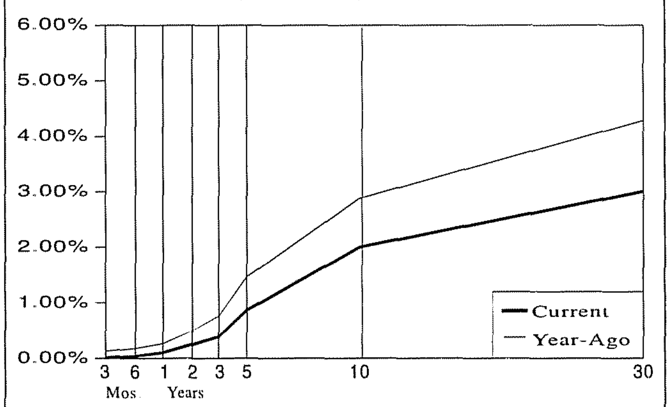
Investors seeking above-average current income, along with worthwhile three- to five-year total return potential, may find these equities of interest. Nonetheless, we would encourage subscribers to consult each company's most recent review in *Rating & Reports* before making new commitments.

Ratings & Reports Page	Ticker	Company	Recent Price	Timeliness	Safety	Current Yield	3-5 Year Est. Yield	3-5 Year Appreciation Potential	3-5 Year Avg. Total Return
2534	AB	AllianceBernstein Hldg.	13.37	3	3	12.6%	5.6%	220%	40%
559	AVY	Avery Dennison	27.03	3	2	3.7	3.1	115	24
2539	BLK	BlackRock, Inc.	165.88	3	3	3.3	2.8	90	20
2642	BX	Blackstone Group LP	14.05	3	3	5.7	4.2	150	30
2306	FUN	Cedar Fair L.P.	22.08	2	3	4.5	4.4	105	23
102	DDAIF	Daimler AG	44.22	2	3	6.1	2.5	185	33
358	DRI	Darden Restaurants	48.09	3	3	3.6	2.8	90	20
2362	RRD	Donnelley (R.R) & Sons	15.86	2	3	6.6	2.8	170	31
956	ERIC	Ericsson ADR	10.22	3	3	3.9	2.6	100	22
1751	GE	Gen'l Electric	16.20	3	3	3.7	3.0	145	28
2364	MDP	Meredith Corp.	28.06	3	3	5.5	2.6	115	24
1030	SJRB.TO	Shaw Commun. 'B'	21.27	1	3	4.3	2.7	100	22
1380	TSM	Taiwan Semic. ADR	13.08	3	3	4.0	4.0	90	21
1049	TEF	Telefonica SA ADR	18.60	3	2	11.6	5.7	130	29
1229	TA.TO	TransAlta Corp.	21.32	3	3	5.4	3.1	100	22

Selected Yields

	Recent (11/16/11)	3 Months Ago (8/17/11)	Year Ago (11/17/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.47	0.36	0.24
3-month LIBOR	0.47	0.30	0.28
Bank CDs			
6-month	0.17	0.25	0.31
1-year	0.21	0.42	0.52
5-year	1.14	1.45	1.53
U.S. Treasury Securities			
3-month	0.01	0.01	0.13
6-month	0.04	0.05	0.18
1-year	0.10	0.09	0.26
5-year	0.87	0.91	1.47
10-year	2.00	2.17	2.88
10-year (inflation-protected)	0.03	-0.08	0.76
30-year	3.00	3.56	4.29
30-year Zero	3.21	3.94	4.71

Treasury Security Yield Curve



	Recent (11/16/11)	3 Months Ago (8/17/11)	Year Ago (11/17/10)
Mortgage-Backed Securities			
GNMA 5.5%	1.25	0.87	1.85
FHLMC 5.5% (Gold)	2.35	1.48	2.14
FNMA 5.5%	2.09	1.43	2.00
FNMA ARM	2.43	2.49	2.81
Corporate Bonds			
Financial (10-year) A	4.38	3.86	4.35
Industrial (25/30-year) A	4.31	4.82	5.41
Utility (25/30-year) A	4.17	4.69	5.60
Utility (25/30-year) Baa/BBB	4.85	5.29	6.02
Foreign Bonds (10-Year)			
Canada	2.10	2.39	3.10
Germany	1.82	2.20	2.60
Japan	0.95	1.03	1.07
United Kingdom	2.16	2.43	3.27
Preferred Stocks			
Utility A	5.26	5.19	5.79
Financial A	6.30	6.48	6.07
Financial Adjustable A	5.52	5.52	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.02	3.97	4.24
25-Bond Index (Revs)	5.00	5.09	4.87
General Obligation Bonds (GOs)			
1-year Aaa	0.24	0.18	0.40
1-year A	1.07	0.96	1.26
5-year Aaa	1.26	0.94	1.46
5-year A	2.33	1.95	2.54
10-year Aaa	2.50	2.39	2.96
10-year A	3.51	3.92	4.18
25/30-year Aaa	4.01	3.97	4.45
25/30-year A	5.38	5.67	5.64
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.56	4.68	4.86
Electric AA	4.89	5.05	4.88
Housing AA	5.57	5.65	5.75
Hospital AA	4.93	5.00	5.08
Toll Road Aaa	4.57	4.75	4.90

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

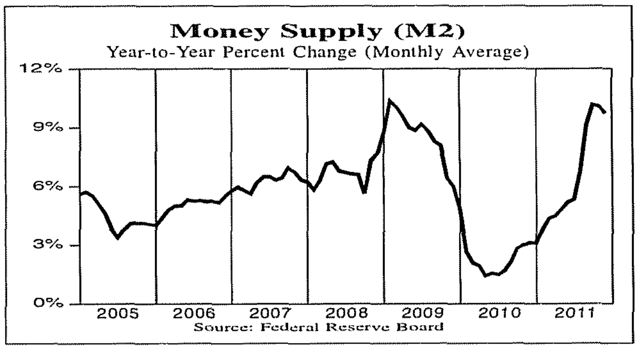
	Recent Levels 11/2/11	Recent Levels 10/19/11	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1515866	1571894	-56028	1560865	1559243	1358832
Borrowed Reserves	10995	11317	-322	11545	12775	22311
Net Free/Borrowed Reserves	1504871	1560577	-55706	1549320	1546468	1336521

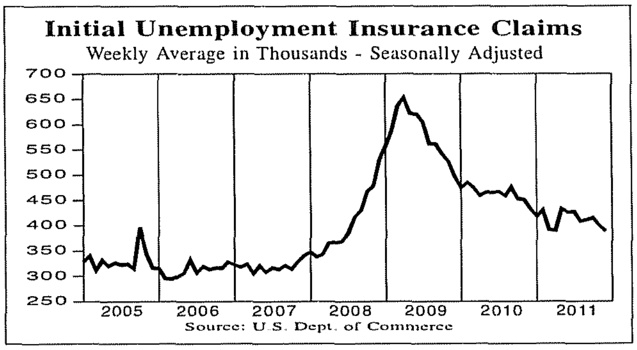
MONEY SUPPLY

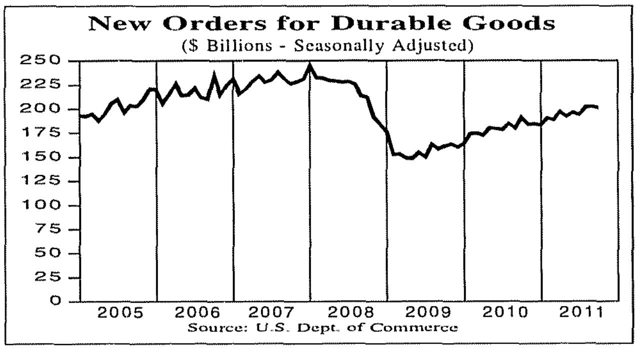
(One-Week Period; in Billions, Seasonally Adjusted)

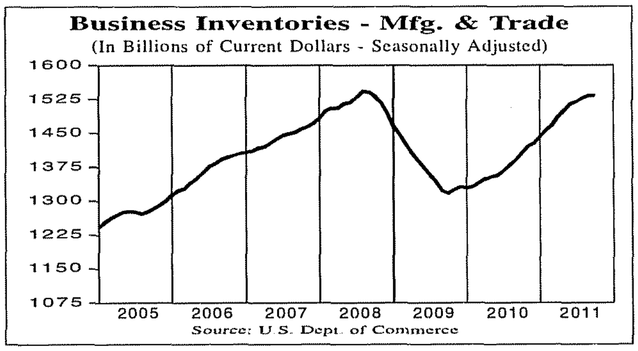
	Recent Levels 10/31/11	Recent Levels 10/24/11	Change	Ann'l Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2148.6	2125.4	23.2	10.2%	23.5%	21.7%
M2 (M1+savings+small time deposits)	9598.4	9592.5	5.9	6.0%	13.6%	9.4%

Tracking the Economy









Major Insider Transactions†

PURCHASES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
2537	3	Ameriprise Fin'l	R. Sharpe, Dir.	11/3/11	12,000	15,000	$45.13	46.88
1922	4	Kellogg	J.M. Jenness, Chair.	11/9/11	7,500	119,430	$49.26	49.80
978	3	Omnicare, Inc.	J.D. Shelton, Dir.	11/9/11	33,300	116,634	$29.68	30.85
2350	1	Pinnacle Entertain.	A.M. Sanfilippo, CEO	11/10/11	26,659	390,000	$10.80-$10.98	10.96
2011	-	RealD Inc.	M. Lewis, Chair.	11/9/11	105,815	5,381,526	$9.45	9.60
938	3	Sprint Nextel Corp.	D. Hesse, CEO	11/9/11	100,000	3,687,596	$2.82	2.92
1773	3	Whirlpool Corp.	S.R. Allen, Dir.	11/3/11	5,000	7,277	$51.55	53.45

SALES

Latest Full-Page Report	Timeliness Rank	Company	Insider, Title	Date	Shares Traded	Shares Held	Price Range	Recent Price
2124	2	AutoZone Inc.	E.S. Lampert *	11/4/11	21,896	2,253,426	$325.11	337.15
1515	4	AvalonBay Communities	B. Blair, Chair.	11/8/11	15,320	283,537	$130.57	127.93
1137	3	Fastenal Co.	R.A. Kierlin, Chair.	11/3/11	100,000	13,850,000	$39.11	41.46
1309	3	Garmin Ltd.	D.H. Eller, Dir.	11/4/11	61,715	2,999	$35.38	35.65
808	3	MEDNAX, Inc.	K.B. Wagner, Officer	11/8/11	25,000	80,649	$69.72	69.42
1807	3	Rackspace Hosting	L. Moorman, Dir.	11/3/11	60,000	496,345	$41.48	43.30
2334	-	Time Warner	O. Olafsson, V.P.	11/7/11	42,322	NA	$34.59	34.76

* *Beneficial owner of more than 10% of common stock.*

† *Includes only large transactions in U.S.-traded stocks; excludes shares held in the form of limited partnerships, excludes options & family trusts.*

Major Insider Transactions are obtained from Vickers Stock Research Corporation.

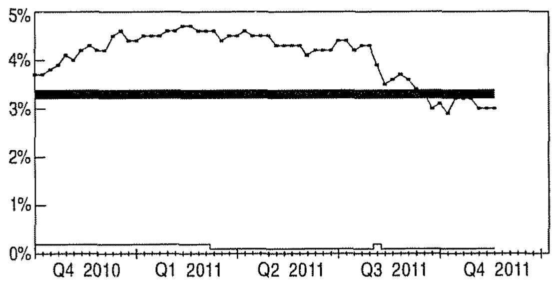
Market Monitor

Valuations and Yields	11/16	11/9	13-week range	50-week range	Last market top (7-13-2007)	Last market bottom (3-9-2009)
Median price-earnings ratio of VL stocks	14.0	14.8	12.9 - 14.8	12.9 - 17.3	19.7	10.3
P/E (using 12-mo. est'd EPS) of DJ Industrials	11.7	12.3	11.4 - 12.4	11.3 - 14.1	16.1	17.3
Median dividend yield of VL stocks	2.3%	2.2%	2.2 - 2.5%	1.8 - 2.5%	1.6%	4.0%
Div'd yld. (12-mo. est.) of DJ Industrials	2.8%	2.8%	2.8 - 3.0%	2.4 - 3.0%	2.2%	4.0%
Prime Rate	3.3%	3.3%	3.3 - 3.3%	3.3 - 3.3%	8.3%	3.3%
Fed Funds	0.1%	0.1%	0.1 - 0.1%	0.1 - 0.2%	5.3%	0.2%
91-day T-bill rate	0.0%	0.0%	0.0 - 0.0%	0.0 - 0.2%	5.0%	0.3%
AAA Corporate bond yield	3.9%	3.9%	3.7 - 4.4%	3.7 - 6.0%	5.8%	5.5%
30-year Treasury bond yield	3.0%	3.0%	2.9 - 3.7%	2.9 - 4.7%	5.1%	3.7%
Bond yield minus average earnings yield	-3.2%	-2.9%	-4.0 - -2.9%	-4.0 - 0.1%	0.7%	-4.3%
Market Sentiment						
Short interest/avg. daily volume (5 weeks)	14.4	14.4	10.2 - 14.4	7.3 - 16.2	8.1	8.6
CBOE put volume/call volume	1.14	1.17	1.04 - 1.26	.67 - 1.31	.91	.93

VALUE LINE ASSET ALLOCATION MODEL

(Based only on economic and financial factors)

	Current (effective market open 6/13/11)	Previous
Common Stocks	65%-75%	60%-70%
Cash and Treasury Issues	35%-25%	40%-30%



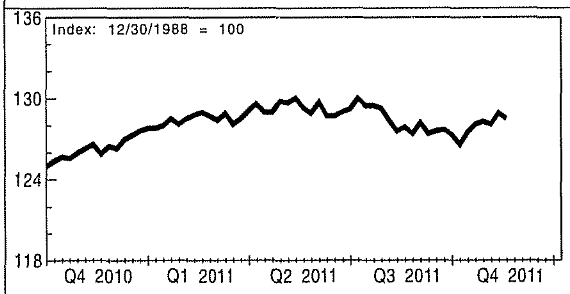
INTEREST RATES

Prime Rate

Federal Funds

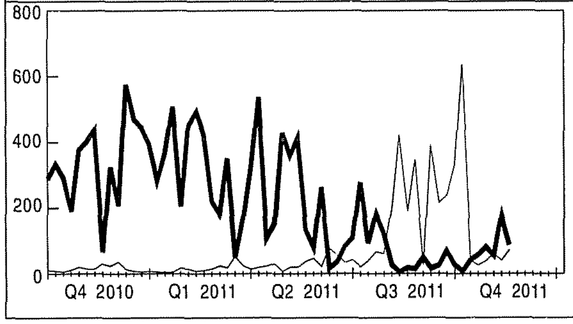
30-Year Treasury Bond

	Recent	Previous Week
Prime Rate	3.3%	3.3%
Fed Funds	0.1%	0.1%
30-Yr. Treasury	3.0%	3.0%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	482	1502
Declines	1191	180
Issues Covered	1697	1697
Market Value ($ Trillion)	17.806	18.158



VALUE LINE COMPOSITE

New Highs

New Lows

	Recent	Previous Week
New Highs	87	175
New Lows	72	40

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 11/15/2011

7 Best Performing Industries

Oilfield Svcs/Equip.	+30.4%
Homebuilding	+28.3%
Steel	+27.9%
Newspaper	+27.1%
Metal Fabricating	+26.2%
Building Materials	+26.1%
Electrical Equipment	+25.1%

7 Worst Performing Industries

Biotechnology	-5.8%
Shoe	-1.3%
Wireless Networking	+0.7%
Beverage	+1.5%
Foreign Electronics	+2.3%
Healthcare Information	+2.8%
Thrift	+3.8%

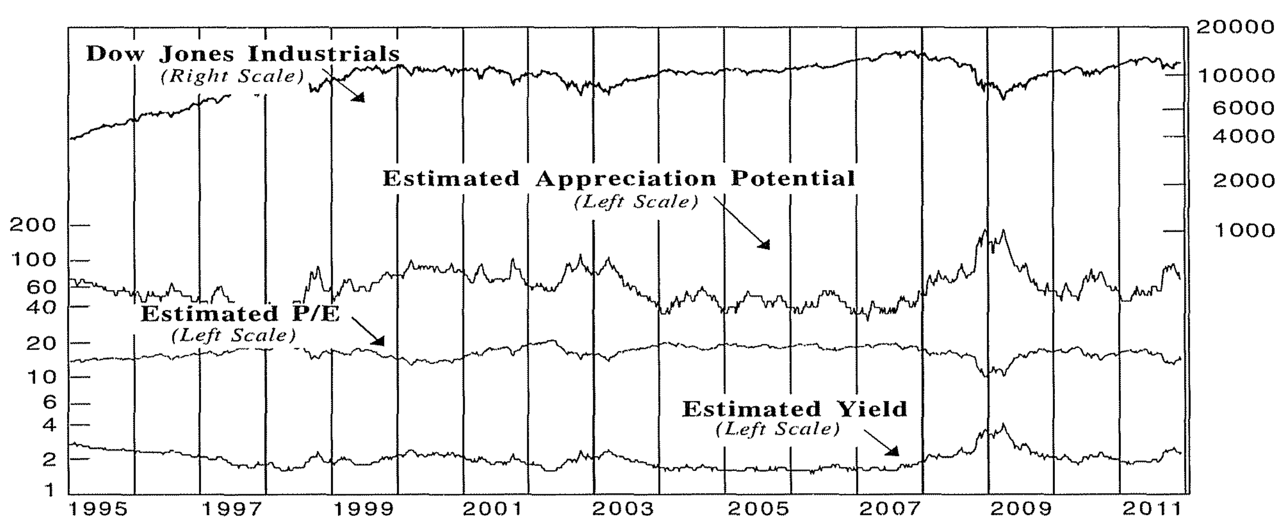
The corresponding change in the Value Line Arithmetic Average* is +14.5%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Dentsply Int'l	A	B+	187
Eastman Kodak	C+	C	118
Palomar Medical	B+	B	232

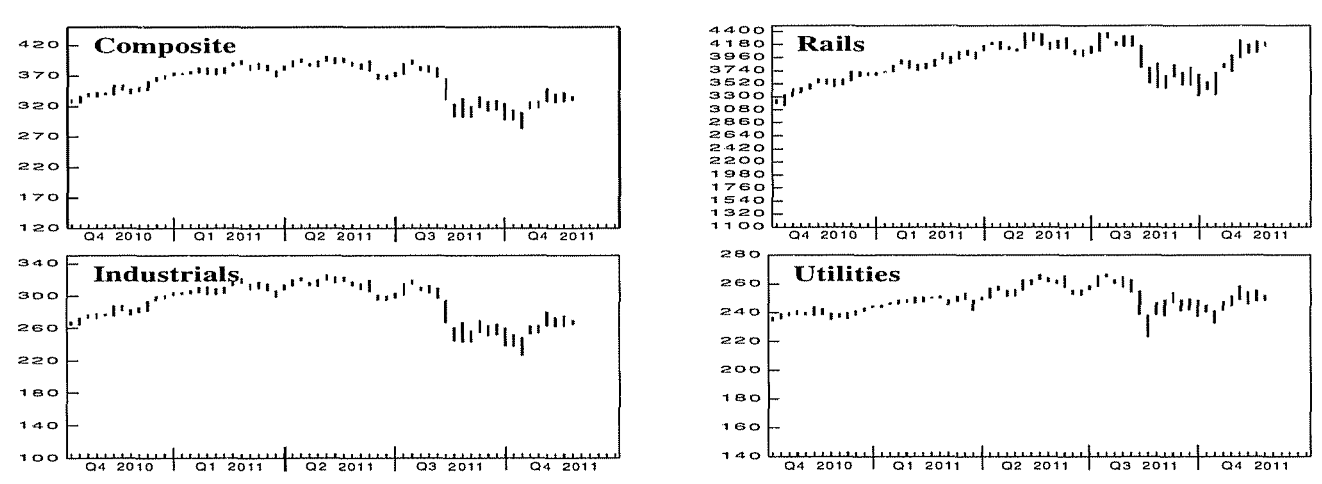
Stock Market Averages

VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL
VERSUS DOW JONES INDUSTRIALS *(JANUARY 5, 1995 - NOVEMBER 15, 2011)*



THE VALUE LINE GEOMETRIC AVERAGES	Composite 1670 stocks	Industrials 1559 stocks	Rails 8 stocks	Utilities 103 stocks	*Arithmetic** Composite 1670 stocks	THE DOW JONES AVERAGES Composite 65 stocks	Industrials 30 stocks	Transportation 20 stocks	Utilities 15 stocks
11/10/2011	330.28	264.75	4125.66	249.76	2676.25	4100.01	11893.79	4840.92	447.07
11/11/2011	337.89	270.94	4233.10	254.19	2738.36	4190.20	12153.68	4977.98	452.91
11/14/2011	333.52	267.41	4185.84	250.72	2703.36	4158.17	12078.98	4942.21	447.21
11/15/2011	336.11	269.53	4216.38	252.15	2724.87	4173.36	12096.16	4982.35	448.70
11/16/2011	330.33	264.83	4152.05	248.69	2679.13	4104.17	11905.59	4884.13	442.33
%Change last 4 weeks	+3.3%	+3.3%	+8.1%	+1.1%	+4.0%	+3.3%	+3.5%	+5.3%	0.0%

WEEKLY VALUE LINE GEOMETRIC AVERAGES* *(OCTOBER 1, 2010 - NOVEMBER 16, 2011)*



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PinnacleWest.pdf

PINNACLE WEST NYSE-PNW

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
47.47	14.8 (Trailing: 16.1 / Median: 14.0)	0.98	4.4%

VALUE LINE

TIMELINESS	2	Raised 11/11/11
SAFETY	2	Raised 5/6/11
TECHNICAL	3	Raised 1/20/12

BETA .70 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	52.7	50.7	46.7	40.5	45.8	46.7	51.0	51.7	42.9	38.0	42.7	48.9
Low:	25.7	37.7	21.7	28.3	36.3	39.8	38.3	36.8	26.3	22.3	32.3	37.3

2014-16 PROJECTIONS

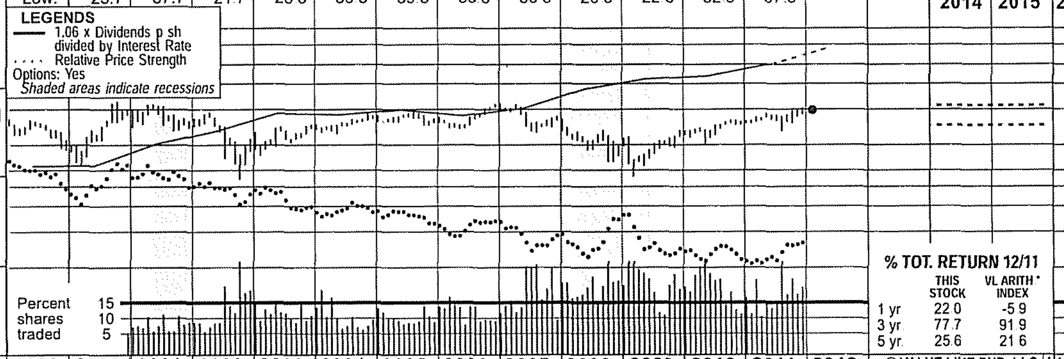
	Price	Gain	Ann'l Total Return
High	50	(+5%)	6%
Low	40	(-15%)	1%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	126	144	144
to Sell	149	146	150
Hld's(000)	79145	81484	79647



Target Price Range

2014	2015	2016

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr	22.0	-5.9
3 yr	77.7	91.9
5 yr	25.6	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.08	20.77	23.52	25.12	28.57	43.50	53.66	28.90	30.87	31.59	30.16	34.03	35.07	33.37	32.50	30.01	*30.20*	*31.80*	Revenues per sh	*31.25*
5.16	5.90	7.12	7.34	7.73	7.99	8.72	7.01	7.33	6.93	5.76	9.70	9.29	8.13	8.08	6.85	*6.95*	*7.55*	"Cash Flow" per sh	*8.00*
2.22	2.47	2.76	2.85	3.18	3.35	3.68	2.53	2.52	2.58	2.24	3.17	2.96	2.12	2.26	3.08	*2.90*	*3.30*	Earnings per sh A	*3.50*
.93	1.03	1.13	1.23	1.33	1.43	1.53	1.63	1.73	1.83	1.93	2.03	2.10	2.10	2.10	2.10	2.10	*2.10*	Div'd Decl'd per sh B ■	*2.35*
3.38	2.95	3.63	3.76	4.05	7.76	12.27	9.81	7.60	5.86	6.39	7.59	9.37	9.46	7.64	7.03	*9.15*	*9.85*	Cap'l Spending per sh	*8.25*
21.49	22.51	23.90	25.50	26.00	28.09	29.46	29.44	31.00	32.14	34.57	34.48	35.15	34.16	32.69	33.86	*34.75*	*35.90*	Book Value per sh C	*39.50*
87.52	87.52	84.83	84.83	84.83	84.83	84.83	91.26	91.29	91.79	99.08	99.96	100.49	100.89	101.43	108.77	*109.25*	*110.00*	Common Shs Outst'g D	*123.00*
10.8	11.8	11.8	15.2	11.9	11.3	12.0	14.4	14.0	15.8	19.2	13.7	14.9	16.1	13.7	12.6	*15.1*		Avg Ann'l P/E Ratio	*13.0*
.72	.74	.68	79	.68	.73	.61	79	80	.83	1.02	74	.79	.97	.91	.80	*.95*		Relative P/E Ratio	*.85*
3.9%	3.5%	3.5%	2.8%	3.5%	3.8%	3.5%	4.5%	4.9%	4.5%	4.5%	4.7%	4.8%	6.2%	6.8%	5.4%	4.8%		Avg Ann'l Div'd Yield	*5.2%*
						4551.4	2637.3	2817.9	2899.7	2988.0	3401.7	3523.6	3367.1	3297.1	3263.6	*3300*	*3500*	Revenues ($mill)	*3850*
						312.2	215.2	230.6	235.2	223.2	317.1	298.8	213.6	229.2	330.4	*315*	*365*	Net Profit ($mill)	*430*
						40.6%	39.1%	31.4%	35.4%	36.2%	33.0%	33.6%	23.4%	36.9%	31.9%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
						15.3%	20.5%	6.2%	6.9%	10.4%	11.1%	14.8%	17.5%	11.2%	11.7%	*13.0%*	*12.0%*	AFUDC % to Net Profit	*9.0%*
						51.7%	51.8%	50.6%	46.7%	43.2%	48.4%	47.0%	46.8%	50.4%	45.3%	*44.5%*	*48.0%*	Long-Term Debt Ratio	*42.0%*
						48.3%	48.2%	49.4%	53.3%	56.8%	51.6%	53.0%	53.2%	49.6%	54.7%	*55.5%*	*52.0%*	Common Equity Ratio	*58.0%*
						5172.4	5567.9	5727.5	5535.2	6033.4	6678.7	6658.7	6477.6	6686.6	6729.1	*6835*	*7575*	Total Capital ($mill)	*8375*
						5907.3	6479.4	7480.1	7535.5	7577.1	7881.9	8436.4	8916.7	9257.8	9578.8	*10135*	*10750*	Net Plant ($mill)	*12200*
						7.6%	5.4%	5.5%	5.6%	5.0%	6.2%	5.9%	4.7%	4.8%	6.5%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
						12.5%	8.0%	8.1%	8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	*8.5%*	*9.0%*	Return on Shr. Equity	*9.0%*
						12.5%	8.0%	8.1%	8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	*8.5%*	*9.0%*	Return on Com Equity E	*9.0%*
						7.3%	2.9%	2.6%	2.3%	1.0%	3.4%	2.5%	3%	.7%	3.1%	*2.5%*	*3.5%*	Retained to Com Eq	*3.0%*
						41%	64%	68%	71%	85%	63%	70%	96%	89%	66%	*73%*	*63%*	All Div'ds to Net Prof	*66%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $3923.0 mill. **Due in 5 Yrs** $2063.9 mill.
LT Debt $3046.6 mill. **LT Interest** $181.3 mill.
Incl. $83.1 mill. Palo Verde sale leaseback lessor notes.
(LT interest earned: 3.0x)
Leases, Uncapitalized Annual rentals $24.0 mill.
Pension Assets-12/10 $1.78 bill. **Oblig.** $2.35 bill.
Pfd Stock None

Common Stock 109,181,233 shs.
as of 10/25/11
MARKET CAP: $5.2 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.3	-2.2	-1.6
Avg. Indust. Use (MWH)	665	619	619
Avg. Indust. Revs. per KWH (¢)	7.91	8.11	7.83
Capacity at Peak (Mw)	8457	8635	8682
Peak Load, Summer (Mw)	7026	7218	6396
Annual Load Factor (%)	51.2	49.3	50.0
% Change Customers (yr-end)	+.9	+.5	+.4
Fixed Charge Cov. (%)	221	248	296

ANNUAL RATES *of change (per sh)*	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	--	.5%	-.5%
"Cash Flow"	--	3.0%	.5%
Earnings	-2.5%	.5%	6.0%
Dividends	4.5%	3.0%	2.0%
Book Value	2.5%	.5%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	709.8	898.0	1072.9	686.4	3367.1
2009	625.9	836.0	1142.2	693.0	3297.1
2010	620.3	820.6	1139.1	683.6	3263.6
2011	659.6	799.8	1124.8	*715.8*	*3300*
2012	*675*	*850*	*1250*	*725*	*3500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	d.04	1.13	1.50	d.48	2.12
2009	d.36	.74	2.07	d.19	2.26
2010	.07	.83	2.08	.06	3.08
2011	d.14	.78	2.24	*.02*	*2.90*
2012	*Nil*	*.95*	*2.30*	*.05*	*3.30*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.525	.525	.525	.525	2.10
2009	.525	.525	.525	.525	2.10
2010	.525	.525	.525	.525	2.10
2011	.525	.525	.525	.525	2.10
2012					

BUSINESS: Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.1 million customers in 11 of 15 Arizona counties. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 47%; commercial, 39%; industrial, 5%; other, 9%. Generating sources: coal, 37%; nuclear, 27%; gas, 12%; purchased, 24%. *Fuel costs: 36% of revenues.* Has 7,200 employees. '09 reported depreciation rate: 3.1%. Chairman, President & Chief Executive Officer: Donald E. Brandt. Incorporated: Arizona. Address: 400 North Fifth Street, Post Office Box 53999, Phoenix, Arizona 85072-3999. Telephone: 602-250-1000. Internet: www.pinnaclewest.com.

Pinnacle West's utility subsidiary has reached a settlement of its general rate case. The agreement calls for a base tariff hike of $116.3 million (4%), based on a 10% return on a 53.94% common-equity ratio. This amount is 60% of what Arizona Public Service (APS) requested. The fuel adjustment clause would reflect all fuel and purchased-power costs, instead of just 90% of them, as is the case currently. If the Arizona Corporation Commission (ACC) approves the settlement, new rates would take effect on July 1st. Base rates would then be frozen through mid-2016 except for an increase in mid-2013 for the Four Corners units (see below), and possible adjustments under certain other circumstances. The ACC's order is expected in the second quarter.

The utility is awaiting regulatory approval of an asset purchase. APS has agreed to pay $294 million for another utility's 739-megawatt stake in units 4 and 5 of the Four Corners coal-fired plant. *If the transaction is approved,* APS would shut units 1, 2, and 3. The company would spend $300 million on environmental upgrades to the two newer units, but would avoid $600 million of expenditures that would be needed to keep the older units running. APS expects the purchase to close by the end of 2012. The utility would defer all expenses associated with these assets until they are placed in the rate base in mid-2013, in accordance with the *aforementioned regulatory settlement.*

Earnings should advance in 2012. We assume a return to normal weather conditions in the first half of the year after mild weather hurt the bottom line in the first six months of 2011. The weather turned favorable for APS in the third quarter of 2011, making that period's year-to-year comparison tough, but by the same period of 2012, the utility will be benefiting from rate relief (provided the ACC approves the settlement).

We expect a resumption of dividend growth in 2013 (if not in late 2012). If our estimate is on the mark, the payout ratio will be low enough for the board of directors to declare an increase. Despite our expectation, this timely stock does not stand out among utilities for its yield or 3- to 5-year total return potential.

Paul E. Debbas, CFA *February 3, 2012*

(A) Diluted egs. Excl. nonrec. losses: '02, 77¢; '09, $1.45; excl. gains (losses) from discont. ops.: '00, 22¢; '05, (36¢); '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢. '08 EPS don't add due to rounding, '10 due to change in shares. Next earnings report due late Feb. (B) Div'ds historically paid in early Mar., June, Sept. and Dec. ■ Div'd reinvestment plan avail. (C) *Incl. deferred charges. In '10: $11.28/sh.* (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in '10: 11%; earned on avg. com. eq., '10: 9.5%. Regulatory Climate: Avg.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	30
Earnings Predictability	65

Summary&IndexFeb0312.pdf

THE VALUE LINE Investment Survey®

Part 1 Summary & Index

File at the front of the *Ratings & Reports* binder. Last week's *Summary & Index* should be removed.

February 3, 2012

TABLE OF SUMMARY & INDEX CONTENTS

Summary & Index Page Number

SCREENS

The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

15.1

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
16.0	10.3	19.7

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend paying stocks under review

2.2%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
2.0%	4.0%	1.6%

The Estimated Median Price
APPRECIATION POTENTIAL
of all 1700 stocks in the hypothesized economic environment 3 to 5 years hence

60%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
55%	185%	35%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, No. 24.

Published weekly by VALUE LINE PUBLISHING LLC, 220 East 42nd Street, New York, N.Y. 10017-5891

See back cover for important disclosures.

Index to Stocks

Prices quoted are as of January 24, 2012.
All shares are traded on the New York Stock Exchange except where noted.

PAGE NUMBERS
Bold type refers to Ratings and Reports;
italics to Selection & Opinion

PAGE NUMBERS		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	RANKS Safety	RANKS Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	702	**AAR Corp.**		AIR	21.10	2	3	3	1.35	35- 55 (65-160%)	10.8	1.4	1.95	.30	22	11/30	.45	.45	3/31	◆.075	.001	YES
	1964	AB InBev ADR		BUD	61.44	2	2	3	.90	70- 95 (15- 55%)	16.0	1.9	3.84	1.16	61	9/30	1.00	.90	12/31	NIL	NIL	YES
	379	ABM Industries Inc.		ABM	21.64	3	3	3	.90	35- 55 (60-155%)	14.7	2.7	1.47	.58	37	10/31	.37	.43	3/31	▲.145	.14	YES
241	1422	ACCO Brands		ABD	9.81	–	5	–	1.70	14- 25 (45-155%)	18.5	NIL	.53	NIL	26	9/30	.21	.09	12/31	NIL	NIL	YES
	756	ACE Limited		ACE	71.09	3	2	2	.85	60- 85 (N- 20%)	8.9	2.6	7.95	1.88	96	9/30	2.22	2.01	12/31	.35	.33	YES
	2596	ACI Worldwide	(NDQ)	ACIW	31.26	3	3	4	.95	40- 60 (30- 90%)	21.4	NIL	1.46	NIL	45	9/30	.31	.07	12/31	NIL	NIL	YES
	1214	AES Corp.		AES	12.74	2	3	3	1.25	17- 25 (35- 95%)	11.4	NIL	1.12	NIL	91	9/30	.27	.05	12/31	NIL	NIL	YES
2649	348	AFC Enterprises	(NDQ)	AFCE	14.40	3	3	3	1.20	20- 30 (40-110%)	14.1	NIL	1.02	NIL	47	9/30	.25	.23	12/31	NIL	NIL	YES
	158	AGCO Corp.		AGCO	51.27	1	3	2	1.50	65- 95 (25- 85%)	11.5	NIL	4.47	NIL	20	9/30	.87	.65	12/31	NIL	NIL	YES
	542	AGL Resources		GAS	41.45	3	1	3	.75	50- 65 (20- 55%)	13.5	4.3	3.08	1.80	76	9/30	d.04	.29	12/31	.45	.44	YES
	2368	A.H. Belo		AHC	5.70	3	5	3	1.55	8- 15 (40-165%)	NMF	4.2	d.27	.24	71	9/30	d.01	.20	3/31	.06	NIL	
	741	AK Steel Holding		AKS	9.29	4	4	4	1.80	25- 45 (170-385%)	23.2	2.2	.40	.20	44	12/31	◆d.26	d.49	3/31	◆.05	.05	YES
	1633	AMN Healthcare		AHS	4.78	3	3	5	1.00	12- 18 (150-275%)	17.1	NIL	.28	NIL	39	9/30	.05	d.23	12/31	NIL	NIL	YES
		AMR Corp.		AAMRQ					SEE FINAL SUPPLEMENT - PAGE 632													
	2615	AOL, Inc.		AOL	15.65	–	3	–	NMF	25- 35 (60-125%)	NMF	NIL	.15	NIL	78	9/30	d.02	.93	12/31	NIL	NIL	YES
	1559	ASA Gold & Precious		ASA	27.36	–	3	2	1.05	25- 35 (N- 30%)	NMF	1.4	.07	.38	18	11/30	32.46(q)	34.45(q)	12/31	.34	.32	YES
★★	922	AT&T Inc.		T	30.09	▼3	1	3	.75	40- 50 (35- 65%)	12.6	5.8	2.38	1.76	8	9/30	.61	.54	3/31	▲.44	.43	YES
	1387	ATMI, Inc.	(NDQ)	ATMI	23.33	3	3	3	1.25	30- 45 (30- 95%)	24.8	NIL	.94	NIL	87	9/30	.25	.25	12/31	NIL	NIL	YES
	1320	AVX Corp.		AVX	13.85	▼4	3	2	.90	17- 25 (25- 80%)	10.5	2.2	1.32	.30	54	12/31	◆.22	.36	12/31	▲.075	.055	YES
	2133	Aaron's Inc.		AAN	26.60	3	3	4	.90	▲ 30- 40 (15- 50%)	14.4	0.2	1.85	.06	43	9/30	.36	.32	3/31	▲.015	.013	YES
	204	Abaxis, Inc.	(NDQ)	ABAX	28.33	5	3	4	1.15	35- 55 (25- 95%)	44.3	NIL	.64	NIL	81	9/30	.15	.17	12/31	NIL	NIL	YES
	1595	Abbott Labs.		ABT	55.98	1	1	3	.60	80- 100 (45- 80%)	11.6	3.4	4.84	1.92	55	12/31	◆1.45	1.30	3/31	.48	.44	YES
241	2199	*Abercrombie & Fitch*		ANF	45.67	4	3	3	1.20	80- 120 (75-165%)	15.6	1.5	2.93	.70	50	10/31	.57	.56	12/31	.175	.175	YES
	416	Aberdeen Australia Fd.	(ASE)	IAF	10.05	–	3	3	1.30	14- 20 (40-100%)	20.1	5.0	.50	.50	–	10/31	10.17(q)	11.58(q)	12/31	.09	.28	
	1201	Aberdeen Asia-Pac. Fd.	(ASE)	FAX	7.46	–	4	3	.85	7- 11 (N- 45%)	NMF	5.6	NMF	.42	–	10/31	7.48(q)	7.27(q)	3/31	.105	.105	
	581	AboveNet		ABVT	66.91	3	3	3	.80	75- 115 (10- 70%)	25.6	NIL	2.61	NIL	92	9/30	.67	.66	12/31	NIL	NIL	YES
	2597	Accenture Plc		ACN	56.63	3	2	4	.85	70- 95 (25- 70%)	15.3	2.4	3.71	1.35	45	11/30	.96	.81	12/31	▲.675	.45	YES
1643	946	Acme Packet	(NDQ)	APKT	31.35	5	3	4	1.05	35- 50 (10- 60%)	36.5	NIL	.86	NIL	89	9/30	.11	.15	12/31	NIL	NIL	YES
	2005	Activision Blizzard	(NDQ)	ATVI	12.28	3	3	3	.75	25- 35 (105-185%)	15.4	1.5	.80	.18	94	9/30	.13	.04	12/31	NIL	NIL	YES
1243	159	Actuant Corp.		ATU	24.30	2	3	4	1.35	30- 50 (25-105%)	12.5	0.2	1.95	.04	20	11/30	.50	.36	12/31	.04	.04	YES
1826	1302	Acuity Brands		AYI	58.01	3	3	3	1.10	60- 85 (5- 45%)	21.2	0.9	2.74	.52	53	11/30	.74	.56	3/31	.13	.13	YES
	1202	Adams Express		ADX	10.33	–	2	3	.95	16- 20 (55- 95%)	NMF	1.5	NMF	.15	–	9/30	10.76(q)	11.78(q)	12/31	.02	.02	
	2571	Adobe Systems	(NDQ)	ADBE	30.95	4	3	3	1.20	65- 85 (110-175%)	18.3	NIL	1.69	NIL	56	11/30	.35	.53	12/31	NIL	NIL	YES
	947	ADTRAN, Inc.	(NDQ)	ADTN	35.26	4	3	2	.90	55- 85 (55-140%)	15.9	1.0	2.22	.36	89	12/31	.48	.56	3/31	.09	.09	YES
	2121	Advance Auto Parts		AAP	75.23	1	3	2	.85	100- 150 (35-100%)	13.8	0.3	▲5.44	.24	11	9/30	1.41	1.03	3/31	.06	.06	YES
	1348	Advanced Energy	(NDQ)	AEIS	10.95	3	3	3	1.40	25- 35 (130-220%)	16.8	NIL	.65	NIL	88	9/30	.16	.40	12/31	NIL	NIL	YES
	1349	*Advanced Micro Dev.*		AMD	6.53	2	4	2	1.45	12- 20 (85-205%)	10.9	NIL	.60	NIL	88	12/31	◆.19	.14	12/31	NIL	NIL	YES
	2572	Advent Software	(NDQ)	ADVS	26.75	3	3	3	1.00	35- 50 (30- 85%)	41.8	NIL	.64	NIL	56	9/30	.13	.11	12/31	NIL	NIL	YES
	430	Advisory Board	(NDQ)	ABCO	79.46	4	2	3	.80	65- 85 (N- 5%)	45.9	NIL	1.73	NIL	67	9/30	.30	.30	12/31	NIL	NIL	YES
	1229	AECOM Techn.		ACM	22.56	2	3	3	1.20	40- 65 (75-190%)	8.8	NIL	2.57	NIL	36	9/30	.75	.58	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

Volume LXVII, Number 24, Issue 11. The Value Line Investment Survey (ISSN 0042-2401) is published weekly by Value Line Publishing LLC, 220 East 42nd St., New York, NY 10017-5891 and is accorded expeditious treatment prescribed for newspapers. Subscription rate for one year in the United States and US possessions is $598. Foreign rates upon request. Periodical Postage Paid at New York, NY and additional mailing offices.

CHANGE OF ADDRESS: Postmaster: Send address change to:
The Value Line Investment Survey, 220 East 42nd Street, New York, N.Y. 10017-5891

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PAGE NUMBERS
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PAGE NUMBERS		NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1102	Aegion Corp.	(NDQ)	AEGN	17.17	3	3	3	1.10	35- 55 (105-220%)	12.5	NIL	1.37	NIL	75	9/30	.27	.46	12/31	NIL	NIL	YES
	1545	AEGON		AEG	4.93	4	3	3	1.75	9- 13 (85-165%)	7.0	2.6	.70	.13	51	9/30	.19	.21	12/31	NIL	NIL	YES
2441	2200	Aeropostale		ARO	16.97	3	3	2	1.05	40- 60 (135-255%)	19.7	NIL	▼.86	NIL	50	10/31	.30	.63	12/31	NIL	NIL	YES
	703	AeroVironment	(NDQ)	AVAV	29.00	3	3	4	.75	40- 60 (40-105%)	19.9	NIL	1.46	NIL	22	10/31	.30	.01	12/31	NIL	NIL	YES
	796	Aetna Inc.		AET	42.77	1	3	4	1.00	65- 100 (50-135%)	8.9	1.6	4.82	.70	4	9/30	1.40	1.00	3/31	▲.175	NIL	YES
	2532	Affiliated Managers		AMG	101.45	4	3	3	1.60	125- 185 (25- 80%)	28.5	NIL	3.56	NIL	63	9/30	.76	.65	12/31	NIL	NIL	YES
	205	Affymetrix Inc.	(NDQ)	AFFX	4.75	5	4	5	1.40	16- 25 (235-425%)	NMF	NIL	d.02	NIL	81	9/30	d.14	.01	12/31	NIL	NIL	YES
	1546	Aflac Inc.		AFL	49.07	2	3	1	1.15	65- 95 (30- 95%)	8.0	2.8	6.16	1.35	51	9/30	1.59	1.45	12/31	▲.33	.30	YES
2030	111	Agilent Technologies		A	42.60	2	3	4	1.10	50- 75 (15- 75%)	14.0	0.9	3.04	.40	65	10/31	.82	.66	6/30	▲.10	NIL	YES
	1321	Agilysys, Inc.	(NDQ)	AGYS	SEE LATEST REPORT																	
	1560	Agnico-Eagle Mines		AEM	34.47	3	3	2	1.00	70- 110 (105-220%)	18.0	2.1	1.91	.72	18	9/30	.60	.42	12/31	.16	NIL	YES
	1582	Agrium, Inc.		AGU	79.13	2	3	2	1.50	130- 195 (65-145%)	8.1	0.6	9.78	.45	10	9/30	1.85	.37	3/31	▲.225	.055	YES
	2428	Air Products & Chem.		APD	87.58	▼3	2	3	1.10	110- 150 (25- 70%)	15.0	2.6	5.84	2.32	21	12/31	◆1.36	1.35	3/31	.58	.49	YES
	2533	Aircastle Ltd.		AYR	14.19	1	4	2	1.55	12- 20 (N- 40%)	10.9	4.2	1.30	.60	63	9/30	.31	.11	12/31	▲.15	.10	YES
	555	Airgas Inc.		ARG	79.00	2	3	4	1.00	90- 135 (15- 70%)	19.7	1.7	4.02	1.37	29	9/30	1.01	.78	12/31	.32	.25	YES
1243	1799	*Akamai Technologies*	(NDQ)	AKAM	31.39	3	3	3	1.20	55- 80 (75-155%)	28.3	NIL	1.11	NIL	86	9/30	.23	.21	12/31	NIL	NIL	YES
	303	Alaska Air Group		ALK	74.26	▼2	4	3	1.15	85- 140 (15- 90%)	8.6	NIL	8.61	NIL	9	9/30	3.58	3.21	12/31	NIL	NIL	YES
1243	1040	Alaska Communic.	(NDQ)	ALSK	2.88	3	4	2	.80	6- 10 (110-245%)	22.2	6.9	.13	.20	5	9/30	d.02	d.07	3/31	▼.05	.215	YES
	1702	Albany Int'l 'A'		AIN	24.00	2	3	4	1.40	30- 45 (25- 90%)	12.4	2.2	1.93	.52	33	9/30	.53	.17	3/31	.13	.12	YES
	1596	Albany Molecular	(NDQ)	AMRI	3.16	5	4	3	1.10	4- 6 (25- 90%)	NMF	NIL	d.33	NIL	55	9/30	d.19	d.11	12/31	NIL	NIL	YES
	2429	Albemarle Corp.		ALB	62.66	2	3	3	1.30	80- 120 (30- 90%)	12.9	1.1	4.87	.70	21	12/31	◆1.11	.92	3/31	▲.175	.14	YES
2649	948	Alcatel-Lucent ADR(g)		ALU	1.94	4	5	4	1.60	3- 6 (55-210%)	12.1	NIL	.16	NIL	89	9/30	.10	.02	12/31	NIL	NIL	YES
1821	1570	Alcoa Inc.		AA	10.27	3	3	3	1.45	20- 30 (95-190%)	19.4	1.2	.53	.12	30	12/31	d.03	.24	3/31	◆.03	.03	YES
	206	Alere Inc.		ALR	22.31	3	3	3	1.10	50- 75 (125-235%)	42.9	NIL	.52	NIL	81	9/30	d.03	d.03	12/31	NIL	NIL	YES
849	330	Alexander & Baldwin		ALEX	45.68	4	3	5	1.15	50- 75 (10- 65%)	29.3	2.8	1.56	1.26	77	9/30	.21	.62	12/31	.315	.315	YES
	1597	Alexion Pharmac.	(NDQ)	ALXN	73.98	3	3	4	.80	55- 85 (N- 15%)	83.1	NIL	.89	NIL	55	9/30	.25	.15	12/31	NIL	NIL	YES
2440	207	Align Techn.	(NDQ)	ALGN	24.91	3	4	3	1.15	25- 40 (N- 60%)	25.9	NIL	.96	NIL	81	9/30	.27	.25	12/31	NIL	NIL	YES
447	757	Alleghany Corp.		Y	287.00	5	2	3	.80	295- 395 (5- 40%)	24.8	NIL	11.57	NIL	96	9/30	.50	2.10	12/31	NIL	NIL	
	1571	Allegheny Techn.		ATI	50.80	▼4	3	3	1.55	90- 135 (75-165%)	17.2	1.4	2.96	.72	30	12/31	◆.31	.15	12/31	.18	.18	YES
	304	*Allegiant Travel*	(NDQ)	ALGT	53.93	3	3	3	.80	70- 105 (30- 95%)	17.5	NIL	3.09	NIL	9	9/30	.49	.67	12/31	NIL	NIL	YES
	1598	Allergan, Inc.		AGN	88.49	3	1	3	.90	90- 110 (N- 25%)	25.1	0.2	3.53	.20	55	9/30	.86	.78	12/31	.05	.05	YES
	902	ALLETE		ALE	41.00	3	2	3	.70	35- 45 (N- 10%)	16.1	4.4	2.55	1.80	12	9/30	.57	.56	12/31	.445	.44	YES
	431	Alliance Data Sys.		ADS	110.50	2	3	4	1.10	110- 165 (N- 50%)	14.3	NIL	7.72	NIL	67	9/30	2.16	1.55	12/31	NIL	NIL	YES
	600	Alliance Resource	(NDQ)	ARLP	78.54	1	3	3	1.10	85- 130 (10- 65%)	9.9	4.9	7.92	3.86	19	9/30	2.16	1.48	12/31	▲.955	.83	YES
	2534	*AllianceBernstein Hldg.*		AB	15.15	3	3	3	1.45	35- 50 (130-230%)	12.6	11.1	1.20	1.68	63	9/30	.30	.12	12/31	.26	.12	YES
	1203	AllianceBernstein Income		ACG	8.20	–	3	3	.50	8- 12 (N- 45%)	NMF	5.9	NMF	.48	–	6/30	8.90(q)	8.64(q)	12/31	.12	.12	
	903	Alliant Energy		LNT	42.25	3	2	3	.75	40- 50 (N- 20%)	15.5	4.3	2.73	1.80	12	9/30	1.12	1.31	3/31	▲.45	.425	YES
	704	Alliant Techsystems		ATK	61.30	2	3	3	.80	90- 135 (45-120%)	6.9	1.3	8.87	.80	22	9/30	2.43	2.91	12/31	.20	NIL	YES
	820	Allscripts Healthcare	(NDQ)	MDRX	18.53	–	3	–	NMF	20- 30 (10- 60%)	33.7	NIL	.55	NIL	83	9/30	.11	NIL	12/31	NIL	NIL	YES
	758	Allstate Corp.		ALL	29.36	5	2	2	1.10	45- 60 (55-105%)	10.0	2.9	2.95	.84	96	9/30	.16	.83	3/31	.21	.20	YES
	829	Alnylam Pharmac.	(NDQ)	ALNY	10.70	5	4	3	1.15	10- 17 (N- 60%)	NMF	NIL	d1.30	NIL	95	9/30	d.31	d.23	12/31	NIL	NIL	YES
	601	Alpha Natural Res.		ANR	20.13	3	3	2	1.90	55- 80 (175-295%)	12.3	NIL	1.64	NIL	19	9/30	.35	.58	12/31	NIL	NIL	YES
	1350	Altera Corp.	(NDQ)	ALTR	40.12	4	2	3	.95	55- 75 (35- 85%)	17.4	0.8	2.30	.32	88	12/31	◆.45	.72	3/31	◆.08	.06	YES
	2022	*Alterra Capital Hldgs.*	(NDQ)	ALTE	24.23	4	3	3	1.00	30- 40 (25- 65%)	10.8	2.3	2.24	.56	97	9/30	.47	.57	12/31	.14	.12	YES
	1703	Altra Holdings, Inc.	(NDQ)	AIMC	19.17	2	4	5	1.40	25- 40 (30-110%)	10.0	NIL	1.91	NIL	33	9/30	.46	.26	12/31	NIL	NIL	YES
	1988	Altria Group		MO	28.28	3	2	3	.55	25- 35 (N- 25%)	13.5	5.8	2.10	1.64	27	9/30	.56	.54	3/31	.41	.38	YES
	2616	Amazon.com	(NDQ)	AMZN	187.00	4	3	3	1.05	170- 315 (N- 70%)	NMF	NIL	1.15	NIL	78	9/30	.14	.51	12/31	NIL	NIL	YES
	1572	AMCOL Int'l		ACO	28.99	3	3	3	1.35	40- 65 (40-125%)	14.4	2.5	2.02	.72	30	9/30	.58	.56	3/31	.18	.18	YES
	2598	Amdocs Ltd.		DOX	29.61	3	3	3	.90	40- 60 (35-105%)	13.8	NIL	2.15	NIL	45	9/30	.49	.48	12/31	NIL	NIL	YES
2440	797	Amedisys, Inc.	(NDQ)	AMED	9.65	3	3	3	1.05	25- 40 (160-315%)	5.9	NIL	1.64	NIL	4	9/30	.36	.76	12/31	NIL	NIL	YES
	904	Ameren Corp.		AEE	31.26	2	3	3	.80	30- 40 (N- 30%)	12.1	5.2	2.59	1.62	12	9/30	1.50	1.49	12/31	▲.40	.385	YES
	923	America Movil		AMX	23.08	3	3	2	1.15	40- 60 (75-160%)	12.0	1.7	1.93	.40	8	9/30	.39	.52	12/31	.131	.13	YES
	982	Amer. Axle		AXL	12.21	2	5	1	2.15	17- 30 (40-145%)	6.1	NIL	2.00	NIL	15	9/30	.33	.52	12/31	NIL	NIL	YES
	2640	Amer. Capital, Ltd.	(NDQ)	ACAS	8.07	3	5	3	2.40	11- 20 (35-150%)	NMF	2.5	d.68	.20	93	9/30	d1.34	.43	12/31	NIL	NIL	YES
	2201	Amer. Eagle Outfitters		AEO	13.88	4	3	3	.95	16- 25 (15- 80%)	16.5	3.2	.84	.44	50	10/31	.27	.29	3/31	.11	NIL	YES
	905	Amer. Elec. Power		AEP	40.67	2	3	3	.70	35- 55 (N- 35%)	12.4	4.7	3.29	1.90	12	9/30	1.18	1.16	12/31	.47	.46	YES
★★	2535	Amer. Express		AXP	49.23	3	2	3	1.25	65- 90 (30- 85%)	11.8	1.6	4.18	.80	63	12/31	◆1.01	.88	3/31	.18	.18	YES
	759	*Amer. Financial Group*		AFG	37.17	3	3	3	1.05	35- 55 (N- 50%)	10.6	1.9	3.51	.70	96	9/30	.90	1.07	3/31	.175	.163	YES
1243	2359	Amer. Greetings		AM	14.19	3	3	4	1.25	30- 45 (110-215%)	5.7	4.2	2.47	.60	35	11/30	.50	.78	3/31	.15	.14	YES
	2536	Amer. Int'l Group		AIG	25.32	–	5	–	1.65	NMF (NMF)	9.6	NIL	2.63	NIL	63	9/30	d2.05	d3.99	12/31	NIL	NIL	YES
	1775	Amer. States Water		AWR	35.57	1	3	3	.70	40- 60 (10- 70%)	15.5	3.1	2.29	1.12	14	9/30	.83	.62	12/31	.28	.26	YES
	1215	Amer. Superconductor	(NDQ)	AMSC	5.10	5	5	1	1.70	6- 12 (20-135%)	NMF	NIL	d1.36	NIL	91	9/30	d1.02	.17	12/31	NIL	NIL	YES
1642	582	Amer. Tower 'A'		AMT	62.47	3	3	3	.90	70- 105 (10- 70%)	61.9	1.3	1.01	.80	92	9/30	.34	.23	12/31	NIL	NIL	YES
	556	Amer. Vanguard Corp.		AVD	14.93	3	3	5	1.10	15- 25 (N- 65%)	19.4	0.7	.77	.10	29	9/30	.16	.13	12/31	▲.05	.02	YES
	1776	Amer. Water Works		AWK	32.66	1	3	3	.65	35- 50 (5- 55%)	17.7	2.8	1.85	.92	14	9/30	.76	.71	3/31	.23	.22	YES
	1103	Amer. Woodmark	(NDQ)	AMWD	15.35	4	3	1	.85	19- 30 (25- 95%)	NMF	NIL	d.66	NIL	75	10/31	d.21	d.21	12/31	NIL	.09	
	983	Amerigon Inc.	(NDQ)	ARGN	15.30	4	4	5	1.65	18- 30 (20- 95%)	76.5	NIL	.20	NIL	15	9/30	d.07	.12	12/31	NIL	NIL	YES
	2537	Ameriprise Fin'l		AMP	54.23	3	3	3	1.45	80- 120 (50-120%)	10.8	2.1	5.01	1.12	63	9/30	1.12	1.32	3/31	▲.28	.18	YES
	208	AmerisourceBergen		ABC	39.55	3	2	3	.70	60- 80 (50-100%)	14.9	1.3	2.66	.52	81	9/30	.61	.50	12/31	▲.13	.10	YES
	1740	Ametek, Inc.		AME	46.32	3	2	3	1.00	50- 65 (10- 40%)	18.7	0.5	2.48	.24	38	9/30	.61	.48	12/31	.06	.06	YES
	830	Amgen	(NDQ)	AMGN	68.19	2	1	3	.65	95- 120 (40- 75%)	12.9	1.6	5.27	1.12	95	9/30	1.34	1.35	12/31	.28	NIL	YES
	1388	Amkor Technology	(NDQ)	AMKR	5.66	2	5	4	1.65	7- 13 (25-130%)	17.2	NIL	.33	NIL	87	9/30	.11	.30	12/31	NIL	NIL	YES
	742	Ampco-Pittsburgh		AP	21.65	4	3	4	1.65	30- 50 (40-130%)	13.3	3.3	1.63	.72	44	9/30	.29	.73	3/31	.18	.18	
2030	1322	Amphenol Corp.		APH	54.75	3	3	2	1.10	70- 100 (30- 85%)	17.0	0.1	3.23	.06	54	12/31	.73	.74	3/31	.015	.015	YES
	2388	Anadarko Petroleum		APC	78.99	3	3	3	1.30	80- 120 (N- 50%)	16.0	0.5	4.94	.36	6	9/30	.66	d.05	12/31	.09	.09	YES
	1351	ANADIGICS Inc.	(NDQ)	ANAD	2.76	5	5	1	1.45	5- 9 (80-225%)	NMF	NIL	d.60	NIL	88	9/30	d.15	.04	12/31	NIL	NIL	YES
	1352	Analog Devices		ADI	39.85	4	2	3	.95	50- 65 (25- 65%)	18.0	2.5	2.22	1.00	88	10/31	.60	.70	12/31	.25	.22	YES
	112	Analogic Corp.	(NDQ)	ALOG	57.47	3	3	3	.80	60- 90 (5- 55%)	26.1	0.7	2.20	.40	65	10/31	.32	.11	12/31	.10	.10	YES
	176	AngioDynamics	(NDQ)	ANGO	13.59	5	3	1	.75	15- 25 (10- 85%)	34.0	NIL	.40	NIL	68	11/30	.09	.13	12/31	NIL	NIL	YES
	1561	AngloGold Ashanti ADR		AU	43.31	2	3	2	1.10	60- 90 (40-110%)	12.2	1.0	3.56	.44	18	9/30	.96	.59	12/31	.109	NIL	YES
		Anh. Busch InBev ADR			NAME CHANGED TO AB INBEV ADR																	
	1323	Anixter Int'l		AXE	67.14	3	3	3	1.20	90- 135 (35-100%)	11.0	NIL	6.08	NIL	54	9/30	1.53	1.08	12/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

PAGE NUMBERS
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italics to Selection & Opinion

	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2202	ANN Inc.		ANN	23.97	1	3	4	1.25	▼35- 55	(45-130%)	11.5	NIL	2.09	NIL	50	10/31	.61	.42	12/31	NIL	NIL	YES
	1514	Annaly Capital Mgmt.		NLY	16.44	2	3	2	.65	14- 20	(N- 20%)	6.9	14.0	2.40	2.30	90	9/30	.65	.67	3/31	.57	.64	YES
	2573	ANSYS, Inc.	(NDQ)	ANSS	61.34	3	3	3	1.10	60- 95	(N- 55%)	31.6	NIL	1.94	NIL	56	9/30	.47	.39	12/31	NIL	NIL	YES
	2538	Aon Corp.		AON	47.03	3	2	2	.70	60- 80	(30- 70%)	14.5	1.3	3.25	.60	63	9/30	.59	.51	3/31	.15	.15	YES
	2389	Apache Corp.		APA	97.71	2	3	3	1.25	130- 190	(35- 95%)	7.7	0.6	12.62	.60	6	9/30	2.50	2.12	3/31	.15	.15	YES
	1515	Apartment Investment		AIV	23.83	3	3	3	1.50	19- 30	(N- 25%)	NMF	2.5	d1.05	.60	90	9/30	d.26	d.36	12/31	.12	.10	YES
	1104	Apogee Enterprises	(NDQ)	APOG	14.04	2	3	3	1.40	20- 30	(40-115%)	78.0	2.4	.18	.33	75	11/30	.20	d.08	3/31	◆.082	.082	YES
	1996	Apollo Group 'A'	(NDQ)	APOL	55.59	3	3	3	.65	100- 155	(80-180%)	14.6	NIL	3.80	NIL	66	11/30	1.28	1.63	12/31	NIL	NIL	YES
	2641	Apollo Investment	(NDQ)	AINV	7.52	4	3	2	1.35	16- 25	(115-230%)	7.3	14.9	1.03	1.12	93	9/30	d1.36	.35	3/31	.28	.28	YES
★★	1400	Apple Inc.	(NDQ)	AAPL	420.41	▲1	2	3	1.05	765-1035	(80-145%)	13.0	NIL	32.40	NIL	48	12/31	NA	6.43	12/31	NIL	NIL	YES
	1704	Applied Ind'l Techn.		AIT	39.77	3	3	3	1.05	40- 60	(N- 50%)	15.9	1.9	2.50	.76	33	12/31	◆.56	.49	12/31	.19	.17	YES
241	1389	Applied Materials	(NDQ)	AMAT	12.31	4	2	1	1.05	25- 35	(105-185%)	13.1	2.6	.94	.32	87	10/31	.34	.36	3/31	.08	.07	YES
	1353	Applied Micro	(NDQ)	AMCC	8.22	5	3	3	1.25	5- 7	(N- N%)	NMF	NIL	d.04	NIL	88	9/30	d.02	.05	12/31	NIL	NIL	YES
	1170	AptarGroup		ATR	51.44	3	2	3	.90	65- 90	(25- 75%)	18.0	1.7	2.86	.88	17	9/30	.72	.68	3/31	.22	.18	YES
	1777	Aqua America		WTR	21.67	3	3	2	.65	25- 35	(15- 60%)	20.4	3.0	1.06	.66	14	9/30	.33	.32	12/31	▲.165	.155	YES
	432	Arbitron Inc.		ARB	36.27	3	3	3	.90	55- 80	(50-120%)	17.5	1.1	2.07	.40	67	9/30	.55	.42	3/31	.10	.10	YES
	743	ArcelorMittal		MT	21.40	3	3	3	1.65	40- 60	(85-180%)	9.4	3.5	2.28	.75	44	9/30	.19	.89	12/31	.188	.188	YES
	602	Arch Coal		ACI	13.76	3	3	3	1.65	45- 70	(225-410%)	7.4	3.2	1.85	.44	19	9/30	.08	.29	12/31	.11	.10	YES
	1902	Archer Daniels Midl'd		ADM	29.82	3	2	2	.90	60- 80	(100-170%)	9.5	2.3	3.15	.70	70	9/30	.68	.54	12/31	▲.175	.15	YES
	1800	Ariba, Inc.	(NDQ)	ARBA	28.56	4	3	5	1.25	30- 50	(5- 75%)	NMF	NIL	.28	NIL	86	9/30	.02	.05	12/31	NIL	NIL	YES
	319	Arkansas Best	(NDQ)	ABFS	21.69	1	3	3	1.20	35- 55	(60-155%)	21.5	0.6	1.01	.12	7	9/30	.46	d.03	12/31	.03	.03	YES
	1105	Armstrong World Inds.		AWI	47.36	–	3	–	NMF	45- 65	(N- 35%)	18.6	NIL	2.54	NIL	75	9/30	.86	.83	12/31	NIL	NIL	YES
	949	Arris Group	(NDQ)	ARRS	11.52	3	3	3	1.25	18- 25	(55-115%)	13.6	NIL	.85	NIL	89	9/30	.21	.19	12/31	NIL	NIL	YES
	1324	Arrow Electronics		ARW	41.18	2	3	3	1.20	35- 55	(N- 35%)	7.9	NIL	5.21	NIL	54	9/30	1.20	1.08	12/31	NIL	NIL	YES
633	177	ArthroCare Corp.	(NDQ)	ARTC	30.50	4	4	3	1.40	30- 55	(N- 80%)	27.7	NIL	1.10	NIL	68	9/30	.05	.25	12/31	NIL	NIL	YES
	2122	Asbury Automotive		ABG	23.20	3	5	3	1.90	25- 50	(10-115%)	12.8	NIL	1.81	NIL	11	9/30	.39	.38	12/31	NIL	NIL	YES
	2203	Ascena Retail Group	(NDQ)	ASNA	35.55	2	3	4	1.10	40- 65	(15- 85%)	13.7	NIL	2.60	NIL	50	10/31	.60	.60	3/31	NIL	NIL	YES
	557	Ashland Inc.		ASH	63.28	▲2	3	3	1.45	70- 100	(10- 60%)	13.3	1.1	4.76	.70	29	12/31	◆1.20	.79	12/31	.175	.15	YES
	777	Assoc. Banc-Corp	(NDQ)	ASBC	13.03	3	3	3	1.00	15- 25	(15- 90%)	16.1	0.3	.81	.04	74	12/31	◆.23	.04	12/31	.01	.01	YES
632	2023	Assured Guaranty		AGO	15.56	4	4	3	1.80	20- 35	(30-125%)	6.4	1.2	2.44	.18	97	9/30	.21	.89	12/31	.045	.045	YES
	160	Astec Inds.	(NDQ)	ASTE	34.46	4	3	4	1.30	40- 60	(15- 75%)	16.8	NIL	2.05	NIL	20	9/30	.34	.32	12/31	NIL	NIL	YES
	1502	Astoria Financial		AF	9.25	4	3	3	.95	14- 20	(50-115%)	16.2	5.6	.57	.52	84	9/30	.12	.23	12/31	.13	.13	YES
	1599	AstraZeneca PLC (ADS)		AZN	47.66	3	2	3	.75	55- 80	(15- 70%)	6.8	5.7	7.04	2.70	55	9/30	2.54	1.07	12/31	NIL	NIL	YES
1055	821	athenahealth	(NDQ)	ATHN	56.50	4	3	4	1.05	60- 90	(5- 60%)	83.1	NIL	.68	NIL	83	9/30	.15	.11	12/31	NIL	NIL	YES
	924	*Atlantic Tele-Network*	(NDQ)	ATNI	35.54	2	3	3	.95	40- 65	(15- 85%)	16.7	2.6	2.13	.94	8	9/30	.65	.41	12/31	▲.23	.22	YES
	305	Atlas Air Worldwide	(NDQ)	AAWW	43.08	3	4	3	1.65	60- 100	(40-130%)	8.7	NIL	4.95	NIL	9	9/30	1.07	1.29	12/31	NIL	NIL	YES
	1354	Atmel Corp.	(NDQ)	ATML	9.80	3	3	3	.95	14- 20	(45-105%)	15.3	NIL	.64	NIL	88	9/30	.23	.16	12/31	NIL	NIL	YES
	543	Atmos Energy		ATO	32.22	3	2	2	.70	30- 40	(N- 25%)	13.5	4.3	2.38	1.39	76	9/30	.01	.02	12/31	▲.345	.335	YES
	2574	Autodesk, Inc.	(NDQ)	ADSK	35.81	3	3	3	1.20	45- 65	(25- 80%)	30.1	NIL	1.19	NIL	56	10/31	.32	.23	12/31	NIL	NIL	YES
	984	Autoliv, Inc.		ALV	63.64	3	3	3	1.30	105- 160	(65-150%)	9.3	2.8	6.88	1.80	15	9/30	1.48	1.51	3/31	.45	.40	YES
	2599	Automatic Data Proc.	(NDQ)	ADP	56.73	3	1	3	.80	75- 95	(30- 65%)	20.3	2.8	2.80	1.58	45	12/31	◆.68	.62	3/31	▲.395	.36	YES
	2123	AutoNation, Inc.		AN	36.25	3	3	3	1.20	30- 45	(N- 25%)	17.9	NIL	2.03	NIL	11	9/30	.48	.39	12/31	NIL	NIL	YES
	2124	AutoZone Inc.		AZO	346.75	2	3	3	.70	280- 420	(N- 20%)	15.6	NIL	22.18	NIL	11	11/30	4.68	3.77	12/31	NIL	NIL	YES
	1600	Auxilium Pharmac.	(NDQ)	AUXL	19.27	4	3	3	.90	25- 35	(30- 80%)	NMF	NIL	d.54	NIL	55	9/30	d.08	d.27	12/31	NIL	NIL	YES
	1516	AvalonBay Communities		AVB	131.13	4	3	3	1.10	110- 170	(N- 30%)	62.4	3.0	2.10	3.94	90	9/30	.51	.29	3/31	.893	.893	YES
1642	558	Avery Dennison		AVY	28.61	3	2	3	1.10	40- 55	(40- 90%)	11.6	3.5	2.46	1.00	29	9/30	.48	.62	12/31	.25	.20	YES
	2006	Avid Technology	(NDQ)	AVID	9.64	4	3	5	1.10	14- 20	(45-105%)	35.7	NIL	.27	NIL	94	9/30	.01	.04	12/31	NIL	NIL	YES
	2164	*Avis Budget Group*		CAR	14.07	1	4	3	2.40	20- 35	(40-150%)	8.7	NIL	1.61	NIL	28	9/30	1.02	.78	12/31	NIL	NIL	YES
	2237	Avista Corp.		AVA	24.82	3	2	3	.70	25- 35	(N- 40%)	14.3	4.8	1.73	1.18	13	9/30	.18	.22	12/31	.275	.25	YES
	1325	Avnet, Inc.		AVT	33.55	2	3	2	1.15	35- 50	(5- 50%)	7.3	NIL	4.60	NIL	54	9/30	.90	.94	12/31	NIL	NIL	YES
	1012	Avon Products		AVP	18.31	3	4	3	1.00	30- 50	(65-175%)	10.8	2.6	1.70	.48-.92	23	9/30	.38	.38	12/31	.23	.22	YES
	2024	AXIS Capital Hldgs.		AXS	30.60	4	3	1	.85	35- 55	(15- 80%)	7.9	3.1	3.85	.96	97	9/30	.74	1.22	3/31	▲.24	.23	YES
	1903	**B&G Foods**		BGS	22.96	3	3	5	1.10	25- 35	(10- 50%)	19.1	4.0	1.20	.92	70	9/30	.25	.20	3/31	▲.23	.17	YES
	2502	BB&T Corp.		BBT	27.75	3	3	4	1.10	35- 50	(25- 80%)	12.7	2.3	2.18	.64	72	12/31	◆.55	.30	3/31	.16	.15	YES
	1041	BCE Inc.		BCE	41.21	1	3	3	.75	40- 60	(N- 45%)	12.9	5.1	3.20	2.09	5	9/30	.83	.70	3/31	.518	.455	YES
	705	BE Aerospace	(NDQ)	BEAV	41.57	3	3	4	1.65	50- 75	(20- 80%)	16.5	NIL	2.52	NIL	22	9/30	.64	.41	12/31	NIL	NIL	YES
	1782	BGC Partners Inc.	(NDQ)	BGCP	6.44	2	4	3	1.45	11- 19	(70-195%)	7.4	10.6	.87	.68	69	9/30	.20	.17	12/31	.17	.14	YES
	1573	BHP Billiton Ltd. ADR		BHP	78.12	2	3	2	1.40	120- 175	(55-125%)	8.7	2.8	9.00	2.20(h)	30	6/30	4.77(p)	2.36(p)	12/31	NIL	NIL	YES
	349	BJ's Restaurants	(NDQ)	BJRI	45.69	3	3	4	1.05	55- 85	(20- 85%)	38.7	NIL	1.18	NIL	47	9/30	.22	.20	12/31	NIL	NIL	YES
	2575	BMC Software	(NDQ)	BMC	34.67	3	3	4	.85	50- 75	(45-115%)	14.5	NIL	2.39	NIL	56	9/30	.65	.63	12/31	NIL	NIL	YES
	778	BOK Financial	(NDQ)	BOKF	57.62	3	2	3	.95	60- 80	(5- 40%)	12.5	2.3	4.61	1.32	74	9/30	1.24	.94	12/31	▲.33	.25	YES
	502	BP PLC ADR		BP	44.70	2	3	2	1.05	65- 95	(45-115%)	6.8	3.8	6.61	1.68	2	9/30	1.63	.57	12/31	.42	NIL	YES
	1517	BRE Properties		BRE	50.38	4	3	3	1.05	35- 50	(N- N%)	90.0	3.0	.56	1.50	90	9/30	.23	.30	12/31	.375	.375	YES
	1042	BT Group ADR(g)		BT	32.67	1	3	3	1.00	35- 55	(5- 70%)	8.8	3.9	3.70	1.28	5	9/30	.96	.78	12/31	NIL	NIL	
	1230	Babcock & Wilcox		BWC	24.70	–	3	–	NMF	30- 45	(20- 80%)	15.2	NIL	1.63	NIL	36	9/30	.41	.31	12/31	NIL	NIL	YES
	113	Badger Meter		BMI	32.36	4	3	3	.95	40- 65	(25-100%)	20.1	2.0	1.61	.64	65	9/30	.46	.60	12/31	.16	.14	YES
	2617	Baidu, Inc.	(NDQ)	BIDU	121.75	3	3	3	1.35	220- 330	(80-170%)	33.5	NIL	3.63	NIL	78	9/30	.84	.45	12/31	NIL	NIL	YES
	2401	Baker Hughes		BHI	47.44	3	3	3	1.40	100- 150	(110-215%)	9.9	1.3	4.78	.60	42	12/31	◆1.22	.77	12/31	.15	.15	YES
	1171	Ball Corp.		BLL	37.75	▼2	2	3	.95	45- 60	(20- 60%)	13.1	0.7	2.88	.28	17	9/30	.81	1.22	12/31	.07	.05	YES
	1216	Ballard Power Sys.	(NDQ)	BLDP	1.13	4	5	3	1.15	2- 4	(75-255%)	NMF	NIL	d.22	NIL	91	9/30	d.09	d.07	12/31	NIL	NIL	YES
	2338	Bally Technologies		BYI	41.22	3	3	3	1.35	70- 105	(70-155%)	17.2	NIL	2.40	NIL	25	9/30	.45	.40	12/31	NIL	NIL	YES
	2503	BancorpSouth		BXS	11.90	4	3	2	1.05	20- 30	(70-150%)	17.2	0.3	.69	.04	72	12/31	◆.16	.19	3/31	.01	.22	YES
2032	2504	Bank of America		BAC	7.29	▲3	3	2	1.85	13- 20	(80-175%)	6.9	0.5	1.06	.04	72	12/31	◆.15	d.16	3/31	.01	.01	YES
	2505	Bank of Hawaii		BOH	45.98	3	3	3	1.00	60- 90	(30- 95%)	13.4	3.9	3.43	1.80	72	12/31	◆.85	.84	3/31	◆.45	.45	YES
	2506	Bank of Montreal	(TSE)	BMO.TO	60.78b	3	2	3	.85	65- 90	(5- 50%)	11.4	4.7	5.33	2.83	72	10/31	1.34(b)	1.24(b)	12/31	.70(b)	.70(b)	YES
	2507	Bank of New York Mellon		BK	21.24	▼4	3	2	1.20	45- 70	(110-230%)	8.2	3.2	2.59	.68	72	12/31	.42	.59	3/31	◆.13	.09	YES
	2508	Bank of Nova Scotia	(TSE)	BNS.TO	53.96b	3	2	3	.85	55- 75	(N- 40%)	12.2	3.9	4.43	2.08	72	10/31	1.07(b)	1.00(b)	12/31	.52(b)	.49(b)	YES
	178	Bard (C.R.)		BCR	91.85	3	1	4	.60	135- 165	(45- 80%)	13.9	0.8	6.60	.76	68	9/30	1.62	1.43	3/31	.19	.18	YES
1643	2165	Barnes & Noble		BKS	12.45	3	3	3	1.05	9- 14	(N- 10%)	NMF	NIL	▼d1.21	NIL	28	10/31	d.17	d.13	12/31	NIL	.25	YES
	1741	Barnes Group		B	24.54	3	3	3	1.30	30- 45	(20- 85%)	15.0	1.6	1.64	.40	38	9/30	.41	.27	12/31	▲.10	.08	YES
	1562	Barrick Gold		ABX	45.48	1	3	2	.90	40- 60	(N- 30%)	9.2	1.3	4.94	.60	18	9/30	1.36	.83	12/31	▲.15	.12	YES
	1143	*Bassett Furniture*	(NDQ)	BSET	7.61	▼3	4	3	1.05	14- 25	(85-230%)	11.9	2.6	.64	.20	62	11/30	◆.06	.13	3/31	▲.05	NIL	

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears *with the Latest Dividend, the arrow signals that a change in the* regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

Page	Page	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	179	Baxter Int'l Inc.		BAX	53.61	3	1	4	.70	75- 90	(40- 70%)	12.0	2.5	4.48	1.34	68	9/30	1.09	1.01	3/31	▲.335	.31	YES
	1106	Beacon Roofing	(NDQ)	BECN	22.59	2	3	4	1.15	25- 40	(10- 75%)	16.0	NIL	1.41	NIL	75	9/30	.56	.37	12/31	NIL	NIL	YES
	1965	Beam Inc.		BEAM		SEE LATEST REPORT																	
	1122	Beazer Homes USA		BZH	3.09	5	5	3	2.50	3- 6	(N- 95%)	NMF	NIL	d1.53	NIL	98	9/30	d.57	d.78	12/31	NIL	NIL	YES
	2204	bebe stores	(NDQ)	BEBE	8.52	3	3	4	1.10	8- 12	(N- 40%)	42.6	1.2	.20	.10	50	9/30	.03	d.01	12/31	.025	.025	YES
	180	Becton, Dickinson		BDX	78.29	3	1	3	.65	115- 140	(45- 80%)	14.0	2.3	5.60	1.80	68	9/30	1.39	1.24	12/31	▲.45	.41	YES
	2166	*Bed Bath & Beyond*	(NDQ)	BBBY	62.85	3	1	4	.95	115- 140	(85-125%)	15.4	NIL	4.07	NIL	28	11/30	.95	.74	12/31	NIL	NIL	YES
	1303	Belden Inc.		BDC	39.50	3	3	3	1.55	55- 80	(40-105%)	14.2	0.5	2.78	.20	53	9/30	.65	.43	3/31	.05	.05	YES
	2324	Belo Corp. 'A'		BLC	7.45	3	5	4	1.75	8- 14	(5- 90%)	10.6	2.7	.70	.20	32	9/30	.13	.13	3/31	.05	NIL	YES
	1172	Bemis Co.		BMS	29.99	3	2	3	.90	50- 70	(65-135%)	14.4	3.2	2.08	.96	17	12/31	♦.45	.46	12/31	.24	.23	YES
	1326	Benchmark Electronics		BHE	17.00	4	3	3	1.10	25- 40	(45-135%)	24.3	NIL	.70	NIL	54	9/30	.18	.38	12/31	NIL	NIL	YES
	760	Berkley (W.R.)		WRB	34.41	4	2	3	.70	45- 60	(30- 75%)	15.3	0.9	2.25	.32	96	9/30	.44	.67	12/31	.08	.14	YES
242	*761*	*Berkshire Hathaway 'B'*		BRKB	78.48	4	1	2	.75	100- 125	(25- 60%)	16.3	NIL	4.81	NIL	96	9/30	.92	1.21	12/31	NIL	NIL	YES
	2390	Berry Petroleum 'A'		BRY	45.80	2	3	3	1.75	60- 90	(30- 95%)	14.7	0.7	3.11	.32	6	9/30	.79	.38	12/31	.08	.075	YES
1052	2167	Best Buy Co.		BBY	25.36	3	3	3	1.05	45- 70	(75-175%)	7.4	2.5	3.45	.64	28	11/30	.47	.54	3/31	.16	.15	YES
1821	2168	Big 5 Sporting Goods	(NDQ)	BGFV	8.02	4	4	1	1.50 ▼	15- 25	(85-210%)	13.4	3.7	.60	.30	28	9/30	.27	.31	12/31	.075	.05	YES
	2134	Big Lots Inc.		BIG	41.16	3	3	2	1.00	60- 90	(45-120%)	13.3	NIL	3.09	NIL	43	10/31	.06	.23	12/31	NIL	NIL	YES
	350	Biglari Hldgs.		BH	387.51	3	3	2	1.15	370- 560	(N- 45%)	14.6	NIL	26.55	NIL	47	9/30	8.06	6.10	12/31	NIL	NIL	
	209	*Bio-Rad Labs. 'A'*		BIO	101.32	3	3	3	.90	115- 170	(15- 70%)	16.7	NIL	6.05	NIL	81	9/30	1.61	1.59	12/31	NIL	NIL	YES
	1601	Biogen Idec Inc.	(NDQ)	BIIB	117.03	3	3	4	.75	110- 160	(N- 35%)	22.6	NIL	5.17	NIL	55	9/30	1.43	1.05	12/31	NIL	NIL	YES
	831	BioMarin Pharmac.	(NDQ)	BMRN	35.03	4	3	4	1.10	30- 45	(N- 30%)	NMF	NIL	d.36	NIL	95	9/30	d.16	1.68	12/31	NIL	NIL	YES
	950	Black Box	(NDQ)	BBOX	31.76	3	3	3	1.15	45- 65	(40-105%)	10.3	0.9	3.07	.28	89	9/30	.83	.77	3/31	.07	.06	YES
	2238	Black Hills		BKH	33.91	3	3	3	.85	25- 40	(N- 20%)	26.5	4.4	▼1.28	1.48	13	9/30	d.27	.22	12/31	.365	.36	YES
	2539	BlackRock, Inc.		BLK	189.02	4	3	3	1.20	255- 380	(35-100%)	14.9	2.9	12.68	5.50	63	12/31	♦3.05	3.35	12/31	1.375	1.00	YES
	2642	*Blackstone Group LP*		BX	16.09	3	3	4	1.40	30- 40	(85-150%)	18.7	5.0	.86	.80	93	9/30	d.31	.30	12/31	.10	.10	YES
	2540	Block (H&R)		HRB	16.87	3	3	4	.85	20- 30	(20- 80%)	10.6	4.7	1.59	.80	63	10/31	d.41	d.35	3/31	▲.20	.15	YES
1052	2576	Blue Coat Sys.	(NDQ)	BCSI	25.74	–	3	–	1.25	19- 30	(N- 15%)	59.9	NIL	.43	NIL	56	10/31	.10	.25	12/31	NIL	NIL	YES
	2618	Blue Nile	(NDQ)	NILE	37.90	5	3	2	1.20	60- 85	(60-125%)	37.9	NIL	1.00	NIL	78	9/30	.13	.19	12/31	NIL	NIL	YES
	1135	BlueLinx Holdings		BXC	1.90	5	5	1	1.35	3- 6	(60-215%)	NMF	NIL	d.50	NIL	73	9/30	d.10	d.34	12/31	NIL	NIL	
	1184	Blyth Inc.		BTH	62.98	4	3	5	1.30	40- 65	(N- 5%)	29.4	0.3	2.14	.20	80	10/31	.10	.31	12/31	.10	.10	
	621	Boardwalk Pipeline		BWP	27.54	4	3	3	.85	30- 45	(10- 65%)	19.4	7.7	1.42	2.11	85	9/30	.27	.28	12/31	▲.528	.515	YES
	351	Bob Evans Farms	(NDQ)	BOBE	34.94	3	3	3	.95	35- 50	(N- 45%)	14.5	3.0	2.41	1.05	47	10/31	.47	.48	12/31	.25	.20	YES
	2205	Body Central Corp.	(NDQ)	BODY	25.00	–	3	–	NMF	30- 45	(20- 80%)	18.5	NIL	1.35	NIL	50	9/30	.18	.11	12/31	NIL	NIL	
★★	706	Boeing		BA	75.36	3	2	3	1.05	90- 120	(20- 60%)	15.2	2.3	4.96	1.76	22	12/31	♦1.32	1.56	3/31	▲.44	.42	YES
	707	Bombardier Inc. 'B'	(TSE)	BBDB.TO	4.77b	2	3	3	1.10	11- 16	(130-235%)	9.9	2.1	.48	.10	22	10/31	.11(b)	.08(b)	12/31	.025	.025	YES
	985	BorgWarner		BWA	75.99	2	3	2	1.30	100- 150	(30- 95%)	15.1	NIL	5.03	NIL	15	9/30	1.15	.71	12/31	NIL	NIL	YES
2450	1966	Boston Beer 'A'		SAM	99.71	3	3	2	.75	85- 125	(N- 25%)	24.7	NIL	4.03	NIL	61	9/30	1.19	1.09	12/31	NIL	NIL	YES
	1518	Boston Properties		BXP	101.95	4	3	3	1.20	65- 100	(N- N%)	57.9	2.2	1.76	2.20	90	9/30	.48	.41	3/31	▲.55	.50	YES
	181	Boston Scientific		BSX	5.97	3	3	3	1.00	14- 20	(135-235%)	12.7	NIL	.47	NIL	68	9/30	.10	.12	12/31	NIL	NIL	YES
	2339	Boyd Gaming		BYD	9.15	3	4	3	2.00	10- 18	(10- 95%)	NMF	NIL	.08	NIL	25	9/30	.05	.06	12/31	NIL	NIL	YES
	1742	Brady Corp.		BRC	33.66	3	3	3	1.10	35- 50	(5- 50%)	14.0	2.2	2.40	.74	38	10/31	.62	.55	3/31	.185	.185	YES
	1705	Briggs & Stratton		BGG	16.86	▼3	3	3	1.10	35- 50	(110-195%)	12.5	2.6	1.35	.44	33	9/30	d.10	.16	3/31	.11	.11	YES
	583	Brightpoint, Inc.	(NDQ)	CELL	11.92	1	3	1	1.30	30- 45	(150-280%)	12.4	NIL	.96	NIL	92	9/30	.20	.16	12/31	NIL	NIL	YES
	352	Brinker Int'l		EAT	25.66	2	3	3	1.25	30- 45	(15- 75%)	14.3	2.5	1.80	.64	47	12/31	♦.47	.38	12/31	.16	.14	YES
	380	Brink's (The) Co.		BCO	28.07	2	3	4	1.05	40- 55	(45- 95%)	14.6	1.4	1.92	.40	37	9/30	.52	.45	3/31	♦.10	.10	YES
	1602	Bristol-Myers Squibb		BMY	32.25	3	1	4	.75	35- 45	(10- 40%)	14.9	4.3	2.16	1.38	55	9/30	.56	.55	3/31	▲.34	.33	YES
	306	Bristow Group		BRS	48.50	4	3	4	1.30	55- 85	(15- 75%)	16.0	1.2	3.03	.60	9	9/30	.63	1.06	12/31	.15	NIL	YES
	1989	Brit. Amer Tobac. ADR		BTI	92.00	3	2	3	.70	105- 145	(15- 60%)	14.9	4.2	6.18	3.85	27	6/30	3.07(p)	2.70(p)	12/31	1.192	NIL	YES
	951	Broadcom Corp. 'A'	(NDQ)	BRCM	35.22	4	3	2	1.05	45- 65	(30- 85%)	21.1	1.0	1.67	.36	89	9/30	.48	.60	12/31	.09	.08	YES
1821	1401	Brocade Communic.	(NDQ)	BRCD	5.70	–	4	–	1.30	7- 11	(25- 95%)	25.9	NIL	.22	NIL	48	10/31	.01	.05	12/31	NIL	NIL	YES
	798	Brookdale Senior Living		BKD	17.70	3	5	4	1.85	25- 45	(40-155%)	NMF	NIL	d.02	NIL	4	9/30	d.06	d.14	12/31	NIL	NIL	YES
	1032	Brookfield Asset Mgmt.		BAM	30.75	3	3	3	1.25	45- 65	(45-110%)	20.8	1.7	1.48	.52	60	9/30	.36	.16	3/31	.13	.13	YES
	1706	Brooks Automation	(NDQ)	BRKS	10.92	3	4	2	1.45	13- 20	(20- 85%)	14.4	2.9	.76	.32	33	9/30	.19	.38	12/31	.08	NIL	YES
	2541	*Brown & Brown*		BRO	23.11	4	2	2	.70	30- 40	(30- 75%)	19.1	1.5	1.21	.34	63	9/30	.30	.31	3/31	♦.085	.08	YES
	1967	Brown-Forman 'B'		BFB	82.28	4	1	3	.70	75- 90	(N- 10%)	21.7	1.7	3.79	1.42	61	10/31	1.09	1.05	6/30	▲.35	.32	YES
	2153	Brown Shoe		BWS	9.28	2	3	1	1.45	17- 25	(85-170%)	9.1	3.0	1.02	.28	49	10/31	.51	.45	3/31	.07	.07	YES
	114	Bruker Corp.	(NDQ)	BRKR	13.79	4	3	5	1.10	20- 30	(45-120%)	21.2	NIL	.65	NIL	65	9/30	.12	.17	12/31	NIL	NIL	YES
	2302	Brunswick Corp.		BC	21.59	▲2	4	3	1.95	25- 45	(15-110%)	20.6	0.2	1.05	.05	41	9/30	.05	d.08	12/31	.05	.05	YES
	622	Buckeye Partners L.P.		BPL	62.30	4	2	3	.80	65- 85	(5- 35%)	19.7	6.6	3.17	4.10	85	9/30	.64	.93	12/31	▲1.025	.963	YES
	2206	*Buckle (The), Inc.*		BKE	43.03	3	3	4	1.00	50- 75	(15- 75%)	13.3	1.9	3.23	.80	50	10/31	.81	.73	3/31	.20	.20	YES
	353	Buffalo Wild Wings	(NDQ)	BWLD	64.29	3	3	4	1.00	70- 105	(10- 65%)	22.2	NIL	2.90	NIL	47	9/30	.61	.47	12/31	NIL	NIL	YES
	1904	Bunge Ltd.		BG	58.26	3	3	3	1.35	70- 110	(20- 90%)	10.3	1.8	5.68	1.04	70	9/30	.86	1.65	3/31	.25	.23	YES
	2577	**CA, Inc.**		CA	22.82	▲1	2	3	.95	45- 60	(95-165%)	11.9	0.9	1.92	.20	56	12/31	♦.54	.39	12/31	.05	.04	YES
	2600	CACI Int'l		CACI	58.24	1	3	4	.80	125- 190	(115-225%)	10.6	NIL	5.50	NIL	45	9/30	1.41	.92	12/31	NIL	NIL	YES
	708	CAE Inc.	(TSE)	CAE.TO	11.11	3	3	3	.95	12- 18	(10- 60%)	15.2	1.4	.73	.16	22	9/30	.16(b)	.16(b)	12/31	.04(b)	.04(b)	YES
	1033	CBRE Group		CBG	17.88	3	4	4	1.75	25- 45	(40-150%)	15.5	NIL	1.15	NIL	60	9/30	.24	.19	12/31	NIL	NIL	YES
	2325	CBS Corp. 'B'		CBS	28.64	2	3	3	1.50	25- 40	(N- 40%)	14.2	1.4	2.01	.40	32	9/30	.50	.35	3/31	.10	.05	YES
	1634	CDI Corp.		CDI	14.70	3	3	2	1.20	17- 25	(15- 70%)	28.3	3.5	.52	.52	39	9/30	.15	.09	12/31	.13	.13	YES
	354	CEC Entertainment		CEC	35.69	3	3	4	1.15	50- 75	(40-110%)	11.8	2.5	3.02	.88	47	9/30	.62	.64	3/31	▲.22	NIL	YES
	1355	CEVA, Inc.	(NDQ)	CEVA	28.50	3	3	4	1.15	30- 40	(5- 40%)	34.8	NIL	.82	NIL	88	9/30	.20	.13	12/31	NIL	NIL	YES
	1583	CF Industries		CF	172.36	1	3	2	1.30	180- 270	(5- 55%)	7.6	0.9	22.76	1.60	10	9/30	5.16	.87	12/31	.40	.10	YES
	138	*CH Energy Group*		CHG	56.16	3	1	3	.65	45- 55	(N- N%)	18.2	4.0	3.08	2.22	52	9/30	.55	.55	3/31	.555	.54	
	381	C.H. Robinson	(NDQ)	CHRW	67.63	3	2	4	.95	80- 110	(20- 65%)	23.3	2.0	2.90	1.32	37	9/30	.70	.62	3/31	▲.33	.29	YES
	799	CIGNA Corp.		CI	45.39	2	3	4	1.10	70- 105	(55-130%)	8.6	0.1	5.30	.04	4	9/30	1.20	1.10	12/31	NIL	NIL	YES
	1783	CME Group	(NDQ)	CME	240.52	3	3	3	1.10	375- 565	(55-135%)	12.9	2.3	18.71	5.60	69	9/30	4.74	3.66	12/31	1.40	1.15	YES
	906	CMS Energy Corp.		CMS	21.61	3	3	3	.75	18- 25	(N- 15%)	14.4	4.3	1.50	.92	12	9/30	.53	.53	12/31	.21	.21	YES
	762	CNA Fin'l		CNA	28.05	4	3	3	1.30	40- 60	(45-115%)	11.4	1.4	2.46	.40	96	9/30	.34	d.66	12/31	.10	NIL	YES
	161	*CNH Global NV*		CNH	44.62	2	3	2	1.85	60- 90	(35-100%)	11.3	NIL	3.95	NIL	20	9/30	1.13	.43	12/31	NIL	NIL	YES
1243	2303	CPI Corp.		CPY	1.65	5	5	1	1.50	17- 30	(NMF)	1.6	NIL	1.03	NIL	41	10/31	d1.03	d1.05	3/31	▼NIL	.25	
	2601	CSG Systems Int'l	(NDQ)	CSGS	15.83	3	3	4	.80	20- 35	(25-120%)	10.3	NIL	1.54	NIL	45	9/30	.32	.47	12/31	NIL	NIL	YES
	339	CSX Corp.		CSX	21.85	2	3	3	1.20	35- 50	(60-130%)	12.0	2.2	1.82	.48	3	12/31	♦.43	.38	12/31	.12	.087	YES
	1327	CTS Corp.		CTS	9.98	3	3	1	1.15	13- 20	(30-100%)	12.5	1.4	.80	.14	54	9/30	.17	.20	3/31	▲.035	.03	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
♦ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Page (Sel. & Op.)	Page	NAME OF STOCK	Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	% appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1584	CVR Partners, LP	UAN	28.58	–	3	–	NMF	25- 40	(N- 40%)	14.3	5.2	2.00	1.50	10	9/30	.50	NA	12/31	.572	NIL	YES
	973	CVS Caremark Corp.	CVS	42.44	2	1	3	.80	60- 75	(40- 75%)	14.2	1.5	2.98	.65	57	9/30	.70	.65	3/31	▲.163	.125	YES
	2169	Cabela's Inc.	CAB	26.12	2	3	3	1.25	45- 65	(70-150%)	12.0	NIL	2.17	NIL	28	9/30	.47	.31	12/31	NIL	NIL	YES
1244	1021	Cablevision Sys. 'A'	CVC	14.16	–	4	–	NMF	25- 40	(75-180%)	14.2	4.2	1.00	.60	1	9/30	.14	.37	12/31	.15	.125	YES
	2430	Cabot Corp.	CBT	35.98	3	3	3	1.20	45- 65	(25- 80%)	13.5	2.0	2.66	.72	21	9/30	.76	.54	3/31	.18	.18	YES
1052	559	Cabot Microelectr's (NDQ)	CCMP	50.18	4	3	3	1.05	60- 90	(20- 80%)	22.8	NIL	2.20	NIL	29	9/30	.40	.66	12/31	NIL	NIL	YES
	520	Cabot Oil & Gas 'A'(•)	COG	32.02	4	3	4	1.25	20- 35	(N- 10%)	32.0	0.2	1.00	.08	59	9/30	.17	.16	3/31	▲.02	.015	YES
	2578	Cadence Design Sys. (NDQ)	CDNS	10.73	3	3	3	1.20	12- 17	(10- 60%)	18.8	NIL	.57	NIL	56	9/30	.14	.04	12/31	NIL	NIL	YES
	1905	Cal-Maine Foods (NDQ)	CALM	37.00	3	3	4	1.05	35- 55	(N- 50%)	12.1	2.7	3.05	1.00	70	11/30	.97	.63	12/31	.044	.067	YES
	403	Calgon Carbon	CCC	16.32	3	3	3	1.20	20- 35	(25-115%)	19.9	NIL	.82	NIL	31	9/30	.25	.18	12/31	NIL	NIL	YES
	1778	California Water	CWT	18.12	3	3	3	.65	20- 30	(10- 65%)	17.8	3.4	1.02	.62	14	9/30	.50	.49	12/31	.154	.149	YES
	2304	Callaway Golf	ELY	6.20	5	3	2	1.05	11- 17	(75-175%)	NMF	0.6	.01	.04	41	12/31	◆d1.01	d.40	3/31	◆.01	.01	YES
	2431	Cambrex Corp.	CBM	7.71	1	5	2	1.05	9- 16	(15-110%)	12.9	NIL	.60	NIL	21	9/30	.10	d.05	12/31	NIL	NIL	YES
	1519	*Camden Property Trust*	CPT	62.18	3	3	3	1.10	65- 95	(5- 55%)	79.7	3.3	.78	2.04	90	9/30	.16	.02	12/31	.49	.45	YES
	1574	Cameco Corp. (TSE)	CCO.TO	23.54	4	3	1	1.10	40- 55	(70-135%)	17.4	1.7	1.35	.40	30	9/30	.26	.20	12/31	.10	.07	YES
	2402	Cameron Int'l Corp.	CAM	53.07	3	3	2	1.45	60- 90	(15- 70%)	16.4	NIL	3.23	NIL	42	9/30	.78	.64	12/31	NIL	NIL	YES
	1906	Campbell Soup	CPB	31.61	4	2	3	.55	45- 60	(40- 90%)	13.2	3.7	2.40	1.16	70	10/31	.82	.82	3/31	.29	.29	YES
	2509	Can. Imperial Bank (TSE)	CM.TO	77.64b	3	2	2	.95	100- 135	(30- 75%)	10.3	4.6	7.53	3.60	72	10/31	1.89(b)	1.47(b)	12/31	▲.90(b)	.87(b)	YES
	340	Can. National Railway	CNI	75.03	▼3	2	3	1.15	90- 125	(20- 65%)	14.9	2.0	5.02	1.50	3	12/31	◆1.30	1.08	3/31	▲.375	.325	YES
	2391	Can. Natural Res. (TSE)	CNQ.TO	39.98	2	3	2	1.20	60- 85	(50-115%)	15.1	0.9	2.65	.36	6	9/30	.65	.55	12/31	.09	.075	YES
	341	Can. Pacific Railway	CP	69.78	3	3	1	1.30	80- 120	(15- 70%)	17.2	1.7	4.05	1.20	3	9/30	1.14	1.21	3/31	.30	.27	YES
	1979	Canon Inc. ADR(g)	CAJ	43.98	2	2	2	1.05	65- 85	(50- 95%)	14.5	3.5	3.03	1.56	58	9/30	.84	.67	12/31	NIL	NIL	YES
	2542	Capital One Fin'l	COF	45.04	▼3	3	3	1.45	55- 85	(20- 90%)	7.1	0.4	6.35	.20	63	12/31	◆.88	1.52	12/31	.05	.05	YES
	2643	*Capital Trust*	CT	2.32	4	5	5	2.00	10- 18	(330-675%)	7.3	NIL	.32	NIL	93	9/30	d.13	d6.02	12/31	NIL	NIL	YES
	2644	CapitalSource	CSE	7.00	4	4	3	1.70	11- 18	(55-155%)	NMF	0.6	.04	.04	93	9/30	d.26	.19	12/31	.01	.01	YES
	1503	Capitol Fed. Fin'l (NDQ)	CFFN	11.56	4	3	3	.65	14- 20	(20- 75%)	28.9	2.6	.40	.30	84	9/30	.10	.10	3/31	◆.075	.075	YES
★★	2403	CARBO Ceramics	CRR	133.99	3	3	4	1.10	180- 270	(35-100%)	20.3	0.7	6.59	.97	42	9/30	1.59	.87	12/31	.24	.20	YES
	210	Cardinal Health	CAH	41.85	3	1	3	.80	65- 80	(55- 90%)	13.7	2.1	3.05	.86	81	9/30	.68	.64	3/31	.215	.195	YES
2441	1997	Career Education (NDQ)	CECO	10.53	4	3	2	.90	17- 25	(60-135%)	10.3	NIL	1.02	NIL	66	9/30	.26	.66	12/31	NIL	NIL	YES
	182	CareFusion Corp.	CFN	23.77	–	3	–	.70	40- 60	(70-150%)	12.8	NIL	1.85	NIL	68	9/30	.33	.29	12/31	NIL	NIL	YES
	355	Caribou Coffee (NDQ)	CBOU	16.43	3	4	2	.95	20- 35	(20-115%)	40.1	NIL	.41	NIL	47	9/30	.09	.08	12/31	NIL	NIL	YES
	1743	Carlisle Cos.	CSL	47.70	3	2	3	1.05	55- 80	(15- 70%)	15.0	1.5	3.19	.72	38	9/30	.85	.75	12/31	.18	.17	YES
	2125	CarMax, Inc.	KMX	32.57	4	3	3	1.20	40- 60	(25- 85%)	18.0	NIL	1.81	NIL	11	11/30	.36	.36	12/31	NIL	NIL	YES
2031	2305	Carnival Corp.	CCL	31.78	3	3	2	1.15	50- 75	(55-135%)	12.7	3.1	2.50	1.00	41	11/30	.28	.31	12/31	.25	.10	YES
	744	Carpenter Technology	CRS	56.08	3	3	4	1.40	50- 70	(N- 25%)	22.0	1.3	2.55	.72	44	9/30	.53	.17	3/31	◆.18	.18	YES
	2102	Carter's Inc.	CRI	41.71	4	3	4	.90	40- 60	(N- 45%)	22.4	NIL	1.86	NIL	64	9/30	.58	.83	12/31	NIL	NIL	YES
	1707	Cascade Corp.	CASC	55.26	1	3	3	1.40	65- 100	(20- 80%)	9.9	1.8	5.61	1.00	33	10/31	1.74	.79	3/31	.25	.10	
	404	Casella Waste Sys. (NDQ)	CWST	6.85	3	5	3	1.60	13- 25	(90-265%)	NMF	NIL	d.38	NIL	31	10/31	d.03	.01	12/31	NIL	NIL	YES
	1944	Casey's Gen'l Stores (NDQ)	CASY	52.50	1	3	3	.70	55- 85	(5- 60%)	16.3	1.1	3.22	.60	16	10/31	.99	.51	3/31	.15	.135	YES
	2543	Cash Amer. Int'l	CSH	43.37	2	3	4	1.00	55- 85	(25- 95%)	9.0	0.3	4.83	.14	63	9/30	1.08	.90	12/31	.035	.035	YES
	974	Catalyst Health Solns (NDQ)	CHSI	55.60	4	3	5	.75	70- 100	(25- 80%)	31.4	NIL	1.77	NIL	57	9/30	.31	.48	12/31	NIL	NIL	YES
★★	162	Caterpillar Inc.	CAT	106.29	▲1	3	3	1.35	140- 210	(30-100%)	13.3	1.7	7.99	1.86	20	9/30	1.71	1.22	3/31	.46	.44	YES
	2207	Cato Corp.	CATO	26.20	3	3	3	.90	30- 50	(15- 90%)	12.1	3.5	2.17	.92	50	10/31	.21	.23	3/31	.23	.185	YES
	925	Cbeyond, Inc. (NDQ)	CBEY	8.75	3	3	3	1.10	14- 20	(60-130%)	NMF	NIL	d.06	NIL	8	9/30	d.04	d.02	12/31	NIL	NIL	YES
	2306	Cedar Fair L.P.	FUN	24.72	1	3	3	1.00	35- 55	(40-120%)	13.7	4.0	1.80	1.00	41	9/30	2.74	1.36	12/31	.70	.25	YES
	1328	Celestica Inc.	CLS	8.03	1	3	1	1.25	12- 19	(50-135%)	9.3	NIL	.86	NIL	54	9/30	.23	.20	12/31	NIL	NIL	YES
	1603	Celgene Corp. (NDQ)	CELG	74.02	2	2	4	.75	100- 135	(35- 80%)	22.2	NIL	3.33	NIL	55	9/30	.81	.68	12/31	NIL	NIL	YES
	1107	CEMEX ADS	CX	6.39	5	4	3	1.65	11- 18	(70-180%)	NMF	NIL	d1.15	NIL	75	9/30	d.79	d.08	12/31	NIL	NIL	YES
	907	CenterPoint Energy	CNP	18.58	2	3	4	.80	15- 25	(N- 35%)	16.2	4.4	1.15	.81	12	9/30	.38	.29	3/31	▲.203	.198	YES
	417	Central Europe/Russia	CEE	31.45	–	4	3	1.45	45- 70	(45-125%)	NMF	0.5	NMF	.15	–	10/31	38.13(q)	43.81(q)	3/31	.371	.264	
849	1968	*Central European Dist.* (NDQ)	CEDC	3.82	4	5	2	1.80	13- 25	(240-555%)	12.7	NIL	.30	NIL	61	9/30	.06	.12	12/31	NIL	NIL	YES
	1185	Central Garden & Pet (NDQ)	CENT	9.04	4	4	3	1.05	13- 20	(45-120%)	20.5	NIL	.44	NIL	80	9/30	d.21	d.02	12/31	NIL	NIL	
	139	Cen. Vermont Pub. Serv.	CV	35.15	–	3	–	.75	25- 35	(N- N%)	92.5	2.6	.38	.92	52	9/30	d.65	.79	3/31	.23	.23	
	1043	CenturyLink Inc.	CTL	36.94	3	2	3	.75	30- 40	(N- 10%)	24.3	7.9	1.52	2.90	5	9/30	.34	.83	3/31	.725	.725	YES
	211	Cepheid (NDQ)	CPHD	32.78	3	4	5	1.45	40- 65	(20-100%)	NMF	NIL	.22	NIL	81	9/30	.03	d.02	12/31	NIL	NIL	YES
	560	Ceradyne Inc. (NDQ)	CRDN	32.12	2	3	3	1.20	40- 65	(25-100%)	9.7	NIL	3.30	NIL	29	9/30	.82	.18	12/31	NIL	NIL	YES
	822	Cerner Corp. (NDQ)	CERN	60.37	3	3	4	.85	50- 70	(N- 15%)	31.6	NIL	1.91	NIL	83	9/30	.45	.36	12/31	NIL	NIL	YES
1822	212	Charles River	CRL	33.33	3	3	4	.90	40- 60	(20- 80%)	18.7	NIL	1.78	NIL	81	9/30	.37	.28	12/31	NIL	NIL	YES
633	2208	Charming Shoppes (NDQ)	CHRS	4.87	2	4	5	1.70	6- 10	(25-105%)	40.6	NIL	▼.12	NIL	50	10/31	d.11	d.16	12/31	NIL	NIL	YES
	731	Chart Industries (NDQ)	GTLS	55.68	3	3	5	1.85	45- 65	(N- 15%)	21.5	NIL	2.59	NIL	46	9/30	.62	.27	12/31	NIL	NIL	YES
	1801	Check Point Software (NDQ)	CHKP	56.52	3	1	3	.80	70- 85	(25- 50%)	21.1	NIL	2.68	NIL	86	12/31	.75	.64	12/31	NIL	NIL	YES
	115	Checkpoint Systems	CKP	11.00	5	3	3	1.05	20- 30	(80-175%)	NMF	NIL	d.90	NIL	65	9/30	d1.21	.17	12/31	NIL	NIL	YES
	356	Cheesecake Factory (NDQ)	CAKE	29.20	3	3	3	1.25	40- 55	(35- 90%)	16.4	NIL	1.78	NIL	47	9/30	.36	.37	12/31	NIL	NIL	YES
246	1744	Chemed Corp.	CHE	57.53	3	3	3	.75	70- 105	(20- 85%)	13.6	1.1	4.23	.64	38	9/30	1.04	.91	12/31	.16	.14	YES
	779	Chemical Financial (NDQ)	CHFC	22.82	3	3	2	1.00	30- 45	(30- 95%)	13.9	3.5	1.64	.80	74	9/30	.42	.32	12/31	.20	.20	
1642	521	Chesapeake Energy	CHK	22.49	3	3	2	1.35	35- 50	(55-120%)	8.5	1.6	2.64	.35	59	9/30	.72	.70	3/31	.088	.075	YES
2441	503	Chevron Corp.	CVX	106.72	2	1	3	.95	125- 155	(15- 45%)	7.8	3.0	13.71	3.24	2	9/30	3.92	1.87	12/31	.81	.72	YES
	1231	*Chicago Bridge & Iron*	CBI	42.57	2	3	4	1.65	45- 70	(5- 65%)	15.7	0.5	2.71	.22	36	9/30	.72	.52	12/31	.05	NIL	YES
444	2209	Chico's FAS	CHS	11.59	3	3	4	1.25	25- 35	(115-200%)	13.3	1.7	.87	.20	50	10/31	.16	.16	12/31	.05	.04	YES
250	2210	Children's Place (NDQ)	PLCE	50.99	3	3	5	1.15	70- 105	(35-105%)	16.6	NIL	▼3.08	NIL	50	10/31	1.33	1.13	12/31	NIL	NIL	YES
	986	China Auto. Sys. (NDQ)	CAAS	5.25	3	3	3	1.40	10- 15	(90-185%)	8.1	NIL	.65	NIL	15	9/30	.10	.26	12/31	NIL	NIL	YES
	418	China Fund (The)	CHN	21.67	–	3	2	1.05	45- 65	(110-200%)	NMF	1.2	NMF	.25	–	4/30	35.23(q)	36.62(q)	12/31	.174	.375	
	1585	China Green Agriculture	CGA	4.25	–	5	–	1.15	12- 20	(180-370%)	2.8	NIL	1.50	NIL	10	9/30	.38	.30	12/31	NIL	NIL	YES
	357	Chipotle Mex. Grill	CMG	360.60	3	3	4	.95	270- 405	(N- 10%)	46.8	NIL	7.70	NIL	47	9/30	1.90	1.52	12/31	NIL	NIL	YES
	1907	Chiquita Brands Int'l	CQB	8.66	3	4	2	1.25	19- 30	(120-245%)	6.3	NIL	1.37	NIL	70	9/30	d.63	d.19	12/31	NIL	NIL	YES
	2340	Choice Hotels Int'l	CHH	36.86	4	3	2	1.00	35- 50	(N- 35%)	19.2	2.0	1.92	.74	25	9/30	.71	.68	3/31	.185	.185	YES
	2211	Christopher & Banks	CBK	2.13	5	5	4	1.20	▼ 3- 5	(40-135%)	NMF	NIL	▼d1.40	NIL	50	11/30	d.79	d.26	3/31	▼NIL	.06	YES
	763	Chubb Corp.	CB	70.06	4	1	2	.85	75- 90	(5- 30%)	12.7	2.2	5.53	1.56	96	9/30	.88	1.69	3/31	.39	.37	YES
	1186	Church & Dwight	CHD	45.79	3	1	3	.60	45- 60	(N- 30%)	19.9	1.5	2.30	.68	80	9/30	.54	.48	12/31	.17	.085	YES
	952	Ciena Corp. (NDQ)	CIEN	15.15	4	5	2	1.50	18- 35	(20-130%)	NMF	NIL	d.68	NIL	89	10/31	d.23	d.86	12/31	NIL	NIL	YES
	522	Cimarex Energy	XEC	58.41	3	3	3	1.25	70- 105	(20- 80%)	10.3	0.7	5.65	.40	59	9/30	1.45	1.46	3/31	.10	.08	YES
	1044	Cincinnati Bell	CBB	3.51	1	4	3	1.05	5- 8	(40-130%)	11.7	NIL	.30	NIL	5	9/30	.07	.06	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. *In other cases, the change is due to the dynamics* of the ranking system and could simply be the result of the improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	764	Cincinnati Financial	(NDQ)	CINF	32.43	5	2	2	.95	25- 35	(N- 10%)	27.3	5.0	1.19	1.61	96	9/30	.12	.34	3/31	.403	.40	YES
	2307	Cinemark Hldgs.		CNK	19.89	1	3	2	1.00	25- 40	(25-100%)	13.7	4.2	1.45	.84	41	9/30	.41	.29	12/31	.21	.21	YES
	382	Cintas Corp.	(NDQ)	CTAS	37.50	2	2	4	.95	45- 60	(20- 60%)	17.4	1.4	2.15	.54	37	11/30	.57	.38	12/31	▲.54	.49	YES
	1356	*Cirrus Logic*	(NDQ)	CRUS	21.87	2	4	2	1.05	25- 40	(15- 85%)	18.1	NIL	1.21	NIL	88	9/30	.33	.40	12/31	NIL	NIL	YES
2650	953	Cisco Systems	(NDQ)	CSCO	19.82	3	1	2	1.00	30- 35	(50- 75%)	13.7	1.2	1.45	.24	89	10/31	.33	.34	3/31	.06	NIL	YES
	2212	Citi Trends	(NDQ)	CTRN	9.57	3	3	2	1.20	15- 25	(55-160%)	36.8	NIL	▼.26	NIL	50	10/31	d.46	d.03	12/31	NIL	NIL	YES
	2510	Citigroup Inc.		C	29.90	4	4	2	2.05	75- 125	(150-320%)	7.8	0.1	3.81	.04	72	12/31	.38	.40	3/31	◆.01	NIL	YES
	2579	Citrix Sys.	(NDQ)	CTXS	67.84	3	3	3	1.00	75- 115	(10- 70%)	33.8	NIL	2.01	NIL	56	9/30	.49	.46	12/31	NIL	NIL	YES
	2511	*City National Corp.*		CYN	48.64	3	3	3	1.05	50- 75	(5- 55%)	14.6	2.1	3.33	1.00	72	12/31	◆.82	.74	3/31	▲.25	.20	YES
	1173	CLARCOR Inc.		CLC	51.78	3	3	3	.90	50- 75	(N- 45%)	21.2	0.9	2.44	.48	17	11/30	◆.73	.57	3/31	.12	.105	YES
	610	Clean Energy Fuels	(NDQ)	CLNE	14.93	4	4	5	1.40	25- 40	(65-170%)	NMF	NIL	d.46	NIL	82	9/30	d.11	d.03	12/31	NIL	NIL	YES
	405	Clean Harbors		CLH	65.31	3	3	4	.80	45- 65	(N- N%)	27.3	NIL	2.39	NIL	31	9/30	.70	.74	12/31	NIL	NIL	YES
	926	Clearwire Corp.	(NDQ)	CLWR	1.80	3	5	4	1.30	7- 12	(290-565%)	NMF	NIL	d1.60	NIL	8	9/30	d.73	d.58	12/31	NIL	NIL	YES
	908	Cleco Corp.		CNL	37.12	3	2	3	.70	30- 40	(N- 10%)	15.2	3.4	2.45	1.25	12	9/30	1.08	.82	12/31	▲.313	.25	YES
	745	Cliffs Natural Res.		CLF	73.90	1	3	3	1.95	125- 190	(70-155%)	5.4	1.5	13.77	1.12	44	9/30	4.07	2.18	3/31	.28	.14	YES
	1187	Clorox Co.		CLX	68.63	4	2	3	.65	85- 115	(25- 70%)	16.7	3.6	4.10	2.50	80	9/30	.98	.98	3/31	.60	.55	YES
	2170	Coach Inc.		COH	67.97	3	3	4	1.25	80- 120	(20- 75%)	18.6	1.3	3.66	.90	28	12/31	◆1.18	1.00	3/31	.225	.15	YES
	1969	Coca-Cola		KO	67.90	3	1	3	.60	105- 130	(55- 90%)	16.8	2.8	4.05	1.88	61	9/30	1.03	.92	12/31	.47	.88	YES
	1970	*Coca-Cola Bottling*	(NDQ)	COKE	60.23	3	3	4	.70	80- 120	(35-100%)	16.5	1.7	3.66	1.00	61	9/30	1.06	1.71	3/31	◆.25	.25	
	1971	Coca-Cola Enterprises		CCE	26.59	–	3	–	NMF	45- 70	(70-165%)	11.3	2.1	2.35	.55	61	9/30	.88	.61	12/31	.13	.12	YES
	116	Cognex Corp.	(NDQ)	CGNX	41.24	4	3	2	1.05	50- 70	(20- 70%)	26.1	1.0	1.58	.40	65	9/30	.42	.45	12/31	▲.10	.08	YES
	2602	Cognizant Technology	(NDQ)	CTSH	71.18	3	3	3	1.10	105- 155	(50-120%)	22.2	NIL	3.20	NIL	45	9/30	.73	.66	12/31	NIL	NIL	YES
	117	Coherent, Inc.	(NDQ)	COHR	57.68	▼3	3	3	.95	65- 95	(15- 65%)	15.2	NIL	3.80	NIL	65	9/30	1.25	.39	12/31	NIL	NIL	YES
	383	*Coinstar Inc.*	(NDQ)	CSTR	47.38	2	3	4	.90	85- 130	(80-175%)	13.9	NIL	3.41	NIL	37	9/30	1.18	.66	12/31	NIL	NIL	YES
	2213	Coldwater Creek	(NDQ)	CWTR	0.92	5	4	3	1.45	1- 2	(10-115%)	NMF	NIL	▲d.85	NIL	50	10/31	d.31	d.12	12/31	NIL	NIL	YES
	1188	Colgate-Palmolive		CL	88.25	3	1	3	.60	135- 165	(55- 85%)	16.7	2.6	5.29	2.32	80	9/30	1.31	1.21	3/31	.58	.53	YES
	2214	Collective Brands		PSS	15.89	3	3	2	1.20	25- 35	(55-120%)	14.9	NIL	1.07	NIL	50	10/31	.61	.75	12/31	NIL	NIL	YES
	2103	Columbia Sportswear	(NDQ)	COLM	47.92	3	3	2	1.00	55- 80	(15- 65%)	14.8	1.8	3.23	.88	64	9/30	1.98	1.53	12/31	.22	.20	YES
	1708	Columbus McKinnon	(NDQ)	CMCO	14.07	3	3	2	1.35	20- 35	(40-150%)	11.7	NIL	1.20	NIL	33	9/30	.32	.25	12/31	NIL	NIL	YES
	1022	Comcast Corp.	(NDQ)	CMCSK	25.20	1	3	3	1.00	40- 60	(60-140%)	15.8	1.8	1.60	.45	1	9/30	.33	.31	3/31	.113	.095	YES
	780	Comerica Inc.		CMA	29.60	3	3	3	1.20	35- 55	(20- 85%)	13.5	1.4	2.20	.40	74	12/31	◆.60	.52	6/30	◆.10	.10	YES
	781	Commerce Bancshs.	(NDQ)	CBSH	40.14	▼4	1	3	.85	40- 45	(N- 10%)	14.8	2.2	2.72	.90	74	9/30	.72	.61	12/31	.219	.213	YES
1821	746	Commercial Metals		CMC	13.17	2	3	3	1.55	18- 25	(35- 90%)	12.0	3.6	1.10	.48	44	11/30	.20	.01	3/31	.12	.12	YES
	987	Commercial Vehicle	(NDQ)	CVGI	11.07	2	5	4	1.70	10- 19	(N- 70%)	10.2	NIL	1.09	NIL	15	9/30	.26	.04	12/31	NIL	NIL	YES
	800	Community Health		CYH	18.38	2	3	1	1.30	60- 85	(225-360%)	5.2	NIL	3.53	NIL	4	9/30	.86	.76	12/31	NIL	NIL	YES
	1586	Compass Minerals Int'l		CMP	73.09	3	3	2	.95	95- 145	(30-100%)	13.7	2.7	5.34	2.00	10	9/30	1.03	.58	12/31	.45	.39	YES
	2404	Complete Prod. Svcs.		CPX	32.53	–	4	–	1.85	55- 90	(70-175%)	9.7	NIL	3.36	NIL	42	9/30	.74	.42	12/31	NIL	NIL	YES
2441	823	Computer Prog. & Sys.	(NDQ)	CPSI	51.17	3	3	4	.75	75- 115	(45-125%)	20.8	2.8	2.46	1.44	83	9/30	.54	.45	12/31	.36	.36	YES
	2603	Computer Sciences		CSC	26.09	3	2	2	.95	65- 90	(150-245%)	6.0	3.1	4.33	.80	45	9/30	.94	1.05	3/31	.20	.20	YES
	2580	Compuware Corp.	(NDQ)	CPWR	7.93	4	3	3	.95	13- 19	(65-140%)	15.3	NIL	.52	NIL	56	9/30	.10	.12	12/31	NIL	NIL	YES
	954	Comtech Telecom.	(NDQ)	CMTL	30.50	3	3	3	.70	25- 40	(N- 30%)	22.6	3.7	1.35	1.13	89	10/31	.47	.79	3/31	.275	.25	YES
	320	Con-way Inc.		CNW	31.10	2	3	5	1.25	45- 70	(45-125%)	16.5	1.3	1.89	.40	7	9/30	.53	.22	3/31	◆.10	.10	YES
	1908	ConAgra Foods		CAG	27.01	3	1	4	.65	30- 40	(10- 50%)	15.0	3.6	1.80	.96	70	11/30	.47	.45	3/31	.24	.23	YES
	1802	Concur Techn.	(NDQ)	CNQR	52.96	5	3	3	1.20	70- 100	(30- 90%)	NMF	NIL	d.35	NIL	86	9/30	d.26	.07	12/31	NIL	NIL	YES
	183	Conmed Corp.	(NDQ)	CNMD	28.73	3	3	3	.85	30- 45	(5- 55%)	19.4	NIL	1.48	NIL	68	9/30	.33	.34	12/31	NIL	NIL	YES
	504	ConocoPhillips		COP	70.61	2	1	3	1.10	90- 105	(25- 50%)	7.9	4.0	8.96	2.80	2	12/31	◆2.02	1.32	12/31	.66	.55	YES
	603	CONSOL Energy		CNX	34.69	2	3	3	1.70	65- 95	(85-175%)	12.5	1.5	2.77	.52	19	9/30	.73	.40	12/31	▲.125	.10	YES
	1045	Consol. Communic.	(NDQ)	CNSL	18.39	2	3	3	.90	20- 35	(10- 90%)	22.2	8.4	.83	1.55	5	9/30	.21	.24	3/31	.387	.387	YES
	140	Consol. Edison		ED	58.38	3	1	3	.60	50- 60	(N- 5%)	16.4	4.1	3.57	2.42	52	12/31	◆.65	.80	3/31	▲.605	.60	YES
	2360	Consolidated Graphics		CGX	48.00	3	3	4	1.35	55- 85	(15- 75%)	12.9	NIL	3.72	NIL	35	9/30	.76	.73	12/31	NIL	NIL	YES
	1972	Constellation Brands		STZ	20.94	3	3	3	.90	30- 40	(45- 90%)	10.2	NIL	2.06	NIL	61	11/30	.50	.66	12/31	NIL	NIL	YES
	141	Constellation Energy		CEG	35.91	–	3	–	.80	30- 50	(N- 40%)	17.4	2.7	2.06	.96	52	9/30	.36	.18	3/31	.24	.24	YES
	384	Convergys Corp.		CVG	13.35	3	3	4	1.20	16- 25	(20- 85%)	14.4	NIL	.93	NIL	37	9/30	.25	.29	12/31	NIL	NIL	YES
	213	Cooper Cos.		COO	70.73	2	3	5	.90	75- 110	(5- 55%)	15.4	0.1	4.58	.06	81	10/31	1.46	1.03	6/30	NIL	NIL	YES
	1304	Cooper Inds.		CBE	60.16	3	3	4	1.20	65- 95	(10- 60%)	15.1	1.9	3.99	1.16	53	12/31	◆1.00	.85	3/31	.29	.27	YES
	988	Cooper Tire & Rubber		CTB	15.59	3	3	3	1.60	25- 35	(60-125%)	12.1	2.7	1.29	.42	15	9/30	.41	.77	12/31	.105	.105	YES
	307	Copa Holdings, S.A.		CPA	65.46	3	3	3	1.00	100- 150	(55-130%)	8.8	2.5	7.43	1.64	9	9/30	1.59	1.62	12/31	NIL	NIL	YES
	611	Copano Energy	(NDQ)	CPNO	33.65	4	3	3	1.15	30- 45	(N- 35%)	NMF	6.8	.20	2.30	82	9/30	.01	NIL	3/31	.575	.575	YES
	2126	Copart, Inc.	(NDQ)	CPRT	48.31	3	2	3	.85	55- 75	(15- 55%)	17.9	NIL	2.70	NIL	11	10/31	.62	.45	12/31	NIL	NIL	YES
	1945	Core-Mark Holding	(NDQ)	CORE	40.23	2	3	3	.80	40- 60	(N- 50%)	15.1	1.7	2.67	.68	16	9/30	1.03	.78	12/31	▲.17	NIL	
	2405	Core Laboratories		CLB	111.13	3	3	3	1.10	100- 150	(N- 35%)	27.6	0.9	4.03	1.00	42	9/30	.93	.79	12/31	.25	.06	YES
	1998	Corinthian Colleges	(NDQ)	COCO	2.93	3	4	2	1.00	5- 9	(70-205%)	9.8	NIL	.30	NIL	66	9/30	d.04	.38	12/31	NIL	NIL	YES
	1909	Corn Products Int'l		CPO	54.41	2	3	3	1.10	55- 85	(N- 55%)	11.2	1.5	4.84	.82	70	9/30	1.20	.81	3/31	▲.20	.14	YES
634	1305	Corning Inc.		GLW	14.62	3	3	1	1.25	30- 45	(105-210%)	9.2	2.1	1.59	.30	53	12/31	◆.33	.46	12/31	▲.075	.05	YES
	433	Corporate Executive		EXBD	38.37	4	3	4	.95	35- 55	(N- 45%)	21.4	1.7	1.79	.66	67	9/30	.41	.20	12/31	.15	.11	YES
	1034	Corrections Corp. Amer.		CXW	23.38	3	3	3	1.05	30- 45	(30- 90%)	15.8	NIL	1.48	NIL	60	9/30	.37	.38	12/31	NIL	NIL	YES
	2171	Cost Plus Inc.	(NDQ)	CPWM	13.36	1	5	4	.90	▲ 17- 30	(25-125%)	19.9	NIL	.67	NIL	28	10/31	d.37	d.34	12/31	NIL	NIL	YES
	434	CoStar Group	(NDQ)	CSGP	60.13	4	3	3	1.00	55- 80	(N- 35%)	45.9	NIL	1.31	NIL	67	9/30	.28	.28	12/31	NIL	NIL	YES
	2135	Costco Wholesale	(NDQ)	COST	81.73	3	1	3	.75	100- 120	(20- 45%)	21.2	1.2	3.85	.96	43	11/30	.80	.71	12/31	.24	.205	YES
	1973	Cott Corp.		COT	6.52	2	4	2	1.10	18- 30	(175-360%)	8.3	NIL	.79	NIL	61	9/30	.17	.07	12/31	NIL	NIL	YES
	1604	Covance Inc.		CVD	46.12	▼4	3	3	1.00	70- 100	(50-115%)	17.4	NIL	2.65	NIL	55	9/30	.67	d.49	12/31	NIL	NIL	YES
	1217	Covanta Holding Corp.		CVA	13.90	3	3	3	.90	14- 20	(N- 45%)	24.8	2.2	.56	.30	91	9/30	.24	.07	3/31	.075	NIL	YES
	801	Coventry Health Care		CVH	30.30	3	3	4	1.30	35- 55	(15- 80%)	10.1	NIL	2.99	NIL	4	9/30	.82	1.24	12/31	NIL	NIL	YES
1052	184	Covidien Plc		COV	48.89	2	2	2	.80	55- 80	(10- 65%)	11.5	1.9	4.26	.92	68	9/30	1.08	.84	3/31	◆.225	.20	YES
	358	*Cracker Barrel*	(NDQ)	CBRL	52.11	2	3	3	1.00	60- 90	(15- 75%)	12.4	1.9	4.20	1.00	47	10/31	1.09	1.01	3/31	.25	.22	YES
	1745	Crane Co.		CR	47.41	3	3	3	1.35	60- 90	(25- 90%)	13.1	2.2	3.61	1.04	38	12/31	◆.88	.66	3/31	◆.26	.23	YES
	2544	Crawford & Co. 'B'		CRDB	5.70	2	4	5	1.10	10- 17	(75-200%)	9.2	1.4	.62	.08	63	9/30	.17	.24	12/31	.02	NIL	
	1357	Cree, Inc.	(NDQ)	CREE	26.39	4	3	1	1.15	60- 95	(125-260%)	22.0	NIL	1.20	NIL	88	12/31	.25	.55	12/31	NIL	NIL	YES
	2154	Crocs, Inc.	(NDQ)	CROX	19.16	3	4	5	1.70	25- 45	(30-135%)	14.7	NIL	1.30	NIL	49	9/30	.32	.28	12/31	NIL	NIL	YES
	1635	*Cross Country Health.*	(NDQ)	CCRN	6.15	3	4	3	1.00	12- 20	(95-225%)	29.3	NIL	.21	NIL	39	9/30	.06	.03	12/31	NIL	NIL	YES
	523	Crosstex Energy	(NDQ)	XTXI	13.02	2	5	5	2.25	11- 20	(N- 55%)	NMF	3.4	d.13	.44	59	9/30	d.04	d.04	3/31	▲.11	.08	YES
	584	Crown Castle Int'l		CCI	45.94	3	3	3	1.20	40- 60	(N- 30%)	67.6	NIL	.68	NIL	92	9/30	.15	.14	12/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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italics to Selection & Opinion

	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1174	Crown Holdings		CCK	35.12	1	3	2	.85	50- 75	(40-115%)	11.8	NIL	2.98	NIL	17	9/30	1.01	.85	12/31	NIL	NIL	YES
	185	CryoLife Inc.		CRY	5.33	4	4	3	1.05	17- 30	(220-465%)	14.8	NIL	.36	NIL	68	9/30	.07	.09	12/31	NIL	NIL	YES
242	2619	Ctrip.com Int'l ADR	(NDQ)	CTRP	27.58	4	3	3	1.20	65- 95	(135-245%)	20.6	NIL	1.34	NIL	78	9/30	.33	.31	12/31	NIL	NIL	YES
	1329	Cubic Corp.		CUB	46.00	3	3	3	1.05	50- 70	(10- 50%)	14.6	0.4	3.15	.18	54	9/30	.90	.63	12/31	NIL	NIL	YES
	1605	Cubist Pharm.	(NDQ)	CBST	39.10	4	3	5	.75	45- 65	(15- 65%)	23.7	NIL	1.65	NIL	55	12/31	◆.11	.26	12/31	NIL	NIL	YES
	2512	Cullen/Frost Bankers		CFR	57.11	4	1	3	.85	55- 70	(N- 25%)	16.5	3.2	3.46	1.84	72	12/31	◆.90	.87	12/31	.46	.45	YES
	1144	Culp Inc.		CFI	8.89	3	3	3	.90	15- 25	(70-180%)	14.1	NIL	.63	NIL	62	10/31	.14	.21	12/31	NIL	NIL	
	163	Cummins Inc.		CMI	106.80	2	3	3	1.45	145- 220	(35-105%)	11.5	1.5	9.29	1.60	20	9/30	2.35	1.33	12/31	.40	.263	YES
	1709	Curtiss-Wright		CW	37.11	1	3	2	1.10	40- 60	(10- 60%)	12.8	0.9	2.91	.32	33	9/30	.73	.60	12/31	.08	.16	YES
	214	Cutera, Inc.	(NDQ)	CUTR	8.20	5	4	2	.85	8- 13	(N- 60%)	NMF	NIL	d.63	NIL	81	9/30	d.21	d.25	12/31	NIL	NIL	YES
	186	Cyberonics	(NDQ)	CYBX	32.64	3	3	3	.85	40- 60	(25- 85%)	25.3	NIL	1.29	NIL	68	10/31	.32	.25	12/31	NIL	NIL	YES
	1390	Cymer Inc.	(NDQ)	CYMI	51.17	4	3	4	1.05	65- 95	(25- 85%)	44.9	NIL	1.14	NIL	87	9/30	.36	.70	12/31	NIL	NIL	YES
	1358	Cypress Semic.	(NDQ)	CY	18.81	3	3	2	1.20	30- 45	(60-140%)	15.3	1.9	1.23	.36	88	9/30	.37	.28	3/31	.09	NIL	YES
	2432	Cytec Inds.		CYT	49.57	3	3	2	1.45	55- 85	(10- 70%)	13.5	1.0	3.66	.50	21	9/30	1.10	.63	12/31	.125	.013	YES
	1520	**DDR Corp.**		DDR	13.98	4	4	3	2.10	16- 25	(15- 80%)	NMF	3.4	d.03	.48	90	9/30	d.18	d.10	6/30	▲.12	.04	YES
	1204	DNP Select Inc. Fund		DNP	11.23	–	2	3	.70	10- 14	(N- 25%)	18.7	6.9	.60	.78	–	6/30	8.01(q)	6.54(q)	12/31	NIL	NIL	
	632	DPL Inc.		DPL						SEE FINAL SUPPLEMENT - PAGE 632													
	585	DSP Group	(NDQ)	DSPG	5.78	5	4	4	1.10	7- 11	(20- 90%)	NMF	NIL	d1.22	NIL	92	9/30	d.21	.08	12/31	NIL	NIL	YES
	2604	DST Systems		DST	48.88	3	2	4	1.00	65- 90	(35- 85%)	11.6	1.4	4.22	.70	45	9/30	.90	1.03	12/31	.35	.30	YES
	2215	DSW Inc.		DSW	49.08	2	3	4	1.10	70- 105	(45-115%)	15.4	1.2	3.19	.60	50	10/31	.88	.79	12/31	.15	NIL	YES
	909	DTE Energy		DTE	52.96	2	3	3	.75	45- 70	(N- 30%)	14.2	4.6	3.74	2.42	12	9/30	1.07	.96	3/31	.588	.56	YES
	2007	DTS, Inc.	(NDQ)	DTSI	28.75	4	3	3	1.15	40- 60	(40-110%)	27.1	NIL	1.06	NIL	94	9/30	.17	.19	12/31	NIL	NIL	YES
	1205	DWS High Income		KHI	10.27	–	4	3	.75	7- 12	(N- 15%)	NMF	11.1	NMF	1.14	–	11/30	9.11(q)	9.69(q)	12/31	.225	.21	
	102	Daimler AG	(PNK)	DDAIF	53.85	2	3	3	1.50	100- 150	(85-180%)	6.7	5.0	8.02	2.68	24	9/30	1.81	1.62	12/31	NIL	NIL	
	2008	*Daktronics Inc.*	(NDQ)	DAKT	10.65	4	3	3	1.15	17- 25	(60-135%)	27.3	2.3	.39	.24	94	10/31	.09	.17	12/31	.11	NIL	YES
	989	Dana Holding Corp.		DAN	15.18	1	4	3	2.60	20- 35	(30-130%)	11.7	NIL	1.30	NIL	15	9/30	.45	.22	12/31	NIL	NIL	YES
	1746	Danaher Corp.		DHR	52.80	3	2	3	1.00	80- 110	(50-110%)	17.3	0.2	3.05	.10	38	9/30	.73	.60	3/31	.025	.02	YES
850	359	Darden Restaurants		DRI	46.08	4	3	3	1.05	75- 110	(65-140%)	13.2	3.7	3.50	1.72	47	11/30	.41	.54	3/31	.43	.32	YES
	802	*DaVita Inc.*		DVA	80.87	2	3	4	.65	95- 145	(15- 80%)	13.8	NIL	5.86	NIL	4	9/30	1.45	1.15	12/31	NIL	NIL	YES
	2605	DealerTrack Hldgs.	(NDQ)	TRAK	27.91	3	3	3	1.15	20- 30	(N- 5%)	NMF	NIL	.22	NIL	45	9/30	.13	.03	12/31	NIL	NIL	YES
	1910	Dean Foods		DF	10.78	1	3	5	.75	20- 30	(85-180%)	13.3	NIL	.81	NIL	70	9/30	.18	.13	12/31	NIL	NIL	YES
	2155	Deckers Outdoor	(NDQ)	DECK	81.13	3	3	4	1.40	95- 145	(15- 80%)	15.2	NIL	5.35	NIL	49	9/30	1.59	1.07	12/31	NIL	NIL	YES
	164	*Deere & Co.*		DE	86.42	2	2	2	1.40	105- 145	(20- 70%)	12.5	2.0	6.89	1.74	20	10/31	1.62	1.06	3/31	.41	.35	YES
242	1402	Dell Inc.	(NDQ)	DELL	16.85	2	3	3	.95	25- 35	(50-110%)	9.5	NIL	1.77	NIL	48	10/31	.49	.42	12/31	NIL	NIL	YES
1245	1547	Delphi Fin'l 'A'		DFG	44.45	–	3	–	1.40	35- 50	(N- 10%)	11.9	1.1	3.73	.48	51	9/30	.79	.86	12/31	.12	.11	YES
	308	Delta Air Lines		DAL	9.38	▲1	4	2	1.40	17- 30	(80-220%)	6.7	NIL	1.40	NIL	9	12/31	◆.45	.19	12/31	NIL	NIL	YES
	2361	Deluxe Corp.		DLX	23.42	3	3	3	1.20	35- 50	(50-115%)	7.6	4.3	3.07	1.00	35	9/30	.71	.98	12/31	.25	.25	YES
	2392	Denbury Resources		DNR	18.31	2	3	2	1.65	30- 40	(65-120%)	14.2	NIL	1.29	NIL	6	9/30	.37	.13	12/31	NIL	NIL	YES
1643	832	Dendreon Corp.	(NDQ)	DNDN	13.97	5	5	4	1.55	15- 20	(5- 45%)	NMF	NIL	d2.34	NIL	95	9/30	d1.00	d.56	12/31	NIL	NIL	YES
	187	Dentsply Int'l	(NDQ)	XRAY	38.07	3	2	3	.90	50- 70	(30- 85%)	18.3	0.6	2.08	.22	68	9/30	.46	.45	3/31	▲.055	.05	YES
	1046	Deutsche Telekom ADR	(PNK)	DTEGY	11.34	2	2	3	.80	20- 30	(75-165%)	11.2	8.8	1.01	1.00	5	9/30	.34	.31	12/31	NIL	NIL	
	524	Devon Energy		DVN	64.17	3	3	3	1.20	95- 140	(50-120%)	10.5	1.1	6.11	.68	59	9/30	1.40	1.31	3/31	.17	.16	YES
	1999	DeVry Inc.		DV	40.51	3	3	4	.65	80- 120	(95-195%)	10.5	0.7	3.85	.30	66	9/30	.83	1.03	3/31	▲.15	.12	YES
	215	DexCom Inc.	(NDQ)	DXCM	10.74	4	4	5	1.30	15- 25	(40-135%)	NMF	NIL	d.34	NIL	81	9/30	d.20	d.22	12/31	NIL	NIL	YES
1052	1911	Diamond Foods	(NDQ)	DMND	35.79	–	4	–	.70	75- 125	(110-250%)	11.9	0.5	3.00	.18	70	7/31	.52	.34	12/31	.045	.045	YES
	2406	Diamond Offshore		DO	61.31	2	3	3	1.20	100- 150	(65-145%)	11.0	5.7	5.58	3.50	42	9/30	1.85	1.43	12/31	.875	.875	YES
1822	2172	Dick's Sporting Goods		DKS	41.74	▲2	3	4	1.20	40- 65	(N- 55%)	19.4	NIL	2.15	NIL	28	10/31	.32	.22	12/31	NIL	NIL	YES
	1423	Diebold, Inc.		DBD	31.85	3	2	3	.90	45- 60	(40- 90%)	13.4	3.6	2.38	1.16	26	9/30	.69	.70	12/31	.28	.27	YES
2442	1803	Digital River	(NDQ)	DRIV	15.63	4	3	4	1.05	25- 35	(60-125%)	31.3	NIL	.50	NIL	86	9/30	.15	.15	12/31	NIL	NIL	YES
	2136	Dillard's, Inc.		DDS	45.86	2	3	4	1.70	▼ 65- 100	(40-120%)	10.5	0.4	4.37	.20	43	10/31	.48	.22	3/31	.05	.04	YES
	360	DineEquity Inc.		DIN	46.47	3	4	3	1.35	55- 90	(20- 95%)	11.8	NIL	3.93	NIL	47	9/30	.85	.48	12/31	NIL	NIL	YES
	1023	DIRECTV	(NDQ)	DTV	43.77	1	3	4	.90	115- 175	(165-300%)	11.1	NIL	3.94	NIL	1	9/30	.70	.55	12/31	NIL	NIL	YES
	2545	Discover Fin'l Svcs.		DFS	27.83	1	3	5	1.35	50- 80	(80-185%)	6.8	1.4	4.07	.40	63	11/30	.95	.64	3/31	▲.10	.02	YES
	2326	Discovery Communic.	(NDQ)	DISCA	43.70	3	3	2	.90	50- 80	(15- 85%)	16.2	NIL	2.69	NIL	32	9/30	.59	.37	12/31	NIL	NIL	YES
	1024	Dish Network 'A'	(NDQ)	DISH	28.85	1	3	5	1.20	45- 65	(55-125%)	9.8	NIL	2.93	NIL	1	9/30	.71	.55	12/31	NIL	NIL	YES
245	2327	Disney (Walt)		DIS	39.25	3	1	3	1.05	65- 80	(65-105%)	13.5	1.5	2.91	.60	32	9/30	.59	.45	3/31	▲.60	.40	YES
	1145	Dixie Group	(NDQ)	DXYN	3.40	2	4	2	1.00	6- 11	(75-225%)	24.3	NIL	.14	NIL	62	9/30	.02	d.15	12/31	NIL	NIL	
444	*2009*	*Dolby Labs.*		DLB	36.60	3	3	3	.90	50- 70	(35- 90%)	14.0	NIL	2.61	NIL	94	9/30	.71	.57	12/31	NIL	NIL	YES
	1912	Dole Food		DOLE	9.02	3	3	2	1.15	17- 25	(90-175%)	16.7	NIL	.54	NIL	70	9/30	d.54	d.58	12/31	NIL	NIL	YES
	2137	Dollar General		DG	41.82	3	3	4	.60	55- 80	(30- 90%)	16.3	NIL	2.57	NIL	43	10/31	.50	.37	12/31	NIL	NIL	YES
	2138	Dollar Tree, Inc.	(NDQ)	DLTR	85.98	2	2	4	.60	105- 140	(20- 65%)	19.7	NIL	4.36	NIL	43	10/31	.87	.73	12/31	NIL	NIL	YES
	142	*Dominion Resources*		D	50.31	4	2	3	.70	45- 60	(N- 20%)	17.5	4.2	2.88	2.11	52	9/30	.69	.98	3/31	▲.528	.493	YES
	361	Domino's Pizza		DPZ	31.89	3	4	4	1.20	25- 40	(N- 25%)	18.2	NIL	1.75	NIL	47	9/30	.35	.27	12/31	NIL	NIL	YES
	1710	Donaldson Co.		DCI	71.09	3	3	3	1.10	60- 90	(N- 25%)	21.5	0.8	3.30	.60	33	10/31	.90	.68	12/31	.15	.13	YES
	2362	Donnelley (R.R) & Sons	(NDQ)	RRD	12.20	2	3	4	1.35	35- 50	(185-310%)	5.9	8.5	2.08	1.04	35	9/30	.51	.45	3/31	.26	.26	YES
	990	*Dorman Products*	(NDQ)	DORM	42.56	2	3	5	1.15	50- 70	(15- 65%)	13.4	NIL	3.17	NIL	15	9/30	.82	.71	12/31	NIL	NIL	
	165	Douglas Dynamics, Inc.		PLOW	13.55	–	3	–	NMF	16- 25	(20- 85%)	15.1	6.1	.90	.82	20	9/30	.18	.10	12/31	.205	.20	YES
	1711	Dover Corp.		DOV	60.47	2	2	3	1.15	90- 120	(50-100%)	12.8	2.1	4.72	1.26	33	12/31	◆1.07	.94	12/31	.315	.275	YES
	1587	Dow Chemical		DOW	33.38	1	3	3	1.30	55- 85	(65-155%)	12.7	3.3	2.63	1.10	10	9/30	.62	.54	3/31	.25	.15	YES
	1974	Dr Pepper Snapple		DPS	37.80	3	3	4	.75	45- 70	(20- 85%)	13.2	3.5	2.86	1.31	61	9/30	.71	.60	3/31	.32	.25	YES
	2328	DreamWorks Animation	(NDQ)	DWA	19.11	5	2	1	.95	30- 40	(55-110%)	14.9	NIL	1.28	NIL	32	9/30	.23	.47	12/31	NIL	NIL	YES
	1712	Dresser-Rand Group		DRC	53.29	4	3	5	1.35	60- 100	(15- 90%)	18.7	NIL	2.85	NIL	33	9/30	.51	.46	12/31	NIL	NIL	YES
	991	Drew Industries		DW	24.98	4	3	3	1.15	35- 50	(40-100%)	18.1	NIL	1.38	NIL	15	9/30	.25	.36	12/31	NIL	NIL	YES
	2407	Dril-Quip, Inc.		DRQ	66.13	5	3	3	1.50	60- 90	(N- 35%)	25.8	NIL	2.56	NIL	42	9/30	.58	.69	12/31	NIL	NIL	YES
★★	1588	Du Pont		DD	49.41	3	1	3	1.15	95- 120	(90-145%)	12.3	3.4	4.01	1.68	10	12/31	◆.35	.50	3/31	◆.41	.41	YES
	143	Duke Energy		DUK	21.14	3	2	3	.65	17- 25	(N- 20%)	15.3	4.8	1.38	1.01	52	9/30	.45	.51	3/31	.25	.245	YES
	1521	Duke Realty Corp.		DRE	13.19	▲3	3	3	1.55	13- 19	(N- 45%)	NMF	5.2	d.17	.68	90	9/30	d.13	.13	12/31	.17	.17	YES
	435	Dun & Bradstreet		DNB	81.36	3	3	3	.75	110- 160	(35- 95%)	12.8	1.8	6.38	1.48	67	9/30	1.42	1.21	12/31	.36	.35	YES
	362	Dunkin' Brands Group	(NDQ)	DNKN	26.75	–	3	–	NMF	35- 50	(30- 85%)	25.0	NIL	1.07	NIL	47	9/30	.28	NA	12/31	NIL	NIL	YES
	927	Dycom Inds.		DY	21.39	1	3	4	1.40	30- 45	(40-110%)	18.6	NIL	1.15	NIL	8	10/31	.38	.18	12/31	NIL	NIL	YES
	732	Dynamic Materials	(NDQ)	BOOM	22.16	3	4	1	1.65	25- 45	(15-105%)	20.1	0.7	1.10	.16	46	9/30	.32	.10	12/31	.04	.04	YES
2651	525	Dynegy, Inc. 'A'		DYN	2.11	–	5	–	1.40	1- 3	(N- 40%)	NMF	NIL	d2.09	NIL	59	9/30	d.61	d.20	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the *improvement or weakening of other stocks.*

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

Page Ref.	Page	NAME OF STOCK	Exch.	Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1784	**E*Trade Fin'l**	(NDQ)	ETFC	9.54	▼4	4	2	1.70	25- 40 (160-320%)	19.1	NIL	▼.50	NIL	69	9/30	.16	.03	12/31	NIL	NIL	YES
	1403	EMC Corp.		EMC	25.14	3	2	3	.95	35- 45 (40- 80%)	22.1	NIL	1.14	NIL	48	12/31	♦.38	.29	12/31	NIL	NIL	YES
	526	EOG Resources		EOG	104.55	3	3	3	1.15	120- 180 (15- 70%)	26.7	0.6	3.91	.67	59	9/30	.83	.18	3/31	.16	.155	YES
	527	EQT Corp.		EQT	49.70	3	3	3	1.20	80- 120 (60-140%)	21.4	1.8	2.32	.88	59	9/30	.45	.24	3/31	♦.22	.22	YES
	331	Eagle Bulk Shipping	(NDQ)	EGLE	1.32	3	5	1	2.05	4- 7 (205-430%)	NMF	NIL	d.30	NIL	77	9/30	d.09	.13	12/31	NIL	NIL	YES
	1108	Eagle Materials		EXP	29.45	4	3	3	1.20	25- 35 (N- 20%)	55.6	1.5	.53	.44	75	9/30	.14	.22	3/31	.10	.10	YES
	2620	EarthLink, Inc.	(NDQ)	ELNK	7.02	3	3	2	.70	11- 16 (55-130%)	21.9	2.8	.32	.20	78	9/30	.07	.20	12/31	.05	.16	YES
	2513	East West Bancorp	(NDQ)	EWBC	22.31	3	4	2	1.35	25- 40 (10- 80%)	13.3	0.9	1.68	.20	72	12/31	♦.43	.35	12/31	.05	.01	YES
	2433	Eastman Chemical		EMN	46.25	3	3	3	1.25	65- 95 (40-105%)	10.1	2.2	4.56	1.04	21	9/30	1.19	1.14	3/31	.26	.235	YES
2030	118	Eastman Kodak		EKDKQ	SEE FINAL SUPPLEMENT - PAGE 2030																	
	992	Eaton Corp.		ETN	48.81	▼3	2	3	1.15	75- 100 (55-105%)	11.2	2.8	4.34	1.36	15	9/30	1.08	.78	12/31	.34	.29	YES
	2546	Eaton Vance Corp.		EV	26.55	3	3	3	1.40	50- 75 (90-180%)	13.7	2.9	1.94	.76	63	10/31	.47	.41	3/31	.19	.18	YES
	2621	eBay Inc.	(NDQ)	EBAY	31.95	3	2	3	1.10	85- 115 (165-260%)	18.6	NIL	▼1.72	NIL	78	12/31	♦.48	.42	12/31	NIL	NIL	YES
	586	Echelon Corp.	(NDQ)	ELON	5.60	5	4	2	1.20	14- 25 (150-345%)	NMF	NIL	d.29	NIL	92	9/30	.02	d.19	12/31	NIL	NIL	YES
	1025	EchoStar Corp.	(NDQ)	SATS	25.51	3	3	5	.90	50- 75 (95-195%)	NMF	NIL	d.37	NIL	1	9/30	d.22	.06	12/31	NIL	NIL	YES
	561	Ecolab Inc.		ECL	60.99	3	1	4	.80	70- 85 (15- 40%)	22.1	1.3	2.76	.80	29	9/30	.75	.74	3/31	▲.20	.175	YES
	2239	Edison Int'l		EIX	40.12	3	3	3	.80	35- 50 (N- 25%)	13.0	3.3	▲3.09	1.31	13	9/30	1.30	1.46	3/31	▲.325	.32	YES
	188	Edwards Lifesciences		EW	78.54	4	1	3	.65	95- 120 (20- 55%)	34.1	NIL	2.30	NIL	68	9/30	.38	.43	12/31	NIL	NIL	YES
	612	El Paso Corp.		EP	26.75	–	3	–	1.35	20- 35 (N- 30%)	25.7	0.1	1.04	.04	82	9/30	.18	.22	12/31	.01	.01	YES
	2240	El Paso Electric		EE	34.30	1	2	3	.75 ▲	35- 45 (N- 30%)	13.9	3.1	2.46	1.08	13	9/30	1.40	1.15	12/31	.22	NIL	YES
	623	El Paso Pipeline		EPB	35.69	3	3	3	.75	40- 60 (10- 70%)	15.7	5.6	2.27	2.00	85	9/30	.46	.39	3/31	▲.50	.44	YES
	709	Elbit Systems	(NDQ)	ESLT	41.40	3	2	3	.75	65- 85 (55-105%)	9.1	3.5	4.56	1.44	22	9/30	1.06	1.05	12/31	.36	.36	
	1391	Electro Scientific	(NDQ)	ESIO	16.12	4	3	4	1.05	18- 25 (10- 55%)	33.6	2.0	.48	.32	87	9/30	.32	.10	3/31	▲.08	NIL	YES
	2010	Electronic Arts	(NDQ)	EA	17.94	3	3	4	.95	30- 50 (65-180%)	19.5	NIL	.92	NIL	94	9/30	.05	.10	12/31	NIL	NIL	YES
	1424	*Electr. for Imaging*	(NDQ)	EFII	15.73	2	3	4	1.00	20- 30 (25- 90%)	21.0	NIL	.75	NIL	26	12/31	♦.25	.12	12/31	NIL	NIL	YES
	1013	Elizabeth Arden	(NDQ)	RDEN	36.25	3	3	3	1.35	35- 50 (N- 40%)	18.1	NIL	2.00	NIL	23	9/30	.31	.18	12/31	NIL	NIL	YES
	385	EMCOR Group		EME	28.44	3	3	3	1.30	30- 45 (5- 60%)	14.4	0.7	1.97	.20	37	9/30	.47	.45	3/31	.05	NIL	YES
	1359	EMCORE Corp.	(NDQ)	EMKR	1.22	5	5	5	1.65	1- 2 (N- 65%)	NMF	NIL	d.26	NIL	88	9/30	d.15	d.01	12/31	NIL	NIL	YES
	2440	Emdeon Inc.		EM	SEE FINAL SUPPLEMENT - PAGE 2440																	
	1306	Emerson Electric		EMR	50.64	3	1	3	1.05	70- 90 (40- 80%)	14.0	3.2	3.62	1.60	53	9/30	.98	.75	12/31	▲.40	.335	YES
	910	Empire Dist. Elec.		EDE	20.12	2	3	2	.70	17- 25 (N- 25%)	16.2	5.0	1.24	1.00	12	9/30	.60	.55	12/31	NIL	.32	YES
	1404	*Emulex Corp.*		ELX	9.17	3	3	2	1.00	16- 25 (75-175%)	22.9	NIL	.40	NIL	48	9/30	.05	d.06	12/31	NIL	NIL	YES
241	613	Enbridge Inc.	(TSE)	ENB.TO	36.68	3	1	3	.60	30- 40 (N- 10%)	23.7	3.1	1.55	1.13	82	9/30	.32	.27	3/31	▲.283	.245	YES
	528	EnCana Corp.		ECA	18.67	–	3	–	NMF	35- 50 (85-170%)	21.7	4.3	.86	.80	59	9/30	.23	.13	12/31	.20	.20	YES
	1606	Endo Pharmac. Hldgs.	(NDQ)	ENDP	36.99	3	3	4	.70	30- 40 (N- 10%)	17.6	NIL	2.10	NIL	55	9/30	.34	.46	12/31	NIL	NIL	YES
	529	Energen Corp.		EGN	53.10	3	2	3	1.15	65- 90 (20- 70%)	12.3	1.0	4.33	.54	59	9/30	.75	.53	12/31	.135	.13	YES
	1189	Energizer Holdings		ENR	78.72	4	3	3	1.00	95- 140 (20- 80%)	13.5	NIL	5.85	NIL	80	9/30	1.10	.81	12/31	NIL	NIL	YES
	2649	Energy Conversion		ENER	SEE FINAL SUPPLEMENT - PAGE 2649																	
	624	Energy Transfer		ETP	48.77	4	2	2	.80	50- 65 (5- 35%)	25.8	7.5	1.89	3.64	85	9/30	.16	.01	12/31	.894	.894	YES
	406	*EnergySolutions*		ES	3.57	2	4	3	1.40	10- 16 (180-350%)	16.2	NIL	.22	NIL	31	9/30	d.04	d.06	12/31	NIL	NIL	YES
	1218	EnerNOC, Inc.	(NDQ)	ENOC	9.34	4	4	4	1.55	10- 16 (5- 70%)	NMF	NIL	d.08	NIL	91	9/30	1.77	1.67	12/31	NIL	NIL	YES
	2408	Ensco plc		ESV	51.69	3	3	3	1.20	70- 100 (35- 95%)	10.7	2.7	4.82	1.40	42	9/30	.88	.92	12/31	.35	.35	YES
	911	*Entergy Corp.*		ETR	69.46	2	2	3	.70	70- 95 (N- 35%)	10.0	4.8	6.96	3.32	12	9/30	3.53	2.62	12/31	.83	.83	YES
241	625	Enterprise Products		EPD	48.97	3	3	3	.85	50- 80 (N- 65%)	22.4	5.1	2.19	2.48	85	9/30	.55	.47	3/31	▲.62	.59	YES
	833	Enzo Biochem		ENZ	2.37	5	4	3	1.45	3- 5 (25-110%)	NMF	NIL	d.25	NIL	95	10/31	d.12	d.03	12/31	NIL	NIL	YES
	1607	Enzon Pharmac.	(NDQ)	ENZN	6.79	–	3	–	1.00	6- 9 (N- 35%)	NMF	NIL	d.40	NIL	55	9/30	d.12	d.13	12/31	NIL	NIL	YES
	436	Equifax, Inc.		EFX	39.36	3	2	3	.90	65- 85 (65-115%)	14.9	1.6	2.65	.64	67	9/30	.65	.60	12/31	.16	.16	YES
	1804	Equinix, Inc.	(NDQ)	EQIX	115.98	3	3	4	1.20	125- 185 (10- 60%)	60.4	NIL	1.92	NIL	86	9/30	.20	.24	12/31	NIL	NIL	YES
	1522	Equity Residential		EQR	56.60	4	3	3	1.10	50- 70 (N- 25%)	NMF	2.8	.22	1.58	90	9/30	.10	.04	3/31	.568	.458	YES
	824	eResearchTechnology	(NDQ)	ERT	5.46	3	3	3	1.05	11- 17 (100-210%)	15.6	NIL	.35	NIL	83	9/30	.09	.06	12/31	NIL	NIL	YES
★★	955	Ericsson ADR(g)	(NDQ)	ERIC	10.23	▼5	3	3	1.15	15- 25 (45-145%)	18.6	3.9	▼.55	.40	89	9/30	.22	.20	12/31	NIL	NIL	YES
	765	Erie Indemnity Co.	(NDQ)	ERIE	75.29	4	2	3	.70	60- 80 (N- 5%)	23.7	2.9	3.18	2.21	96	9/30	.93	.89	3/31	▲.553	.515	
	1747	ESCO Technologies		ESE	29.46	4	3	3	1.05	50- 70 (70-140%)	15.1	1.1	1.95	.32	38	9/30	.57	.89	3/31	.08	.08	YES
	710	Esterline Technologies		ESL	61.61	4	3	3	1.20	75- 110 (20- 80%)	13.3	NIL	4.64	NIL	22	10/31	1.21	1.60	12/31	NIL	NIL	YES
	1146	Ethan Allen Interiors		ETH	23.27	3	3	1	1.25	25- 35 (5- 50%)	24.5	1.2	.95	.28	62	12/31	♦.28	.19	6/30	♦.07	.05	YES
	419	European Equity Fund		EEA	6.36	–	4	3	1.20	8- 13 (25-105%)	NMF	1.6	NMF	.10	–	6/30	9.20(q)	6.44(q)	12/31	NIL	NIL	
	2025	Everest Re Group Ltd		RE	85.48	▼4	1	2	.75	115- 140 (35- 65%)	8.3	2.2	10.29	1.92	97	9/30	2.70	2.67	12/31	.48	.48	YES
	834	*Exelixis,Inc.*	(NDQ)	EXEL	4.91	4	4	3	1.30	9- 16 (85-225%)	NMF	NIL	d.03	NIL	95	9/30	.60	d.08	12/31	NIL	NIL	YES
	144	Exelon Corp.		EXC	39.22	3	2	3	.85	45- 60 (15- 55%)	12.6	5.4	3.11	2.10	52	12/31	♦.82	.79	12/31	.525	.525	YES
850	2622	Expedia Inc.(•)			SEE SUPPLEMENT - PAGE 850																	
	386	Expeditors Int'l	(NDQ)	EXPD	43.86	3	2	3	1.10	70- 95 (60-115%)	22.7	1.1	1.93	.50	37	9/30	.50	.44	12/31	.25	.20	YES
	2216	Express, Inc.		EXPR	21.92	–	3	–	NMF	35- 50 (60-130%)	12.5	NIL	1.75	NIL	50	10/31	.37	.30	12/31	NIL	NIL	YES
	975	Express Scripts 'A'	(NDQ)	ESRX	51.72	3	2	2	.95	90- 120 (75-130%)	16.3	NIL	3.18	NIL	57	9/30	.79	.57	12/31	NIL	NIL	YES
	1405	Extreme Networks	(NDQ)	EXTR	3.00	4	4	2	1.15	6- 9 (100-200%)	15.0	NIL	.20	NIL	48	9/30	.02	.03	12/31	NIL	NIL	YES
	505	Exxon Mobil Corp.		XOM	87.18	2	1	3	.80	115- 140 (30- 60%)	10.4	2.2	8.38	1.88	2	9/30	2.13	1.44	12/31	.47	.44	YES
	2547	EZCORP, Inc.	(NDQ)	EZPW	27.00	2	3	5	1.00	30- 45 (10- 65%)	9.8	NIL	2.76	NIL	63	12/31	♦.78	.55	12/31	NIL	NIL	YES
	956	**F5 Networks**	(NDQ)	FFIV	123.10	3	3	3	.90	150- 225 (20- 85%)	36.0	NIL	3.42	NIL	89	12/31	♦.83	.68	12/31	NIL	NIL	YES
	119	FARO Technologies	(NDQ)	FARO	55.55	3	3	4	1.15	60- 90 (10- 60%)	35.2	NIL	1.58	NIL	65	9/30	.38	.14	12/31	NIL	NIL	YES
	120	FEI Company	(NDQ)	FEIC	44.61	3	3	3	1.05	65- 100 (45-125%)	17.6	NIL	2.53	NIL	65	9/30	.63	.31	12/31	NIL	NIL	YES
	1307	FLIR Systems	(NDQ)	FLIR	26.57	3	3	4	.90	35- 55 (30-105%)	16.6	0.9	1.60	.24	53	9/30	.43	.39	12/31	.06	NIL	YES
	1589	FMC Corp.		FMC	91.80	3	3	4	1.25	80- 115 (N- 25%)	14.7	0.7	6.23	.66	10	9/30	1.39	1.14	3/31	.15	.125	YES
	2409	FMC Technologies		FTI	52.22	3	3	3	1.35	40- 60 (N- 15%)	30.2	NIL	1.73	NIL	42	9/30	.50	.33	12/31	NIL	NIL	YES
	1392	FSI Int'l	(NDQ)	FSII	4.36	3	5	2	1.35	6- 11 (40-150%)	22.9	NIL	.19	NIL	87	11/30	d.08	d.06	12/31	NIL	NIL	YES
	387	FTI Consulting		FCN	42.04	3	3	3	.65	65- 100 (55-140%)	15.7	NIL	2.68	NIL	37	9/30	.70	.54	12/31	NIL	NIL	YES
	437	FactSet Research		FDS	92.58	3	2	3	1.00	110- 150 (20- 60%)	22.5	1.2	4.11	1.08	67	11/30	.99	.88	12/31	.27	.23	YES
	2606	Fair Isaac		FICO	38.64	2	3	3	1.10	50- 75 (30- 95%)	15.8	0.2	2.44	.08	45	9/30	.64	.38	12/31	.02	.02	YES
	1360	Fairchild Semic.		FCS	14.39	3	3	2	1.40	25- 40 (75-180%)	10.6	NIL	1.36	NIL	88	12/31	♦.17	.40	12/31	NIL	NIL	YES
	2139	Family Dollar Stores		FDO	56.29	2	3	3	.55	65- 95 (15- 70%)	16.0	1.5	3.52	.84	43	11/30	.68	.58	6/30	▲.21	.18	YES
	1136	Fastenal Co.	(NDQ)	FAST	46.86	3	2	4	1.10	40- 55 (N- 15%)	36.9	1.5	1.27	.68	73	12/31	.30	.22	3/31	▲.17	.25	YES
	993	Federal-Mogul Corp.	(NDQ)	FDML	16.93	2	4	4	1.70	30- 55 (75-225%)	8.7	NIL	1.95	NIL	15	9/30	.34	.29	12/31	NIL	NIL	YES
	1523	Federal Rlty. Inv. Trust		FRT	93.12	4	3	3	1.10	55- 85 (N- N%)	44.6	3.0	2.09	2.76	90	9/30	.51	.48	3/31	.69	.67	YES
	166	Federal Signal		FSS	4.26	3	3	4	1.40	8- 12 (90-180%)	17.8	NIL	.24	NIL	20	9/30	.03	.05	12/31	NIL	.06	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
♦ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

PAGE NUMBERS
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italics to Selection & Opinion

Page (Suppl./Sel.)	Page	NAME OF STOCK	Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2548	Federated Investors	FII	18.65	4	2	3	1.05	30- 40	(60-115%)	11.0	5.1	1.70	.96	63	9/30	.37	.42	12/31	.24	.24	YES
	309	FedEx Corp.	FDX	90.79	2	2	3	1.00	150- 200	(65-120%)	14.5	0.6	6.25	.52	9	11/30	1.57	1.16	3/31	.13	NIL	YES
	1524	FelCor Lodging Tr.	FCH	4.00	4	5	2	2.20	6- 12	(50-200%)	NMF	NIL	d1.08	NIL	90	9/30	d.27	d.49	12/31	NIL	NIL	YES
	562	Ferro Corp.	FOE	6.29	4	4	4	2.05	15- 25	(140-295%)	11.0	NIL	.57	NIL	29	9/30	.21	d.04	12/31	NIL	NIL	YES
	782	Fifth Third Bancorp (NDQ)	FITB	13.43	▼3	3	3	1.30	19- 30	(40-125%)	9.3	2.4	1.45	.32	74	12/31	◆.33	.33	3/31	.08	.01	YES
	587	Finisar Corp. (NDQ)	FNSR	20.84	4	4	1	1.90	35- 55	(70-165%)	29.8	NIL	.70	NIL	92	10/31	.06	.39	12/31	NIL	NIL	YES
	2217	Finish Line (The) (NDQ)	FINL	20.92	3	4	5	1.05	20- 35	(N- 65%)	12.7	1.1	1.65	.24	50	11/30	.11	.08	3/31	▲.06	.05	YES
	2549	First Cash Fin'l Svcs (NDQ)	FCFS	37.59	3	3	4	.90	35- 50	(N- 35%)	15.2	NIL	2.47	NIL	63	12/31	◆.70	.59	12/31	NIL	NIL	YES
	2514	First Commonwealth	FCF	5.84	▼5	4	3	1.05	12- 18	(105-210%)	18.3	2.1	.32	.12	72	12/31	◆d.05	.11	12/31	.03	.01	YES
	783	First Horizon National	FHN	9.01	3	3	3	1.15	11- 16	(20- 80%)	17.7	0.4	.51	.04	74	12/31	◆.13	d.20	6/30	◆.01	.01	YES
	784	First Midwest Bancorp (NDQ)	FMBI	11.16	4	3	3	1.20	13- 20	(15- 80%)	32.8	0.4	.34	.04	74	12/31	◆.05	d.42	3/31	.01	.01	YES
	1504	First Niagara Finl Group (NDQ)	FNFG	9.59	4	3	3	.85	18- 25	(90-160%)	13.9	3.3	.69	.32	84	9/30	.19	.22	12/31	.16	.15	YES
1053	1219	First Solar, Inc. (NDQ)	FSLR	38.08	4	3	3	1.40	55- 80	(45-110%)	6.7	NIL	5.67	NIL	91	9/30	2.25	2.04	12/31	NIL	NIL	YES
	145	FirstEnergy Corp.	FE	41.27	2	2	3	.80	40- 55	(N- 35%)	12.4	5.3	3.32	2.20	52	9/30	1.22	1.19	3/31	.55	.55	YES
	785	FirstMerit Corp. (NDQ)	FMER	15.96	3	3	3	1.00	16- 25	(N- 55%)	14.5	4.0	1.10	.64	74	12/31	◆.28	.25	12/31	.16	.16	YES
	2607	Fiserv Inc. (NDQ)	FISV	62.92	2	2	3	.95	115- 155	(85-145%)	13.1	NIL	4.80	NIL	45	9/30	1.16	1.04	12/31	NIL	NIL	YES
	1330	Flextronics Int'l (NDQ)	FLEX	6.80	3	3	2	1.30	12- 18	(75-165%)	8.6	NIL	.79	NIL	54	12/31	◆.18	.23	12/31	NIL	NIL	YES
	1913	Flowers Foods	FLO	19.81	4	2	4	.50	25- 35	(25- 75%)	19.4	3.3	1.02	.66	70	9/30	.23	.23	12/31	.15	.133	YES
	1713	Flowserve Corp.	FLS	107.71	▲2	3	2	1.50	120- 180	(10- 65%)	13.0	1.2	8.27	1.28	33	9/30	1.92	1.84	3/31	.32	.29	YES
	1232	Fluor Corp.	FLR	55.13	3	3	2	1.30	85- 125	(55-125%)	16.1	0.9	3.42	.50	36	9/30	.78	d.30	3/31	.125	.125	YES
	1505	Flushing Financial (NDQ)	FFIC	13.20	3	3	3	1.00	15- 25	(15- 90%)	10.7	3.9	1.23	.52	84	9/30	.33	.48	12/31	.13	.13	YES
	2218	Foot Locker	FL	26.08	2	3	5	1.05	30- 45	(15- 75%)	13.5	2.5	1.93	.66	50	10/31	.43	.33	3/31	.165	.15	YES
	103	Ford Motor	F	12.82	3	4	2	1.50	19- 30	(50-135%)	6.5	1.6	1.96	.20	24	9/30	.46	.48	3/31	▲.05	NIL	YES
	1035	Forest City Enterpr.	FCEA	13.42	4	5	2	1.60	11- 20	(N- 50%)	NMF	NIL	d.21	NIL	60	10/31	d.23	d.33	12/31	NIL	NIL	YES
	1608	*Forest Labs.*	FRX	32.11	3	3	3	.80	30- 50	(N- 55%)	10.3	NIL	3.11	NIL	55	12/31	1.04	1.34	12/31	NIL	NIL	YES
	2393	Forest Oil	FST	14.07	–	3	–	NMF	30- 45	(115-220%)	15.3	NIL	.92	NIL	6	9/30	.25	.38	12/31	NIL	NIL	YES
	438	Forrester Research (NDQ)	FORR	34.73	4	3	2	.75	45- 70	(30-100%)	24.6	NIL	1.41	NIL	67	9/30	.34	.19	12/31	NIL	3.00	YES
	2645	Fortress Investment	FIG	3.65	3	4	2	2.20	13- 20	(255-450%)	5.6	NIL	.65	NIL-.35	93	9/30	.08	.15	9/30	NIL	NIL	YES
	321	*Forward Air* (NDQ)	FWRD	34.48	3	3	4	1.15	40- 60	(15- 75%)	20.3	0.8	1.70	.28	7	9/30	.44	.31	12/31	.07	.07	YES
	2173	Fossil Inc. (NDQ)	FOSL	92.08	3	3	5	1.25	125- 185	(35-100%)	19.0	NIL	4.84	NIL	28	9/30	1.09	1.00	12/31	NIL	NIL	YES
	1233	Foster Wheeler AG (NDQ)	FWLT	23.06	4	3	2	1.70	35- 55	(50-140%)	13.9	NIL	1.66	NIL	36	9/30	.33	.41	12/31	NIL	NIL	YES
	1308	Franklin Electric (NDQ)	FELE	49.49	3	3	2	1.10	60- 90	(20- 80%)	16.8	1.1	2.95	.54	53	9/30	.80	.52	12/31	.135	.13	YES
	2550	Franklin Resources	BEN	103.61	3	2	3	1.30	115- 155	(10- 50%)	12.3	1.0	8.44	1.08	63	9/30	1.89	1.66	12/31	▲.25	.22	YES
	2140	Fred's Inc. 'A' (NDQ)	FRED	14.85	2	3	4	.85	19- 30	(30-100%)	16.3	1.6	.91	.24	43	10/31	.24	.20	12/31	.05	.04	YES
	1575	Freep't-McMoRan C&G	FCX	43.97	3	3	3	1.65	50- 70	(15- 60%)	10.8	2.6	4.09	1.15	30	12/31	◆.67	1.63	3/31	.25	.25	YES
	1914	Fresh Del Monte Prod.	FDP	24.45	3	3	3	.85	30- 45	(25- 85%)	13.4	1.6	1.83	.40	70	9/30	.21	.24	12/31	.10	.05	YES
	1946	Fresh Market (The) (NDQ)	TFM	45.40	–	3	–	NMF	50- 75	(10- 65%)	39.5	NIL	1.15	NIL	16	10/31	.19	NA	12/31	NIL	NIL	YES
	1047	Frontier Communic. (NDQ)	FTR	4.75	3	3	1	.90	7- 11	(45-130%)	18.3	15.8	.26	.75	5	9/30	.05	.04	12/31	.188	.188	YES
850	332	Frontline Ltd.	FRO	5.01	5	5	1	1.50	6- 12	(20-140%)	NMF	NIL	d1.82	NIL	77	9/30	d.57	.16	12/31	▼NIL	.25	YES
	994	Fuel Sys. Solns. (NDQ)	FSYS	19.04	▲4	3	2	1.05	45- 70	(135-270%)	45.3	NIL	.42	NIL	15	9/30	d.02	.29	12/31	NIL	NIL	YES
2651	407	Fuel Tech, Inc. (NDQ)	FTEK	6.23	3	4	5	1.45	14- 25	(125-300%)	21.5	NIL	.29	NIL	31	9/30	.11	.03	12/31	NIL	NIL	YES
	1220	FuelCell Energy (NDQ)	FCEL	0.97	4	5	4	1.45	3- 6	(210-520%)	NMF	NIL	d.23	NIL	91	10/31	d.06	d.11	12/31	NIL	NIL	YES
	1980	FUJIFILM Hldgs. ADR(g)(PNK)	FUJIY	25.48	3	1	3	.85	55- 70	(115-175%)	17.6	1.8	1.45	.47	58	9/30	◆.01	.56	12/31	.225	.174	
	563	Fuller (H.B.)	FUL	27.21	2	3	3	1.25	30- 40	(10- 45%)	13.9	1.1	1.96	.30	29	11/30	◆.53	.44	12/31	.075	.07	YES
	1147	Furniture Brands	FBN	1.51	5	5	3	1.55	3- 5	(100-230%)	NMF	NIL	d.87	NIL	62	9/30	d.45	d.04	12/31	NIL	NIL	YES
	388	G&K Services 'A' (NDQ)	GKSR	34.28	3	3	3	.90	40- 60	(15- 75%)	17.6	1.6	1.95	.55	37	9/30	.45	.48	12/31	.13	.095	
	1748	GATX Corp.	GMT	43.23	1	3	3	1.20	35- 55	(N- 25%)	19.0	2.7	2.27	1.16	38	12/31	◆.67	.42	12/31	.29	.28	YES
	2174	GNC Holdings	GNC	29.05	–	3	–	NMF	30- 45	(5- 55%)	19.4	NIL	1.50	NIL	28	9/30	.45	NA	12/31	NIL	NIL	YES
2652	1221	GT Advanced Tech. (NDQ)	GTAT	8.45	2	4	4	1.55	20- 35	(135-315%)	5.4	NIL	1.56	NIL	91	9/30	.29	.28	12/31	NIL	NIL	YES
	1206	Gabelli Equity	GAB	5.26	–	3	3	1.30	6- 9	(15- 70%)	NMF	NIL	NMF	NIL	–	6/30	6.15(q)	4.55(q)	12/31	NIL	NIL	
	2551	Gallagher (Arthur J.)	AJG	33.47	4	1	2	.75	30- 40	(N- 20%)	21.7	3.9	1.54	1.32	63	9/30	.41	.44	3/31	.33	.32	YES
	2175	GameStop Corp.	GME	24.75	2	3	4	.85	45- 65	(80-165%)	8.4	NIL	2.93	NIL	28	10/31	.39	.36	12/31	NIL	NIL	YES
	2369	Gannett Co.	GCI	15.41	3	4	2	1.60	16- 25	(5- 60%)	7.3	2.1	2.11	.32	71	9/30	.41	.42	3/31	.08	.04	YES
	2219	Gap (The), Inc.	GPS	18.63	3	2	2	.95	▼ 20- 30	(5- 60%)	12.5	2.6	1.49	.48	50	10/31	.38	.48	3/31	.113	.10	YES
	167	Gardner Denver	GDI	73.08	3	3	4	1.30	90- 135	(25- 85%)	12.2	0.3	5.97	.20	20	9/30	1.42	.88	12/31	.05	.05	YES
	1309	Garmin Ltd. (NDQ)	GRMN	41.54	3	3	3	1.10	35- 50	(N- 20%)	16.8	4.8	2.48	2.00	53	9/30	.77	.84	3/31	.40	NIL	YES
	439	Gartner Inc.	IT	37.40	3	3	3	1.10	30- 50	(N- 35%)	24.9	NIL	1.50	NIL	67	9/30	.31	.23	12/31	NIL	NIL	YES
	2341	*Gaylord Entertainm.*	GET	28.69	3	4	2	1.90	35- 55	(20- 90%)	50.3	NIL	.57	NIL	25	9/30	.04	d.67	12/31	NIL	NIL	YES
	835	Gen-Probe (NDQ)	GPRO	63.37	4	3	3	.80	85- 125	(35- 95%)	41.1	NIL	1.54	NIL	95	9/30	d.33	.56	12/31	NIL	NIL	YES
	333	Genco Shipping	GNK	7.45	3	5	2	2.05	9- 15	(20-100%)	NMF	NIL	d.40	NIL	77	9/30	.04	1.04	12/31	NIL	NIL	YES
	1749	GenCorp Inc.	GY	5.58	3	4	5	1.35	11- 18	(95-225%)	29.4	NIL	.19	NIL	38	8/31	.02	.06	12/31	NIL	NIL	YES
	1207	*Gen'l Amer. Invest*	GAM	26.58	–	3	3	1.10	40- 55	(50-105%)	NMF	0.6	NMF	.17	–	9/30	26.66(q)	28.81(q)	12/31	.17	.111	
2441	1310	Gen'l Cable	BGC	29.88	3	3	4	1.80	55- 85	(85-185%)	14.4	NIL	2.07	NIL	53	9/30	.33	.54	12/31	NIL	NIL	YES
	928	Gen'l Communic. 'A' (NDQ)	GNCMA	10.42	2	3	4	1.15	14- 20	(35- 90%)	22.7	NIL	.46	NIL	8	9/30	.15	.14	12/31	NIL	NIL	YES
	711	Gen'l Dynamics	GD	71.34	2	1	3	1.00	90- 110	(25- 55%)	9.4	2.8	7.57	2.00	22	12/31	◆2.02	1.91	3/31	.47	.42	YES
★★	*1750*	*Gen'l Electric*	GE	18.84	3	3	3	1.20	30- 50	(60-165%)	12.8	3.6	1.47	.68	38	12/31	◆.37	.36	3/31	▲.17	.14	YES
	1915	Gen'l Mills	GIS	40.10	3	1	3	.50	50- 60	(25- 50%)	15.4	3.2	2.60	1.28	70	11/30	.76	.76	6/30	.305	.28	YES
	104	General Motors	GM	24.79	–	3	–	NMF	50- 70	(100-180%)	6.7	NIL	3.71	NIL	24	9/30	1.03	1.20	12/31	NIL	NIL	YES
	2156	Genesco Inc.	GCO	60.55	1	3	5	1.20	60- 95	(N- 55%)	15.2	NIL	3.98	NIL	49	10/31	1.21	.77	12/31	NIL	NIL	YES
	342	Genesee & Wyoming	GWR	61.77	3	3	4	1.25	70- 105	(15- 70%)	20.8	NIL	2.97	NIL	3	9/30	.79	.50	12/31	NIL	NIL	YES
2443	216	Genomic Health (NDQ)	GHDX	26.59	4	3	3	.80	25- 40	(N- 50%)	76.0	NIL	.35	NIL	81	9/30	.10	.12	12/31	NIL	NIL	YES
	1222	GenOn Energy	GEN	2.14	–	5	–	NMF	3- 6	(40-180%)	NMF	NIL	d.22	NIL	91	9/30	d.05	NA	12/31	NIL	NIL	YES
	995	Gentex Corp. (NDQ)	GNTX	30.64	3	3	3	1.20	30- 50	(N- 65%)	23.4	1.6	1.31	.48	15	9/30	.30	.24	3/31	.12	.11	YES
	996	Genuine Parts	GPC	64.60	3	1	3	.80	80- 100	(25- 55%)	17.1	2.8	3.78	1.80	15	9/30	.97	.83	3/31	.45	.41	YES
2651	1548	Genworth Fin'l	GNW	8.24	3	4	2	2.35	16- 25	(95-205%)	8.6	NIL	.96	NIL	51	9/30	.21	.06	12/31	NIL	NIL	YES
1442	1036	Geo Group (The)	GEO	16.99	2	3	3	.95	30- 45	(75-165%)	13.0	NIL	1.31	NIL	60	9/30	.34	.09	12/31	NIL	NIL	YES
2442	712	GeoEye, Inc. (NDQ)	GEOY	22.18	3	3	1	1.00	45- 70	(105-215%)	10.5	NIL	2.11	NIL	22	9/30	.51	.61	12/31	NIL	NIL	YES
2031	1590	Georgia Gulf	GGC	34.97	–	4	–	2.05	25- 45	(N- 30%)	15.3	NIL	2.28	NIL	10	9/30	.99	.72	12/31	NIL	NIL	YES
	747	Gibraltar Inds. (NDQ)	ROCK	15.80	2	4	4	1.55	18- 30	(15- 90%)	21.1	NIL	.75	NIL	44	9/30	.26	.06	12/31	NIL	NIL	YES
634	2104	Gildan Activewear	GIL	22.12	5	3	4	1.15	▼ 35- 50	(60-125%)	20.3	1.4	1.09	.30	64	9/30	.36	.48	3/31	.075	.075	YES
444	1609	Gilead Sciences (NDQ)	GILD	47.67	2	3	3	.70	55- 85	(15- 80%)	12.6	NIL	3.77	NIL	55	9/30	.95	.83	12/31	NIL	NIL	YES
	2646	Gladstone Capital (NDQ)	GLAD	8.87	5	3	2	1.35	17- 25	(90-180%)	NMF	9.5	d.01	.84	93	9/30	d.03	.18	12/31	.21	.21	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the *improvement or weakening of other stocks.*

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

Page	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
2443	1159	Glatfelter		GLT	14.95	3	3	4	1.20	20- 35	(35-135%)	15.1	2.4	.99	.36	34	9/30	.28	.36	3/31	.09	.09	YES
	1610	GlaxoSmithKline ADR(g)		GSK	44.57	3	1	3	.75	50- 60	(10- 35%)	12.0	5.3	3.72	2.38	55	9/30	.86	.78	12/31	.521	.493	YES
849	2410	Global Inds.		GLBL	SEE FINAL SUPPLEMENT - PAGE 849																		
	2552	Global Payments		GPN	48.55	3	2	3	.85	55- 75	(15- 55%)	15.4	0.2	3.15	.08	63	11/30	.78	.70	12/31	.02	.02	YES
	2377	Global Sources	(NDQ)	GSOL	5.90	3	3	2	1.20	13- 19	(120-220%)	7.7	NIL	.77	NIL	40	9/30	.11	.07	12/31	NIL	NIL	
	334	Golar LNG Ltd.	(NDQ)	GLNG	41.61	3	3	5	1.65	50- 75	(20- 80%)	40.8	2.9	1.02	1.20	77	9/30	.17	.06	12/31	.30	.25	YES
	1563	Goldcorp Inc.		GG	44.38	3	3	3	1.00	70- 110	(60-150%)	19.4	1.2	2.29	.54	18	9/30	.57	.31	12/31	.113	.075	YES
	1785	Goldman Sachs		GS	108.87	▲4	3	2	1.20	180- 270	(65-150%)	19.8	1.3	5.50	1.40	69	12/31	1.84	3.56	3/31	◆.35	.35	YES
	713	*Goodrich Corp.*		GR	124.53	–	3	–	1.05	80- 120	(N- N%)	19.9	0.9	6.25	1.16	22	9/30	1.57	1.25	3/31	.29	.29	YES
	997	Goodyear Tire		GT	13.69	1	4	3	1.80	25- 40	(85-190%)	6.0	NIL	2.29	NIL	15	9/30	.72	.13	12/31	NIL	NIL	YES
★★	2623	Google, Inc	(NDQ)	GOOG	580.93	3	2	2	.90	1340-1810	(130-210%)	17.2	NIL	33.80	NIL	78	12/31	◆9.50	7.81	12/31	NIL	NIL	YES
	168	Gorman-Rupp Co.	(ASE)	GRC	30.92	3	3	4	1.25	35- 55	(15- 80%)	20.1	1.2	1.54	.36	20	9/30	.37	.30	12/31	.09	.084	YES
	1714	Graco Inc.		GGG	43.40	3	3	4	1.15	40- 60	(N- 40%)	18.5	2.1	2.35	.90	33	9/30	.60	.50	3/31	▲.225	.21	YES
	1311	Grainger (W.W.)		GWW	203.51	3	1	4	.95	205- 250	(N- 25%)	21.3	1.4	9.55	2.76	53	12/31	◆2.13	1.79	12/31	.66	.54	YES
	1234	Granite Construction		GVA	27.28	2	3	3	1.15	30- 45	(10- 65%)	15.5	1.9	1.76	.52	36	9/30	.93	.99	6/30	◆.13	.13	YES
	912	G't Plains Energy		GXP	20.60	2	3	4	.75	16- 25	(N- 20%)	13.9	4.2	1.48	.86	12	9/30	.91	.96	12/31	▲.213	.208	YES
	2308	G't Wolf Resorts	(NDQ)	WOLF	3.20	2	5	3	1.55	3- 5	(N- 55%)	NMF	NIL	d.94	NIL	41	9/30	.05	d.03	12/31	NIL	NIL	
	1331	Greatbatch, Inc.		GB	21.51	2	3	3	.75	35- 50	(65-130%)	12.2	NIL	1.76	NIL	54	9/30	.41	.34	12/31	NIL	NIL	YES
1053	1947	Green Mtn. Coffee	(NDQ)	GMCR	50.60	3	3	5	.90	120- 180	(135-255%)	24.1	NIL	2.10	NIL	16	9/30	.47	.20	12/31	NIL	NIL	YES
	2026	Greenlight Capital Re	(NDQ)	GLRE	25.18	5	3	3	1.00	30- 45	(20- 80%)	10.2	NIL	2.48	NIL	97	9/30	d.12	.78	12/31	NIL	NIL	YES
	1175	Greif, Inc.		GEF	48.56	3	3	3	1.15	80- 115	(65-135%)	15.2	3.5	3.19	1.68	17	10/31	.64	1.51	3/31	.42	.42	YES
	1751	Griffon Corp.		GFF	10.53	3	3	3	1.20	20- 30	(90-185%)	30.1	0.8	.35	.08	38	9/30	.07	d.01	12/31	▲.02	NIL	YES
	2127	Group 1 Automotive		GPI	54.13	3	3	3	1.55	▲ 60- 90	(10- 65%)	14.2	1.0	▲3.82	.52	11	9/30	.94	.83	12/31	.13	.10	YES
	2105	Guess Inc.		GES	29.50	3	3	2	1.25	60- 90	(105-205%)	9.1	2.7	3.25	.80	64	10/31	.71	.75	3/31	.20	.20	YES
	766	**HCC Insurance Hldgs.**		HCC	28.11	4	3	3	.85	40- 60	(40-115%)	10.4	2.2	2.71	.62	96	9/30	.56	.81	3/31	.155	.145	YES
	1525	HCP Inc.		HCP	40.99	3	3	3	1.10	40- 55	(N- 35%)	25.0	4.8	1.64	1.98	90	9/30	.39	.27	12/31	.48	.465	YES
	1148	HNI Corp.		HNI	26.33	3	3	3	1.25	35- 55	(35-110%)	20.1	3.5	1.31	.92	62	9/30	.55	.39	12/31	.23	.215	YES
	217	Haemonetics Corp.		HAE	65.18	4	2	3	.60	80- 110	(25- 70%)	20.3	NIL	3.21	NIL	81	9/30	.72	.80	12/31	NIL	NIL	YES
	1916	Hain Celestial Group	(NDQ)	HAIN	37.23	3	3	4	.95	40- 60	(5- 60%)	21.9	NIL	1.70	NIL	70	9/30	.29	.25	12/31	NIL	NIL	YES
	2411	Halliburton Co.		HAL	36.36	2	3	3	1.35	65- 100	(80-175%)	9.3	1.0	3.89	.36	42	12/31	◆.98	.68	12/31	.09	.09	YES
	786	Hancock Holding	(NDQ)	HBHC	34.12	3	3	2	.95	50- 75	(45-120%)	14.8	2.8	2.31	.96	74	9/30	.53	.40	12/31	.24	.24	YES
	2106	Hanesbrands, Inc.		HBI	24.89	2	3	4	1.20	45- 65	(80-160%)	9.3	NIL	2.69	NIL	64	9/30	.91	.63	12/31	NIL	NIL	YES
	767	Hanover Insurance		THG	36.39	4	2	2	.80	65- 90	(80-145%)	17.9	3.3	2.03	1.20	96	9/30	d.41	.98	12/31	▲.30	.25	YES
		Hansen Natural Corp.			NAME CHANGED TO MONSTER BEVERAGE CORP.																		
	2309	Harley-Davidson		HOG	43.32	3	3	3	1.50	50- 70	(15- 60%)	16.5	1.2	2.62	.50	41	12/31	◆.24	.10	12/31	.125	.20	YES
	1312	Harman Int'l		HAR	44.00	3	3	2	1.45	60- 85	(35- 95%)	15.2	0.7	2.90	.30	53	9/30	.69	.35	12/31	.075	NIL	YES
	957	Harmonic, Inc.	(NDQ)	HLIT	5.81	2	4	2	1.05	15- 25	(160-330%)	11.9	NIL	.49	NIL	89	9/30	.11	.10	12/31	NIL	NIL	YES
	2647	Harris & Harris Group	(NDQ)	TINY	4.40	4	3	3	1.30	7- 11	(60-150%)	NMF	NIL	d.68	NIL	93	9/30	d1.07	d.01	12/31	NIL	NIL	YES
	1332	Harris Corp.		HRS	38.55	3	2	3	1.00	70- 95	(80-145%)	7.9	3.0	4.90	1.16	54	9/30	1.01	1.27	12/31	.28	.25	YES
	389	Harsco Corp.		HSC	20.00	3	3	4	1.35	30- 45	(50-125%)	13.3	4.2	1.50	.84	37	9/30	.40	.26	3/31	.205	.205	YES
	2378	Harte-Hanks		HHS	9.82	3	3	2	1.00	14- 20	(45-105%)	12.8	3.3	.77	.32	40	9/30	.19	.22	12/31	.08	.075	YES
	2553	Hartford Fin'l Svcs.		HIG	18.60	5	4	2	2.00	35- 60	(90-225%)	6.3	2.2	2.94	.40	63	9/30	.05	1.43	12/31	.10	.05	YES
	2310	Hasbro, Inc.	(NDQ)	HAS	34.27	3	2	2	.80	50- 65	(45- 90%)	10.5	3.5	3.25	1.20	41	9/30	1.27	1.09	3/31	.30	.25	YES
	2176	Haverty Furniture		HVT	12.49	4	3	2	.80	14- 20	(10- 60%)	43.1	NIL	▼.29	NIL	28	9/30	.01	.05	12/31	NIL	NIL	
	2241	Hawaiian Elec.		HE	25.50	2	3	3	.70	19- 30	(N- 20%)	14.8	4.9	▲1.72	1.24	13	9/30	.50	.35	12/31	.31	.31	YES
	310	Hawaiian Hldgs.	(NDQ)	HA	6.25	1	4	2	1.10	10- 17	(60-170%)	4.2	NIL	1.49	NIL	9	9/30	.50	.48	12/31	NIL	NIL	YES
	1109	Headwaters Inc.		HW	2.45	3	5	2	1.55	2- 4	(N- 65%)	NMF	NIL	d.50	NIL	75	9/30	d.05	d.05	12/31	NIL	NIL	YES
	1526	Health Care REIT		HCN	55.47	3	3	3	.85	55- 85	(N- 55%)	52.3	5.4	1.06	3.00	90	9/30	.21	d.08	12/31	.715	.69	YES
1822	803	Health Mgmt. Assoc.		HMA	6.60	2	5	3	1.45	14- 25	(110-280%)	8.0	NIL	.82	NIL	4	9/30	.17	.14	12/31	NIL	NIL	YES
	804	Health Net		HNT	35.30	2	3	4	1.05	50- 75	(40-110%)	11.3	NIL	3.12	NIL	4	9/30	.85	.89	12/31	NIL	NIL	YES
	1527	Healthcare R'lty Trust		HR	20.29	4	3	4	.95	16- 25	(N- 25%)	NMF	5.9	NIL	1.20	90	9/30	.01	d.01	12/31	.30	.30	YES
	390	Healthcare Svcs.	(NDQ)	HCSG	17.86	3	3	4	.75	17- 25	(N- 40%)	29.3	3.7	.61	.66	37	9/30	.15	.14	3/31	▲.161	.156	YES
	805	Healthways Inc.	(NDQ)	HWAY	7.37	3	3	5	1.20	17- 25	(130-240%)	7.6	NIL	.97	NIL	4	9/30	.28	.30	12/31	NIL	NIL	YES
	322	Heartland Express	(NDQ)	HTLD	14.59	▲3	2	4	.80	19- 25	(30- 70%)	18.9	0.5	.77	.08	7	12/31	◆.20	.17	12/31	.02	.02	YES
	714	HEICO Corp.		HEI	54.79	3	3	4	1.10	55- 85	(N- 55%)	30.1	0.3	1.82	.14	22	10/31	.44	.37	3/31	.06	.048	YES
	1636	Heidrick & Struggles	(NDQ)	HSII	22.44	3	3	2	1.00	30- 50	(35-125%)	NMF	2.3	d1.05	.52	39	9/30	d1.82	.07	12/31	.13	.13	YES
	1917	Heinz (H.J.)		HNZ	51.91	4	1	3	.65	70- 85	(35- 65%)	15.4	3.9	3.37	2.00	70	10/31	.81	.78	3/31	.48	.45	YES
	1014	Helen of Troy Ltd.	(NDQ)	HELE	32.50	1	3	3	1.10	45- 65	(40-100%)	13.0	NIL	2.50	NIL	23	11/30	1.04	.86	12/31	NIL	NIL	YES
	2412	Helix Energy Solutions		HLX	16.33	1	3	3	1.75	20- 30	(20- 85%)	10.8	NIL	1.51	NIL	42	9/30	.43	.25	12/31	NIL	NIL	YES
	2413	Helmerich & Payne		HP	61.53	2	3	4	1.40	75- 110	(20- 80%)	13.1	0.5	4.70	.28	42	9/30	1.11	.77	3/31	.07	.06	YES
	2608	Henry (Jack) & Assoc.	(NDQ)	JKHY	34.20	3	2	3	.85	40- 50	(15- 45%)	19.5	1.2	1.75	.42	45	9/30	.42	.37	12/31	.105	.095	YES
	1918	Herbalife, Ltd.		HLF	56.56	3	3	4	.95	55- 80	(N- 40%)	17.5	1.6	3.24	.88	70	9/30	.87	.59	12/31	.20	.125	YES
	1919	Hershey Co.		HSY	61.39	4	2	3	.65	70- 95	(15- 55%)	20.7	2.4	2.97	1.50	70	9/30	.84	.79	12/31	.345	.32	YES
	2177	Hertz Global Hldgs.		HTZ	13.40	2	4	4	1.85	18- 30	(35-125%)	19.1	NIL	▲.70	NIL	28	9/30	.47	.36	12/31	NIL	NIL	YES
	506	Hess Corp.		HES	60.32	3	3	3	1.25	85- 125	(40-105%)	10.4	0.7	5.80	.40	2	12/31	◆1.17	1.20	3/31	.10	.20	YES
445	1406	Hewlett-Packard		HPQ	28.52	3	2	1	1.00	55- 75	(95-165%)	12.2	1.7	2.33	.48	48	10/31	.12	1.10	6/30	◆.12	.08	YES
	2434	Hexcel Corp.		HXL	25.59	3	4	3	1.55	20- 35	(N- 35%)	21.7	NIL	1.18	NIL	21	9/30	.32	.16	12/31	NIL	NIL	YES
	1611	Hi-Tech Pharmacal	(NDQ)	HITK	37.91	3	3	5	.95	30- 45	(N- 20%)	10.5	NIL	3.60	NIL	55	10/31	1.08	.79	12/31	NIL	NIL	YES
	2178	Hibbett Sports	(NDQ)	HIBB	48.93	2	3	4	1.05	45- 70	(N- 45%)	21.3	NIL	2.30	NIL	28	10/31	.59	.44	12/31	NIL	NIL	YES
1822	*218*	*Hill-Rom Hldgs.*		HRC	30.75	3	3	5	1.00	45- 70	(45-130%)	12.6	1.5	2.44	.45	81	9/30	.72	.67	12/31	.113	.103	YES
	1816	Hillenbrand, Inc.		HI	23.40	3	3	3	.65	25- 40	(5- 70%)	12.8	3.3	1.83	.77	79	9/30	.38	.32	12/31	▲.193	.19	YES
	1981	Hitachi, Ltd. ADR(g)		HIT	55.75	3	3	2	.85	85- 125	(50-125%)	8.3	1.5	6.71	.85	58	9/30	◆1.29	1.87	12/31	.383	.594	YES
	507	HollyFrontier Corp.		HFC	28.80	–	3	–	NMF	50- 75	(75-160%)	4.0	1.4	7.12	.40	2	9/30	2.48	NA	12/31	.088	NIL	YES
2652	219	Hologic, Inc.	(NDQ)	HOLX	19.41	2	3	4	1.05	25- 35	(30- 80%)	14.2	NIL	1.37	NIL	81	9/30	.34	.30	12/31	NIL	NIL	YES
243	1137	Home Depot		HD	44.96	2	1	3	.95	45- 55	(N- 20%)	17.4	2.6	2.58	1.16	73	10/31	.60	.51	12/31	▲.29	.236	YES
2447	105	Honda Motor ADR(g)		HMC	34.62	3	2	2	.90	50- 65	(45- 90%)	15.2	2.1	2.28	.72	24	9/30	.44	.90	12/31	.195	.143	YES
	1752	Honeywell Int'l		HON	57.63	2	1	3	1.15	80- 95	(40- 65%)	13.5	2.6	4.26	1.49	38	9/30	1.10	.76	12/31	▲.373	.303	YES
	1920	Hormel Foods		HRL	29.55	3	1	3	.65	35- 45	(20- 50%)	16.5	2.0	1.79	.60	70	10/31	.43	.45	3/31	▲.15	.128	YES
	1123	Horton D.R.		DHI	14.25	4	3	3	1.45	16- 25	(10- 75%)	36.5	1.1	.39	.15	98	9/30	.11	d.03	12/31	.038	.038	YES
	1612	Hospira Inc.		HSP	34.04	4	3	3	.70	70- 110	(105-225%)	15.3	NIL	2.23	NIL	55	9/30	.66	.74	12/31	NIL	NIL	YES
	1528	Hospitality Properties		HPT	24.82	3	3	3	1.25	30- 50	(20-100%)	18.1	7.3	1.37	1.80	90	9/30	.32	.35	3/31	.45	.45	YES
	1529	Host Hotels & Resorts		HST	16.46	4	3	3	1.50	15- 25	(N- 50%)	NMF	1.2	.01	.20	90	9/30	d.05	d.09	12/31	.04	.01	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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	Page	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2220	Hot Topic, Inc.	(NDQ)	HOTT	7.47	2	3	4	.75	10- 15	(35-100%)	39.3	3.7	.19	.28	50	10/31	.07	.01	12/31	.07	.07	YES
	1124	Hovnanian Enterpr. 'A'		HOV	2.38	5	5	1	2.20	3- 6	(25-150%)	NMF	NIL	d1.95	NIL	98	10/31	d.90	d1.66	12/31	NIL	NIL	YES
	323	Hub Group	(NDQ)	HUBG	34.11	3	3	3	1.15	45- 65	(30- 90%)	19.1	NIL	1.79	NIL	7	9/30	.44	.34	12/31	NIL	NIL	YES
	1313	Hubbell Inc. 'B'		HUBB	70.34	3	2	3	1.05	65- 90	(N- 30%)	15.3	2.2	4.61	1.52	53	9/30	1.37	1.18	3/31	.38	.36	YES
	1506	Hudson City Bancorp	(NDQ)	HCBK	7.10	4	4	3	.85	11- 18	(55-155%)	NMF	4.5	d.22	.32	84	12/31	◆d.73	.25	12/31	.08	.15	YES
	836	Human Genome	(NDQ)	HGSI	9.13	5	5	4	1.55	11- 20	(20-120%)	NMF	NIL	d1.64	NIL	95	9/30	d.45	d.22	12/31	NIL	NIL	YES
	806	Humana Inc.		HUM	90.82	1	3	4	1.05	110- 160	(20- 75%)	11.1	1.1	8.18	1.00	4	9/30	2.67	2.32	3/31	.25	NIL	YES
	324	Hunt (J.B.)	(NDQ)	JBHT	48.52	3	3	4	1.05	50- 75	(5- 55%)	21.4	1.1	2.27	.52	7	9/30	.57	.41	12/31	.13	.12	YES
	787	Huntington Bancshs.	(NDQ)	HBAN	5.82	3	4	3	1.30	7- 12	(20-105%)	9.7	2.7	.60	.16	74	12/31	◆.14	.05	3/31	.04	.01	YES
	715	Huntington Ingalls		HII	34.16	–	3	–	NMF	40- 55	(15- 60%)	9.8	NIL	3.48	NIL	22	9/30	NA	NA	12/31	NIL	NIL	YES
	2435	Huntsman Corp.		HUN	11.99	2	4	4	1.00	20- 30	(65-150%)	11.4	3.3	1.05	.40	21	9/30	.45	.23	12/31	.10	.10	YES
	391	*Huron Consulting*	(NDQ)	HURN	37.62	3	4	3	.75	35- 55	(N- 45%)	24.1	NIL	1.56	NIL	37	9/30	NIL	.53	12/31	NIL	NIL	YES
	121	Hutchinson Techn.	(NDQ)	HTCH	1.61	▲3	5	3	1.85	2- 4	(25-150%)	NMF	NIL	d1.39	NIL	65	12/31	◆d.49	d.63	12/31	NIL	NIL	YES
	2342	Hyatt Hotels		H	40.81	–	3	–	1.15	50- 75	(25- 85%)	61.8	NIL	.66	NIL	25	9/30	.08	.06	12/31	NIL	NIL	YES
	2624	**IAC/InterActiveCorp**	(NDQ)	IACI	42.60	2	3	3	.75	50- 80	(15- 90%)	22.8	1.1	1.87	.48	78	9/30	.69	.16	12/31	▲.12	NIL	YES
	189	ICU Medical	(NDQ)	ICUI	44.55	3	3	3	.65	55- 85	(25- 90%)	16.1	NIL	2.76	NIL	68	9/30	.65	.65	12/31	NIL	NIL	YES
	440	*IHS Inc.*		IHS	91.14	3	3	3	.90	95- 140	(5- 55%)	33.3	NIL	2.74	NIL	67	11/30	.77	.64	12/31	NIL	NIL	YES
	122	II-VI Inc.	(NDQ)	IIVI	22.78	4	3	4	1.20	25- 35	(10- 55%)	21.3	NIL	1.07	NIL	65	12/31	◆.21	.30	12/31	NIL	NIL	YES
	913	ITC Holdings		ITC	72.41	3	2	3	.80	80- 110	(10- 50%)	20.2	2.0	3.59	1.45	12	9/30	.85	.75	12/31	.353	.335	YES
	1753	ITT Corp.		ITT	21.14	–	1	–	NMF	25- 30	(20- 40%)	5.9	1.7	3.59	.36	38	9/30	2.34	2.15	3/31	.091	.50	YES
	2000	ITT Educational		ESI	67.17	2	3	3	.70	110- 165	(65-145%)	7.4	NIL	9.09	NIL	66	9/30	2.48	2.82	12/31	NIL	NIL	YES
	2107	Iconix Brand Group	(NDQ)	ICON	18.33	3	3	4	1.35	30- 45	(65-145%)	10.8	NIL	1.70	NIL	64	9/30	.40	.37	12/31	NIL	NIL	YES
	2242	IDACORP, Inc.		IDA	41.50	3	3	3	.70	35- 50	(N- 20%)	11.8	3.2	3.53	1.32	13	9/30	2.16	1.39	3/31	▲.33	.30	YES
	1715	IDEX Corp.		IEX	39.47	2	3	3	1.15	50- 75	(25- 90%)	14.8	1.7	2.67	.68	33	9/30	.71	.50	3/31	.17	.15	YES
	220	IDEXX Labs.	(NDQ)	IDXX	86.56	3	1	3	.90	80- 95	(N- 10%)	30.9	NIL	2.80	NIL	81	9/30	.66	.59	12/31	NIL	NIL	YES
	733	Illinois Tool Works		ITW	51.93	3	1	3	1.00	80- 95	(55- 85%)	13.0	2.8	4.00	1.44	46	9/30	1.00	.83	3/31	.36	.34	YES
★★	221	Illumina Inc.	(NDQ)	ILMN	37.69	–	3	–	.95	50- 75	(35-100%)	44.3	NIL	.85	NIL	81	9/30	.15	.24	12/31	NIL	NIL	YES
	1407	Imation Corp.		IMN	6.11	5	3	4	.85	6- 9	(N- 45%)	NMF	NIL	d.38	NIL	48	9/30	d.18	.02	12/31	NIL	NIL	YES
	2311	IMAX Corp.		IMAX	21.26	4	4	5	1.20	30- 50	(40-135%)	31.3	NIL	.68	NIL	41	9/30	.16	.10	12/31	NIL	NIL	YES
	508	Imperial Oil Ltd.	(ASE)	IMO	46.73	3	2	2	1.15	60- 85	(30- 80%)	12.7	0.9	3.68	.44	2	9/30	1.01	.48	3/31	.11	.11	YES
	837	Incyte Corp.	(NDQ)	INCY	18.29	5	5	5	1.30	40- 75	(120-310%)	NMF	NIL	d1.28	NIL	95	9/30	d.42	d.26	12/31	NIL	NIL	YES
	626	Inergy, L.P.	(NDQ)	NRGY	22.25	5	3	2	1.00	25- 40	(10- 80%)	32.7	12.7	.68	2.82	85	9/30	d.42	d1.04	12/31	.705	.705	YES
	958	Infinera Corp.	(NDQ)	INFN	7.39	4	4	3	1.20	12- 20	(60-170%)	NMF	NIL	d.67	NIL	89	9/30	d.21	.04	12/31	NIL	NIL	YES
	1805	Informatica Corp.	(NDQ)	INFA	39.48	3	3	4	.95	65- 95	(65-140%)	34.3	NIL	1.15	NIL	86	9/30	.24	.21	12/31	NIL	NIL	YES
	2609	Infosys Techn. ADR	(NDQ)	INFY	53.59	3	2	3	1.05	95- 130	(75-145%)	17.1	1.3	3.14	.70	45	12/31	.80	.69	12/31	.28	.21	YES
	1754	Ingersoll-Rand		IR	35.13	3	3	4	1.20	50- 70	(40-100%)	12.3	1.8	2.85	.64	38	9/30	.81	.80	3/31	▲.16	.07	YES
	1948	Ingles Markets	(NDQ)	IMKTA	17.62	1	3	2	.95	30- 40	(70-125%)	9.4	3.7	1.88	.66	16	9/30	.45	.34	3/31	.165	.165	
	1408	Ingram Micro 'A'		IM	19.07	4	3	3	.95	30- 45	(55-135%)	10.7	NIL	1.78	NIL	48	9/30	.33	.40	12/31	NIL	NIL	YES
	2179	Insight Enterprises	(NDQ)	NSIT	18.33	2	3	2	1.30	35- 50	(90-175%)	9.5	NIL	1.92	NIL	28	9/30	.38	.31	12/31	NIL	NIL	YES
		Insituform Techn.							NAME CHANGED TO AEGION CORP.														
1822	190	Integra LifeSciences	(NDQ)	IART	25.96	3	3	3	.90	65- 95	(150-265%)	8.3	NIL	3.12	NIL	68	9/30	.77	.80	12/31	NIL	NIL	YES
	1361	Integrated Device	(NDQ)	IDTI	6.50	3	3	3	1.10	12- 18	(85-175%)	46.4	NIL	.14	NIL	88	9/30	.08	.16	12/31	NIL	NIL	YES
	914	Integrys Energy		TEG	51.39	3	2	3	.90	40- 55	(N- 5%)	15.1	5.3	3.41	2.72	12	9/30	.47	.56	12/31	.68	.68	YES
★★	1362	Intel Corp.	(NDQ)	INTC	26.90	2	1	3	1.00	50- 60	(85-125%)	11.3	3.1	2.39	.84	88	12/31	◆.64	.59	12/31	.21	.158	YES
	1015	*Inter Parfums*	(NDQ)	IPAR	16.74	3	3	4	1.30	25- 35	(50-110%)	15.9	2.1	1.05	.35	23	9/30	.34	.28	3/31	.08	.065	YES
	1786	IntercontinentalExch.		ICE	118.93	3	3	3	1.15	185- 280	(55-135%)	16.6	NIL	7.17	NIL	69	9/30	1.80	1.29	12/31	NIL	NIL	YES
★★	588	InterDigital Inc.	(NDQ)	IDCC	35.89	4	3	1	1.00	40- 65	(10- 80%)	16.2	1.3	2.22	.48	92	9/30	.57	.79	3/31	.10	.10	YES
	1149	Interface Inc. 'A'	(NDQ)	IFSIA	12.74	4	3	4	1.50	17- 25	(35- 95%)	15.5	0.6	.82	.08	62	9/30	.19	.19	12/31	.02	.02	YES
	589	Intermec Inc.		IN	8.12	3	3	3	1.15	20- 30	(145-270%)	31.2	NIL	.26	NIL	92	9/30	.01	d.11	12/31	NIL	NIL	YES
★★	1409	Int'l Business Mach.		IBM	191.93	2	1	3	.85	235- 285	(20- 50%)	14.1	1.6	13.64	3.15	48	12/31	◆4.62	4.18	12/31	.75	.65	YES
	564	Int'l Flavors & Frag.		IFF	56.45	3	1	4	.80	70- 85	(25- 50%)	14.5	2.2	3.90	1.24	29	9/30	1.00	.95	3/31	.31	.27	YES
	2343	Int'l Game Tech.		IGT	15.87	3	3	3	1.40	30- 40	(90-150%)	16.4	1.5	.97	.24	25	12/31	◆.17	.21	3/31	.06	.06	YES
	1160	Int'l Paper		IP	32.16	1	3	3	1.45	55- 80	(70-150%)	10.1	3.3	3.20	1.05	34	9/30	1.19	.91	3/31	.263	.188	YES
	1363	Int'l Rectifier		IRF	23.20	4	3	2	1.05	25- 35	(10- 50%)	27.3	NIL	.85	NIL	88	9/30	.31	.42	12/31	NIL	NIL	YES
	2312	Int'l Speedway 'A'	(NDQ)	ISCA	26.29	3	3	4	.90	35- 50	(35- 90%)	14.9	0.7	1.76	.18	41	8/31	.24	.25	12/31	NIL	NIL	YES
	2379	Interpublic Group		IPG	10.44	2	3	4	1.15	13- 20	(25- 90%)	14.7	2.4	.71	.25	40	9/30	.16	.08	12/31	.06	NIL	YES
	1364	Intersil Corp. 'A'	(NDQ)	ISIL	11.62	5	3	3	1.05	15- 25	(30-115%)	35.2	4.1	.33	.48	88	9/30	.06	.26	12/31	.12	.12	YES
	2581	Intuit Inc.	(NDQ)	INTU	57.33	3	2	3	.90	80- 105	(40- 85%)	21.6	1.0	2.65	.60	56	10/31	d.10	d.12	3/31	.15	NIL	YES
	191	Intuitive Surgical	(NDQ)	ISRG	440.00	3	3	4	1.20	390- 580	(N- 30%)	34.4	NIL	12.80	NIL	68	12/31	◆3.75	3.02	12/31	NIL	NIL	YES
850	222	Invacare Corp.		IVC	16.30	3	3	4	.80	40- 60	(145-270%)	8.1	0.3	2.01	.05	81	9/30	.59	.56	3/31	.013	.013	YES
	1787	Investment Techn.		ITG	11.40	2	3	1	1.10	25- 35	(120-205%)	11.1	NIL	1.03	NIL	69	9/30	.25	.14	12/31	NIL	NIL	YES
	1507	*Investors Bancorp*	(NDQ)	ISBC	14.73	3	3	2	.75	20- 30	(35-105%)	18.6	NIL	.79	NIL	84	9/30	.19	.15	12/31	NIL	NIL	YES
	2414	ION Geophysical		IO	7.53	3	5	4	2.35	12- 20	(60-165%)	19.8	NIL	.38	NIL	42	9/30	.06	.08	12/31	NIL	NIL	YES
	716	iRobot Corp.	(NDQ)	IRBT	32.46	3	3	5	.95	45- 70	(40-115%)	22.4	NIL	1.45	NIL	22	9/30	.50	.27	12/31	NIL	NIL	YES
	392	Iron Mountain		IRM	31.51	3	3	5	.95	40- 60	(25- 90%)	23.7	3.2	1.33	1.00	37	9/30	.37	.35	3/31	.25	.188	YES
	838	Isis Pharmac.	(NDQ)	ISIS	7.85	5	3	3	.95	11- 16	(40-105%)	NMF	NIL	d.82	NIL	95	9/30	d.27	d.13	12/31	NIL	NIL	YES
	590	Itron Inc.	(NDQ)	ITRI	38.85	3	3	2	1.15	80- 120	(105-210%)	11.4	NIL	3.42	NIL	92	9/30	.92	.97	12/31	NIL	NIL	YES
	1921	**J&J Snack Foods**	(NDQ)	JJSF	50.06	▼4	2	3	.70	55- 75	(10- 50%)	18.7	1.0	2.67	.52	70	12/31	◆.29	.38	3/31	▲.13	.108	
	1333	JDS Uniphase	(NDQ)	JDSU	13.57	3	4	2	1.60	17- 30	(25-120%)	18.1	NIL	.75	NIL	54	9/30	.18	.20	12/31	NIL	NIL	YES
2030	2515	JPMorgan Chase		JPM	37.66	3	3	2	1.25	60- 90	(60-140%)	9.4	2.7	4.02	1.00	72	12/31	.90	1.12	3/31	.25	.05	YES
	929	j2 Global	(NDQ)	JCOM	27.76	3	3	2	1.00	30- 40	(10- 45%)	11.9	3.0	2.34	.82	8	9/30	.54	.43	12/31	▲.205	NIL	YES
		j2 Global Communic.							NAME CHANGED TO J2 GLOBAL														
	1334	Jabil Circuit		JBL	23.17	1	3	3	1.30	35- 55	(50-135%)	10.9	1.4	2.12	.32	54	11/30	.56	.52	12/31	.08	.07	YES
	363	Jack in the Box	(NDQ)	JACK	21.35	3	3	4	.95	30- 50	(40-135%)	11.6	NIL	1.84	NIL	47	9/30	.49	.40	12/31	NIL	NIL	YES
	1235	Jacobs Engineering		JEC	45.53	3	3	3	1.35	60- 95	(30-110%)	15.4	NIL	2.96	NIL	36	9/30	.74	.61	12/31	NIL	NIL	YES
	2554	Janus Capital Group		JNS	7.55	3	3	2	1.85	17- 25	(125-230%)	9.7	2.6	.78	.20	63	9/30	.15	.18	12/31	.05	NIL	YES
	420	Japan Equity Fund		JEQ	5.30	–	4	3	.75	7- 12	(30-125%)	NMF	0.9	NMF	.05	–	10/31	6.01(q)	6.30(q)	12/31	.052	.055	
	421	Japan Smaller Cap Fd		JOF	7.57	–	4	3	.80	10- 16	(30-110%)	NMF	0.7	NMF	.05	–	8/31	8.80(q)	8.27(q)	12/31	.036	.08	
★★	1190	Jarden Corp.		JAH	33.79	1	3	3	1.40	45- 70	(35-105%)	12.9	NIL	2.61	NIL	80	9/30	1.03	.90	6/30	▼NIL	.086	YES
1244	1788	Jefferies Group		JEF	15.74	3	3	3	1.45	35- 50	(120-220%)	14.3	1.9	1.10	.30	69	11/30	.21	.31	3/31	.075	.075	YES
	311	JetBlue Airways	(NDQ)	JBLU	5.50	▲1	4	4	1.25	11- 19	(100-245%)	20.4	NIL	.27	NIL	9	9/30	.12	.18	12/31	NIL	NIL	YES
★★	223	Johnson & Johnson		JNJ	65.00	3	1	3	.65	85- 100	(30- 55%)	13.0	3.5	5.01	2.28	81	12/31	◆1.13	1.03	3/31	.57	.54	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was *primarily caused by the* earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

	PAGE NUMBERS	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta		3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	998	Johnson Controls		JCI	31.75	▼4	3	3	1.30		50- 75	(55-135%)	11.1	2.3	2.85	.72	15	12/31	◆.60	.55	3/31	.18	.16	YES
	2108	Jones Group (The)		JNY	9.13	3	4	2	1.55		15- 25	(65-175%)	7.7	2.2	▼1.18	.20	64	9/30	.48	.54	12/31	.05	.05	YES
	1037	Jones Lang LaSalle		JLL	72.94	3	3	3	1.40		90- 130	(25- 80%)	15.9	0.4	4.58	.30	60	9/30	.76	.84	12/31	.15	.10	YES
	2221	*Joseph A. Bank*	(NDQ)	JOSB	48.28	3	3	4	1.10		50- 75	(5- 55%)	13.3	NIL	3.64	NIL	50	10/31	.54	.45	12/31	NIL	NIL	YES
	2370	Journal Communications		JRN	5.02	3	5	3	1.65		6- 12	(20-140%)	10.0	NIL	.50	NIL	71	9/30	.07	.11	12/31	NIL	NIL	YES
	604	Joy Global		JOY	89.14	3	3	3	1.65		95- 145	(5- 65%)	12.7	0.8	7.01	.72	19	10/31	1.83	1.39	12/31	.175	.175	YES
	959	Juniper Networks		JNPR	23.15	5	3	1	1.15		40- 60	(75-160%)	24.1	NIL	.96	NIL	89	9/30	.16	.26	12/31	NIL	NIL	YES
2444	2157	**K-Swiss, Inc.**	(NDQ)	KSWS	3.21	5	4	3	1.05	▼	12- 20	(275-525%)	NMF	NIL	▼d1.08	NIL	49	9/30	d.43	d.23	12/31	NIL	NIL	YES
	1125	*KB Home*		KBH	9.24	5	4	3	1.55		10- 17	(10- 85%)	NMF	2.7	d.35	.25	98	11/30	.18	.23	12/31	.063	.063	YES
	1236	KBR, Inc.		KBR	31.85	3	3	4	1.30		40- 60	(25- 90%)	10.0	0.6	3.19	.20	36	9/30	1.22	.62	3/31	.05	.05	YES
	2648	KKR & Co. L.P.		KKR	13.68	–	2	–	NMF		30- 40	(120-190%)	5.6	6.2	2.46	.85	93	9/30	d.91	.46	12/31	.10	.15	YES
	123	KLA-Tencor	(NDQ)	KLAC	51.26	2	3	3	1.20		60- 95	(15- 85%)	14.6	2.7	3.50	1.40	65	9/30	1.17	.99	12/31	.35	.25	YES
	1755	Kadant Inc.		KAI	24.19	3	3	5	1.20		35- 55	(45-125%)	12.1	NIL	2.00	NIL	38	9/30	.54	.36	12/31	NIL	NIL	YES
	1756	Kaman Corp.	(NDQ)	KAMN	31.38	3	3	2	1.15		40- 60	(25- 90%)	15.3	2.0	2.05	.64	38	9/30	.47	.49	3/31	.16	.14	YES
	343	Kansas City South'n		KSU	66.84	3	3	3	1.35		80- 120	(20- 80%)	21.6	NIL	3.09	NIL	3	12/31	◆.78	.62	12/31	NIL	NIL	YES
	1716	Kaydon Corp.		KDN	34.08	4	3	3	1.25		55- 80	(60-135%)	17.6	2.3	1.94	.80	33	9/30	.47	.44	3/31	20	.19	YES
	1922	Kellogg		K	50.50	4	1	3	.55		75- 90	(50- 80%)	14.9	3.4	3.40	1.72	70	9/30	.80	.90	12/31	.43	.405	YES
	1637	Kelly Services 'A'	(NDQ)	KELYA	17.35	1	3	1	1.20		25- 40	(45-130%)	11.4	1.2	1.52	.20	39	9/30	.52	.26	12/31	.05	NIL	YES
	2555	Kemper Corp.		KMPR	30.41	4	3	3	1.15		40- 65	(30-115%)	12.8	3.2	2.37	.96	63	9/30	.08	.57	12/31	.24	.22	YES
	734	Kennametal Inc.		KMT	43.34	1	3	4	1.40		55- 85	(25- 95%)	11.6	1.3	3.75	.56	46	9/30	.88	.47	12/31	▲.14	.12	YES
	2158	Kenneth Cole 'A'		KCP	12.31	2	3	3	1.15	▼	20- 30	(60-145%)	17.1	NIL	▼.72	NIL	49	9/30	.31	.11	12/31	NIL	NIL	YES
	2516	KeyCorp		KEY	8.13	3	3	3	1.25		9- 14	(10- 70%)	9.7	1.5	.84	.12	72	12/31	◆.21	.33	3/31	◆.03	.01	YES
	1150	Kimball Int'l 'B'	(NDQ)	KBALB	6.00	3	3	2	1.10		11- 16	(85-165%)	24.0	3.3	.25	.20	62	9/30	NIL	.02	12/31	.05	.05	
	1191	Kimberly-Clark		KMB	72.27	3	1	3	.55		85- 105	(20- 45%)	17.4	3.9	4.15	2.80	80	12/31	◆1.01	1.20	3/31	.70	.66	YES
	1530	Kimco Realty		KIM	18.50	4	3	3	1.30		14- 20	(N- 10%)	61.7	4.1	.30	.76	90	9/30	.08	.07	12/31	.18	.16	YES
	627	Kinder Morgan Energy		KMP	88.30	3	2	3	.75		75- 100	(N- 15%)	47.2	5.6	1.87	4.98	85	12/31	.55	.46	3/31	◆1.16	1.13	YES
	2649	Kinetic Concepts		KCI	SEE FINAL SUPPLEMENT - PAGE 2649																			
2031	1564	Kinross Gold		KGC	10.58	3	3	3	1.00		25- 35	(135-230%)	10.9	1.1	.97	.12	18	9/30	.19	.15	12/31	NIL	NIL	YES
	335	Kirby Corp.		KEX	67.50	1	3	3	1.15		80- 115	(20- 70%)	18.9	NIL	3.58	NIL	77	9/30	.94	.57	12/31	NIL	NIL	YES
	1789	Knight Capital Group		KCG	13.51	2	3	1	.80		17- 25	(25- 85%)	10.4	NIL	1.30	NIL	69	12/31	◆.43	.10	12/31	NIL	NIL	YES
	325	Knight Transportation		KNX	16.14	3	3	3	.85		25- 40	(55-150%)	19.7	1.5	.82	.24	7	9/30	.21	.20	12/31	.06	.06	YES
	1026	Knology	(NDQ)	KNOL	14.64	1	3	2	1.15		35- 50	(140-240%)	10.5	NIL	1.39	NIL	1	9/30	.26	.15	12/31	NIL	NIL	YES
1644	2141	Kohl's Corp.		KSS	47.93	3	2	3	1.00	▼	90- 120	(90-150%)	10.7	2.3	4.46	1.10	43	10/31	.80	.53	12/31	.25	NIL	YES
	1982	Konami Corp. ADS		KNM	25.15	2	3	1	.85		45- 65	(80-160%)	11.0	2.6	2.29	.65	58	9/30	◆.72	.26	12/31	.322	.19	
1434	422	Korea Fund		KF	39.36	–	4	3	1.10		50- 80	(25-105%)	NMF	0.3	NMF	.10	–	6/30	54.59(q)	38.54(q)	12/31	NIL	NIL	
	1638	Korn/Ferry Int'l		KFY	18.04	4	3	3	1.15		30- 40	(65-120%)	14.2	NIL	1.27	NIL	39	10/31	.32	.33	12/31	NIL	NIL	YES
2443	1923	Kraft Foods		KFT	38.30	3	1	3	.65		50- 60	(30- 55%)	15.6	3.0	2.45	1.16	70	9/30	.58	.47	3/31	.29	.29	YES
	364	Krispy Kreme		KKD	6.95	3	4	4	1.25		7- 11	(N- 60%)	19.3	NIL	.36	NIL	47	10/31	.07	.03	12/31	NIL	NIL	YES
	1949	Kroger Co.		KR	24.34	2	2	3	.65		35- 50	(45-105%)	11.8	2.1	2.06	.50	16	10/31	.33	.32	3/31	◆.115	.105	YES
	565	Kronos Worldwide		KRO	21.26	1	3	4	1.40		30- 40	(40- 90%)	7.2	2.8	2.96	.60	29	9/30	.74	.33	12/31	.15	.125	YES
	1393	Kulicke & Soffa	(NDQ)	KLIC	11.24	4	5	2	1.65		15- 30	(35-165%)	17.8	NIL	.63	NIL	87	9/30	.03	.78	12/31	NIL	NIL	YES
	1983	Kyocera Corp. ADR(g)		KYO	84.26	3	1	2	1.00		130- 160	(55- 90%)	14.0	1.9	6.04	1.57	58	9/30	1.56	2.06	12/31	.769	.723	
	717	**L-3 Communic.**		LLL	70.34	2	2	3	.90		105- 145	(50-105%)	7.8	2.7	9.04	1.90	22	9/30	2.26	2.10	12/31	.45	.40	YES
1645	192	LCA-Vision	(NDQ)	LCAV	5.27	4	4	1	1.30		5- 8	(N- 50%)	NMF	NIL	d.34	NIL	68	9/30	d.20	d.45	12/31	NIL	NIL	YES
	999	LKQ Corp.	(NDQ)	LKQX	32.74	3	3	3	1.00		40- 55	(20- 70%)	20.3	NIL	1.61	NIL	15	9/30	.33	.25	12/31	NIL	NIL	YES
	1365	LSI Corp.		LSI	7.14	▲2	3	2	1.20		25- 40	(250-460%)	12.5	NIL	.57	NIL	88	9/30	.14	.11	12/31	NIL	NIL	YES
635	1151	La-Z-Boy Inc.		LZB	13.37	2	4	2	1.40		18- 30	(35-125%)	18.3	NIL	.73	NIL	62	10/31	.15	.07	12/31	NIL	NIL	YES
	807	Laboratory Corp.		LH	91.18	3	1	3	.65		130- 160	(45- 75%)	13.8	NIL	6.59	NIL	4	9/30	1.61	1.47	12/31	NIL	NIL	YES
	544	Laclede Group		LG	40.62	3	2	2	.60		40- 55	(N- 35%)	15.7	4.1	2.58	1.66	76	9/30	d.13	d.07	3/31	▲.415	.405	YES
1054	1394	Lam Research	(NDQ)	LRCX	43.35	4	3	2	1.20		65- 100	(50-130%)	22.8	NIL	1.90	NIL	87	9/30	.58	1.55	12/31	NIL	NIL	YES
	2380	Lamar Advertising	(NDQ)	LAMR	30.44	2	4	2	1.50		20- 35	(N- 15%)	NMF	NIL	.04	NIL	40	9/30	.04	.01	12/31	NIL	NIL	YES
	1192	Lancaster Colony	(NDQ)	LANC	69.44	4	1	3	.75		65- 75	(N- 10%)	19.6	2.1	3.55	1.46	80	9/30	.78	.81	12/31	▲.36	.33	YES
	2344	Las Vegas Sands		LVS	47.92	3	4	3	2.65		90- 150	(90-215%)	25.6	NIL	1.87	NIL	25	9/30	.44	.22	12/31	NIL	NIL	YES
	1366	Lattice Semiconductor	(NDQ)	LSCC	6.68	4	3	2	1.20		9- 13	(35- 95%)	16.3	NIL	.41	NIL	88	9/30	.11	.13	12/31	NIL	NIL	YES
	1016	Lauder (Estee)		EL	58.08	3	2	4	.95		70- 95	(20- 65%)	25.8	0.9	2.25	.53	23	9/30	.71	.48	12/31	▲.525	.375	YES
	735	Lawson Products	(NDQ)	LAWS	16.96	5	3	3	1.25		13- 19	(N- 10%)	NMF	2.8	d.10	.48	46	9/30	d.25	.50	3/31	.12	.12	
	1237	Layne Christensen	(NDQ)	LAYN	23.86	3	3	2	1.35		45- 70	(90-195%)	11.8	NIL	2.03	NIL	36	10/31	.45	.42	12/31	NIL	NIL	YES
	2556	Lazard Ltd.		LAZ	27.74	4	3	1	1.20		55- 80	(100-190%)	11.7	2.3	2.38	.64	63	9/30	.39	.46	12/31	.16	.125	YES
	930	Leap Wireless	(NDQ)	LEAP	9.54	3	5	5	1.45		10- 18	(5- 90%)	NMF	NIL	d1.65	NIL	8	9/30	d.90	d.76	12/31	NIL	NIL	YES
	2313	LeapFrog Enterpr. 'A'		LF	5.50	2	4	4	1.45		7- 11	(25-100%)	20.4	NIL	.27	NIL	41	9/30	.35	.24	12/31	NIL	NIL	YES
	1000	Lear Corp.		LEA	42.45	–	3	–	1.10		65- 100	(55-135%)	8.0	1.2	5.30	.50	15	9/30	1.08	1.14	12/31	.125	NIL	YES
	2001	Learning Tree Int'l	(NDQ)	LTRE	6.45	4	3	2	1.00		10- 15	(55-135%)	29.3	NIL	.22	NIL	66	9/30	.12	.08	12/31	NIL	NIL	
	1152	Leggett & Platt		LEG	23.30	4	2	3	1.05		30- 45	(30- 95%)	17.3	4.8	1.35	1.12	62	9/30	.31	.31	3/31	.28	.27	YES
	2557	Legg Mason		LM	27.35	4	3	3	1.55		40- 55	(45-100%)	14.3	1.2	1.91	.32	63	9/30	.39	.50	3/31	.08	.06	YES
	1126	Lennar Corp.		LEN	22.37	4	4	3	1.85		20- 35	(N- 55%)	49.7	0.7	.45	.16	98	11/30	.16	.17	3/31	.04	.04	YES
	1717	Lennox Int'l		LII	37.25	4	3	3	1.00		45- 65	(20- 75%)	17.7	1.9	2.10	.72	33	9/30	.64	.76	3/31	.18	.15	YES
	1425	Lexmark Int'l 'A'		LXK	35.64	3	3	2	.90		45- 65	(25- 80%)	8.1	3.1	4.39	1.10	26	9/30	.89	1.09	12/31	▲.25	NIL	YES
	1208	Liberty All-Star		USA	4.62	–	2	3	1.10		6- 8	(30- 75%)	NMF	5.6	NMF	.26	–	9/30	4.58(q)	5.12(q)	12/31	.06	.08	
	1027	Liberty Global	(NDQ)	LBTYA	44.87	4	3	3	1.25		40- 65	(N- 45%)	NMF	NIL	d.25	NIL	1	9/30	d1.18	1.00	12/31	NIL	NIL	YES
	1531	*Liberty Property*		LRY	33.84	3	3	2	1.25		25- 40	(N- 20%)	36.8	5.6	.92	1.90	90	9/30	.27	.29	12/31	.475	.475	YES
	224	Life Technologies	(NDQ)	LIFE	47.31	2	2	3	.85		80- 110	(70-135%)	12.0	NIL	3.93	NIL	81	9/30	.94	.87	12/31	NIL	NIL	YES
	808	LifePoint Hospitals	(NDQ)	LPNT	39.55	2	3	3	1.05		60- 85	(50-115%)	11.9	NIL	3.33	NIL	4	9/30	.77	.72	12/31	NIL	NIL	YES
	1613	Lilly (Eli)		LLY	39.61	3	1	3	.80		35- 45	(N- 15%)	10.3	4.9	3.83	1.96	55	9/30	1.13	1.21	3/31	.49	.49	YES
	2222	Limited Brands		LTD	41.82	2	3	4	1.20	▲	45- 65	(10- 55%)	15.1	1.9	2.77	.80	50	10/31	.31	.18	12/31	.20	.15	YES
	809	*Lincare Holdings*	(NDQ)	LNCR	25.56	3	2	4	.70		40- 55	(55-115%)	12.7	3.1	2.02	.80	4	9/30	.48	.47	12/31	.20	.20	YES
	1718	Lincoln Elec Hldgs.	(NDQ)	LECO	41.99	2	3	3	1.25		40- 65	(N- 55%)	16.2	1.6	2.59	.68	33	9/30	.66	.40	3/31	▲.17	.155	YES
	1549	Lincoln Nat'l Corp.		LNC	22.86	2	3	2	1.95		40- 55	(75-140%)	5.8	1.4	3.93	.32	51	9/30	1.00	.63	3/31	▲.08	.05	YES
	1719	Lindsay Corp.		LNN	60.25	4	3	3	1.30		55- 80	(N- 35%)	19.8	0.6	3.04	.38	33	11/30	.60	.34	3/31	.09	.085	YES
	1367	Linear Technology	(NDQ)	LLTC	33.32	4	3	3	.95		40- 65	(20- 95%)	18.5	2.9	1.80	.96	88	12/31	.38	.62	12/31	.24	.23	YES
	2625	*LinkedIn*		LNKD	74.21	–	3	–	NMF		50- 70	(N- N%)	NMF	NIL	.08	NIL	78	9/30	d.02	NA	12/31	NIL	NIL	YES
	530	Linn Energy, LLC	(NDQ)	LINE	36.89	3	3	3	.90		50- 70	(35- 90%)	18.4	7.6	2.00	2.82	59	9/30	.44	.38	12/31	.69	.66	YES
2651	2329	Live Nation Entertain.		LYV	10.53	2	4	3	1.60		12- 20	(15- 90%)	NMF	NIL	d.10	NIL	32	9/30	.27	.32	12/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) *All Index data expressed in hundreds.*
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Page No. (Selection & Opinion)	Page No.	NAME OF STOCK	Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	% appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
1823	2109	Liz Claiborne	LIZ	9.37	3	5	1	1.65	9- 16	(N- 70%)	NMF	NIL	.07	NIL	64	9/30	.05	d.24	12/31	NIL	NIL	YES
	718	Lockheed Martin	LMT	82.24	2	1	3	.80	100- 125	(20- 50%)	10.3	5.0	7.96	4.10	22	9/30	1.99	1.55	12/31	▲1.00	.75	YES
	1028	LodgeNet Interactive (NDQ)	LNET	3.57	▲1	5	4	1.60	7- 14	(95-290%)	NMF	NIL	d.09	NIL	1	9/30	.02	d.12	12/31	NIL	NIL	YES
	2558	Loews Corp.	L	38.44	4	2	3	1.10	50- 65	(30- 70%)	12.5	0.7	3.07	.25	63	9/30	.44	.79	12/31	.063	.063	YES
	1410	Logitech Int'l (NDQ)	LOGI	8.16	4	3	1	1.20	14- 20	(70-145%)	10.1	NIL	.81	NIL	48	9/30	.10	.23	12/31	NIL	NIL	YES
	1335	LoJack Corp. (NDQ)	LOJN	3.55	4	4	1	1.20	4- 6	(15- 70%)	NMF	NIL	d.22	NIL	54	9/30	d.10	.15	12/31	NIL	NIL	YES
	2626	*LoopNet, Inc.* (NDQ)	LOOP	16.74	–	3	–	.80	10- 14	(N- N%)	93.0	NIL	.18	NIL	78	9/30	.02	.06	12/31	NIL	NIL	YES
	1990	Lorillard Inc.	LO	112.07	3	2	5	.55	175- 235	(55-110%)	13.9	4.6	8.04	5.20	27	9/30	1.94	1.81	12/31	1.30	1.125	YES
	1161	Louisiana-Pacific	LPX	9.40	▲4	5	2	1.90	6- 11	(N- 15%)	NMF	NIL	d.63	NIL	34	9/30	d.19	d.09	12/31	NIL	NIL	YES
243	1138	Lowe's Cos.	LOW	26.88	3	2	3	1.00	35- 50	(30- 85%)	15.8	2.3	1.70	.62	73	10/31	.35	.31	3/31	.14	.11	YES
634	2223	lululemon athletica (NDQ)	LULU	62.18	3	3	5	1.45	55- 80	(N- 30%)	45.7	NIL	1.36	NIL	50	10/31	.27	.18	12/31	NIL	NIL	YES
	2180	Luxottica Group ADR(g)	LUX	31.60	3	3	3	1.10	35- 50	(10- 60%)	21.2	2.3	1.49	.72	28	9/30	.33	.29	12/31	NIL	NIL	YES
	2517	**M&T Bank Corp.**	MTB	81.69	4	3	3	1.10	115- 175	(40-115%)	12.0	3.4	6.79	2.80	72	12/31	1.20	1.59	12/31	.70	.70	YES
	1127	M.D.C. Holdings	MDC	20.16	5	4	3	1.25	19- 30	(N- 50%)	NMF	5.0	d1.57	1.00-.50	98	9/30	d.68	d.22	3/31	♦.25	.25	YES
	531	MDU Resources	MDU	21.43	3	1	3	1.00	25- 30	(15- 40%)	15.0	3.1	1.43	.67	59	9/30	.34	.32	3/31	▲.168	.163	YES
	1368	*MEMC Elec. Mat'ls*	WFR	4.52	3	4	1	1.55	10- 15	(120-230%)	34.8	NIL	.13	NIL	88	9/30	.03	.10	12/31	NIL	NIL	YES
	1209	MFS Multimarket	MMT	6.89	–	4	3	.55	6- 10	(N- 45%)	NMF	7.8	NMF	.54	–	10/31	7.20(q)	7.44(q)	12/31	.138	.145	
	915	MGE Energy (NDQ)	MGEE	44.34	3	1	2	.60	40- 50	(N- 15%)	16.2	3.5	2.73	1.53	12	9/30	.91	.86	3/31	♦.383	.375	
	2559	MGIC Investment	MTG	4.15	–	5	–	2.45	NMF	(NMF)	NMF	NIL	d2.29	NIL	63	12/31	♦d.67	d.98	12/31	NIL	NIL	YES
	2345	MGM Resorts Int'l	MGM	13.16	3	4	3	2.30	16- 25	(20- 90%)	NMF	NIL	d.52	NIL	25	9/30	d.14	d.21	12/31	NIL	NIL	YES
	1395	MKS Instruments (NDQ)	MKSI	30.08	4	3	3	1.10	40- 60	(35-100%)	15.1	2.0	1.99	.60	87	9/30	.58	.72	12/31	.15	NIL	YES
	1720	MSC Industrial Direct	MSM	76.78	3	3	3	1.00	100- 150	(30- 95%)	19.5	1.3	3.93	1.00	33	11/30	.95	.75	3/31	.25	1.22	YES
450	124	MTS Systems (NDQ)	MTSC	45.59	2	3	3	.85	45- 70	(N- 55%)	12.7	2.2	3.60	1.00	65	9/30	.94	.54	3/31	.25	.20	
	1532	Mack-Cali R'lty	CLI	28.41	3	3	3	1.20	30- 50	(5- 75%)	35.1	6.3	.81	1.80	90	9/30	.24	.16	3/31	.45	.45	YES
	394	Macquarie Infrastructure	MIC	28.12	3	5	3	2.10	25- 50	(N- 80%)	27.8	5.3	1.01	1.50	37	9/30	.14	.20	12/31	.20	NIL	YES
851	2142	Macy's Inc.	M	35.28	1	3	4	1.35	40- 60	(15- 70%)	12.0	2.3	2.93	.80	43	10/31	.32	.08	6/30	▲.20	.05	YES
	2159	Madden (Steven) Ltd. (NDQ)	SHOO	39.31	2	3	4	1.05	▲ 50- 75	(25- 90%)	16.3	NIL	2.41	NIL	49	9/30	.74	.54	12/31	NIL	NIL	YES
635	2330	Madison Square Garden (NDQ)	MSG	29.66	–	3	–	NMF	35- 50	(20- 70%)	27.0	NIL	1.10	NIL	32	9/30	.28	NA	12/31	NIL	NIL	YES
	628	Magellan Midstream	MMP	66.85	3	3	3	.85	50- 75	(N- 10%)	20.2	4.8	3.31	3.20	85	9/30	.79	.54	12/31	▲.80	.745	YES
	1001	Magna Int'l 'A'	MGA	43.03	3	3	3	1.20	80- 120	(85-180%)	9.6	2.3	4.50	1.00(h)	15	9/30	.94	1.03	12/31	.25	.18	YES
2653	2110	Maidenform Brands	MFB	19.37	5	3	3	1.20	35- 50	(80-160%)	13.3	NIL	▼1.46	NIL	64	9/30	.44	.55	12/31	NIL	NIL	YES
	2610	Manhattan Assoc. (NDQ)	MANH	42.77	3	3	3	.85	50- 75	(15- 75%)	17.7	NIL	2.41	NIL	45	9/30	.70	.28	12/31	NIL	NIL	YES
	169	Manitowoc Co.	MTW	12.44	3	5	2	2.00	19- 35	(55-180%)	17.5	0.6	.71	.08	20	9/30	.18	.03	12/31	.08	.08	YES
	1639	Manpower Inc.	MAN	42.32	3	3	2	1.25	85- 125	(100-195%)	12.8	1.9	3.30	.80	39	9/30	.97	.62	12/31	.40	.37	YES
	2611	ManTech Int'l 'A' (NDQ)	MANT	34.20	3	3	3	.75	70- 105	(105-205%)	9.0	2.5	3.79	.84	45	9/30	.94	.86	12/31	.42	NIL	YES
	1550	Manulife Fin'l	MFC	12.58	5	3	2	1.55	25- 35	(100-180%)	39.3	4.1	.32	.52	51	9/30	d.73	d.55	12/31	.13	.126	YES
	2394	Marathon Oil Corp.	MRO	32.19	–	2	–	NMF	40- 55	(25- 70%)	12.7	1.9	2.54	.60	6	9/30	.57	NA	12/31	.15	NIL	YES
	509	Marathon Petroleum	MPC	39.04	–	3	–	NMF	50- 75	(30- 90%)	6.7	2.6	5.85	1.00	2	9/30	3.16	NA	12/31	.25	NIL	YES
	2346	Marcus Corp.	MCS	12.50	2	3	2	1.30	14- 20	(10- 60%)	19.8	2.7	.63	.34	25	11/30	.10	.07	3/31	.085	.085	YES
2443	2181	MarineMax	HZO	8.01	5	4	3	1.70	15- 25	(85-210%)	NMF	NIL	▲d.10	NIL	28	9/30	d.09	d.08	12/31	NIL	NIL	YES
	768	Markel Corp.	MKL	408.54	4	2	3	.85	545- 735	(35- 80%)	23.8	NIL	17.13	NIL	96	9/30	4.62	5.86	12/31	NIL	NIL	
	2347	Marriott Int'l	MAR	34.94	–	3	–	1.30	45- 70	(30-100%)	23.6	1.1	1.48	.40	25	9/30	.29	.22	3/31	.10	.088	YES
	2560	Marsh & McLennan	MMC	31.15	3	3	2	.75	40- 60	(30- 95%)	17.1	2.8	1.82	.88	63	9/30	.23	.22	3/31	♦.22	.21	YES
851	1193	*Martha Stewart*	MSO	4.28	–	4	–	1.40	7- 11	(65-155%)	NMF	NIL	d.24	NIL	80	9/30	d.18	d.16	12/31	NIL	NIL	YES
1053	1110	Martin Marietta	MLM	80.18	3	3	2	1.20	90- 135	(10- 70%)	36.3	2.0	2.21	1.60	75	9/30	1.07	1.13	12/31	.40	.40	YES
	960	Marvell Technology (NDQ)	MRVL	15.75	4	3	4	1.20	20- 35	(25-120%)	16.8	NIL	.94	NIL	89	10/31	.32	.38	12/31	NIL	NIL	YES
	1111	Masco Corp.	MAS	12.22	4	3	3	1.40	20- 30	(65-145%)	71.9	2.5	.17	.30	75	9/30	.08	.05	3/31	.075	.075	YES
	225	Masimo Corp. (NDQ)	MASI	20.90	4	3	4	.95	45- 70	(115-235%)	19.5	NIL	1.07	NIL	81	9/30	.24	.28	12/31	NIL	NIL	YES
2653	1238	MasTec	MTZ	15.84	4	3	3	1.20	25- 35	(60-120%)	16.2	NIL	.98	NIL	36	9/30	.36	.35	12/31	NIL	NIL	YES
	2561	MasterCard Inc.	MA	342.68	3	3	3	1.15	435- 650	(25- 90%)	17.0	0.2	20.15	.60	63	9/30	5.63	3.94	3/31	.15	.15	YES
	1576	Materion Corp.	MTRN	27.76	3	3	3	1.70	55- 80	(100-190%)	12.6	NIL	2.20	NIL	30	9/30	.65	.65	12/31	NIL	NIL	YES
	2314	Mattel, Inc. (NDQ)	MAT	29.09	1	2	3	.90	30- 45	(5- 55%)	12.8	3.2	2.27	.92	41	9/30	.86	.77	12/31	.23	.83	YES
	1817	Matthews Int'l (NDQ)	MATW	32.22	3	3	3	.90	55- 80	(70-150%)	12.6	1.1	2.56	.36	79	9/30	.71	.66	12/31	▲.09	.08	YES
	1369	Maxim Integrated (NDQ)	MXIM	27.80	4	3	2	1.00	30- 40	(10- 45%)	19.9	3.2	1.40	.88	88	9/30	.44	.39	12/31	.22	.21	YES
	393	MAXIMUS Inc.	MMS	45.42	3	2	3	.75	55- 70	(20- 55%)	20.2	0.9	2.25	.40	37	9/30	.64	.54	3/31	.09	.075	YES
850	2371	McClatchy Co.	MNI	2.44	3	5	2	2.10	4- 7	(65-185%)	5.3	NIL	.46	NIL	71	9/30	.11	.11	12/31	NIL	NIL	YES
	1924	McCormick & Co.	MKC	51.08	▼4	1	3	.60	90- 110	(75-115%)	17.8	2.4	2.87	1.24	70	8/31	.69	.66	3/31	▲.31	.28	YES
	1757	*McDermott Int'l*	MDR	11.94	–	3	–	NMF	25- 40	(110-235%)	17.3	NIL	.69	NIL	38	9/30	.04	.26	12/31	NIL	NIL	YES
★★	365	McDonald's Corp.	MCD	98.75	3	1	3	.65	100- 120	(N- 20%)	18.2	2.8	5.42	2.80	47	12/31	♦1.33	1.15	12/31	▲.70	.61	YES
	2363	McGraw-Hill	MHP	46.53	3	3	4	1.15	NMF	(NMF)	16.0	2.2	2.90	1.02	35	9/30	1.21	1.21	3/31	▲.255	.25	YES
	226	McKesson Corp.	MCK	76.55	2	1	3	.75	105- 125	(35- 65%)	12.7	1.0	6.03	.80	81	9/30	1.49	1.03	3/31	.20	.18	YES
	1925	Mead Johnson Nutrition	MJN	70.75	▼4	3	3	.65	65- 95	(N- 35%)	26.2	1.7	2.70	1.20	70	9/30	.70	.52	3/31	.26	.225	YES
★★	1176	MeadWestvaco	MWV	31.36	▼3	3	4	1.30	55- 80	(75-155%)	14.9	3.2	2.11	1.00	17	12/31	♦.26	.42	3/31	♦.25	.25	YES
2652	825	MedAssets (NDQ)	MDAS	10.58	3	3	1	.80	17- 25	(60-135%)	NMF	NIL	.07	NIL	83	9/30	d.02	.14	12/31	NIL	NIL	YES
	976	Medco Health Solutions	MHS	62.01	–	1	–	.75	90- 110	(45- 75%)	15.8	NIL	3.93	NIL	57	9/30	.90	.85	12/31	NIL	NIL	YES
	2372	Media General 'A'	MEG	5.20	3	5	3	1.85	3- 5	(N- N%)	NMF	NIL	d1.92	NIL	71	9/30	d1.32	d.48	12/31	NIL	NIL	YES
	227	Medical Action Inds. (NDQ)	MDCI	5.33	3	3	3	1.10	13- 20	(145-275%)	25.4	NIL	.21	NIL	81	9/30	.01	.03	12/31	NIL	NIL	
	1614	Medicines Company (NDQ)	MDCO	18.74	3	3	4	1.05	25- 35	(35- 85%)	26.0	NIL	.72	NIL	55	9/30	.12	.40	12/31	NIL	NIL	YES
	1615	Medicis Pharmac.	MRX	31.97	4	3	3	1.05	70- 105	(120-230%)	12.7	1.1	2.51	.35	55	9/30	.56	.58	3/31	.08	.06	YES
	810	MEDNAX, Inc.	MD	71.26	3	3	3	1.00	80- 115	(10- 60%)	15.1	NIL	4.71	NIL	4	9/30	1.19	1.06	12/31	NIL	NIL	YES
	193	Medtronic, Inc.	MDT	39.33	3	1	3	.85	55- 65	(40- 65%)	11.0	2.5	3.56	1.00	68	10/31	.84	.82	3/31	.243	.225	YES
851	2224	*Men's Wearhouse*	MW	34.66	1	3	4	1.10	40- 60	(15- 75%)	14.3	2.1	2.42	.72	50	10/31	.77	.47	3/31	▲.18	.12	YES
	2582	Mentor Graphics (NDQ)	MENT	13.98	–	3	–	1.05	19- 30	(35-115%)	19.2	NIL	.73	NIL	56	10/31	.22	.14	12/31	NIL	NIL	YES
2444	1616	Merck & Co.	MRK	38.78	1	1	3	.80	40- 50	(5- 30%)	10.2	4.3	3.80	1.68	55	9/30	.94	.85	3/31	▲.42	.38	YES
	1411	Mercury Computer Sys. (NDQ)	MRCY	14.98	▼5	4	3	.95	18- 30	(20-100%)	25.0	NIL	▼.60	NIL	48	12/31	♦.30	.22	12/31	NIL	NIL	YES
	769	Mercury General	MCY	44.29	3	2	2	.70	50- 70	(15- 60%)	15.4	5.5	2.88	2.44	96	9/30	.72	.74	12/31	▲.61	.60	YES
	2364	Meredith Corp.	MDP	32.48	3	3	3	1.05	50- 70	(55-115%)	12.0	4.7	2.70	1.53	35	12/31	♦.70	.88	12/31	▲.383	.225	YES
	228	Meridian Bioscience (NDQ)	VIVO	19.81	4	3	4	.85	16- 25	(N- 25%)	27.9	3.8	.71	.76	81	9/30	.18	.15	12/31	.19	.19	YES
243	1002	Meritor, Inc.	MTOR	6.76	3	5	3	2.20	10- 19	(50-180%)	5.0	NIL	1.35	NIL	15	9/30	.45	.08	12/31	NIL	NIL	YES
	1551	MetLife Inc.	MET	36.91	3	3	2	1.65	55- 85	(50-130%)	7.1	2.3	5.22	.85	51	9/30	1.11	.99	12/31	.74	.74	YES
	931	*Metro PCS Communic.*	PCS	8.56	3	3	5	1.00	16- 25	(85-190%)	10.3	NIL	.83	NIL	8	9/30	.19	.21	12/31	NIL	NIL	YES
	125	Mettler-Toledo Int'l	MTD	172.19	3	2	2	1.00	185- 245	(5- 40%)	19.5	NIL	8.85	NIL	65	9/30	2.01	1.71	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ♦ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

	PAGE	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	423	Mexico Fund		MXF	23.21	–	4	3	1.10	25- 40	(10- 70%)	NMF	1.1	NMF	.25	–	10/31	25.37(q)	29.50(q)	12/31	NIL	.009	
	1336	Micrel Inc.	(NDQ)	MCRL	12.25	4	3	1	1.00	11- 16	(N- 30%)	19.1	1.3	.64	.16	54	9/30	.15	.24	12/31	.04	.035	YES
	1370	Microchip Technology	(NDQ)	MCHP	37.31	4	3	3	1.00	45- 70	(20- 90%)	23.0	3.7	1.62	1.39	88	9/30	.42	.59	12/31	▲.348	.689	YES
	1371	Micron Technology	(NDQ)	MU	7.95	3	4	3	1.35	9- 15	(15- 90%)	NMF	NIL	d.47	NIL	88	11/30	d.19	.15	12/31	NIL	NIL	YES
	2583	MICROS Systems	(NDQ)	MCRS	51.69	3	3	4	1.05	55- 85	(5- 65%)	26.5	NIL	1.95	NIL	56	9/30	.45	.39	12/31	NIL	NIL	YES
★★	*2584*	*Microsoft Corp.*	(NDQ)	MSFT	29.34	2	1	3	.85	45- 55	(55- 85%)	10.5	2.7	2.80	.80	56	12/31	◆.78	.77	3/31	.20	.16	YES
	1721	Middleby Corp. (The)	(NDQ)	MIDD	95.15	3	3	3	1.20	85- 130	(N- 35%)	19.1	NIL	4.99	NIL	33	9/30	1.26	1.13	12/31	NIL	NIL	YES
	1779	Middlesex Water	(NDQ)	MSEX	18.81	4	2	3	.70	17- 25	(N- 35%)	20.2	3.9	.93	.74	14	9/30	.32	.37	12/31	▲.185	.183	
	1153	Miller (Herman)	(NDQ)	MLHR	20.96	3	3	4	1.20	30- 45	(45-115%)	13.5	0.4	1.55	.09	62	11/30	.41	.29	12/31	.022	.022	YES
	932	Millicom Int'l Cellular	(PNK)	MIICF	101.85	1	3	2	1.45	90- 135	(N- 35%)	11.9	1.9	8.56	1.95	8	9/30	1.74	1.31	12/31	NIL	NIL	YES
	1722	Mine Safety Appliance		MSA	34.74	3	3	3	1.05	45- 65	(30- 85%)	16.5	3.0	2.11	1.04	33	9/30	.54	.26	3/31	.26	.25	YES
	566	*Minerals Techn.*		MTX	64.25	3	2	3	1.05	85- 110	(30- 70%)	17.0	0.3	3.78	.20	29	9/30	.95	.90	12/31	.05	.05	YES
	1003	Modine Mfg.		MOD	10.90	2	4	3	1.60	19- 30	(75-175%)	11.8	NIL	.92	NIL	15	9/30	.03	d.30	12/31	NIL	NIL	YES
	1154	Mohawk Inds.		MHK	63.11	2	3	3	1.30	75- 110	(20- 75%)	20.0	NIL	3.16	NIL	62	9/30	.83	.74	12/31	NIL	NIL	YES
	1337	Molex Inc.	(NDQ)	MOLX	27.43	3	2	2	1.20	35- 45	(30- 65%)	16.1	2.9	1.70	.80	54	12/31	◆.36	.46	3/31	.20	.175	YES
	1975	Molson Coors Brewing		TAP	42.84	3	2	3	.65	60- 85	(40-100%)	11.9	3.0	3.59	1.28	61	9/30	1.14	1.28	12/31	.32	.28	YES
	2436	*Monsanto Co.*		MON	80.11	3	3	3	1.05	105- 160	(30-100%)	23.4	1.5	3.43	1.20	21	11/30	.23	.02	6/30	◆.30	.28	YES
	1976	Monster Beverage(•)	(NDQ)	MNST	53.17	3	3	4	.80	45- 65	(N- 20%)	32.4	NIL	1.64	NIL	61	9/30	.44	.36	12/31	NIL	NIL	YES
	2381	Monster Worldwide		MWW	8.81	▼4	3	3	1.35	25- 35	(185-295%)	23.8	NIL	▼.37	NIL	40	9/30	.13	.02	12/31	NIL	NIL	YES
	441	Moody's Corp.		MCO	36.88	3	3	4	1.25	45- 70	(20- 90%)	15.4	1.7	2.39	.64	67	9/30	.57	.58	3/31	▲.16	.115	YES
	719	Moog Inc. 'A'		MOGA	43.82	1	3	2	1.20	45- 70	(5- 60%)	13.4	NIL	3.27	NIL	22	9/30	.83	.71	12/31	NIL	NIL	
	1790	Morgan Stanley		MS	18.14	3	3	2	1.65	40- 60	(120-230%)	6.8	1.1	2.67	.20	69	12/31	◆.45	.43	3/31	◆.05	.05	YES
	1591	*Mosaic Company*		MOS	54.97	3	3	1	1.60	85- 130	(55-135%)	10.4	0.4	5.30	.23	10	11/30	1.40	1.01	3/31	.05	.05	YES
	961	Motorola Mobility Hldgs.		MMI	38.64	–	3	–	NMF	35- 55	(N- 40%)	65.5	NIL	.59	NIL	89	9/30	d.13	d.12	12/31	NIL	NIL	YES
	962	Motorola Solutions		MSI	47.86	–	3	–	NMF	55- 85	(15- 80%)	27.3	1.8	1.75	.88	89	12/31	◆.54	.34	3/31	.22	NIL	YES
636	2182	Movado Group		MOV	18.35	2	3	5	1.25	20- 30	(10- 65%)	17.1	0.7	▲1.07	.12	28	10/31	.65	.37	12/31	.03	NIL	YES
	736	Mueller Inds.		MLI	42.88	4	3	3	1.10	40- 60	(N- 40%)	18.5	0.9	2.32	.40	46	9/30	.39	.49	12/31	.10	.10	YES
	1723	Mueller Water Prod.		MWA	2.80	3	5	5	1.65	3- 6	(5-115%)	NMF	2.5	d.13	.07	33	9/30	d.04	NIL	12/31	.018	.018	YES
	510	Murphy Oil Corp.		MUR	59.72	▼2	2	3	1.20	95- 130	(60-120%)	11.2	1.8	▼5.32	1.10	2	9/30	1.73	1.05	12/31	.275	.275	YES
	1758	Myers Inds.		MYE	13.07	1	3	3	1.45	15- 25	(15- 90%)	17.9	2.1	.73	.28	38	9/30	.14	.09	3/31	.07	.065	YES
	1617	Mylan Inc.	(NDQ)	MYL	20.84	2	3	4	1.05	25- 40	(20- 90%)	18.3	NIL	1.14	NIL	55	9/30	.36	.33	12/31	NIL	NIL	YES
	839	Myriad Genetics	(NDQ)	MYGN	22.45	3	3	4	.75	30- 45	(35-100%)	18.0	NIL	1.25	NIL	95	9/30	.29	.24	12/31	NIL	NIL	YES
	1112	**NCI Bldg. Sys.**		NCS	11.30	3	5	2	1.60	10- 19	(N- 70%)	NMF	NIL	d.66	NIL	75	10/31	d.24	d.72	12/31	NIL	NIL	YES
	1338	*NCR Corp.*		NCR	17.82	3	3	3	1.20	25- 40	(40-125%)	20.5	NIL	.87	NIL	54	9/30	.26	.26	12/31	NIL	NIL	YES
	933	NII Holdings	(NDQ)	NIHD	18.93	3	3	2	1.65	55- 80	(190-325%)	11.2	NIL	1.69	NIL	8	9/30	d.02	.68	12/31	NIL	NIL	YES
	737	NN Inc.	(NDQ)	NNBR	7.22	3	4	4	1.60	18- 30	(150-315%)	5.2	NIL	1.38	NIL	46	9/30	.20	.23	12/31	NIL	NIL	YES
2446	840	NPS Pharmac.	(NDQ)	NPSP	7.06	4	4	4	.95	10- 16	(40-125%)	NMF	NIL	d.39	NIL	95	9/30	d.14	d.26	12/31	NIL	NIL	YES
	1223	NRG Energy		NRG	16.50	3	3	3	1.10	19- 30	(15- 80%)	NMF	NIL	d.34	NIL	91	9/30	.43	.88	12/31	NIL	NIL	YES
	934	NTELOS Hldgs.	(NDQ)	NTLS	21.63	–	3	–	NMF	25- 35	(15- 60%)	12.0	7.8	1.81	1.68	8	9/30	.63	.52	12/31	.56	.56	YES
	2243	NV Energy Inc.		NVE	15.98	3	3	3	.85	15- 20	(N- 25%)	16.1	3.3	.99	.53	13	9/30	.73	.75	12/31	▲.13	.12	YES
	1128	NVR, Inc.		NVR	739.28	▼5	3	3	1.05	770-1150	(5- 55%)	22.7	NIL	32.50	NIL	98	9/30	7.98	7.31	12/31	NIL	NIL	
	1791	NYSE Euronext		NYX	27.24	–	3	–	1.45	45- 65	(65-140%)	9.7	4.4	2.81	1.20	69	9/30	.71	.46	12/31	.30	.30	YES
	2415	Nabors Inds.		NBR	17.37	2	3	3	1.50	40- 65	(130-275%)	8.3	NIL	2.10	NIL	42	9/30	.44	.27	12/31	NIL	NIL	YES
632	408	Nalco Hldg.		NLC					SEE FINAL SUPPLEMENT - PAGE 632														
	1792	Nasdaq OMX Group	(NDQ)	NDAQ	25.66	1	3	3	1.20	45- 65	(75-155%)	9.8	NIL	2.62	NIL	69	9/30	.67	.50	12/31	NIL	NIL	YES
	1950	Nash Finch Co.	(NDQ)	NAFC	29.06	3	3	3	.70	40- 65	(40-125%)	9.1	2.5	3.21	.72	16	9/30	.86	1.00	12/31	.18	.18	YES
	2518	Nat'l Bank of Canada	(TSE)	NA.TO	77.30b	3	2	3	.70	85- 115	(10- 50%)	10.8	3.7	7.18	2.84	72	10/31	1.74(b)	1.64(b)	12/31	.71(b)	.62(b)	YES
	2382	National CineMedia	(NDQ)	NCMI	13.53	4	3	4	1.20	20- 30	(50-120%)	20.2	6.5	.67	.88	40	9/30	.31	.24	12/31	.22	.20	YES
	2562	Nat'l Fin'l Partners		NFP	14.99	2	5	2	1.85	20- 40	(35-165%)	13.1	NIL	1.14	NIL	63	9/30	.21	.19	12/31	NIL	NIL	YES
	532	National Fuel Gas		NFG	50.33	4	2	3	1.05	80- 110	(60-120%)	15.0	2.8	3.35	1.42	59	9/30	.45	.39	3/31	.355	.345	YES
	126	National Instruments	(NDQ)	NATI	27.43	5	3	3	.95	30- 50	(10- 80%)	28.9	1.5	.95	.40	65	9/30	.11	.24	12/31	.10	.087	YES
	2416	National Oilwell Varco		NOV	75.98	3	3	3	1.55	110- 170	(45-125%)	14.9	0.6	5.10	.48	42	9/30	1.25	.96	12/31	▲.12	.11	YES
	1759	National Presto Ind.		NPK	102.13	4	3	2	.95	85- 125	(N- 20%)	12.4	8.1	8.23	8.25	38	9/30	1.80	1.92	12/31	NIL	NIL	
	605	Natural Resource		NRP	27.69	3	3	2	1.10	30- 50	(10- 80%)	13.5	7.9	2.05	2.20	19	9/30	.57	.51	3/31	◆.55	.54	YES
	229	Natus Medical	(NDQ)	BABY	11.18	5	3	4	1.05	18- 25	(60-125%)	34.9	NIL	.32	NIL	81	9/30	.01	.12	12/31	NIL	NIL	YES
	2183	*Nautilus Inc.*		NLS	1.94	3	5	2	1.55	5- 9	(160-365%)	19.4	NIL	▼.10	NIL	28	9/30	.01	d.08	12/31	NIL	NIL	YES
	395	Navigant Consulting		NCI	12.74	2	3	3	.85	18- 25	(40- 95%)	14.8	NIL	.86	NIL	37	9/30	.21	.15	12/31	NIL	NIL	YES
	170	Navistar Int'l		NAV	42.98	1	3	2	1.60	75- 110	(75-155%)	5.9	NIL	7.28	NIL	20	10/31	3.37	.68	12/31	NIL	NIL	YES
	1162	Neenah Paper		NP	23.86	1	4	4	1.30	30- 45	(25- 90%)	12.1	2.0	1.97	.48	34	9/30	.42	.30	12/31	.11	.10	YES
	1618	Nektar Therapeutics	(NDQ)	NKTR	6.06	5	4	2	1.05	15- 25	(150-315%)	NMF	NIL	d1.00	NIL	55	9/30	d.21	d.08	12/31	NIL	NIL	YES
	1926	Nestle SA ADS	(NDQ)	NSRGY	57.90	4	1	2	.60	70- 85	(20- 45%)	19.4	3.8	2.99	2.20	70	9/30	NIL	NIL	12/31	NIL	NIL	
	1412	NetApp, Inc.	(NDQ)	NTAP	37.66	4	3	2	1.15	55- 85	(45-125%)	24.9	NIL	1.51	NIL	48	10/31	.44	.45	12/31	NIL	NIL	YES
★★	2627	Netflix, Inc.	(NDQ)	NFLX	92.67	▲4	3	4	.95	160- 240	(75-160%)	41.6	NIL	2.23	NIL	78	12/31	◆.73	.87	12/31	NIL	NIL	YES
	963	NETGEAR	(NDQ)	NTGR	41.31	2	3	4	1.10	45- 65	(10- 55%)	16.9	NIL	2.44	NIL	89	9/30	.70	.36	12/31	NIL	NIL	YES
	964	NeuStar Inc.		NSR	36.05	1	3	3	.85	45- 70	(25- 95%)	18.0	NIL	2.00	NIL	89	9/30	.51	.39	12/31	NIL	NIL	YES
	935	Neutral Tandem	(NDQ)	TNDM	11.79	3	3	4	1.00	20- 30	(70-155%)	13.0	NIL	.91	NIL	8	9/30	.18	.29	12/31	NIL	NIL	YES
	424	New Germany Fund		GF	13.46	–	3	3	1.30	18- 30	(35-125%)	NMF	0.7	NMF	.10	–	6/30	20.12(q)	12.91(q)	12/31	NIL	NIL	
	545	New Jersey Resources		NJR	47.99	4	1	3	.65	40- 50	(N- 5%)	17.3	3.2	2.77	1.52	76	9/30	.02	d.03	3/31	▲.38	.36	YES
	2002	New Orient. Ed. ADS		EDU	23.01	3	3	3	1.10	45- 65	(95-180%)	24.2	NIL	.95	NIL	66	11/30	.02	.01	12/31	NIL	NIL	YES
	2225	New York & Co.		NWY	3.02	5	5	3	1.45	▼ 3- 6	(N-100%)	NMF	NIL	▼d.52	NIL	50	10/31	d.15	d.04	12/31	NIL	NIL	YES
	1508	New York Community		NYB	13.09	4	3	2	.85	17- 25	(30- 90%)	11.8	7.6	1.11	1.00	84	12/31	◆.27	.34	12/31	.25	.25	YES
	2373	New York Times		NYT	7.95	3	3	2	1.15	15- 25	(90-215%)	11.5	NIL	.69	NIL	71	9/30	.10	d.03	12/31	NIL	NIL	YES
2445	*1194*	*Newell Rubbermaid*		NWL	17.07	2	3	1	1.25	30- 45	(75-165%)	12.1	1.9	1.41	.32	80	9/30	.44	.09	12/31	.08	.05	YES
	533	Newfield Exploration		NFX	39.89	3	3	5	1.35	75- 115	(90-190%)	9.2	NIL	4.35	NIL	59	9/30	1.04	1.10	12/31	NIL	NIL	YES
	567	NewMarket Corp.		NEU	214.89	2	3	4	1.25	150- 230	(N- 5%)	14.2	1.4	15.11	3.00	29	9/30	3.48	3.18	3/31	▲.75	.44	YES
	1565	Newmont Mining		NEM	57.48	2	3	2	.80	45- 70	(N- 20%)	10.9	2.8	5.28	1.63	18	9/30	1.27	1.07	12/31	▲.35	.15	YES
	127	Newport Corp.	(NDQ)	NEWP	17.97	3	3	3	1.35	25- 35	(40- 95%)	15.0	NIL	1.20	NIL	65	9/30	.27	.34	12/31	NIL	NIL	YES
	2331	News Corp.	(NDQ)	NWS	19.67	2	3	2	1.25	20- 35	(N- 80%)	14.6	1.0	1.35	.19	32	9/30	.31	.26	12/31	▲.095	.075	YES
	2395	Nexen Inc.	(TSE)	NXY.TO	18.08b	2	3	1	1.15	35- 55	(95-205%)	11.0	1.1	1.65	.20	6	9/30	.32(b)	.30(b)	3/31	.05(b)	.05(b)	YES
	146	NextEra Energy		NEE	59.19	3	2	3	.75	65- 85	(10- 45%)	14.0	3.9	4.23	2.28	52	9/30	1.20	1.74	12/31	.55	.50	YES
1052	546	Nicor Inc.							FINAL SUPPLEMENT - PAGE 1052														
	2160	NIKE, Inc. 'B'		NKE	102.21	3	1	3	.85	▲ 120- 145	(15- 40%)	20.4	1.4	5.00	1.44	49	11/30	1.00	.94	6/30	▲.36	.31	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

PAGE NUMBERS
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Page	Page	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	RANKS Safety	RANKS Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2030	99(Cents) Only Stores		NDN					SEE FINAL SUPPLEMENT - PAGE 2030														
	547	NiSource Inc.		NI	22.84	3	3	3	.85	20- 30	(N- 30%)	16.4	4.0	1.39	.92	76	9/30	.13	.12	12/31	.23	.23	YES
	106	Nissan Motor ADR(g)	(PNK)	NSANY	18.61	2	3	3	.95	30- 40	(60-115%)	9.3	1.3	2.00	.25	24	9/30	.60	.58	12/31	.128	.119	
	2417	Noble Corp.		NE	34.55	3	3	3	1.35	65- 100	(90-190%)	13.4	NIL	2.58	NIL	42	9/30	.49	.39	12/31	NIL	NIL	YES
	2396	Noble Energy		NBL	100.46	2	3	3	1.20	95- 145	(N- 45%)	16.2	0.9	6.21	.88	6	9/30	2.39	1.31	3/31	◆.22	.18	YES
	965	Nokia Corp. ADR		NOK	5.27	5	3	1	1.15	10- 15	(90-185%)	25.1	10.8	.21	.57	89	9/30	.04	.19	12/31	NIL	NIL	YES
	1724	Nordson Corp.	(NDQ)	NDSN	45.55	4	3	4	1.25	50- 80	(10- 75%)	15.0	1.1	3.04	.52	33	10/31	.86	.75	3/31	.125	.21	YES
	2143	Nordstrom, Inc.		JWN	49.62	3	3	4	1.40	65- 95	(30- 90%)	14.7	2.0	3.37	1.00	43	10/31	.59	.53	12/31	.23	.20	YES
	344	Norfolk Southern		NSC	75.48	2	3	3	1.10	95- 140	(25- 85%)	13.3	2.5	5.67	1.88	3	12/31	◆1.42	1.09	3/31	▲.47	.40	YES
	147	Northeast Utilities		NU	34.55	3	3	3	.70	30- 45	(N- 30%)	15.4	3.4	2.25	1.18	52	9/30	.51	.57	12/31	.275	.256	YES
	788	Northern Trust Corp.	(NDQ)	NTRS	42.79	5	3	3	1.05	65- 95	(50-120%)	14.9	2.6	2.87	1.12	74	12/31	.53	.64	6/30	.28	.28	YES
	720	Northrop Grumman		NOC	60.00	2	1	3	.85	80- 95	(35- 60%)	8.5	3.5	7.02	2.10	22	9/30	1.86	1.64	12/31	.50	.47	YES
	1509	Northwest Bancshares	(NDQ)	NWBI	12.56	3	3	3	.75	14- 20	(10- 60%)	18.5	3.5	.68	.44	84	12/31	◆.16	.12	12/31	.11	.10	YES
	548	Northwest Nat. Gas		NWN	46.96	4	1	3	.60	50- 65	(5- 40%)	16.6	3.8	2.83	1.78	76	9/30	d.31	d.28	3/31	.445	.435	YES
	1619	Novartis AG ADR		NVS	55.87	▼4	1	3	.65	70- 85	(25- 50%)	14.5	4.1	▼3.84	2.30	55	12/31	◆.48	.94	12/31	NIL	NIL	YES
1054	1396	Novellus Sys.	(NDQ)	NVLS	47.97	–	3	–	1.05	55- 80	(15- 65%)	19.0	NIL	2.52	NIL	87	9/30	.73	.82	12/31	NIL	NIL	YES
	1620	Novo Nordisk ADR(g)		NVO	117.98	3	1	3	.80	130- 160	(10- 35%)	21.0	1.5	5.62	1.82	55	9/30	1.37	1.10	12/31	NIL	NIL	YES
	148	NSTAR		NST	44.71	3	1	3	.65	45- 50	(N- 10%)	16.4	2.5	2.72	1.13	52	9/30	.94	.93	3/31	▼.283	.425	YES
	1017	Nu Skin Enterprises		NUS	48.59	3	3	3	.95	50- 75	(5- 55%)	17.9	1.4	2.71	.68	23	9/30	.72	.55	12/31	.16	.125	YES
	2585	Nuance Communic.	(NDQ)	NUAN	27.99	3	3	4	1.25	25- 35	(N- 25%)	96.5	NIL	.29	NIL	56	9/30	d.02	.01	12/31	NIL	NIL	YES
	748	Nucor Corp.		NUE	43.20	3	3	2	1.20	60- 90	(40-110%)	17.9	3.5	2.41	1.50	44	9/30	.57	.07	3/31	▲.365	.363	YES
2445	1927	NutriSystem Inc.	(NDQ)	NTRI	12.56	5	3	2	.90	20- 30	(60-140%)	18.5	5.6	.68	.70	70	9/30	.21	.32	12/31	.175	.175	YES
	194	NuVasive, Inc.	(NDQ)	NUVA	13.70	4	3	4	1.10	30- 45	(120-230%)	NMF	NIL	d1.55	NIL	68	9/30	d1.69	.21	12/31	NIL	NIL	YES
	1210	Nuveen Muni Value Fund		NUV	9.98	–	1	3	.45	9- 11	(N- 10%)	NMF	4.7	NMF	.47	–	10/31	9.65(q)	9.82(q)	12/31	.164	.156	
	1372	*NVIDIA Corp.*	(NDQ)	NVDA	14.94	3	3	1	1.35	25- 40	(65-170%)	13.0	NIL	1.15	NIL	88	10/31	.29	.15	12/31	NIL	NIL	YES
	916	**OGE Energy**		OGE	55.30	2	2	3	.80	45- 60	(N- 10%)	16.5	2.9	3.36	1.59	12	9/30	1.80	1.65	3/31	▲.393	.375	YES
	568	OM Group		OMG	27.51	2	3	3	1.55	50- 70	(80-155%)	39.9	NIL	.69	NIL	29	9/30	1.27	.76	12/31	NIL	NIL	YES
	128	OSI Systems	(NDQ)	OSIS	56.46	3	3	3	.85	50- 70	(N- 25%)	24.5	NIL	2.30	NIL	65	12/31	◆.61	.47	12/31	NIL	NIL	YES
	511	*Occidental Petroleum*		OXY	100.92	2	2	3	1.15	90- 125	(N- 25%)	12.3	1.9	8.18	1.96	2	12/31	◆2.02	1.58	3/31	.46	.38	YES
	2418	Oceaneering Int'l		OII	47.64	3	3	3	1.45	40- 60	(N- 25%)	20.1	1.3	2.37	.60	42	9/30	.72	.55	12/31	.15	NIL	YES
	366	O'Charley's Inc.	(NDQ)	CHUX	6.47	3	4	5	1.60	8- 14	(25-115%)	NMF	NIL	d.21	NIL	47	9/30	d.18	d.35	12/31	NIL	NIL	YES
	1426	Office Depot		ODP	2.77	3	5	2	2.00	3- 5	(10- 80%)	NMF	NIL	.01	NIL	26	9/30	.01	.03	12/31	NIL	NIL	YES
	1427	OfficeMax		OMX	6.03	2	4	1	1.75	13- 20	(115-230%)	9.6	NIL	.63	NIL	26	9/30	.25	.23	12/31	NIL	NIL	YES
	2419	Oil States Int'l		OIS	80.06	1	3	3	1.50	75- 115	(N- 45%)	11.8	NIL	6.78	NIL	42	9/30	1.67	.88	12/31	NIL	NIL	YES
	326	Old Dominion Freight	(NDQ)	ODFL	41.01	1	3	4	1.10	55- 80	(35- 95%)	16.5	NIL	2.48	NIL	7	9/30	.67	.44	12/31	NIL	NIL	YES
	789	Old Nat'l Bancorp		ONB	12.38	3	3	3	.95	13- 20	(5- 60%)	16.3	2.3	.76	.28	74	9/30	.18	.13	12/31	.07	.07	YES
	770	Old Republic		ORI	9.44	5	3	3	1.05	15- 20	(60-110%)	NMF	7.4	d.52	.70	96	9/30	d.43	d.17	12/31	.175	.173	YES
	1592	Olin Corp.		OLN	22.10	3	3	4	1.30	25- 35	(15- 60%)	12.8	3.6	1.73	.80	10	9/30	.58	.40	12/31	.20	.20	YES
	977	Omnicare, Inc.		OCR	33.17	3	3	3	1.00	40- 65	(20- 95%)	14.8	0.5	2.24	.16	57	9/30	.54	.52	12/31	.04	.032	YES
	230	Omnicell, Inc.	(NDQ)	OMCL	16.78	4	3	4	.95	20- 30	(20- 80%)	52.4	NIL	.32	NIL	81	9/30	.09	.04	12/31	NIL	NIL	YES
	2383	Omnicom Group		OMC	46.18	3	2	3	1.00	60- 85	(30- 85%)	13.5	2.2	3.43	1.00	40	9/30	.72	.57	3/31	.25	.20	YES
2653	2011	OmniVision Techn.	(NDQ)	OVTI	13.90	5	3	3	1.15	19- 30	(35-115%)	35.6	NIL	.39	NIL	94	10/31	.35	.50	12/31	NIL	NIL	YES
	1640	On Assignment	(NDQ)	ASGN	11.97	2	4	3	1.50	14- 25	(15-110%)	18.1	NIL	.66	NIL	39	9/30	.21	.09	12/31	NIL	NIL	YES
	1373	ON Semiconductor	(NDQ)	ONNN	9.08	3	3	3	1.40	18- 25	(100-175%)	18.2	NIL	.50	NIL	88	9/30	.24	.25	12/31	NIL	NIL	YES
	2628	1-800-FLOWERS.COM	(NDQ)	FLWS	2.72	▲2	4	4	1.55	6- 9	(120-230%)	18.1	NIL	.15	NIL	78	9/30	d.01	d.08	12/31	NIL	NIL	
	614	ONEOK Inc.		OKE	87.25	3	3	3	1.00	60- 85	(N- N%)	25.7	2.8	3.40	2.44	82	9/30	.57	.51	3/31	▲.61	.52	YES
	1621	Onyx Pharmac.	(NDQ)	ONXX	41.11	4	4	2	.90	50- 80	(20- 95%)	NMF	NIL	.29	NIL	55	9/30	d.58	.66	12/31	NIL	NIL	YES
	1806	Open Text Corp.	(NDQ)	OTEX	49.67	3	3	3	.90	80- 120	(60-140%)	19.1	NIL	2.60	NIL	86	9/30	.60	.37	12/31	NIL	NIL	YES
1245	2586	Oracle Corp.	(NDQ)	ORCL	28.51	3	1	3	.95	45- 55	(60- 95%)	11.8	0.8	2.42	.24	56	11/30	.54	.51	12/31	▲.06	.05	YES
	721	Orbital Sciences		ORB	14.74	3	3	2	.90	30- 50	(105-240%)	13.6	NIL	1.08	NIL	22	9/30	.28	.18	12/31	NIL	NIL	YES
	2629	Orbitz Worldwide		OWW	3.75	2	5	4	1.55	6- 10	(60-165%)	25.0	NIL	.15	NIL	78	9/30	.11	.15	12/31	NIL	NIL	YES
2653	129	Orbotech Ltd.	(NDQ)	ORBK	10.87	3	3	2	.85	25- 35	(130-220%)	8.3	NIL	1.31	NIL	65	9/30	.34	.54	12/31	NIL	NIL	YES
	2128	O'Reilly Automotive	(NDQ)	ORLY	81.81	3	2	3	.75	95- 130	(15- 60%)	20.7	NIL	3.96	NIL	11	9/30	1.10	.86	12/31	NIL	NIL	YES
	2348	*Orient-Express Hotels*		OEH	8.21	3	4	2	1.70	15- 25	(85-205%)	34.2	NIL	.24	NIL	25	9/30	.19	d.04	12/31	NIL	NIL	YES
	1224	Ormat Technologies		ORA	17.66	4	3	3	1.15	30- 45	(70-155%)	38.4	0.9	.46	.16	91	9/30	.02	.21	12/31	▼NIL	.05	YES
	171	Oshkosh Corp.		OSK	24.68	3	4	4	1.60	25- 40	(N- 60%)	15.1	NIL	1.63	NIL	20	9/30	.48	1.42	12/31	NIL	NIL	YES
	917	Otter Tail Corp.	(NDQ)	OTTR	21.98	2	3	2	.90	18- 25	(N- 15%)	28.5	5.4	.77	1.19	12	9/30	.18	.16	12/31	.298	.298	YES
	336	*Overseas Shipholding*		OSG	12.66	5	3	3	1.45	35- 55	(175-335%)	NMF	7.0	d6.86	.88	77	9/30	d2.35	d1.06	12/31	▼.219	.438	YES
	2630	Overstock.com	(NDQ)	OSTK	6.78	5	4	5	1.50	12- 20	(75-195%)	NMF	NIL	NIL	NIL	78	9/30	d.33	d.15	12/31	NIL	NIL	YES
	231	Owens & Minor		OMI	30.15	3	2	4	.70	35- 50	(15- 65%)	14.6	2.9	2.06	.86	81	9/30	.53	.50	12/31	.20	.177	YES
	1113	Owens Corning		OC	33.94	1	3	3	1.25	55- 80	(60-135%)	12.5	NIL	2.72	NIL	75	9/30	.90	.35	12/31	NIL	NIL	YES
	1177	*Owens-Illinois*		OI	23.14	2	3	2	1.45	35- 50	(50-115%)	9.1	NIL	2.54	NIL	17	9/30	.84	.84	12/31	NIL	NIL	YES
	2111	Oxford Inds.		OXM	49.01	3	4	5	1.60	45- 75	(N- 55%)	21.2	1.3	2.31	.62	64	10/31	.10	.08	3/31	.13	.11	YES
	2184	**PC Connection**	(NDQ)	PCCC	12.00	1	3	3	1.15	12- 18	(N- 50%)	11.4	NIL	▲1.05	NIL	28	9/30	.35	.32	12/31	NIL	NIL	
	1622	PDL BioPharma	(NDQ)	PDLI	6.36	▲2	3	3	.75	9- 13	(40-105%)	5.5	9.4	1.16	.60	55	9/30	.28	.25	6/30	◆.15	.15	YES
	367	P.F. Chang's	(NDQ)	PFCB	32.39	3	3	3	1.05	45- 65	(40-100%)	20.2	3.1	1.60	1.00	47	9/30	.29	.45	12/31	.25	.21	YES
	2244	PG&E Corp.		PCG	40.16	3	3	2	.55	35- 55	(N- 35%)	14.4	4.5	2.79	1.82	13	9/30	.68	.66	3/31	.455	.455	YES
	1374	PMC-Sierra	(NDQ)	PMCS	6.57	3	3	4	1.20	14- 20	(115-205%)	13.4	NIL	.49	NIL	88	9/30	.16	.16	12/31	NIL	NIL	YES
	2519	PNC Financial Serv.		PNC	59.52	4	3	3	1.30	80- 120	(35-100%)	10.3	2.4	5.80	1.40	72	12/31	.85	1.50	3/31	.35	.10	YES
	2245	PNM Resources		PNM	17.55	2	3	4	.95	13- 20	(N- 15%)	14.5	2.8	1.21	.50	13	9/30	.61	.63	3/31	.125	.125	YES
	2437	PPG Inds.		PPG	88.50	2	1	3	1.05	100- 120	(15- 35%)	13.4	2.6	6.61	2.28	21	12/31	◆1.39	1.24	3/31	◆.57	.55	YES
	149	PPL Corp		PPL	27.64	3	3	3	.65	30- 45	(10- 65%)	10.5	5.1	2.63	1.40	52	9/30	.76	.62	3/31	.35	.35	YES
	2112	PVH Corp.		PVH	77.94	2	3	4	1.25	85- 130	(10- 65%)	14.3	0.2	5.45	.15	64	10/31	1.89	1.67	12/31	.038	.038	YES
	172	PACCAR Inc.	(NDQ)	PCAR	45.00	3	3	3	1.25	60- 85	(35- 90%)	14.0	1.6	3.22	.72	20	9/30	.77	.33	3/31	.18	.12	YES
851	2226	*Pacific Sunwear*	(NDQ)	PSUN	1.88	5	5	1	1.50	▼ 3- 6	(60-220%)	NMF	NIL	d1.18	NIL	50	10/31	d.26	d.11	12/31	NIL	NIL	YES
	1178	Packaging Corp.		PKG	28.21	3	3	3	1.15	40- 60	(40-115%)	16.4	2.8	1.72	.80	17	12/31	◆.40	.52	3/31	.20	.15	YES
	2438	Pall Corp.		PLL	59.20	3	2	3	1.05	70- 90	(20- 50%)	20.8	1.4	2.85	.84	21	10/31	.59	.61	3/31	▲.21	.175	YES
	232	Palomar Med. Techn.	(NDQ)	PMTI	9.45	5	3	3	1.05	17- 25	(80-165%)	NMF	NIL	d.23	NIL	81	9/30	d.16	d.11	12/31	NIL	NIL	YES
★★	1566	*Pan Amer. Silver*	(NDQ)	PAAS	21.85	3	3	2	1.30	85- 125	(290-470%)	8.6	0.5	2.54	.10	18	9/30	.42	.26	12/31	.025	.025	YES
	1984	Panasonic Corp.(g)		PC	8.24	▼4	3	2	.85	19- 30	(130-265%)	NMF	1.8	d1.29	.15	58	9/30	◆d.59	.19	12/31	.064	.059	YES
446	2631	Pandora Media		P	12.87	–	4	–	NMF	20- 35	(55-170%)	NMF	NIL	d.06	NIL	78	10/31	NIL	NA	12/31	NIL	NIL	YES
	368	Panera Bread Co.	(NDQ)	PNRA	147.24	3	2	4	.95	135- 185	(N- 25%)	29.4	NIL	5.00	NIL	47	9/30	.97	.75	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the *improvement or weakening of other stocks.*

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

Selection & Opinion	Ratings and Reports	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
1055	1951	Pantry (The), Inc.	(NDQ)	PTRY	12.20	3	4	5	.90	20- 35	(65-185%)	14.4	NIL	.85	NIL	16	9/30	.15	.50	12/31	NIL	NIL	YES
	369	Papa John's Int'l	(NDQ)	PZZA	39.01	2	3	4	.80	45- 65	(15- 65%)	17.7	NIL	2.20	NIL	47	9/30	.44	.32	12/31	NIL	NIL	YES
	1623	Par Pharmaceutical		PRX	36.03	3	3	3	.90	35- 55	(N- 55%)	12.0	NIL	3.00	NIL	55	9/30	.74	.88	12/31	NIL	NIL	YES
★★	2587	Parametric Technology	(NDQ)	PMTC	21.47	3	3	2	1.10	25- 40	(15- 85%)	21.7	NIL	.99	NIL	56	9/30	.35	.23	12/31	NIL	NIL	YES
	1624	PAREXEL Int'l	(NDQ)	PRXL	21.02	3	3	4	1.35	35- 50	(65-140%)	19.1	NIL	1.10	NIL	55	9/30	.20	.30	12/31	NIL	NIL	YES
	569	Park Electrochemical		PKE	30.46	5	3	2	1.15	35- 55	(15- 80%)	20.3	1.3	1.50	.40	29	11/30	.26	.24	3/31	.10	.10	
	790	Park National	(ASE)	PRK	69.92	4	3	3	.95	95- 145	(35-105%)	14.3	5.4	4.89	3.76	74	9/30	1.09	1.19	3/31	◆.94	.94	
	1760	Park-Ohio	(NDQ)	PKOH	20.22	1	4	2	1.65	30- 45	(50-125%)	8.2	NIL	2.48	NIL	38	9/30	.69	.37	12/31	NIL	NIL	
	1761	Parker-Hannifin		PH	81.27	2	2	3	1.15	130- 180	(60-120%)	10.9	1.8	7.45	1.48	38	12/31	◆1.56	1.39	12/31	.37	.29	YES
	2027	PartnerRe Ltd.		PRE	63.02	4	3	2	.70	75- 115	(20- 80%)	12.3	3.8	5.14	2.40	97	9/30	2.41	3.69	12/31	.60	.55	YES
	233	Patterson Cos.	(NDQ)	PDCO	31.97	4	2	3	.90	40- 55	(25- 70%)	16.0	1.5	2.00	.48	81	10/31	.43	.45	3/31	.12	NIL	YES
	2612	Paychex, Inc.	(NDQ)	PAYX	32.34	3	1	2	.85	45- 55	(40- 70%)	21.6	4.0	1.50	1.28	45	11/30	.39	.37	3/31	.32	.31	YES
	606	Peabody Energy		BTU	36.86	▼3	3	3	1.55	60- 90	(65-145%)	7.9	0.9	4.65	.34	19	12/31	◆.92	.77	12/31	.085	.085	YES
	1928	Peet's Coffee & Tea	(NDQ)	PEET	58.94	4	3	4	.75	80- 120	(35-105%)	36.6	NIL	1.61	NIL	70	9/30	.28	.28	12/31	NIL	NIL	YES
2033	615	Pembina Pipeline Corp.	(TSE)	PPL.TO	26.70	4	3	3	.65	25- 35	(N- 30%)	27.2	5.8	.98	1.56	82	9/30	.18	.26	12/31	.39	.39	
	570	Penford Corp.	(NDQ)	PENX	5.70	3	4	3	1.50	10- 16	(75-180%)	NMF	NIL	d.04	NIL	29	11/30	.05	.03	12/31	NIL	NIL	
	534	Pengrowth Energy		PGH	10.33	3	3	3	1.25	30- 45	(190-335%)	23.0	8.0	.45	.83	59	9/30	NIL	.04	12/31	.206	.204	YES
	2349	Penn Nat'l Gaming	(NDQ)	PENN	40.18	1	3	3	1.45	45- 70	(10- 75%)	19.4	NIL	2.07	NIL	25	9/30	.60	.36	12/31	NIL	NIL	YES
	607	Penn Virginia Res.		PVR	26.64	3	3	3	1.25	30- 45	(15- 70%)	19.0	7.5	1.40	2.00	19	9/30	.29	.09	12/31	▲.50	.47	YES
851	2144	Penney (J.C.)		JCP	34.60	4	3	3	1.25	35- 50	(N- 45%)	30.6	2.3	▼1.13	.80	43	10/31	.11	.19	3/31	.20	.20	YES
	1533	Penn. R.E.I.T.		PEI	12.49	3	4	4	1.75	14- 25	(10-100%)	NMF	4.8	d1.74	.60	90	9/30	d1.05	d.42	12/31	.15	.15	YES
	2129	Penske Auto		PAG	22.04	2	4	4	1.50	30- 50	(35-125%)	12.1	1.6	1.82	.36	11	9/30	.50	.33	12/31	▲.09	NIL	YES
	1762	Pentair, Inc.		PNR	36.85	3	3	4	1.15	50- 75	(35-105%)	14.8	2.4	2.49	.88	38	9/30	.58	.55	3/31	▲.22	.20	YES
	1510	People's United Fin'l	(NDQ)	PBCT	12.77	3	3	4	.65	20- 30	(55-135%)	18.5	5.0	.69	.64	84	12/31	◆.12	.08	3/31	◆.158	.155	YES
	2130	Pep Boys		PBY	11.66	2	4	3	1.40	17- 30	(45-155%)	13.4	1.0	▲.87	.12	11	10/31	.13	.11	3/31	.03	.03	YES
	150	Pepco Holdings		POM	19.81	3	3	3	.80	18- 30	(N- 50%)	17.1	5.5	1.16	1.08	52	9/30	.35	.52	12/31	.27	.27	YES
	1977	*PepsiCo, Inc.*		PEP	66.20	3	1	3	.60	105- 130	(60- 95%)	14.9	3.3	4.45	2.18	61	9/30	1.25	1.19	3/31	.515	.48	YES
	130	PerkinElmer Inc.		PKI	23.84	2	3	2	.90	30- 45	(25- 90%)	13.6	1.2	1.75	.28	65	9/30	.41	.31	3/31	.07	.07	YES
	1625	Perrigo Co.	(NDQ)	PRGO	97.54	3	3	4	.70	90- 130	(N- 35%)	23.8	0.3	4.10	.32	55	9/30	.96	.79	12/31	▲.08	.07	YES
244	2113	Perry Ellis Int'l	(NDQ)	PERY	15.85	3	3	1	1.50	40- 55	(150-245%)	9.8	NIL	▼1.61	NIL	64	10/31	.40	.51	12/31	NIL	NIL	YES
	512	Petroleo Brasileiro ADR		PBR	31.55	3	3	2	1.55	55- 85	(75-170%)	8.1	1.0	3.88	.30	2	9/30	.60	1.06	12/31	NIL	NIL	YES
	2185	PetSmart, Inc.	(NDQ)	PETM	53.40	1	3	3	.80	▲ 50- 75	(N- 40%)	19.8	1.0	2.70	.56	28	10/31	.50	.38	3/31	.14	.125	YES
2444	1626	Pfizer, Inc.		PFE	21.66	3	1	3	.75	25- 30	(15- 40%)	15.3	4.1	1.42	.88	55	9/30	.31	.11	3/31	▲.22	.20	YES
	849	Pharmac. Product		PPDI					SEE FINAL SUPPLEMENT - PAGE 849														
	978	PharMerica Corp.		PMC	13.88	–	3	–	.80	25- 40	(80-190%)	12.6	NIL	1.10	NIL	57	9/30	.31	.21	12/31	NIL	NIL	YES
	1985	Philips Electronics NV(g)		PHG	19.85	4	3	1	1.25	50- 70	(150-255%)	16.5	5.6	1.20	1.11	58	9/30	.18	.72	12/31	NIL	NIL	YES
	1991	Philip Morris Int'l		PM	74.15	2	2	3	.75	80- 110	(10- 50%)	14.9	4.2	4.99	3.08	27	9/30	1.35	.99	3/31	.77	.64	YES
	1552	Phoenix (The) Cos.		PNX	1.95	3	5	1	1.95	2- 3	(5- 55%)	3.7	NIL	.53	NIL	51	9/30	.22	d.22	12/31	NIL	NIL	YES
	1397	Photronics Inc.	(NDQ)	PLAB	7.06	2	5	3	1.85	8- 16	(15-125%)	12.8	NIL	.55	NIL	87	10/31	.14	.14	12/31	NIL	NIL	YES
	549	Piedmont Natural Gas		PNY	32.74	3	2	3	.70	30- 35	(N- 5%)	20.1	3.5	*1.63*	*1.16*	76	*10/31*	*d.13*	*d.13*	*3/31*	*.29*	*.28*	YES
	2186	Pier 1 Imports		PIR	15.29	2	3	4	2.10	17- 25	(10- 65%)	16.3	NIL	.94	NIL	28	11/30	.21	.18	12/31	NIL	NIL	YES
	2350	Pinnacle Entertain.		PNK	10.54	1	4	2	1.95	16- 25	(50-135%)	17.0	NIL	.62	NIL	25	9/30	.23	.10	12/31	NIL	NIL	YES
	2246	Pinnacle West Capital		PNW	47.47	2	2	3	.70	40- 50	(N- 5%)	14.8	4.4	3.21	2.10	13	9/30	2.24	2.08	3/31	◆.525	.525	YES
	2397	Pioneer Natural Res.		PXD	98.23	2	3	3	1.45	115- 170	(15- 75%)	22.1	0.1	4.44	.08	6	9/30	1.35	.35	12/31	.04	.04	YES
	1793	Piper Jaffray Cos.		PJC	24.78	▼5	3	2	1.30	50- 70	(100-180%)	24.3	NIL	1.02	NIL	69	12/31	◆.11	.49	12/31	NIL	NIL	YES
	1428	Pitney Bowes		PBI	19.37	3	3	3	.90	18- 30	(N- 55%)	8.4	7.7	2.30	1.50	26	9/30	.61	.55	12/31	.37	.365	YES
	629	Plains All Amer. Pipe.		PAA	75.59	2	3	3	.85	65- 95	(N- 25%)	16.2	5.4	4.67	4.10	85	9/30	1.42	.70	3/31	▲1.025	.958	YES
	1339	Plantronics Inc.		PLT	38.92	3	3	3	1.15	50- 70	(30- 80%)	16.6	0.5	2.34	.20	54	9/30	.60	.52	12/31	.05	.05	YES
2032	1340	Plexus Corp.	(NDQ)	PLXS	37.21	3	3	4	1.25	45- 70	(20- 90%)	17.9	NIL	2.08	NIL	54	12/31	◆.51	.61	12/31	NIL	NIL	YES
	1163	Plum Creek Timber		PCL	39.73	4	3	3	.95	35- 50	(N- 25%)	29.4	4.2	1.35	1.68	34	9/30	.31	.20	12/31	.42	.42	YES
	2315	Polaris Inds.		PII	62.69	▲2	3	5	1.30	50- 80	(N- 30%)	18.8	1.6	3.34	.98	41	12/31	◆.90	.78	12/31	.225	.20	YES
★★	966	Polycom, Inc.	(NDQ)	PLCM	20.85	▲3	3	5	.90	25- 40	(20- 90%)	30.2	NIL	.69	NIL	89	12/31	◆.28	.19	12/31	NIL	NIL	YES
	2316	Pool Corp.	(NDQ)	POOL	33.97	3	3	3	1.00	35- 55	(5- 60%)	21.6	1.6	1.57	.56	41	9/30	.50	.45	12/31	.14	.13	YES
	2520	Popular Inc.	(NDQ)	BPOP	1.61	▼4	4	1	1.15	7- 12	(335-645%)	8.1	NIL	▼.20	NIL	72	12/31	NIL	d.22	12/31	NIL	NIL	YES
	2247	Portland General		POR	24.71	3	3	3	.75	20- 30	(N- 20%)	13.4	4.4	1.84	1.08	13	9/30	.36	.65	3/31	.265	.26	YES
	749	POSCO ADR(g)		PKX	91.64	4	3	3	1.40	135- 200	(45-120%)	6.9	2.5	13.34	2.25	44	6/30	6.46(p)	7.12(p)	12/31	NIL	NIL	YES
	1593	Potash Corp.		POT	44.43	▼4	3	2	1.40	75- 115	(70-160%)	11.1	0.6	4.00	.28	10	9/30	.94	.44	3/31	.07	.033	YES
	1164	*Potlatch Corp.*	(NDQ)	PCH	33.50	4	3	3	1.10	35- 55	(5- 65%)	29.1	3.7	1.15	1.24	34	9/30	.63	.45	12/31	▼.31	.51	YES
	1314	Power-One	(NDQ)	PWER	4.89	3	4	1	1.45	13- 20	(165-310%)	5.1	NIL	.95	NIL	53	9/30	.27	.40	12/31	NIL	NIL	YES
2445	591	Powerwave Techn.	(NDQ)	PWAV	2.01	5	5	4	1.15	8- 16	(300-695%)	NMF	NIL	d1.15	NIL	92	9/30	d.87	.35	12/31	NIL	NIL	YES
	571	Praxair Inc.		PX	109.10	3	2	4	.95	130- 175	(20- 60%)	19.2	2.0	5.68	2.20	29	12/31	◆1.38	.43	12/31	.50	.45	YES
	722	Precision Castparts		PCP	174.09	3	2	3	1.20	155- 210	(N- 20%)	19.4	0.1	8.98	.12	22	9/30	2.03	1.70	3/31	.03	.03	YES
	2563	Price (T. Rowe) Group	(NDQ)	TROW	60.54	4	3	3	1.25	60- 85	(N- 40%)	19.7	2.1	3.07	1.30	63	9/30	.71	.64	12/31	.31	.27	YES
	2632	priceline.com	(NDQ)	PCLN	523.73	3	3	3	1.00	665- 995	(25- 90%)	22.4	NIL	23.40	NIL	78	9/30	9.95	5.33	12/31	NIL	NIL	YES
1823	2145	PriceSmart	(NDQ)	PSMT	67.20	4	3	4	1.00	80- 120	(20- 80%)	30.3	0.9	2.22	.60	43	11/30	.47	.50	*12/31*	*NIL*	*NIL*	YES
	2564	Principal Fin'l Group		PFG	27.37	4	3	3	1.85	40- 65	(45-135%)	9.5	2.6	2.89	.70	63	9/30	.61	.44	12/31	▲.70	.55	YES
	791	PrivateBancorp	(NDQ)	PVTB	13.88	▼4	4	3	1.20	16- 25	(15- 80%)	22.4	0.3	.62	.04	74	12/31	◆.11	.13	12/31	.01	.01	YES
	1195	Procter & Gamble		PG	64.50	4	1	3	.60	90- 110	(40- 70%)	15.3	3.3	4.22	2.10	80	9/30	1.03	1.02	3/31	.525	.482	YES
	151	Progress Energy		PGN	53.86	–	2	–	.60	35- 50	(N- N%)	17.3	4.6	3.12	2.48	52	9/30	1.16	1.23	3/31	.62	.62	YES
	771	Progressive (Ohio)		PGR	20.33	4	3	3	.95	25- 35	(25- 70%)	13.9	2.0	1.46	.40	96	12/31	◆.42	.37	12/31	NIL	NIL	YES
	1534	Prologis		PLD	32.18	–	3	–	NMF	35- 50	(10- 55%)	NMF	3.5	.23	1.12	90	9/30	.12	NA	12/31	.28	NIL	YES
	1553	Protective Life		PL	25.81	2	3	1	1.50	35- 50	(35- 95%)	7.4	2.5	3.50	.64	51	9/30	.98	.71	12/31	.16	.14	YES
2033	535	Provident Energy Ltd.		PVX	11.00	–	3	–	1.40	14- 20	(25- 80%)	20.0	4.9	.55	.54	59	9/30	.12	.15	12/31	.135	.18	YES
	1511	Provident Fin'l Svcs.		PFS	14.17	3	3	3	.90	16- 25	(15- 75%)	13.2	3.4	1.07	.48	84	9/30	.27	.24	12/31	.12	.11	YES
	1554	Prudential Fin'l		PRU	58.08	3	3	3	1.85	85- 130	(45-125%)	9.1	2.8	6.35	1.65	51	9/30	1.07	2.12	12/31	▲1.45	1.15	YES
	152	Public Serv. Enterprise		PEG	30.36	3	2	3	.80	35- 45	(15- 50%)	11.9	4.5	2.56	1.37	52	9/30	.86	1.08	12/31	.343	.343	YES
	1535	Public Storage		PSA	135.60	4	2	2	1.05	100- 135	(N- N%)	*45.8*	*2.8*	*2.96*	*3.80*	90	9/30	.69	*1.07*	*12/31*	.95	.80	YES
	1341	Pulse Electronics		PULS	2.51	–	4	–	1.75	10- 17	(300-575%)	41.8	4.0	.06	.10	54	9/30	d.02	.19	12/31	.025	.025	YES
	1129	PulteGroup, Inc.		PHM	7.76	4	4	5	1.50	9- 16	(15-105%)	NMF	NIL	d.31	NIL	98	9/30	d.34	d2.63	12/31	NIL	NIL	YES
	536	**QEP Resources**		QEP	28.90	–	3	–	NMF	40- 60	(40-110%)	13.6	0.4	2.12	.12	59	9/30	.57	.40	12/31	.02	.02	YES
	841	QIAGEN N.V.	(NDQ)	QGEN	15.70	3	3	3	.85	25- 35	(60-125%)	23.4	NIL	.67	NIL	95	9/30	.15	.15	12/31	NIL	NIL	YES
	1375	QLogic Corp.	(NDQ)	QLGC	16.93	3	3	4	1.00	35- 50	(105-195%)	16.3	NIL	1.04	NIL	88	9/30	.28	.28	12/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.

(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.

(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Page (Sel. & Op.)	Page (Ratings & Reports)	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	% appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	572	Quaker Chemical		KWR	42.56	2	3	4	1.45	50- 80	(15- 90%)	12.3	2.3	3.45	.96	29	9/30	1.03	.55	3/31	.24	.235	
	967	Qualcomm Inc.	(NDQ)	QCOM	58.68	3	2	3	.85	70- 95	(20- 60%)	19.4	1.5	3.02	.86	89	9/30	.63	.58	3/31	.215	.19	YES
	826	Quality Systems	(NDQ)	QSII	38.39	3	3	4	.90	65- 95	(70-145%)	26.1	1.8	1.47	.70	83	9/30	.35	.23	12/31	.175	.15	YES
	1114	Quanex Bldg. Prod.		NX	16.83	3	4	2	1.30	17- 30	(N- 80%)	28.1	1.1	.60	.18	75	10/31	.17	.25	12/31	.04	.04	YES
	1239	Quanta Services		PWR	20.89	3	3	3	1.35	30- 45	(45-115%)	20.9	NIL	1.00	NIL	36	9/30	.25	.30	12/31	NIL	NIL	YES
	1413	Quantum Corporation		QTM	2.77	3	5	5	1.80	3- 6	(10-115%)	34.6	NIL	.08	NIL	48	12/31	◆.02	.03	12/31	NIL	NIL	YES
	811	Quest Diagnostics		DGX	60.73	2	2	3	.70	85- 115	(40- 90%)	13.4	1.1	4.54	.68	4	12/31	◆1.23	.98	3/31	▲.17	.10	YES
	2588	Quest Software	(NDQ)	QSFT	19.31	4	2	2	.90	35- 45	(80-135%)	18.6	NIL	1.04	NIL	56	9/30	.25	.31	12/31	NIL	NIL	YES
	537	Questar Corp.		STR	19.44	–	3	–	NMF	20- 30	(5- 55%)	16.8	3.4	1.16	.66	59	9/30	.20	.15	12/31	▲.163	.14	YES
	842	Questcor Pharmac.	(NDQ)	QCOR	37.29	3	3	3	.70	50- 70	(35- 90%)	25.4	NIL	1.47	NIL	95	9/30	.35	.18	12/31	NIL	NIL	YES
	538	Quicksilver Res.		KWK	5.54	3	4	4	1.65	20- 35	(260-530%)	32.6	NIL	.17	NIL	59	9/30	.03	.17	12/31	NIL	NIL	YES
1250	2227	Quiksilver Inc.		ZQK	4.30	3	5	3	1.85	7- 13	(65-200%)	35.8	NIL	▼.12	NIL	50	10/31	.06	d.15	12/31	NIL	NIL	YES
	1725	**RBC Bearings**	(NDQ)	ROLL	44.23	3	3	3	1.30	40- 65	(N- 45%)	20.6	NIL	2.15	NIL	33	9/30	.52	.42	12/31	NIL	NIL	YES
1823	592	RF Micro Devices	(NDQ)	RFMD	4.85	5	4	2	1.35	12- 20	(145-310%)	20.2	NIL	.24	NIL	92	12/31	◆d.03	.13	12/31	NIL	NIL	YES
	772	RLI Corp.		RLI	73.96	▲3	2	3	.80	60- 85	(N- 15%)	15.4	1.6	4.80	1.20	96	12/31	◆1.35	1.66	12/31	.30	.29	YES
	2420	RPC Inc.		RES	17.53	▼2	3	4	1.55	30- 45	(70-155%)	7.9	2.3	2.23	.40	42	12/31	◆.51	.38	12/31	▲.10	.047	YES
	573	RPM Int'l		RPM	24.43	3	3	3	1.05	25- 35	(N- 45%)	15.3	3.5	1.60	.86	29	11/30	.38	.38	3/31	.215	.205	YES
	1807	Rackspace Hosting		RAX	42.94	3	3	4	1.25	60- 90	(40-110%)	67.1	NIL	.64	NIL	86	9/30	.14	.09	12/31	NIL	NIL	YES
	2187	RadioShack Corp.		RSH	10.25	4	3	2	1.15	▼ 19- 30	(85-195%)	9.4	4.9	1.09	.50	28	9/30	NIL	.37	12/31	▲.50	.25	YES
	345	RailAmerica		RA	15.37	1	3	5	1.10	20- 35	(30-130%)	17.7	NIL	.87	NIL	3	9/30	.24	.18	12/31	NIL	NIL	YES
	1929	Ralcorp Holdings		RAH	85.82	–	2	–	.55	100- 130	(15- 50%)	15.0	NIL	5.74	NIL	70	9/30	1.34	1.26	12/31	NIL	NIL	YES
	2114	Ralph Lauren		RL	150.73	3	3	3	1.20	130- 200	(N- 35%)	21.2	0.5	7.10	.80	64	9/30	2.46	2.09	3/31	.20	.10	YES
244	1376	Rambus Inc.	(NDQ)	RMBS	8.98	5	4	1	1.50	10- 18	(10-100%)	NMF	NIL	d.12	NIL	88	9/30	NIL	d.18	12/31	NIL	NIL	YES
	2398	Range Resources Corp.		RRC	57.20	4	3	3	1.25	60- 90	(5- 55%)	45.4	0.3	1.26	.16	6	9/30	.28	.12	12/31	.04	.04	YES
	1794	Raymond James Fin'l		RJF	34.25	4	3	3	1.45	40- 60	(15- 75%)	14.6	1.5	2.34	.52	69	9/30	.54	.55	3/31	.13	.13	YES
	1165	Rayonier Inc.		RYN	46.16	3	3	3	1.00	50- 75	(10- 60%)	20.1	3.5	2.30	1.60	34	12/31	◆.48	.29	12/31	.40	.36	YES
	723	Raytheon Co.		RTN	49.69	▲2	1	3	.75	65- 80	(30- 60%)	9.0	3.8	5.50	1.87	22	9/30	1.43	1.70	3/31	.43	.375	YES
	2012	RealD Inc.		RLD	8.92	–	3	–	NMF	16- 25	(80-180%)	27.0	NIL	.33	NIL	94	9/30	.33	d.09	12/31	NIL	NIL	YES
★★	2633	RealNetworks, Inc.	(NDQ)	RNWK	7.41	–	4	–	NMF	9- 15	(20-100%)	NMF	NIL	d.29	NIL	78	9/30	d.15	d.28	12/31	NIL	NIL	YES
	1536	Realty Income Corp.		O	35.90	4	3	3	.90	30- 40	(N- 10%)	32.6	5.0	1.10	1.80	90	9/30	.25	.23	3/31	▲.438	.432	YES
	2589	Red Hat, Inc.		RHT	47.51	3	3	4	1.15	75- 110	(60-130%)	60.9	NIL	.78	NIL	56	11/30	.19	.13	12/31	NIL	NIL	YES
	370	Red Robin Gourmet	(NDQ)	RRGB	31.13	2	3	4	1.20	40- 60	(30- 95%)	18.6	NIL	1.67	NIL	47	9/30	.24	.11	12/31	NIL	NIL	YES
	1726	Regal Beloit		RBC	57.02	3	3	3	1.10	75- 115	(30-100%)	14.3	1.3	3.99	.72	33	9/30	1.13	1.14	3/31	.18	.17	YES
	2317	Regal Entertainment		RGC	12.47	3	5	1	.90	14- 25	(10-100%)	18.6	6.7	.67	.84	41	9/30	.16	.07	12/31	.21	.18	YES
446	843	Regeneron Pharmac.	(NDQ)	REGN	79.41	5	3	5	1.10	60- 95	(N- 20%)	NMF	NIL	d2.90	NIL	95	9/30	d.68	d.41	12/31	NIL	NIL	YES
	2521	Regions Financial		RF	5.23	4	4	2	1.30	8- 14	(55-170%)	43.6	0.8	▼.12	.04	72	12/31	◆d.11	.03	6/30	◆.01	.01	YES
	1018	Regis Corp.		RGS	16.29	2	3	2	1.20	25- 40	(55-145%)	13.6	1.5	1.20	.24	23	9/30	.26	.30	12/31	.06	.04	YES
	1555	Reinsurance Group		RGA	56.23	2	2	3	.95	55- 75	(N- 35%)	8.1	1.3	6.90	.72	51	9/30	1.60	1.72	12/31	.18	.12	YES
	750	Reliance Steel		RS	54.43	3	3	3	1.55	55- 80	(N- 45%)	11.0	0.9	4.96	.48	44	9/30	1.13	.65	12/31	.12	.10	YES
	2028	RenaissanceRe Hldgs.		RNR	72.23	4	2	3	.70	95- 130	(30- 80%)	10.7	1.4	6.75	1.04	97	9/30	.62	1.59	12/31	.26	.25	YES
	2146	Rent-A-Center	(NDQ)	RCII	37.51	3	3	4	1.15	▲ 40- 60	(5- 60%)	12.2	1.7	3.08	.64	43	9/30	.60	.62	3/31	.16	.06	YES
	409	Republic Services		RSG	28.35	2	3	3	.95	40- 60	(40-110%)	13.8	3.1	2.05	.88	31	9/30	.53	.45	3/31	.22	.20	YES
★★	593	Research in Motion	(NDQ)	RIMM	15.01	3	3	1	1.30	85- 125	(465-735%)	3.5	NIL	4.32	NIL	92	11/30	1.27	1.74	12/31	NIL	NIL	YES
	234	ResMed Inc.		RMD	26.86	4	2	3	.75	45- 60	(70-125%)	17.3	NIL	1.55	NIL	81	9/30	.33	.36	12/31	NIL	NIL	YES
	396	Resources Connection	(NDQ)	RECN	12.33	4	3	1	.95	20- 35	(60-185%)	27.4	1.6	.45	.20	37	11/30	.11	.38	3/31	◆.05	.04	YES
	1992	Reynolds American		RAI	39.72	4	2	3	.60	35- 45	(N- 15%)	14.2	5.9	2.80	2.36	27	9/30	.74	.68	3/31	▲.56	.49	YES
	1577	Rio Tinto plc		RIO	58.03	1	3	2	1.60	95- 140	(65-140%)	6.3	2.3	9.24	1.34	30	6/30	3.86(p)	3.00(p)	12/31	NIL	NIL	YES
	979	Rite Aid Corp.		RAD	1.37	3	5	3	1.30	1- 3	(N-120%)	NMF	NIL	d.38	NIL	57	11/30	d.06	d.09	12/31	NIL	NIL	YES
	1727	Robbins & Myers		RBN	45.41	2	3	4	1.25	65- 95	(45-110%)	14.3	0.4	3.17	.20	33	11/30	.77	.44	3/31	▲.05	.045	YES
	1641	Robert Half Int'l		RHI	29.71	3	3	2	1.10	45- 65	(50-120%)	23.8	1.9	1.25	.56	39	9/30	.31	.14	12/31	.14	.13	YES
★★	1179	Rock-Tenn 'A'		RKT	67.20	▼3	3	3	1.15	95- 140	(40-110%)	12.0	1.2	5.60	.80	17	12/31	◆1.18	1.28	12/31	.20	.20	YES
	1315	Rockwell Automation		ROK	81.75	▼3	3	4	1.25	90- 135	(10- 65%)	15.5	2.1	5.29	1.70	53	12/31	◆1.27	1.04	12/31	.425	.35	YES
	724	Rockwell Collins		COL	59.26	3	1	4	1.10	80- 100	(35- 70%)	13.8	1.6	4.28	.96	22	12/31	◆.86	.96	12/31	.24	.24	YES
	131	Rofin-Sinar Techn.	(NDQ)	RSTI	27.82	4	3	3	1.25	30- 50	(10- 80%)	13.2	NIL	2.10	NIL	65	9/30	.60	.42	12/31	NIL	NIL	YES
1644	1342	Rogers Corp.		ROG	38.00	5	3	2	1.05	60- 90	(60-135%)	11.4	NIL	3.33	NIL	54	9/30	.85	.55	12/31	NIL	NIL	YES
	397	Rollins, Inc.		ROL	22.74	3	2	3	.85	25- 35	(10- 55%)	30.3	1.4	.75	.32	37	12/31	◆.15	.13	3/31	▲.08	.07	YES
	1728	Roper Inds.		ROP	95.00	3	3	3	1.05	95- 145	(N- 55%)	21.1	0.6	4.51	.55	33	9/30	1.12	.87	3/31	▲.138	.11	YES
	2228	Ross Stores	(NDQ)	ROST	52.02	2	2	3	.80	▲ 65- 85	(25- 65%)	17.3	0.8	3.01	.44	50	10/31	.63	.51	12/31	.11	.08	YES
2654	2013	Rovi Corp.	(NDQ)	ROVI	29.84	4	3	1	.85	75- 115	(150-285%)	11.8	NIL	2.53	NIL	94	9/30	.63	.34	12/31	NIL	NIL	YES
	2421	Rowan Cos.		RDC	34.56	4	3	3	1.50	45- 70	(30-105%)	15.0	NIL	2.30	NIL	42	9/30	.25	.57	12/31	NIL	NIL	YES
	2522	Royal Bank of Canada	(TSE)	RY.TO	53.79b	3	2	3	.80	75- 100	(40- 85%)	11.8	4.0	4.54	2.16	72	10/31	1.07(b)	.82(b)	12/31	.54(b)	.50(b)	YES
	2318	Royal Caribbean Cruises		RCL	28.66	2	3	2	1.65	55- 80	(90-180%)	9.5	1.4	3.01	.40	41	9/30	1.82	1.61	3/31	.10	NIL	YES
	513	Royal Dutch Shell 'A'		RDSA	72.13	2	1	3	1.05	80- 100	(10- 40%)	8.5	4.7	8.46	3.36	2	9/30	2.12	1.12	12/31	.84	.84	YES
	1211	Royce Value Trust		RVT	13.21	–	3	3	1.20	18- 25	(35- 90%)	48.9	NIL	.27	NIL	–	6/30	17.19(q)	12.48(q)	12/31	.20	NIL	
	371	Ruby Tuesday		RT	7.32	3	4	2	1.45	14- 25	(90-240%)	9.8	NIL	.75	NIL	47	11/30	d.03	.07	12/31	NIL	NIL	YES
	1952	Ruddick Corp.		RDK	41.51	3	3	3	.65	35- 50	(N- 20%)	17.7	1.3	2.34	.52	16	9/30	.50	.66	3/31	.13	.13	YES
	2229	rue21, inc.	(NDQ)	RUE	25.05	2	3	2	1.10	45- 70	(80-180%)	15.4	NIL	1.63	NIL	50	10/31	.35	.29	12/31	NIL	NIL	YES
	327	Ryder System		R	54.54	2	3	3	1.25	65- 100	(20- 85%)	14.3	2.1	3.81	1.16	7	9/30	1.09	.76	12/31	.29	.27	YES
	1130	Ryland Group		RYL	18.72	4	4	4	1.40	15- 25	(N- 35%)	NMF	0.6	d.07	.12	98	9/30	d.09	d.68	3/31	.03	.03	YES
	398	**SAIC, Inc.**		SAI	12.88	3	2	2	.65	35- 45	(170-250%)	8.9	NIL	1.44	NIL	37	10/31	.35	.41	12/31	NIL	NIL	YES
852	2590	SAP AG		SAP	58.06	2	2	3	1.10	90- 120	(55-105%)	15.1	1.5	3.85	.87	56	12/31	◆1.29	.50	12/31	NIL	NIL	YES
	594	SBA Communications	(NDQ)	SBAC	44.73	4	3	2	1.25	50- 80	(10- 80%)	NMF	NIL	d.86	NIL	92	9/30	d.30	d.30	12/31	NIL	NIL	YES
	2613	SEI Investments	(NDQ)	SEIC	18.71	▼5	2	3	1.05	30- 45	(60-140%)	16.7	1.6	1.12	.30	45	12/31	◆.25	.33	3/31	▲.15	NIL	YES
	1780	SJW Corp.		SJW	23.14	3	3	3	.85	25- 40	(10- 75%)	25.2	3.0	.92	.69	14	9/30	.44	.44	12/31	.173	.17	
	1537	SL Green Realty		SLG	73.53	3	3	3	1.60	85- 125	(15- 70%)	34.8	1.4	2.11	1.00	90	9/30	.08	.90	3/31	.25	.10	YES
	2565	SLM Corporation	(NDQ)	SLM	14.57	3	4	3	1.55	19- 30	(30-105%)	7.5	2.7	1.93	.40	63	12/31	◆.51	.75	12/31	.10	NIL	YES
	1763	SPX Corp.		SPW	67.50	3	3	4	1.30	100- 150	(50-120%)	13.6	1.5	4.98	1.00	38	9/30	1.21	1.11	3/31	.25	.25	YES
	1953	Safeway Inc.		SWY	22.70	2	2	3	.70	35- 45	(55-100%)	12.6	2.8	1.80	.64	16	9/30	.38	.32	3/31	.145	.12	YES
	1131	St. Joe Corp.		JOE	16.96	4	3	1	1.10	20- 30	(20- 75%)	NMF	NIL	d.17	NIL	98	9/30	d.09	d.14	12/31	NIL	NIL	YES
	195	St. Jude Medical		STJ	38.56	2	2	2	.85	75- 100	(95-160%)	11.3	2.2	3.42	.84	68	12/31	◆.86	.75	3/31	.21	NIL	YES
	2147	Saks Inc.		SKS	9.93	2	4	3	1.25	11- 18	(10- 80%)	25.5	NIL	.39	NIL	43	10/31	.11	.06	12/31	NIL	NIL	YES
	1808	salesforce.com		CRM	117.53	5	3	3	1.10	125- 185	(5- 55%)	NMF	NIL	.02	NIL	86	10/31	d.03	.15	12/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred *in the latest quarter*.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a *new figure) appears alongside the latest quarterly earnings* results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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Page (Sel. & Op.)	Page (Ratings & Reports)	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1019	Sally Beauty		SBH	20.18	3	4	3	1.20	20- 35	(N- 75%)	16.7	NIL	1.21	NIL	23	9/30	.29	.23	12/31	NIL	NIL	YES
	1930	Sanderson Farms	(NDQ)	SAFM	51.48	4	3	4	.70	55- 80	(5- 55%)	NMF	1.4	.43	.72	70	10/31	d.97	2.08	3/31	◆.17	.17	YES
	1414	SanDisk Corp.	(NDQ)	SNDK	51.19	3	4	3	1.35	60- 105	(15-105%)	10.3	NIL	4.98	NIL	48	12/31	◆1.29	1.27	12/31	NIL	NIL	YES
	1343	Sanmina-SCI Corp	(NDQ)	SANM	10.93	▲2	5	1	1.70	19- 35	(75-220%)	7.2	NIL	1.51	NIL	54	12/31	◆.28	.45	12/31	NIL	NIL	YES
	1627	Sanofi ADR		SNY	36.29	3	1	3	.80	45- 55	(25- 50%)	11.7	5.1	3.09	1.86	55	9/30	1.00	.81	12/31	NIL	NIL	YES
	1809	Sapient Corp.	(NDQ)	SAPE	13.38	3	3	4	1.20	13- 19	(N- 40%)	23.9	NIL	.56	NIL	86	9/30	.13	.10	12/31	NIL	NIL	YES
	1931	Sara Lee Corp.		SLE	19.03	–	2	–	.80	20- 25	(5- 30%)	21.1	2.5	.90	.48	70	9/30	.18	.13	3/31	.115	NIL	YES
	1729	Sauer-Danfoss		SHS	45.89	2	4	4	1.25	75- 100	(65-120%)	9.2	NIL	4.98	NIL	33	9/30	1.18	.58	12/31	NIL	NIL	YES
	153	SCANA Corp.		SCG	44.44	3	2	2	.70	40- 55	(N- 25%)	14.5	4.5	3.07	1.98	52	9/30	.81	.79	3/31	.485	.475	YES
	1415	ScanSource	(NDQ)	SCSC	37.71	3	3	4	1.15	45- 70	(20- 85%)	13.7	NIL	2.75	NIL	48	9/30	.67	.58	12/31	NIL	NIL	YES
	235	Schein (Henry)	(NDQ)	HSIC	69.52	3	3	3	.80	70- 105	(N- 50%)	16.7	NIL	4.17	NIL	81	9/30	.99	.94	12/31	NIL	NIL	YES
	2422	Schlumberger Ltd.		SLB	74.59	3	2	2	1.20	135- 180	(80-140%)	17.4	1.5	4.29	1.10	42	12/31	◆1.11	.76	6/30	▲.275	.25	YES
	751	Schnitzer Steel	(NDQ)	SCHN	45.73	3	3	3	1.55	60- 90	(30- 95%)	10.7	0.2	4.28	.07	44	11/30	.25	.64	12/31	.017	.017	YES
	2365	Scholastic Corp.	(NDQ)	SCHL	28.55	2	3	3	1.05	45- 70	(60-145%)	14.3	1.8	2.00	.50	35	11/30	2.62	2.19	3/31	▲.125	.10	YES
	574	Schulman (A.)	(NDQ)	SHLM	23.35	2	3	4	1.00	25- 35	(5- 50%)	14.2	2.9	1.64	.68	29	11/30	.46	.29	3/31	.17	.155	YES
	1795	Schwab (Charles)	(NDQ)	SCHW	12.48	5	3	3	1.15	20- 30	(60-140%)	19.2	1.9	.65	.24	69	12/31	.13	.10	12/31	.06	.06	YES
	1993	Schweitzer-Mauduit Int'l		SWM	69.74	1	3	2	1.00	110- 160	(60-130%)	10.4	0.9	6.68	.60	27	9/30	1.54	1.17	12/31	.15	.15	YES
	2351	Scientific Games	(NDQ)	SGMS	11.45	3	3	2	1.55	15- 20	(30- 75%)	32.7	NIL	.35	NIL	25	9/30	.06	.11	12/31	NIL	NIL	YES
	1196	Scotts Miracle-Gro		SMG	47.53	5	3	3	.95	55- 80	(15- 70%)	23.9	2.5	1.99	1.20	80	9/30	d1.16	d.51	3/31	◆.30	.25	YES
	2374	Scripps (E.W.) 'A'		SSP	8.40	4	5	2	1.30	11- 20	(30-140%)	23.3	NIL	.36	NIL	71	9/30	d.19	.08	12/31	NIL	NIL	YES
	2332	Scripps Networks		SNI	45.24	3	2	2	1.00	90- 120	(100-165%)	15.2	0.9	2.98	.40	32	9/30	.65	.61	12/31	.10	.075	YES
	2014	SeaChange Int'l	(NDQ)	SEAC	7.21	3	3	5	1.00	17- 25	(135-245%)	11.6	NIL	.62	NIL	94	10/31	.13	.05	12/31	NIL	NIL	YES
	1416	Seagate Technology	(NDQ)	STX	19.75	1	3	3	1.30	20- 30	(N- 50%)	6.2	3.6	3.20	.72	48	9/30	.32	.31	12/31	.18	NIL	YES
	1180	Sealed Air		SEE	19.91	3	3	3	.90	30- 45	(50-125%)	12.0	2.6	1.66	.52	17	9/30	.41	.43	12/31	.13	.13	YES
2033	1155	Sealy Corp.		ZZ	1.44	4	5	3	1.60	4- 7	(180-385%)	18.0	NIL	.08	NIL	62	11/30	◆d.14	.03	12/31	NIL	NIL	YES
1433	2148	Sears Holdings	(NDQ)	SHLD	45.78	5	3	1	1.05	55- 80	(20- 75%)	NMF	NIL	▼d3.38	NIL	43	10/31	d2.57	d1.67	12/31	NIL	NIL	YES
	812	*Select Med. Hldgs*		*SEM*	*8.16*	*1*	*3*	*4*	*1.05*	*14- 20*	*(70-145%)*	*9.8*	*NIL*	*.83*	*NIL*	*4*	*9/30*	*.17*	*.05*	*12/31*	*NIL*	*NIL*	*YES*
	773	Selective Ins. Group	(NDQ)	SIGI	17.88	4	3	2	.90	20- 30	(10- 70%)	24.8	2.9	.72	.52	96	9/30	d.34	.34	12/31	.13	.13	YES
	2248	Sempra Energy		SRE	56.22	2	2	3	.80	60- 80	(5- 40%)	12.3	3.7	4.56	2.08	13	9/30	1.22	1.18	3/31	.48	.39	YES
	1377	Semtech Corp.	(NDQ)	SMTC	29.14	4	3	4	1.00	30- 45	(5- 55%)	20.4	NIL	1.43	NIL	88	10/31	.49	.41	12/31	NIL	NIL	YES
	844	Senomyx, Inc.	(NDQ)	SNMX	3.56	4	5	2	1.00	8- 14	(125-295%)	NMF	NIL	d.15	NIL	95	9/30	d.07	d.10	12/31	NIL	NIL	YES
	1932	Sensient Techn.		SXT	39.57	3	3	4	.90	45- 70	(15- 75%)	15.1	2.1	2.62	.84	70	9/30	.64	.57	3/31	◆.21	.21	YES
	1818	Service Corp. Int'l		SCI	11.12	3	3	3	1.10	14- 20	(25- 80%)	15.0	1.8	.74	.20	79	9/30	.15	.08	3/31	.05	.04	YES
	1029	Shaw Commun. 'B'	(TSE)	SJRB.TO	19.85b	1	3	3	.65	35- 50	(75-150%)	11.7	4.9	1.69	.97	1	11/30	.43(b)	.37(b)	12/31	.23(b)	.22(b)	YES
	1240	Shaw Group		SHAW	27.85	3	3	1	1.50	40- 65	(45-135%)	12.9	NIL	2.16	NIL	36	11/30	.48	.39	12/31	NIL	NIL	YES
	936	Shenandoah Telecom.	(NDQ)	SHEN	10.06	3	3	3	.80	25- 35	(150-250%)	14.4	3.3	.70	.33	8	9/30	.15	.15	12/31	.33	.33	
	1139	Sherwin-Williams		SHW	95.42	3	1	3	.70	100- 125	(5- 30%)	18.7	1.6	5.11	1.50	73	9/30	1.71	1.60	12/31	.365	.36	YES
	2352	Shuffle Master	(NDQ)	SHFL	12.43	2	4	3	1.45	12- 20	(N- 60%)	18.8	NIL	.66	NIL	25	10/31	.18	.14	12/31	NIL	NIL	YES
	1764	Siemens AG (ADS)		SI	96.53	3	3	3	1.40	120- 180	(25- 85%)	11.7	4.0	8.28	3.85	38	12/31	◆1.99	2.78	12/31	NIL	NIL	YES
	2015	*Sigma Designs*	(NDQ)	*SIGM*	*5.75*	*5*	*4*	*1*	*1.05*	*7- 12*	*(20-110%)*	*NMF*	*NIL*	*d5.13*	*NIL*	*94*	*10/31*	*d3.78*	*.16*	*12/31*	*NIL*	*NIL*	*YES*
	575	Sigma-Aldrich	(NDQ)	SIAL	68.52	3	1	4	1.00	90- 110	(30- 60%)	17.9	1.1	3.82	.72	29	9/30	.95	.76	12/31	.18	.16	YES
	1181	Silgan Holdings	(NDQ)	SLGN	40.13	2	3	3	.75	35- 50	(N- 25%)	13.8	1.1	2.90	.44	17	9/30	1.12	.84	12/31	.11	.105	YES
	2016	Silicon Image	(NDQ)	SIMG	4.75	5	4	2	1.25	9- 15	(90-215%)	NMF	NIL	.03	NIL	94	9/30	.01	.12	12/31	NIL	NIL	YES
	1378	Silicon Labs.	(NDQ)	SLAB	47.07	4	3	3	1.05	45- 70	(N- 50%)	36.5	NIL	1.29	NIL	88	12/31	◆.29	.28	12/31	NIL	NIL	YES
	1567	Silver Wheaton		SLW	31.93	3	3	2	1.50	50- 75	(55-135%)	16.5	1.4	1.94	.44	18	9/30	.38	.16	12/31	▲.09	NIL	YES
	1538	Simon Property Group		SPG	133.74	3	3	3	1.25	100- 150	(N- 10%)	42.6	2.7	3.14	3.65	90	9/30	.93	.79	12/31	▲.90	.80	YES
	1115	Simpson Manufacturing		SSD	33.29	3	3	3	1.15	30- 45	(N- 35%)	27.3	1.5	1.22	.50	75	9/30	.40	.37	3/31	.125	.10	YES
	2333	Sinclair Broadcast	(NDQ)	SBGI	12.92	1	4	4	1.50	11- 19	(N- 45%)	12.9	3.7	1.00	.48	32	9/30	.24	.18	12/31	.12	NIL	YES
	236	Sirona Dental	(NDQ)	SIRO	46.77	3	3	3	1.05	55- 80	(20- 70%)	18.9	NIL	2.48	NIL	81	9/30	.36	.44	12/31	NIL	NIL	YES
	2161	Skechers U.S.A.		SKX	12.47	5	3	1	1.20	▼ 30- 40	(140-220%)	69.3	NIL	▼.18	NIL	49	9/30	.07	.74	12/31	NIL	NIL	YES
2654	1344	Skullcandy, Inc.	(NDQ)	SKUL	13.30	–	3	–	NMF	40- 55	(200-315%)	12.3	NIL	1.08	NIL	54	9/30	.17	NA	12/31	NIL	NIL	YES
	312	*SkyWest*	(NDQ)	*SKYW*	*13.76*	*3*	*3*	*2*	*1.10*	*30- 40*	*(120-190%)*	*38.2*	*1.2*	*.36*	*.16*	*9*	*9/30*	*NIL*	*.45*	*3/31*	*.04*	*.04*	*YES*
	1379	Skyworks Solutions	(NDQ)	SWKS	21.56	3	3	1	1.20	30- 45	(40-110%)	17.0	NIL	1.27	NIL	88	12/31	◆.30	.32	12/31	NIL	NIL	YES
	1933	Smart Balance	(NDQ)	SMBL	5.14	3	4	4	.70	8- 13	(55-155%)	18.4	NIL	.28	NIL	70	9/30	.06	.03	12/31	NIL	NIL	YES
	1730	Smith (A.O.)		AOS	41.49	3	3	3	1.00	45- 65	(10- 55%)	17.1	1.5	2.42	.64	33	9/30	.58	.35	3/31	.16	.14	YES
1824	595	Smith Micro Software	(NDQ)	SMSI	1.79	5	5	3	1.25	2- 3	(10- 70%)	NMF	NIL	d.92	NIL	92	9/30	d.37	.09	12/31	NIL	NIL	YES
	1934	Smithfield Foods		SFD	23.12	1	3	3	1.30	25- 40	(10- 75%)	8.2	NIL	2.81	NIL	70	10/31	.76	.80	12/31	NIL	NIL	YES
	1935	Smucker (J.M.)		SJM	81.00	4	1	4	.70	105- 125	(30- 55%)	16.1	2.4	5.03	1.94	70	10/31	1.29	1.38	12/31	.48	.40	YES
	1731	Snap-on Inc.		SNA	54.94	2	2	3	1.10	80- 110	(45-100%)	11.4	2.5	4.80	1.36	33	9/30	1.16	.80	12/31	▲.34	.32	YES
	1936	Snyder's-Lance	(NDQ)	LNCE	22.70	3	3	4	.60	25- 35	(10- 55%)	24.4	2.8	.93	.64	70	9/30	.16	.37	12/31	.16	.16	YES
	2634	Sohu.com Inc.	(NDQ)	SOHU	60.37	3	3	1	1.25	100- 150	(65-150%)	12.3	NIL	4.89	NIL	78	9/30	1.17	1.01	12/31	NIL	NIL	YES
	1810	Solera Hldgs.		SLH	47.49	3	3	2	.80	75- 115	(60-140%)	23.7	0.8	2.00	.40	86	9/30	.44	.41	12/31	.10	.075	YES
	576	Solutia Inc.		SOA	19.41	2	4	3	1.60	40- 65	(105-235%)	8.9	0.8	2.17	.15	29	9/30	.45	.42	3/31	▲.038	NIL	YES
	2131	Sonic Automotive		SAH	15.72	1	4	2	1.80	▼ 19- 30	(20- 90%)	11.1	0.6	1.42	.10	11	9/30	.33	.27	3/31	.025	.025	YES
	372	Sonic Corp.	(NDQ)	SONC	6.72	3	3	2	1.15	17- 25	(155-270%)	11.2	NIL	.60	NIL	47	11/30	.09	.10	12/31	NIL	NIL	YES
	1182	Sonoco Products		SON	31.49	3	2	3	1.00	45- 65	(45-105%)	12.4	3.7	2.53	1.16	17	9/30	.66	.65	12/31	.29	.28	YES
1054	237	SonoSite, Inc.	(NDQ)	SONO	53.89	–	3	–	.80	45- 75	(N- 40%)	55.6	NIL	.97	NIL	81	9/30	.05	.07	12/31	NIL	NIL	YES
	1986	Sony Corp. ADR(g)		SNE	17.95	3	2	2	1.00	50- 65	(180-260%)	NMF	1.8	d.81	.33	58	9/30	◆d.35	.37	12/31	.161	.147	YES
	2188	Sotheby's		BID	34.04	3	3	4	1.50	45- 70	(30-105%)	12.9	0.9	2.64	.32	28	9/30	d.44	d.29	12/31	▲.08	.05	YES
	550	South Jersey Inds.		SJI	54.71	4	2	3	.65	50- 65	(N- 20%)	18.1	2.9	3.02	1.61	76	9/30	.01	.10	12/31	▲.768	.695	YES
	154	Southern Co.		SO	44.90	▼3	1	3	.55	40- 50	(N- 10%)	17.2	4.3	2.61	1.94	52	12/31	◆.30	.18	3/31	.473	.455	YES
	1578	Southern Copper		SCCO	35.33	2	3	1	1.55	40- 60	(15- 70%)	11.5	7.0	3.06	2.46	30	9/30	.79	.43	12/31	.70	.43	YES
	616	Southern Union		SUG	43.43	–	3	–	1.00	30- 45	(N- 5%)	21.5	1.4	2.02	.60	82	9/30	.42	.40	3/31	.15	.15	YES
	313	Southwest Airlines		LUV	9.16	3	3	3	1.00	30- 45	(230-390%)	15.8	0.2	.58	.02	9	12/31	◆.09	.15	3/31	.005	.005	YES
	551	Southwest Gas		SWX	41.44	3	3	3	.75	35- 55	(N- 35%)	18.6	2.6	2.23	1.09	76	9/30	d.34	d.11	3/31	.265	.25	YES
	539	Southwestern Energy		SWN	31.73	2	3	4	1.15	55- 85	(75-170%)	15.3	NIL	2.08	NIL	59	9/30	.50	.46	12/31	NIL	NIL	YES
	1954	Spartan Stores	(NDQ)	SPTN	18.30	3	3	5	.70	25- 35	(35- 90%)	13.8	1.4	1.33	.26	16	9/30	.45	.50	12/31	.065	.05	YES
	617	Spectra Energy		SE	31.49	3	3	3	1.00	30- 40	(N- 25%)	17.4	3.6	1.81	1.14	82	9/30	.38	.30	3/31	.28	.26	YES
	1197	Spectrum Brands		SPB	29.11	–	3	–	1.15	40- 60	(35-105%)	12.5	NIL	2.32	NIL	80	9/30	.47	.25	12/31	NIL	NIL	YES
	2319	Speedway Motorsports		TRK	15.50	3	3	3	.95	20- 30	(30- 95%)	14.4	2.6	1.08	.40	41	9/30	.58	.16	12/31	.10	.10	
	725	Spirit AeroSystems		SPR	22.86	2	3	4	1.30	40- 60	(75-160%)	11.7	NIL	1.95	NIL	22	9/30	.47	.33	12/31	NIL	NIL	YES
	314	Spirit Airlines	(NDQ)	SAVE	15.75	–	3	–	NMF	20- 35	(25-120%)	10.0	NIL	1.57	NIL	9	9/30	.38	NA	12/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

PAGE NUMBERS
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Page Numbers	NAME OF STOCK	Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
937	Sprint Nextel Corp.	S	2.17	3	4	5	1.30	7- 11	(225-405%)	NMF	NIL	d1.07	NIL	8	9/30	d.10	d.30	12/31	NIL	NIL	YES
2230	Stage Stores	SSI	15.43	2	3	3	1.40	25- 40	(60-160%)	13.0	2.3	1.19	.36	50	10/31	d.36	d.18	12/31	.09	.075	YES
1004	Standard Motor Prod.	SMP	21.47	1	4	5	1.70	25- 40	(15- 85%)	12.6	1.6	1.70	.34	15	9/30	.61	.48	12/31	.07	.05	YES
1132	Standard Pacific Corp	SPF	3.94	4	5	3	1.80	3- 5	(N- 25%)	NMF	NIL	.02	NIL	98	9/30	d.02	.02	12/31	NIL	NIL	YES
★★ 1429	Standard Register	SR	2.05	▼4	4	2	1.25	3- 5	(45-145%)	NMF	NIL	▼d.50	NIL	26	9/30	d.13	.05	6/30	▼NIL	.05	
1765	Standex Int'l	SXI	38.70	2	3	4	1.10	50- 70	(30- 80%)	12.1	0.7	3.20	.28	38	9/30	.95	.86	12/31	.07	.06	
1732	*Stanley Black & Decker*	SWK	69.89	2	2	2	1.10	80- 110	(15- 55%)	12.8	2.3	5.47	1.64	33	9/30	1.34	.97	12/31	.41	.34	YES
1241	Stantec Inc. (TSE)	STN.TO	27.00	2	3	4	.95	50- 75	(85-180%)	10.9	NIL	2.47	NIL	36	9/30	.63	.57	12/31	NIL	NIL	YES
1430	Staples, Inc. (NDQ)	SPLS	16.05	▲2	2	1	1.05	35- 45	(120-180%)	11.2	2.7	1.43	.44	26	10/31	.47	.40	3/31	.10	.09	YES
373	Starbucks Corp. (NDQ)	SBUX	47.65	3	3	4	1.15	45- 65	(N- 35%)	28.2	1.4	1.69	.68	47	9/30	.37	.37	12/31	▲.17	.13	YES
1811	StarTek, Inc.	SRT	3.25	5	5	1	1.15	4- 6	(25- 85%)	NMF	NIL	d.92	NIL	86	9/30	d.45	d.30	12/31	NIL	NIL	YES
2353	Starwood Hotels	HOT	54.52	3	3	3	1.55	*70- 110*	*(30-100%)*	*28.0*	*0.9*	*1.95*	*.50*	25	*9/30*	*.42*	*.25*	*12/31*	▲.50	.30	YES
2523	State Street Corp.	STT	41.31	3	3	3	1.50	60- 90	(45-120%)	11.6	1.7	3.56	.72	72	12/31	.76	.16	3/31	.18	.18	YES
752	Steel Dynamics (NDQ)	STLD	15.46	3	4	3	1.65	25- 40	(60-160%)	13.9	2.6	1.11	.40	44	12/31	◆.14	.07	3/31	.10	.075	YES
1156	Steelcase, Inc. 'A'	SCS	8.60	2	3	5	1.15	16- 25	(85-190%)	13.2	2.8	.65	.24	62	11/30	.19	.18	3/31	.06	.04	YES
2149	Stein Mart (NDQ)	SMRT	7.04	▲4	4	5	1.45	11- 19	(55-170%)	12.8	NIL	▼.55	NIL	43	10/31	d.07	.05	12/31	NIL	NIL	YES
410	Stericycle Inc. (NDQ)	SRCL	84.29	4	2	3	.70	95- 130	(15- 55%)	28.2	NIL	2.99	NIL	31	9/30	.71	.65	12/31	NIL	NIL	YES
196	STERIS Corp.	STE	29.35	3	3	3	.90	45- 65	(55-120%)	12.7	2.3	2.32	.68	68	9/30	.50	.55	12/31	.17	.15	YES
1819	Stewart Enterpr. 'A' (NDQ)	STEI	6.28	3	3	4	1.05	8- 12	(25- 90%)	15.3	2.2	.41	.14	79	10/31	.10	.09	12/31	.035	.06	YES
1796	Stifel Financial Corp.	SF	36.89	4	3	3	1.15	55- 80	(50-115%)	19.1	NIL	1.93	NIL	69	9/30	.35	.48	12/31	NIL	NIL	YES
1568	*Stillwater Mining*	SWC	12.51	3	4	3	2.00	20- 35	(60-180%)	10.3	NIL	1.22	NIL	18	9/30	.37	.06	12/31	NIL	NIL	YES
1380	STMicroelectronics	STM	6.86	3	3	2	1.20	14- 20	(105-190%)	13.2	5.8	.52	.40	88	12/31	◆d.01	.27	3/31	.10	.07	YES
1820	StoneMor Partners L.P. (NDQ)	STON	25.87	5	3	2	.80	20- 30	(N- 15%)	NMF	9.0	d.17	2.34	79	9/30	d.01	d.13	12/31	.585	.565	YES
2003	Strayer Education (NDQ)	STRA	116.62	3	3	4	.70	155- 230	(35- 95%)	15.1	3.4	7.72	4.00	66	9/30	1.20	1.72	12/31	1.00	1.00	YES
197	Stryker Corp.	SYK	52.94	▲2	1	3	.80	75- 95	(40- 80%)	13.5	1.6	3.91	.85	68	12/31	◆1.02	.93	3/31	▲.213	.18	YES
2320	Sturm, Ruger & Co.	RGR	38.52	2	3	3	.80	25- 35	(N- N%)	17.8	1.5	2.17	.57	41	9/30	.56	.31	12/31	.141	.078	YES
630	Suburban Propane	SPH	46.43	4	3	3	.75	45- 65	(N- 40%)	13.9	7.3	3.35	3.41	85	9/30	d.61	d.70	12/31	.853	.85	YES
852 1812	SuccessFactors	SFSF	39.70	–	4	–	1.30	13- 20	(N- N%)	NMF	NIL	d.44	NIL	86	9/30	d.30	d.04	12/31	NIL	NIL	YES
514	Suncor Energy (TSE)	SU.TO	34.10	2	3	2	1.25	55- 80	(60-135%)	11.4	1.3	2.99	.44	2	9/30	.76	.39	12/31	.11	.10	YES
2033 515	Sunoco, Inc.	SUN	37.72	3	3	3	1.05	40- 65	(5- 70%)	20.8	2.1	1.81	.80	2	9/30	.57	.22	12/31	.15	.15	YES
1225	SunPower Corp. (NDQ)	SPWR	6.84	4	4	1	1.65	9- 15	(30-120%)	17.1	NIL	.40	NIL	91	9/30	.04	.05	12/31	NIL	NIL	YES
813	Sunrise Senior Living	SRZ	6.89	4	5	3	2.75	8- 15	(15-120%)	NMF	NIL	d.31	NIL	4	9/30	d.12	.33	12/31	NIL	NIL	YES
1226	Suntech Power ADS	STP	3.06	5	5	1	1.85	1- 2	(N- N%)	NMF	NIL	d1.20	NIL	91	9/30	d.64	.18	12/31	NIL	NIL	YES
2524	SunTrust Banks	STI	21.29	3	3	3	1.20	35- 55	(65-160%)	12.8	0.9	1.66	.20	72	12/31	◆.28	.23	12/31	.05	.01	YES
1005	*Superior Inds. Int'l*	SUP	18.24	4	3	5	1.15	25- 40	(35-120%)	16.9	3.5	1.08	.64	15	9/30	.16	.39	3/31	.16	.16	YES
1824 1955	SUPERVALU INC	SVU	6.94	3	3	3	.90	16- 25	(130-260%)	5.8	5.0	1.20	.35	16	11/30	.24	.04	3/31	.088	.088	YES
198	SurModics, Inc. (NDQ)	SRDX	14.57	3	3	1	.80	10- 25	(N- 70%)	35.5	NIL	.41	NIL	68	9/30	.06	d.05	12/31	NIL	NIL	YES
2525	Susquehanna Bancshs. (NDQ)	SUSQ	9.21	3	3	2	1.20	15- 25	(65-170%)	15.6	1.3	.59	.12	72	9/30	.12	.04	3/31	◆.03	.01	YES
425	Swiss Helvetia Fund	SWZ	10.60	–	3	3	.85	11- 17	(5- 60%)	NMF	2.5	NMF	.26	–	9/30	12.57(q)	NIL(q)	3/31	.168	.227	
968	Sycamore Networks (NDQ)	SCMR	19.67	–	3	–	NMF	35- 55	*(80-180%)*	NMF	*NIL*	*d.10*	*NIL*	89	*10/31*	*d.06*	*d.20*	12/31	NIL	NIL	YES
2591	Symantec Corp. (NDQ)	SYMC	16.87	3	3	3	.90	25- 35	(50-105%)	15.9	NIL	1.06	NIL	56	9/30	.24	.17	12/31	NIL	NIL	YES
1417	Synaptics (NDQ)	SYNA	34.02	3	3	1	1.00	40- 60	(20- 75%)	17.0	NIL	2.00	NIL	48	9/30	.39	.52	12/31	NIL	NIL	YES
2017	Synchronoss Techn. (NDQ)	SNCR	32.56	3	3	3	1.25	45- 65	(40-100%)	34.6	NIL	.94	NIL	94	9/30	.23	.20	12/31	NIL	NIL	YES
2592	Synopsys, Inc. (NDQ)	SNPS	29.14	4	2	2	.80	30- 40	(5- 35%)	18.9	NIL	1.54	NIL	56	10/31	.34	.32	12/31	NIL	NIL	YES
2526	Synovus Financial	SNV	1.73	▲3	5	2	1.25	4- 7	(130-305%)	NMF	2.3	▲.01	.04	72	12/31	◆.01	d.23	3/31	.01	.01	YES
1824 1937	Synutra Int'l (NDQ)	SYUT	5.22	–	4	–	1.15	14- 25	(170-380%)	16.3	NIL	.32	NIL	70	9/30	.15	d.37	12/31	NIL	NIL	
1956	Sysco Corp.	SYY	30.29	3	1	3	.70	45- 55	(50- 80%)	14.4	3.6	2.10	1.08	16	9/30	.51	.51	3/31	▲.27	.26	YES
792	**TCF Financial**	TCB	10.57	▼5	3	2	1.15	20- 30	(90-185%)	13.0	1.9	.81	.20	74	12/31	◆.10	.21	3/31	.05	.05	YES
1797	*TD Ameritrade Holding* (NDQ)	AMTD	17.15	4	3	3	1.10	30- 45	(75-160%)	14.4	1.4	1.19	.24	69	12/31	.27	.25	12/31	▲.06	.05	YES
1345	TE Connectivity	TEL	35.71	▼4	3	2	1.25	50- 75	(40-110%)	11.0	2.0	3.24	.72	54	12/31	◆.66	.73	12/31	.18	.16	YES
155	TECO Energy	TE	18.07	2	3	3	.85	18- 25	(N- 40%)	12.9	4.9	1.40	.89	52	9/30	.42	.35	12/31	.215	.205	YES
852 2018	THQ Inc. (NDQ)	THQI	0.74	5	5	1	1.35	3- 6	(305-710%)	NMF	NIL	d1.44	NIL	94	9/30	d1.35	d.69	12/31	NIL	NIL	YES
2231	TJX Companies(•)	TJX	33.63	2	1	3	.80	40- 50	(20- 50%)	16.0	1.1	2.10	.38	50	10/31	.53	.46	3/31	.095	.075	YES
1006	TRW Automotive	TRW	39.38	2	4	2	1.95	80- 135	(105-245%)	*5.8*	*NIL*	6.77	*NIL*	15	9/30	1.37	*1.47*	*12/31*	*NIL*	*NIL*	YES
426	Taiwan Fund	TWN	15.02	–	4	3	.95	19- 30	(25-100%)	NMF	1.7	NMF	.25	–	8/31	20.20(q)	16.34(q)	12/31	NIL	NIL	
1381	Taiwan Semic. ADR	TSM	13.93	3	3	3	1.05	20- 30	(45-115%)	15.0	3.7	.93	.52	88	9/30	.20	.31	12/31	NIL	NIL	YES
2019	Take-Two Interactive (NDQ)	TTWO	15.40	4	3	3	1.20	25- 40	(60-160%)	49.7	NIL	.31	NIL	94	9/30	d.57	.09	12/31	NIL	NIL	YES
858 2232	*Talbots Inc.*	TLB	3.30	–	5	–	1.50	3- 5	(N- 50%)	NMF	NIL	▼d1.10	NIL	50	10/31	d.22	.27	12/31	NIL	NIL	YES
540	Talisman Energy	TLM	12.05	3	3	1	1.45	25- 35	(105-190%)	9.3	2.2	1.29	.27	59	9/30	.24	.07	12/31	.135	.125	YES
2150	Target Corp.	TGT	50.75	3	2	2	.95	75- 100	(50- 95%)	12.4	2.6	4.08	1.30	43	10/31	.82	.68	3/31	.30	.25	YES
726	TASER Int'l (NDQ)	TASR	4.86	4	4	3	1.20	7- 11	(45-125%)	97.2	NIL	.05	NIL	22	9/30	.02	d.04	12/31	NIL	NIL	YES
107	Tata Motors ADR	TTM	22.36	3	3	2	1.30	40- 60	(80-170%)	7.6	2.0	2.93	.44	24	9/30	.60	.77	12/31	NIL	NIL	YES
1418	Tech Data (NDQ)	TECD	52.50	1	3	3	*1.00*	*75- 110*	*(45-110%)*	*9.6*	NIL	*5.49*	NIL	48	10/31	1.26	1.06	12/31	NIL	NIL	YES
845	Techne Corp. (NDQ)	TECH	70.95	3	1	3	.75	80- 95	(15- 35%)	22.9	1.6	3.10	1.12	95	9/30	.74	.71	12/31	▲.28	.27	YES
1579	Teck Resources Ltd. 'B' (TSE)	TCKB.TO	41.65b	1	3	2	1.90	45- 70	(10- 70%)	8.6	2.0	4.84	.85	30	9/30	1.38(b)	.56(b)	3/31	▲.40(b)	.30(b)	YES
2655 1733	Tecumseh Products 'A' (NDQ)	TECUA	4.84	5	5	4	1.50	20- 40	(315-725%)	NMF	NIL	d3.12	NIL	33	9/30	d1.12	d.16	12/31	NIL	NIL	YES
337	Teekay Corp.	TK	26.79	3	3	3	1.50	40- 60	(50-125%)	NMF	4.7	d4.36	1.26	77	9/30	d3.67	d2.50	3/31	.316	.316	YES
2655 596	Tekelec (NDQ)	TKLC	11.00	–	3	–	1.05	5- 8	(N- N%)	NMF	NIL	d.16	NIL	92	9/30	.01	NIL	*12/31*	*NIL*	*NIL*	YES
446 938	Telecom N. Zealand	NZT	8.42	–	3	–	1.00	9- 13	(5- 55%)	14.0	6.1	.60	.51	8	6/30	.49(p)	.08	12/31	NIL	.104	YES
727	Teledyne Technologies	TDY	56.50	3	3	2	.95	60- 90	(5- 60%)	15.4	NIL	3.67	NIL	22	9/30	.91	.81	12/31	NIL	NIL	YES
1766	Teleflex Inc.	TFX	60.31	3	2	3	.85	100- 130	(65-115%)	13.5	2.3	4.46	1.36	38	9/30	1.03	1.11	12/31	.34	.34	YES
1048	*Telefonica SA ADR(g)*	TEF	17.19	3	2	2	.90	35- 45	(105-160%)	7.0	9.0	2.44	1.55	5	9/30	.57	.59	12/31	1.053	.90	YES
1049	Telefonos de Mexico ADR	TMX	15.46	–	3	–	.85	13- 19	(N- 25%)	13.7	5.5	1.13	.85	5	9/30	.32	.33	12/31	.199	.20	YES
939	Telephone & Data(•)	TDS	26.95	2	3	3	.90	45- 70	(65-160%)	13.5	1.6	1.99	.43	8	9/30	.63	.35	12/31	.108	.103	YES
399	TeleTech Holdings (NDQ)	TTEC	16.91	2	3	3	1.05	35- 50	(105-195%)	11.9	NIL	1.42	NIL	37	9/30	.35	.30	12/31	NIL	NIL	YES
969	Tellabs, Inc. (NDQ)	TLAB	4.37	5	3	3	.90	10- 15	(130-245%)	NMF	1.8	d.19	.08	89	9/30	d.10	.15	12/31	.02	.02	YES
940	TELUS Corporation (TSE)	T.TO	56.04	1	3	3	.60	*55- 80*	*(N- 45%)*	*14.3*	*4.3*	*3.91*	*2.42*	*8*	9/30	1.00	.76	3/31	▲.58	.525	YES
1166	Temple-Inland	TIN	31.69	–	4	–	1.70	30- 50	(N- 60%)	32.7	1.6	.97	.52	34	9/30	.18	.41	12/31	.13	.11	YES
427	Templeton Emerg'g	EMF	19.58	–	4	3	1.35	25- 40	(30-105%)	NMF	1.3	NMF	.25	–	8/31	21.97(q)	19.65(q)	12/31	.276	.149	
1157	Tempur-Pedic	TPX	62.25	3	4	4	1.45	70- 115	(10- 85%)	18.0	NIL	3.46	NIL	62	12/31	◆.84	.66	12/31	NIL	NIL	YES
814	Tenet Healthcare	THC	5.33	1	5	2	1.20	8- 16	(50-200%)	12.1	NIL	.44	NIL	4	9/30	.02	d.01	12/31	NIL	NIL	YES
1734	Tennant Co.	TNC	37.95	3	3	2	1.25	45- 65	(20- 70%)	17.1	1.8	2.22	.68	33	9/30	.50	.38	12/31	.17	.17	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ● (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics *of the ranking system and could simply be the result of the* improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

PAGE NUMBERS		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1007	Tenneco Inc.		TEN	**30.92**	1	4	3	2.30	55- 90	(80-190%)	**10.1**	**NIL**	3.06	NIL	**15**	9/30	**.67**	.39	12/31	NIL	NIL	YES
	2593	Teradata Corp.		TDC	**53.23**	3	2	4	.90	55- 75	(5- 40%)	**25.2**	**NIL**	2.11	NIL	**56**	9/30	**.51**	.44	12/31	NIL	NIL	YES
	1398	Teradyne Inc.		TER	**16.30**	▲4	3	2	1.40	14- 20	(N- 25%)	**21.7**	**NIL**	.75	NIL	**87**	9/30	**.25**	.82	12/31	NIL	NIL	YES
	173	Terex Corp.		TEX	**19.30**	3	4	2	1.95	35- 60	(80-210%)	**13.6**	**NIL**	1.42	NIL	**20**	9/30	**.30**	d.65	12/31	NIL	NIL	YES
2042	**108**	Tesla Motors	(NDQ)	TSLA	**27.42**	–	4	–	NMF	40- 65	(45-135%)	**NMF**	**NIL**	d2.49	NIL	**24**	9/30	**d.63**	d.37	12/31	NIL	NIL	YES
	516	Tesoro Corp.		TSO	**24.90**	3	3	3	1.25	30- 50	(20-100%)	**6.2**	**NIL**	3.99	NIL	**2**	9/30	**2.39**	.39	12/31	NIL	NIL	YES
244	**1382**	Tessera Technologies	(NDQ)	TSRA	**18.66**	4	3	3	1.25	30- 45	(60-140%)	**28.7**	**NIL**	.65	NIL	**88**	9/30	**.15**	.38	12/31	NIL	NIL	YES
	411	Tetra Tech	(NDQ)	TTEK	**22.79**	3	3	3	1.15	45- 65	(95-185%)	**14.5**	**NIL**	1.57	NIL	**31**	9/30	**.42**	.37	12/31	NIL	NIL	YES
	2423	TETRA Technologies		TTI	**9.51**	3	3	3	1.80	18- 30	(90-215%)	**13.8**	**NIL**	.69	NIL	**42**	9/30	**.18**	.15	12/31	NIL	NIL	YES
	1628	Teva Pharmac. (ADR)	(NDQ)	TEVA	**45.87**	1	1	3	.60	85- 105	(85-130%)	**8.3**	**2.0**	5.56	.92	**55**	9/30	**1.25**	1.30	12/31	.215	.19	YES
	1116	Texas Inds.		TXI	**31.36**	5	4	5	1.50	25- 45	(N- 45%)	**NMF**	**NIL**	d1.90	NIL	**75**	11/30	**d.75**	d.40	12/31	▼NIL	.075	YES
1054	**1383**	Texas Instruments	(NDQ)	TXN	**32.52**	4	1	3	.90	50- 60	(55- 85%)	**23.1**	**2.1**	1.41	.68	**88**	12/31	**◆.25**	.78	3/31	◆.17	.13	YES
	374	Texas Roadhouse	(NDQ)	TXRH	**15.25**	3	3	4	1.00	25- 35	(65-130%)	**16.4**	**2.1**	.93	.32	**47**	9/30	**.22**	.19	12/31	.08	NIL	YES
	1767	Textron, Inc.		TXT	**21.61**	▲1	3	4	1.65	30- 40	(40- 85%)	**14.8**	**0.4**	1.46	.08	**38**	12/31	**◆.49**	.33	3/31	.02	.02	YES
	428	Thai Fund		TTF	**12.96**	–	5	3	1.10	13- 25	(N- 95%)	**NMF**	**2.3**	NMF	.30	–	6/30	**14.93(q)**	11.35(q)	3/31	.132	.277	
	132	Thermo Fisher Sci.		TMO	**52.48**	2	2	3	.90	80- 110	(50-110%)	**11.8**	**NIL**	4.44	NIL	**65**	9/30	**1.07**	.90	12/31	NIL	NIL	YES
	1316	Thomas & Betts		TNB	**57.92**	2	3	3	1.30	50- 80	(N- 40%)	**15.5**	**NIL**	3.74	NIL	**53**	9/30	**1.03**	.78	12/31	NIL	NIL	YES
	442	Thomson Reuters	(TSE)	TRI.TO	**28.89**	2	2	2	.75	60- 80	(110-175%)	**12.3**	**4.3**	2.34	1.24	**67**	9/30	**.56**	.49	12/31	.31	.29	YES
	2321	*Thor Inds.*		THO	**30.41**	3	3	3	1.05	40- 55	(30- 80%)	**13.8**	**2.0**	2.20	.60	**41**	10/31	**.41**	.44	3/31	.15	.10	YES
	199	Thoratec Corp.	(NDQ)	THOR	**30.47**	3	3	3	.85	50- 75	(65-145%)	**20.0**	**NIL**	1.52	NIL	**68**	9/30	**.41**	.32	12/31	NIL	NIL	YES
★★	**1768**	3M Company		MMM	**85.93**	4	1	3	.80	135- 165	(55- 90%)	**14.3**	**2.6**	5.99	2.20	**38**	9/30	**1.52**	1.53	12/31	.55	.525	YES
	1813	TIBCO Software	(NDQ)	TIBX	**25.72**	3	3	4	1.05	20- 30	(N- 15%)	**37.3**	**NIL**	.69	NIL	**86**	11/30	**.30**	.22	12/31	NIL	NIL	YES
	2424	Tidewater Inc.		TDW	**54.85**	4	3	2	1.15	70- 100	(30- 80%)	**20.5**	**1.8**	2.67	1.00	**42**	9/30	**.34**	.38	3/31	.25	.25	YES
1824	**2189**	Tiffany & Co.		TIF	**63.28**	3	3	4	1.30	70- 105	(10- 65%)	**16.5**	**1.8**	3.84	1.16	**28**	10/31	**.70**	.46	3/31	.29	.25	YES
	375	*Tim Hortons*		THI	**48.14**	3	2	3	.90	55- 75	(15- 55%)	**19.2**	**1.4**	2.51	.68	**47**	9/30	**.65**	.52	12/31	.17	.127	YES
	2334	Time Warner		TWX	**37.57**	–	3	–	1.15	75- 115	(100-205%)	**13.1**	**2.5**	2.87	.94	**32**	9/30	**.78**	.46	12/31	.235	.213	YES
	1030	Time Warner Cable		TWC	**68.63**	▲1	3	4	1.05	80- 120	(15- 75%)	**13.5**	**2.8**	5.10	1.92	**1**	9/30	**1.08**	1.00	12/31	.48	.40	YES
	738	Timken Co.		TKR	**47.72**	1	3	3	1.40	65- 100	(35-110%)	**10.0**	**1.7**	4.78	.80	**46**	9/30	**1.12**	.80	12/31	.20	.18	YES
	1008	Titan Int'l		TWI	**25.05**	2	3	3	1.85	45- 65	(80-160%)	**13.8**	**0.1**	1.82	.02	**15**	9/30	**.29**	.12	3/31	.005	.005	YES
	1580	Titanium Metals		TIE	**16.21**	4	3	3	1.75	30- 45	(85-180%)	**23.8**	**NIL**	.68	NIL	**30**	9/30	**.14**	.12	12/31	NIL	NIL	YES
	1133	Toll Brothers		TOL	**22.53**	4	3	3	1.30	20- 30	(N- 35%)	**57.8**	**NIL**	.39	NIL	**98**	10/31	**.09**	.30	12/31	NIL	NIL	YES
	1938	Tootsie Roll Ind.		TR	**24.48**	5	1	3	.70	20- 30	(N- 25%)	**38.3**	**1.3**	.64	.32	**70**	9/30	**.32**	.45	3/31	.08	.078	YES
	1556	Torchmark Corp.		TMK	**45.35**	3	2	3	1.25	45- 65	(N- 45%)	**9.1**	**1.1**	4.97	.48	**51**	9/30	**1.22**	1.09	3/31	.12	.107	YES
	1735	Toro Co.		TTC	**63.62**	2	3	3	1.10	70- 100	(10- 55%)	**15.2**	**1.4**	4.18	.88	**33**	10/31	**.16**	.10	3/31	▲.22	.20	YES
	2527	Toronto-Dominion	(TSE)	TD.TO	**79.30b**	2	2	3	.85	105- 140	(30- 75%)	**11.8**	**3.5**	6.72	2.75	**72**	10/31	**1.69(b)**	1.07(b)	12/31	▲.68(b)	.61(b)	YES
	517	Total ADR		TOT	**52.56**	2	1	2	1.10	80- 100	(50- 90%)	**7.4**	**5.9**	7.13	3.08	**2**	9/30	**1.75**	1.42	12/31	.763	1.542	YES
	2566	Total System Svcs.		TSS	**20.94**	3	3	3	.90	25- 40	(20- 90%)	**17.5**	**1.9**	1.20	.40	**63**	12/31	**◆.31**	.24	3/31	▲.10	.07	YES
	400	Towers Watson & Co.		TW	**61.08**	–	3	–	NMF	60- 90	(N- 45%)	**15.3**	**0.7**	4.00	.40	**37**	9/30	**.82**	.45	3/31	.10	.075	YES
	109	Toyota Motor ADR(g)		TM	**72.33**	3	3	3	.85	115- 170	(60-135%)	**27.5**	**1.8**	2.63	1.27	**24**	9/30	**.53**	.61	12/31	.512	.72	YES
	1140	Tractor Supply	(NDQ)	TSCO	**80.70**	3	2	5	.95	80- 110	(N- 35%)	**24.5**	**0.7**	3.29	.57	**73**	9/30	**.58**	.40	12/31	.12	.07	YES
	1227	TransAlta Corp.	(TSE)	TA.TO	**20.33b**	3	3	3	.70	35- 50	(70-145%)	**16.3**	**5.7**	1.25	1.16	**91**	9/30	**.27(b)**	.17(b)	3/31	.29(b)	.29(b)	YES
447	**2029**	Transatlantic Hldgs.		TRH	**55.12**	–	2	–	.95	80- 110	(45-100%)	**9.9**	**1.6**	5.55	.88	**97**	9/30	**.93**	1.94	12/31	.22	.21	YES
	618	TransCanada Corp.		TRP	**41.29**	3	2	3	.90	50- 65	(20- 55%)	**18.2**	**4.1**	2.27	1.68	**82**	9/30	**.57**	.54	3/31	.42	.40	YES
	728	TransDigm Group		TDG	**100.55**	3	3	3	1.00	110- 165	(10- 65%)	**19.9**	**NIL**	5.05	NIL	**22**	9/30	**1.20**	.96	12/31	NIL	NIL	YES
	2425	Transocean Ltd.		RIG	**45.83**	4	3	2	1.35	95- 145	(105-215%)	**37.3**	**6.9**	1.23	3.16	**42**	9/30	**.24**	1.24	12/31	.79	NIL	YES
★★	**774**	Travelers Cos.		TRV	**58.00**	4	1	2	.85	80- 100	(40- 70%)	**10.9**	**2.8**	5.32	1.64	**96**	12/31	**◆1.48**	1.89	3/31	◆.41	.36	YES
	577	Tredegar Corp.		TG	**24.68**	3	3	3	1.05	25- 35	(N- 40%)	**19.0**	**0.7**	1.30	.18	**29**	9/30	**.26**	.28	3/31	.045	.04	YES
★★	**1939**	TreeHouse Foods		THS	**56.63**	3	3	4	.60	60- 95	(5- 70%)	**17.3**	**NIL**	3.28	NIL	**70**	9/30	**.85**	.69	12/31	NIL	NIL	YES
	1117	Trex Co.		TREX	**24.81**	4	4	4	1.40	30- 50	(20-100%)	**57.7**	**NIL**	.43	NIL	**75**	9/30	**NIL**	d.32	12/31	NIL	NIL	YES
	1212	Tri-Continental		TY	**14.94**	–	2	3	1.00	20- 30	(35-100%)	**NMF**	**1.9**	NMF	.28	–	6/30	**17.24(q)**	12.95(q)	12/31	.075	.105	
	1317	Trimble Nav. Ltd.	(NDQ)	TRMB	**45.01**	4	3	2	1.30	55- 85	(20- 90%)	**36.0**	**NIL**	1.25	NIL	**53**	9/30	**.22**	.27	12/31	NIL	NIL	YES
	739	Trinity Inds.		TRN	**31.65**	3	3	5	1.65	30- 50	(N- 60%)	**16.8**	**1.1**	1.88	.36	**46**	9/30	**.40**	.38	3/31	.09	.08	YES
	1384	TriQuint Semic.	(NDQ)	TQNT	**5.79**	4	4	1	1.45	7- 12	(20-105%)	**21.4**	**NIL**	.27	NIL	**88**	9/30	**.11**	.27	12/31	NIL	NIL	YES
	729	Triumph Group Inc.		TGI	**60.35**	1	3	3	1.10	65- 95	(10- 55%)	**13.0**	**0.3**	4.64	.18	**22**	9/30	**1.13**	.85	12/31	.04	.02	YES
	2115	True Religion Apparel	(NDQ)	TRLG	**34.15**	3	3	3	1.30	35- 50	(N- 45%)	**16.4**	**NIL**	2.08	NIL	**64**	9/30	**.48**	.48	12/31	NIL	NIL	YES
	1198	Tupperware Brands		TUP	**60.06**	3	3	3	1.10	85- 125	(40-110%)	**15.3**	**2.3**	3.92	1.40	**80**	9/30	**.17**	.62	3/31	.30	.30	YES
	1050	tw telecom	(NDQ)	TWTC	**19.97**	3	3	3	1.35	25- 35	(25- 75%)	**43.4**	**NIL**	.46	NIL	**5**	9/30	**.10**	.11	12/31	NIL	NIL	YES
	1769	Tyco Int'l		TYC	**49.25**	–	3	–	1.05	NMF	(NMF)	**14.2**	**2.0**	3.47	1.00	**38**	9/30	**.92**	.74	3/31	.25	.237	YES
	1940	Tyson Foods 'A'		TSN	**18.97**	3	3	3	1.05	25- 40	(30-110%)	**10.5**	**0.8**	1.80	.16	**70**	9/30	**.26**	.57	3/31	.04	.04	YES
	1539	**UDR, Inc.**		UDR	**25.05**	4	3	3	1.10	20- 30	(N- 20%)	**NMF**	**3.4**	d.19	.86	**90**	9/30	**d.07**	d.18	3/31	▲.215	.185	YES
	552	UGI Corp.		UGI	**28.10**	▼4	2	3	.70	30- 40	(5- 40%)	**12.5**	**3.8**	2.25	1.06	**76**	12/31	**◆.77**	1.01	6/30	◆.26	.25	YES
	156	UIL Holdings		UIL	**33.95**	3	2	3	.70	30- 45	(N- 35%)	**16.6**	**5.1**	2.05	1.73	**52**	9/30	**.24**	.63	12/31	.432	.432	YES
	1242	URS Corp.		URS	**40.26**	2	3	3	1.25	70- 100	(75-150%)	**10.6**	**NIL**	3.80	NIL	**36**	9/30	**.98**	.87	12/31	NIL	NIL	YES
	315	US Airways Group		LCC	**6.41**	▲2	5	3	1.65	14- 25	(120-290%)	**8.9**	**NIL**	.72	NIL	**9**	12/31	**◆.11**	.17	12/31	NIL	NIL	YES
	412	US Ecology	(NDQ)	ECOL	**19.17**	2	3	3	.95	25- 40	(30-110%)	**17.1**	**3.8**	1.12	.72	**31**	9/30	**.33**	.23	3/31	.18	.18	YES
	1118	*USG Corp*		*USG*	**13.31**	5	5	3	1.65	17- 30	(30-125%)	**NMF**	**NIL**	d2.41	NIL	**75**	9/30	**d.53**	d.65	12/31	NIL	NIL	YES
	2190	Ulta Salon	(NDQ)	ULTA	**77.38**	3	3	5	1.35	▲ 105- 155	(35-100%)	**37.7**	**NIL**	2.05	NIL	**28**	10/31	**.42**	.23	12/31	NIL	NIL	YES
	2399	Ultra Petroleum		UPL	**24.82**	2	3	3	1.10	90- 135	(265-445%)	**9.5**	**NIL**	2.62	NIL	**6**	9/30	**.72**	.60	12/31	NIL	NIL	YES
	2116	Under Armour		UA	**76.40**	3	3	5	1.30	85- 130	(10- 70%)	**39.2**	**NIL**	1.95	NIL	**64**	9/30	**.88**	.68	12/31	NIL	NIL	YES
	2117	Unifi, Inc.		UFI	**9.30**	3	5	1	1.35	▼ 17- 30	(85-225%)	**18.6**	**NIL**	▼.50	NIL	**64**	9/30	**.01**	.56	12/31	NIL	NIL	
	401	UniFirst Corp.		UNF	**60.93**	2	3	3	.90	60- 90	(N- 50%)	**14.9**	**0.2**	4.10	.15	**37**	11/30	**1.30**	1.20	6/30	.038	.038	YES
	1941	*Unilever PLC ADR(g)*		*UL*	**32.04**	3	1	2	.75	40- 45	(25- 40%)	**14.6**	**4.2**	2.20	1.35	**70**	6/30	**1.03(p)**	.48	12/31	.307	.29	YES
	346	Union Pacific		UNP	**111.21**	2	2	3	1.15	140- 190	(25- 70%)	**15.8**	**2.2**	7.06	2.40	**3**	12/31	**◆1.99**	1.56	3/31	▲.60	.38	YES
	2249	UniSource Energy		UNS	**36.65**	3	3	3	.75	▼ 40- 60	(10- 65%)	**13.3**	**4.6**	2.75	1.68	**13**	9/30	**1.35**	1.36	12/31	.42	.39	YES
	1419	Unisys Corp.		UIS	**19.85**	2	5	1	1.85	30- 50	(50-150%)	**4.5**	**NIL**	4.43	NIL	**48**	9/30	**1.63**	.50	12/31	NIL	NIL	YES
	316	United Cont'l Hldgs.	(NDQ)	UAL	**19.40**	–	4	–	1.70	35- 60	(80-210%)	**4.8**	**NIL**	4.07	NIL	**9**	9/30	**2.00**	2.26	12/31	NIL	NIL	YES
	1957	United Natural Foods	(NDQ)	UNFI	**42.98**	3	3	4	.80	40- 60	(N- 40%)	**22.6**	**NIL**	1.90	NIL	**16**	10/31	**.40**	.39	12/31	NIL	NIL	YES
	2635	United Online	(NDQ)	UNTD	**5.61**	3	3	3	1.05	10- 15	(80-165%)	**9.8**	**7.1**	.57	.40	**78**	9/30	**.13**	.13	12/31	.10	.10	YES
	317	United Parcel Serv.		UPS	**75.00**	3	1	3	.85	105- 130	(40- 75%)	**16.6**	**2.8**	4.52	2.08	**9**	9/30	**1.06**	.93	12/31	.52	.47	YES
	1736	United Rentals		URI	**33.97**	2	5	5	1.65	30- 50	(N- 45%)	**16.2**	**NIL**	2.10	NIL	**33**	9/30	**.91**	.34	12/31	NIL	NIL	YES
	793	U.S. Bancorp		USB	**28.45**	2	3	3	1.10	35- 50	(25- 75%)	**11.5**	**1.8**	2.47	.50	**74**	12/31	**.69**	.49	3/31	.125	.05	YES
	941	U.S. Cellular		USM	**46.12**	2	3	3	1.10	55- 80	(20- 75%)	**22.4**	**NIL**	2.06	NIL	**8**	9/30	**.73**	.43	12/31	NIL	NIL	YES

(•) *All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.*
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

PAGE NUMBERS
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Page Numbers		NAME OF STOCK	Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	753	U.S. Steel Corp.	X	28.96	2	3	3	1.70	60- 85 (105-195%)	NMF	0.7	.17	.20	44	9/30	.15	d.35	12/31	.05	.05	YES
	1431	United Stationers (NDQ)	USTR	33.49	3	3	4	1.15	40- 60 (20- 80%)	13.0	1.6	2.57	.52	26	9/30	.81	.77	3/31	.13	NIL	YES
★★	1770	United Technologies	UTX	77.78	3	1	4	1.00	110- 135 (40- 75%)	13.7	2.5	5.67	1.92	38	12/31	◆1.47	1.31	12/31	.48	.425	YES
	846	United Therapeutics (NDQ)	UTHR	48.09	2	3	1	.85	115- 175 (140-265%)	11.7	NIL	4.11	NIL	95	9/30	1.38	.66	12/31	NIL	NIL	YES
	815	UnitedHealth Group	UNH	51.33	2	2	4	1.00	85- 115 (65-125%)	11.0	1.3	4.65	.65	4	12/31	◆1.17	.94	12/31	.163	.125	YES
	1994	Universal Corp.	UVV	45.59	3	3	2	.80	45- 65 (N- 45%)	11.3	4.3	4.03	1.96	27	9/30	1.39	1.61	3/31	▲.49	.48	YES
2654	2020	Universal Electronics (NDQ)	UEIC	18.29	3	3	3	1.00	35- 55 (90-200%)	11.2	NIL	1.63	NIL	94	9/30	.53	.34	12/31	NIL	NIL	
	1119	Universal Forest (NDQ)	UFPI	31.93	3	3	1	1.25	35- 50 (10- 55%)	31.9	1.3	1.00	.40	75	9/30	.29	.13	12/31	.20	.20	YES
	816	Universal Health Sv 'B'	UHS	40.44	1	3	3	.90	70- 105 (75-160%)	9.5	0.5	4.26	.20	4	9/30	.86	.55	3/31	◆.05	.05	YES
	1557	Unum Group	UNM	23.32	3	3	2	1.35	30- 45 (30- 95%)	7.6	1.8	3.06	.42	51	9/30	.74	.68	3/31	.105	.093	YES
1825	2233	Urban Outfitters (NDQ)	URBN	26.61	4	3	1	1.05	▼ 45- 65 (70-145%)	18.9	NIL	▼1.41	NIL	50	10/31	.33	.43	12/31	NIL	NIL	YES
	970	UTStarcom Holdings (NDQ)	UTSI	1.28	4	5	1	1.60	2- 5 (55-290%)	16.0	NIL	.08	NIL	89	9/30	.05	d.13	12/31	NIL	NIL	YES
	817	**VCA Antech** (NDQ)	WOOF	22.27	3	3	2	.95	25- 40 (10- 80%)	15.6	NIL	1.43	NIL	4	9/30	.35	.37	12/31	NIL	NIL	YES
	2118	V.F. Corp.	VFC	132.56	3	2	4	.95	170- 225 (30- 70%)	16.1	2.2	8.22	2.88	64	9/30	2.87	2.22	12/31	▲.72	.63	YES
	2354	Vail Resorts	MTN	45.07	3	3	3	1.30	50- 80 (10- 80%)	44.6	1.3	1.01	.60	25	10/31	d1.54	d1.20	3/31	.15	NIL	YES
	2384	Valassis Communic.	VCI	20.85	2	4	3	2.00	30- 45 (45-115%)	7.7	NIL	2.71	NIL	40	9/30	.58	.52	12/31	NIL	NIL	YES
	1629	Valeant Pharm. Int'l	VRX	49.78	–	3	–	NMF	60- 90 (20- 80%)	16.3	NIL	3.05	NIL	55	9/30	.66	.39	12/31	NIL	.32	YES
	518	Valero Energy	VLO	24.19	1	3	2	1.30	40- 55 (65-125%)	5.8	2.5	4.15	.60	2	9/30	2.11	.52	3/31	▲.15	.05	YES
	1771	*Valmont Inds.*	VMI	102.50	2	3	4	1.30	110- 170 (5- 65%)	15.4	0.7	6.65	.72	38	9/30	1.59	.98	3/31	.18	.165	YES
	578	Valspar Corp.	VAL	41.99	3	3	3	.95	45- 65 (5- 55%)	NMF	1.9	d1.38	.80	29	10/31	d3.18	.51	3/31	▲.20	.18	YES
	2385	ValueClick Inc. (NDQ)	VCLK	16.96	3	3	5	1.25	30- 50 (75-195%)	17.9	NIL	.95	NIL	40	9/30	.23	.16	12/31	NIL	NIL	YES
2446	2191	ValueVision Media (NDQ)	VVTV	1.62	5	5	5	1.25	▼ 3- 6 (85-270%)	NMF	NIL	▼d.33	NIL	28	10/31	d.13	d.18	12/31	NIL	NIL	YES
	200	Varian Medical Sys.	VAR	68.51	3	1	3	.85	105- 130 (55- 90%)	18.0	NIL	3.80	NIL	68	9/30	.95	.87	12/31	NIL	NIL	YES
	2649	Varian Semiconductor	VSEA	SEE FINAL SUPPLEMENT - PAGE 2649																	
	918	*Vectren Corp.*	VVC	28.54	2	2	3	.70	30- 40 (5- 40%)	14.9	4.9	1.92	1.41	12	9/30	.43	.20	12/31	▲.35	.345	YES
	133	Veeco Instruments (NDQ)	VECO	24.44	4	4	2	1.55	45- 80 (85-225%)	8.2	NIL	2.98	NIL	65	9/30	1.33	1.46	12/31	NIL	NIL	YES
	1540	Ventas, Inc.	VTR	57.39	3	3	3	1.10	45- 70 (N- 20%)	38.5	4.2	1.49	2.40	90	9/30	.35	.37	12/31	.575	.535	YES
	971	Verifone Systems	PAY	39.22	3	4	4	1.40	60- 95 (55-140%)	32.1	NIL	1.22	NIL	89	10/31	d.18	.55	12/31	NIL	NIL	YES
	2636	VeriSign Inc. (NDQ)	VRSN	36.52	3	3	2	.90	45- 65 (25- 80%)	29.2	NIL	1.25	NIL	78	9/30	.36	.26	12/31	NIL	NIL	YES
	443	Verisk Analytics (NDQ)	VRSK	39.98	3	2	3	.50	40- 65 (N- 65%)	23.8	NIL	1.68	NIL	67	9/30	.41	.34	12/31	NIL	NIL	YES
★★	942	Verizon Communic.	VZ	37.79	2	1	3	.70	55- 65 (45- 70%)	16.3	5.3	2.32	2.00	8	12/31	◆.52	.54	3/31	.50	.488	YES
	847	Vertex Pharmac. (NDQ)	VRTX	34.99	3	3	4	.95	85- 125 (145-255%)	8.7	NIL	4.02	NIL	95	9/30	1.02	d1.04	12/31	NIL	NIL	YES
	2335	Viacom Inc. 'B'	VIAB	48.00	2	3	3	1.20	60- 95 (25-100%)	11.8	2.1	4.07	1.00	32	9/30	1.06	.75	6/30	◆.25	.15	YES
	1772	Viad Corp.	VVI	19.23	5	3	3	1.10	20- 30 (5- 55%)	29.6	0.8	.65	.16	38	9/30	.06	.23	3/31	.04	.04	YES
	597	ViaSat, Inc. (NDQ)	VSAT	47.67	4	3	4	.95	45- 65 (N- 35%)	58.9	NIL	.81	NIL	92	9/30	.32	.32	12/31	NIL	NIL	YES
	1958	Village Super Market (NDQ)	VLGEA	31.93	3	2	1	.70	30- 40 (N- 25%)	17.3	3.1	1.85	1.00	16	10/31	.49	.29	3/31	▲.25	NIL	
	2567	Visa Inc.	V	101.01	3	3	3	1.05	150- 220 (50-120%)	18.7	0.9	5.41	.88	63	9/30	1.27	.95	12/31	▲.22	.15	YES
	1346	Vishay Intertechnology	VSH	12.06	3	3	2	1.25	25- 35 (105-190%)	9.2	NIL	1.31	NIL	54	9/30	.32	.47	12/31	NIL	NIL	YES
	1009	Visteon Corp.	VC	48.51	–	3	–	NMF	65- 100 (35-105%)	14.5	NIL	3.35	NIL	15	9/30	NA	NA	12/31	NIL	NIL	YES
	2192	Vitamin Shoppe	VSI	43.70	3	3	4	.80	40- 60 (N- 35%)	27.0	NIL	1.62	NIL	28	9/30	.40	.25	12/31	NIL	NIL	YES
	2594	VMware, Inc.	VMW	92.66	3	3	3	1.20	90- 135 (N- 45%)	56.2	NIL	1.65	NIL	56	12/31	◆.46	.28	12/31	NIL	NIL	YES
	943	Vodafone Group ADR(g)(NDQ)	VOD	27.66	2	2	2	.80	35- 45 (25- 65%)	11.1	7.7	2.50	2.12	8	9/30	1.24(p)	1.39(p)	12/31	NIL	NIL	YES
	238	Volcano Corp. (NDQ)	VOLC	27.30	4	3	4	.80	40- 60 (45-120%)	NMF	NIL	.26	NIL	61	9/30	.05	.10	12/31	NIL	NIL	YES
	944	Vonage Holdings	VG	2.31	2	4	3	1.15	3- 5 (30-115%)	5.5	NIL	.42	NIL	8	9/30	.11	.04	12/31	NIL	NIL	YES
	1541	Vornado R'lty Trust	VNO	81.51	5	3	3	1.25	75- 110 (N- 35%)	34.7	3.4	2.35	2.76	90	9/30	.22	.52	3/31	◆.69	.69	YES
1053	1120	Vulcan Materials	VMC	42.22	–	3	–	1.10	25- 35 (N- N%)	NMF	0.1	d.90	.04	75	9/30	.17	.08	12/31	▼.01	.25	YES
	1010	**WABCO Hldgs.**	WBC	50.98	2	3	4	1.30	95- 140 (85-175%)	10.1	NIL	5.03	NIL	15	9/30	1.22	.66	12/31	NIL	NIL	YES
	1199	WD-40 Co. (NDQ)	WDFC	42.79	4	2	3	.75	45- 60 (5- 40%)	19.3	2.7	2.22	1.16	80	11/30	.42	.53	3/31	▲.29	.27	YES
	553	WGL Holdings Inc.	WGL	43.00	3	1	3	.65	35- 45 (N- 5%)	17.6	3.6	2.44	1.56	76	9/30	d.26	d.29	3/31	.388	.378	YES
2655	2355	WMS Industries	WMS	20.77	3	3	2	1.20	50- 70 (140-235%)	12.2	NIL	1.70	NIL	25	9/30	.24	.37	12/31	NIL	NIL	YES
	1038	W.P. Carey & Co. LLC	WPC	42.23	3	3	3	.85	35- 55 (N- 30%)	16.8	5.3	2.51	2.25	60	9/30	.59	.41	3/31	▲.563	.51	
	2386	WPP PLC ADR (NDQ)	WPPGY	58.37	3	3	2	1.20	70- 110 (20- 90%)	12.3	2.8	4.73	1.66	40	6/30	1.47(p)	.94(p)	12/31	.592	.466	YES
	174	Wabash National	WNC	8.84	4	4	4	1.65	14- 25 (60-185%)	17.0	NIL	.52	NIL	20	9/30	.02	d.09	12/31	NIL	NIL	YES
	1737	Wabtec Corp.	WAB	71.00	3	3	4	1.10	65- 95 (N- 35%)	18.2	0.2	3.91	.12	33	9/30	.96	.63	3/31	◆.03	.01	YES
244	2151	Wal-Mart Stores	WMT	61.39	2	1	2	.60	▲ 80- 95 (30- 55%)	13.0	2.4	4.72	1.46	43	10/31	.97	.90	3/31	.365	.303	YES
1644	980	Walgreen Co.	WAG	34.27	3	1	3	.80	65- 75 (90-120%)	12.2	2.6	2.80	.90	57	11/30	.63	.62	3/31	.225	.175	YES
	608	Walter Energy	WLT	67.54	2	3	4	1.90	110- 165 (65-145%)	8.4	0.7	8.06	.50	19	9/30	1.21	2.57	12/31	.125	.125	YES
	2119	Warnaco Group	WRC	55.79	2	3	3	1.25	70- 105 (25- 90%)	13.3	NIL	4.18	NIL	64	9/30	1.07	1.04	12/31	NIL	NIL	YES
	1630	Warner Chilcott plc (NDQ)	WCRX	16.47	–	3	–	.90	40- 60 (145-265%)	17.9	NIL	.92	NIL	55	9/30	.13	.23	12/31	NIL	NIL	YES
	1512	Washington Federal (NDQ)	WFSL	15.69	3	3	3	1.00	19- 30 (20- 90%)	13.4	2.0	1.17	.32	84	12/31	.31	.22	3/31	▲.08	.06	YES
	2375	Washington Post	WPO	392.33	4	2	3	.85	800-1085 (105-175%)	19.4	2.5	20.21	9.80	71	9/30	d.50	9.12	3/31	▲2.45	2.35	
	1542	Washington R.E.I.T.	WRE	29.52	4	3	3	1.00	30- 45 (N- 50%)	77.7	5.9	.38	1.74	90	9/30	.04	.10	12/31	.434	.434	YES
	413	Waste Connections	WCN	32.76	2	3	3	.75	40- 60 (20- 85%)	20.5	1.1	1.60	.37	31	9/30	.42	.35	12/31	▲.09	.075	YES
	414	Waste Management	WM	34.33	3	2	3	.80	40- 55 (15- 60%)	14.9	4.2	2.30	1.43	31	9/30	.63	.55	12/31	.34	.315	YES
	134	Waters Corp.	WAT	85.04	3	2	4	.85	115- 155 (35- 80%)	16.8	NIL	5.05	NIL	65	12/31	◆1.51	1.36	12/31	NIL	NIL	YES
	1141	Watsco, Inc.	WSO	68.57	4	3	3	.95	75- 110 (10- 60%)	24.1	3.6	2.85	2.48	73	9/30	1.02	.97	3/31	▲.62	.52	YES
	1631	Watson Pharmac.	WPI	55.89	▼2	2	4	.75	65- 90 (15- 60%)	10.2	NIL	5.50	NIL	55	9/30	1.09	.85	12/31	NIL	NIL	YES
	1738	Watts Water Techn.	WTS	37.02	3	3	3	1.05	40- 65 (10- 75%)	14.5	1.2	2.55	.44	33	9/30	.68	.46	12/31	.11	.11	YES
	1167	Wausau Paper	WPP	8.61	2	3	2	1.20	10- 16 (15- 85%)	31.9	1.4	.27	.12	34	9/30	.11	.20	3/31	.03	.03	YES
	2426	Weatherford Int'l	WFT	16.49	3	3	1	1.60	35- 50 (110-205%)	14.1	NIL	1.17	NIL	42	9/30	.25	.13	12/31	NIL	NIL	YES
1825	827	WebMD Health (NDQ)	WBMD	26.65	5	3	2	.80	50- 75 (90-180%)	30.3	NIL	.88	NIL	83	9/30	.19	.24	12/31	NIL	NIL	YES
	1814	Websense Inc. (NDQ)	WBSN	19.21	3	3	4	1.05	30- 45 (55-135%)	24.0	NIL	.80	NIL	86	9/30	.20	.13	12/31	NIL	NIL	YES
	2528	Webster Fin'l	WBS	21.49	3	4	3	1.35	16- 25 (N- 15%)	12.6	0.9	1.70	.20	72	12/31	◆.43	.30	3/31	◆.05	.01	YES
	2193	Weight Watchers	WTW	72.94	3	3	4	.90	90- 135 (25- 85%)	16.7	1.0	4.38	.70	28	9/30	1.09	.59	3/31	.175	.175	YES
	1543	Weingarten Realty	WRI	24.22	4	3	3	1.30	20- 35 (N- 45%)	78.1	4.5	.31	1.10	90	9/30	d.35	.07	3/31	.275	.26	YES
	1959	Weis Markets	WMK	42.80	3	1	3	.65	45- 55 (5- 30%)	15.7	2.8	2.73	1.20	16	9/30	.63	.61	12/31	▲.30	.29	
	818	WellPoint, Inc.	WLP	69.40	3	3	4	.95	65- 100 (N- 45%)	9.7	1.4	7.17	1.00	4	12/31	◆.99	1.40	12/31	.25	NIL	YES
	2529	Wells Fargo	WFC	30.54	2	3	3	1.35	45- 70 (45-130%)	10.1	1.6	3.02	.48	72	12/31	.73	.61	3/31	◆.12	.05	YES
	376	Wendy's Company	WEN	5.27	3	3	3	.95	5- 8 (N- 50%)	32.9	1.5	.16	.08	47	9/30	.05	.05	12/31	.02	.02	YES
	328	Werner Enterprises (NDQ)	WERN	25.49	2	3	3	.90	30- 45 (20- 75%)	17.6	0.8	1.45	.20	7	9/30	.40	.33	3/31	.05	.05	YES
	1318	WESCO Int'l	WCC	58.71	▲2	3	3	1.45	75- 115 (30- 95%)	13.0	NIL	4.51	NIL	53	9/30	1.11	.74	12/31	NIL	NIL	YES
	2194	West Marine (NDQ)	WMAR	12.00	2	3	2	.95	14- 20 (15- 65%)	13.0	NIL	.92	NIL	28	9/30	.42	.25	12/31	NIL	NIL	

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter. For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 6-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

PAGE NUMBERS
Bold type refers to Ratings and Reports;
italics to Selection & Opinion

Page	Page	NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 6-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	239	West Pharmac. Svcs.		WST	39.97	3	3	3	.75	50- 75	(25- 90%)	16.4	1.8	2.44	.72	81	9/30	.53	.46	3/31	.18	.17	YES
	919	Westar Energy		WR	28.19	3	2	3	.75	25- 35	(N- 25%)	15.0	4.6	1.88	1.31	12	9/30	.98	1.01	3/31	.32	.31	YES
	1420	Western Digital		WDC	36.88	▲2	3	5	1.25	40- 60	(10- 65%)	NMF	NIL	NIL	NIL	48	12/31	◆.61	.96	12/31	NIL	NIL	YES
	2568	Western Union		WU	19.16	2	3	3	1.10	25- 40	(30-110%)	11.8	1.7	1.62	.32	63	9/30	.40	.37	12/31	.08	.13	YES
2031	579	Westlake Chemical		WLK	57.27	3	3	4	1.35	60- 90	(5- 55%)	12.0	0.5	4.79	.30	29	9/30	1.01	.95	12/31	.074	.064	YES
	1960	Weston (George)	(TSE)	WN.TO	65.70	2	2	2	.45	105- 145	(60-120%)	13.6	2.2	4.84	1.44	16	9/30	1.94	1.32	12/31	.36	.36	YES
	2234	Wet Seal 'A'	(NDQ)	WTSLA	3.57	4	3	4	1.00	▼ 5- 7	(40- 95%)	17.0	NIL	▼.21	NIL	50	10/31	.04	.03	12/31	NIL	NIL	YES
	1168	Weyerhaeuser Co.		WY	19.94	–	3	–	NMF	30- 45	(50-125%)	28.5	3.0	.70	.60	34	9/30	.25	.25	12/31	.15	.05	YES
2446	1773	Whirlpool Corp.		WHR	54.36	3	3	3	1.30	115- 175	(110-220%)	5.8	3.7	9.38	2.00	38	9/30	2.35	2.22	12/31	.50	.43	YES
	1961	Whole Foods Market	(NDQ)	WFM	77.31	3	3	4	1.05	65- 100	(N- 30%)	35.1	0.7	2.20	.56	16	9/30	.42	.33	3/31	▲.14	.10	YES
	2366	Wiley (John) & Sons		JWA	45.83	3	3	3	.90	80- 120	(75-160%)	13.6	1.7	3.37	.80	35	10/31	.83	.88	3/31	.20	.16	YES
1434	619	Williams Cos.		WMB	29.06	–	3	–	1.30	35- 50	(20- 70%)	17.1	3.6	1.70	1.04	82	9/30	.40	.22	3/31	▲.259	.125	YES
	631	Williams Partners L.P.		WPZ	64.84	3	3	3	1.05	60- 85	(N- 30%)	17.8	4.8	3.65	3.14	85	9/30	.91	.63	12/31	▲.748	.688	YES
1825	2195	Williams-Sonoma		WSM	34.96	3	3	3	1.15	50- 80	(45-130%)	15.2	2.5	2.30	.88	28	10/31	.41	.34	3/31	.17	.15	YES
	1051	Windstream Corp.	(NDQ)	WIN	12.12	3	3	3	.90	12- 19	(N- 55%)	16.2	8.3	.75	1.00	5	9/30	.17	.18	3/31	.25	.25	YES
1245	1962	Winn-Dixie Stores	(NDQ)	WINN	9.46	–	4	–	.85	7- 12	(N- 25%)	NMF	NIL	d.20	NIL	16	9/30	d.44	d.42	12/31	NIL	NIL	YES
	2322	Winnebago		WGO	9.12	5	4	1	1.50	11- 19	(20-110%)	22.2	NIL	.41	NIL	41	11/30	.04	.13	12/31	NIL	NIL	YES
	794	Wintrust Financial	(NDQ)	WTFC	31.40	3	3	3	1.10	30- 45	(N- 45%)	15.4	0.6	2.04	.18	74	12/31	◆.41	d.06	12/31	NIL	NIL	YES
	920	*Wisconsin Energy*		WEC	33.92	3	2	3	.65	35- 45	(5- 35%)	15.5	3.5	2.19	1.20	12	9/30	.55	.47	3/31	▲.30	.26	YES
	2162	Wolverine World Wide		WWW	37.03	3	2	4	.85	50- 65	(35- 75%)	13.9	1.3	2.66	.48	49	9/30	.82	.70	3/31	.12	.11	YES
	135	Woodward, Inc.	(NDQ)	WWD	42.72	▼3	3	3	1.45	45- 70	(5- 65%)	19.4	0.7	2.20	.28	65	12/31	◆.40	.35	12/31	.07	.06	YES
	2336	World Wrestling Ent.		WWE	9.63	4	3	1	.80	14- 20	(45-110%)	13.2	5.0	.73	.48	32	9/30	.14	.19	12/31	.12	.36	YES
	754	Worthington Inds.		WOR	19.05	3	3	4	1.35	25- 40	(30-110%)	10.6	2.5	1.80	.48	44	11/30	.27	.20	3/31	.12	.10	YES
	2569	Wright Express		WXS	56.08	2	3	3	1.05	85- 125	(50-125%)	14.8	NIL	3.79	NIL	63	9/30	.99	.72	12/31	NIL	NIL	YES
	201	*Wright Medical*	(NDQ)	WMGI	16.60	3	3	3	.95	30- 45	(80-170%)	NMF	NIL	d.23	NIL	68	9/30	d.42	.12	12/31	NIL	NIL	YES
	2356	Wyndham Worldwide		WYN	40.37	2	4	3	1.85	35- 55	(N- 35%)	14.3	1.5	2.82	.60	25	9/30	1.08	.68	12/31	.15	.12	YES
	2357	Wynn Resorts	(NDQ)	WYNN	118.47	3	3	3	1.85	225- 340	(90-185%)	21.9	1.3	5.42	1.50	25	9/30	1.05	.39	12/31	.50	NIL	YES
	775	**XL Group plc**		XL	20.42	5	4	2	1.55	25- 40	(20- 95%)	10.4	2.2	1.97	.44	96	9/30	.28	.52	12/31	.11	.10	YES
	2637	XO Group		XOXO	7.83	4	3	3	1.00	10- 15	(30- 90%)	41.2	NIL	.19	NIL	78	9/30	.04	.03	12/31	NIL	NIL	YES
	2250	Xcel Energy Inc.		XEL	26.52	2	2	3	.65	▲ 25- 30	(N- 15%)	14.7	4.0	1.80	1.06	13	9/30	.69	.62	3/31	.26	.253	YES
	848	XenoPort, Inc.	(NDQ)	XNPT	4.35	4	4	2	.95	15- 25	(245-475%)	NMF	NIL	d1.66	NIL	95	9/30	d.53	d.65	12/31	NIL	NIL	YES
	1432	Xerox Corp.		XRX	8.67	▼2	3	3	1.25	13- 20	(50-130%)	7.6	2.0	1.14	.17	26	12/31	◆.33	.29	3/31	.043	.043	YES
	1385	Xilinx Inc.	(NDQ)	XLNX	36.06	4	2	2	.90	40- 50	(10- 40%)	22.7	2.1	1.59	.76	88	12/31	◆.47	.58	3/31	◆.19	.16	YES
1650	2638	**Yahoo! Inc.**	(NDQ)	YHOO	15.69	3	3	3	1.00	20- 35	(25-125%)	18.5	NIL	.85	NIL	78	12/31	◆.24	.24	12/31	NIL	NIL	YES
2658	377	Yum! Brands		YUM	62.27	3	2	3	.90	60- 80	(N- 30%)	20.6	1.8	3.02	1.14	47	9/30	.83	.73	3/31	.285	.25	YES
	2196	**Zale Corp.**		ZLC	2.83	4	5	4	1.55	8- 15	(185-430%)	NMF	NIL	▲d1.00	NIL	28	10/31	d.99	d3.03	12/31	NIL	NIL	YES
	598	Zebra Techn. 'A'	(NDQ)	ZBRA	37.28	3	3	3	1.00	50- 80	(35-115%)	14.5	NIL	2.57	NIL	92	9/30	.64	.46	12/31	NIL	NIL	YES
	1942	Zhongpin	(NDQ)	HOGS	11.68	–	5	–	1.30	25- 50	(115-330%)	5.4	NIL	2.18	NIL	70	9/30	.47	.42	12/31	NIL	NIL	YES
	202	Zimmer Holdings		ZMH	56.55	▲2	2	3	.95	85- 115	(50-105%)	11.6	1.3	4.89	.72	68	9/30	1.01	.96	6/30	▲.18	NIL	YES
	2530	Zions Bancorp.	(NDQ)	ZION	17.15	▼3	3	4	1.50	19- 30	(10- 75%)	14.8	0.2	1.16	.04	72	12/31	◆.24	d.62	12/31	.01	.01	YES
	2197	Zipcar, Inc.	(NDQ)	ZIP	14.86	–	3	–	NMF	16- 25	(10- 70%)	NMF	NIL	▲.07	NIL	28	9/30	.02	NA	12/31	NIL	NIL	YES
1058	240	ZOLL Medical	(NDQ)	ZOLL	67.10	3	3	5	1.10	50- 75	(N- 10%)	37.1	NIL	1.81	NIL	81	12/31	◆.29	.18	12/31	NIL	NIL	YES
642	2439	Zoltek Cos.	(NDQ)	ZOLT	8.41	3	4	2	1.75	16- 25	(90-195%)	28.0	NIL	.30	NIL	21	9/30	.02	d.06	12/31	NIL	NIL	YES
852	2235	Zumiez Inc.	(NDQ)	ZUMZ	29.34	2	3	4	1.30	25- 40	(N- 35%)	24.7	NIL	1.19	NIL	50	10/31	.45	.40	12/31	NIL	NIL	YES
	136	Zygo Corp.	(NDQ)	ZIGO	17.10	2	3	2	1.20	35- 55	(105-220%)	12.7	NIL	1.35	NIL	65	9/30	.35	.16	12/31	NIL	NIL	YES

(•) *All data adjusted for announced stock split or stock dividend.* See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

INDUSTRIES, IN ORDER OF TIMELINESS*

Arrow (▲▼) before name indicates that a **significant change in Rank** has occurred since the preceding week.

1 Cable TV
2 Petroleum (Integrated)
3 Railroad
4 Medical Services
5 Telecom. Utility
6 Petroleum (Producing)
7 Trucking
8 Telecom. Services
9▲Air Transport
10 Chemical (Basic)
11 Retail Automotive
12 Electric Util. (Central)
13 Electric Utility (West)
14 Water Utility
15 Auto Parts
16 Retail/Wholesale Food
17▼Packaging & Container
18 Precious Metals
19 Coal
20 Heavy Truck & Equip
21 Chemical (Diversified)
22 Aerospace/Defense
23 Toiletries/Cosmetics
24 Automotive
25 Hotel/Gaming
26 Office Equip/Supplies
27 Tobacco
28 Retail (Hardlines)
29 Chemical (Specialty)
30 Metals & Mining (Div.)
31 Environmental
32 Entertainment
33 Machinery
34▲Paper/Forest Products
35 Publishing
36 Engineering & Const
37 Industrial Services
38 Diversified Co.
39 Human Resources
40 Advertising
41 Recreation
42 Oilfield Svcs/Equip.
43 Retail Store
44 Steel
45 IT Services
46 Metal Fabricating
47 Restaurant
48 Computers/Peripherals
49 Shoe
50 Retail (Softlines)
51 Insurance (Life)
52 Electric Utility (East)
53 Electrical Equipment
54 Electronics
55 Drug
56 Computer Software
57 Pharmacy Services
58▼Foreign Electronics
59 Natural Gas (Div.)
60 Property Management
61 Beverage
62 Furn/Home Furnishings
63 Financial Svcs. (Div.)
64 Apparel
65 Precision Instrument
66 Educational Services
67 Information Services
68 Med Supp Invasive
69 Securities Brokerage
70 Food Processing
71 Newspaper
72 Bank
73 Retail Building Supply
74 Bank (Midwest)
75 Building Materials
76 Natural Gas Utility
77 Maritime
78 Internet
79 Funeral Services
80 Household Products
81 Med Supp Non-Invasive
82 Oil/Gas Distribution
83 Healthcare Information
84 Thrift
85 Pipeline MLPs
86 E-Commerce
87 Semiconductor Equip
88 Semiconductor
89 Telecom. Equipment
90 R.E.I.T.
91 Power
92 Wireless Networking
93 Public/Private Equity
94 Entertainment Tech
95 Biotechnology
96 Insurance (Prop/Cas.)
97 Reinsurance
98 Homebuilding

***Based on the Timeliness™ ranks of the stocks in the industry**

Noteworthy Rank Changes

Listed below are some of the stocks whose Timeliness ranks have changed this week. We include mostly rank changes caused by fundamentals such as new earnings reports. Even when a significant change in earnings momentum has been forecast, the stock's rank will not be affected until the actual results, confirming that forecast, are reported. In most cases, we omit stocks that have been bumped up or down in rank by the dynamism of the ranking system.

STOCKS MOVING UP IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 6-30-12
Apple Inc. (B)	2	1	Higher than expected earnings. Dec. period $13.87 vs. year ago $6.43. Our estimate was $9.50.	Under Review
Ashland Inc.	3	2	Greater than average gain. Dec. quarter $1.20 vs. year ago 79¢. Our estimate was $1.15.	$4.76
CA, Inc.	2	1	Surprise factor, greater than average gain. Dec. quarter 54¢ vs. year ago 39¢. Our estimate was 45¢.	1.92
Caterpillar Inc. (B)	2	1	Higher than expected earnings. Dec. quarter $2.25 vs. year ago $1.47. Our estimate was $1.81.	Under Review
Delta Air Lines	2	1	Surprise factor, earnings turnaround. Dec. quarter 45¢ vs. year ago 19¢. Our estimate was 19¢.	Under Review
Heartland Express	4	3	Surprise factor, earnings turnaround. Dec. quarter 20¢ vs. year ago 17¢. Our estimate was 17¢.	Under Review
Hutchinson Techn.	4	3	Higher than expected earnings. Dec. period d49¢ vs. year ago d65¢. Our estimate was d60¢.	Under Review
JetBlue Airways	2	1	Surprise factor, earnings turnaround. Dec. quarter 8¢ vs. year ago 3¢. Our estimate was d1¢.	Under Review
Netflix, Inc. (B)	5	4	Higher than expected earnings. Dec. quarter 73¢ vs. year ago 87¢. Our estimate was 57¢.	Under Review
Polycom, Inc. (B)	4	3	Higher than expected earnings. Dec. quarter 28¢ vs. year ago 19¢. Our estimate was 17¢.	Under Review
RLI Corp.	4	3	Higher than expected earnings. Dec. quarter $1.35 vs. year ago $1.66. Our estimate was $1.10.	4.80
Raytheon Co.	3	2	Surprise factor, greater than average gain. Dec. quarter $1.58 vs. year ago $1.37. Our estimate was $1.36.	5.50
Synovus Financial	4	3	Higher than expected earnings. Dec. quarter 1¢ vs. year ago d23¢. Our estimate was d3¢.	.01
Textron, Inc.	2	1	Higher than expected earnings. Dec. period 49¢ vs. year ago 33¢. Our estimate was 36¢.	Under Review
Time Warner Cable	2	1	Surprise factor, greater than average gain. Dec. quarter $1.39 vs. year ago $1.09. Our estimate was $1.20.	5.10
Western Digital	3	2	Higher than expected earnings. Dec. period 61¢ vs. year ago 96¢. Our estimate was d$1.00.	Under Review

STOCKS MOVING DOWN IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 6-30-12
AT&T Inc. (B)	2	3	Surprise factor, earnings reversal. Dec. quarter 42¢ vs. year ago 55¢. Our estimate was 52¢.	Under Review
AVX Corp.	3	4	Lower than expected earnings. Dec. quarter 22¢ vs. year ago 36¢. Our estimate was 29¢.	Under Review
Air Products & Chem.	2	3	Surprise factor, decreasing profit growth. Dec. quarter $1.36 vs. year ago $1.35. Our estimate was $1.48.	$5.84
Alaska Air Group	1	2	Surprise factor, earnings reversal. Dec. quarter $1.02 vs. year ago $1.28. Our estimate was $1.38.	Under Review
Allegheny Techn.	3	4	Lower than expected earnings. Dec. quarter 31¢ vs. year ago 15¢. Our estimate was 58¢.	Under Review
Ball Corp.	1	2	Lower than expected earnings. Dec. quarter 48¢ vs. year ago 53¢. Our estimate was 53¢.	Under Review
Bassett Furniture	2	3	Surprise factor, earnings reversal. Nov. quarter 6¢ vs. year ago 12¢. Our estimate was 17¢.	Under Review
Capital One Fin'l	2	3	Surprise factor, earnings reversal. Dec. quarter 88¢ vs. year ago $1.52. Our estimate was $1.75.	Under Review
Coherent, Inc.	2	3	Surprise factor, earnings reversal. Dec. period 71¢ vs. year ago 76¢. Our estimate was 85¢.	3.80
Covance Inc.	3	4	Surprise factor, earnings reversal. Dec. quarter 35¢ vs. year ago 45¢. Our estimate was 63¢.	Under Review
E*Trade Fin'l	3	4	Lower than expected earnings. Dec. quarter d2¢ vs. year ago d11¢. Our estimate was 17¢.	.50
Eaton Corp.	2	3	Surprise factor, decreasing profit growth. Management forecasts 80-90¢ for the Mar. quarter vs. year ago 84¢. Our estimate was $1.00.	Under Review
Ericsson ADR (B)	3	5	Surprise factor, earnings reversal. Dec. quarter 8¢ vs. year ago 26¢. Our estimate was 26¢.	.55
Fifth Third Bancorp	2	3	Flat year-to year comparison. Dec. quarter 33¢ vs. year ago 33¢. Our estimate was 35¢.	1.45
First Commonwealth	4	5	Lower than expected earnings. Dec. quarter d5¢ vs. year ago 11¢. Our estimate was 8¢.	.32
J&J Snack Foods	3	4	Lower than expected earnings. Dec. period 29¢ vs. year ago 38¢. Our estimate was 44¢.	Under Review
McCormick & Co.	3	4	Surprise factor, earnings reversal. Management forecasts 51-54¢ for the Feb. quarter vs. year ago 57¢. Our estimate was 65¢.	2.87
Mead Johnson Nutrition	3	4	Earnings reversal. Dec. quarter 42¢ vs. year ago 48¢. Our estimate was 45¢.	Under Review
MeadWestvaco (B)	1	3	Surprise factor, earnings reversal. Dec. quarter 26¢ vs. year ago 41¢. Our estimate was 38¢.	Under Review
Mercury Computer Sys.	4	5	Lower than expected earnings. Management forecasts 9-11¢ for the Mar. quarter vs. year ago 20¢. Our estimate was 20¢.	.60
Monster Worldwide	3	4	Surprise factor, earnings reversal. Management forecasts Nil-4¢ for the Mar. quarter vs. year ago 5¢. Our estimate was 10¢.	Under Review
Murphy Oil Corp.	1	2	Surprise factor, earnings reversal. Dec. quarter d59¢ vs. year ago 90¢. Our estimate was $1.14.	5.32
NVR, Inc.	4	5	Surprise factor, earnings reversal. Dec. quarter $6.32 vs. year ago $9.96. Our estimate was $10.02.	Under Review
Novartis AG ADR	3	4	Surprise factor, earnings reversal. Dec. quarter 48¢ vs. year ago 94¢. Our estimate was $1.22.	3.84
Peabody Energy	2	3	Lower than expected earnings. Dec. quarter 92¢ vs. year ago 77¢. Our estimate was $1.30.	Under Review
Piper Jaffray Cos.	4	5	Lower than expected earnings. Dec. quarter 11¢ vs. year ago 49¢. Our estimate was 35¢.	Under Review
Popular Inc.	3	4	Lower than expected earnings. Dec. quarter Nil vs. year ago d22¢. Our estimate was 5¢.	.20
Potash Corp.	3	4	Lower than expected earnings. Dec. quarter 78¢ vs. year ago 53¢. Our estimate was 91¢.	Under Review
PrivateBancorp	3	4	Earnings reversal. Dec. quarter 11¢ vs. year ago 12¢. Our estimate was 13¢.	.62
RPC Inc.	1	2	Lower than expected earnings. Dec. quarter 51¢ vs. year ago 38¢. Our estimate was 63¢.	2.23
Rock-Tenn 'A' (B)	1	3	Surprise factor, earnings reversal. Dec. quarter $1.18 vs. year ago $1.28. Our estimate was $1.30.	5.60
SEI Investments	4	5	Lower than expected earnings. Dec. quarter 25¢ vs. year ago 33¢. Our estimate was 33¢.	1.12
Standard Register (B)	3	4	Lower than expected earnings. Management forecasts below expected earnings for the Dec. period vs. year ago 7¢. Our estimate was d1¢.	d.50
TCF Financial	4	5	Lower than expected earnings. Dec. quarter 10¢ vs. year ago 21¢. Our estimate was 16¢.	.81
TE Connectivity	3	4	Earnings reversal. Dec. period 66¢ vs. year ago 73¢. Our estimate was 70¢.	3.24
UGI Corp.	3	4	Lower than expected earnings. Dec. quarter 77¢ vs. year ago $1.01. Our estimate was $1.05.	Under Review
Watson Pharmac.	1	2	Lower than expected earnings. Management forecasts $5.25-$5.55 for fiscal year 2012. Our estimate was $5.70.	5.50
Woodward, Inc.	2	3	Lower than expected earnings. Dec. quarter 40¢ vs. year ago 35¢. Our estimate was 45¢.	2.20
Xerox Corp.	1	2	Decreasing profit growth. Management forecasts 21-24¢ for the Mar. quarter vs. year ago 23¢. Our estimate was 25¢.	1.14

(B) Supplementary report in this week's Ratings & Reports.

TIMELY STOCKS IN TIMELY INDUSTRIES

Page No.	Industry (Industry Rank)	Recent Price	Timeliness	Safety	Technical	Beta	Current P/E Ratio	% Est'd Yield	Est'd 3-5 Year Price Apprec.
	Cable TV (INDUSTRY RANK 1)								
1022	Comcast Corp.	25.20	1	3	3	1.00	15.8	1.8	60-140%
1023	DIRECTV	43.77	1	3	4	0.90	11.1	NIL	165-300%
1024	Dish Network 'A'	28.85	1	3	5	1.20	9.8	NIL	55-125%
1026	Knology	14.64	1	3	2	1.15	10.5	NIL	140-240%
1028	LodgeNet Interactive	3.57	1	5	4	1.60	NMF	NIL	95-290%
1029	Shaw Commun. 'B'	19.85	1	3	3	0.65	11.7	4.9	75-150%
1030	Time Warner Cable	68.63	1	3	4	1.05	13.5	2.8	15- 75%
	Petroleum (Integrated) (INDUSTRY RANK 2)								
502	BP PLC ADR	44.70	2	3	2	1.05	6.8	3.8	45-115%
503	Chevron Corp.	106.72	2	1	3	0.95	7.8	3.0	15- 45%
504	ConocoPhillips	70.61	2	1	3	1.10	7.9	4.0	25- 50%
505	Exxon Mobil Corp.	87.18	2	1	3	0.80	10.4	2.2	30- 60%
510	Murphy Oil Corp.	59.72	2	2	3	1.20	11.2	1.8	60-120%
511	Occidental Petroleum	100.92	2	2	3	1.15	12.3	1.9	N- 25%
513	Royal Dutch Shell 'A'	72.13	2	1	3	1.05	8.5	4.7	10- 40%
514	Suncor Energy	34.10	2	3	2	1.25	11.4	1.3	60-135%
517	Total ADR	52.56	2	1	2	1.10	7.4	5.9	50- 90%
518	Valero Energy	24.19	1	3	2	1.30	5.8	2.5	65-125%
	Railroad (INDUSTRY RANK 3)								
339	CSX Corp.	21.85	2	3	3	1.20	12.0	2.2	60-130%
344	Norfolk Southern	75.48	2	3	3	1.10	13.3	2.5	25- 85%
345	RailAmerica	15.37	1	3	5	1.10	17.7	NIL	30-130%
346	Union Pacific	111.21	2	2	3	1.15	15.8	2.2	25- 70%
	Medical Services (INDUSTRY RANK 4)								
796	Aetna Inc.	42.77	1	3	4	1.00	8.9	1.6	50-135%
799	CIGNA Corp.	45.39	2	3	4	1.10	8.6	0.1	55-130%
800	Community Health	18.38	2	3	1	1.30	5.2	NIL	225-360%
802	DaVita Inc.	80.87	2	3	4	0.65	13.8	NIL	15- 80%
803	Health Mgmt. Assoc.	6.60	2	5	3	1.45	8.0	NIL	110-280%
804	Health Net	35.30	2	3	4	1.05	11.3	NIL	40-110%
806	Humana Inc.	90.82	1	3	4	1.05	11.1	1.1	20- 75%
808	LifePoint Hospitals	39.55	2	3	3	1.05	11.9	NIL	50-115%
811	Quest Diagnostics	60.73	2	2	3	0.70	13.4	1.1	40- 90%
812	Select Med. Hldgs.	8.16	1	3	4	1.05	9.8	NIL	70-145%
814	Tenet Healthcare	5.33	1	5	2	1.20	12.1	NIL	50-200%
815	UnitedHealth Group	51.33	2	2	4	1.00	11.0	1.3	65-125%
816	Universal Health Sv. 'B'	40.44	1	3	3	0.90	9.5	0.5	75-160%
	Telecom. Utility (INDUSTRY RANK 5)								
1041	BCE Inc.	41.21	1	3	3	0.75	12.9	5.1	N- 45%
1042	BT Group ADR	32.67	1	3	3	1.00	8.8	3.9	5- 70%
1044	Cincinnati Bell	3.51	1	4	3	1.05	11.7	NIL	40-130%
1045	Consol. Communic.	18.39	2	3	3	0.90	22.2	8.4	10- 90%
1046	Deutsche Telekom ADR	11.34	2	2	3	0.80	11.2	8.8	75-165%
	Petroleum (Producing) (INDUSTRY RANK 6)								
2389	Apache Corp.	97.71	2	3	3	1.25	7.7	0.6	35- 95%
2390	Berry Petroleum 'A'	45.80	2	3	3	1.75	14.7	0.7	30- 95%
2391	Can. Natural Res.	39.98	2	3	2	1.20	15.1	0.9	50-115%
2392	Denbury Resources	18.31	2	3	2	1.65	14.2	NIL	65-120%
2395	Nexen Inc.	18.08	2	3	1	1.15	11.0	1.1	95-205%
2396	Noble Energy	100.46	2	3	3	1.20	16.2	0.9	N- 45%
2397	Pioneer Natural Res.	98.23	2	3	3	1.45	22.1	0.1	15- 75%
2399	Ultra Petroleum	24.82	2	3	3	1.10	9.5	NIL	265-445%
	Trucking (INDUSTRY RANK 7)								
319	Arkansas Best	21.69	1	3	3	1.20	21.5	0.6	60-155%
320	Con-way Inc.	31.10	2	3	5	1.25	16.5	1.3	45-125%
326	Old Dominion Freight	41.01	1	3	4	1.10	16.5	NIL	35- 95%
327	Ryder System	54.54	2	3	3	1.25	14.3	2.1	20- 85%
328	Werner Enterprises	25.49	2	3	3	0.90	17.6	0.8	20- 75%
	Telecom. Services (INDUSTRY RANK 8)								
924	Atlantic Tele-Network	35.54	2	3	3	0.95	16.7	2.6	15- 85%
927	Dycom Inds.	21.39	1	3	4	1.40	18.6	NIL	40-110%
928	Gen'l Communic. 'A'	10.42	2	3	4	1.15	22.7	NIL	35- 90%
932	Millicom Int'l Cellular	101.85	1	3	2	1.45	11.9	1.9	N- 35%
939	Telephone & Data	26.95	2	3	3	0.90	13.5	1.6	65-160%
940	TELUS Corporation	56.04	1	3	3	0.60	14.3	4.3	N- 45%
941	U.S. Cellular	46.12	2	3	3	1.10	22.4	NIL	20- 75%
942	Verizon Communic.	37.79	2	1	3	0.70	16.3	5.3	45- 70%
943	Vodafone Group ADR	27.66	2	2	2	0.80	11.1	7.7	25- 65%
944	Vonage Holdings	2.31	2	4	3	1.15	5.5	NIL	30-115%
	Air Transport (INDUSTRY RANK 9)								
303	Alaska Air Group	74.26	2	4	3	1.15	8.6	NIL	15- 90%
308	Delta Air Lines	9.38	1	4	2	1.40	6.7	NIL	80-220%
309	FedEx Corp.	90.79	2	2	3	1.00	14.5	0.6	65-120%
310	Hawaiian Hldgs.	6.25	1	4	2	1.10	4.2	NIL	60-170%
311	JetBlue Airways	5.50	1	4	4	1.25	20.4	NIL	100-245%
315	US Airways Group	6.41	2	5	3	1.65	8.9	NIL	120-290%

Page No.	Industry (Industry Rank)	Recent Price	Timeliness	Safety	Technical	Beta	Current P/E Ratio	% Est'd Yield	Est'd 3-5 Year Price Apprec.
	Chemical (Basic) (INDUSTRY RANK 10)								
1582	Agrium, Inc.	79.13	2	3	2	1.50	8.1	0.6	65-145%
1583	CF Industries	172.36	1	3	2	1.30	7.6	0.9	5- 55%
1587	Dow Chemical	33.38	1	3	3	1.30	12.7	3.3	65-155%
	Retail Automotive (INDUSTRY RANK 11)								
2121	Advance Auto Parts	75.23	1	3	2	0.85	13.8	0.3	35-100%
2124	AutoZone Inc.	346.75	2	3	3	0.70	15.6	NIL	N- 20%
2129	Penske Auto	22.04	2	4	4	1.50	12.1	1.6	35-125%
2130	Pep Boys	11.66	2	4	3	1.40	13.4	1.0	45-155%
2131	Sonic Automotive	15.72	1	4	2	1.80	11.1	0.6	20- 90%
	Electric Util. (Central) (INDUSTRY RANK 12)								
904	Ameren Corp.	31.26	2	3	3	0.80	12.1	5.2	N- 30%
905	Amer. Elec. Power	40.67	2	3	3	0.70	12.4	4.7	N- 35%
907	CenterPoint Energy	18.58	2	3	4	0.80	16.2	4.4	N- 35%
909	DTE Energy	52.96	2	3	3	0.75	14.2	4.6	N- 30%
910	Empire Dist. Elec.	20.12	2	3	2	0.70	16.2	5.0	N- 25%
911	Entergy Corp.	69.46	2	2	3	0.70	10.0	4.8	N- 35%
912	G't Plains Energy	20.60	2	3	4	0.75	13.9	4.2	N- 20%
916	OGE Energy	55.30	2	2	3	0.80	16.5	2.9	N- 10%
917	Otter Tail Corp.	21.98	2	3	2	0.90	28.5	5.4	N- 15%
918	Vectren Corp.	28.54	2	2	3	0.70	14.9	4.9	5- 40%
	Electric Utility (West) (INDUSTRY RANK 13)								
2240	El Paso Electric	34.30	1	2	3	0.75	13.9	3.1	N- 30%
2241	Hawaiian Elec.	25.50	2	3	3	0.70	14.8	4.9	N- 20%
2245	PNM Resources	17.55	2	3	4	0.95	14.5	2.8	N- 15%
2246	Pinnacle West Capital	47.47	2	2	3	0.70	14.8	4.4	N- 5%
2248	Sempra Energy	56.22	2	2	3	0.80	12.3	3.7	5- 40%
2250	Xcel Energy Inc.	26.52	2	2	3	0.65	14.7	4.0	N- 15%
	Water Utility (INDUSTRY RANK 14)								
1775	Amer. States Water	35.57	1	3	3	0.70	15.5	3.1	10- 70%
1776	Amer. Water Works	32.66	1	3	3	0.65	17.7	2.8	5- 55%
	Auto Parts (INDUSTRY RANK 15)								
982	Amer. Axle	12.21	2	5	1	2.15	6.1	NIL	40-145%
985	BorgWarner	75.99	2	3	2	1.30	15.1	NIL	30- 95%
987	Commercial Vehicle	11.07	2	5	4	1.70	10.2	NIL	N- 70%
989	Dana Holding Corp.	15.18	1	4	3	2.60	11.7	NIL	30-130%
990	Dorman Products	42.56	2	3	5	1.15	13.4	NIL	15- 65%
993	Federal-Mogul Corp.	16.93	2	4	4	1.70	8.7	NIL	75-225%
997	Goodyear Tire	13.69	1	4	3	1.80	6.0	NIL	85-190%
1003	Modine Mfg.	10.90	2	4	3	1.60	11.8	NIL	75-175%
1004	Standard Motor Prod.	21.47	1	4	5	1.70	12.6	1.6	15- 85%
1006	TRW Automotive	39.38	2	4	2	1.95	5.8	NIL	105-245%
1007	Tenneco Inc.	30.92	1	4	3	2.30	10.1	NIL	80-190%
1008	Titan Int'l	25.05	2	3	3	1.85	13.8	0.1	80-160%
1010	WABCO Hldgs.	50.98	2	3	4	1.30	10.1	NIL	85-175%
	Retail/Wholesale Food (INDUSTRY RANK 16)								
1944	Casey's Gen'l Stores	52.50	1	3	3	0.70	16.3	1.1	5- 60%
1945	Core-Mark Holding	40.23	2	3	3	0.80	15.1	1.7	N- 50%
1948	Ingles Markets	17.62	1	3	2	0.95	9.4	3.7	70-125%
1949	Kroger Co.	24.34	2	2	3	0.65	11.8	2.1	45-105%
1953	Safeway Inc.	22.70	2	2	3	0.70	12.6	2.8	55-100%
1960	Weston (George)	65.70	2	2	2	0.45	13.6	2.2	60-120%
	Packaging & Container (INDUSTRY RANK 17)								
1171	Ball Corp.	37.75	2	2	3	0.95	13.1	0.7	20- 60%
1174	Crown Holdings	35.12	1	3	2	0.85	11.8	NIL	40-115%
1177	Owens-Illinois	23.14	2	3	2	1.45	9.1	NIL	50-115%
1181	Silgan Holdings	40.13	2	3	3	0.75	13.8	1.1	N- 25%
	Precious Metals (INDUSTRY RANK 18)								
1561	AngloGold Ashanti ADR	43.31	2	3	2	1.10	12.2	1.0	40-110%
1562	Barrick Gold	45.48	1	3	2	0.90	9.2	1.3	N- 30%
1565	Newmont Mining	57.48	2	3	2	0.80	10.9	2.8	N- 20%
	Coal (INDUSTRY RANK 19)								
600	Alliance Resource	78.54	1	3	3	1.10	9.9	4.9	10- 65%
603	CONSOL Energy	34.69	2	3	3	1.70	12.5	1.5	85-175%
608	Walter Energy	67.54	2	3	4	1.90	8.4	0.7	65-145%
	Heavy Truck & Equip (INDUSTRY RANK 20)								
158	AGCO Corp.	51.27	1	3	2	1.50	11.5	NIL	25- 85%
159	Actuant Corp.	24.30	2	3	4	1.35	12.5	0.2	25-105%
161	CNH Global NV	44.62	2	3	2	1.85	11.3	NIL	35-100%
162	Caterpillar Inc.	106.29	1	3	3	1.35	13.3	1.7	30-100%
163	Cummins Inc.	106.80	2	3	3	1.45	11.5	1.5	35-105%
164	Deere & Co.	86.42	2	2	2	1.40	12.5	2.0	20- 70%
170	Navistar Int'l	42.98	1	3	2	1.60	5.9	NIL	75-155%

Timely Stocks

Stocks Ranked 1 (Highest) for Relative Price Performance (Next 12 Months)

Page No.	Stock Name	Ticker	Recent Price	Ranks Safety	Ranks Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
158	AGCO Corp.	AGCO	51.27	3	2	11.5	NIL	Heavy Truck & Equip	20
1595	Abbott Labs	ABT	55.98	1	3	11.6	3.4	Drug	55
2121	Advance Auto Parts	AAP	75.23	3	2	13.8	0.3	Retail Automotive	11
796	Aetna Inc.	AET	42.77	3	4	8.9	1.6	Medical Services	4
2533	Aircastle Ltd.	AYR	14.19	4	2	10.9	4.2	Financial Svcs. (Div.)	63
600	Alliance Resource	ARLP	78.54	3	3	9.9	4.9	Coal	19
1775	Amer. States Water	AWR	35.57	3	3	15.5	3.1	Water Utility	14
1776	Amer. Water Works	AWK	32.66	3	3	17.7	2.8	Water Utility	14
2202	ANN Inc.	ANN	23.97	3	4	11.5	NIL	Retail (Softlines)	50
1400	Apple Inc. ■	AAPL	420.41	2	3	13.0	NIL	Computers/Peripherals	48
319	Arkansas Best	ABFS	21.69	3	3	21.5	0.6	Trucking	7
2164	Avis Budget Group	CAR	14.07	4	3	8.7	NIL	Retail (Hardlines)	28
1041	BCE Inc.	BCE	41.21	3	3	12.9	5.1	Telecom. Utility	5
1042	BT Group ADR	BT	32.67	3	3	8.8	3.9	Telecom. Utility	5
1562	Barrick Gold	ABX	45.48	3	2	9.2	1.3	Precious Metals	18
583	Brightpoint, Inc.	CELL	11.92	3	1	12.4	NIL	Wireless Networking	92
2577	CA, Inc. ■	CA	22.82	2	3	11.9	0.9	Computer Software	56
2600	CACI Int'l	CACI	58.24	3	4	10.6	NIL	IT Services	45
1583	CF Industries	CF	172.36	3	2	7.6	0.9	Chemical (Basic)	10
2431	Cambrex Corp.	CBM	7.71	5	2	12.9	NIL	Chemical (Diversified)	21
1707	Cascade Corp.	CASC	55.26	3	3	9.9	1.8	Machinery	33
1944	Casey's Gen'l Stores	CASY	52.50	3	3	16.3	1.1	Retail/Wholesale Food	16
162	Caterpillar Inc. ■	CAT	106.29	3	3	13.3	1.7	Heavy Truck & Equip	20
2306	Cedar Fair L.P.	FUN	24.72	3	3	13.7	4.0	Recreation	41
1328	Celestica Inc.	CLS	8.03	3	1	9.3	NIL	Electronics	54
1044	Cincinnati Bell	CBB	3.51	4	3	11.7	NIL	Telecom. Utility	5
2307	Cinemark Hldgs.	CNK	19.89	3	2	13.7	4.2	Recreation	41
745	Cliffs Natural Res.	CLF	73.90	3	3	5.4	1.5	Steel	44
1022	Comcast Corp.	CMCSK	25.20	3	3	15.8	1.8	Cable TV	1
2171	Cost Plus Inc.	CPWM	13.36	5	4	19.9	NIL	Retail (Hardlines)	28
1174	Crown Holdings	CCK	35.12	3	2	11.8	NIL	Packaging & Container	17
1709	Curtiss-Wright	CW	37.11	3	2	12.8	0.9	Machinery	33
989	Dana Holding Corp.	DAN	15.18	4	3	11.7	NIL	Auto Parts	15
1910	Dean Foods	DF	10.78	3	5	13.3	NIL	Food Processing	70
308	Delta Air Lines ■	DAL	9.38	4	2	6.7	NIL	Air Transport	9
1023	DIRECTV	DTV	43.77	3	4	11.1	NIL	Cable TV	1
2545	Discover Fin'l Svcs.	DFS	27.83	3	5	6.8	1.4	Financial Svcs. (Div.)	63
1024	Dish Network 'A'	DISH	28.85	3	5	9.8	NIL	Cable TV	1
1587	Dow Chemical	DOW	33.38	3	3	12.7	3.3	Chemical (Basic)	10
927	Dycom Inds.	DY	21.39	3	4	18.6	NIL	Telecom. Services	8
2240	El Paso Electric	EE	34.30	2	3	13.9	3.1	Electric Utility (West)	13
1748	GATX Corp.	GMT	43.23	3	3	19.0	2.7	Diversified Co.	38
2156	Genesco Inc.	GCO	60.55	3	5	15.2	NIL	Shoe	49
997	Goodyear Tire	GT	13.69	4	3	6.0	NIL	Auto Parts	15
310	Hawaiian Hldgs.	HA	6.25	4	2	4.2	NIL	Air Transport	9
1014	Helen of Troy Ltd.	HELE	32.50	3	3	13.0	NIL	Toiletries/Cosmetics	23
2412	Helix Energy Solutions	HLX	16.33	3	3	10.8	NIL	Oilfield Svcs/Equip.	42
806	Humana Inc.	HUM	90.82	3	4	11.1	1.1	Medical Services	4
1948	Ingles Markets	IMKTA	17.62	3	2	9.4	3.7	Retail/Wholesale Food	16
1160	Int'l Paper	IP	32.16	3	3	10.1	3.3	Paper/Forest Products	34
1334	Jabil Circuit	JBL	23.17	3	3	10.9	1.4	Electronics	54
1190	Jarden Corp.	JAH	33.79	3	3	12.9	NIL	Household Products	80
311	JetBlue Airways ■	JBLU	5.50	4	4	20.4	NIL	Air Transport	9
1637	Kelly Services 'A'	KELYA	17.35	3	1	11.4	1.2	Human Resources	39
734	Kennametal Inc.	KMT	43.34	3	4	11.6	1.3	Metal Fabricating	46
335	Kirby Corp.	KEX	67.50	3	3	18.9	NIL	Maritime	77
1026	Knology	KNOL	14.64	3	2	10.5	NIL	Cable TV	1
565	Kronos Worldwide	KRO	21.26	3	4	7.2	2.8	Chemical (Specialty)	29
1028	LodgeNet Interactive ■	LNET	3.57	5	4	NMF	NIL	Cable TV	1
2142	Macy's Inc.	M	35.28	3	4	12.0	2.3	Retail Store	43
2314	Mattel, Inc.	MAT	29.09	2	3	12.8	3.2	Recreation	41
2224	Men's Wearhouse	MW	34.66	3	4	14.3	2.1	Retail (Softlines)	50
1616	Merck & Co.	MRK	38.78	1	3	10.2	4.3	Drug	55
932	Millicom Int'l Cellular	MIICF	101.85	3	2	11.9	1.9	Telecom. Services	8
719	Moog Inc. 'A'	MOGA	43.82	3	2	13.4	NIL	Aerospace/Defense	22
1758	Myers Inds.	MYE	13.07	3	3	17.9	2.1	Diversified Co.	38
1792	Nasdaq OMX Group	NDAQ	25.66	3	3	9.8	NIL	Securities Brokerage	69
170	Navistar Int'l	NAV	42.98	3	2	5.9	NIL	Heavy Truck & Equip	20
1162	Neenah Paper	NP	23.86	4	4	12.1	2.0	Paper/Forest Products	34
964	NeuStar Inc.	NSR	36.05	3	3	18.0	NIL	Telecom. Equipment	89
2419	Oil States Int'l	OIS	80.06	3	3	11.8	NIL	Oilfield Svcs/Equip.	42
326	Old Dominion Freight	ODFL	41.01	3	4	16.5	NIL	Trucking	7
1113	Owens Corning	OC	33.94	3	3	12.5	NIL	Building Materials	75
2184	PC Connection	PCCC	12.00	3	3	11.4	NIL	Retail (Hardlines)	28
1760	Park-Ohio	PKOH	20.22	4	2	8.2	NIL	Diversified Co.	38
2349	Penn Nat'l Gaming	PENN	40.18	3	3	19.4	NIL	Hotel/Gaming	25
2185	PetSmart, Inc.	PETM	53.40	3	3	19.8	1.0	Retail (Hardlines)	28
2350	Pinnacle Entertain.	PNK	10.54	4	2	17.0	NIL	Hotel/Gaming	25
345	RailAmerica	RA	15.37	3	5	17.7	NIL	Railroad	3
1577	Rio Tinto plc	RIO	58.03	3	2	6.3	2.3	Metals & Mining (Div.)	30
1993	Schweitzer-Mauduit Int'l	SWM	69.74	3	2	10.4	0.9	Tobacco	27
1416	Seagate Technology	STX	19.75	3	3	6.2	3.6	Computers/Peripherals	48
812	Select Med. Hldgs.	SEM	8.16	3	4	9.8	NIL	Medical Services	4
1029	Shaw Commun. 'B'	SJRB.TO	19.85	3	3	11.7	4.9	Cable TV	1
2333	Sinclair Broadcast	SBGI	12.92	4	4	12.9	3.7	Entertainment	32
1934	Smithfield Foods	SFD	23.12	3	3	8.2	NIL	Food Processing	70
2131	Sonic Automotive	SAH	15.72	4	2	11.1	0.6	Retail Automotive	11
1004	Standard Motor Prod.	SMP	21.47	4	5	12.6	1.6	Auto Parts	15
1418	Tech Data	TECD	52.50	3	3	9.6	NIL	Computers/Peripherals	48
1579	Teck Resources Ltd. 'B'	TCKB.TO	41.65	3	2	8.6	2.0	Metals & Mining (Div.)	30
940	TELUS Corporation	T.TO	56.04	3	3	14.3	4.3	Telecom. Services	8
814	Tenet Healthcare	THC	5.33	5	2	12.1	NIL	Medical Services	4
1007	Tenneco Inc.	TEN	30.92	4	3	10.1	NIL	Auto Parts	15
1628	Teva Pharmac. (ADR)	TEVA	45.87	1	3	8.3	2.0	Drug	55
1767	Textron, Inc. ■	TXT	21.61	3	4	14.8	0.4	Diversified Co.	38
1030	Time Warner Cable ■	TWC	68.63	3	4	13.5	2.8	Cable TV	1
738	Timken Co.	TKR	47.72	3	3	10.0	1.7	Metal Fabricating	46
729	Triumph Group Inc.	TGI	60.35	3	3	13.0	0.3	Aerospace/Defense	22
816	Universal Health Sv 'B'	UHS	40.44	3	3	9.5	0.5	Medical Services	4
518	Valero Energy	VLO	24.19	3	2	5.8	2.5	Petroleum (Integrated)	2

■ **Newly added this week.**

Rank 1 Deletions:
Alaska Air Group; Ball Corp.; *MeadWestvaco; Murphy Oil Corp.; RPC Inc.; *Rock-Tenn 'A'; Watson Pharmac.; Xerox Corp.

*Drops to Rank 3

Rank removed–see supplement or report:
None.

Continued from preceding page

TIMELY STOCKS

Stocks Ranked 2 (Above Average) for Relative Price Performance in the Next 12 Months

Page No.	Stock Name	Ticker	Recent Price	Ranks: Safety	Ranks: Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
702	AAR Corp.	AIR	21.10	3	3	10.8	1.4	Aerospace/Defense	22
1964	AB InBev ADR	BUD	61.44	2	3	16.0	1.9	Beverage	61
1214	AES Corp.	AES	12.74	3	3	11.4	NIL	Power	91
159	Actuant Corp.	ATU	24.30	3	4	12.5	0.2	Heavy Truck & Equip	20
1349	Advanced Micro Dev.	AMD	6.53	4	2	10.9	NIL	Semiconductor	88
1229	AECOM Techn.	ACM	22.56	3	3	8.8	NIL	Engineering & Const	36
1546	Aflac Inc.	AFL	49.07	3	1	8.0	2.8	Insurance (Life)	51
111	Agilent Technologies	A	42.60	3	4	14.0	0.9	Precision Instrument	65
1582	Agrium, Inc.	AGU	79.13	3	2	8.1	0.6	Chemical (Basic)	10
555	Airgas Inc.	ARG	79.00	3	4	19.7	1.7	Chemical (Specialty)	29
303	Alaska Air Group ▼	ALK	74.26	4	3	8.6	NIL	Air Transport	9
1702	Albany Int'l 'A'	AIN	24.00	3	4	12.4	2.2	Machinery	33
2429	Albemarle Corp.	ALB	62.66	3	3	12.9	1.1	Chemical (Diversified)	21
431	Alliance Data Sys.	ADS	110.50	3	4	14.3	NIL	Information Services	67
704	Alliant Techsystems	ATK	61.30	3	3	6.9	1.3	Aerospace/Defense	22
1703	Altra Holdings, Inc.	AIMC	19.17	4	5	10.0	NIL	Machinery	33
904	Ameren Corp.	AEE	31.26	3	3	12.1	5.2	Electric Util. (Central)	12
982	Amer. Axle	AXL	12.21	5	1	6.1	NIL	Auto Parts	15
905	Amer. Elec. Power	AEP	40.67	3	3	12.4	4.7	Electric Util. (Central)	12
830	Amgen	AMGN	68.19	1	3	12.9	1.6	Biotechnology	95
1388	Amkor Technology	AMKR	5.66	5	4	17.2	NIL	Semiconductor Equip	87
1561	AngloGold Ashanti ADR	AU	43.31	3	2	12.2	1.0	Precious Metals	18
1514	Annaly Capital Mgmt.	NLY	16.44	3	2	6.9	14.0	R.E.I.T.	90
2389	Apache Corp.	APA	97.71	3	3	7.7	0.6	Petroleum (Producing)	6
1104	Apogee Enterprises	APOG	14.04	3	3	78.0	2.4	Building Materials	75
1324	Arrow Electronics	ARW	41.18	3	3	7.9	NIL	Electronics	54
2203	Ascena Retail Group	ASNA	35.55	3	4	13.7	NIL	Retail (Softlines)	50
557	Ashland Inc. ▲	ASH	63.28	3	3	13.3	1.1	Chemical (Specialty)	29
924	Atlantic Tele-Network	ATNI	35.54	3	3	16.7	2.6	Telecom. Services	8
2124	AutoZone Inc.	AZO	346.75	3	3	15.6	NIL	Retail Automotive	11
1325	Avnet, Inc.	AVT	33.55	3	2	7.3	NIL	Electronics	54
1782	BGC Partners Inc.	BGCP	6.44	4	3	7.4	10.6	Securities Brokerage	69
1573	BHP Billiton Ltd. ADR	BHP	78.12	3	2	8.7	2.8	Metals & Mining (Div)	30
502	BP PLC ADR	BP	44.70	3	2	6.8	3.8	Petroleum (Integrated)	2
1171	Ball Corp. ▼	BLL	37.75	2	3	13.1	0.7	Packaging & Container	17
1106	Beacon Roofing	BECN	22.59	3	4	16.0	NIL	Building Materials	75
2390	Berry Petroleum 'A'	BRY	45.80	3	3	14.7	0.7	Petroleum (Producing)	6
707	Bombardier Inc. 'B'	BBDB.TO	4.77	3	3	9.9	2.1	Aerospace/Defense	22
985	BorgWarner	BWA	75.99	3	2	15.1	NIL	Auto Parts	15
352	Brinker Int'l	EAT	25.66	3	3	14.3	2.5	Restaurant	47
380	Brink's (The) Co.	BCO	28.07	3	4	14.6	1.4	Industrial Services	37
2153	Brown Shoe	BWS	9.28	3	1	9.1	3.0	Shoe	49
2302	Brunswick Corp. ▲	BC	21.59	4	3	20.6	0.2	Recreation	41
2325	CBS Corp. 'B'	CBS	28.64	3	3	14.2	1.4	Entertainment	32
799	CIGNA Corp.	CI	45.39	3	4	8.6	0.1	Medical Services	4
161	CNH Global NV	CNH	44.62	3	2	11.3	NIL	Heavy Truck & Equip	20
339	CSX Corp.	CSX	21.85	3	3	12.0	2.2	Railroad	3
973	CVS Caremark Corp.	CVS	42.44	1	3	14.2	1.5	Pharmacy Services	57
2169	Cabela's Inc.	CAB	26.12	3	3	12.0	NIL	Retail (Hardlines)	28
2391	Can. Natural Res.	CNQ.TO	39.98	3	2	15.1	0.9	Petroleum (Producing)	6
1979	Canon Inc. ADR	CAJ	43.98	2	2	14.5	3.5	Foreign Electronics	58
2543	Cash Amer. Int'l	CSH	43.37	3	4	9.0	0.3	Financial Svcs. (Div.)	63
1603	Celgene Corp.	CELG	74.02	2	4	22.2	NIL	Drug	55
907	CenterPoint Energy	CNP	18.58	3	4	16.2	4.4	Electric Util. (Central)	12
560	Ceradyne Inc.	CRDN	32.12	3	3	9.7	NIL	Chemical (Specialty)	29
2208	Charming Shoppes	CHRS	4.87	4	5	40.6	NIL	Retail (Softlines)	50
503	Chevron Corp.	CVX	106.72	1	3	7.8	3.0	Petroleum (Integrated)	2
1231	Chicago Bridge & Iron	CBI	42.57	3	4	15.7	0.5	Engineering & Const	36
382	Cintas Corp.	CTAS	37.50	2	4	17.4	1.4	Industrial Services	37
1356	Cirrus Logic	CRUS	21.87	4	2	18.1	NIL	Semiconductor	88
383	Coinstar Inc.	CSTR	47.38	3	4	13.9	NIL	Industrial Services	37
746	Commercial Metals	CMC	13.17	3	3	12.0	3.6	Steel	44
987	Commercial Vehicle	CVGI	11.07	5	4	10.2	NIL	Auto Parts	15
800	Community Health	CYH	18.38	3	1	5.2	NIL	Medical Services	4
320	Con-way Inc.	CNW	31.10	3	5	16.5	1.3	Trucking	7
504	ConocoPhillips	COP	70.61	1	3	7.9	4.0	Petroleum (Integrated)	2
603	CONSOL Energy	CNX	34.69	3	3	12.5	1.5	Coal	19
1045	Consol. Communic.	CNSL	18.39	3	3	22.2	8.4	Telecom. Utility	5
213	Cooper Cos.	COO	70.73	3	5	15.4	0.1	Med Supp Non-Invasive	81
1945	Core-Mark Holding	CORE	40.23	3	3	15.1	1.7	Retail/Wholesale Food	16
1909	Corn Products Int'l	CPO	54.41	3	3	11.2	1.5	Food Processing	70
1973	Cott Corp.	COT	6.52	4	2	8.3	NIL	Beverage	61
184	Covidien Plc	COV	48.89	2	2	11.5	1.9	Med Supp Invasive	68
358	Cracker Barrel	CBRL	52.11	3	3	12.4	1.9	Restaurant	47
2544	Crawford & Co. 'B'	CRDB	5.70	4	5	9.2	1.4	Financial Svcs. (Div.)	63
523	Crosstex Energy	XTXI	13.02	5	5	NMF	3.4	Natural Gas (Div.)	59
163	Cummins Inc.	CMI	106.80	3	3	11.5	1.5	Heavy Truck & Equip	20
2215	DSW Inc.	DSW	49.08	3	4	15.4	1.2	Retail (Softlines)	50
909	DTE Energy	DTE	52.96	3	3	14.2	4.6	Electric Util. (Central)	12
102	Daimler AG	DDAIF	53.85	3	3	6.7	5.0	Automotive	24
802	DaVita Inc.	DVA	80.87	3	4	13.8	NIL	Medical Services	4
164	Deere & Co.	DE	86.42	2	2	12.5	2.0	Heavy Truck & Equip	20
1402	Dell Inc.	DELL	16.85	3	3	9.5	NIL	Computers/Peripherals	48
2392	Denbury Resources	DNR	18.31	3	2	14.2	NIL	Petroleum (Producing)	6
1046	Deutsche Telekom ADR	DTEGY	11.34	2	3	11.2	8.8	Telecom. Utility	5
2406	Diamond Offshore	DO	61.31	3	3	11.0	5.7	Oilfield Svcs/Equip.	42
2172	Dick's Sporting Goods ▲	DKS	41.74	3	4	19.4	NIL	Retail (Hardlines)	28
2136	Dillard's, Inc.	DDS	45.86	3	4	10.5	0.4	Retail Store	43
1145	Dixie Group	DXYN	3.40	4	2	24.3	NIL	Furn/Home Furnishings	62
2138	Dollar Tree, Inc.	DLTR	85.98	2	4	19.7	NIL	Retail Store	43
2362	Donnelley (R.R) & Sons	RRD	12.20	3	4	5.9	8.5	Publishing	35
990	Dorman Products	DORM	42.56	3	5	13.4	NIL	Auto Parts	15
1711	Dover Corp.	DOV	60.47	2	3	12.8	2.1	Machinery	33
1424	Electr. for Imaging	EFII	15.73	3	4	21.0	NIL	Office Equip/Supplies	26
910	Empire Dist. Elec.	EDE	20.12	3	2	16.2	5.0	Electric Util. (Central)	12
406	EnergySolutions	ES	3.57	4	3	16.2	NIL	Environmental	31
911	Entergy Corp.	ETR	69.46	2	3	10.0	4.8	Electric Util. (Central)	12
505	Exxon Mobil Corp.	XOM	87.18	1	3	10.4	2.2	Petroleum (Integrated)	2
2547	EZCORP, Inc.	EZPW	27.00	3	5	9.8	NIL	Financial Svcs. (Div.)	63
2606	Fair Isaac	FICO	38.64	3	3	15.8	0.2	IT Services	45
2139	Family Dollar Stores	FDO	56.29	3	3	16.0	1.5	Retail Store	43
993	Federal-Mogul Corp.	FDML	16.93	4	4	8.7	NIL	Auto Parts	15
309	FedEx Corp.	FDX	90.79	2	3	14.5	0.6	Air Transport	9
145	FirstEnergy Corp.	FE	41.27	2	3	12.4	5.3	Electric Utility (East)	52
2607	Fiserv Inc.	FISV	62.92	2	3	13.1	NIL	IT Services	45
1713	Flowserve Corp. ▲	FLS	107.71	3	2	13.0	1.2	Machinery	33
2218	Foot Locker	FL	26.08	3	5	13.5	2.5	Retail (Softlines)	50
2140	Fred's Inc. 'A'	FRED	14.85	3	4	16.3	1.6	Retail Store	43
563	Fuller (H.B.)	FUL	27.21	3	3	13.9	1.1	Chemical (Specialty)	29
1221	GT Advanced Tech.	GTAT	8.45	4	4	5.4	NIL	Power	91
2175	GameStop Corp.	GME	24.75	3	4	8.4	NIL	Retail (Hardlines)	28
928	Gen'l Communic. 'A'	GNCMA	10.42	3	4	22.7	NIL	Telecom. Services	8
711	Gen'l Dynamics	GD	71.34	1	3	9.4	2.8	Aerospace/Defense	22
1036	Geo Group (The)	GEO	16.99	3	3	13.0	NIL	Property Management	60
747	Gibraltar Inds.	ROCK	15.80	4	4	21.1	NIL	Steel	44
1609	Gilead Sciences	GILD	47.67	3	3	12.6	NIL	Drug	55
1234	Granite Construction	GVA	27.28	3	3	15.5	1.9	Engineering & Const	36
912	G't Plains Energy	GXP	20.60	3	4	13.9	4.2	Electric Util. (Central)	12
2308	G't Wolf Resorts	WOLF	3.20	5	3	NMF	NIL	Recreation	41
1331	Greatbatch, Inc.	GB	21.51	3	3	12.2	NIL	Electronics	54
2411	Halliburton Co.	HAL	36.36	3	3	9.3	1.0	Oilfield Svcs/Equip.	42
2106	Hanesbrands, Inc.	HBI	24.89	3	4	9.3	NIL	Apparel	64
957	Harmonic, Inc.	HLIT	5.81	4	2	11.9	NIL	Telecom. Equipment	89
2241	Hawaiian Elec.	HE	25.50	3	3	14.8	4.9	Electric Utility (West)	13
803	Health Mgmt. Assoc.	HMA	6.60	5	3	8.0	NIL	Medical Services	4
804	Health Net	HNT	35.30	3	4	11.3	NIL	Medical Services	4
2413	Helmerich & Payne	HP	61.53	3	4	13.1	0.5	Oilfield Svcs/Equip.	42
2177	Hertz Global Hldgs.	HTZ	13.40	4	4	19.1	NIL	Retail (Hardlines)	28
2178	Hibbett Sports	HIBB	48.93	3	4	21.3	NIL	Retail (Hardlines)	28
219	Hologic, Inc.	HOLX	19.41	3	4	14.2	NIL	Med Supp Non-Invasive	81
1137	Home Depot	HD	44.96	1	3	17.4	2.6	Retail Building Supply	73
1752	Honeywell Int'l	HON	57.63	1	3	13.5	2.6	Diversified Co.	38
2220	Hot Topic, Inc.	HOTT	7.47	3	4	39.3	3.7	Retail (Softlines)	50
2435	Huntsman Corp.	HUN	11.99	4	4	11.4	3.3	Chemical (Diversified)	21
2624	IAC/InterActiveCorp	IACI	42.60	3	3	22.8	1.1	Internet	78
2000	ITT Educational	ESI	67.17	3	3	7.4	NIL	Educational Services	66
1715	IDEX Corp.	IEX	39.47	3	3	14.8	1.7	Machinery	33
2179	Insight Enterprises	NSIT	18.33	3	2	9.5	NIL	Retail (Hardlines)	28
1362	Intel Corp.	INTC	26.90	1	3	11.3	3.1	Semiconductor	88
1409	Int'l Business Mach.	IBM	191.93	1	3	14.1	1.6	Computers/Peripherals	48
2379	Interpublic Group	IPG	10.44	3	4	14.7	2.4	Advertising	40
1787	Investment Techn.	ITG	11.40	3	1	11.1	NIL	Securities Brokerage	69
123	KLA-Tencor	KLAC	51.26	3	3	14.6	2.7	Precision Instrument	65
2158	Kenneth Cole 'A'	KCP	12.31	3	3	17.1	NIL	Shoe	49
1789	Knight Capital Group	KCG	13.51	3	1	10.4	NIL	Securities Brokerage	69
1982	Konami Corp. ADS	KNM	25.15	3	1	11.0	2.6	Foreign Electronics	58
1949	Kroger Co.	KR	24.34	2	3	11.8	2.1	Retail/Wholesale Food	16
717	L-3 Communic.	LLL	70.34	2	3	7.8	2.7	Aerospace/Defense	22
1365	LSI Corp. ▲	LSI	7.14	3	2	12.5	NIL	Semiconductor	88
1151	La-Z-Boy Inc.	LZB	13.37	4	2	18.3	NIL	Furn/Home Furnishings	62
2380	Lamar Advertising	LAMR	30.44	4	2	NMF	NIL	Advertising	40
2313	LeapFrog Enterpr. 'A'	LF	5.50	4	4	20.4	NIL	Recreation	41
224	Life Technologies	LIFE	47.31	2	3	12.0	NIL	Med Supp Non-Invasive	81
808	LifePoint Hospitals	LPNT	39.55	3	3	11.9	NIL	Medical Services	4
2222	Limited Brands	LTD	41.82	3	4	15.1	1.9	Retail (Softlines)	50
1718	Lincoln Elec Hldgs.	LECO	41.99	3	3	16.2	1.6	Machinery	33
1549	Lincoln Nat'l Corp.	LNC	22.86	3	2	5.8	1.4	Insurance (Life)	51
2329	Live Nation Entertain.	LYV	10.53	4	3	NMF	NIL	Entertainment	32
718	Lockheed Martin	LMT	82.24	1	3	10.3	5.0	Aerospace/Defense	22
124	MTS Systems	MTSC	45.59	3	3	12.7	2.2	Precision Instrument	65
2159	Madden (Steven) Ltd.	SHOO	39.31	3	4	16.3	NIL	Shoe	49
2346	Marcus Corp.	MCS	12.50	3	2	19.8	2.7	Hotel/Gaming	25
226	McKesson Corp.	MCK	76.55	1	3	12.7	1.0	Med Supp Non-Invasive	81
2584	Microsoft Corp.	MSFT	29.34	1	3	10.5	2.7	Computer Software	56
1003	Modine Mfg.	MOD	10.90	4	3	11.8	NIL	Auto Parts	15
1154	Mohawk Inds.	MHK	63.11	3	3	20.0	NIL	Furn/Home Furnishings	62
2182	Movado Group	MOV	18.35	3	5	17.1	0.7	Retail (Hardlines)	28
510	Murphy Oil Corp. ▼	MUR	59.72	2	3	11.2	1.8	Petroleum (Integrated)	2
1617	Mylan Inc.	MYL	20.84	3	4	18.3	NIL	Drug	55
2415	Nabors Inds	NBR	17.37	3	3	8.3	NIL	Oilfield Svcs/Equip.	42

▲ Arrow indicates the direction of a change in Timeliness. ■ Newly added this week.

Continued from preceding page

TIMELY STOCKS

Stocks Ranked 2 (Above Average) for Relative Price Performance in the Next 12 Months

Page No.	Stock Name	Ticker	Recent Price	Ranks Safety	Ranks Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
2562	Nat'l Fin'l Partners	NFP	14.99	5	2	13.1	NIL	Financial Svcs. (Div.)	63
395	Navigant Consulting	NCI	12.74	3	3	14.8	NIL	Industrial Services	37
963	NETGEAR	NTGR	41.31	3	4	16.9	NIL	Telecom. Equipment	89
1194	Newell Rubbermaid	NWL	17.07	3	1	12.1	1.9	Household Products	80
567	NewMarket Corp.	NEU	214.89	3	4	14.2	1.4	Chemical (Specialty)	29
1565	Newmont Mining	NEM	57.48	3	2	10.9	2.8	Precious Metals	18
2331	*News Corp.*	NWS	19.67	3	2	14.6	1.0	*Entertainment*	32
2395	Nexen Inc.	NXY.TO	18.08	3	1	11.0	1.1	Petroleum (Producing)	6
106	Nissan Motor ADR	NSANY	18.61	3	3	9.3	1.3	Automotive	24
2396	Noble Energy	NBL	100.46	3	3	16.2	0.9	Petroleum (Producing)	6
344	Norfolk Southern	NSC	75.48	3	3	13.3	2.5	Railroad	3
720	Northrop Grumman	NOC	60.00	1	3	8.5	3.5	Aerospace/Defense	22
916	OGE Energy	OGE	55.30	2	3	16.5	2.9	Electric Util. (Central)	12
568	OM Group	OMG	27.51	3	3	39.9	NIL	Chemical (Specialty)	29
511	Occidental Petroleum	OXY	100.92	2	3	12.3	1.9	Petroleum (Integrated)	2
1427	OfficeMax	OMX	6.03	4	1	9.6	NIL	Office Equip/Supplies	26
1640	On Assignment	ASGN	11.97	4	3	18.1	NIL	Human Resources	39
2628	*1-800-FLOWERS.COM* ▲	FLWS	2.72	4	4	18.1	NIL	*Internet*	78
2629	Orbitz Worldwide	OWW	3.75	5	4	25.0	NIL	Internet	78
917	Otter Tail Corp.	OTTR	21.98	3	2	28.5	5.4	Electric Util. (Central)	12
1177	Owens-Illinois	OI	23.14	3	2	9.1	NIL	Packaging & Container	17
1622	PDL BioPharma ▲	PDLI	6.36	3	3	5.5	9.4	Drug	55
2245	PNM Resources	PNM	17.55	3	4	14.5	2.8	Electric Utility (West)	13
2437	PPG Inds.	PPG	88.50	1	3	13.4	2.6	Chemical (Diversified)	21
2112	PVH Corp.	PVH	77.94	3	4	14.3	0.2	Apparel	64
369	Papa John's Int'l	PZZA	39.01	3	4	17.7	NIL	Restaurant	47
1761	Parker-Hannifin	PH	81.27	2	3	10.9	1.8	Diversified Co.	38
2129	Penske Auto	PAG	22.04	4	4	12.1	1.6	Retail Automotive	11
2130	Pep Boys	PBY	11.66	4	3	13.4	1.0	Retail Automotive	11
130	PerkinElmer Inc.	PKI	23.84	3	2	13.6	1.2	Precision Instrument	65
1991	Philip Morris Int'l	PM	74.15	2	3	14.9	4.2	Tobacco	27
1397	Photronics Inc.	PLAB	7.06	5	3	12.8	NIL	Semiconductor Equip	87
2186	Pier 1 Imports	PIR	15.29	3	4	16.3	NIL	Retail (Hardlines)	28
2246	Pinnacle West Capital	PNW	47.47	2	3	14.8	4.4	Electric Utility (West)	13
2397	Pioneer Natural Res.	PXD	98.23	3	3	22.1	0.1	Petroleum (Producing)	6
629	Plains All Amer. Pipe.	PAA	75.59	3	3	16.2	5.4	Pipeline MLPs	85
2315	Polaris Inds. ▲	PII	62.69	3	5	18.8	1.6	Recreation	41
1553	Protective Life	PL	25.81	3	1	7.4	2.5	Insurance (Life)	51
572	Quaker Chemical	KWR	42.56	3	4	12.3	2.3	Chemical (Specialty)	29
811	Quest Diagnostics	DGX	60.73	2	3	13.4	1.1	Medical Services	4
2420	RPC Inc. ▼	RES	17.53	3	4	7.9	2.3	Oilfield Svcs/Equip.	42
723	Raytheon Co. ▲	RTN	49.69	1	3	9.0	3.8	Aerospace/Defense	22
370	Red Robin Gourmet	RRGB	31.13	3	4	18.6	NIL	Restaurant	47
1018	Regis Corp.	RGS	16.29	3	2	13.6	1.5	Toiletries/Cosmetics	23
1555	Reinsurance Group	RGA	56.23	2	3	8.1	1.3	Insurance (Life)	51
409	Republic Services	RSG	28.35	3	3	13.8	3.1	Environmental	31
1727	Robbins & Myers	RBN	45.41	3	4	14.3	0.4	Machinery	33
2228	Ross Stores	ROST	52.02	2	3	17.3	0.8	Retail (Softlines)	50
2318	Royal Caribbean Cruises	RCL	28.66	3	2	9.5	1.4	Recreation	41
513	Royal Dutch Shell 'A'	RDSA	72.13	1	3	8.5	4.7	Petroleum (Integrated)	2
2229	*rue21, inc.*	RUE	25.05	3	2	15.4	NIL	Retail (Softlines)	50
327	Ryder System	R	54.54	3	3	14.3	2.1	Trucking	7
2590	SAP AG	SAP	58.06	2	3	15.1	1.5	Computer Software	56
1953	Safeway Inc.	SWY	22.70	2	3	12.6	2.8	Retail/Wholesale Food	16
195	St. Jude Medical	STJ	38.56	2	2	11.3	2.2	Med Supp Invasive	68
2147	Saks Inc.	SKS	9.93	4	3	25.5	NIL	Retail Store	43
1343	Sanmina-SCI Corp. ▲	SANM	10.93	5	1	7.2	NIL	Electronics	54
1729	Sauer-Danfoss	SHS	45.89	4	4	9.2	NIL	Machinery	33
2365	Scholastic Corp.	SCHL	28.55	3	3	14.3	1.8	Publishing	35
574	Schulman (A.)	SHLM	23.35	3	4	14.2	2.9	Chemical (Specialty)	29
2248	Sempra Energy	SRE	56.22	2	3	12.3	3.7	Electric Utility (West)	13
2352	*Shuffle Master*	SHFL	12.43	4	3	18.8	NIL	Hotel/Gaming	25
1181	Silgan Holdings	SLGN	40.13	3	3	13.8	1.1	Packaging & Container	17
1731	Snap-on Inc.	SNA	54.94	2	3	11.4	2.5	Machinery	33
576	Solutia Inc.	SOA	19.41	4	3	8.9	0.8	Chemical (Specialty)	29

Page No.	Stock Name	Ticker	Recent Price	Ranks Safety	Ranks Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1578	Southern Copper	SCCO	35.33	3	1	11.5	7.0	Metals & Mining (Div.)	30
539	Southwestern Energy	SWN	31.73	3	4	15.3	NIL	Natural Gas (Div.)	59
725	Spirit AeroSystems	SPR	22.86	3	4	11.7	NIL	Aerospace/Defense	22
2230	Stage Stores	SSI	15.43	3	3	13.0	2.3	Retail (Softlines)	50
1765	Standex Int'l	SXI	38.70	3	4	12.1	0.7	Diversified Co.	38
1732	Stanley Black & Decker	SWK	69.89	2	2	12.8	2.3	Machinery	33
1241	Stantec Inc.	STN.TO	27.00	3	4	10.9	NIL	Engineering & Const	36
1430	Staples, Inc. ▲	SPLS	16.05	2	1	11.2	2.7	Office Equip/Supplies	26
1156	Steelcase, Inc. 'A'	SCS	8.60	3	5	13.2	2.8	Furn/Home Furnishings	62
197	Stryker Corp. ▲	SYK	52.94	1	3	13.5	1.6	Med Supp Invasive	68
2320	Sturm, Ruger & Co.	RGR	38.52	3	3	17.8	1.5	Recreation	41
514	Suncor Energy	SU.TO	34.10	3	2	11.4	1.3	Petroleum (Integrated)	2
155	TECO Energy	TE	18.07	3	3	12.9	4.9	Electric Utility (East)	52
2231	TJX Companies	TJX	33.63	1	3	16.0	1.1	Retail (Softlines)	50
1006	TRW Automotive	TRW	39.38	4	2	5.8	NIL	Auto Parts	15
939	Telephone & Data	TDS	26.95	3	3	13.5	1.6	Telecom. Services	8
399	TeleTech Holdings	TTEC	16.91	3	3	11.9	NIL	Industrial Services	37
132	Thermo Fisher Sci.	TMO	52.48	2	3	18.1	NIL	Precision Instrument	65
1316	Thomas & Betts	TNB	57.92	3	3	15.5	NIL	Electrical Equipment	53
442	Thomson Reuters	TRI.TO	28.89	2	2	12.3	4.3	Information Services	67
1008	Titan Int'l	TWI	25.05	3	3	13.8	0.1	Auto Parts	15
1735	Toro Co.	TTC	63.62	3	3	15.2	1.4	Machinery	33
2527	Toronto-Dominion	TD.TO	79.30	2	3	11.8	3.5	Bank	72
517	*Total ADR*	TOT	52.56	1	2	7.4	5.9	*Petroleum (Integrated)*	2
1242	URS Corp.	URS	40.26	3	3	10.6	NIL	Engineering & Const	36
315	US Airways Group ▲	LCC	6.41	5	3	8.9	NIL	Air Transport	9
412	US Ecology	ECOL	19.17	3	3	17.1	3.8	Environmental	31
2399	Ultra Petroleum	UPL	24.82	3	3	9.5	NIL	Petroleum (Producing)	6
401	UniFirst Corp.	UNF	60.93	3	3	14.9	0.2	Industrial Services	37
346	Union Pacific	UNP	111.21	2	3	15.8	2.2	Railroad	3
1419	Unisys Corp.	UIS	19.85	5	1	4.5	NIL	Computers/Peripherals	48
1736	United Rentals	URI	33.97	5	5	16.2	NIL	Machinery	33
793	U.S. Bancorp	USB	28.45	3	3	11.5	1.8	Bank (Midwest)	74
941	U.S. Cellular	USM	46.12	3	3	22.4	NIL	Telecom. Services	8
753	*U.S. Steel Corp.*	X	28.96	3	3	NMF	0.7	*Steel*	44
846	United Therapeutics	UTHR	48.09	3	1	11.7	NIL	Biotechnology	95
815	UnitedHealth Group	UNH	51.33	2	4	11.0	1.3	Medical Services	4
2384	Valassis Communic.	VCI	20.85	4	3	7.7	NIL	Advertising	40
1771	Valmont Inds.	VMI	102.50	3	4	15.4	0.7	Diversified Co.	38
918	Vectren Corp.	VVC	28.54	2	3	14.9	4.9	Electric Util. (Central)	12
942	Verizon Communic.	VZ	37.79	1	3	16.3	5.3	Telecom. Services	8
2335	Viacom Inc. 'B'	VIAB	48.00	3	3	11.8	2.1	Entertainment	32
943	Vodafone Group ADR	VOD	27.66	2	2	11.1	7.7	Telecom. Services	8
944	Vonage Holdings	VG	2.31	4	3	5.5	NIL	Telecom. Services	8
1010	WABCO Hldgs.	WBC	50.98	3	4	10.1	NIL	Auto Parts	15
2151	Wal-Mart Stores	WMT	61.39	1	2	13.0	2.4	Retail Store	43
608	Walter Energy	WLT	67.54	3	4	8.4	0.7	Coal	19
2119	Warnaco Group	WRC	55.79	3	3	13.3	NIL	Apparel	64
413	Waste Connections	WCN	32.76	3	3	20.5	1.1	Environmental	31
1631	Watson Pharmac. ▼	WPI	55.89	2	4	10.2	NIL	Drug	55
1167	Wausau Paper	WPP	8.61	3	2	31.9	1.4	Paper/Forest Products	34
2529	Wells Fargo	WFC	30.54	3	3	10.1	1.6	Bank	72
328	Werner Enterprises	WERN	25.49	3	3	17.6	0.8	Trucking	7
1318	WESCO Int'l ▲	WCC	58.71	3	3	13.0	NIL	Electrical Equipment	53
2194	West Marine	WMAR	12.00	3	2	13.0	NIL	Retail (Hardlines)	28
1420	Western Digital ▲	WDC	36.88	3	5	NMF	NIL	Computers/Peripherals	48
2568	Western Union	WU	19.16	3	3	*11.8*	1.7	*Financial Svcs. (Div.)*	63
1960	Weston (George)	WN.TO	65.70	2	2	13.6	2.2	Retail/Wholesale Food	16
2569	Wright Express	WXS	56.08	3	3	14.8	NIL	Financial Svcs. (Div.)	63
2356	Wyndham Worldwide	WYN	40.37	4	3	14.3	1.5	Hotel/Gaming	25
2250	Xcel Energy Inc.	XEL	26.52	2	3	14.7	4.0	Electric Utility (West)	13
1432	Xerox Corp. ▼	XRX	8.67	3	3	7.6	2.0	Office Equip/Supplies	26
202	Zimmer Holdings ▲	ZMH	56.55	2	3	11.6	1.3	Med Supp Invasive	68
2235	Zumiez Inc.	ZUMZ	29.34	3	4	24.7	NIL	Retail (Softlines)	50
136	Zygo Corp.	ZIGO	17.10	3	2	12.7	NIL	Precision Instrument	65

▲ Arrow indicates the direction of a change in Timeliness. ■ Newly added this week.

Rank 2 Deletions:

AT&T Inc.; Air Products & Chem.; Bassett Furniture; Briggs & Stratton; Can. National Railway; Capital One Fin'l; Coherent, Inc.; Eaton Corp.; Fifth Third Bancorp; Peabody Energy; Rockwell Automation; Southern Co.; Woodward, Inc.; Zions Bancorp.

Rank removed–see supplement or report:

None.

Rank 3 Deletions:

AVX Corp.; Allegheny Techn.; Bank of New York Mellon; Commerce Bancshs.; Covance Inc.; E*Trade Fin'l; Ericsson ADR; Everest Re Group Ltd.; J&J Snack Foods; Johnson Controls; McCormick & Co.; Mead Johnson Nutrition; Monster Worldwide; Novartis AG ADR; Panasonic Corp.; Popular Inc.; Potash Corp.; PrivateBancorp; Standard Register; TE Connectivity; UGI Corp.

Rank removed–see supplement or report:

None.

CONSERVATIVE STOCKS

Stocks Ranked 1 (Highest) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Time-liness	Rank Tech-nical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
542	AGL Resources	41.45	3	3	13.5	4.3	Natural Gas Utility	76
922	AT&T Inc.	30.09	3	3	12.6	5.8	Telecom. Services	8
1595	Abbott Labs.	55.98	1	3	11.6	3.4	Drug	55
1598	Allergan, Inc.	88.49	3	3	25.1	0.2	Drug	55
830	Amgen (NDQ)	68.19	2	3	12.9	1.6	Biotechnology	95
2599	Automatic Data Proc. (NDQ)	56.73	3	3	20.3	2.8	IT Services	45
178	Bard (C.R.)	91.85	3	4	13.9	0.8	Med Supp Invasive	68
179	Baxter Int'l Inc.	53.61	3	4	12.0	2.5	Med Supp Invasive	68
180	Becton, Dickinson	78.29	3	3	14.0	2.3	Med Supp Invasive	68
2166	Bed Bath & Beyond (NDQ)	62.85	3	4	15.4	NIL	Retail (Hardlines)	28
761	Berkshire Hathaway 'B'	78.48	4	2	16.3	NIL	Insurance (Prop/Cas.)	96
1602	Bristol-Myers Squibb	32.25	3	4	14.9	4.3	Drug	55
1967	Brown-Forman 'B'	82.28	4	3	21.7	1.7	Beverage	61
138	CH Energy Group	56.16	3	3	18.2	4.0	Electric Utility (East)	52
973	CVS Caremark Corp.	42.44	2	3	14.2	1.5	Pharmacy Services	57
210	Cardinal Health	41.85	3	3	13.7	2.1	Med Supp Non-Invasive	81
1801	Check Point Software (NDQ)	56.52	3	3	21.1	NIL	E-Commerce	86
503	Chevron Corp.	106.72	2	3	7.8	3.0	Petroleum (Integrated)	2
763	Chubb Corp.	70.06	4	2	12.7	2.2	Insurance (Prop/Cas.)	96
1186	Church & Dwight	45.79	3	3	19.9	1.5	Household Products	80
953	Cisco Systems (NDQ)	19.82	3	2	13.7	1.2	Telecom. Equipment	89
1969	Coca-Cola	67.90	3	3	16.8	2.8	Beverage	61
1188	Colgate-Palmolive	88.25	3	3	16.7	2.6	Household Products	80
781	Commerce Bancshs. (NDQ)	40.14	4	3	14.8	2.2	Bank (Midwest)	74
1908	ConAgra Foods	27.01	3	4	15.0	3.6	Food Processing	70
504	ConocoPhillips	70.61	2	3	7.9	4.0	Petroleum (Integrated)	2
140	Consol. Edison	58.38	3	3	16.4	4.1	Electric Utility (East)	52
2135	Costco Wholesale (NDQ)	81.73	3	3	21.2	1.2	Retail Store	43
2512	Cullen/Frost Bankers	57.11	4	3	16.5	3.2	Bank	72
2327	Disney (Walt)	39.25	3	3	13.5	1.5	Entertainment	32
1588	Du Pont	49.41	3	3	12.3	3.4	Chemical (Basic)	10
561	Ecolab Inc.	60.99	3	4	22.1	1.3	Chemical (Specialty)	29
188	Edwards Lifesciences	78.54	4	3	34.1	NIL	Med Supp Invasive	68
1306	Emerson Electric	50.64	3	3	14.0	3.2	Electrical Equipment	53
613	Enbridge Inc. (TSE)	36.68	3	3	23.7	3.1	Oil/Gas Distribution	82
2025	Everest Re Group Ltd	85.48	4	2	8.3	2.2	Reinsurance	97
505	Exxon Mobil Corp.	87.18	2	3	10.4	2.2	Petroleum (Integrated)	2
1980	FUJIFILM Hldgs. ADR (PNK)	25.48	3	3	17.6	1.8	Foreign Electronics	58
2551	Gallagher (Arthur J.)	33.47	4	2	21.7	3.9	Financial Svcs. (Div.)	63
711	Gen'l Dynamics	71.34	2	3	9.4	2.8	Aerospace/Defense	22
1915	Gen'l Mills	40.10	3	3	15.4	3.2	Food Processing	70
996	Genuine Parts	64.60	3	3	17.1	2.8	Auto Parts	15
1610	GlaxoSmithKline ADR	44.57	3	3	12.0	5.3	Drug	55
1311	Grainger (W.W.)	203.51	3	4	21.3	1.4	Electrical Equipment	53
1917	Heinz (H.J.)	51.91	4	3	15.4	3.9	Food Processing	70
1137	Home Depot	44.96	2	3	17.4	2.6	Retail Building Supply	73
1752	Honeywell Int'l	57.63	2	3	13.5	2.6	Diversified Co.	38
1920	Hormel Foods	29.55	3	3	16.5	2.0	Food Processing	70
1753	ITT Corp.	21.14	–	–	5.9	1.7	Diversified Co.	38
220	IDEXX Labs. (NDQ)	86.56	3	3	30.9	NIL	Med Supp Non-Invasive	81
733	Illinois Tool Works	51.93	3	3	13.0	2.8	Metal Fabricating	46
1362	Intel Corp. (NDQ)	26.90	2	3	11.3	3.1	Semiconductor	88
1409	Int'l Business Mach.	191.93	2	3	14.1	1.6	Computers/Peripherals	48
564	Int'l Flavors & Frag.	56.45	3	4	14.5	2.2	Chemical (Specialty)	29
223	Johnson & Johnson	65.00	3	3	13.0	3.5	Med Supp Non-Invasive	81
1922	Kellogg	50.50	4	3	14.9	3.4	Food Processing	70
1191	Kimberly-Clark	72.27	3	3	17.4	3.9	Household Products	80
1923	Kraft Foods	38.30	3	3	15.6	3.0	Food Processing	70
1983	Kyocera Corp. ADR	84.26	3	2	14.0	1.9	Foreign Electronics	58
807	Laboratory Corp.	91.18	3	3	13.8	NIL	Medical Services	4
1192	Lancaster Colony (NDQ)	69.44	4	3	19.6	2.1	Household Products	80
1613	Lilly (Eli)	39.61	3	3	10.3	4.9	Drug	55
718	Lockheed Martin	82.24	2	3	10.3	5.0	Aerospace/Defense	22
531	MDU Resources	21.43	3	3	15.0	3.1	Natural Gas (Div.)	59
915	MGE Energy (NDQ)	44.34	3	2	16.2	3.5	Electric Util. (Central)	12
1924	McCormick & Co.	51.08	4	3	17.8	2.4	Food Processing	70
365	McDonald's Corp.	98.75	3	3	18.2	2.8	Restaurant	47
226	McKesson Corp.	76.55	2	3	12.7	1.0	Med Supp Non-Invasive	81
976	Medco Health Solutions	62.01	–	1	15.8	NIL	Pharmacy Services	57
193	Medtronic, Inc.	39.33	3	3	11.0	2.5	Med Supp Invasive	68
1616	Merck & Co.	38.78	1	3	10.2	4.3	Drug	55
2584	Microsoft Corp. (NDQ)	29.34	2	3	10.5	2.7	Computer Software	56
1926	Nestle SA ADS (NDQ)	57.90	4	2	19.4	3.8	Food Processing	70
545	New Jersey Resources	47.99	4	3	17.3	3.2	Natural Gas Utility	76
2160	NIKE, Inc. 'B'	102.21	3	3	20.4	1.4	Shoe	49
720	Northrop Grumman	60.00	2	3	8.5	3.5	Aerospace/Defense	22
548	Northwest Nat. Gas	46.96	4	3	16.6	3.8	Natural Gas Utility	76
1619	Novartis AG ADR	55.87	4	3	14.5	4.1	Drug	55
1620	Novo Nordisk ADR	117.98	3	3	21.0	1.5	Drug	55
148	NSTAR	44.71	3	3	16.4	2.5	Electric Utility (East)	52
1210	Nuveen Muni Value Fund	9.98	–	3	NMF	4.7	Investment Co.	–
2586	Oracle Corp. (NDQ)	28.51	3	3	11.8	0.8	Computer Software	56
2437	PPG Inds.	88.50	2	3	13.4	2.6	Chemical (Diversified)	21
2612	Paychex, Inc. (NDQ)	32.34	3	2	21.6	4.0	IT Services	45
1977	PepsiCo, Inc.	66.20	3	3	14.9	3.3	Beverage	61
1626	Pfizer, Inc.	21.66	3	3	15.3	4.1	Drug	55
1195	Procter & Gamble	64.50	4	3	15.3	3.3	Household Products	80
723	Raytheon Co.	49.69	2	3	9.0	3.8	Aerospace/Defense	22
724	Rockwell Collins	59.26	3	4	13.8	1.6	Aerospace/Defense	22
513	Royal Dutch Shell 'A'	72.13	2	3	8.5	4.7	Petroleum (Integrated)	2
1627	Sanofi ADR	36.29	3	3	11.7	5.1	Drug	55
1139	Sherwin-Williams	95.42	3	3	18.7	1.6	Retail Building Supply	73
575	Sigma-Aldrich (NDQ)	68.52	3	4	17.9	1.1	Chemical (Specialty)	29
1935	Smucker (J.M.)	81.00	4	4	16.1	2.4	Food Processing	70
154	Southern Co.	44.90	3	3	17.2	4.3	Electric Utility (East)	52
197	Stryker Corp.	52.94	2	3	13.5	1.6	Med Supp Invasive	68
1956	Sysco Corp.	30.29	3	3	14.4	3.6	Retail/Wholesale Food	16
2231	TJX Companies	33.63	2	3	16.0	1.1	Retail (Softlines)	50
845	Techne Corp. (NDQ)	70.95	3	3	22.9	1.6	Biotechnology	95
1628	Teva Pharmac. (ADR) (NDQ)	45.87	1	3	8.3	2.0	Drug	55
1383	Texas Instruments (NDQ)	32.52	4	3	23.1	2.1	Semiconductor	88
1768	3M Company	85.93	4	3	14.3	2.6	Diversified Co.	38
1938	Tootsie Roll Ind.	24.48	5	3	38.3	1.3	Food Processing	70
517	Total ADR	52.56	2	2	7.4	5.9	Petroleum (Integrated)	2
774	Travelers Cos.	58.00	4	2	10.9	2.8	Insurance (Prop/Cas.)	96
1941	Unilever PLC ADR	32.04	3	2	14.6	4.2	Food Processing	70
317	United Parcel Serv.	75.00	3	3	16.6	2.8	Air Transport	9
1770	United Technologies	77.78	3	4	13.7	2.5	Diversified Co.	38
200	Varian Medical Sys.	68.51	3	3	18.0	NIL	Med Supp Invasive	68
942	Verizon Communic.	37.79	2	3	16.3	5.3	Telecom. Services	8
553	WGL Holdings Inc.	43.00	3	3	17.6	3.6	Natural Gas Utility	76
2151	Wal-Mart Stores	61.39	2	2	13.0	2.4	Retail Store	43
980	Walgreen Co.	34.27	3	3	12.2	2.6	Pharmacy Services	57
1959	Weis Markets	42.80	3	3	15.7	2.8	Retail/Wholesale Food	16

CONSERVATIVE STOCKS

Stocks Ranked 2 (Above Average) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Time-liness	Rank Tech-nical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1964	AB InBev ADR	61.44	2	3	16.0	1.9	Beverage	61
756	ACE Limited	71.09	3	2	8.9	2.6	Insurance (Prop/Cas.)	96
2597	Accenture Plc	56.63	3	4	15.3	2.4	IT Services	45
1202	Adams Express	10.33	–	3	NMF	1.5	Investment Co.	–
430	Advisory Board (NDQ)	79.46	4	3	45.9	NIL	Information Services	67
2428	Air Products & Chem.	87.58	3	3	15.0	2.6	Chemical (Diversified)	21
757	Alleghany Corp.	287.00	5	3	24.8	NIL	Insurance (Prop/Cas.)	96
902	ALLETE	41.00	3	3	16.1	4.4	Electric Util. (Central)	12
903	Alliant Energy	42.25	3	3	15.5	4.3	Electric Util. (Central)	12
758	Allstate Corp.	29.36	5	2	10.0	2.9	Insurance (Prop/Cas.)	96
1350	Altera Corp. (NDQ)	40.12	4	3	17.4	0.8	Semiconductor	88
1988	Altria Group	28.28	3	3	13.5	5.8	Tobacco	27
2535	Amer. Express	49.23	3	3	11.8	1.6	Financial Svcs. (Div.)	63
208	AmerisourceBergen	39.55	3	3	14.9	1.3	Med Supp Non-Invasive	81
1740	Ametek, Inc.	46.32	3	3	18.7	0.5	Diversified Co.	38
1352	Analog Devices	39.85	4	3	18.0	2.5	Semiconductor	88
2538	Aon Corp.	47.03	3	2	14.5	1.3	Financial Svcs. (Div.)	63
1400	Apple Inc. (NDQ)	420.41	1	3	13.0	NIL	Computers/Peripherals	48
1389	Applied Materials (NDQ)	12.31	4	1	13.1	2.6	Semiconductor Equip	87
1170	AptarGroup	51.44	3	3	18.0	1.7	Packaging & Container	17
1902	Archer Daniels Midl'd	29.82	3	2	9.5	2.3	Food Processing	70
1599	AstraZeneca PLC (ADS)	47.66	3	3	6.8	5.7	Drug	55
543	Atmos Energy	32.22	3	2	13.5	4.3	Natural Gas Utility	76
558	Avery Dennison	28.61	3	3	11.6	3.5	Chemical (Specialty)	29
2237	Avista Corp.	24.82	3	3	14.3	4.8	Electric Utility (West)	13
778	BOK Financial (NDQ)	57.62	3	3	12.5	2.3	Bank (Midwest)	74
1171	Ball Corp.	37.75	2	3	13.1	0.7	Packaging & Container	17
2506	Bank of Montreal (TSE)	60.78	3	3	11.4	4.7	Bank	72
2508	Bank of Nova Scotia (TSE)	53.96	3	3	12.2	3.9	Bank	72
1172	Bemis Co.	29.99	3	3	14.4	3.2	Packaging & Container	17
760	Berkley (W.R.)	34.41	4	3	15.3	0.9	Insurance (Prop/Cas.)	96
706	Boeing	75.36	3	3	15.2	2.3	Aerospace/Defense	22
1989	Brit. Amer Tobac ADR	92.00	3	3	14.9	4.2	Tobacco	27
2541	Brown & Brown	23.11	4	2	19.1	1.5	Financial Svcs. (Div.)	63
622	Buckeye Partners L.P.	62.30	4	3	19.7	6.6	Pipeline MLPs	85
2577	CA, Inc.	22.82	1	3	11.9	0.9	Computer Software	56
381	C.H. Robinson (NDQ)	67.63	3	4	23.3	2.0	Industrial Services	37
1906	Campbell Soup	31.61	4	3	13.2	3.7	Food Processing	70
2509	Can. Imperial Bank (TSE)	77.64	3	2	10.3	4.6	Bank	72
340	Can. National Railway	75.03	3	3	14.9	2.0	Railroad	3
1979	Canon Inc. ADR	43.98	2	2	14.5	3.5	Foreign Electronics	58
1743	Carlisle Cos.	47.70	3	3	15.0	1.5	Diversified Co.	38
1603	Celgene Corp. (NDQ)	74.02	2	4	22.2	NIL	Drug	55
1043	CenturyLink Inc.	36.94	3	3	24.3	7.9	Telecom. Utility	5
764	Cincinnati Financial (NDQ)	32.43	5	2	27.3	5.0	Insurance (Prop/Cas.)	96
382	Cintas Corp. (NDQ)	37.50	2	4	17.4	1.4	Industrial Services	37
908	Cleco Corp.	37.12	3	3	15.2	3.4	Electric Util. (Central)	12
1187	Clorox Co.	68.63	4	3	16.7	3.6	Household Products	80
2603	Computer Sciences	26.09	3	2	6.0	3.1	IT Services	45
2126	Copart, Inc. (NDQ)	48.31	3	3	17.9	NIL	Retail Automotive	11

Continued from preceding page

Stocks Ranked 2 (Above Average) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Timeliness	Rank Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
184	Covidien Plc	48.89	2	2	11.5	1.9	Med Supp Invasive	68
1204	DNP Select Inc. Fund	11.23	–	3	18.7	6.9	Investment Co.	–
2604	DST Systems	48.88	3	4	11.6	1.4	IT Services	45
1746	Danaher Corp.	52.80	3	3	17.3	0.2	Diversified Co.	38
164	Deere & Co.	86.42	2	2	12.5	2.0	Heavy Truck & Equip	20
187	Dentsply Int'l (NDQ)	38.07	3	3	18.3	0.6	Med Supp Invasive	68
1046	Deutsche Telekom ADR (PNK)	11.34	2	3	11.2	8.8	Telecom. Utility	5
1423	Diebold, Inc.	31.85	3	3	13.4	3.6	Office Equip/Supplies	26
2138	Dollar Tree, Inc. (NDQ)	85.98	2	4	19.7	NIL	*Retail Store*	43
142	Dominion Resources	50.31	4	3	17.5	4.2	Electric Utility (East)	52
1711	Dover Corp.	60.47	2	3	12.8	2.1	Machinery	33
2328	DreamWorks Animation (NDQ)	19.11	5	1	14.9	NIL	Entertainment	32
143	Duke Energy	21.14	3	3	15.3	4.8	Electric Utility (East)	52
1403	EMC Corp.	25.14	3	3	22.1	NIL	Computers/Peripherals	48
992	Eaton Corp.	48.81	3	3	11.2	2.8	*Auto Parts*	15
2621	eBay Inc. (NDQ)	31.95	3	3	18.6	NIL	Internet	78
2240	El Paso Electric	34.30	1	3	13.9	3.1	Electric Utility (West)	13
709	Elbit Systems (NDQ)	41.40	3	3	9.1	3.5	Aerospace/Defense	22
529	Energen Corp.	53.10	3	3	12.3	1.0	Natural Gas (Div.)	59
624	Energy Transfer	48.77	4	2	25.8	7.5	Pipeline MLPs	85
911	*Entergy Corp.*	69.46	2	3	10.0	4.8	*Electric Util. (Central)*	12
436	Equifax, Inc.	39.36	3	3	14.9	1.6	Information Services	67
765	Erie Indemnity Co. (NDQ)	75.29	4	3	23.7	2.9	Insurance (Prop/Cas.)	96
144	Exelon Corp.	39.22	3	3	12.6	5.4	Electric Utility (East)	52
386	Expeditors Int'l (NDQ)	43.86	3	3	22.7	1.1	Industrial Services	37
975	Express Scripts 'A' (NDQ)	51.72	3	2	16.3	NIL	Pharmacy Services	57
437	*FactSet Research*	92.58	3	3	22.5	1.2	Information Services	67
1136	Fastenal Co. (NDQ)	46.86	3	4	36.9	1.5	Retail Building Supply	73
2548	Federated Investors	18.65	4	3	11.0	5.1	Financial Svcs. (Div.)	63
309	FedEx Corp.	90.79	2	3	14.5	0.6	Air Transport	9
145	FirstEnergy Corp.	41.27	2	3	12.4	5.3	Electric Utility (East)	52
2607	Fiserv Inc. (NDQ)	62.92	2	3	13.1	NIL	IT Services	45
1913	Flowers Foods	19.81	4	4	19.4	3.3	Food Processing	70
2550	Franklin Resources	103.61	3	3	12.3	1.0	Financial Svcs. (Div.)	63
2219	Gap (The), Inc.	18.63	3	2	12.5	2.6	Retail (Softlines)	50
2552	Global Payments	48.55	3	3	15.4	0.2	Financial Svcs. (Div.)	63
2623	Google, Inc. (NDQ)	580.93	3	2	17.2	NIL	Internet	78
217	Haemonetics Corp.	65.18	4	3	20.3	NIL	Med Supp Non-Invasive	81
767	Hanover Insurance	36.39	4	2	17.9	3.3	Insurance (Prop/Cas.)	96
1332	Harris Corp.	38.55	3	3	7.9	3.0	*Electronics*	54
2310	Hasbro, Inc. (NDQ)	34.27	3	2	10.5	3.5	Recreation	41
322	Heartland Express (NDQ)	14.59	3	4	18.9	0.5	Trucking	7
2608	Henry (Jack) & Assoc. (NDQ)	34.20	3	3	19.5	1.2	IT Services	45
1919	Hershey Co.	61.39	4	3	20.7	2.4	Food Processing	70
1406	Hewlett-Packard	28.52	3	1	12.2	1.7	Computers/Peripherals	48
105	Honda Motor ADR	34.62	3	2	15.2	2.1	*Automotive*	24
1313	Hubbell Inc. 'B'	70.34	3	3	15.3	2.2	Electrical Equipment	53
913	ITC Holdings	72.41	3	3	20.2	2.0	Electric Util. (Central)	12
508	Imperial Oil Ltd. (ASE)	46.73	3	2	12.7	0.9	Petroleum (Integrated)	2
2609	Infosys Techn. ADR (NDQ)	53.59	3	3	17.1	1.3	IT Services	45
914	Integrys Energy	51.39	3	3	15.1	5.3	Electric Util. (Central)	12
2581	*Intuit Inc.* (NDQ)	57.33	3	3	21.6	1.0	Computer Software	56
1921	J&J Snack Foods (NDQ)	50.06	4	3	18.7	1.0	Food Processing	70
2648	KKR & Co. L.P.	13.68	–	–	5.6	6.2	Public/Private Equity	93
627	Kinder Morgan Energy	88.30	3	3	47.2	5.6	Pipeline MLPs	85
2141	Kohl's Corp.	47.93	3	3	10.7	2.3	Retail Store	43
1949	Kroger Co.	24.34	2	3	11.8	2.1	Retail/Wholesale Food	16
717	L-3 Communic.	70.34	2	3	7.8	2.7	Aerospace/Defense	22
544	Laclede Group	40.62	3	2	15.7	4.1	Natural Gas Utility	76
1016	Lauder (Estee)	58.08	3	4	25.8	0.9	Toiletries/Cosmetics	23
1152	Leggett & Platt	23.30	4	3	17.3	4.8	Furn/Home Furnishings	62
1208	Liberty All-Star	4.62	–	3	NMF	5.6	Investment Co.	–
224	Life Technologies (NDQ)	47.31	2	3	12.0	NIL	Med Supp Non-Invasive	81
809	Lincare Holdings (NDQ)	25.56	3	4	12.7	3.1	Medical Services	4
2558	Loews Corp.	38.44	4	3	12.5	0.7	Financial Svcs. (Div.)	63
1990	Lorillard Inc.	112.07	3	5	13.9	4.6	Tobacco	27
1138	Lowe's Cos.	26.88	3	3	15.8	2.3	Retail Building Supply	73
2394	Marathon Oil Corp.	32.19	–	–	12.7	1.9	Petroleum (Producing)	6
768	Markel Corp.	408.54	4	3	23.8	NIL	Insurance (Prop/Cas.)	96
2314	Mattel, Inc. (NDQ)	29.09	1	3	12.8	3.2	Recreation	41
393	MAXIMUS Inc.	45.42	3	3	20.2	0.9	Industrial Services	37
769	Mercury General	44.29	3	2	15.4	5.5	Insurance (Prop/Cas.)	96
125	Mettler-Toledo Int'l	172.19	3	2	19.5	NIL	Precision Instrument	65
1779	Middlesex Water (NDQ)	18.81	4	3	20.2	3.9	Water Utility	14
566	Minerals Techn.	64.25	3	3	17.0	0.3	Chemical (Specialty)	29
1337	Molex Inc. (NDQ)	27.43	3	2	16.1	2.9	Electronics	54
1975	Molson Coors Brewing	42.84	3	3	11.9	3.0	*Beverage*	61
510	Murphy Oil Corp.	59.72	2	3	11.2	1.8	Petroleum (Integrated)	2
2518	Nat'l Bank of Canada (TSE)	77.30	3	3	10.8	3.7	Bank	72
532	National Fuel Gas	50.33	4	3	15.0	2.8	Natural Gas (Div.)	59
146	NextEra Energy	59.19	3	3	14.0	3.9	Electric Utility (East)	52
916	OGE Energy	55.30	2	3	16.5	2.9	Electric Util. (Central)	12
511	*Occidental Petroleum*	100.92	2	3	12.3	1.9	*Petroleum (Integrated)*	2
2383	Omnicom Group	46.18	3	3	13.5	2.2	Advertising	40
2128	O'Reilly Automotive (NDQ)	81.81	3	3	20.7	NIL	Retail Automotive	11
231	Owens & Minor	30.15	3	4	14.6	2.9	Med Supp Non-Invasive	81
2438	Pall Corp.	59.20	3	3	20.8	1.4	Chemical (Diversified)	21
368	Panera Bread Co. (NDQ)	147.24	3	4	29.4	NIL	Restaurant	47
1761	Parker-Hannifin	81.27	2	3	10.9	1.8	Diversified Co.	38
233	Patterson Cos. (NDQ)	31.97	4	3	16.0	1.5	Med Supp Non-Invasive	81
1991	Philip Morris Int'l	74.15	2	3	14.9	4.2	Tobacco	27
549	Piedmont Natural Gas	32.74	3	3	20.1	3.5	Natural Gas Utility	76
2246	Pinnacle West Capital	47.47	2	3	14.8	4.4	Electric Utility (West)	13
571	Praxair Inc.	109.10	3	4	19.2	2.0	Chemical (Specialty)	29
722	Precision Castparts	174.09	3	3	19.4	0.1	Aerospace/Defense	22
151	Progress Energy	53.86	–	3	17.3	4.6	Electric Utility (East)	52
152	Public Serv. Enterprise	30.36	3	3	11.9	4.5	Electric Utility (East)	52
1535	Public Storage	135.60	4	2	45.8	2.8	R.E.I.T.	90
967	Qualcomm Inc. (NDQ)	58.68	3	3	19.4	1.5	Telecom. Equipment	89
811	Quest Diagnostics	60.73	2	3	13.4	1.1	Medical Services	4
2588	Quest Software (NDQ)	19.31	4	2	18.6	NIL	Computer Software	56
772	RLI Corp.	73.96	3	3	15.4	1.6	Insurance (Prop/Cas.)	96
1929	*Ralcorp Holdings*	85.82	–	–	15.0	NIL	*Food Processing*	70
1555	Reinsurance Group	56.23	2	3	8.1	1.3	Insurance (Life)	51
2028	RenaissanceRe Hldgs.	72.23	4	3	10.7	1.4	Reinsurance	97
234	ResMed Inc.	26.86	4	3	17.3	NIL	Med Supp Non-Invasive	81
1992	Reynolds American	39.72	4	3	14.2	5.9	Tobacco	27
397	Rollins, Inc.	22.74	3	3	30.3	1.4	Industrial Services	37
2228	*Ross Stores* (NDQ)	52.02	2	3	17.3	0.8	Retail (Softlines)	50
2522	Royal Bank of Canada (TSE)	53.79	3	3	11.8	4.0	Bank	72
398	SAIC, Inc.	12.88	3	2	8.9	NIL	Industrial Services	37
2590	SAP AG	58.06	2	3	15.1	1.5	Computer Software	56
2613	SEI Investments (NDQ)	18.71	5	3	16.7	1.6	IT Services	45
1953	Safeway Inc	22.70	2	3	12.6	2.8	Retail/Wholesale Food	16
195	St. Jude Medical	38.56	2	2	11.3	2.2	Med Supp Invasive	68
1931	Sara Lee Corp.	19.03	–	3	21.1	2.5	Food Processing	70
153	SCANA Corp.	44.44	3	2	14.5	4.5	Electric Utility (East)	52
2422	Schlumberger Ltd.	74.59	3	2	17.4	1.5	Oilfield Svcs/Equip.	42
2332	Scripps Networks	45.24	3	2	15.2	0.9	Entertainment	32
2248	Sempra Energy	56.22	2	3	12.3	3.7	Electric Utility (West)	13
1731	Snap-on Inc.	54.94	2	3	11.4	2.5	Machinery	33
1182	Sonoco Products	31.49	3	3	12.4	3.7	Packaging & Container	17
1986	Sony Corp. ADR	17.95	3	2	NMF	1.8	Foreign Electronics	58
550	South Jersey Inds.	54.71	4	3	18.1	2.9	Natural Gas Utility	76
1732	Stanley Black & Decker	69.89	2	2	12.8	2.3	Machinery	33
1430	Staples, Inc. (NDQ)	16.05	2	1	11.2	2.7	Office Equip/Supplies	26
410	Stericycle Inc. (NDQ)	84.29	4	3	28.2	NIL	Environmental	31
2592	Synopsys, Inc. (NDQ)	29.14	4	2	18.9	NIL	Computer Software	56
2150	Target Corp	50.75	3	2	12.4	2.6	Retail Store	43
1766	Teleflex Inc.	60.31	3	3	13.5	2.3	Diversified Co.	38
1048	Telefonica SA ADR	17.19	3	2	7.0	9.0	Telecom. Utility	5
2593	Teradata Corp.	53.23	3	4	25.2	NIL	Computer Software	56
132	Thermo Fisher Sci.	52.48	2	3	11.8	NIL	Precision Instrument	65
442	Thomson Reuters (TSE)	28.89	2	2	12.3	4.3	*Information Services*	67
375	Tim Hortons	48.14	3	3	19.2	1.4	Restaurant	47
1556	Torchmark Corp.	45.35	3	3	9.1	1.1	Insurance (Life)	51
2527	Toronto-Dominion (TSE)	79.30	2	3	11.8	3.5	Bank	72
1140	Tractor Supply (NDQ)	80.70	3	5	24.5	0.7	Retail Building Supply	73
2029	Transatlantic Hldgs.	55.12	–	2	9.9	1.6	Reinsurance	97
618	*TransCanada Corp.*	41.29	3	3	18.2	4.1	Oil/Gas Distribution	82
1212	Tri-Continental	14.94	–	3	NMF	1.9	Investment Co.	–
552	UGI Corp.	28.10	4	3	12.5	3.8	Natural Gas Utility	76
156	UIL Holdings	33.95	3	3	16.6	5.1	Electric Utility (East)	52
346	Union Pacific	111.21	2	3	15.8	2.2	Railroad	3
815	UnitedHealth Group	51.33	2	4	11.0	1.3	Medical Services	4
2118	V.F. Corp.	132.56	3	4	16.1	2.2	Apparel	64
918	Vectren Corp.	28.54	2	3	14.9	4.9	Electric Util. (Central)	12
443	Verisk Analytics (NDQ)	39.98	3	3	23.8	NIL	Information Services	67
1958	Village Super Market (NDQ)	31.93	3	1	17.3	3.1	Retail/Wholesale Food	16
943	Vodafone Group ADR (NDQ)	27.66	2	2	11.1	7.7	Telecom. Services	8
1199	WD-40 Co. (NDQ)	42.79	4	3	19.3	2.7	Household Products	80
2375	Washington Post	392.33	4	3	19.4	2.5	Newspaper	71
414	Waste Management	34.33	3	3	14.9	4.2	Environmental	31
134	Waters Corp.	85.04	3	4	16.8	NIL	Precision Instrument	65
1631	Watson Pharmac.	55.89	2	4	10.2	NIL	Drug	55
919	Westar Energy	28.19	3	3	15.0	4.6	Electric Util. (Central)	12
1960	Weston (George) (TSE)	65.70	2	2	13.6	2.2	Retail/Wholesale Food	16
920	Wisconsin Energy	33.92	3	3	15.5	3.5	Electric Util. (Central)	12
2162	Wolverine World Wide	37.03	3	4	13.9	1.3	Shoe	49
2250	Xcel Energy Inc.	26.52	2	3	14.7	4.0	Electric Utility (West)	13
1385	Xilinx Inc. (NDQ)	36.06	4	2	22.7	2.1	Semiconductor	88
377	Yum! Brands	62.27	3	3	20.6	1.8	Restaurant	47
202	Zimmer Holdings	56.55	2	3	11.6	1.3	Med Supp Invasive	68

HIGHEST DIVIDEND YIELDING STOCKS (Based upon estimated year-ahead dividends per share)

Page No.	Stock Name	Recent Price	Time-liness	Safety Rank	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1047	Frontier Communic.	4.75	3	3	18.3	15.8	Telecom. Utility	5
2641	Apollo Investment	7.52	4	3	7.3	14.9	Public/Private Equity	93
1514	Annaly Capital Mgmt.	16.44	2	3	6.9	14.0	R.E.I.T.	90
626	Inergy, L.P.	22.25	5	3	32.7	12.7	Pipeline MLPs	85
2534	AllianceBernstein Hldg.	15.15	3	3	12.6	11.1	Financial Svcs. (Div.)	63
1205	DWS High Income	10.27	–	4	NMF	11.1	Investment Co.	–
965	Nokia Corp. ADR	5.27	5	3	25.1	10.8	Telecom. Equipment	89
1782	BGC Partners Inc.	6.44	2	4	7.4	10.6	Securities Brokerage	69
2646	Gladstone Capital	8.87	5	3	NMF	9.5	Public/Private Equity	93
1622	PDL BioPharma	6.36	2	3	5.5	9.4	Drug	55
1820	StoneMor Partners L.P.	25.87	5	3	NMF	9.0	Funeral Services	79
1048	Telefonica SA ADR	17.19	3	2	7.0	9.0	Telecom. Utility	5
1046	Deutsche Telekom ADR	11.34	2	2	11.2	8.8	Telecom. Utility	5
2362	Donnelley (R.R) & Sons	12.20	2	3	5.9	8.5	Publishing	35
1045	Consol. Communic.	18.39	2	3	22.2	8.4	Telecom. Utility	5
1051	Windstream Corp.	12.12	3	3	16.2	8.3	Telecom. Utility	5
1759	National Presto Ind.	102.13	4	3	12.4	8.1	Diversified Co.	38
534	Pengrowth Energy	10.33	3	3	23.0	8.0	Natural Gas (Div.)	59
1043	CenturyLink Inc.	36.94	3	2	24.3	7.9	Telecom. Utility	5
605	Natural Resource	27.69	3	3	13.5	7.9	Coal	19
1209	MFS Multimarket	6.89	–	4	NMF	7.8	Investment Co.	–
934	NTELOS Hldgs.	21.63	–	3	12.0	7.8	Telecom. Services	8
621	Boardwalk Pipeline	27.54	4	3	19.4	7.7	Pipeline MLPs	85
1428	Pitney Bowes	19.37	3	3	8.4	7.7	Office Equip/Supplies	26
943	Vodafone Group ADR	27.66	2	2	11.1	7.7	Telecom. Services	8
530	Linn Energy, LLC	36.89	3	3	18.4	7.6	Natural Gas (Div.)	59
1508	New York Community	13.09	4	3	11.8	7.6	Thrift	84
624	Energy Transfer	48.77	4	2	25.8	7.5	Pipeline MLPs	85
607	Penn Virginia Res.	26.64	3	3	19.0	7.5	Coal	19
770	Old Republic	9.44	5	3	NMF	7.4	Insurance (Prop/Cas.)	96
1528	Hospitality Properties	24.82	3	3	18.1	7.3	R.E.I.T.	90
630	Suburban Propane	46.43	4	3	13.9	7.3	Pipeline MLPs	85
2635	United Online	5.61	3	3	9.8	7.1	Internet	78
336	Overseas Shipholding	12.66	5	3	NMF	7.0	Maritime	77
1578	Southern Copper	35.33	2	3	11.5	7.0	Metals & Mining (Div.)	30
1040	Alaska Communic.	2.88	3	4	22.2	6.9	Telecom. Utility	5
1204	DNP Select Inc. Fund	11.23	–	2	18.7	6.9	Investment Co.	–
2425	Transocean Ltd.	45.83	4	3	37.3	6.9	Oilfield Svcs/Equip.	42
611	Copano Energy	33.65	4	3	NMF	6.8	Oil/Gas Distribution	82
2317	Regal Entertainment	12.47	3	5	18.6	6.7	Recreation	41
622	Buckeye Partners L.P.	62.30	4	2	19.7	6.6	Pipeline MLPs	85
2382	National CineMedia	13.53	4	3	20.2	6.5	Advertising	40
1532	Mack-Cali R'lty	28.41	3	3	35.1	6.3	R.E.I.T.	90
2648	KKR & Co. L.P.	13.68	–	2	5.6	6.2	Public/Private Equity	93
165	Douglas Dynamics, Inc.	13.55	–	3	15.1	6.1	Heavy Truck & Equip	20
938	Telecom N. Zealand	8.42	–	3	14.0	6.1	Telecom. Services	8
1203	AllianceBernstein Income	8.20	–	3	NMF	5.9	Investment Co	–
1527	Healthcare R'lty Trust	20.29	4	3	NMF	5.9	R.E.I.T.	90
1992	Reynolds American	39.72	4	2	14.2	5.9	Tobacco	27
517	Total ADR	52.56	2	1	7.4	5.9	Petroleum (Integrated)	2
1542	Washington R.E.I.T.	29.52	4	3	77.7	5.9	R.E.I.T.	90
922	AT&T Inc.	30.09	3	1	12.6	5.8	Telecom. Services	8
1988	Altria Group	28.28	3	2	13.5	5.8	Tobacco	27
615	Pembina Pipeline Corp	26.70	4	3	27.2	5.8	Oil/Gas Distribution	82
1380	STMicroelectronics	6.86	3	3	13.2	5.8	Semiconductor	88
1599	AstraZeneca PLC (ADS)	47.66	3	2	6.8	5.7	Drug	55
2406	Diamond Offshore	61.31	2	3	11.0	5.7	Oilfield Svcs/Equip.	42
1227	TransAlta Corp.	20.33	3	3	16.3	5.7	Power	91
1201	Aberdeen Asia-Pac. Fd.	7.46	–	4	NMF	5.6	Investment Co	–
1502	Astoria Financial	9.25	4	3	16.2	5.6	Thrift	84
623	El Paso Pipeline	35.69	3	3	15.7	5.6	Pipeline MLPs	85
627	Kinder Morgan Energy	88.30	3	2	47.2	5.6	Pipeline MLPs	85
1208	Liberty All-Star	4.62	–	2	NMF	5.6	Investment Co.	–
1531	Liberty Property	33.84	3	3	36.8	5.6	R.E.I.T.	90
1927	NutriSystem Inc.	12.56	5	3	18.5	5.6	Food Processing	70
1985	Philips Electronics NV	19.85	4	3	16.5	5.6	Foreign Electronics	58
769	Mercury General	44.29	3	2	15.4	5.5	Insurance (Prop/Cas.)	96
150	Pepco Holdings	19.81	3	3	17.1	5.5	Electric Utility (East)	52
1049	Telefonos de Mexico ADR	15.46	–	3	13.7	5.5	Telecom. Utility	5
144	Exelon Corp.	39.22	3	2	12.6	5.4	Electric Utility (East)	52
1526	Health Care REIT	55.47	3	3	52.3	5.4	R.E.I.T.	90
917	Otter Tail Corp.	21.98	2	3	28.5	5.4	Electric Util. (Central)	12
790	Park National	69.92	4	3	14.3	5.4	Bank (Midwest)	74
629	Plains All Amer. Pipe.	75.59	2	3	16.2	5.4	Pipeline MLPs	85
145	FirstEnergy Corp.	41.27	2	2	12.4	5.3	Electric Utility (East)	52
1610	GlaxoSmithKline ADR	44.57	3	1	12.0	5.3	Drug	55
914	Integrys Energy	51.39	3	2	15.1	5.3	Electric Util. (Central)	12
394	Macquarie Infrastructure	28.12	3	5	27.8	5.3	Industrial Services	37
942	Verizon Communic.	37.79	2	1	16.3	5.3	Telecom. Services	8
1038	W.P. Carey & Co. LLC	42.23	3	3	16.8	5.3	Property Management	60
904	Ameren Corp.	31.26	2	3	12.1	5.2	Electric Util. (Central)	12
1584	CVR Partners, LP	28.58	–	3	14.3	5.2	Chemical (Basic)	10
1521	Duke Realty Corp.	13.19	3	3	NMF	5.2	R.E.I.T.	90
1041	BCE Inc.	41.21	1	3	12.9	5.1	Telecom. Utility	5
625	Enterprise Products	48.97	3	3	22.4	5.1	Pipeline MLPs	85
2548	Federated Investors	18.65	4	2	11.0	5.1	Financial Svcs. (Div.)	63
149	PPL Corp.	27.64	3	3	10.5	5.1	Electric Utility (East)	52
1627	Sanofi ADR	36.29	3	1	11.7	5.1	Drug	55
156	UIL Holdings	33.95	3	2	16.6	5.1	Electric Utility (East)	52
416	Aberdeen Australia Fd.	10.05	–	3	20.1	5.0	Investment Co.(Foreign)	–
2642	Blackstone Group LP	16.09	3	3	18.7	5.0	Public/Private Equity	93
764	Cincinnati Financial	32.43	5	2	27.3	5.0	Insurance (Prop/Cas.)	96
102	Daimler AG	53.85	2	3	6.7	5.0	Automotive	24
910	Empire Dist. Elec.	20.12	2	3	16.2	5.0	Electric Util. (Central)	12
718	Lockheed Martin	82.24	2	1	10.3	5.0	Aerospace/Defense	22
1510	People's United Fin'l	12.77	3	3	18.5	5.0	Thrift	84
1536	Realty Income Corp.	35.90	4	3	32.6	5.0	R.E.I.T.	90
1955	SUPERVALU INC.	6.94	3	3	5.8	5.0	Retail/Wholesale Food	16
2336	World Wrestling Ent.	9.63	4	3	13.2	5.0	Entertainment	32
600	Alliance Resource	78.54	1	3	9.9	4.9	Coal	19

STOCKS WITH HIGH 3- TO 5-YEAR PRICE APPRECIATION POTENTIAL

Some of the stocks tabulated below are very risky and appreciation potentialities tentative. Please read the full-page reports in Ratings & Reports to gain an understanding of the risks entailed. Some of these stocks may not be timely investment commitments. (See the Performance Ranks below.)

Page No.	Stock Name	Recent Price	3- to 5-year Potential	Time-liness	Safety Rank	Industry Group	Industry Rank
591	Powerwave Techn.	2.01	495%	5	5	Wireless Networking	92
2520	Popular Inc.	1.61	490%	4	4	Bank	72
1341	Pulse Electronics	2.51	440%	–	4	Electronics	54
926	Clearwire Corp.	1.80	430%	3	5	Telecom. Services	8
2157	K-Swiss, Inc.	3.21	400%	5	4	Shoe	49
1968	Central European Dist.	3.82	395%	4	5	Beverage	61
538	Quicksilver Res.	5.54	395%	3	4	Natural Gas (Div.)	59
1566	Pan Amer. Silver	21.85	380%	3	3	Precious Metals	18
1220	FuelCell Energy	0.97	365%	4	5	Power	91
848	XenoPort, Inc.	4.35	360%	4	4	Biotechnology	95
1365	LSI Corp.	7.14	355%	2	3	Semiconductor	88
2399	Ultra Petroleum	24.82	355%	2	3	Petroleum (Producing)	6
2645	Fortress Investment	3.65	350%	3	4	Public/Private Equity	93
185	CryoLife Inc.	5.33	340%	4	4	Med Supp Invasive	68
205	Affymetrix Inc.	4.75	330%	5	4	Med Supp Non-Invasive	81
602	Arch Coal	13.76	320%	3	3	Coal	19
331	Eagle Bulk Shipping	1.32	315%	3	5	Maritime	77
937	Sprint Nextel Corp.	2.17	315%	3	4	Telecom. Services	8
313	Southwest Airlines	9.16	310%	3	3	Air Transport	9
2196	Zale Corp.	2.83	305%	4	5	Retail (Hardlines)	28
800	Community Health	18.38	295%	2	3	Medical Services	4
1155	Sealy Corp.	1.44	280%	4	5	Furn/Home Furnishings	62
741	AK Steel Holding	9.29	275%	4	4	Steel	44
1585	China Green Agriculture	4.25	275%	–	5	Chemical (Basic)	10
1937	Synutra Int'l	5.22	275%	–	4	Food Processing	70
1973	Cott Corp.	6.52	270%	2	4	Beverage	61
406	EnergySolutions	3.57	265%	2	4	Environmental	31
534	Pengrowth Energy	10.33	265%	3	3	Natural Gas (Div.)	59
2183	Nautilus Inc.	1.94	260%	3	5	Retail (Hardlines)	28
933	NII Holdings	18.93	255%	3	3	Telecom. Services	8
336	Overseas Shipholding	12.66	255%	5	3	Maritime	77
1344	Skullcandy, Inc.	13.30	255%	–	3	Electronics	54
2362	Donnelley (R.R) & Sons	12.20	250%	2	3	Publishing	35
586	Echelon Corp.	5.60	250%	5	4	Wireless Networking	92
957	Harmonic, Inc.	5.81	245%	2	4	Telecom. Equipment	89
1784	E*Trade Fin'l	9.54	240%	4	4	Securities Brokerage	69
2381	Monster Worldwide	8.81	240%	4	3	Advertising	40
601	Alpha Natural Res.	20.13	235%	3	3	Coal	19
797	Amedisys, Inc.	9.65	235%	3	3	Medical Services	4
2510	Citigroup Inc.	29.90	235%	4	4	Bank	72
1314	Power-One	4.89	235%	3	4	Electrical Equipment	53
1023	DIRECTV	43.77	230%	1	3	Cable TV	1
737	NN Inc.	7.22	230%	3	4	Metal Fabricating	46
1618	Nektar Therapeutics	6.06	230%	5	4	Drug	55
592	RF Micro Devices	4.85	230%	5	4	Wireless Networking	92
1221	GT Advanced Tech.	8.45	225%	2	4	Power	91
562	Ferro Corp.	6.29	220%	4	4	Chemical (Specialty)	29
2013	Rovi Corp.	29.84	220%	4	3	Entertainment Tech	94
1986	Sony Corp. ADR	17.95	220%	3	2	Foreign Electronics	58
2526	Synovus Financial	1.73	220%	3	5	Bank	72
1942	Zhongpin	11.68	220%	–	5	Food Processing	70
1633	AMN Healthcare	4.78	215%	3	3	Human Resources	39
583	Brightpoint, Inc.	11.92	215%	1	3	Wireless Networking	92
2621	eBay Inc.	31.95	215%	3	2	Internet	78
407	Fuel Tech, Inc.	6.23	215%	3	4	Environmental	31
837	Incyte Corp.	18.29	215%	5	5	Biotechnology	95
372	Sonic Corp.	6.72	215%	3	3	Restaurant	47
190	Integra LifeSciences	25.96	210%	3	3	Med Supp Invasive	68
589	Intermec Inc.	8.12	210%	3	3	Wireless Networking	92
227	Medical Action Inds.	5.33	210%	3	3	Med Supp Non-Invasive	81
398	SAIC, Inc.	12.88	210%	3	2	Industrial Services	37
844	Senomyx, Inc.	3.56	210%	4	5	Biotechnology	95
222	Invacare Corp.	16.30	205%	3	3	Med Supp Non-Invasive	81
315	US Airways Group	6.41	205%	2	5	Air Transport	9
1630	Warner Chilcott plc	16.47	205%	–	3	Drug	55
994	Fuel Sys. Solns.	19.04	200%	4	3	Auto Parts	15
2415	Nabors Inds.	17.37	200%	2	3	Oilfield Svcs/Equip.	42
2113	Perry Ellis Int'l	15.85	200%	3	3	Apparel	64
1985	Philips Electronics NV	19.85	200%	4	3	Foreign Electronics	58
936	Shenandoah Telecom.	10.06	200%	3	3	Telecom. Services	8
846	United Therapeutics	48.09	200%	2	3	Biotechnology	95
847	Vertex Pharmac.	34.99	200%	3	3	Biotechnology	95
2200	Aeropostale	16.97	195%	3	3	Retail (Softlines)	50
2603	Computer Sciences	26.09	195%	3	2	IT Services	45
1357	Cree, Inc.	26.39	195%	4	3	Semiconductor	88
1947	Green Mtn. Coffee	50.60	195%	3	3	Retail/Wholesale Food	16
803	Health Mgmt. Assoc.	6.60	195%	2	5	Medical Services	4
1028	LodgeNet Interactive	3.57	195%	1	5	Cable TV	1
1984	Panasonic Corp.	8.24	195%	4	3	Foreign Electronics	58
1955	SUPERVALU INC.	6.94	195%	3	3	Retail/Wholesale Food	16
2619	Ctrip.com Int'l ADR	27.58	190%	4	3	Internet	78
1026	Knology	14.64	190%	1	3	Cable TV	1
2014	SeaChange Int'l	7.21	190%	3	3	Entertainment Tech	94
2355	WMS Industries	20.77	190%	3	3	Hotel/Gaming	25
707	Bombardier Inc. 'B'	4.77	185%	2	3	Aerospace/Defense	22
181	Boston Scientific	5.97	185%	3	3	Med Supp Invasive	68
1907	Chiquita Brands Int'l	8.66	185%	3	4	Food Processing	70
805	Healthways Inc.	7.37	185%	3	3	Medical Services	4
1564	Kinross Gold	10.58	185%	3	3	Precious Metals	18
969	Tellabs, Inc.	4.37	185%	5	3	Telecom. Equipment	89
1040	Alaska Communic.	2.88	180%	3	4	Telecom. Utility	5
206	Alere Inc.	22.31	180%	3	3	Med Supp Non-Invasive	81
2534	AllianceBernstein Hldg.	15.15	180%	3	3	Financial Svcs. (Div.)	63
1911	Diamond Foods	35.79	180%	–	4	Food Processing	70
2554	Janus Capital Group	7.55	180%	3	3	Financial Svcs. (Div.)	63
2161	Skechers U.S.A.	12.47	180%	5	3	Shoe	49
2191	ValueVision Media	1.62	180%	5	5	Retail (Hardlines)	28
1348	Advanced Energy	10.95	175%	3	3	Semiconductor	88
2641	Apollo Investment	7.52	175%	4	3	Public/Private Equity	93
404	Casella Waste Sys.	6.85	175%	3	5	Environmental	31

BIGGEST "FREE FLOW" CASH GENERATORS

Stocks of companies that have earned more "cash flow" in the last 5 years than was required to build plant and pay dividends

Page No.	Stock Name	Recent Price	Ratio "Cash Flow" To Cash Out	Time-liness	Safety Rank	Industry Group	Industry Rank
1608	Forest Labs.	32.11	33.49	3	3	Drug	55
2107	Iconix Brand Group	18.33	31.01	3	3	Apparel	64
1128	NVR, Inc.	739.28	29.14	5	3	Homebuilding	98
1801	Check Point Software	56.52	21.93	3	1	E-Commerce	86
2632	priceline.com	523.73	21.11	3	3	Internet	78
2611	ManTech Int'l 'A'	34.20	19.79	3	3	IT Services	45
1609	Gilead Sciences	47.67	18.63	2	3	Drug	55
1721	Middleby Corp. (The)	95.15	18.58	3	3	Machinery	33
588	InterDigital Inc.	35.89	17.18	4	3	Wireless Networking	92
1606	Endo Pharmac. Hldgs.	36.99	17.15	3	3	Drug	55
2575	BMC Software	34.67	17.02	3	3	Computer Software	56
929	j2 Global	27.76	16.46	3	3	Telecom. Services	8
1976	Monster Beverage	53.17	16.12	3	3	Beverage	61
2164	Avis Budget Group	14.07	15.27	1	4	Retail (Hardlines)	28
1374	PMC-Sierra	6.57	14.60	3	3	Semiconductor	88
1786	IntercontinentalExch.	118.93	14.48	3	3	Securities Brokerage	69
2626	LoopNet, Inc.	16.74	13.57	–	3	Internet	78
810	MEDNAX, Inc	71.26	13.33	3	3	Medical Services	4
2573	ANSYS, Inc.	61.34	13.04	3	3	Computer Software	56
1014	Helen of Troy Ltd.	32.50	11.87	1	3	Toiletries/Cosmetics	23
2000	ITT Educational	67.17	11.77	2	3	Educational Services	66
2385	ValueClick Inc.	16.96	11.50	3	3	Advertising	40
2583	MICROS Systems	51.69	10.79	3	3	Computer Software	56
2009	Dolby Labs.	36.60	10.77	3	3	Entertainment Tech	94
1630	Warner Chilcott plc	16.47	10.75	–	3	Drug	55
2600	CACI Int'l	58.24	10.61	1	3	IT Services	45
1318	WESCO Int'l	58.71	10.49	2	3	Electrical Equipment	53
1317	Trimble Nav. Ltd.	45.01	10.41	4	3	Electrical Equipment	53
818	WellPoint, Inc.	69.40	10.10	3	3	Medical Services	4
1393	Kulicke & Soffa	11.24	10.07	4	5	Semiconductor Equip	87
2561	MasterCard Inc.	342.68	10.05	3	3	Financial Svcs. (Div.)	63
2586	Oracle Corp.	28.51	9.99	3	1	Computer Software	56
1355	CEVA, Inc.	28.50	9.89	3	3	Semiconductor	88
801	Coventry Health Care	30.30	9.56	3	3	Medical Services	4
2013	Rovi Corp.	29.84	9.56	4	3	Entertainment Tech	94
1792	Nasdaq OMX Group	25.66	9.45	1	3	Securities Brokerage	69
219	Hologic, Inc.	19.41	9.29	2	3	Med Supp Non-Invasive	81
977	*Omnicare, Inc.*	33.17	9.22	3	3	*Pharmacy Services*	57
975	Express Scripts 'A'	51.72	9.17	3	2	Pharmacy Services	57
132	Thermo Fisher Sci.	52.48	9.10	2	2	Precision Instrument	65
2568	Western Union	19.16	8.94	2	3	Financial Svcs. (Div.)	63
2588	Quest Software	19.31	8.80	4	2	Computer Software	56
1813	TIBCO Software	25.72	8.50	3	3	E-Commerce	86
1415	ScanSource	37.71	8.34	3	3	Computers/Peripherals	48
398	SAIC, Inc.	12.88	8.33	3	2	Industrial Services	37
2338	Bally Technologies	41.22	8.23	3	3	Hotel/Gaming	25
1603	Celgene Corp.	74.02	8.23	2	2	Drug	55
1631	Watson Pharmac.	55.89	8.13	2	2	Drug	55
1361	Integrated Device	6.50	7.89	3	3	Semiconductor	88
950	Black Box	31.76	7.78	3	3	Telecom. Equipment	89
2571	Adobe Systems	30.95	7.68	4	3	Computer Software	56
974	Catalyst Health Solns	55.60	7.63	4	3	Pharmacy Services	57
1323	Anixter Int'l	67.14	7.62	3	3	Electronics	54
1396	Novellus Sys.	47.97	7.56	–	3	Semiconductor Equip	87
1395	MKS Instruments	30.08	7.55	4	3	Semiconductor Equip	87
1233	Foster Wheeler AG	23.06	7.54	4	3	Engineering & Const	36
956	F5 Networks	123.10	7.53	3	3	Telecom. Equipment	89
2159	Madden (Steven) Ltd.	39.31	7.46	2	3	Shoe	49
1746	Danaher Corp.	52.80	7.40	3	2	Diversified Co	38
2110	Maidenform Brands	19.37	7.39	5	3	Apparel	64
440	IHS Inc.	91.14	7.37	3	3	Information Services	67
2155	Deckers Outdoor	81.13	7.30	3	3	Shoe	49
1356	Cirrus Logic	21.87	7.25	2	4	Semiconductor	88
953	Cisco Systems	19.82	7.11	3	1	Telecom. Equipment	89
1615	Medicis Pharmac.	31.97	7.08	4	3	Drug	55
1394	Lam Research	43.35	6.95	4	3	Semiconductor Equip	87
976	Medco Health Solutions	62.01	6.92	–	1	Pharmacy Services	57
2574	Autodesk, Inc.	35.81	6.79	3	3	Computer Software	56
949	Arris Group	11.52	6.78	3	3	Telecom. Equipment	89
2335	Viacom Inc. 'B'	48.00	6.74	2	3	Entertainment	32
2605	DealerTrack Hldgs.	27.91	6.60	3	3	IT Services	45
1737	Wabtec Corp.	71.00	6.60	3	3	Machinery	33
1417	Synaptics	34.02	6.49	3	3	Computers/Peripherals	48
385	*EMCOR Group*	28.44	6.47	3	3	*Industrial Services*	37
235	Schein (Henry)	69.52	6.44	3	3	Med Supp Non-Invasive	81
1712	Dresser-Rand Group	53.29	6.41	4	3	Machinery	33
830	Amgen	68.19	6.40	2	1	Biotechnology	95
1728	Roper Inds.	95.00	6.38	3	3	Machinery	33
1400	Apple Inc.	420.41	6.31	1	2	Computers/Peripherals	48
839	Myriad Genetics	22.45	6.29	3	3	Biotechnology	95
1033	CBRE Group	17.88	6.24	3	4	Property Management	60
2618	Blue Nile	37.90	6.20	5	3	Internet	78
1242	URS Corp.	40.26	6.20	2	3	Engineering & Const	36
2580	Compuware Corp.	7.93	6.18	4	3	Computer Software	56
133	Veeco Instruments	24.44	6.17	4	4	Precision Instrument	65
1623	Par Pharmaceutical	36.03	6.16	3	3	Drug	55
1787	Investment Techn.	11.40	6.10	2	3	Securities Brokerage	69
1329	Cubic Corp.	46.00	6.09	3	3	Electronics	54
1377	Semtech Corp.	29.14	6.08	4	3	Semiconductor	88
1382	Tessera Technologies	18.66	6.06	4	3	Semiconductor	88
1350	Altera Corp.	40.12	6.04	4	2	Semiconductor	88
185	CryoLife Inc.	5.33	5.99	4	4	Med Supp Invasive	68
1797	TD Ameritrade Holding	17.15	5.89	4	3	Securities Brokerage	69
2416	National Oilwell Varco	75.98	5.88	3	3	Oilfield Svcs/Equip.	42
1968	Central European Dist.	3.82	5.83	4	5	Beverage	61
1235	Jacobs Engineering	45.53	5.81	3	3	Engineering & Const	36
131	Rofin-Sinar Techn.	27.82	5.81	4	3	Precision Instrument	65
1316	Thomas & Betts	57.92	5.78	2	3	Electrical Equipment	53
1605	Cubist Pharm.	39.10	5.77	4	3	Drug	55
1755	Kadant Inc	24.19	5.74	3	3	Diversified Co.	38

BEST PERFORMING STOCKS
(Measured by Price Change in the Last 13 Weeks)

Page No.	Stock Name	Ticker	Recent Price	Percent Change In Price	Time-liness	Safety Rank
1590	Georgia Gulf	GGC	34.97	115.7%	–	4
2372	Media General 'A'	MEG	5.20	113.1%	3	5
1392	FSI Int'l	FSII	4.36	97.3%	3	5
2629	Orbitz Worldwide	OWW	3.75	95.3%	2	5
2171	Cost Plus Inc.	CPWM	13.36	87.6%	1	5
240	ZOLL Medical	ZOLL	67.10	78.7%	3	3
1547	Delphi Fin'l 'A'	DFG	44.45	77.7%	–	3
1124	Hovnanian Enterpr. 'A'	HOV	2.38	77.6%	5	5
1107	CEMEX ADS	CX	6.39	77.5%	5	4
2559	MGIC Investment	MTG	4.15	76.6%	–	5
1028	LodgeNet Interactive	LNET	3.57	74.1%	1	5
192	LCA-Vision	LCAV	5.27	70.6%	4	4
1422	ACCO Brands	ABD	9.81	69.1%	–	5
2576	Blue Coat Sys.	BCSI	25.74	68.8%	–	3
237	SonoSite, Inc.	SONO	53.89	62.5%	–	3
1122	Beazer Homes USA	BZH	3.09	61.8%	5	5
1129	PulteGroup, Inc.	PHM	7.76	61.3%	4	4
1552	Phoenix (The) Cos.	PNX	1.95	61.2%	3	5
2226	Pacific Sunwear	PSUN	1.88	60.7%	5	5
747	Gibraltar Inds.	ROCK	15.80	60.1%	2	4
2371	McClatchy Co.	MNI	2.44	59.5%	3	5
595	*Smith Micro Software*	SMSI	1.79	57.0%	5	5
1998	Corinthian Colleges	COCO	2.93	56.7%	3	4
1108	Eagle Materials	EXP	29.45	56.5%	4	3
1812	SuccessFactors	SFSF	39.70	56.4%	–	4
2313	LeapFrog Enterpr. 'A'	LF	5.50	56.3%	2	4
127	Newport Corp.	NEWP	17.97	53.2%	3	3
1109	Headwaters Inc.	HW	2.45	52.2%	3	5
1962	Winn-Dixie Stores	WINN	9.46	51.4%	–	4
579	Westlake Chemical	WLK	57.27	51.3%	3	3
930	Leap Wireless	LEAP	9.54	51.2%	3	5
1117	Trex Co.	TREX	24.81	50.8%	4	4
1162	Neenah Paper	NP	23.86	50.5%	1	4
1524	FelCor Lodging Tr.	FCH	4.00	49.3%	4	5
198	SurModics, Inc.	SRDX	14.57	48.1%	3	3
1161	Louisiana-Pacific	LPX	9.40	47.1%	4	5
1356	Cirrus Logic	CRUS	21.87	46.9%	2	4
1396	Novellus Sys.	NVLS	47.97	46.5%	–	3
1533	Penn. R.E.I.T.	PEI	12.49	45.7%	3	4
2525	Susquehanna Bancshs.	SUSQ	9.21	45.7%	3	3
2380	Lamar Advertising	LAMR	30.44	45.4%	2	4

WORST PERFORMING STOCKS
(Measured by Price Change in the Last 13 Weeks)

Page No.	Stock Name	Ticker	Recent Price	Percent Change In Price	Time-liness	Safety Rank
2303	CPI Corp.	CPY	1.65	–73.4%	5	5
2018	THQ Inc.	THQI	0.74	–65.1%	5	5
1040	Alaska Communic.	ALSK	2.88	–53.4%	3	4
2191	ValueVision Media	VVTV	1.62	–49.2%	5	5
1376	Rambus Inc.	RMBS	8.98	–46.8%	5	4
591	Powerwave Techn.	PWAV	2.01	–46.4%	5	5
1911	Diamond Foods	DMND	35.79	–43.9%	–	4
1968	Central European *Dist.*	*CEDC*	*3.82*	*–41.4%*	*4*	*5*
525	Dynegy, Inc. 'A'	DYN	2.11	–40.9%	–	5
2148	Sears Holdings	SHLD	45.78	–38.9%	5	3
933	NII Holdings	NIHD	18.93	–38.6%	3	3
2013	Rovi Corp.	ROVI	29.84	–38.6%	4	3
2199	Abercrombie & Fitch	ANF	45.67	–37.8%	4	3
1997	Career Education	CECO	10.53	–37.2%	4	3
712	GeoEye, Inc.	GEOY	22.18	–36.4%	3	3
834	Exelixis,Inc.	EXEL	4.91	–32.6%	4	4
592	RF Micro Devices	RFMD	4.85	–32.6%	5	4
593	Research in Motion	RIMM	15.01	–32.6%	3	3
2157	K-Swiss, Inc.	KSWS	3.21	–31.8%	5	4
2630	Overstock.com	OSTK	6.78	–31.8%	5	4
2113	Perry Ellis Int'l	PERY	15.85	–30.7%	3	3
222	*Invacare Corp.*	IVC	16.30	–30.6%	3	3
190	Integra LifeSciences	IART	25.96	–30.1%	3	3
2016	Silicon Image	SIMG	4.75	–29.7%	5	4
2211	Christopher & Banks	CBK	2.13	–29.2%	5	5
797	Amedisys, Inc.	AMED	9.65	–28.9%	3	3
836	Human Genome	HGSI	9.13	–28.3%	5	5
2015	Sigma Designs	SIGM	5.75	–28.3%	5	4
948	Alcatel-Lucent ADR	ALU	1.94	–27.9%	4	5
823	Computer Prog. & Sys.	CPSI	51.17	–27.5%	3	3
1803	Digital River	DRIV	15.63	–27.5%	4	3
944	Vonage Holdings	VG	2.31	–27.1%	2	4
2010	Electronic Arts	EA	17.94	–26.7%	3	3
538	Quicksilver Res.	KWK	5.54	–26.7%	3	4
1733	Tecumseh Products 'A'	TECUA	4.84	–26.7%	5	5
1566	Pan Amer. Silver	PAAS	21.85	–26.5%	3	3
2196	Zale Corp.	ZLC	2.83	–26.5%	4	5
1564	Kinross Gold	KGC	10.58	–26.4%	3	3
803	Health Mgmt. Assoc.	HMA	6.60	–25.2%	2	5
827	WebMD Health	WBMD	26.65	–25.2%	5	3
1225	SunPower Corp.	SPWR	6.84	–24.8%	4	4

WIDEST DISCOUNTS FROM BOOK VALUE

Stocks whose ratios of recent price to book value are lowest

Page No.	Stock Name	Ticker	Recent Price	Book Value Per sh.*	Percent Price-to-Book Value	Timeliness	Safety Rank	Beta	P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
525	Dynegy, Inc. 'A'	DYN	2.11	20.55	10%	–	5	1.40	NMF	NIL	Natural Gas (Div.)	59
331	Eagle Bulk Shipping	EGLE	1.32	10.60	12%	3	5	2.05	NMF	NIL	Maritime	77
1968	Central European Dist.	CEDC	3.82	21.85	17%	4	5	1.80	12.7	NIL	Beverage	61
121	Hutchinson Techn.	HTCH	1.61	8.80	18%	3	5	1.85	NMF	NIL	Precision Instrument	65
1552	Phoenix (The) Cos.	PNX	1.95	10.45	19%	3	5	1.95	3.7	NIL	Insurance (Life)	51
926	Clearwire Corp.	CLWR	1.80	8.90	20%	3	5	1.30	NMF	NIL	Telecom. Services	8
1548	Genworth Fin'l	GNW	8.24	35.25	23%	3	4	2.35	8.6	NIL	Insurance (Life)	51
333	Genco Shipping	GNK	7.45	31.65	24%	3	5	2.05	NMF	NIL	Maritime	77
1733	Tecumseh Products 'A'	TECUA	4.84	20.00	24%	5	5	1.50	NMF	NIL	Machinery	33
336	Overseas Shipholding	OSG	12.66	50.15	25%	5	3	1.45	NMF	7.0	Maritime	77
1407	Imation Corp.	IMN	6.11	19.20	32%	5	3	0.85	NMF	NIL	Computers/Peripherals	48
1545	AEGON	AEG	4.93	14.65	34%	4	3	1.75	7.0	2.6	Insurance (Life)	51
595	Smith Micro Software	SMSI	1.79	5.30	34%	5	5	1.25	NMF	NIL	Wireless Networking	92
2504	Bank of America	BAC	7.29	20.95	35%	3	3	1.85	6.9	0.5	Bank	72
1226	Suntech Power ADS	STP	3.06	8.75	35%	5	5	1.85	NMF	NIL	Power	91
2553	Hartford Fin'l Svcs.	HIG	18.60	50.80	37%	5	4	2.00	6.3	2.2	Financial Svcs. (Div.)	63
1147	Furniture Brands	FBN	1.51	3.90	39%	5	5	1.55	NMF	NIL	Furn/Home Furnishings	62
1596	Albany Molecular	AMRI	3.16	7.75	41%	5	4	1.10	NMF	NIL	Drug	55
1225	SunPower Corp.	SPWR	6.84	16.75	41%	4	4	1.65	17.1	NIL	Power	91
2520	Popular Inc.	BPOP	1.61	3.85	42%	4	4	1.15	8.1	NIL	Bank	72
1549	Lincoln Nat'l Corp.	LNC	22.86	53.00	43%	2	3	1.95	5.8	1.4	Insurance (Life)	51
2196	Zale Corp.	ZLC	2.83	6.62	43%	4	5	1.55	NMF	NIL	Retail (Hardlines)	28
1998	Corinthian Colleges	COCO	2.93	6.68	44%	3	4	1.00	9.8	NIL	Educational Services	66
1368	MEMC Elec. Mat'ls	WFR	4.52	10.25	44%	3	4	1.55	34.8	NIL	Semiconductor	88
1107	CEMEX ADS	CX	6.39	14.04	46%	5	4	1.65	NMF	NIL	Building Materials	75
2015	Sigma Designs	SIGM	5.75	12.50	46%	5	4	1.05	NMF	NIL	Entertainment Tech	94
1341	Pulse Electronics	PULS	2.51	5.30	47%	–	4	1.75	41.8	4.0	Electronics	54
2521	Regions Financial	RF	5.23	11.05	47%	4	4	1.30	43.6	0.8	Bank	72
1984	Panasonic Corp.	PC	8.24	17.00	48%	4	3	0.85	NMF	1.8	Foreign Electronics	58
2524	SunTrust Banks	STI	21.29	44.05	48%	3	3	1.20	12.8	0.9	Bank	72
2526	Synovus Financial	SNV	1.73	3.60	48%	3	5	1.25	NMF	2.3	Bank	72
743	ArcelorMittal	MT	21.40	43.85	49%	3	3	1.65	9.4	3.5	Steel	44
2603	Computer Sciences	CSC	26.09	52.10	50%	3	2	0.95	6.0	3.1	IT Services	45
1223	NRG Energy	NRG	16.50	32.70	50%	3	3	1.10	NMF	NIL	Power	91
312	SkyWest	SKYW	13.76	27.25	50%	3	3	1.10	38.2	1.2	Air Transport	9
1986	Sony Corp. ADR	SNE	17.95	35.85	50%	3	2	1.00	NMF	1.8	Foreign Electronics	58
1980	FUJIFILM Hldgs. ADR	FUJIY	25.48	49.85	51%	3	1	0.85	17.6	1.8	Foreign Electronics	58
1787	Investment Techn.	ITG	11.40	22.25	51%	2	3	1.10	11.1	NIL	Securities Brokerage	69
2018	THQ Inc.	THQI	0.74	1.45	51%	5	5	1.35	NMF	NIL	Entertainment Tech	94
1907	Chiquita Brands Int'l	CQB	8.66	16.75	52%	3	4	1.25	6.3	NIL	Food Processing	70
937	Sprint Nextel Corp.	S	2.17	4.15	52%	3	4	1.30	NMF	NIL	Telecom. Services	8
2510	Citigroup Inc.	C	29.90	56.50	53%	4	4	2.05	7.8	0.1	Bank	72
1790	Morgan Stanley	MS	18.14	34.15	53%	3	3	1.65	6.8	1.1	Securities Brokerage	69
601	Alpha Natural Res.	ANR	20.13	37.55	54%	3	3	1.90	12.3	NIL	Coal	19
797	Amedisys, Inc.	AMED	9.65	17.75	54%	3	3	1.05	5.9	NIL	Medical Services	4
2339	Boyd Gaming	BYD	9.15	16.85	54%	3	4	2.00	NMF	NIL	Hotel/Gaming	25
2536	Amer. Int'l Group	AIG	25.32	46.00	55%	–	5	1.65	9.6	NIL	Financial Svcs. (Div.)	63
805	Healthways Inc.	HWAY	7.37	13.50	55%	3	3	1.20	7.6	NIL	Medical Services	4
1793	Piper Jaffray Cos.	PJC	24.78	44.75	55%	5	3	1.30	24.3	NIL	Securities Brokerage	69
2023	Assured Guaranty	AGO	15.56	27.45	57%	4	4	1.80	6.4	1.2	Reinsurance	97
2559	MGIC Investment	MTG	4.15	7.25	57%	–	5	2.45	NMF	NIL	Financial Svcs. (Div.)	63
227	Medical Action Inds.	MDCI	5.33	9.40	57%	3	3	1.10	25.4	NIL	Med Supp Non-Invasive	81
1150	Kimball Int'l 'B'	KBALB	6.00	10.30	58%	3	3	1.10	24.0	3.3	Furn/Home Furnishings	62
1585	China Green Agriculture	CGA	4.25	7.15	59%	–	5	1.15	2.8	NIL	Chemical (Basic)	10
1553	Protective Life	PL	25.81	43.65	59%	2	3	1.50	7.4	2.5	Insurance (Life)	51
2148	Sears Holdings	SHLD	45.78	77.55	59%	5	3	1.05	NMF	NIL	Retail Store	43
2525	Susquehanna Bancshs.	SUSQ	9.21	15.65	59%	3	3	1.20	15.6	1.3	Bank	72
775	XL Group plc	XL	20.42	34.80	59%	5	4	1.55	10.4	2.2	Insurance (Prop/Cas.)	96
2157	K-Swiss, Inc.	KSWS	3.21	5.35	60%	5	4	1.05	NMF	NIL	Shoe	49
332	Frontline Ltd.	FRO	5.01	8.20	61%	5	5	1.50	NMF	NIL	Maritime	77
1811	StarTek, Inc.	SRT	3.25	5.35	61%	5	5	1.15	NMF	NIL	E-Commerce	86
2191	ValueVision Media	VVTV	1.62	2.65	61%	5	5	1.25	NMF	NIL	Retail (Hardlines)	28
1962	Winn-Dixie Stores	WINN	9.46	15.44	61%	–	4	0.85	NMF	NIL	Retail/Wholesale Food	16
2117	Unifi, Inc.	UFI	9.30	14.92	62%	3	5	1.35	18.6	NIL	Apparel	64
1904	Bunge Ltd.	BG	58.26	91.70	64%	3	3	1.35	10.3	1.8	Food Processing	70
2211	Christopher & Banks	CBK	2.13	3.35	64%	5	5	1.20	NMF	NIL	Retail (Softlines)	50
1784	E*Trade Fin'l	ETFC	9.54	14.90	64%	4	4	1.70	19.1	NIL	Securities Brokerage	69
2640	Amer. Capital, Ltd.	ACAS	8.07	12.50	65%	3	5	2.40	NMF	2.5	Public/Private Equity	93
406	EnergySolutions	ES	3.57	5.50	65%	2	4	1.40	16.2	NIL	Environmental	31
770	Old Republic	ORI	9.44	14.60	65%	5	3	1.05	NMF	7.4	Insurance (Prop/Cas.)	96
2027	PartnerRe Ltd.	PRE	63.02	97.25	65%	4	3	0.70	12.3	3.8	Reinsurance	97
2113	Perry Ellis Int'l	PERY	15.85	24.25	65%	3	3	1.50	9.8	NIL	Apparel	64
337	Teekay Corp.	TK	26.79	41.45	65%	3	3	1.50	NMF	4.7	Maritime	77
939	Telephone & Data	TDS	26.95	41.35	65%	2	3	0.90	13.5	1.6	Telecom. Services	8
800	Community Health	CYH	18.38	27.85	66%	2	3	1.30	5.2	NIL	Medical Services	4
767	Hanover Insurance	THG	36.39	54.80	66%	4	2	0.80	17.9	3.3	Insurance (Prop/Cas.)	96
2108	Jones Group (The)	JNY	9.13	13.70	67%	3	4	1.55	7.7	2.2	Apparel	64
2368	A.H. Belo	AHC	5.70	8.40	68%	3	5	1.55	NMF	4.2	Newspaper	71
2359	Amer. Greetings	AM	14.19	20.75	68%	3	3	1.25	5.7	4.2	Publishing	35
762	CNA Fin'l	CNA	28.05	41.35	68%	4	3	1.30	11.4	1.4	Insurance (Prop/Cas.)	96
2212	Citi Trends	CTRN	9.57	14.05	68%	3	3	1.20	36.8	NIL	Retail (Softlines)	50
1145	Dixie Group	DXYN	3.40	5.00	68%	2	4	1.00	24.3	NIL	Furn/Home Furnishings	62
568	OM Group	OMG	27.51	40.65	68%	2	3	1.55	39.9	NIL	Chemical (Specialty)	29
2304	Callaway Golf	ELY	6.20	9.00	69%	5	3	1.05	NMF	0.6	Recreation	41
2542	Capital One Fin'l	COF	45.04	65.70	69%	3	3	1.45	7.1	0.4	Financial Svcs. (Div.)	63
2557	Legg Mason	LM	27.35	39.55	69%	4	3	1.55	14.3	1.2	Financial Svcs. (Div.)	63
2161	Skechers U.S.A.	SKX	12.47	18.05	69%	5	3	1.20	69.3	NIL	Shoe	49
2530	Zions Bancorp.	ZION	17.15	25.00	69%	3	3	1.50	14.8	0.2	Bank	72
1502	Astoria Financial	AF	9.25	13.20	70%	4	3	0.95	16.2	5.6	Thrift	84
950	Black Box	BBOX	31.76	45.30	70%	3	3	1.15	10.3	0.9	Telecom. Equipment	89
986	China Auto. Sys.	CAAS	5.25	7.50	70%	3	3	1.40	8.1	NIL	Auto Parts	15
1504	First Niagara Finl Group	FNFG	9.59	13.75	70%	4	3	0.85	13.9	3.3	Thrift	84
1554	Prudential Fin'l	PRU	58.08	81.70	71%	3	3	1.85	9.1	2.8	Insurance (Life)	51
1555	Reinsurance Group	RGA	56.23	79.45	71%	2	2	0.95	8.1	1.3	Insurance (Life)	51
2425	Transocean Ltd.	RIG	45.83	64.70	71%	4	3	1.35	37.3	6.9	Oilfield Svcs/Equip.	42
1551	MetLife Inc.	MET	36.91	51.25	72%	3	3	1.65	7.1	2.3	Insurance (Life)	51
2318	Royal Caribbean Cruises	RCL	28.66	39.55	72%	2	3	1.65	9.5	1.4	Recreation	41
1025	EchoStar Corp.	SATS	25.51	35.05	73%	3	3	0.90	NMF	NIL	Cable TV	1
222	Invacare Corp.	IVC	16.30	22.20	73%	3	3	0.80	8.1	0.3	Med Supp Non-Invasive	81
2319	Speedway Motorsports	TRK	15.50	21.35	73%	3	3	0.95	14.4	2.6	Recreation	41

If fiscal 2011 Book Value not available, estimate used.

LOWEST P/Es

Stocks with the lowest estimated current P/E ratios

Page No.	Stock Name	Recent Price	Current P/E Ratio	Timeliness	Safety Rank	Industry Group	Industry Rank
2303	CPI Corp.	1.65	1.6	5	5	Recreation	41
1585	China Green Agriculture	4.25	2.8	–	5	Chemical (Basic)	10
593	Research in Motion	15.01	3.5	3	3	Wireless Networking	92
1552	Phoenix (The) Cos.	1.95	3.7	3	5	Insurance (Life)	51
507	HollyFrontier Corp.	28.80	4.0	–	3	Petroleum (Integrated)	2
310	Hawaiian Hldgs.	6.25	4.2	1	4	Air Transport	9
1419	Unisys Corp.	19.85	4.5	2	5	Computers/Peripherals	48
316	United Cont'l Hldgs.	19.40	4.8	–	4	Air Transport	9
1002	Meritor, Inc.	6.76	5.0	3	5	Auto Parts	15
1314	Power-One	4.89	5.1	3	4	Electrical Equipment	53
800	Community Health	18.38	5.2	2	3	Medical Services	4
737	NN Inc.	7.22	5.2	3	4	Metal Fabricating	46
2371	McClatchy Co.	2.44	5.3	3	5	Newspaper	71
745	Cliffs Natural Res.	73.90	5.4	1	3	Steel	44
1221	GT Advanced Tech.	8.45	5.4	2	4	Power	91
1942	Zhongpin	11.68	5.4	–	5	Food Processing	70
1622	PDL BioPharma	6.36	5.5	2	3	Drug	55
944	Vonage Holdings	2.31	5.5	2	4	Telecom. Services	8
2645	Fortress Investment	3.65	5.6	3	4	Public/Private Equity	93
2648	KKR & Co. L.P.	13.68	5.6	–	2	Public/Private Equity	93
2359	Amer. Greetings	14.19	5.7	3	3	Publishing	35
1549	Lincoln Nat'l Corp.	22.86	5.8	2	3	Insurance (Life)	51
1955	SUPERVALU INC.	6.94	5.8	3	3	Retail/Wholesale Food	16
1006	TRW Automotive	39.38	5.8	2	4	Auto Parts	15
518	Valero Energy	24.19	5.8	1	3	Petroleum (Integrated)	2
1773	Whirlpool Corp.	54.36	5.8	3	3	Diversified Co.	38
797	Amedisys, Inc.	9.65	5.9	3	3	Medical Services	4
2362	Donnelley (R.R) & Sons	12.20	5.9	2	3	Publishing	35
1753	ITT Corp.	21.14	5.9	–	1	Diversified Co.	38
170	Navistar Int'l	42.98	5.9	1	3	Heavy Truck & Equip	20
2603	Computer Sciences	26.09	6.0	3	2	IT Services	45
997	Goodyear Tire	13.69	6.0	1	4	Auto Parts	15
982	Amer. Axle	12.21	6.1	2	5	Auto Parts	15
1416	Seagate Technology	19.75	6.2	1	3	Computers/Peripherals	48
516	Tesoro Corp.	24.90	6.2	3	3	Petroleum (Integrated)	2
1907	Chiquita Brands Int'l	8.66	6.3	3	4	Food Processing	70
2553	Hartford Fin'l Svcs.	18.60	6.3	5	4	Financial Svcs. (Div.)	63
1577	Rio Tinto plc	58.03	6.3	1	3	Metals & Mining (Div.)	30
2023	Assured Guaranty	15.56	6.4	4	4	Reinsurance	97
103	Ford Motor	12.82	6.5	3	4	Automotive	24
102	Daimler AG	53.85	6.7	2	3	Automotive	24
308	Delta Air Lines	9.38	6.7	1	4	Air Transport	9
1219	First Solar, Inc.	38.08	6.7	4	3	Power	91
104	General Motors	24.79	6.7	–	3	Automotive	24
509	Marathon Petroleum	39.04	6.7	–	3	Petroleum (Integrated)	2
1599	AstraZeneca PLC (ADS)	47.66	6.8	3	2	Drug	55
502	BP PLC ADR	44.70	6.8	2	3	Petroleum (Integrated)	2
2545	Discover Fin'l Svcs.	27.83	6.8	1	3	Financial Svcs. (Div.)	63
1790	Morgan Stanley	18.14	6.8	3	3	Securities Brokerage	69
704	Alliant Techsystems	61.30	6.9	2	3	Aerospace/Defense	22

Page No.	Stock Name	Recent Price	Current P/E Ratio	Timeliness	Safety Rank	Industry Group	Industry Rank
1514	Annaly Capital Mgmt	16.44	6.9	2	3	R.E.I.T.	90
2504	Bank of America	7.29	6.9	3	3	Bank	72
749	POSCO ADR	91.64	6.9	4	3	Steel	44
1545	AEGON	4.93	7.0	4	3	Insurance (Life)	51
1048	Telefonica SA ADR	17.19	7.0	3	2	Telecom. Utility	5
2542	Capital One Fin'l	45.04	7.1	3	3	Financial Svcs. (Div.)	63
1551	MetLife Inc.	36.91	7.1	3	3	Insurance (Life)	51
565	Kronos Worldwide	21.26	7.2	1	3	Chemical (Specialty)	29
1343	Sanmina-SCI Corp.	10.93	7.2	2	5	Electronics	54
2641	Apollo Investment	7.52	7.3	4	3	Public/Private Equity	93
1325	Avnet, Inc.	33.55	7.3	2	3	Electronics	54
2643	Capital Trust	2.32	7.3	4	5	Public/Private Equity	93
2369	Gannett Co.	15.41	7.3	3	4	Newspaper	71
602	Arch Coal	13.76	7.4	3	3	Coal	19
1782	BGC Partners Inc.	6.44	7.4	2	4	Securities Brokerage	69
2167	Best Buy Co.	25.36	7.4	3	3	Retail (Hardlines)	28
2000	ITT Educational	67.17	7.4	2	3	Educational Services	66
1553	Protective Life	25.81	7.4	2	3	Insurance (Life)	51
517	Total ADR	52.56	7.4	2	1	Petroleum (Integrated)	2
2565	SLM Corporation	14.57	7.5	3	4	Financial Svcs. (Div.)	63
1583	CF Industries	172.36	7.6	1	3	Chemical (Basic)	10
2361	Deluxe Corp.	23.42	7.6	3	3	Publishing	35
805	Healthways Inc.	7.37	7.6	3	3	Medical Services	4
107	Tata Motors ADR	22.36	7.6	3	3	Automotive	24
1557	Unum Group	23.32	7.6	3	3	Insurance (Life)	51
1432	Xerox Corp.	8.67	7.6	2	3	Office Equip/Supplies	26
2389	Apache Corp.	97.71	7.7	2	3	Petroleum (Producing)	6
2377	Global Sources	5.90	7.7	3	3	Advertising	40
2108	Jones Group (The)	9.13	7.7	3	4	Apparel	64
2384	Valassis Communic.	20.85	7.7	2	4	Advertising	40
503	Chevron Corp.	106.72	7.8	2	1	Petroleum (Integrated)	2
2510	Citigroup Inc.	29.90	7.8	4	4	Bank	72
717	L-3 Communic.	70.34	7.8	2	2	Aerospace/Defense	22
1324	Arrow Electronics	41.18	7.9	2	3	Electronics	54
2024	AXIS Capital Hldgs.	30.60	7.9	4	3	Reinsurance	97
504	ConocoPhillips	70.61	7.9	2	1	Petroleum (Integrated)	2
1332	Harris Corp.	38.55	7.9	3	2	Electronics	54
606	Peabody Energy	36.86	7.9	3	3	Coal	19
2420	RPC Inc.	17.53	7.9	2	3	Oilfield Svcs/Equip.	42
1546	Aflac Inc.	49.07	8.0	2	3	Insurance (Life)	51
803	Health Mgmt. Assoc.	6.60	8.0	2	5	Medical Services	4
1000	Lear Corp.	42.45	8.0	–	3	Auto Parts	15
1582	Agrium, Inc.	79.13	8.1	2	3	Chemical (Basic)	10
986	China Auto. Sys.	5.25	8.1	3	3	Auto Parts	15
222	Invacare Corp.	16.30	8.1	3	3	Med Supp Non-Invasive	81
1425	Lexmark Int'l 'A'	35.64	8.1	3	3	Office Equip/Supplies	26
512	Petroleo Brasileiro ADR	31.55	8.1	3	3	Petroleum (Integrated)	2
2520	Popular Inc.	1.61	8.1	4	4	Bank	72
1555	Reinsurance Group	56.23	8.1	2	2	Insurance (Life)	51
2507	Bank of New York Mellon	21.24	8.2	4	3	Bank	72

HIGHEST P/Es

Stocks with the highest estimated current P/E ratios

Page No.	Stock Name	Recent Price	Current P/E Ratio	Timeliness	Safety Rank	Industry Group	Industry Rank
726	TASER Int'l	4.86	97.2	4	4	Aerospace/Defense	22
2585	Nuance Communic.	27.99	96.5	3	3	Computer Software	56
2626	LoopNet, Inc.	16.74	93.0	–	3	Internet	78
139	Cen. Vermont Pub. Serv.	35.15	92.5	–	3	Electric Utility (East)	52
1517	BRE Properties	50.38	90.0	4	3	R.E.I.T.	90
1597	Alexion Pharmac.	73.98	83.1	3	3	Drug	55
821	athenahealth	56.50	83.1	4	3	Healthcare Information	83
1519	Camden Property Trust	62.18	79.7	3	3	R.E.I.T.	90
1543	Weingarten Realty	24.22	78.1	4	3	R.E.I.T.	90
1104	Apogee Enterprises	14.04	78.0	2	3	Building Materials	75
1542	Washington R.E.I.T.	29.52	77.7	4	3	R.E.I.T.	90
983	Amerigon Inc.	15.30	76.5	4	4	Auto Parts	15
216	Genomic Health	26.59	76.0	4	3	Med Supp Non-Invasive	81
1111	Masco Corp.	12.22	71.9	4	3	Building Materials	75
2161	Skechers U.S.A.	12.47	69.3	5	3	Shoe	49
584	Crown Castle Int'l	45.94	67.6	3	3	Wireless Networking	92
1807	Rackspace Hosting	42.94	67.1	3	3	E-Commerce	86
961	Motorola Mobility Hldgs.	38.64	65.5	–	3	Telecom. Equipment	89
1516	AvalonBay Communities	131.13	62.4	4	3	R.E.I.T.	90
582	Amer. Tower 'A'	62.47	61.9	3	3	Wireless Networking	92
2342	Hyatt Hotels	40.81	61.8	–	3	Hotel/Gaming	25
1530	Kimco Realty	18.50	61.7	4	3	R.E.I.T.	90
2589	Red Hat, Inc.	47.51	60.9	3	3	Computer Software	56
1804	Equinix, Inc.	115.98	60.4	3	3	E-Commerce	86
2576	Blue Coat Sys.	25.74	59.9	–	3	Computer Software	56
597	ViaSat, Inc.	47.67	58.9	4	3	Wireless Networking	92
1518	Boston Properties	101.95	57.9	4	3	R.E.I.T.	90
1133	Toll Brothers	22.53	57.8	4	3	Homebuilding	98
1117	Trex Co.	24.81	57.7	4	4	Building Materials	75
2594	VMware, Inc.	92.66	56.2	3	3	Computer Software	56
1108	Eagle Materials	29.45	55.6	4	3	Building Materials	75
237	SonoSite, Inc.	53.89	55.6	–	3	Med Supp Non-Invasive	81
230	Omnicell, Inc.	16.78	52.4	4	3	Med Supp Non-Invasive	81
1526	Health Care REIT	55.47	52.3	3	3	R.E.I.T.	90
2341	Gaylord Entertainm.	28.69	50.3	3	4	Hotel/Gaming	25
1126	Lennar Corp.	22.37	49.7	4	4	Homebuilding	98
2019	Take-Two Interactive	15.40	49.7	4	3	Entertainment Tech	94
1211	Royce Value Trust	13.21	48.9	–	3	Investment Co.	–
627	Kinder Morgan Energy	88.30	47.2	3	2	Pipeline MLPs	85
357	Chipotle Mex. Grill	360.60	46.8	3	3	Restaurant	47
1361	Integrated Device	6.50	46.4	3	3	Semiconductor	88
430	Advisory Board	79.46	45.9	4	2	Information Services	67
434	CoStar Group	60.13	45.9	4	3	Information Services	67
1535	Public Storage	135.60	45.8	4	2	R.E.I.T.	90
2223	lululemon athletica	62.18	45.7	3	3	Retail (Softlines)	50
2398	Range Resources Corp.	57.20	45.4	4	3	Petroleum (Producing)	6
994	Fuel Sys. Solns.	19.04	45.3	4	3	Auto Parts	15
1390	Cymer Inc.	51.17	44.9	4	3	Semiconductor Equip	87
1523	Federal Rlty. Inv. Trust	93.12	44.6	4	3	R.E.I.T.	90
2354	Vail Resorts	45.07	44.6	3	3	Hotel/Gaming	25

Page No.	Stock Name	Recent Price	Current P/E Ratio	Timeliness	Safety Rank	Industry Group	Industry Rank
204	Abaxis, Inc.	28.33	44.3	5	3	Med Supp Non-Invasive	81
221	Illumina Inc.	37.69	44.3	–	3	Med Supp Non-Invasive	81
2521	Regions Financial	5.23	43.6	4	4	Bank	72
1050	tw telecom	19.97	43.4	3	3	Telecom. Utility	5
2176	Haverty Furniture	12.49	43.1	4	3	Retail (Hardlines)	28
206	Alere Inc.	22.31	42.9	3	3	Med Supp Non-Invasive	81
2204	bebe stores	8.52	42.6	3	3	Retail (Softlines)	50
1538	Simon Property Group	133.74	42.6	3	3	R.E.I.T.	90
2572	Advent Software	26.75	41.8	3	3	Computer Software	56
1341	Pulse Electronics	2.51	41.8	–	4	Electronics	54
2627	Netflix, Inc.	92.67	41.6	4	3	Internet	78
2637	XO Group	7.83	41.2	4	3	Internet	78
835	Gen-Probe	63.37	41.1	4	3	Biotechnology	95
334	Golar LNG Ltd.	41.61	40.8	3	3	Maritime	77
2208	Charming Shoppes	4.87	40.6	2	4	Retail (Softlines)	50
355	Caribou Coffee	16.43	40.1	3	4	Restaurant	47
568	OM Group	27.51	39.9	2	3	Chemical (Specialty)	29
1946	Fresh Market (The)	45.40	39.5	–	3	Retail/Wholesale Food	16
2220	Hot Topic, Inc.	7.47	39.3	2	3	Retail (Softlines)	50
1550	Manulife Fin'l	12.58	39.3	5	3	Insurance (Life)	51
2116	Under Armour	76.40	39.2	3	3	Apparel	64
349	BJ's Restaurants	45.69	38.7	3	3	Restaurant	47
1540	Ventas, Inc.	57.39	38.5	3	3	R.E.I.T.	90
1224	Ormat Technologies	17.66	38.4	4	3	Power	91
1938	Tootsie Roll Ind.	24.48	38.3	5	1	Food Processing	70
312	SkyWest	13.76	38.2	3	3	Air Transport	9
2618	Blue Nile	37.90	37.9	5	3	Internet	78
2190	Ulta Salon	77.38	37.7	3	3	Retail (Hardlines)	28
1813	TIBCO Software	25.72	37.3	3	3	E-Commerce	86
2425	Transocean Ltd.	45.83	37.3	4	3	Oilfield Svcs/Equip.	42
240	ZOLL Medical	67.10	37.1	3	3	Med Supp Non-Invasive	81
1136	Fastenal Co.	46.86	36.9	3	2	Retail Building Supply	73
2212	Citi Trends	9.57	36.8	3	3	Retail (Softlines)	50
1531	Liberty Property	33.84	36.8	3	3	R.E.I.T.	90
1928	Peet's Coffee & Tea	58.94	36.6	4	3	Food Processing	70
946	Acme Packet	31.35	36.5	5	3	Telecom. Equipment	89
1123	Horton D.R.	14.25	36.5	4	3	Homebuilding	98
1378	Silicon Labs	47.07	36.5	4	3	Semiconductor	88
1110	Martin Marietta	80.18	36.3	3	3	Building Materials	75
956	F5 Networks	123.10	36.0	3	3	Telecom. Equipment	89
1317	Trimble Nav. Ltd.	45.01	36.0	4	3	Electrical Equipment	53
2227	Quiksilver Inc.	4.30	35.8	3	5	Retail (Softlines)	50
2006	Avid Technology	9.64	35.7	4	3	Entertainment Tech	94
2011	OmniVision Techn.	13.90	35.6	5	3	Entertainment Tech	94
198	SurModics, Inc.	14.57	35.5	3	3	Med Supp Invasive	68
119	FARO Technologies	55.55	35.2	3	3	Precision Instrument	65
1364	Intersil Corp. 'A'	11.62	35.2	5	3	Semiconductor	88
1532	Mack-Cali R'lty	28.41	35.1	3	3	R.E.I.T.	90
1961	Whole Foods Market	77.31	35.1	3	3	Retail/Wholesale Food	16
229	Natus Medical	11.18	34.9	5	3	Med Supp Non-Invasive	81

STOCKS WITH HIGHEST ANNUAL TOTAL RETURNS (NEXT 3 TO 5 YEARS)

(Estimated compound annual stock price appreciation plus estimated annual dividend income.)

Page No.	Stock Name	Recent Price	Est'd Total Return	Time-liness	Safety Rank	Industry Group	Industry Rank
2303	CPI Corp.	1.65	98%	5	5	Recreation	41
2643	Capital Trust	2.32	67%	4	5	Public/Private Equity	93
593	Research in Motion	15.01	63%	3	3	Wireless Networking	92
1733	Tecumseh Products 'A'	4.84	58%	5	5	Machinery	33
2018	THQ Inc.	0.74	57%	5	5	Entertainment Tech	94
2520	Popular Inc.	1.61	56%	4	4	Bank	72
591	Powerwave Techn.	2.01	56%	5	5	Wireless Networking	92
1341	Pulse Electronics	2.51	54%	–	4	Electronics	54
926	Clearwire Corp.	1.80	52%	3	5	Telecom. Services	8
2645	Fortress Investment	3.65	50%	3	4	Public/Private Equity	93
1968	Central European Dist.	3.82	49%	4	5	Beverage	61
2157	K-Swiss, Inc.	3.21	49%	5	4	Shoe	49
538	Quicksilver Res.	5.54	49%	3	4	Natural Gas (Div.)	59
1566	Pan Amer. Silver	21.85	48%	3	3	Precious Metals	18
1220	FuelCell Energy	0.97	47%	4	5	Power	91
1365	LSI Corp.	7.14	46%	2	3	Semiconductor	88
2399	Ultra Petroleum	24.82	46%	2	3	Petroleum (Producing)	6
848	XenoPort, Inc.	4.35	46%	4	4	Biotechnology	95
185	CryoLife Inc.	5.33	45%	4	4	Med Supp Invasive	68
205	Affymetrix Inc.	4.75	44%	5	4	Med Supp Non-Invasive	81
602	Arch Coal	13.76	44%	3	3	Coal	19
331	Eagle Bulk Shipping	1.32	43%	3	5	Maritime	77
937	Sprint Nextel Corp.	2.17	43%	3	4	Telecom. Services	8
313	Southwest Airlines	9.16	42%	3	3	Air Transport	9
2196	Zale Corp.	2.83	42%	4	5	Retail (Hardlines)	28
800	Community Health	18.38	41%	2	3	Medical Services	4
336	Overseas Shipholding	12.66	41%	5	3	Maritime	77
534	Pengrowth Energy	10.33	41%	3	3	Natural Gas (Div.)	59
741	AK Steel Holding	9.29	40%	4	4	Steel	44
2362	Donnelley (R.R) & Sons	12.20	40%	2	3	Publishing	35
1155	Sealy Corp.	1.44	40%	4	5	Furn/Home Furnishings	62
1585	China Green Agriculture	4.25	39%	–	5	Chemical (Basic)	10
1973	Cott Corp.	6.52	39%	2	4	Beverage	61
1937	Synutra Int'l	5.22	39%	–	4	Food Processing	70
406	EnergySolutions	3.57	38%	2	4	Environmental	31
2183	Nautilus Inc.	1.94	38%	3	5	Retail (Hardlines)	28
1040	Alaska Communic.	2.88	37%	3	4	Telecom. Utility	5
2641	Apollo Investment	7.52	37%	4	3	Public/Private Equity	93
586	Echelon Corp.	5.60	37%	5	4	Wireless Networking	92
933	NII Holdings	18.93	37%	3	3	Telecom. Services	8
1344	Skullcandy, Inc.	13.30	37%	–	3	Electronics	54
601	Alpha Natural Res.	20.13	36%	3	3	Coal	19
2510	Citigroup Inc.	29.90	36%	4	4	Bank	72
1784	E*Trade Fin'l	9.54	36%	4	4	Securities Brokerage	69
957	Harmonic, Inc.	5.81	36%	2	4	Telecom. Equipment	89
2381	Monster Worldwide	8.81	36%	4	3	Advertising	40
1314	Power-One	4.89	36%	3	4	Electrical Equipment	53
2534	AllianceBernstein Hldg.	15.15	35%	3	3	Financial Svcs. (Div.)	63
797	Amedisys, Inc.	9.65	35%	3	3	Medical Services	4
1023	DIRECTV	43.77	35%	1	3	Cable TV	1
737	NN Inc.	7.22	35%	3	4	Metal Fabricating	46
1618	Nektar Therapeutics	6.06	35%	5	4	Drug	55
592	RF Micro Devices	4.85	35%	5	4	Wireless Networking	92
1986	Sony Corp. ADR	17.95	35%	3	2	Foreign Electronics	58
562	Ferro Corp.	6.29	34%	4	4	Chemical (Specialty)	29
1221	GT Advanced Tech.	8.45	34%	2	4	Power	91
1985	Philips Electronics NV	19.85	34%	4	3	Foreign Electronics	58
2013	Rovi Corp.	29.84	34%	4	3	Entertainment Tech	94
2526	Synovus Financial	1.73	34%	3	5	Bank	72
1942	Zhongpin	11.68	34%	–	5	Food Processing	70
1633	AMN Healthcare	4.78	33%	3	3	Human Resources	39
583	Brightpoint, Inc.	11.92	33%	1	3	Wireless Networking	92
2603	Computer Sciences	26.09	33%	3	2	IT Services	45
2621	eBay Inc.	31.95	33%	3	2	Internet	78
407	Fuel Tech, Inc.	6.23	33%	3	4	Environmental	31
837	Incyte Corp.	18.29	33%	5	5	Biotechnology	95
222	Invacare Corp.	16.30	33%	3	3	Med Supp Non-Invasive	81
227	Medical Action Inds.	5.33	33%	3	3	Med Supp Non-Invasive	81
398	SAIC, Inc.	12.88	33%	3	2	Industrial Services	37
844	Senomyx, Inc.	3.56	33%	4	5	Biotechnology	95
936	Shenandoah Telecom.	10.06	33%	3	3	Telecom. Services	8
372	Sonic Corp.	6.72	33%	3	3	Restaurant	47
1955	SUPERVALU INC.	6.94	33%	3	3	Retail/Wholesale Food	16
994	Fuel Sys. Solns.	19.04	32%	4	3	Auto Parts	15
190	Integra LifeSciences	25.96	32%	3	3	Med Supp Invasive	68
589	Intermec Inc.	8.12	32%	3	3	Wireless Networking	92
2415	Nabors Inds.	17.37	32%	2	3	Oilfield Svcs/Equip.	42
1984	Panasonic Corp.	8.24	32%	4	3	Foreign Electronics	58
2113	Perry Ellis Int'l	15.85	32%	3	3	Apparel	64
315	US Airways Group	6.41	32%	2	5	Air Transport	9
846	United Therapeutics	48.09	32%	2	3	Biotechnology	95
847	Vertex Pharmac.	34.99	32%	3	3	Biotechnology	95
1630	Warner Chilcott plc	16.47	32%	–	3	Drug	55
2200	Aeropostale	16.97	31%	3	3	Retail (Softlines)	50
1782	BGC Partners Inc.	6.44	31%	2	4	Securities Brokerage	69
707	Bombardier Inc. 'B'	4.77	31%	2	3	Aerospace/Defense	22
1357	Cree, Inc.	26.39	31%	4	3	Semiconductor	88
2619	Ctrip.com Int'l ADR	27.58	31%	4	3	Internet	78
1947	Green Mtn. Coffee	50.60	31%	3	3	Retail/Wholesale Food	16
803	Health Mgmt. Assoc.	6.60	31%	2	5	Medical Services	4
2554	Janus Capital Group	7.55	31%	3	3	Financial Svcs. (Div.)	63
2648	KKR & Co. L.P.	13.68	31%	–	2	Public/Private Equity	93
1026	Knology	14.64	31%	1	3	Cable TV	1
1028	LodgeNet Interactive	3.57	31%	1	5	Cable TV	1
2014	SeaChange Int'l	7.21	31%	3	3	Entertainment Tech	94
969	Tellabs, Inc.	4.37	31%	5	3	Telecom. Equipment	89
2425	Transocean Ltd.	45.83	31%	4	3	Oilfield Svcs/Equip.	42
2359	Amer. Greetings	14.19	30%	3	3	Publishing	35
2507	Bank of New York Mellon	21.24	30%	4	3	Bank	72
181	Boston Scientific	5.97	30%	3	3	Med Supp Invasive	68

STOCKS WITH HIGHEST PROJECTED 3- TO 5-YEAR DIVIDEND YIELD

Based upon the projected dividend per share 3 to 5 years hence divided by the recent price

Page No.	Stock Name	Recent Price	Est'd Future Yield	Time-liness	Safety Rank	Industry Group	Industry Rank
1040	Alaska Communic.	2.88	30%	3	4	Telecom. Utility	5
2641	Apollo Investment	7.52	27%	4	3	Public/Private Equity	93
1782	BGC Partners Inc.	6.44	19%	2	4	Securities Brokerage	69
2534	AllianceBernstein Hldg.	15.15	16%	3	3	Financial Svcs. (Div.)	63
1047	Frontier Communic.	4.75	16%	3	3	Telecom. Utility	5
626	Inergy, L.P.	22.25	15%	5	3	Pipeline MLPs	85
2640	Amer. Capital, Ltd.	8.07	14%	3	5	Public/Private Equity	93
2646	Gladstone Capital	8.87	14%	5	3	Public/Private Equity	93
336	Overseas Shipholding	12.66	14%	5	3	Maritime	77
1622	PDL BioPharma	6.36	13%	2	3	Drug	55
1514	Annaly Capital Mgmt.	16.44	12%	2	3	R.E.I.T.	90
2648	KKR & Co. L.P.	13.68	12%	–	2	Public/Private Equity	93
1341	Pulse Electronics	2.51	12%	–	4	Electronics	54
1048	Telefonica SA ADR	17.19	12%	3	2	Telecom. Utility	5
2362	Donnelley (R.R) & Sons	12.20	10%	2	3	Publishing	35
934	NTELOS Hldgs.	21.63	10%	–	3	Telecom. Services	8
965	Nokia Corp. ADR	5.27	10%	5	3	Telecom. Equipment	89
2642	Blackstone Group LP	16.09	9%	3	3	Public/Private Equity	93
621	Boardwalk Pipeline	27.54	9%	4	3	Pipeline MLPs	85
1046	Deutsche Telekom ADR	11.34	9%	2	2	Telecom. Utility	5
624	Energy Transfer	48.77	9%	4	2	Pipeline MLPs	85
530	Linn Energy, LLC	36.89	9%	3	3	Natural Gas (Div.)	59
2382	National CineMedia	13.53	9%	4	3	Advertising	40
605	Natural Resource	27.69	9%	3	3	Coal	19
1820	StoneMor Partners L.P.	25.87	9%	5	3	Funeral Services	79
943	Vodafone Group ADR	27.66	9%	2	2	Telecom. Services	8
1988	Altria Group	28.28	8%	3	2	Tobacco	27
1599	AstraZeneca PLC (ADS)	47.66	8%	3	2	Drug	55
622	Buckeye Partners L.P.	62.30	8%	4	2	Pipeline MLPs	85
2306	Cedar Fair L.P.	24.72	8%	1	3	Recreation	41
1043	CenturyLink Inc.	36.94	8%	3	2	Telecom. Utility	5
1045	Consol. Communic.	18.39	8%	2	3	Telecom. Utility	5
611	Copano Energy	33.65	8%	4	3	Oil/Gas Distribution	82
1520	DDR Corp.	13.98	8%	4	4	R.E.I.T.	90
2548	Federated Investors	18.65	8%	4	2	Financial Svcs. (Div.)	63
1528	Hospitality Properties	24.82	8%	3	3	R.E.I.T.	90
394	Macquarie Infrastructure	28.12	8%	3	5	Industrial Services	37
1550	Manulife Fin'l	12.58	8%	5	3	Insurance (Life)	51
1759	National Presto Ind.	102.13	8%	4	3	Diversified Co.	38
1508	New York Community	13.09	8%	4	3	Thrift	84
770	Old Republic	9.44	8%	5	3	Insurance (Prop/Cas.)	96
534	Pengrowth Energy	10.33	8%	3	3	Natural Gas (Div.)	59
607	Penn Virginia Res.	26.64	8%	3	3	Coal	19
1533	Penn. R.E.I.T.	12.49	8%	3	4	R.E.I.T.	90
1428	Pitney Bowes	19.37	8%	3	3	Office Equip/Supplies	26
1578	Southern Copper	35.33	8%	2	3	Metals & Mining (Div.)	30
630	Suburban Propane	46.43	8%	4	3	Pipeline MLPs	85
792	TCF Financial	10.57	8%	5	3	Bank (Midwest)	74
517	Total ADR	52.56	8%	2	1	Petroleum (Integrated)	2
2425	Transocean Ltd.	45.83	8%	4	3	Oilfield Svcs/Equip.	42
1168	Weyerhaeuser Co	19.94	8%	–	3	Paper/Forest Products	34
1051	Windstream Corp.	12.12	8%	3	3	Telecom. Utility	5
922	AT&T Inc.	30.09	7%	3	1	Telecom. Services	8
1545	AEGON	4.93	7%	4	3	Insurance (Life)	51
2503	BancorpSouth	11.90	7%	4	3	Bank	72
1584	CVR Partners, LP	28.58	7%	–	3	Chemical (Basic)	10
165	Douglas Dynamics, Inc.	13.55	7%	–	3	Heavy Truck & Equip	20
623	El Paso Pipeline	35.69	7%	3	3	Pipeline MLPs	85
625	Enterprise Products	48.97	7%	3	3	Pipeline MLPs	85
1526	Health Care REIT	55.47	7%	3	3	R.E.I.T.	90
627	Kinder Morgan Energy	88.30	7%	3	2	Pipeline MLPs	85
1531	Liberty Property	33.84	7%	3	3	R.E.I.T.	90
1990	Lorillard Inc.	112.07	7%	3	2	Tobacco	27
1532	Mack-Cali R'lty	28.41	7%	3	3	R.E.I.T.	90
2317	Regal Entertainment	12.47	7%	3	5	Recreation	41
1992	Reynolds American	39.72	7%	4	2	Tobacco	27
1380	STMicroelectronics	6.86	7%	3	3	Semiconductor	88
1381	Taiwan Semic. ADR	13.93	7%	3	3	Semiconductor	88
337	Teekay Corp.	26.79	7%	3	3	Maritime	77
938	Telecom N. Zealand	8.42	7%	–	3	Telecom. Services	8
2635	United Online	5.61	7%	3	3	Internet	78
904	Ameren Corp	31.26	6%	2	3	Electric Util. (Central)	12
2359	Amer. Greetings	14.19	6%	3	3	Publishing	35
1502	Astoria Financial	9.25	6%	4	3	Thrift	84
558	Avery Dennison	28.61	6%	3	2	Chemical (Specialty)	29
2237	Avista Corp	24.82	6%	3	2	Electric Utility (West)	13
1041	BCE Inc.	41.21	6%	1	3	Telecom. Utility	5
502	BP PLC ADR	44.70	6%	2	3	Petroleum (Integrated)	2
1042	BT Group ADR	32.67	6%	1	3	Telecom. Utility	5
2510	Citigroup Inc.	29.90	6%	4	4	Bank	72
523	Crosstex Energy	13.02	6%	2	5	Natural Gas (Div.)	59
102	Daimler AG	53.85	6%	2	3	Automotive	24
359	Darden Restaurants	46.08	6%	4	3	Restaurant	47
1521	Duke Realty Corp.	13.19	6%	3	3	R.E.I.T.	90
910	Empire Dist. Elec.	20.12	6%	2	3	Electric Util. (Central)	12
2514	First Commonwealth	5.84	6%	5	4	Bank	72
1504	First Niagara Finl Group	9.59	6%	4	3	Thrift	84
145	FirstEnergy Corp.	41.27	6%	2	2	Electric Utility (East)	52
1750	Gen'l Electric	18.84	6%	3	3	Diversified Co.	38
1610	GlaxoSmithKline ADR	44.57	6%	3	1	Drug	55
1525	HCP Inc.	40.99	6%	3	3	R.E.I.T.	90
1527	Healthcare R'lty Trust	20.29	6%	4	3	R.E.I.T.	90
1506	Hudson City Bancorp	7.10	6%	4	4	Thrift	84
718	Lockheed Martin	82.24	6%	2	1	Aerospace/Defense	22
628	Magellan Midstream	66.85	6%	3	3	Pipeline MLPs	85
769	Mercury General	44.29	6%	3	2	Insurance (Prop/Cas.)	96
1370	Microchip Technology	37.31	6%	4	3	Semiconductor	88
1927	NutriSystem Inc.	12.56	6%	5	3	Food Processing	70
917	Otter Tail Corp.	21.98	6%	2	3	Electric Util. (Central)	12
149	PPL Corp.	27.64	6%	3	3	Electric Utility (East)	52

HIGH RETURNS EARNED ON TOTAL CAPITAL

Stocks with high average returns on capital in last 5 years ranked by earnings retained to common equity

Page No.	Stock Name	Ticker	Recent Price	Avg. Retained to Com. Eq.	Avg. Return On Cap.	Time-liness	Safety Rank	Beta	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
2568	Western Union	WU	19.16	670%	31%	2	3	1.10	11.8	1.7	Financial Svcs. (Div.)	63
441	Moody's Corp.	MCO	36.88	345%	167%	3	3	1.25	15.4	1.7	Information Services	67
1153	Miller (Herman)	MLHR	20.96	305%	30%	3	3	1.20	13.5	0.4	Furn/Home Furnishings	62
1367	Linear Technology	LLTC	33.32	245%	40%	4	3	0.95	18.5	2.9	Semiconductor	88
348	AFC Enterprises	AFCE	14.40	234%	33%	3	3	1.20	14.1	NIL	Restaurant	47
2124	AutoZone Inc.	AZO	346.75	214%	34%	2	3	0.70	15.6	NIL	Retail Automotive	11
439	Gartner Inc.	IT	37.40	209%	42%	3	3	1.10	24.9	NIL	Information Services	67
2000	ITT Educational	ESI	67.17	184%	82%	2	3	0.70	7.4	NIL	Educational Services	66
1990	Lorillard Inc.	LO	112.07	152%	96%	3	2	0.55	13.9	4.6	Tobacco	27
1233	Foster Wheeler AG	FWLT	23.06	121%	58%	4	3	1.70	13.9	NIL	Engineering & Const	36
2405	Core Laboratories	CLB	111.13	89%	34%	3	3	1.10	27.6	0.9	Oilfield Svcs/Equip.	42
1996	Apollo Group 'A'	APOL	55.59	59%	55%	3	3	0.65	14.6	NIL	Educational Services	66
432	Arbitron Inc.	ARB	36.27	59%	59%	3	3	0.90	17.5	1.1	Information Services	67
1188	Colgate-Palmolive	CL	88.25	57%	38%	3	1	0.60	16.7	2.6	Household Products	80
1918	Herbalife, Ltd.	HLF	56.56	57%	37%	3	3	0.95	17.5	1.6	Food Processing	70
1402	Dell Inc.	DELL	16.85	51%	41%	2	3	0.95	9.5	NIL	Computers/Peripherals	48
2200	Aeropostale	ARO	16.97	49%	49%	3	3	1.05	19.7	NIL	Retail (Softlines)	50
1609	Gilead Sciences	GILD	47.67	49%	35%	2	3	0.70	12.6	NIL	Drug	55
588	InterDigital Inc.	IDCC	35.89	47%	46%	4	3	1.00	16.2	1.3	Wireless Networking	92
718	Lockheed Martin	LMT	82.24	46%	33%	2	1	0.80	10.3	5.0	Aerospace/Defense	22
2597	Accenture Plc	ACN	56.63	45%	62%	3	2	0.85	15.3	2.4	IT Services	45
1409	Int'l Business Mach.	IBM	191.93	45%	29%	2	1	0.85	14.1	1.6	Computers/Peripherals	48
1221	GT Advanced Tech.	GTAT	8.45	43%	63%	2	4	1.55	5.4	NIL	Power	91
2170	Coach Inc.	COH	67.97	41%	44%	3	3	1.25	18.6	1.3	Retail (Hardlines)	28
604	Joy Global	JOY	89.14	38%	31%	3	3	1.65	12.7	0.8	Coal	19
1927	NutriSystem Inc.	NTRI	12.56	38%	47%	5	3	0.90	18.5	5.6	Food Processing	70
2561	MasterCard Inc.	MA	342.68	36%	39%	3	3	1.15	17.0	0.2	Financial Svcs. (Div.)	63
2618	Blue Nile	NILE	37.90	35%	34%	5	3	1.20	37.9	NIL	Internet	78
2315	Polaris Inds.	PII	62.69	35%	31%	2	3	1.30	18.8	1.6	Recreation	41
2363	McGraw-Hill	MHP	46.53	33%	32%	3	3	1.15	16.0	2.2	Publishing	35
1976	Monster Beverage	MNST	53.17	33%	33%	3	3	0.80	32.4	NIL	Beverage	61
724	Rockwell Collins	COL	59.26	33%	34%	3	1	1.10	13.8	1.6	Aerospace/Defense	22
2003	Strayer Education	STRA	116.62	33%	48%	3	3	0.70	15.1	3.4	Educational Services	66
2231	TJX Companies	TJX	63.63	33%	32%	2	1	0.80	16.0	1.1	Retail (Softlines)	50
2617	Baidu, Inc.	BIDU	121.75	32%	32%	3	3	1.35	33.5	NIL	Internet	78
1585	China Green Agriculture	CGA	4.25	32%	32%	–	5	1.15	2.8	NIL	Chemical (Basic)	10
2584	Microsoft Corp.	MSFT	29.34	32%	40%	2	1	0.85	10.5	2.7	Computer Software	56
593	Research in Motion	RIMM	15.01	32%	32%	3	3	1.30	3.5	NIL	Wireless Networking	92
1714	Graco Inc.	GGG	43.40	29%	35%	3	3	1.15	18.5	2.1	Machinery	33
2593	Teradata Corp.	TDC	53.23	29%	29%	3	2	0.90	25.2	NIL	Computer Software	56
508	Imperial Oil Ltd.	IMO	46.73	28%	31%	3	2	1.15	12.7	0.9	Petroleum (Integrated)	2
2228	Ross Stores	ROST	52.02	28%	29%	2	2	0.80	17.3	0.8	Retail (Softlines)	50
1816	Hillenbrand, Inc.	HI	23.40	26%	30%	3	3	0.65	12.8	3.3	Funeral Services	79
1613	Lilly (Eli)	LLY	39.61	24%	29%	3	1	0.80	10.3	4.9	Drug	55
437	FactSet Research	FDS	92.58	23%	29%	3	2	1.00	22.5	1.2	Information Services	67
2548	Federated Investors	FII	18.65	22%	31%	4	2	1.05	11.0	5.1	Financial Svcs. (Div.)	63
2609	Infosys Techn. ADR	INFY	53.59	22%	29%	3	2	1.05	17.1	1.3	IT Services	45
2206	Buckle (The), Inc.	BKE	43.03	21%	30%	3	3	1.00	13.3	1.9	Retail (Softlines)	50
1309	Garmin Ltd.	GRMN	41.54	21%	29%	3	3	1.10	16.8	4.8	Electrical Equipment	53
1620	Novo Nordisk ADR	NVO	117.98	20%	29%	3	1	0.80	21.0	1.5	Drug	55

BARGAIN BASEMENT STOCKS

Stocks with current price-earnings multiples and price-to-"net" working capital ratios that are in the bottom quartile of the Value Line universe

("Net" working capital equals current assets less all liabilities including long-term debt and preferred)

Page No.	Stock Name	Ticker	Recent Price	Percent Price-to "Net" Wkg. Capital	Current P/E Ratio	Percent Price-to Book Value	Time-liness	Safety Rank	Beta	% Est'd Yield	Industry Group	Industry Rank
1408	Ingram Micro 'A'	IM	19.07	110%	10.7	88%	4	3	0.95	NIL	Computers/Peripherals	48
1585	China Green Agriculture	CGA	4.25	131%	2.8	59%	–	5	1.15	NIL	Chemical (Basic)	10
1418	Tech Data	TECD	52.50	140%	9.6	103%	1	3	1.00	NIL	Computers/Peripherals	48
133	Veeco Instruments	VECO	24.44	155%	8.2	136%	4	4	1.55	NIL	Precision Instrument	65
2184	PC Connection	PCCC	12.00	165%	11.4	118%	1	3	1.15	NIL	Retail (Hardlines)	28
1320	AVX Corp.	AVX	13.85	176%	10.5	107%	4	3	0.90	2.2	Electronics	54
129	Orbotech Ltd.	ORBK	10.87	176%	8.3	94%	3	3	0.85	NIL	Precision Instrument	65
1328	Celestica Inc.	CLS	8.03	185%	9.3	121%	1	3	1.25	NIL	Electronics	54
1787	Investment Techn.	ITG	11.40	199%	11.1	51%	2	3	1.10	NIL	Securities Brokerage	69
1325	Avnet, Inc.	AVT	33.55	216%	7.3	126%	2	3	1.15	NIL	Electronics	54
593	Research in Motion	RIMM	15.01	221%	3.5	78%	3	3	1.30	NIL	Wireless Networking	92
1705	Briggs & Stratton	BGG	16.86	229%	12.5	116%	3	3	1.10	2.6	Machinery	33
1608	Forest Labs.	FRX	32.11	239%	10.3	160%	3	3	0.80	NIL	Drug	55
2187	RadioShack Corp.	RSH	10.25	243%	9.4	131%	4	3	1.15	4.9	Retail (Hardlines)	28
1314	Power-One	PWER	4.89	249%	5.1	103%	3	4	1.45	NIL	Electrical Equipment	53
1994	Universal Corp.	UVV	45.59	249%	11.3	84%	3	3	0.80	4.3	Tobacco	27
1759	National Presto Ind.	NPK	102.13	256%	12.4	204%	4	3	0.95	8.1	Diversified Co.	38
1789	Knight Capital Group	KCG	13.51	261%	10.4	90%	2	3	0.80	NIL	Securities Brokerage	69
986	China Auto. Sys.	CAAS	5.25	266%	8.1	70%	3	3	1.40	NIL	Auto Parts	15
1637	Kelly Services 'A'	KELYA	17.35	298%	11.4	95%	1	3	1.20	1.2	Human Resources	39
560	Ceradyne Inc.	CRDN	32.12	313%	9.7	110%	2	3	1.20	NIL	Chemical (Specialty)	29
1410	Logitech Int'l	LOGI	8.16	348%	10.1	131%	4	3	1.20	NIL	Computers/Peripherals	48
2014	SeaChange Int'l	SEAC	7.21	350%	11.6	102%	3	3	1.00	NIL	Entertainment Tech	94
2207	Cato Corp.	CATO	26.20	354%	12.1	206%	3	3	0.90	3.5	Retail (Softlines)	50
1346	Vishay Intertechnology	VSH	12.06	362%	9.2	107%	3	3	1.25	NIL	Electronics	54
1611	Hi-Tech Pharmacal	HITK	37.91	366%	10.5	208%	3	3	0.95	NIL	Drug	55
2179	Insight Enterprises	NSIT	18.33	367%	9.5	126%	2	3	1.30	NIL	Retail (Hardlines)	28
2355	WMS Industries	WMS	20.77	384%	12.2	138%	3	3	1.20	NIL	Hotel/Gaming	25
1004	Standard Motor Prod.	SMP	21.47	396%	12.6	189%	1	4	1.70	1.6	Auto Parts	15
1623	Par Pharmaceutical	PRX	36.03	401%	12.0	173%	3	3	0.90	NIL	Drug	55
804	Health Net	HNT	35.30	417%	11.3	185%	2	3	1.05	NIL	Medical Services	4
738	Timken Co.	TKR	47.72	436%	10.0	204%	1	3	1.40	1.7	Metal Fabricating	46
957	Harmonic, Inc.	HLIT	5.81	440%	11.9	117%	2	4	1.05	NIL	Telecom. Equipment	89
1102	Aegion Corp.	AEGN	17.17	447%	12.5	103%	3	3	1.10	NIL	Building Materials	75
1902	Archer Daniels Midl'd	ADM	29.82	461%	9.5	102%	3	2	0.90	2.3	Food Processing	70

UNTIMELY STOCKS

Stocks ranked 5 (Lowest) for Relative Price Performance in the next 12 months

Page No.	Stock Name	Recent Price	Rank Safety	Rank Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
204	Abaxis, Inc.	28.33	3	4	44.3	NIL	Med Supp Non-Invasive	81
946	Acme Packet	31.35	3	4	36.5	NIL	Telecom. Equipment	89
205	Affymetrix Inc.	4.75	4	5	NMF	NIL	Med Supp Non-Invasive	81
1596	Albany Molecular	3.16	4	3	NMF	NIL	Drug	55
757	Alleghany Corp.	287.00	2	3	24.8	NIL	Insurance (Prop/Cas.)	96
758	Allstate Corp.	29.36	2	2	10.0	2.9	Insurance (Prop/Cas)	96
829	Alnylam Pharmac.	10.70	4	3	NMF	NIL	Biotechnology	95
1215	Amer. Superconductor	5.10	5	1	NMF	NIL	Power	91
1351	ANADIGICS Inc.	2.76	5	1	NMF	NIL	Semiconductor	88
176	AngioDynamics	13.59	3	1	34.0	NIL	Med Supp Invasive	68
1353	Applied Micro	8.22	3	3	NMF	NIL	Semiconductor	88
1122	Beazer Homes USA	3.09	5	3	NMF	NIL	Homebuilding	98
2618	Blue Nile	37.90	3	2	37.9	NIL	Internet	78
1135	BlueLinx Holdings	1.90	5	1	NMF	NIL	Retail Building Supply	73
2303	CPI Corp.	1.65	5	1	1.6	NIL	Recreation	41
2304	Callaway Golf	6.20	3	2	NMF	0.6	Recreation	41
1107	CEMEX ADS	6.39	4	3	NMF	NIL	Building Materials	75
115	Checkpoint Systems	11.00	3	3	NMF	NIL	Precision Instrument	65
2211	Christopher & Banks	2.13	5	4	NMF	NIL	Retail (Softlines)	50
764	Cincinnati Financial	32.43	2	2	27.3	5.0	Insurance (Prop/Cas.)	96
2213	Coldwater Creek	0.92	4	3	NMF	NIL	Retail (Softlines)	50
1802	Concur Techn.	52.96	3	3	NMF	NIL	E-Commerce	86
214	Cutera, Inc.	8.20	4	2	NMF	NIL	Med Supp Non-Invasive	81
585	DSP Group	5.78	4	4	NMF	NIL	Wireless Networking	92
832	Dendreon Corp.	13.97	5	4	NMF	NIL	Biotechnology	95
2328	DreamWorks Animation	19.11	2	1	14.9	NIL	Entertainment	32
2407	Dril-Quip, Inc.	66.13	3	3	25.8	NIL	Oilfield Svcs/Equip.	42
586	Echelon Corp.	5.60	4	2	NMF	NIL	Wireless Networking	92
1359	EMCORE Corp.	1.22	5	5	NMF	NIL	Semiconductor	88
833	Enzo Biochem	2.37	4	3	NMF	NIL	Biotechnology	95
955	Ericsson ADR ■	10.23	3	3	18.6	3.9	Telecom. Equipment	89
2514	First Commonwealth ■	5.84	4	3	18.3	2.1	Bank	72
332	Frontline Ltd.	5.01	5	1	NMF	NIL	Maritime	77
1147	Furniture Brands	1.51	5	3	NMF	NIL	Furn/Home Furnishings	62
2104	Gildan Activewear	22.12	3	4	20.3	1.4	Apparel	64
2646	Gladstone Capital	8.87	3	2	NMF	9.5	Public/Private Equity	93
2026	Greenlight Capital Re	25.18	3	3	10.2	NIL	Reinsurance	97
2553	Hartford Fin'l Svcs.	18.60	4	2	6.3	2.2	Financial Svcs. (Div.)	63
1124	Hovnanian Enterpr. 'A'	2.38	5	1	NMF	NIL	Homebuilding	98
836	Human Genome	9.13	5	4	NMF	NIL	Biotechnology	95
1407	Imation Corp.	6.11	3	4	NMF	NIL	Computers/Peripherals	48
837	Incyte Corp.	18.29	5	5	NMF	NIL	Biotechnology	95
626	Inergy, L.P.	22.25	3	2	32.7	12.7	Pipeline MLPs	85
1364	Intersil Corp. 'A'	11.62	3	3	35.2	4.1	Semiconductor	88
838	Isis Pharmac.	7.85	3	3	NMF	NIL	Biotechnology	95
959	Juniper Networks	23.15	3	1	24.1	NIL	Telecom. Equipment	89
2157	K-Swiss, Inc.	3.21	4	3	NMF	NIL	Shoe	49
1125	KB Home	9.24	4	3	NMF	2.7	Homebuilding	98
735	Lawson Products	16.96	3	3	NMF	2.8	Metal Fabricating	46
1127	M.D.C. Holdings	20.16	4	3	NMF	5.0	Homebuilding	98
2110	Maidenform Brands	19.37	3	3	13.3	NIL	Apparel	64
1550	Manulife Fin'l	12.58	3	2	39.3	4.1	Insurance (Life)	51
2181	MarineMax	8.01	4	3	NMF	NIL	Retail (Hardlines)	28
1411	Mercury Computer Sys. ■	14.98	4	3	25.0	NIL	Computers/Peripherals	48
1128	NVR, Inc. ■	739.28	3	3	22.7	NIL	Homebuilding	98
126	National Instruments	27.43	3	3	28.9	1.5	Precision Instrument	65
229	Natus Medical	11.18	3	4	34.9	NIL	Med Supp Non-Invasive	81
1618	Nektar Therapeutics	6.06	4	2	NMF	NIL	Drug	55
2225	New York & Co.	3.02	5	3	NMF	NIL	Retail (Softlines)	50
965	Nokia Corp. ADR	5.27	3	1	25.1	10.8	Telecom. Equipment	89
788	Northern Trust Corp.	42.79	3	3	14.9	2.6	Bank (Midwest)	74
1927	NutriSystem Inc.	12.56	3	2	18.5	5.6	Food Processing	70
770	Old Republic	9.44	3	3	NMF	7.4	Insurance (Prop/Cas)	96
2011	OmniVision Techn.	13.90	3	3	35.6	NIL	Entertainment Tech	94
336	Overseas Shipholding	12.66	3	3	NMF	7.0	Maritime	77
2630	Overstock.com	6.78	4	5	NMF	NIL	Internet	78
2226	Pacific Sunwear	1.88	5	1	NMF	NIL	Retail (Softlines)	50
232	Palomar Med. Techn.	9.45	3	3	NMF	NIL	Med Supp Non-Invasive	81
569	Park Electrochemical	30.46	3	2	20.3	1.3	Chemical (Specialty)	29
1793	Piper Jaffray Cos. ■	24.78	3	2	24.3	NIL	Securities Brokerage	69
591	Powerwave Techn.	2.01	5	4	NMF	NIL	Wireless Networking	92
592	RF Micro Devices	4.85	4	2	20.2	NIL	Wireless Networking	92
1376	Rambus Inc.	8.98	4	1	NMF	NIL	Semiconductor	88
843	Regeneron Pharmac.	79.41	3	5	NMF	NIL	Biotechnology	95
1342	Rogers Corp.	38.00	3	2	11.4	NIL	Electronics	54
2613	SEI Investments ■	18.71	2	3	16.7	1.6	IT Services	45
1808	salesforce.com	117.53	3	3	NMF	NIL	E-Commerce	86
1795	Schwab (Charles)	12.48	3	3	19.2	1.9	Securities Brokerage	69
1196	Scotts Miracle-Gro	47.53	3	3	23.9	2.5	Household Products	80
2148	Sears Holdings	45.78	3	1	NMF	NIL	Retail Store	43
2015	Sigma Designs	5.75	4	1	NMF	NIL	Entertainment Tech	94
2016	Silicon Image	4.75	4	2	NMF	NIL	Entertainment Tech	94
2161	Skechers U.S.A.	12.47	3	1	69.3	NIL	Shoe	49
595	Smith Micro Software	1.79	5	3	NMF	NIL	Wireless Networking	92
1811	StarTek, Inc.	3.25	5	1	NMF	NIL	E-Commerce	86
1820	StoneMor Partners L.P.	25.87	3	2	NMF	9.0	Funeral Services	79
1226	Suntech Power ADS	3.06	5	1	NMF	NIL	Power	91
792	TCF Financial ■	10.57	3	2	13.0	1.9	Bank (Midwest)	74
2018	THQ Inc.	0.74	5	1	NMF	NIL	Entertainment Tech	94
1733	Tecumseh Products 'A'	4.84	5	4	NMF	NIL	Machinery	33
969	Tellabs, Inc.	4.37	3	3	NMF	1.8	Telecom. Equipment	89
1116	Texas Inds.	31.36	4	5	NMF	NIL	Building Materials	75
1938	Tootsie Roll Ind.	24.48	1	3	38.3	1.3	Food Processing	70
1118	USG Corp.	13.31	5	3	NMF	NIL	Building Materials	75
2191	ValueVision Media	1.62	5	5	NMF	NIL	Retail (Hardlines)	28
1772	Viad Corp.	19.23	3	3	29.6	0.8	Diversified Co.	38
1541	Vornado R'lty Trust	81.51	3	3	34.7	3.4	R.E.I.T.	90
827	WebMD Health	26.65	3	2	30.3	NIL	Healthcare Information	83
2322	Winnebago	9.12	4	1	22.2	NIL	Recreation	41
775	XL Group plc	20.42	4	2	10.4	2.2	Insurance (Prop/Cas)	96

■ **Newly added this week.**

HIGHEST DIVIDEND YIELDING NON-UTILITY STOCKS

Based upon estimated year-ahead dividends per share

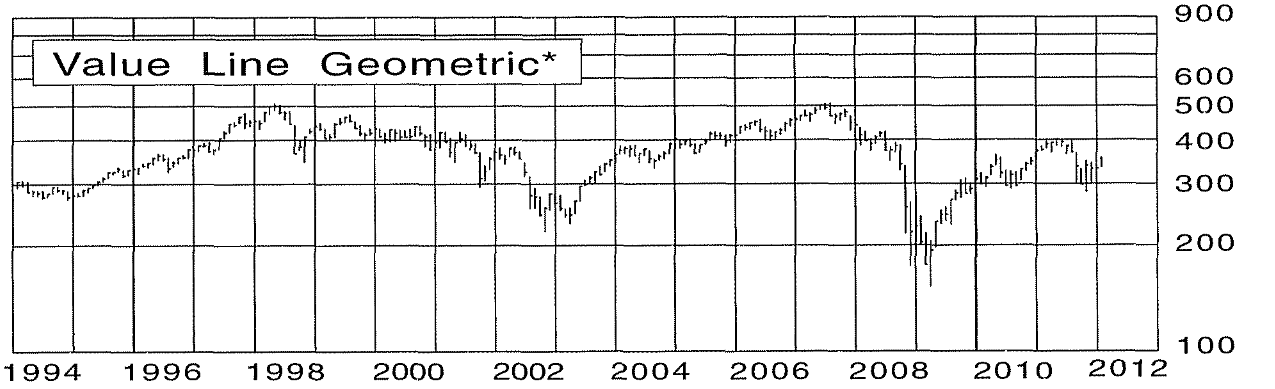
Page No.	Stock Name	Recent Price	Timeliness	Safety Rank	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
2641	Apollo Investment	7.52	4	3	7.3	14.9	Public/Private Equity	93
1514	Annaly Capital Mgmt.	16.44	2	3	6.9	14.0	R.E.I.T.	90
626	Inergy, L.P.	22.25	5	3	32.7	12.7	Pipeline MLPs	85
2534	AllianceBernstein Hldg.	15.15	3	3	12.6	11.1	Financial Svcs. (Div.)	63
1205	DWS High Income	10.27	–	4	NMF	11.1	Investment Co.	–
965	Nokia Corp. ADR	5.27	5	4	25.1	10.8	Telecom. Equipment	89
1782	BGC Partners Inc.	6.44	2	4	7.4	10.6	Securities Brokerage	69
2646	Gladstone Capital	8.87	5	3	NMF	9.5	Public/Private Equity	93
1622	PDL BioPharma	6.36	2	3	5.5	9.4	Drug	55
1820	StoneMor Partners L.P.	25.87	5	3	NMF	9.0	Funeral Services	79
2362	Donnelley (R.R) & Sons	12.20	2	3	5.9	8.5	Publishing	35
1759	National Presto Ind.	102.13	4	3	12.4	8.1	Diversified Co.	38
534	Pengrowth Energy	10.33	3	3	23.0	8.0	Natural Gas (Div.)	59
605	Natural Resource	27.69	3	3	13.5	7.9	Coal	19
1209	MFS Multimarket	6.89	–	4	NMF	7.8	Investment Co.	–
934	NTELOS Hldgs.	21.63	–	3	12.0	7.8	Telecom. Services	8
621	Boardwalk Pipeline	27.54	4	3	19.4	7.7	Pipeline MLPs	85
1428	Pitney Bowes	19.37	3	3	8.4	7.7	Office Equip/Supplies	26
943	Vodafone Group ADR	27.66	2	2	11.1	7.7	Telecom. Services	8
530	Linn Energy, LLC	36.89	3	3	18.4	7.6	Natural Gas (Div.)	59
1508	New York Community	13.09	4	3	11.8	7.6	Thrift	84
624	Energy Transfer	48.77	4	2	25.8	7.5	Pipeline MLPs	85
607	Penn Virginia Res.	26.64	3	3	19.0	7.5	Coal	19
770	Old Republic	9.44	5	3	NMF	7.4	Insurance (Prop/Cas)	96
1528	Hospitality Properties	24.82	3	3	18.1	7.3	R.E.I.T.	90
630	Suburban Propane	46.43	4	3	13.9	7.3	Pipeline MLPs	85
2635	United Online	5.61	3	3	9.8	7.1	Internet	78
336	Overseas Shipholding	12.66	5	3	NMF	7.0	Maritime	77
1578	Southern Copper	35.33	2	3	11.5	7.0	Metals & Mining (Div.)	30
1204	DNP Select Inc. Fund	11.23	–	2	18.7	6.9	Investment Co.	–
2425	Transocean Ltd.	45.83	4	3	37.3	6.9	Oilfield Svcs/Equip.	42
611	Copano Energy	33.65	4	3	NMF	6.8	Oil/Gas Distribution	82
2317	Regal Entertainment	12.47	3	5	18.6	6.7	Recreation	41
622	Buckeye Partners L.P.	62.30	4	2	19.7	6.6	Pipeline MLPs	85
2382	National CineMedia	13.53	4	3	20.2	6.5	Advertising	40
1532	Mack-Cali R'lty	28.41	3	3	35.1	6.3	R.E.I.T.	90
2648	KKR & Co. L.P.	13.68	–	2	5.6	6.2	Public/Private Equity	93
165	Douglas Dynamics, Inc.	13.55	–	3	15.1	6.1	Heavy Truck & Equip	20
938	Telecom N. Zealand	8.42	–	3	14.0	6.1	Telecom. Services	8
1203	AllianceBernstein Income	8.20	–	3	NMF	5.9	Investment Co.	–
1527	Healthcare R'lty Trust	20.29	4	3	NMF	5.9	R.E.I.T.	90
1992	Reynolds American	39.72	4	2	14.2	5.9	Tobacco	27
517	Total ADR	52.56	2	1	7.4	5.9	Petroleum (Integrated)	2
1542	Washington R.E.I.T.	29.52	4	3	77.7	5.9	R.E.I.T.	90
922	AT&T Inc.	30.09	3	1	12.6	5.8	Telecom. Services	8
1988	Altria Group	28.28	3	2	13.5	5.8	Tobacco	27
615	Pembina Pipeline Corp.	26.70	4	3	27.2	5.8	Oil/Gas Distribution	82
1380	STMicroelectronics	6.86	3	3	13.2	5.8	Semiconductor	88
1599	AstraZeneca PLC (ADS)	47.66	3	2	6.8	5.7	Drug	55
2406	Diamond Offshore	61.31	2	3	11.0	5.7	Oilfield Svcs/Equip.	42
1227	TransAlta Corp.	20.33	3	3	16.3	5.7	Power	91
1201	Aberdeen Asia-Pac. Fd.	7.46	–	4	NMF	5.6	Investment Co.	–
1502	Astoria Financial	9.25	4	3	16.2	5.6	Thrift	84
623	El Paso Pipeline	35.69	3	3	15.7	5.6	Pipeline MLPs	85
627	Kinder Morgan Energy	88.30	3	2	47.2	5.6	Pipeline MLPs	85
1208	Liberty All-Star	4.62	–	2	NMF	5.6	Investment Co.	–
1531	Liberty Property	33.84	3	3	36.8	5.6	R.E.I.T.	90
1927	NutriSystem Inc.	12.56	5	3	18.5	5.6	Food Processing	70
1985	Philips Electronics NV	19.85	4	3	16.5	5.6	Foreign Electronics	58
769	Mercury General	44.29	3	2	15.4	5.5	Insurance (Prop/Cas.)	96
1526	Health Care REIT	55.47	3	3	52.3	5.4	R.E.I.T.	90
790	Park National	69.92	4	3	14.3	5.4	Bank (Midwest)	74
629	Plains All Amer. Pipe.	75.59	2	3	16.2	5.4	Pipeline MLPs	85
1610	GlaxoSmithKline ADR	44.57	3	1	12.0	5.3	Drug	55
394	Macquarie Infrastructure	28.12	3	5	27.8	5.3	Industrial Services	37
942	Verizon Communic.	37.79	2	1	16.3	5.3	Telecom. Services	8
1038	W.P. Carey & Co. LLC	42.23	3	3	16.8	5.3	Property Management	60
1584	CVR Partners, LP	28.58	–	3	14.3	5.2	Chemical (Basic)	10
1521	Duke Realty Corp.	13.19	3	3	NMF	5.2	R.E.I.T.	90
625	Enterprise Products	48.97	3	3	22.4	5.1	Pipeline MLPs	85
2548	Federated Investors	18.65	4	2	11.0	5.1	Financial Svcs. (Div.)	63
1627	Sanofi ADR	36.29	3	1	11.7	5.1	Drug	55
416	Aberdeen Australia Fd.	10.05	–	3	20.1	5.0	Investment Co.(Foreign)	–
2642	Blackstone Group LP	16.09	3	3	18.7	5.0	Public/Private Equity	93
764	Cincinnati Financial	32.43	5	2	27.3	5.0	Insurance (Prop/Cas.)	96
102	Daimler AG	53.85	2	3	6.7	5.0	Automotive	24
718	Lockheed Martin	82.24	2	1	10.3	5.0	Aerospace/Defense	22
1127	M.D.C. Holdings	20.16	5	4	NMF	5.0†	Homebuilding	98
1510	People's United Fin'l	12.77	3	3	18.5	5.0	Thrift	84
1536	Realty Income Corp.	35.90	4	3	32.6	5.0	R.E.I.T.	90
1955	SUPERVALU INC.	6.94	3	3	5.8	5.0	Retail/Wholesale Food	16
2336	World Wrestling Ent.	9.63	4	3	13.2	5.0	Entertainment	32
600	Alliance Resource	78.54	1	3	9.9	4.9	Coal	19
1613	Lilly (Eli)	39.61	3	1	10.3	4.9	Drug	55
535	Provident Energy Ltd.	11.00	–	3	20.0	4.9	Natural Gas (Div.)	59
2187	RadioShack Corp.	10.25	4	3	9.4	4.9	Retail (Hardlines)	28
1029	Shaw Commun. 'B'	19.85	1	3	11.7	4.9	Cable TV	1
1309	Garmin Ltd.	41.54	3	3	16.8	4.8	Electrical Equipment	53
1525	HCP Inc.	40.99	3	3	25.0	4.8	R.E.I.T.	90
1152	Leggett & Platt	23.30	4	2	17.3	4.8	Furn/Home Furnishings	62
628	Magellan Midstream	66.85	3	3	20.2	4.8	Pipeline MLPs	85
1533	Penn. R.E.I.T.	12.49	3	4	NMF	4.8	R.E.I.T.	90
631	Williams Partners L.P.	64.84	3	3	17.8	4.8	Pipeline MLPs	85
2506	Bank of Montreal	60.78	3	2	11.4	4.7	Bank	72
2540	Block (H&R)	16.87	3	3	10.6	4.7	Financial Svcs. (Div.)	63

† Dividend cut possible

HIGHEST GROWTH STOCKS

(To be included, a company's annual growth of sales, cash flow, earnings, dividends and book value must together have averaged 10% or more over the past 10 years and be expected to average at least 10% in the coming 3-5 years.)

Page No.	Stock Name	Ticker	Recent Price	Growth Past 10 Years	Est'd Growth 3-5 Years	Time-liness	Safety Rank	Beta	Current P/E Ratio	% Est'd Yield	Estimated 3-5 Year Price Appreciation	Industry Group	Industry Rank
2199	Abercrombie & Fitch	ANF	45.67	13%	14%	4	3	1.20	15.6	1.5	75-165%	Retail (Softlines)	50
2571	Adobe Systems	ADBE	30.95	15%	13%	4	3	1.20	18.3	NIL	110-175%	Computer Software	56
2121	Advance Auto Parts	AAP	75.23	20%	15%	1	3	0.85	13.8	0.3	35-100%	Retail Automotive	11
1582	Agrium, Inc.	AGU	79.13	17%	15%	2	3	1.50	8.1	0.6	65-145%	Chemical (Basic)	10
555	Airgas Inc.	ARG	79.00	12%	13%	2	3	1.00	19.7	1.7	15- 70%	Chemical (Specialty)	29
600	Alliance Resource	ARLP	78.54	15%	13%	1	3	1.10	9.9	4.9	10- 65%	Coal	19
556	Amer. Vanguard Corp.	AVD	14.93	13%	17%	3	3	1.10	19.4	0.7	N- 65%	Chemical (Specialty)	29
1740	Ametek, Inc.	AME	46.32	12%	12%	3	2	1.00	18.7	0.5	10- 40%	Diversified Co.	38
2573	ANSYS, Inc.	ANSS	61.34	22%	12%	3	3	1.10	31.6	NIL	N- 55%	Computer Software	56
1400	Apple Inc.	AAPL	420.41	33%	24%	1	2	1.05	13.0	NIL	80-NMF	Computers/Peripherals	48
2203	Ascena Retail Group	ASNA	35.55	14%	13%	2	3	1.10	13.7	NIL	15- 85%	Retail (Softlines)	50
924	Atlantic Tele-Network	ATNI	35.54	12%	13%	2	3	0.95	16.7	2.6	15- 85%	Telecom. Services	8
1573	BHP Billiton Ltd. ADR	BHP	78.12	19%	15%	2	3	1.40	8.7	2.8	55-125%	Metals & Mining (Div.)	30
349	BJ's Restaurants	BJRI	45.69	17%	16%	3	3	1.05	38.7	NIL	20- 85%	Restaurant	47
2166	Bed Bath & Beyond	BBBY	62.85	18%	16%	3	1	0.95	15.4	NIL	85-125%	Retail (Hardlines)	28
2390	Berry Petroleum 'A'	BRY	45.80	19%	12%	2	3	1.75	14.7	0.7	30- 95%	Petroleum (Producing)	6
1966	Boston Beer 'A'	SAM	99.71	14%	14%	3	3	0.75	24.7	NIL	N- 25%	Beverage	61
114	Bruker Corp.	BRKR	13.79	19%	15%	4	3	1.10	21.2	NIL	45-120%	Precision Instrument	65
2600	CACI Int'l	CACI	58.24	17%	12%	1	3	0.80	10.6	NIL	115-225%	IT Services	45
520	Cabot Oil & Gas 'A'	COG	32.02	18%	13%	4	3	1.25	32.0	0.2	N- 10%	Natural Gas (Div.)	59
340	Can. National Railway	CNI	75.03	14%	12%	3	2	1.15	14.9	2.0	20- 65%	Railroad	3
2403	CARBO Ceramics	CRR	133.99	16%	21%	3	3	1.10	20.3	0.7	35-100%	Oilfield Svcs/Equip.	42
560	Ceradyne Inc.	CRDN	32.12	31%	13%	2	3	1.20	9.7	NIL	25-100%	Chemical (Specialty)	29
822	Cerner Corp.	CERN	60.37	18%	13%	3	3	0.85	31.6	NIL	N- 15%	Healthcare Information	83
1801	Check Point Software	CHKP	56.52	14%	14%	3	1	0.80	21.1	NIL	25- 50%	E-Commerce	86
1231	Chicago Bridge & Iron	CBI	42.57	13%	19%	2	3	1.65	15.7	0.5	5- 65%	Engineering & Const	36
2209	Chico's FAS	CHS	11.59	22%	19%	3	3	1.25	13.3	1.7	115-200%	Retail (Softlines)	50
2579	Citrix Sys.	CTXS	67.84	12%	13%	3	3	1.00	33.8	NIL	10- 70%	Computer Software	56
745	Cliffs Natural Res.	CLF	73.90	21%	24%	1	3	1.95	5.4	1.5	70-155%	Steel	44
2602	Cognizant Technology	CTSH	71.18	43%	23%	3	3	1.10	22.2	NIL	50-120%	IT Services	45
2405	Core Laboratories	CLB	111.13	16%	12%	3	3	1.10	27.6	0.9	N- 35%	Oilfield Svcs/Equip.	42
1357	Cree, Inc.	CREE	26.39	17%	13%	4	3	1.15	22.0	NIL	125-260%	Semiconductor	88
2008	Daktronics Inc.	DAKT	10.65	12%	12%	4	3	1.15	27.3	2.3	60-135%	Entertainment Tech	94
1746	Danaher Corp.	DHR	52.80	16%	14%	3	2	1.00	17.3	0.2	50-110%	Diversified Co.	38
359	Darden Restaurants	DRI	46.08	12%	16%	4	3	1.05	13.2	3.7	65-140%	Restaurant	47
2155	Deckers Outdoor	DECK	81.13	27%	14%	3	3	1.40	15.2	NIL	15- 80%	Shoe	49
2138	Dollar Tree, Inc.	DLTR	85.98	16%	16%	2	2	0.60	19.7	NIL	20- 65%	Retail Store	43
990	Dorman Products	DORM	42.56	13%	13%	2	3	1.15	13.4	NIL	15- 65%	Auto Parts	15
526	EOG Resources	EOG	104.55	20%	12%	3	3	1.15	26.7	0.6	15- 70%	Natural Gas (Div.)	59
2621	eBay Inc.	EBAY	31.95	44%	13%	3	2	1.10	18.6	NIL	165-260%	Internet	78
824	eResearchTechnology	ERT	5.46	22%	12%	3	3	1.05	15.6	NIL	100-210%	Healthcare Information	83
386	Expeditors Int'l	EXPD	43.86	16%	13%	3	2	1.10	22.7	1.1	60-115%	Industrial Services	37
975	Express Scripts 'A'	ESRX	51.72	24%	18%	3	2	0.95	16.3	NIL	75-130%	Pharmacy Services	57
437	FactSet Research	FDS	92.58	19%	13%	3	2	1.00	22.5	1.2	20- 60%	Information Services	67
1136	Fastenal Co.	FAST	46.86	15%	14%	3	2	1.10	36.9	1.5	N- 15%	Retail Building Supply	73
2549	First Cash Fin'l Svcs	FCFS	37.59	16%	13%	3	3	0.90	15.2	NIL	N- 35%	Financial Svcs. (Div.)	63
2173	Fossil Inc.	FOSL	92.08	16%	20%	3	3	1.25	19.0	NIL	35-100%	Retail (Hardlines)	28
167	Gardner Denver	GDI	73.08	13%	17%	3	3	1.30	12.2	0.3	25- 85%	Heavy Truck & Equip	20
342	Genesee & Wyoming	GWR	61.77	13%	16%	3	3	1.25	20.8	NIL	15- 70%	Railroad	3
2104	Gildan Activewear	GIL	22.12	20%	15%	5	3	1.15	20.3	1.4	60-125%	Apparel	64
1947	Green Mtn. Coffee	GMCR	50.60	29%	49%	3	3	0.90	24.1	NIL	135-255%	Retail/Wholesale Food	16
122	II-VI Inc.	IIVI	22.78	17%	13%	4	3	1.20	21.3	NIL	10- 55%	Precision Instrument	65
2609	Infosys Techn. ADR	INFY	53.59	28%	15%	3	2	1.05	17.1	1.3	75-145%	IT Services	45
2581	Intuit Inc.	INTU	57.33	15%	14%	3	2	0.90	21.6	1.0	40- 85%	Computer Software	56
1190	Jarden Corp.	JAH	33.79	13%	17%	1	3	1.40	12.9	NIL	35-105%	Household Products	80
335	Kirby Corp.	KEX	67.50	13%	14%	1	3	1.15	18.9	NIL	20- 70%	Maritime	77
1394	Lam Research	LRCX	43.35	12%	16%	4	3	1.20	22.8	NIL	50-130%	Semiconductor Equip	87
2159	Madden (Steven) Ltd.	SHOO	39.31	15%	20%	2	3	1.05	16.3	NIL	25- 90%	Shoe	49
2610	Manhattan Assoc.	MANH	42.77	13%	14%	3	3	0.85	17.7	NIL	15- 75%	IT Services	45
2583	MICROS Systems	MCRS	51.69	17%	13%	3	3	1.05	26.5	NIL	5- 65%	Computer Software	56
1976	Monster Beverage	MNST	53.17	42%	18%	3	3	0.80	32.4	NIL	N- 20%	Beverage	61
1412	NetApp, Inc.	NTAP	37.66	18%	14%	4	3	1.15	24.9	NIL	45-125%	Computers/Peripherals	48
1620	Novo Nordisk ADR	NVO	117.98	19%	13%	3	1	0.80	21.0	1.5	10- 35%	Drug	55
1372	NVIDIA Corp.	NVDA	14.94	19%	12%	3	3	1.35	13.0	NIL	65-170%	Semiconductor	88
326	Old Dominion Freight	ODFL	41.01	13%	15%	1	3	1.10	16.5	NIL	35- 95%	Trucking	7
1806	Open Text Corp.	OTEX	49.67	17%	14%	3	3	0.90	19.1	NIL	60-140%	E-Commerce	86
2586	Oracle Corp.	ORCL	28.51	17%	15%	3	1	0.95	11.8	0.8	60- 95%	Computer Software	56
368	Panera Bread Co.	PNRA	147.24	23%	14%	3	2	0.95	29.4	NIL	N- 25%	Restaurant	47
1625	Perrigo Co.	PRGO	97.54	15%	12%	3	3	0.70	23.8	0.3	N- 35%	Drug	55
966	Polycom, Inc.	PLCM	20.85	13%	14%	3	3	0.90	30.2	NIL	20- 90%	Telecom. Equipment	89
1593	Potash Corp.	POT	44.43	15%	14%	4	3	1.40	11.1	0.6	70-160%	Chemical (Basic)	10
967	Qualcomm Inc.	QCOM	58.68	18%	13%	3	2	0.85	19.4	1.5	20- 60%	Telecom. Equipment	89
826	Quality Systems	QSII	38.39	25%	19%	3	3	0.90	26.1	1.8	70-145%	Healthcare Information	83
2420	RPC Inc.	RES	17.53	17%	20%	2	3	1.55	7.9	2.3	70-155%	Oilfield Svcs/Equip.	42
2114	Ralph Lauren	RL	150.73	13%	12%	3	3	1.20	21.2	0.5	N- 35%	Apparel	64
234	ResMed Inc.	RMD	26.86	22%	14%	4	2	0.75	17.3	NIL	70-125%	Med Supp Non-Invasive	81
1577	Rio Tinto plc	RIO	58.03	15%	15%	1	3	1.60	6.3	2.3	65-140%	Metals & Mining (Div.)	30
397	Rollins, Inc.	ROL	22.74	15%	12%	3	2	0.85	30.3	1.4	10- 55%	Industrial Services	37
1728	Roper Inds.	ROP	95.00	14%	12%	3	3	1.05	21.1	0.6	N- 55%	Machinery	33
2228	Ross Stores	ROST	52.02	16%	17%	2	2	0.80	17.3	0.8	25- 65%	Retail (Softlines)	50
2013	Rovi Corp.	ROVI	29.84	15%	14%	4	3	0.85	11.8	NIL	150-285%	Entertainment Tech	94
2590	SAP AG	SAP	58.06	17%	12%	2	2	1.10	15.1	1.5	55-105%	Computer Software	56
1930	Sanderson Farms	SAFM	51.48	12%	13%	4	3	0.70	NMF	1.4	5- 55%	Food Processing	70
1414	SanDisk Corp.	SNDK	51.19	18%	16%	3	4	1.35	10.3	NIL	15-105%	Computers/Peripherals	48
1415	ScanSource	SCSC	37.71	15%	12%	3	3	1.15	13.7	NIL	20- 85%	Computers/Peripherals	48
1578	Southern Copper	SCCO	35.33	22%	15%	2	3	1.55	11.5	7.0	15- 70%	Metals & Mining (Div.)	30
1241	Stantec Inc.	STN.TO	27.00	19%	13%	2	3	0.95	10.9	NIL	85-180%	Engineering & Const	36
373	Starbucks Corp.	SBUX	47.65	20%	17%	3	3	1.15	28.2	1.4	N- 35%	Restaurant	47
410	Stericycle Inc.	SRCL	84.29	20%	12%	4	2	0.70	28.2	NIL	15- 55%	Environmental	31
2231	TJX Companies	TJX	33.63	13%	12%	2	1	0.80	16.0	1.1	20- 50%	Retail (Softlines)	50
1381	Taiwan Semic. ADR	TSM	13.93	12%	12%	3	3	1.05	15.0	3.7	45-115%	Semiconductor	88
1140	Tractor Supply	TSCO	80.70	20%	17%	3	2	0.95	24.5	0.7	N- 35%	Retail Building Supply	73
1317	Trimble Nav. Ltd.	TRMB	45.01	20%	13%	4	3	1.30	36.0	NIL	20- 90%	Electrical Equipment	53
815	UnitedHealth Group	UNH	51.33	23%	13%	2	2	1.00	11.0	1.3	65-125%	Medical Services	4
816	Universal Health Sv. 'B'	UHS	40.44	13%	15%	1	3	0.90	9.5	0.5	75-160%	Medical Services	4
2233	Urban Outfitters	URBN	26.61	26%	13%	4	3	1.05	18.9	NIL	70-145%	Retail (Softlines)	50
200	Varian Medical Sys.	VAR	68.51	20%	13%	3	1	0.85	18.0	NIL	55- 90%	Med Supp Invasive	68
413	Waste Connections	WCN	32.76	16%	14%	2	3	0.75	20.5	1.1	20- 85%	Environmental	31
1961	Whole Foods Market	WFM	77.31	13%	16%	3	3	1.05	35.1	0.7	N- 30%	Retail/Wholesale Food	16
240	ZOLL Medical	ZOLL	67.10	13%	12%	3	3	1.10	37.1	NIL	N- 10%	Med Supp Non-Invasive	81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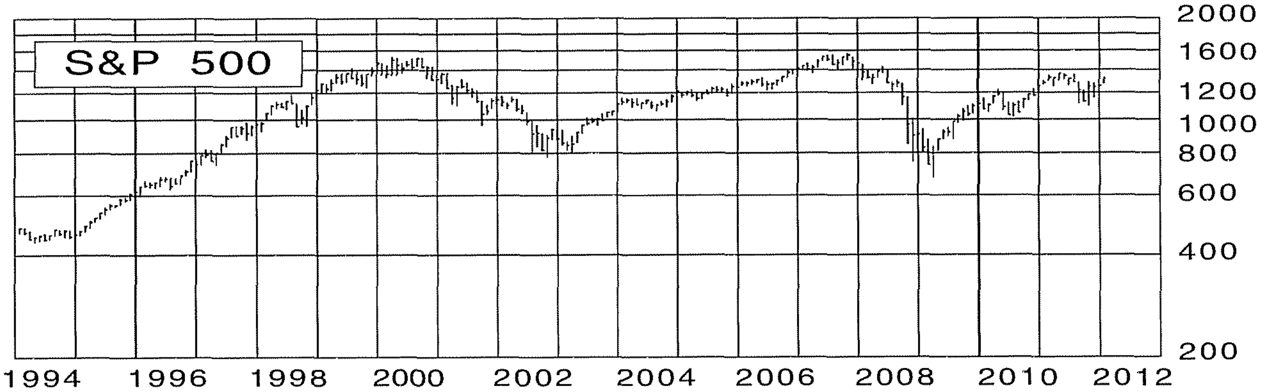
100
1994 1996 1998 2000 2002 2004 2006 2008 2010 2012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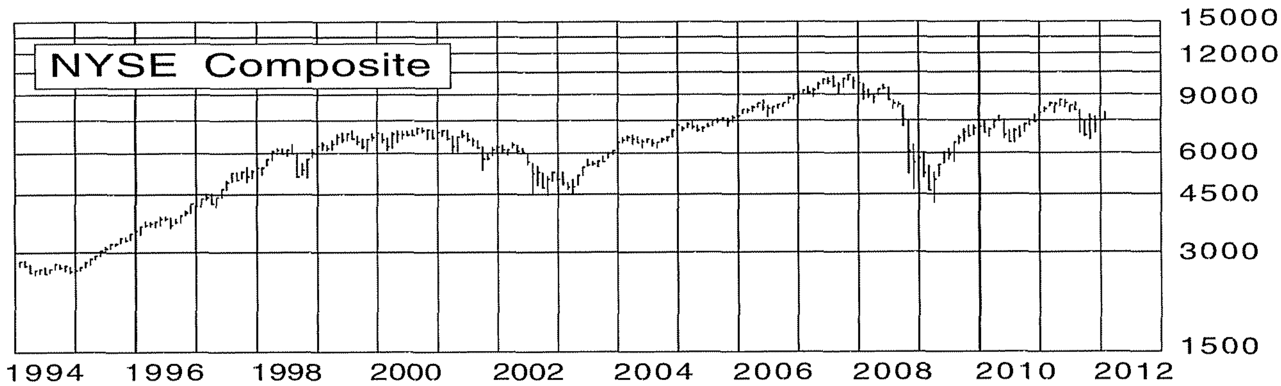
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4500
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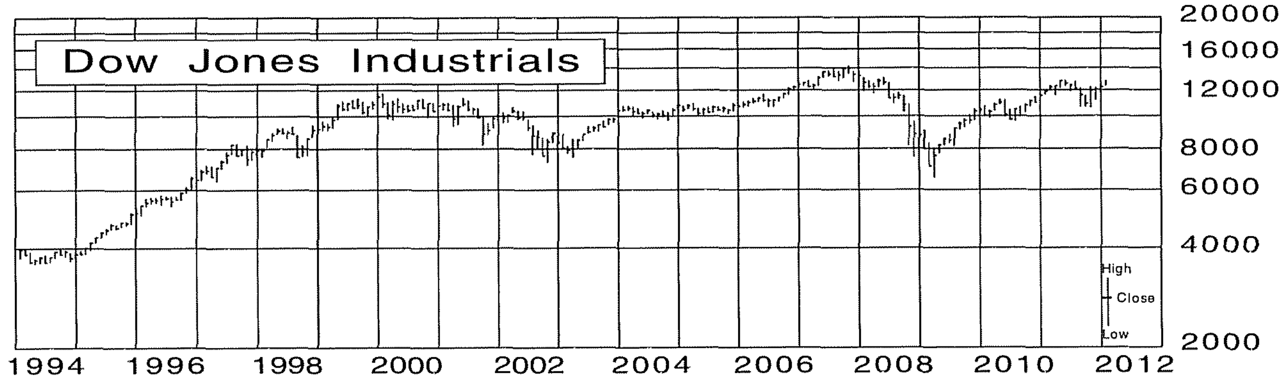
1500
1994 1996 1998 2000 2002 2004 2006 2008 2010 2012


Dow Jones Industrials
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High
Close
Low
2000
1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

UniSource.pdf

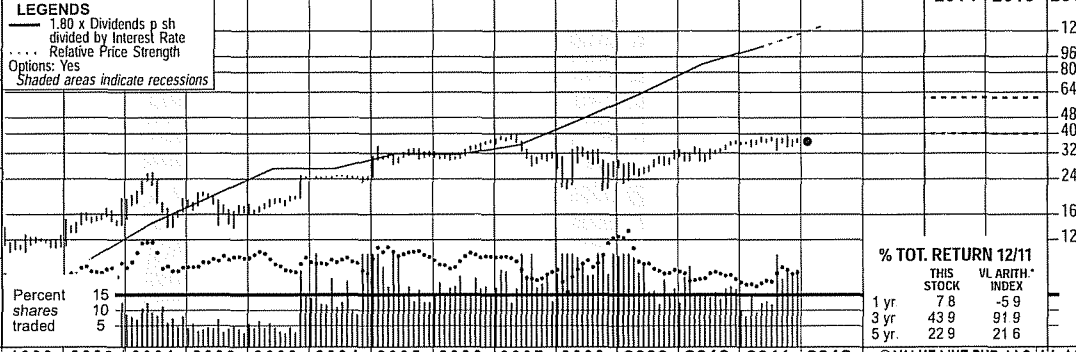
UNISOURCE ENERGY NYSE-UNS

RECENT PRICE 36.65 | P/E RATIO 13.3 (Trailing: 13.1 Median: 17.0) | RELATIVE P/E RATIO 0.88 | DIV'D YLD 4.6% | VALUE LINE

TIMELINESS 3 Lowered 11/11/11
SAFETY 3 New 12/31/04
TECHNICAL 3 Lowered 12/9/11
BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	19.3	26.0	20.8	24.9	24.9	34.8	37.5	40.0	34.5	33.3	36.9	39.3
Low:	11.1	13.8	13.7	16.0	22.9	24.3	29.5	27.6	20.9	22.8	29.0	33.0

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+65%)	18%
Low	40	(+10%)	7%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	1	0	0	1
Options	3	2	5	2	1	5	2	2	3
to Sell	5	3	5	2	2	5	2	2	3

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	83	71	74
to Sell	67	81	76
Hld's(000)	32856	33025	33078

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.8	-5.9
3 yr.	43.9	91.9
5 yr.	22.9	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
20.87	22.28	22.71	23.83	24.85	31.12	43.12	25.50	28.71	34.13	35.26	37.42	39.12	39.41	38.89	39.78	*39.75*	*39.75*	Revenues per sh	*43.50*
4.58	6.82	5.29	3.48	3.96	4.23	5.41	4.80	5.20	5.29	5.21	5.68	5.64	4.56	7.82	7.33	*7.25*	*7.00*	"Cash Flow" per sh	*7.70*
1.70	3.76	2.60	.68	1.08	1.27	1.79	.97	1.30	1.31	1.30	1.85	1.55	.39	2.69	2.82	*2.85*	*2.70*	Earnings per sh A	*3.45*
--	--	--	--	--	.32	.40	.50	.60	.64	.76	.84	.90	.96	1.16	1.56	1.68	*1.76*	Div'd Decl'd per sh B ■ †	*2.08*
1.84	2.07	2.22	2.52	2.87	3.19	3.63	3.36	4.06	4.49	5.83	6.77	6.95	9.85	8.01	7.26	*10.65*	*9.10*	Cap'l Spending per sh	*8.95*
.39	4.15	6.75	7.65	10.02	11.20	12.68	13.05	15.97	16.95	17.68	18.59	19.54	19.16	20.94	22.46	*23.35*	*24.30*	Book Value per sh	*27.80*
32.13	32.13	32.14	32.26	32.35	33.22	33.50	33.58	33.79	34.26	34.87	35.19	35.32	35.46	35.85	36.54	*37.00*	*37.00*	Common Shs Outst'g C	*38.00*
9.6	4.3	6.1	23.3	10.8	11.8	10.8	18.2	14.6	18.7	23.9	17.7	22.0	NMF	10.4	11.6	*12.9*		Avg Ann'l P/E Ratio	*14.0*
.64	.27	.35	1.21	.62	.77	.55	.99	.83	.99	1.27	.96	1.17	NMF	.69	.75	*.81*		Relative P/E Ratio	*.95*
--	--	--	--	--	2.1%	2.1%	2.8%	3.2%	2.6%	2.5%	2.6%	2.6%	3.3%	4.1%	4.8%	4.6%		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1887.6 mill. **Due in 5 Yrs** $1030.0 mill.
LT Debt $1454.6 mill. **LT Interest** $65.0 mill.
Incl. $364.6 mill. capitalized leases.

Pension Assets-12/10 $220 mill. **Oblig.** $283 mill.
Pfd Stock None

Common Stock 36,922,643 shs.
as of 10/20/11
MARKET CAP: $1.4 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1444.7	856.2	969.9	1169.0	1229.5	1316.9	1381.4	1397.5	1394.4	1453.7	*1470*	*1470*	Revenues ($mill)	*1655*
60.9	33.3	45.2	45.9	46.1	69.2	58.4	14.0	104.3	111.5	*105*	*100*	Net Profit ($mill)	*130*
43.8%	33.7%	19.7%	42.5%	41.4%	38.8%	40.1%	54.8%	38.2%	41.2%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	2.2%	--	--	2.9%	3.4%	--	--	--	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
79.6%	81.5%	79.2%	77.1%	75.3%	72.9%	68.8%	72.9%	70.5%	68.5%	*68.0%*	*66.5%*	Long-Term Debt Ratio	*63.0%*
20.4%	18.5%	20.8%	22.9%	24.7%	27.1%	31.2%	27.1%	29.5%	31.5%	*32.0%*	*33.5%*	Common Equity Ratio	*37.0%*
2081.3	2368.8	2589.0	2540.3	2494.9	2414.1	2214.9	2506.4	2547.0	2602.8	*2715*	*2700*	Total Capital ($mill)	*2855*
1677.7	1668.4	2069.2	2081.1	2171.5	2259.6	2407.3	2617.7	2785.7	2961.5	*3000*	*3080*	Net Plant ($mill)	*3250*
4.4%	2.8%	4.9%	5.1%	5.1%	5.9%	5.7%	3.0%	5.2%	5.5%	*6.0%*	*5.5%*	Return on Total Cap'l	*6.5%*
14.3%	7.6%	8.4%	7.9%	7.5%	10.6%	8.5%	2.1%	13.9%	13.6%	*12.0%*	*11.0%*	Return on Shr. Equity	*12.5%*
14.3%	7.6%	8.4%	7.9%	7.5%	10.6%	8.5%	2.1%	13.9%	13.6%	*12.0%*	*11.0%*	Return on Com Equity D	*12.5%*
11.2%	3.8%	4.6%	4.1%	3.2%	6.1%	3.9%	NMF	8.4%	6.7%	*5.0%*	*4.0%*	Retained to Com Eq	*5.0%*
22%	51%	45%	48%	57%	43%	54%	NMF	40%	51%	*59%*	*65%*	All Div'ds to Net Prof	*60%*

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.1	-1.4	-.8
Avg. Indust. Use (MWH)	3576	3436	3368
Avg. Indust. Revs. per KWH (¢)	6.60	7.00	7.48
Capacity at Peak (Mw)	3175	3010	3044
Peak Load, Summer (Mw)	2800	2354	2333
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+.6	+.4	+.3
Fixed Charge Cov. (%)	117	232	271

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	4.0%	4.0%	*1.5%*
"Cash Flow"	5.5%	4.5%	*2.5%*
Earnings	7.0%	8.5%	*9.5%*
Dividends	--	13.0%	*9.0%*
Book Value	8.0%	4.5%	*5.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	330.1	360.3	387.9	319.2	1397.5
2009	311.9	337.8	414.2	330.5	1394.4
2010	317.9	337.8	438.8	359.2	1453.7
2011	344.6	369.7	450.9	*304.8*	*1470*
2012	*335*	*340*	*435*	*360*	*1470*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	d.07	.13	d.31	.64	.39
2009	.14	.80	1.45	.30	2.69
2010	.52	.65	1.36	.29	2.82
2011	.44	.71	1.46	*.24*	*2.85*
2012	*.40*	*.65*	*1.30*	*.35*	*2.70*

Calendar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.24	.24	.24	.24	.96
2009	.29	.29	.29	.29	1.16
2010	.39	.39	.39	.39	1.56
2011	.42	.42	.42	.42	1.68
2012					

BUSINESS: UniSource Energy Corporation, through its subsidiaries, operates as an electric utility in Arizona. Subsidiaries include *Tuscon Electric Power* (TEP), UNS Gas, and UNS Electric. TEP segment serves about 402,000 retail customers in southern Arizona and accounted for 96% of '10 net income. Revenue sources: residential, 42%; commercial, 21%; industrial, 35%; other, 2%. Copper mining is largest industry served. Fuels: coal, 90%; gas, 10%. '10 depreciation rate: 3.1%. Has 1,993 employees: TEP, 1,384; UNS Gas, 194; UNS Electric, 155; Other, 260. Chrmn. & CEO: Paul J. Bonavia. Pres.: David G. Hutchens. Inc.: AZ. Address: One South Church Avenue. Suite 100, Tucson, AZ. 85701. Telephone: 520-571-4000. Internet: www.unisourceenergy.com.

UniSource Energy is approaching the end of its third year of a four-year base-rate freeze. Recall, Tuscon Electric Power (TEP) is currently in a base-rate freeze according to the 2008 Rate Order, which ends in 2012. With regulations requiring the test year be no earlier than December 31, 2011, and the ability to file no earlier than June 30, 2012, we do not expect new rates to be effective until mid-2013. That said. . .

UNS expects a 40% to 50% rate-base increase since TEP's last test year in 2006. Rate-base levels would be boosted approximately $400 million to $500 million, yielding roughly a $1.4 billion to $1.5 billion rate base, up from $1.02 billion in 2006.

As a result, earnings should pick up in 2013. Indeed, we expect the bottom line to benefit from the rate increase, and eventually work its way up to about $3.45 a share by 2014-2016.

Investments in renewable energy have jumped over the last year. UNS is spending an estimated $34 million on solar projects in 2011, and expects to maintain similar levels out to 2015. Looking at 2010, solar energy was slightly less than 1% of TEP's revenue mix, but the *company aims to gradually increase this* measure to 15% by 2025. Moreover, decisions concerning the Renewable Energy Standard Implementation plans for TEP and UNS Electric should be finalized soon. Sentiments have not changed since our November review, and we expect solar capital investments to increase earnings 3 to 5 years hence.

Income-seeking investors should look toward UniSource Energy because of the attractive dividend yield. With a dividend yield of 4.6%, this stock compares favorably to *Value Line's* electric utility average of 4.2%. Additionally, the payout has continued to grow for the 12th consecutive year, and we expect the dividend to increase close to 5% in 2012, rising from $1.68 in 2011 to $1.76.

UniSource Energy shares have decent long-term potential. Indeed, the issue is ranked 3 for Timeliness, though, a high score in Price Stability and an above-industry-average dividend yield increase this utility stock's appeal.

Michelle Jensen *February 3, 2012*

(A) EPS diluted. Excl. nonrecur. gains (losses): '98, 19¢; '99, $1.35; '00, 48¢; '03, $2.00. Next earnings report due early March. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) In millions. (D) Rate base: fair value. Rate allowed on com. eq. in '08: 10.25%; earned on avg. com. eq., '10: 13.6%. Regulatory Climate: Avg.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	35

AEP.xls

xerox

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Date,Open,High,Low,Close,Volume,Adj Close
2012-01-27,41.00,41.01,39.92,39.95,14305700,39.95
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2012-01-25,40.55,41.44,40.27,41.38,3548200,41.38
2012-01-24,40.57,40.74,40.41,40.67,2954800,40.67
2012-01-23,41.00,41.25,40.61,40.80,4864200,40.80
2012-01-20,41.13,41.23,40.83,41.01,4167500,41.01
2012-01-19,41.55,41.62,41.01,41.10,4582300,41.10
2012-01-18,41.50,41.64,41.27,41.54,2854500,41.54
2012-01-17,41.58,41.78,41.20,41.43,4096300,41.43
2012-01-13,41.06,41.37,41.03,41.37,2717400,41.37
2012-01-12,41.33,41.45,41.11,41.35,2447000,41.35
2012-01-11,41.14,41.27,41.10,41.23,3074300,41.23
2012-01-10,41.33,41.48,41.17,41.26,4721000,41.26
2012-01-09,40.87,41.03,40.74,40.98,6044500,40.98
2012-01-06,40.95,40.99,40.73,40.79,3215200,40.79
2012-01-05,40.85,41.09,40.67,40.95,4039900,40.95
2012-01-04,40.76,41.05,40.73,40.90,3384500,40.90
2012-01-03,41.96,41.98,40.68,40.77,4968200,40.77
2011-12-30,41.63,41.65,41.30,41.31,1680800,41.31
2011-12-29,41.40,41.63,41.37,41.54,1944400,41.54
2011-12-28,41.59,41.71,41.24,41.28,1994300,41.28
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2011-12-15,39.04,39.81,39.00,39.74,5042200,39.74
2011-12-14,39.53,39.59,38.43,38.72,8323000,38.72
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AVA.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-20,25.13,25.19,24.89,24.94,388900,24.94
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2012-01-13,25.00,25.13,24.81,25.10,378800,25.10
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2012-01-11,25.30,25.46,25.14,25.21,300300,25.21
2012-01-10,25.13,25.30,25.02,25.22,603100,25.22
2012-01-09,25.33,25.33,25.08,25.18,208800,25.18
2012-01-06,25.41,25.48,25.24,25.25,229100,25.25
2012-01-05,25.28,25.51,25.13,25.47,463700,25.47
2012-01-04,25.56,25.67,25.37,25.43,389600,25.43
2012-01-03,26.18,26.18,25.44,25.58,544600,25.58
2011-12-30,26.06,26.12,25.75,25.75,355400,25.75
2011-12-29,25.94,26.07,25.85,26.03,288900,26.03
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2011-12-20,25.48,25.77,25.48,25.59,699000,25.59
2011-12-19,25.35,25.59,25.04,25.18,823600,25.18
2011-12-16,25.52,25.66,25.05,25.16,7599100,25.16
2011-12-15,25.19,25.60,25.16,25.46,1071700,25.46
2011-12-14,25.22,25.37,24.89,24.92,656300,24.92
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ETR.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-17,71.77,72.11,70.70,70.90,1254100,70.90
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2011-12-29,73.40,73.80,73.17,73.65,482700,73.65
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HE.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2011-12-16,25.95,26.11,25.57,25.72,1225700,25.72
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PNW.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-23,47.74,48.01,47.50,47.51,627500,47.51
2012-01-20,47.58,47.78,47.41,47.75,690100,47.75
2012-01-19,47.84,47.84,47.26,47.49,638600,47.49
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2012-01-06,47.54,47.71,47.33,47.39,634400,47.39
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2012-01-04,47.89,48.05,47.46,47.51,786700,47.51
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2011-12-29,48.49,48.75,48.45,48.59,483300,48.59
2011-12-28,48.70,48.78,48.30,48.36,505400,48.36
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2011-12-23,48.09,48.65,47.91,48.39,498400,48.39
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2011-12-21,47.42,47.94,47.35,47.80,936500,47.80
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2011-12-19,45.96,46.83,45.72,46.26,1367700,46.26
2011-12-16,46.43,46.91,45.92,46.63,3296800,46.63
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TE.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-23,18.32,18.43,18.21,18.34,1235500,18.34
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2012-01-19,18.27,18.40,18.12,18.29,1622600,18.29
2012-01-18,18.26,18.42,18.10,18.30,2130800,18.30
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2011-12-19,18.43,18.49,18.12,18.18,1139600,18.18
2011-12-16,18.41,18.47,18.25,18.33,2196800,18.33
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2011-12-14,18.22,18.27,17.96,17.99,1138600,17.99
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WR.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-23,28.23,28.49,28.04,28.15,680100,28.15
2012-01-20,28.14,28.28,28.08,28.19,638400,28.19
2012-01-19,28.50,28.50,28.07,28.13,776000,28.13
2012-01-18,28.40,28.47,28.22,28.46,623500,28.46
2012-01-17,28.37,28.66,28.23,28.40,797900,28.40
2012-01-13,28.35,28.39,28.20,28.36,642900,28.36
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2012-01-11,28.57,28.70,28.51,28.57,1110100,28.57
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ALE.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-24,40.99,41.16,40.80,41.00,120100,41.00
2012-01-23,41.30,41.64,40.94,41.11,114300,41.11
2012-01-20,41.15,41.49,41.15,41.33,117300,41.33
2012-01-19,41.57,41.66,41.23,41.24,114400,41.24
2012-01-18,41.25,41.58,41.05,41.57,130200,41.57
2012-01-17,41.26,41.60,41.20,41.40,274000,41.40
2012-01-13,40.71,41.12,40.69,40.98,153600,40.98
2012-01-12,41.05,41.17,40.83,41.09,90700,41.09
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2012-01-10,40.70,41.14,40.65,41.07,197300,41.07
2012-01-09,40.30,40.53,40.07,40.41,347600,40.41
2012-01-06,40.48,40.53,39.98,40.06,333400,40.06
2012-01-05,40.79,40.87,40.46,40.50,331400,40.50
2012-01-04,40.92,41.31,40.83,40.83,217900,40.83
2012-01-03,42.48,42.49,40.96,41.09,190300,41.09
2011-12-30,42.28,42.39,41.96,41.98,102500,41.98
2011-12-29,42.00,42.54,42.00,42.40,180100,42.40
2011-12-28,42.13,42.37,41.93,41.97,184200,41.97
2011-12-27,41.64,42.40,41.64,42.32,116500,42.32
2011-12-23,41.55,41.76,41.36,41.64,98600,41.64
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2011-12-19,40.01,40.28,39.45,39.51,127900,39.51
2011-12-16,39.75,40.24,39.57,39.81,482700,39.81
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2011-12-14,39.79,40.12,39.33,39.40,193000,39.40
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CNL.xls

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Date,Open,High,Low,Close,Volume,Adj Close
2012-01-27,38.21,38.39,37.96,38.19,425600,38.19
2012-01-26,38.14,38.65,37.88,38.31,567300,38.31
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2012-01-23,36.50,37.25,36.50,36.81,1095800,36.81
2012-01-20,36.49,36.69,36.32,36.41,1115800,36.41
2012-01-19,37.21,37.21,36.48,36.51,409000,36.51
2012-01-18,37.34,37.34,36.85,37.13,306100,37.13
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2011-12-28,38.24,38.24,37.85,37.93,314100,37.93
2011-12-27,37.95,38.29,37.83,38.17,243000,38.17
2011-12-23,37.76,38.00,37.70,37.93,202600,37.93
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2011-12-19,36.69,37.06,36.07,36.14,357300,36.14
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FE.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-25,41.04,42.15,40.37,42.13,5385800,42.13
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2012-01-20,41.22,41.53,41.05,41.53,2494200,41.53
2012-01-19,42.00,42.05,41.08,41.14,3743100,41.14
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2012-01-12,42.16,42.29,41.92,42.20,2506200,42.20
2012-01-11,42.18,42.30,42.00,42.00,2572900,42.00
2012-01-10,42.48,42.67,42.25,42.38,2895500,42.38
2012-01-09,42.32,42.51,42.05,42.40,5642400,42.40
2012-01-06,42.17,42.29,41.99,42.21,2628600,42.21
2012-01-05,42.15,42.26,41.91,42.06,3784800,42.06
2012-01-04,42.77,42.77,41.96,42.19,4496500,42.19
2012-01-03,44.67,44.74,42.52,42.81,5298900,42.81
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2011-12-29,44.83,45.16,44.79,45.13,1387800,45.13
2011-12-28,44.87,45.00,44.70,44.76,1639100,44.76
2011-12-27,44.41,44.95,44.38,44.83,1269300,44.83
2011-12-23,44.51,44.78,44.34,44.38,1794600,44.38
2011-12-22,44.50,44.50,44.12,44.29,1585200,44.29
2011-12-21,43.51,44.43,43.46,44.31,2812000,44.31
2011-12-20,42.98,43.45,42.84,43.37,2861600,43.37
2011-12-19,43.67,43.87,42.34,42.48,3526900,42.48
2011-12-16,44.40,44.49,43.31,43.43,6010500,43.43
2011-12-15,44.20,44.51,43.98,44.31,1990100,44.31
2011-12-14,44.47,44.56,43.85,43.92,2418400,43.92
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Date	Open	High	Low	Close	Volume	Adj Close
1/27/2012	41.24	41.25	40.75	40.83	1618800	40.83
1/26/2012	41.09	41.38	40.97	41.26	1977000	41.26
1/25/2012	40.06	41.18	39.85	41.09	3127300	41.09
1/24/2012	40.44	40.5	40.01	40.16	2901300	40.16
1/23/2012	40.51	40.89	40.51	40.64	2763600	40.64
1/20/2012	40.68	40.76	39.96	40.36	6081300	40.36
1/19/2012	41.44	41.46	40.95	41.2	2575400	41.2
1/18/2012	41.58	41.8	41.31	41.44	2082600	41.44
1/17/2012	41.7	42.27	41.63	41.74	1644300	41.74
1/13/2012	41.51	41.54	40.69	41.28	3874500	41.28
1/12/2012	41.71	41.92	41.45	41.91	2579500	41.91
1/11/2012	41.1	41.76	40.96	41.65	3349900	41.65
1/10/2012	41.33	41.56	41.07	41.13	1967800	41.13
1/9/2012	41	41.08	40.73	41.05	1682900	41.05
1/6/2012	40.96	41.18	40.76	41.06	2709100	41.06
1/5/2012	40.92	41.09	40.4	41.05	2546600	41.05
1/4/2012	40.85	41.01	40.74	40.85	2084300	40.85
1/3/2012	41.42	41.52	40.62	40.82	3242100	40.82
12/30/2011	41.5	41.58	41.19	41.22	1649100	41.22
12/29/2011	40.98	41.47	40.95	41.45	1674300	41.45
12/28/2011	41.12	41.24	40.62	40.85	1618200	40.85
12/27/2011	41.15	41.8	41.07	41.71	1800300	41.25
12/23/2011	41.14	41.6	40.99	41.09	2231800	40.64
12/22/2011	41.26	41.29	40.86	40.95	3345200	40.5
12/21/2011	40.46	41.16	40.38	41.06	3301000	40.61
12/20/2011	39.77	40.43	39.7	40.37	3470800	39.93
12/19/2011	40.01	40.16	39.22	39.44	3590700	39.01
12/16/2011	39.77	40.25	39.6	39.98	9067200	39.54
12/15/2011	38.99	39.68	38.86	39.56	3949700	39.13
12/14/2011	38.56	39.12	38.44	38.61	4146700	38.19

POR.xls

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Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-24,24.71,24.75,24.58,24.71,499200,24.71
2012-01-23,24.72,24.97,24.65,24.78,428700,24.78
2012-01-20,24.69,24.77,24.57,24.67,870100,24.67
2012-01-19,24.91,24.91,24.49,24.60,923400,24.60
2012-01-18,24.80,24.91,24.67,24.91,463700,24.91
2012-01-17,24.95,25.20,24.73,24.78,456800,24.78
2012-01-13,24.94,25.01,24.64,24.87,928700,24.87
2012-01-12,24.77,24.83,24.55,24.70,452500,24.70
2012-01-11,24.64,24.75,24.56,24.69,580100,24.69
2012-01-10,24.65,24.78,24.53,24.66,590600,24.66
2012-01-09,24.36,24.45,24.29,24.44,580600,24.44
2012-01-06,24.67,24.67,24.31,24.33,708800,24.33
2012-01-05,24.74,24.78,24.51,24.61,776800,24.61
2012-01-04,24.92,25.05,24.83,24.83,385900,24.83
2012-01-03,25.54,25.62,24.90,25.00,485300,25.00
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2011-12-28,25.40,25.47,25.20,25.31,460800,25.31
2011-12-27,25.18,25.54,25.18,25.42,380800,25.42
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2011-12-19,24.77,24.85,24.46,24.52,376600,24.26
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UNS.xls

Date,Open,High,Low,Close,Volume,Adj Close
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2012-01-20,37.17,37.40,36.95,37.08,321000,37.08
2012-01-19,37.27,37.27,36.92,37.06,366800,37.06
2012-01-18,36.97,37.26,36.67,37.23,468100,37.23
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2012-01-12,36.45,36.51,36.33,36.43,394800,36.43
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2012-01-04,36.54,36.71,36.48,36.61,446500,36.61
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UNS.xls

Date,Open,High,Low,Close,Volume,Adj Close
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