Form 5500	Annual Return/Report of Employee Benefit Plan	OMB Nos. 1210-0110 1210-0089	
Department of the Treasury Internal Revenue Service	This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).	2010	
Department of Labor Employee Benefits Security Administration	 Complete all entries in accordance with the instructions to the Form 5500. 		
Pension Benefit Guaranty Corporation		This Form is Open to Public Inspection	
Part I Annual Report Ide	ntification Information		
For calendar plan year 2010 or fiscal	plan year beginning 01/01/2010 and ending 12/31/2	2010	
A This return/report is for:	a multiemployer plan; a multiple-employer plan; or		
·	a single-employer plan;		
B This return/report is:	the first return/report; the final return/report;		
	X an amended return/report; a short plan year return/report (less t	han 12 months).	
C If the plan is a collectively bergein	ed plan, check here.		
D Check box if filing under:	Form 5558; automatic extension;	the DFVC program;	
	special extension (enter description)		
Part II Basic Plan Infor	mation—enter all requested information		
1a Name of plan TRANSALTA RETIREMENT SAVING		1b Three-digit plan number (PN) ►	
		1c Effective date of plan 07/01/2000	
2a Plan sponsor's name and addres (Address should include room or TRANSALTA USA, INC.	ss (employer, if for a single-employer plan) suite no.)	2b Employer Identification Number (EIN) 98-0220829	
		2c Sponsor's telephone number 403-267-3673	
913 BIG HANAFORD ROAD CENTRALIA, WA 98531-9101	913 BIG HANAFORD ROAD CENTRALIA, WA 98531-9101	2d Business code (see instructions) 221100	

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2011	LOU FLORENCE
TIEILE	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
NEKE	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
HERE	Signature of DFE	Date	Enter name of individual signing as DFE

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Form 5500 (2010) v.092307.1

	Plan administrator's name and address (if same as plan sponsor, enter "Same") ANSALTA USA, INC.		ministrator's EIN 0220829
			ministrator's telephone
	3 BIG HANAFORD ROAD NTRALIA, WA 98531-9101	nu	mber
		403	3-267-3673
4	If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN the plan number from the last return/report:	and	4b EIN
а	Sponsor's name		4c PN
5	Total number of participants at the beginning of the plan year	5	456
6	Number of participants as of the end of the plan year (welfare plans complete only lines 6a, 6b, 6c, and 6d).		
а	Active participants	6a	305
b	Retired or separated participants receiving benefits	6b	8
c	Other retired or separated participants entitled to future benefits	6c	126
d	Subtotal. Add lines 6a, 6b, and 6c	6d	439
е	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	6e	4
f	Total. Add lines 6d and 6e	6f	443
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g	440
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h	7
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

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Form 5500 (2010)

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions: 2E 2F 2G 2J 2K 2S 2T

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a	9a Plan funding arrangement (check all that apply)			9b Plan benefit arrangement (check all that apply)			
	(1)		Insurance		(1)		Insurance
	(2)		Code section 412(e)(3) insurance contracts		(2)		Code section 412(e)(3) insurance contracts
	(3)	X	Trust		(3)	Х	Trust
	(4)		General assets of the sponsor		(4)		General assets of the sponsor
10	Check	all ap	oplicable boxes in 10a and 10b to indicate which schedules are a	ttache	d, and, wl	nere	e indicated, enter the number attached. (See instructions)
a Pension Schedules		-					
a	Pensic	n Sc	hedules	b	General	Scł	hedules
а	Pensic (1)	n Sc	<pre>chedules R (Retirement Plan Information)</pre>	b	General (1)	Scł	hedules H (Financial Information)
а		n Sc		b		Scł	
а	(1)	n Sc	 R (Retirement Plan Information) MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan 	b	(1)	Sch	H (Financial Information)
а	(1)	n Sc	R (Retirement Plan Information)MB (Multiemployer Defined Benefit Plan and Certain Money	b	(1) (2)	Scł X	H (Financial Information)I (Financial Information – Small Plan)
а	(1)	n Sc	 R (Retirement Plan Information) MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan 	b	(1) (2) (3)	Scł X X X	 H (Financial Information) I (Financial Information – Small Plan) A (Insurance Information)

(Form 5500)	SCHEDULE C Service Provider Information			OMB No. 1210-0110
(This schedule is required to be filed under section 104 of the Employee			2010
Department of the Treasury Internal Revenue Service				2010
Department of Labor Employee Benefits Security Administration	- ► File as an attachme	nt to Form 5500.	This F	Form is Open to Public Inspection.
Pension Benefit Guaranty Corporation For calendar plan year 2010 or fiscal pl	lan vear beginning 01/01/2010	and ending 12/	31/2010	•
A Name of plan		B Three-digit		000
TRANSALTA RETIREMENT SAVING	S PLAN	plan number (PN)	•	002
C Plan sponsor's name as shown on I	line 2a of Form 5500	D Employer Identific	ation Number	(EIN)
TRANSALTA USA, INC.		98-0220829		
Part I Service Provider Infe	ormation (see instructions)			
or more in total compensation (i.e., r plan during the plan year. If a perso answer line 1 but are not required to	ordance with the instructions, to report the info money or anything else of monetary value) in on received only eligible indirect compensation o include that person when completing the ren eceiving Only Eligible Indirect Com	connection with services rendered n for which the plan received the re- nainder of this Part.	to the plan or	the person's position with the
indirect compensation for which the b If you answered line 1a "Yes," enter	ther you are excluding a person from the rem plan received the required disclosures (see ir r the name and EIN or address of each perso ensation. Complete as many entries as neede	nstructions for definitions and condi	tions)	Yes No
(b) Enter na				
	ame and EIN or address of person who provid	led you disclosures on eligible indi	ect compensa	ition
FIDELITY INV INST OPS CO	ame and EIN or address of person who provid	led you disclosures on eligible indi	ect compensa	ition
	ame and EIN or address of person who provid	led you disclosures on eligible indi	ect compensa	ition
FIDELITY INV INST OPS CO 04-2647786 (b) Enter na	ame and EIN or address of person who provid			
04-2647786				
04-2647786				
04-2647786 (b) Enter na	ame and EIN or address of person who provid	ded you disclosure on eligible indire	ect compensat	ion
04-2647786 (b) Enter na		ded you disclosure on eligible indire	ect compensat	ion
04-2647786 (b) Enter na	ame and EIN or address of person who provid	ded you disclosure on eligible indire	ect compensat	ion
04-2647786 (b) Enter na	ame and EIN or address of person who provid	ded you disclosure on eligible indire	ect compensat	ion
04-2647786 (b) Enter na (b) Enter na	ame and EIN or address of person who provid	ded you disclosure on eligible indire	ect compensat	ion tion

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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

		(a) Enter name and EIN or	address (see instructions)		
FIDELITY I	NVESTMENTS INSTI			,		
04-2647786	6					
(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
64 65 37 60	RECORDKEEPER	4888	Yes 🕅 No 🗌	Yes 🕅 No 🗌	0	Yes 🕺 No 🗌
		(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	(C) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes 🗌 No 🗍	Yes No		Yes 🗌 No 🗍
		(a) Enter name and EIN or	address (see instructions)		

(b)	(C)	(d)	(e)	(f)	(g)	(h)
Service Code(s)	Relationship to employer, employee organization, or person known to be a party-in-interest	by the plan. If none,	Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element	formula instead of an amount or
			Yes No	Yes No	(f). If none, enter -0	Yes No

(a) Enter name and EIN or address (see instructions)						
	1 .		· · ·			<i>"</i> »
(b) Service Code(s)	(C) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes No	Yes No		Yes 🗌 No 🗌
		(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	(C) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes 🗌 No 🗍	Yes 🗌 No 🗌		Yes 🗌 No 🗍
		(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	(C) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes 🗌 No 🗍	Yes 🗌 No 🗍		Yes No

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(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine for or the amount of	compensation, including any e the service provider's eligibility the indirect compensation.
ABF SM CAP VAL INV - BOSTON FINANCI	0.40%	
04-2526037		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
AM CEN LG CO VAL INV - AMERICAN CEN	0.35%	
44-0619208		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
LD ABBETT MIDCPVAL P - DST SYSTEMS,	0.45%	
43-1581814		

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(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine for or the amount of	compensation, including any the service provider's eligibility the indirect compensation.
MFS VALUE R3 - MFS SERVICE CENTER I	0.50%	
04-2865649		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
MSIF INTL EQUITY P - MORGAN STANLEY	0.35%	
13-3799749		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
PERKINS MID CP VAL T - JANUS SERVIC	0.34%	
43-1804048		

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(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)				
FIDELITY INVESTMENTS INSTITUTIONAL	60	0			
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine for or the amount of	compensation, including any e the service provider's eligibility the indirect compensation.			
PIMCO HIGH YIELD ADM - BOSTON FINAN	0.25%				
04-2526037					
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation			
FIDELITY INVESTMENTS INSTITUTIONAL	60	0			
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.			
PIMCO TOT RETURN ADM - BOSTON FINAN	0.25%				
04-2526037					
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation			
FIDELITY INVESTMENTS INSTITUTIONAL	60	0			
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.			
RAINIER SM/MID CAP - US BANCORP FUN	0.35%				
39-0281260					

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(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine for or the amount of	compensation, including any e the service provider's eligibility the indirect compensation.
ROYCE PA MUTUAL INV - BOSTON FINANC	0.20%	
04-2526037		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect	compensation, including any
	formula used to determine	e the service provider's eligibility the indirect compensation.

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Part II Service Providers Who Fail or Refuse to Provide Information				
4 Provide, to the extent possible, the following information for ea this Schedule.	ch service provide	r who failed or refused to provide the information necessary to complete		
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide		
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide		
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service	(C) Describe the information that the service provider failed or refused to provide		
	Code(s)			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service	(C) Describe the information that the service provider failed or refused to provide		
	Code(s)			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide		
(a) Enter name and EIN or address of service provider (see	(b) Nature of	(C) Describe the information that the service provider failed or refused to		
instructions)	Code(s)	provide		

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Part III Termination Information on Accountants and Enrolled Actuaries (see instructions) (complete as many entries as needed)			
a Nan		b EIN:	
	sition:		
	dress:	e Telephone:	
Explana	ition:		
a Nan	me:	b EIN:	
c Pos	sition:		
d Add	dress:	e Telephone:	
Explana	ition:		
a Nan	me.	b EIN:	
	sition:		
	dress:	e Telephone:	
Explana	ition:		
a Nan		b EIN;	
	sition:	C Tolophono:	
d Address:		e Telephone:	

Explanation:

а	Name:	b EIN;
С	Position:	
d	Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500)	DFE/Participating Plan Information			OMB No. 1210-0110	
Department of the Treasury Internal Revenue Service	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).			2010	
Department of Labor Employee Benefits Security Administration		File as an attachment to Form 5	500.	This Form is Open to Public Inspection.	
For calendar plan year 2010 or fiscal p	blan year beginning	01/01/2010	and ending 12/3	31/2010	
A Name of plan TRANSALTA RETIREMENT SAVINGS	PLAN		B Three-digit plan numb	er (PN)	
C Plan or DFE sponsor's name as she TRANSALTA USA, INC.	own on line 2a of Form	n 5500	D Employer lo 98-022082	lentification Number (EIN) 9	
(Complete as many	entries as needed	Ts, PSAs, and 103-12 IEs (to to report all interests in DFE		ans and DFEs)	
a Name of MTIA, CCT, PSA, or 103-		POR I NAGEMENT TRUST COMPANY			
b Name of sponsor of entity listed in	(a):				
C EIN-PN 04-3022712-024	d Entity C code	e Dollar value of interest in MTI 103-12 IE at end of year (see		5157450	
a Name of MTIA, CCT, PSA, or 103-	12 IE:			_	
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	Dollar value of interest in MTI 103-12 IE at end of year (see			
a Name of MTIA, CCT, PSA, or 103-	12 IE:				
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	Dollar value of interest in MTI 103-12 IE at end of year (see			
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	e Dollar value of interest in MTI 103-12 IE at end of year (see			
a Name of MTIA, CCT, PSA, or 103-	12 IE:				
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	e Dollar value of interest in MTI 103-12 IE at end of year (see	, , ,		
a Name of MTIA, CCT, PSA, or 103-	12 IE:				
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	e Dollar value of interest in MTI 103-12 IE at end of year (see			
a Name of MTIA, CCT, PSA, or 103-	12 IE:				
b Name of sponsor of entity listed in	(a):				
C EIN-PN	d Entity code	e Dollar value of interest in MTI 103-12 IE at end of year (see		Schedule D (Form 5500) 2010	

rwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule D (Form 5500) 2	2010	Page 2-		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	 Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	 Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	 Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	 Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in (a):				
C EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in	n (a):			
C EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103	-12 IE:			
b Name of sponsor of entity listed in (a):				
C EIN-PN	d Entity code	 Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 		

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Ρ	Part II	Information on Participating Plans (to be completed by DFEs) (Complete as many entries as needed to report all participating plans)		
а	Plan na	me		
b	Name o plan spo		С	EIN-PN
а	Plan na	me		
b	Name o plan spo		С	EIN-PN
а	Plan na	me		
b	Name o plan spo		C	EIN-PN
а	Plan na	me		
b	Name o plan spo		C	EIN-PN
а	Plan na	me		
b	Name o plan spo		С	EIN-PN
	Plan na			
b	Name o plan spo		С	EIN-PN
	Plan na			
b	Name o plan spo		С	EIN-PN
а	Plan na	me		
b	Name o plan spo		С	EIN-PN
	Plan na			
b	Name o plan spo		С	EIN-PN
	Plan na			
b	Name o plan spo		C	EIN-PN
	Plan na			
b	Name o plan spo		C	EIN-PN
а	Plan na	me		
b	Name o plan spo		С	EIN-PN

Chorm S500) Description Description <thdescription< th=""> <thdescription< th=""></thdescription<></thdescription<>	SCHEDULE H	Financial In	OMB No. 1210-0110					
Prove Sever Gauger Courseson Prie & a an attachment to Form Sou. This Section Inspection For calcader play year 2010 of fixed play year	Internal Revenue Service	Retirement Income Security Act of 1974	2010					
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 1/23/12010 A Name of plan B Three-digit plan number (PN) 002 C Plan sponsor's name as shown on line 2a of Form 5500 D Employer Identification Number (EIN) TRANSALTA VEX.NVC. D Employer Identification Number (EIN) Part I Asset and Liability Statement D Employer Identification Number (EIN) 1 Current value of plan assets and liabilies at the beginning and end of the plan year. Combine tha value of plan assets her value is provincible on the nearest of Dim one plan on the plan intervalue of flam assets her value is provincible on the nearest of Dim one thron one plan on incheryline basis unless the value is provincible on the value of plan assets her value is provincible on the nearest of Dim one thron one plan on incheryline basis unless the value is provincible on the value of plan assets her value is provincible on the nearest of Dim one there the value of plan assets her value is reportable on the nearest of Dim one there the value of plan assets here (PI). The plan unmeet (PN) was a specific dollar the nearest of DIM asset on the one plan on the plan interval the value of the plan interval the complete lines 1d and 1e. See instructions. 1 Current value of ideal asset on one plan on the plan interval to the nearest of DIM. The meet the value of the asset of the one plan one plan on the plan interval to the nearest of DIM asset the value of the nearest DIM asset the nearest of DIM ass		File as an attachm	ent to Form	5500.		This		
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	(15) Other		1c(15)					

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500

Schedule H (Form	5500) 2010

1d	Employer-related investments:		(a) Beginning of Year	(b) End of Year
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
е	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	49173850	56940552
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
I	Net assets (subtract line 1k from line 1f)	11	49173850	56940552

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
а	Contributions:			
	(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1980857	
	(B) Participants	_ 2a(1)(B)	2764143	
	(C) Others (including rollovers)	2a(1)(C)	181190	
	(2) Noncash contributions	_ 2a(2)		
	(3) Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2)	_ 2a(3)		4926190
b	Earnings on investments:			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	990	
	(B) U.S. Government securities	_ 2b(1)(B)		
	(C) Corporate debt instruments	_ 2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)	70313	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		71303
	(2) Dividends: (A) Preferred stock	2b(2)(A)		
	(B) Common stock	_ 2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	1007125	
	(D) Total dividends. Add lines 2b(2)(A), (B), and (C)	2b(2)(D)		1007125
	(3) Rents	_ 2b(3)		
	(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

			(a) Amount	(b) Total
2b	(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
	(B) Other	2b(5)(B)		
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
	(6) Net investment gain (loss) from common/collective trusts	2b(6)		206645
	(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
	(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
	(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
((10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		4774000
С	Other income	2c		
d	Total income. Add all income amounts in column (b) and enter total	2d		10985263
	Expenses			
е	Benefit payment and payments to provide benefits:			
	(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	3193695	
	(2) To insurance carriers for the provision of benefits	2e(2)		
	(3) Other	2e(3)		
	(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		3193695
f	Corrective distributions (see instructions)	2f		2042
	Certain deemed distributions of participant loans (see instructions)	2g		16760
	Interest expense	2h		
	Administrative expenses: (1) Professional fees	2i(1)		
	(2) Contract administrator fees	2i(2)		
	(3) Investment advisory and management fees	2i(3)		
	(4) Other	2i(4)	6064	
	(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		6064
i	Total expenses. Add all expense amounts in column (b) and enter total	2j	-	3218561
J	Net Income and Reconciliation			
k	Net income (loss). Subtract line 2j from line 2d	2k		7766702
	Transfers of assets:			
•		2l(1)	-	
	(1) To this plan	21(2)	-	
	(2) From this plan	(_/		
Pa	rt III Accountant's Opinion			
	Complete lines 3a through 3c if the opinion of an independent qualified public ac attached.	countant is	attached to this Form 5500. Comple	ete line 3d if an opinion is not
a 1	The attached opinion of an independent qualified public accountant for this plan i	is (see instr	ructions):	
	(1) Unqualified (2) Qualified (3) 🛛 Disclaimer (4)	Adverse		
b [Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-6	3 and/or 103	3-12(d)?	X Yes No
CF	Enter the name and EIN of the accountant (or accounting firm) below:			
	(1) Name: ERNST & YOUNG LLP		(2) EIN: 34-6565596	
d 1	The opinion of an independent qualified public accountant is not attached becau (1) This form is filed for a CCT, PSA, or MTIA. (2) It will be attached		ext Form 5500 pursuant to 29 CFR 2	2520.104-50.

Page 4-

Ра	rt IV Compliance Questions				
4	CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.	4f, 4g,	4h, 4k, 4	m, 4n, or 5.	
	During the plan year:		Yes	No	Amount
а	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).	4b		x	
C	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		x	
е	Was this plan covered by a fidelity bond?	4e	Х		500000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		x	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		x	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	Х		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		x	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
I	Has the plan failed to provide any benefit when due under the plan?	41		Х	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		x	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n		X	
5a	Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year	Yes	s XNo	Amount:	
5b	If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s) transferred. (See instructions.)), ident	ify the pla	an(s) to which a	assets or liabilities were
	5b(1) Name of plan(s)			5b(2) EIN(s)	5b(3) PN(s)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
		L

	SC	CHEDULE R		Retirement	Plan Infor	matio	n			O	/IB No. 1	210-011	0	
(Form 5500) Department of the Treasury Internal Revenue Service This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section											20	10		
E		ernal Revenue Service Department of Labor Benefits Security Administration		6058(a) of the Interr	nal Revenue Code	e (the Cod		uon		This Fo			Publi	ic
		Benefit Guaranty Corporation			ttachment to For						Inspe	ction.		
-		ar plan year 2010 or fiscal p	olan year beginnin	g 01/01/2010		i	and endin	9	2/31/2	010				
A N TRAI	lame of NSALT/	plan A RETIREMENT SAVINGS	PLAN				В		numb	er ▶		002		
C F	Plan spo NSALTA	nsor's name as shown on li A USA, INC.	line 2a of Form 55	00			D	·	oyer Id 02208	entificatio	on Nurr	iber (Ell	۷)	
Pa	rt I	Distributions												
All	referen	ces to distributions relate	e only to paymen	ts of benefits duri	ng the plan year									
1		value of distributions paid in ctions				•			1					0
2		the EIN(s) of payor(s) who s who paid the greatest doll			participants or be	eneficiaries	s during th	ne year	(if moi	e than tv	vo, ente	er EINs (of the	two
	EIN(s): <u>04-6568107</u>												
	Profit	-sharing plans, ESOPs, ar	nd stock bonus p	olans, skip line 3.										
3		er of participants (living or c							3					
Pa	art II	Funding Informati ERISA section 302, skip		not subject to the	minimum funding	requireme	ents of sec	ction of	412 of	the Inter	nal Re	venue C	ode c	or
4	Is the	olan administrator making an	n election under Co	de section 412(d)(2)	or ERISA section	302(d)(2)?				Yes		No		N/A
	If the	plan is a defined benefit p	plan, go to line 8.											
5	plan y	aiver of the minimum fundin ear, see instructions and er	nter the date of the	e ruling letter granti	ng the waiver.		Month			ay		Year _		
_	-	completed line 5, comple				-		Г		hedule.				
6		ter the minimum required c							6a					
	b Er	ter the amount contributed	I by the employer t	to the plan for this p	olan year				6b					
		btract the amount in line 6b nter a minus sign to the left							6c					
	lf you	completed line 6c, skip li	ines 8 and 9.											
7	Will th	e minimum funding amount	t reported on line 6	6c be met by the fu	nding deadline?					Yes		No		N/A
8	autom	ange in actuarial cost meth atic approval for the change e change?	e or a class ruling	letter, does the pla	in sponsor or plan	administr	ator agree	e		Yes		No		N/A
Pa	art III	Amendments												
9		is a defined benefit pension	n plan, were anv a	mendments adopte	ed during this plan	1								
_	year th	nat increased or decreased s). If no, check the "No" box	the value of bene	fits? If yes, check t	he appropriate	п.	ncrease		Decre	ease	Вс	oth		No
Pa	rt IV	ESOPs (see instr skip this Part.	ructions). If this is	not a plan describe	d under Section 4	09(a) or 4	975(e)(7)	of the	Interna	ıl Revenu	ie Code	ə,		
10		unallocated employer secu	•					/	•			Yes		No
11		Does the ESOP hold any pro										Yes		No
		f the ESOP has an outstand See instructions for definition										Yes		No
12		the ESOP hold any stock th	-									Yes		No
For	Paper	work Reduction Act Notic	e and OMB Cont	rol Numbers, see	the instructions	for Form	5500.			Sch	edule	R (Form	550)) 201 <mark>(</mark>

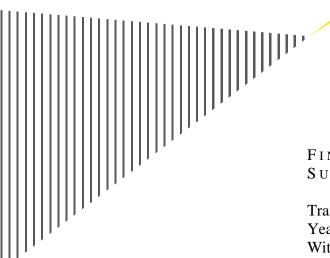
v.092	308.1

Page **2-**1

Pa	rt V	Ad	ditional Inforn	nation for N	lultiemplo	oyer	Defined Benef	it Pe	nsion Pl	ans	
13							nore than 5% of tota o report all applicab			o the plan during the plan year (measured in	
	а	Name of cor	tributing employe	r							
	b	EIN C Dollar amount contributed by employer									
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year									
	e	Contribution rate information (<i>If more than one rate applies, check this box</i> and see instructions regarding required attachment. Otherwise, <i>complete items 13e(1) and 13e(2).)</i> (1) Contribution rate (in dollars and cents) (2) Base unit measure: Hourly Weekly Unit of production Other (specify):									
	_	()		, L	,		- · · · ·				
	a		tributing employe	r							
	b	EIN					C Dollar amour				
	d		0 0 0	•			tributes under more e, enter the applicat			tive bargaining agreement, check box	
	e	<i>complete ite</i> (1) Contri	ms 13e(1) and 13 oution rate (in dolla	e(2).)	ne rate appli	es, ch	neck this box and	see ii	_	regarding required attachment. Otherwise,	
	а	Name of cor	tributing employe	r							
	b	EIN					C Dollar amour	t cont	tributed by	employer	
	d		0 0 0				tributes under more e, enter the applical			tive bargaining agreement, check box	
	e	<i>complete ite</i> (1) Contri	ms 13e(1) and 13 oution rate (in dolla	e(2).)	ne rate appli	es, ch	neck this box and	see ii	_	regarding required attachment. Otherwise,	
	а	Name of cor	tributing employe	r							
	b	EIN	3 1 1				C Dollar amour	t con	tributed by	employer	
	d		0 0 0	•				than	one collec	tive bargaining agreement, check box	
_	e	<i>complete ite</i> (1) Contri	ms 13e(1) and 13 oution rate (in dolla	e(2).)	ne rate appli	es, ch	neck this box and	see ii	Other (s	regarding required attachment. Otherwise,	
	а	Name of cor	tributing employe	r							
	b	EIN					C Dollar amour	t con	tributed by	employer	
	d		0 0 0	•			tributes under more e, enter the applicat			tive bargaining agreement, check box	
	e	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).) (1) Contribution rate (in dollars and cents) (2) Base unit measure:									
	а	Name of cor	tributing employe	r							
	b	EIN	· ·				c Dollar amour	t con	tributed by	employer	
	d						tributes under more e, enter the applical			tive bargaining agreement, check box	
	e	<i>complete ite</i> (1) Contri	ms 13e(1) and 13 oution rate (in dolla	e(2).)	ne rate appli	es, ch	neck this box and	see ii	nstructions	regarding required attachment. Otherwise,	

14	Enter the number of participants on whose behalf no co	ontributions were made by an	employer as an employer of the
----	--	------------------------------	--------------------------------

	participant for:	
	a The current year	14a
	b The plan year immediately preceding the current plan year	14b
	C The second preceding plan year	14c
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to ma employer contribution during the current plan year to:	ake an
	a The corresponding number for the plan year immediately preceding the current plan year	15a
	b The corresponding number for the second preceding plan year	15b
16	Information with respect to any employers who withdrew from the plan during the preceding plan year.	
	a Enter the number of employers who withdrew during the preceding plan year	16a
	b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, o supplemental information to be included as an attachment.	
Pa	art VI Additional Information for Single-Employer and Multiemployer Defined Benef	fit Pension Plans
18	If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see i information to be included as an attachment	instructions regarding supplemental
19	If the total number of participants is 1,000 or more, complete items (a) through (c)	
	 a Enter the percentage of plan assets held as: Stock:% Investment-Grade Debt:% High-Yield Debt:% Real Estate: b Provide the average duration of the combined investment-grade and high-yield debt: 	% Other:%
	0-3 years 3-6 years 6-9 years 9-12 years 12-15 years 15-18 years 18-	-21 years 21 years or more
	C What duration measure was used to calculate item 19(b)? Effective duration Macaulay duration Modified duration Other (specify):	



FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

TransAlta Retirement Savings Plan Years Ended December 31, 2010 and 2009 With Report of Independent Auditors

Ernst & Young LLP

UERNST&YOUNG

Financial Statements and Supplemental Schedule

Years Ended December 31, 2010 and 2009

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Report of Independent Auditors

The Retirement Committee TransAlta Retirement Savings Plan

We were engaged to audit the accompanying statements of net assets available for benefits of the TransAlta Retirement Savings Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2010. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst + Young LLP

July 20, 2011

Statements of Net Assets Available for Benefits

December 31 (U.S. dollars)	2010	2009
Assets		
Receivables:		
Contributions receivable	11,083	39,813
Notes receivable from participants (<i>Note 2</i>)	1,468,714	1,039,727
Total receivables	1,479,797	1,079,540
Investments at fair value (<i>Note 3</i>)		
Mutual funds	46,077,429	37,358,069
Common collective trust fund	5,157,450	5,453,367
Money market fund	4,225,876	5,282,874
Total investments at fair value	55,460,755	48,094,310
Adjustments from fair value to contract value for interest in common collective trust fund with fully benefit-responsive		
investment contracts (<i>Note 5</i>)	(41,935)	101,406
Net assets available for benefits	56,898,617	49,275,256

See accompanying notes.

Statements of Changes in Net Assets Available for Benefits

Year Ended December 31 (U.S. dollars)	2010	2009
Additions to (deductions from) net assets attributed to:		
Investment income:		
Interest and dividends ¹	1,141,732	939,887
Net appreciation in fair value of mutual fund investments	4,774,000	7,501,411
Net investment income	5,915,732	8,441,298
Contributions:		
Participants	2,764,143	2,777,681
Employer	1,980,857	2,013,843
Rollovers	181,190	24,976
Benefit payments	(3,212,497)	(5,768,921)
Administrative expenses	(6,064)	(4,351)
Net increase	7,623,361	7,484,526
Net assets available for benefits, beginning of year	49,275,256	41,790,730
Net assets available for benefits, end of year	56,898,617	49,275,256

1 Includes \$ 70,313 of interest on notes receivable from participants.

See accompanying notes.

Notes to Financial Statements

December 31, 2010

(Tabular amounts are in U.S. dollars)

1. Description of the Plan

The following description of the TransAlta Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

A. General

The Plan is a defined contribution plan that was established by TransAlta USA Inc. (the "Company") effective July 1, 2000. It was established for those employees who were employed by certain PacifiCorp Centralia facilities purchased by the Company on July 1, 2000. Employees in the PacifiCorp K Plus Employee Savings and Stock Ownership Plan (the "PacifiCorp Plan") were given the option of transferring their PacifiCorp pension and/or PacifiCorp Plan benefits to the Plan. Assets for those employees were transferred from the PacifiCorp Plan to the Plan on July 1, 2000. The Plan is for the benefit of substantially all employees of the Company, TransAlta Centralia Mining LLC, TransAlta Centralia Generation LLC, and TransAlta Energy Marketing (U.S.), Inc. ("TEMUS"). In February 2001, the Retirement Committee approved a resolution to permit both IPP Energy employees (Binghamton) and TEMUS employees (Portland) to join the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

B. Eligibility

Participation in the Plan is voluntary. Employees of the Company or a participating company are eligible to participate in the Plan on the first day of the month following completion of one hour of service. Eligibility requirements at the inception of the Plan on July 1, 2000, provided that employees who were eligible to participate on July 1, 2000, became participants on July 1, 2000. Employees, who are also active participants in the TransAlta Retirement Pension Plan (the "Pension Plan"), participate under the basic provisions of the Plan (the "Basic Plan"). All other employees who were hired subsequent to that date, participate under the enhanced provisions of the Plan (the "Enhanced Plan").

C. Contributions

All employees participating in the Enhanced Plan can contribute from 1% to 25% of their eligible compensation, subject to the annual limitations prescribed by the Internal Revenue Service (the "IRS"). Nonunion employees who have completed three months of service are eligible to receive an employer matching and fixed contribution. All other participants, except for those who are members of the TransAlta Centralia Mining LLC International Union of Operating Engineers and participate in the Basic Plan and who have completed six months of service, are eligible to receive an employer matching and fixed contribution.

Within the Enhanced Plan, the Company contributes, as a matching contribution, 100% of the first 5% of straight-time compensation that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Enhanced Plan equal to 5% of such participant's straight-time compensation for each contribution period.

Within the Basic Plan, the Company contributes, as a matching contribution, 50% of the first 6% of all compensation, including overtime, that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Basic Plan of 2% of such participant's straight-time compensation for each contribution period. However, the Company does not make a fixed contribution for any employee who is enrolled in the Basic Plan and is also a member of the TransAlta Centralia Mining LLC International Union of Operating Engineers.

D. Participant Accounts

Each participant's account is credited with the participant's contributions, rollovers, company matching and/or fixed contributions, and an allocation of each investment fund's investment income and security gains and losses. Participants may direct the investment of their respective account balances to any combination of the investment fund options provided by the Plan. Investment funds may be changed by the participants at any time.

E. Vesting

Participants are immediately vested in their voluntary contributions and rollover amounts, plus earnings thereon. Vesting in the remainder of their account is based on years of service to the Company. All nonunion employees participating in the Enhanced Plan vest 20% per year over five years for fixed contributions, and vest immediately for matching contributions. For union employees in the Enhanced Plan, employer matching contributions vest annually over five years of vesting service. Employer fixed contributions become fully vested after the completion of two years of vesting service. All employees participating in the Basic Plan vest immediately in both the fixed and matching contributions. If a participant resigns or terminates, the portions of their matching account or fixed contribution account that are not vested are forfeited and will serve to reduce and be considered part of the employer's matching contributions during the year. Such forfeitures were not significant during 2010 or 2009.

F. Benefit Payments

In accordance with the Plan document and as allowed under the Internal Revenue Code (the "Code"), distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59½. Distribution is also available to satisfy a financial hardship meeting the requirements of the Code. Participants may receive a lump-sum amount equal to the vested value of their account, or elect to receive annual or more frequent installments over a period not longer than 10 years.

G. Notes Receivable From Participants (Participant Loans)

Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the participants' respective account balances. The interest rate is determined by the Company when the loan is granted based on prevailing market rates for similar types of loans. Principal and interest payments are paid through payroll deductions. Loan terms are five years, unless the participant acquires a new principal residence, in which case the loan term may be up to 15 years.

H. Administrative Expenses

The Plan pays for certain transactional fees. Other administrative expenses, such as audit fees, are paid by the Company.

I. Administration

The Plan is administered by the Retirement Committee, which consists of members appointed by the Company.

J. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan. In the event of the Plan's termination, benefits under the Plan would be distributed based upon participants' account balances accumulated on the date of termination of the Plan subject to the provisions of ERISA. The account of each participant shall be fully vested and nonforfeitable as of the effective date of a complete termination of the Plan.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

B. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Investment Valuation and Income Recognition

The Plan follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures ("ASC 820")*. ASC 820 establishes a framework for measuring fair value in U.S. GAAP where fair value is considered to be the relevant measurement attribute. Part of the framework involves the establishment of a three-level hierarchy for measuring fair value. For Level 1 categorized financial items, the inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Plan has the ability to access. Level 2 categorized financial items are valued based on inputs that are observable, either directly or indirectly. Level 3 categorized financial items are valued using unobservable inputs. Level 3 financial statement items require additional disclosures due to the use of unobservable market inputs in the fair value determination (*Note 3*).

The fair values of the investments in mutual funds are based on quoted market prices to sell, which represent the net asset value of shares held by the Plan at year-end. The common collective trust fund has been estimated using the unadjusted net asset value per unit or share as determined by the funds' issuer on the last business day of the Plan's year-end (Note 5). Redemptions of the common collective trust fund require 12 months written notice; however, such redemptions may be completed before the 12 month expiration at the discretion of the common collective trust fund issuer.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

D. Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

E. Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

F. Reclassifications

Certain prior year financial statement captions have been reclassified to conform to the current year's presentation. These reclassifications did not impact previously reported net assets available for benefits.

G. New Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and International Financial Reporting Standards* ("IFRS"). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle for measuring fair value in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently assessing the impact of adopting ASU 2011-04 on the financial statements.

In September 2010, the Plan adopted ASU 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*. ASU 2010-25 amends FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*, to require that participant loans be classified as notes

receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. As a result of adopting this update, the Plan has reclassified participant loans out of Investments and now reports them as Notes Receivable from Participants on the Statements of Net Assets Available for Benefits.

In January 2010, the Plan adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends FASB ASC 820, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements regarding (i) transfers in and out of Levels 1 and 2 fair value measurements; and (ii) activity in Level 3 fair value measurements. Although the additional disclosures about activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, the Plan has adopted these in 2010. The implementation of this ASU did not have an impact on the Plan's financial statements.

3. Investments

The Retirement Committee has chosen institutional funds offered by Fidelity Investments and all investments are maintained by Fidelity Management Trust Company, the trustee of the Plan. All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2010 and 2009, and the net appreciation in the fair value of interest and dividends for the years then ended, was obtained or derived from information supplied to the plan administrator and was certified as complete and accurate by the trustee.

The fair values of individual investments that represent 5% or more of the Plan's net assets are as follows:

December 31	2010	2009
Fidelity Balanced Fund	10,038,269	8,436,587
Fidelity Contrafund	3,554,642	2,506,162
Fidelity Growth Company	4,787,587	3,794,441
Fidelity Diversified International Fund	3,820,047	3,754,129
Fidelity Freedom 2020 Fund	2,932,573	$2,176,015^1$
Fidelity Money Market Trust – Retirement Money Market		
Portfolio	4,225,876	5,282,874
Fidelity Managed Income Portfolio	5,157,450	5,453,367
PIMCO Total Return Fund	4,104,670	3,496,839
Other – individual investments less than 5% of the Plan's net		
assets	16,839,641	13,193,896
Total fair value of investments	55,460,755	48,094,310

1 The investment is less than 5% of the Plan's net assets at year-end.

	Level 1	Level 2	Level 3	Total
Money market	-	4,225,876	-	4,225,876
Common collective trust fund	-	5,157,450	-	5,157,450
U.S. Large Cap	14,356,521	-	-	14,356,521
U.S. Mid-Cap	3,510,111	-	-	3,510,111
U.S. Small Cap	1,504,017	-	-	1,504,017
International Equity	3,944,730	-	-	3,944,730
U.S. Equity and fixed income	16,897,410	-	-	16,897,410
U.S. Bonds	5,864,640	-	-	5,864,640
Total fair value of investments	46,077,429	9,383,326	-	55,460,755

Investments, by level as described in Note 2, are as follows as of December 31, 2010:

Investments, by level as described in Note 2, are as follows as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Money market	-	5,282,874	-	5,282,874
Common collective trust fund	-	5,453,367	-	5,453,367
U.S. Large Cap	11,156,640	-	-	11,156,640
U.S. Mid-Cap	2,664,009	-	-	2,664,009
U.S. Small Cap	947,557	-	-	947,557
International Equity	3,946,730	-	-	3,946,730
U.S. Equity and fixed income	13,664,121	-	-	13,664,121
U.S. Bonds	4,979,012	-	-	4,979,012
Total fair value of investments	37,358,069	10,736,241	-	48,094,310

4. Income Tax Status

The Plan has received a determination letter from the IRS, dated January 6, 2011, stating that the Plan, as amended and restated, is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its tax-qualified status. The plan sponsor believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

The Plan follows U.S. GAAP to evaluate uncertain tax positions, which are recognized when the position is more likely than not based upon the technical merits to be sustained upon examination by the IRS. As at December 31, 2010, there are no uncertain tax positions taken or expected to be taken by the Plan. The Plan has not recognized interest or penalties related to uncertain tax positions. The plan administrator believes it is no longer subject to income tax examinations for the years prior to 2007.

5. Reconciliation of Financial Statements to Form 5500

Investment contracts held by a defined contribution plan are required to be reported at fair value under FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust fund, Fidelity Managed Income Portfolio ("MIP Fund"). The fair value of the Plan's interest in the MIP Fund is based on information reported by the issuer of the common collective trust fund at year-end. The contract value of the MIP Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

The following is a reconciliation of net assets available for benefits per the Statements of Net Assets Available for Benefits at December 31, 2010 and 2009, to the Form 5500:

	2010	2009
Net assets available for benefits per the Statements of		
Net Assets Available for Benefits	56,898,617	49,275,256
Plus (less): adjustments from fair value to contract		
value for interest in a common collective trust fund		
with fully benefit-responsive investment contracts	41,935	(101,406)
Net assets available for benefits per the Form 5500	56,940,552	49,173,850

The following is a reconciliation of net investment income per the financial statements for the year ended December 31, 2010, to the Form 5500:

Net investment income per the Statements of Changes in Net Assets	
Available for Benefits	5,915,732
Add: current year adjustments from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts per the Statements of Net Assets	
Available for Benefits	41,935
Add: prior year adjustments from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts per the Statements of Net Assets	
Available for Benefits	101,406
Net investment income per the Form 5500	6,059,073

6. Plan Amendment

As of December 31, 2010, benefits available under the Pension Plan have been frozen. As of January 1, 2011, all active employees whose benefits under the Pension Plan were frozen will participate in the enhanced provisions of the Plan. Employees who were members of the Pension Plan as of December 31, 2010, will now be provided top-up contributions within the Plan for the period while they are active employees, or up to December 31, 2027.

7. Subsequent Events

Management has evaluated subsequent events to July 20, 2011, which represents the date the financial statements were available to be issued.

Supplemental Schedule

EIN: 98-0220829

Plan Number: 002

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)

December 31, 2010

<u>(a)</u>	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
	Mutual funds		
1	Fidelity Balanced Fund ¹	550,646 units	\$ 10,038,269
1	Fidelity Dividend Growth Fund	89,041 units	2,531,436
1	Fidelity Spartan U.S. Equity Index Fund	62,359 units	2,773,714
1	PIMCO Total Return Fund	378,311 units	4,104,670
1	Fidelity Diversified International Fund	126,701 units	3,820,047
1	Fidelity Freedom 2010 Fund	79,145 units	1,075,585
1	Fidelity Freedom 2020 Fund	212,659 units	2,932,573
1	Fidelity Freedom 2030 Fund	60,595 units	834,393
1	Fidelity Freedom Income Fund	10,804 units	121,867
1	Fidelity Freedom 2040 Fund	50,039 units	400,813
1	Fidelity Freedom 2000 Fund	2,584 units	30,857
1	Fidelity Contrafund	52,483 units	3,554,642
1	Fidelity Growth Company	57,578 units	4,787,587
1	Spartan Extended Market Index	12,966 units	494,910
1	Perkins Mid Cap Value – Class T	23,029 units	519,765
1	Fidelity Freedom 2005 Fund	1,891 units	20,443
1	Fidelity Freedom 2015 Fund	9,812 units	111,272
1	Fidelity Freedom 2025 Fund	54,432 units	627,055
1	Fidelity Freedom 2035 Fund	36,280 units	416,133
1	Fidelity Freedom 2045 Fund	16,604 units	157,568
1	Fidelity Freedom 2050 Fund	13,921 units	130,582
	Rainier Small/Mid Cap Equity Portfolio	76,406 units	2,495,436
	PIMCO High Yield Fund – Admin Class	149,985 units	1,394,863
	MSI International Equity Portfolio – Class P	9,270 units	124,682
	Vanguard Inflation-Protected Securities Fund Admiral Shares	14,296 units	365,108
	MFS Value Fund Class R3	2,816 units	64,065
	American Beacon Small Cap Value Fund – Plan Ahead	27,134 units	526,661
	American Century Large Company Value Fund – Investor Class	116,862 units	645,078
	Royce Pennsylvania Inv	83,893 units	977,355
	Total mutual funds		\$ 46,077,429

EIN: 98-0220829

Plan Number: 002

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

<u>(a)</u>	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
¹ Comm	on collective trust fund		
Fidelity	Managed Income Portfolio	5,115,515 units	\$ 5,157,450
¹ Money	market fund		
Fidelity	Money Market Trust – Retirement Money		
Marke	et Portfolio	4,225,876 units	4,225,876
Total in	nvestments		\$ 55,460,755
¹ Particij	pant loans	Interest rates range from 4.0% to 9.5%, maturing through 2025	\$ 1,468,714

1 Indicates party-in-interest to the Plan. Column (d), Cost, is not applicable as investments are participant directed.

Ernst & Young LLP

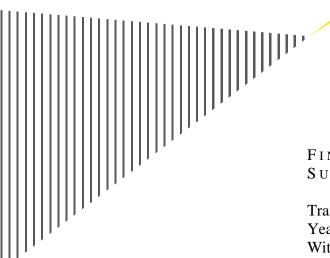
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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

TransAlta Retirement Savings Plan Years Ended December 31, 2010 and 2009 With Report of Independent Auditors

Ernst & Young LLP

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Financial Statements and Supplemental Schedule

Years Ended December 31, 2010 and 2009

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Ernst & Young LLP Suite 3500 999 Third Avenue Seattle, WA 98104-4086 Tel: +1 206 621 1800 Fax: +1 206 654 7799 www.ey.com

Report of Independent Auditors

The Retirement Committee TransAlta Retirement Savings Plan

We were engaged to audit the accompanying statements of net assets available for benefits of the TransAlta Retirement Savings Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2010. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst + Young LLP

July 20, 2011

Statements of Net Assets Available for Benefits

December 31 (U.S. dollars)	2010	2009
Assets		
Receivables:		
Contributions receivable	11,083	39,813
Notes receivable from participants (<i>Note 2</i>)	1,468,714	1,039,727
Total receivables	1,479,797	1,079,540
Investments at fair value (<i>Note 3</i>)		
Mutual funds	46,077,429	37,358,069
Common collective trust fund	5,157,450	5,453,367
Money market fund	4,225,876	5,282,874
Total investments at fair value	55,460,755	48,094,310
Adjustments from fair value to contract value for interest in common collective trust fund with fully benefit-responsive		
investment contracts (Note 5)	(41,935)	101,406
Net assets available for benefits	56,898,617	49,275,256

See accompanying notes.

Statements of Changes in Net Assets Available for Benefits

Year Ended December 31 (U.S. dollars)	2010	2009
Additions to (deductions from) net assets attributed to:		
Investment income:		
Interest and dividends ¹	1,141,732	939,887
Net appreciation in fair value of mutual fund investments	4,774,000	7,501,411
Net investment income	5,915,732	8,441,298
Contributions:		
Participants	2,764,143	2,777,681
Employer	1,980,857	2,013,843
Rollovers	181,190	24,976
Benefit payments	(3,212,497)	(5,768,921)
Administrative expenses	(6,064)	(4,351)
Net increase	7,623,361	7,484,526
Net assets available for benefits, beginning of year	49,275,256	41,790,730
Net assets available for benefits, end of year	56,898,617	49,275,256

1 Includes \$ 70,313 of interest on notes receivable from participants.

See accompanying notes.

Notes to Financial Statements

December 31, 2010

(Tabular amounts are in U.S. dollars)

1. Description of the Plan

The following description of the TransAlta Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

A. General

The Plan is a defined contribution plan that was established by TransAlta USA Inc. (the "Company") effective July 1, 2000. It was established for those employees who were employed by certain PacifiCorp Centralia facilities purchased by the Company on July 1, 2000. Employees in the PacifiCorp K Plus Employee Savings and Stock Ownership Plan (the "PacifiCorp Plan") were given the option of transferring their PacifiCorp pension and/or PacifiCorp Plan benefits to the Plan. Assets for those employees were transferred from the PacifiCorp Plan to the Plan on July 1, 2000. The Plan is for the benefit of substantially all employees of the Company, TransAlta Centralia Mining LLC, TransAlta Centralia Generation LLC, and TransAlta Energy Marketing (U.S.), Inc. ("TEMUS"). In February 2001, the Retirement Committee approved a resolution to permit both IPP Energy employees (Binghamton) and TEMUS employees (Portland) to join the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

B. Eligibility

Participation in the Plan is voluntary. Employees of the Company or a participating company are eligible to participate in the Plan on the first day of the month following completion of one hour of service. Eligibility requirements at the inception of the Plan on July 1, 2000, provided that employees who were eligible to participate on July 1, 2000, became participants on July 1, 2000. Employees, who are also active participants in the TransAlta Retirement Pension Plan (the "Pension Plan"), participate under the basic provisions of the Plan (the "Basic Plan"). All other employees who were hired subsequent to that date, participate under the enhanced provisions of the Plan (the "Enhanced Plan").

C. Contributions

All employees participating in the Enhanced Plan can contribute from 1% to 25% of their eligible compensation, subject to the annual limitations prescribed by the Internal Revenue Service (the "IRS"). Nonunion employees who have completed three months of service are eligible to receive an employer matching and fixed contribution. All other participants, except for those who are members of the TransAlta Centralia Mining LLC International Union of Operating Engineers and participate in the Basic Plan and who have completed six months of service, are eligible to receive an employer matching and fixed contribution.

Within the Enhanced Plan, the Company contributes, as a matching contribution, 100% of the first 5% of straight-time compensation that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Enhanced Plan equal to 5% of such participant's straight-time compensation for each contribution period.

Within the Basic Plan, the Company contributes, as a matching contribution, 50% of the first 6% of all compensation, including overtime, that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Basic Plan of 2% of such participant's straight-time compensation for each contribution period. However, the Company does not make a fixed contribution for any employee who is enrolled in the Basic Plan and is also a member of the TransAlta Centralia Mining LLC International Union of Operating Engineers.

D. Participant Accounts

Each participant's account is credited with the participant's contributions, rollovers, company matching and/or fixed contributions, and an allocation of each investment fund's investment income and security gains and losses. Participants may direct the investment of their respective account balances to any combination of the investment fund options provided by the Plan. Investment funds may be changed by the participants at any time.

E. Vesting

Participants are immediately vested in their voluntary contributions and rollover amounts, plus earnings thereon. Vesting in the remainder of their account is based on years of service to the Company. All nonunion employees participating in the Enhanced Plan vest 20% per year over five years for fixed contributions, and vest immediately for matching contributions. For union employees in the Enhanced Plan, employer matching contributions vest annually over five years of vesting service. Employer fixed contributions become fully vested after the completion of two years of vesting service. All employees participating in the Basic Plan vest immediately in both the fixed and matching contributions. If a participant resigns or terminates, the portions of their matching account or fixed contribution account that are not vested are forfeited and will serve to reduce and be considered part of the employer's matching contributions during the year. Such forfeitures were not significant during 2010 or 2009.

F. Benefit Payments

In accordance with the Plan document and as allowed under the Internal Revenue Code (the "Code"), distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59½. Distribution is also available to satisfy a financial hardship meeting the requirements of the Code. Participants may receive a lump-sum amount equal to the vested value of their account, or elect to receive annual or more frequent installments over a period not longer than 10 years.

G. Notes Receivable From Participants (Participant Loans)

Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the participants' respective account balances. The interest rate is determined by the Company when the loan is granted based on prevailing market rates for similar types of loans. Principal and interest payments are paid through payroll deductions. Loan terms are five years, unless the participant acquires a new principal residence, in which case the loan term may be up to 15 years.

H. Administrative Expenses

The Plan pays for certain transactional fees. Other administrative expenses, such as audit fees, are paid by the Company.

I. Administration

The Plan is administered by the Retirement Committee, which consists of members appointed by the Company.

J. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan. In the event of the Plan's termination, benefits under the Plan would be distributed based upon participants' account balances accumulated on the date of termination of the Plan subject to the provisions of ERISA. The account of each participant shall be fully vested and nonforfeitable as of the effective date of a complete termination of the Plan.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

B. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Investment Valuation and Income Recognition

The Plan follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures ("ASC 820")*. ASC 820 establishes a framework for measuring fair value in U.S. GAAP where fair value is considered to be the relevant measurement attribute. Part of the framework involves the establishment of a three-level hierarchy for measuring fair value. For Level 1 categorized financial items, the inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Plan has the ability to access. Level 2 categorized financial items are valued based on inputs that are observable, either directly or indirectly. Level 3 categorized financial items are valued using unobservable inputs. Level 3 financial statement items require additional disclosures due to the use of unobservable market inputs in the fair value determination (*Note 3*).

The fair values of the investments in mutual funds are based on quoted market prices to sell, which represent the net asset value of shares held by the Plan at year-end. The common collective trust fund has been estimated using the unadjusted net asset value per unit or share as determined by the funds' issuer on the last business day of the Plan's year-end (Note 5). Redemptions of the common collective trust fund require 12 months written notice; however, such redemptions may be completed before the 12 month expiration at the discretion of the common collective trust fund issuer.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

D. Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

E. Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

F. Reclassifications

Certain prior year financial statement captions have been reclassified to conform to the current year's presentation. These reclassifications did not impact previously reported net assets available for benefits.

G. New Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and International Financial Reporting Standards* ("IFRS"). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle for measuring fair value in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently assessing the impact of adopting ASU 2011-04 on the financial statements.

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Common collective trust fund	-	5,157,450	-	5,157,450
U.S. Large Cap	14,356,521	-	-	14,356,521
U.S. Mid-Cap	3,510,111	-	-	3,510,111
U.S. Small Cap	1,504,017	-	-	1,504,017
International Equity	3,944,730	-	-	3,944,730
U.S. Equity and fixed income	16,897,410	-	-	16,897,410
U.S. Bonds	5,864,640	-	-	5,864,640
Total fair value of investments	46,077,429	9,383,326	-	55,460,755

Investments, by level as described in Note 2, are as follows as of December 31, 2010:

Investments, by level as described in Note 2, are as follows as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Money market	-	5,282,874	-	5,282,874
Common collective trust fund	-	5,453,367	-	5,453,367
U.S. Large Cap	11,156,640	-	-	11,156,640
U.S. Mid-Cap	2,664,009	-	-	2,664,009
U.S. Small Cap	947,557	-	-	947,557
International Equity	3,946,730	-	-	3,946,730
U.S. Equity and fixed income	13,664,121	-	-	13,664,121
U.S. Bonds	4,979,012	-	-	4,979,012
Total fair value of investments	37,358,069	10,736,241	-	48,094,310

4. Income Tax Status

The Plan has received a determination letter from the IRS, dated January 6, 2011, stating that the Plan, as amended and restated, is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its tax-qualified status. The plan sponsor believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

The Plan follows U.S. GAAP to evaluate uncertain tax positions, which are recognized when the position is more likely than not based upon the technical merits to be sustained upon examination by the IRS. As at December 31, 2010, there are no uncertain tax positions taken or expected to be taken by the Plan. The Plan has not recognized interest or penalties related to uncertain tax positions. The plan administrator believes it is no longer subject to income tax examinations for the years prior to 2007.

5. Reconciliation of Financial Statements to Form 5500

Investment contracts held by a defined contribution plan are required to be reported at fair value under FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust fund, Fidelity Managed Income Portfolio ("MIP Fund"). The fair value of the Plan's interest in the MIP Fund is based on information reported by the issuer of the common collective trust fund at year-end. The contract value of the MIP Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

The following is a reconciliation of net assets available for benefits per the Statements of Net Assets Available for Benefits at December 31, 2010 and 2009, to the Form 5500:

	2010	2009
Net assets available for benefits per the Statements of		
Net Assets Available for Benefits	56,898,617	49,275,256
Plus (less): adjustments from fair value to contract		
value for interest in a common collective trust fund		
with fully benefit-responsive investment contracts	41,935	(101,406)
Net assets available for benefits per the Form 5500	56,940,552	49,173,850

The following is a reconciliation of net investment income per the financial statements for the year ended December 31, 2010, to the Form 5500:

Net investment income per the Statements of Changes in Net Assets	
Available for Benefits	5,915,732
Add: current year adjustments from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts per the Statements of Net Assets	
Available for Benefits	41,935
Add: prior year adjustments from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts per the Statements of Net Assets	
Available for Benefits	101,406
Net investment income per the Form 5500	6,059,073

6. Plan Amendment

As of December 31, 2010, benefits available under the Pension Plan have been frozen. As of January 1, 2011, all active employees whose benefits under the Pension Plan were frozen will participate in the enhanced provisions of the Plan. Employees who were members of the Pension Plan as of December 31, 2010, will now be provided top-up contributions within the Plan for the period while they are active employees, or up to December 31, 2027.

7. Subsequent Events

Management has evaluated subsequent events to July 20, 2011, which represents the date the financial statements were available to be issued.

Supplemental Schedule

EIN: 98-0220829

Plan Number: 002

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)

December 31, 2010

<u>(a)</u>	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
	Mutual funds		
1	Fidelity Balanced Fund ¹	550,646 units	\$ 10,038,269
1	Fidelity Dividend Growth Fund	89,041 units	2,531,436
1	Fidelity Spartan U.S. Equity Index Fund	62,359 units	2,773,714
1	PIMCO Total Return Fund	378,311 units	4,104,670
1	Fidelity Diversified International Fund	126,701 units	3,820,047
1	Fidelity Freedom 2010 Fund	79,145 units	1,075,585
1	Fidelity Freedom 2020 Fund	212,659 units	2,932,573
1	Fidelity Freedom 2030 Fund	60,595 units	834,393
1	Fidelity Freedom Income Fund	10,804 units	121,867
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1	Fidelity Freedom 2015 Fund	9,812 units	111,272
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1	Fidelity Freedom 2035 Fund	36,280 units	416,133
1	Fidelity Freedom 2045 Fund	16,604 units	157,568
1	Fidelity Freedom 2050 Fund	13,921 units	130,582
	Rainier Small/Mid Cap Equity Portfolio	76,406 units	2,495,436
	PIMCO High Yield Fund – Admin Class	149,985 units	1,394,863
	MSI International Equity Portfolio – Class P	9,270 units	124,682
	Vanguard Inflation-Protected Securities Fund Admiral Shares	14,296 units	365,108
	MFS Value Fund Class R3	2,816 units	64,065
	American Beacon Small Cap Value Fund – Plan Ahead	27,134 units	526,661
	American Century Large Company Value Fund – Investor Class	116,862 units	645,078
	Royce Pennsylvania Inv	83,893 units	977,355
	Total mutual funds		\$ 46,077,429

EIN: 98-0220829

Plan Number: 002

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

<u>(a)</u>	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
¹ Comm	on collective trust fund		
Fidelity	Managed Income Portfolio	5,115,515 units	\$ 5,157,450
¹ Money	market fund		
Fidelity	Money Market Trust – Retirement Money		
Marke	et Portfolio	4,225,876 units	4,225,876
Total in	nvestments		\$ 55,460,755
¹ Particij	pant loans	Interest rates range from 4.0% to 9.5%, maturing through 2025	\$ 1,468,714

1 Indicates party-in-interest to the Plan. Column (d), Cost, is not applicable as investments are participant directed.

Ernst & Young LLP

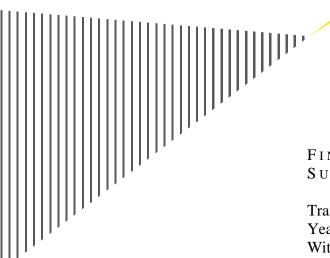
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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

TransAlta Retirement Savings Plan Years Ended December 31, 2010 and 2009 With Report of Independent Auditors

Ernst & Young LLP

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Financial Statements and Supplemental Schedule

Years Ended December 31, 2010 and 2009

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Report of Independent Auditors

The Retirement Committee TransAlta Retirement Savings Plan

We were engaged to audit the accompanying statements of net assets available for benefits of the TransAlta Retirement Savings Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2010. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst + Young LLP

July 20, 2011

Statements of Net Assets Available for Benefits

December 31 (U.S. dollars)	2010	2009
Assets		
Receivables:		
Contributions receivable	11,083	39,813
Notes receivable from participants (<i>Note 2</i>)	1,468,714	1,039,727
Total receivables	1,479,797	1,079,540
Investments at fair value (<i>Note 3</i>)		
Mutual funds	46,077,429	37,358,069
Common collective trust fund	5,157,450	5,453,367
Money market fund	4,225,876	5,282,874
Total investments at fair value	55,460,755	48,094,310
Adjustments from fair value to contract value for interest in common collective trust fund with fully benefit-responsive		
investment contracts (<i>Note 5</i>)	(41,935)	101,406
Net assets available for benefits	56,898,617	49,275,256

See accompanying notes.

Statements of Changes in Net Assets Available for Benefits

Year Ended December 31 (U.S. dollars)	2010	2009
Additions to (deductions from) net assets attributed to:		
Investment income:		
Interest and dividends ¹	1,141,732	939,887
Net appreciation in fair value of mutual fund investments	4,774,000	7,501,411
Net investment income	5,915,732	8,441,298
Contributions:		
Participants	2,764,143	2,777,681
Employer	1,980,857	2,013,843
Rollovers	181,190	24,976
Benefit payments	(3,212,497)	(5,768,921)
Administrative expenses	(6,064)	(4,351)
Net increase	7,623,361	7,484,526
Net assets available for benefits, beginning of year	49,275,256	41,790,730
Net assets available for benefits, end of year	56,898,617	49,275,256

1 Includes \$ 70,313 of interest on notes receivable from participants.

See accompanying notes.

Notes to Financial Statements

December 31, 2010

(Tabular amounts are in U.S. dollars)

1. Description of the Plan

The following description of the TransAlta Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

A. General

The Plan is a defined contribution plan that was established by TransAlta USA Inc. (the "Company") effective July 1, 2000. It was established for those employees who were employed by certain PacifiCorp Centralia facilities purchased by the Company on July 1, 2000. Employees in the PacifiCorp K Plus Employee Savings and Stock Ownership Plan (the "PacifiCorp Plan") were given the option of transferring their PacifiCorp pension and/or PacifiCorp Plan benefits to the Plan. Assets for those employees were transferred from the PacifiCorp Plan to the Plan on July 1, 2000. The Plan is for the benefit of substantially all employees of the Company, TransAlta Centralia Mining LLC, TransAlta Centralia Generation LLC, and TransAlta Energy Marketing (U.S.), Inc. ("TEMUS"). In February 2001, the Retirement Committee approved a resolution to permit both IPP Energy employees (Binghamton) and TEMUS employees (Portland) to join the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

B. Eligibility

Participation in the Plan is voluntary. Employees of the Company or a participating company are eligible to participate in the Plan on the first day of the month following completion of one hour of service. Eligibility requirements at the inception of the Plan on July 1, 2000, provided that employees who were eligible to participate on July 1, 2000, became participants on July 1, 2000. Employees, who are also active participants in the TransAlta Retirement Pension Plan (the "Pension Plan"), participate under the basic provisions of the Plan (the "Basic Plan"). All other employees who were hired subsequent to that date, participate under the enhanced provisions of the Plan (the "Enhanced Plan").

C. Contributions

All employees participating in the Enhanced Plan can contribute from 1% to 25% of their eligible compensation, subject to the annual limitations prescribed by the Internal Revenue Service (the "IRS"). Nonunion employees who have completed three months of service are eligible to receive an employer matching and fixed contribution. All other participants, except for those who are members of the TransAlta Centralia Mining LLC International Union of Operating Engineers and participate in the Basic Plan and who have completed six months of service, are eligible to receive an employer matching and fixed contribution.

Within the Enhanced Plan, the Company contributes, as a matching contribution, 100% of the first 5% of straight-time compensation that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Enhanced Plan equal to 5% of such participant's straight-time compensation for each contribution period.

Within the Basic Plan, the Company contributes, as a matching contribution, 50% of the first 6% of all compensation, including overtime, that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Basic Plan of 2% of such participant's straight-time compensation for each contribution period. However, the Company does not make a fixed contribution for any employee who is enrolled in the Basic Plan and is also a member of the TransAlta Centralia Mining LLC International Union of Operating Engineers.

D. Participant Accounts

Each participant's account is credited with the participant's contributions, rollovers, company matching and/or fixed contributions, and an allocation of each investment fund's investment income and security gains and losses. Participants may direct the investment of their respective account balances to any combination of the investment fund options provided by the Plan. Investment funds may be changed by the participants at any time.

E. Vesting

Participants are immediately vested in their voluntary contributions and rollover amounts, plus earnings thereon. Vesting in the remainder of their account is based on years of service to the Company. All nonunion employees participating in the Enhanced Plan vest 20% per year over five years for fixed contributions, and vest immediately for matching contributions. For union employees in the Enhanced Plan, employer matching contributions vest annually over five years of vesting service. Employer fixed contributions become fully vested after the completion of two years of vesting service. All employees participating in the Basic Plan vest immediately in both the fixed and matching contributions. If a participant resigns or terminates, the portions of their matching account or fixed contribution account that are not vested are forfeited and will serve to reduce and be considered part of the employer's matching contributions during the year. Such forfeitures were not significant during 2010 or 2009.

F. Benefit Payments

In accordance with the Plan document and as allowed under the Internal Revenue Code (the "Code"), distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59½. Distribution is also available to satisfy a financial hardship meeting the requirements of the Code. Participants may receive a lump-sum amount equal to the vested value of their account, or elect to receive annual or more frequent installments over a period not longer than 10 years.

G. Notes Receivable From Participants (Participant Loans)

Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the participants' respective account balances. The interest rate is determined by the Company when the loan is granted based on prevailing market rates for similar types of loans. Principal and interest payments are paid through payroll deductions. Loan terms are five years, unless the participant acquires a new principal residence, in which case the loan term may be up to 15 years.

H. Administrative Expenses

The Plan pays for certain transactional fees. Other administrative expenses, such as audit fees, are paid by the Company.

I. Administration

The Plan is administered by the Retirement Committee, which consists of members appointed by the Company.

J. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan. In the event of the Plan's termination, benefits under the Plan would be distributed based upon participants' account balances accumulated on the date of termination of the Plan subject to the provisions of ERISA. The account of each participant shall be fully vested and nonforfeitable as of the effective date of a complete termination of the Plan.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

B. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Investment Valuation and Income Recognition

The Plan follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures ("ASC 820")*. ASC 820 establishes a framework for measuring fair value in U.S. GAAP where fair value is considered to be the relevant measurement attribute. Part of the framework involves the establishment of a three-level hierarchy for measuring fair value. For Level 1 categorized financial items, the inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Plan has the ability to access. Level 2 categorized financial items are valued based on inputs that are observable, either directly or indirectly. Level 3 categorized financial items are valued using unobservable inputs. Level 3 financial statement items require additional disclosures due to the use of unobservable market inputs in the fair value determination (*Note 3*).

The fair values of the investments in mutual funds are based on quoted market prices to sell, which represent the net asset value of shares held by the Plan at year-end. The common collective trust fund has been estimated using the unadjusted net asset value per unit or share as determined by the funds' issuer on the last business day of the Plan's year-end (Note 5). Redemptions of the common collective trust fund require 12 months written notice; however, such redemptions may be completed before the 12 month expiration at the discretion of the common collective trust fund issuer.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

D. Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

E. Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

F. Reclassifications

Certain prior year financial statement captions have been reclassified to conform to the current year's presentation. These reclassifications did not impact previously reported net assets available for benefits.

G. New Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and International Financial Reporting Standards* ("IFRS"). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle for measuring fair value in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently assessing the impact of adopting ASU 2011-04 on the financial statements.

In September 2010, the Plan adopted ASU 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*. ASU 2010-25 amends FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*, to require that participant loans be classified as notes

receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. As a result of adopting this update, the Plan has reclassified participant loans out of Investments and now reports them as Notes Receivable from Participants on the Statements of Net Assets Available for Benefits.

In January 2010, the Plan adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends FASB ASC 820, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements regarding (i) transfers in and out of Levels 1 and 2 fair value measurements; and (ii) activity in Level 3 fair value measurements. Although the additional disclosures about activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, the Plan has adopted these in 2010. The implementation of this ASU did not have an impact on the Plan's financial statements.

3. Investments

The Retirement Committee has chosen institutional funds offered by Fidelity Investments and all investments are maintained by Fidelity Management Trust Company, the trustee of the Plan. All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2010 and 2009, and the net appreciation in the fair value of interest and dividends for the years then ended, was obtained or derived from information supplied to the plan administrator and was certified as complete and accurate by the trustee.

The fair values of individual investments that represent 5% or more of the Plan's net assets are as follows:

December 31	2010	2009
Fidelity Balanced Fund	10,038,269	8,436,587
Fidelity Contrafund	3,554,642	2,506,162
Fidelity Growth Company	4,787,587	3,794,441
Fidelity Diversified International Fund	3,820,047	3,754,129
Fidelity Freedom 2020 Fund	2,932,573	$2,176,015^1$
Fidelity Money Market Trust – Retirement Money Market		
Portfolio	4,225,876	5,282,874
Fidelity Managed Income Portfolio	5,157,450	5,453,367
PIMCO Total Return Fund	4,104,670	3,496,839
Other – individual investments less than 5% of the Plan's net		
assets	16,839,641	13,193,896
Total fair value of investments	55,460,755	48,094,310

1 The investment is less than 5% of the Plan's net assets at year-end.

	Level 1	Level 2	Level 3	Total
Money market	-	4,225,876	-	4,225,876
Common collective trust fund	-	5,157,450	-	5,157,450
U.S. Large Cap	14,356,521	-	-	14,356,521
U.S. Mid-Cap	3,510,111	-	-	3,510,111
U.S. Small Cap	1,504,017	-	-	1,504,017
International Equity	3,944,730	-	-	3,944,730
U.S. Equity and fixed income	16,897,410	-	-	16,897,410
U.S. Bonds	5,864,640	-	-	5,864,640
Total fair value of investments	46,077,429	9,383,326	-	55,460,755

Investments, by level as described in Note 2, are as follows as of December 31, 2010:

Investments, by level as described in Note 2, are as follows as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Money market	-	5,282,874	-	5,282,874
Common collective trust fund	-	5,453,367	-	5,453,367
U.S. Large Cap	11,156,640	-	-	11,156,640
U.S. Mid-Cap	2,664,009	-	-	2,664,009
U.S. Small Cap	947,557	-	-	947,557
International Equity	3,946,730	-	-	3,946,730
U.S. Equity and fixed income	13,664,121	-	-	13,664,121
U.S. Bonds	4,979,012	-	-	4,979,012
Total fair value of investments	37,358,069	10,736,241	-	48,094,310

4. Income Tax Status

The Plan has received a determination letter from the IRS, dated January 6, 2011, stating that the Plan, as amended and restated, is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its tax-qualified status. The plan sponsor believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

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Plus (less): adjustments from fair value to contract		
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Add: current year adjustments from fair value to contract value for	
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Available for Benefits	41,935
Add: prior year adjustments from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts per the Statements of Net Assets	
Available for Benefits	101,406
Net investment income per the Form 5500	6,059,073

6. Plan Amendment

As of December 31, 2010, benefits available under the Pension Plan have been frozen. As of January 1, 2011, all active employees whose benefits under the Pension Plan were frozen will participate in the enhanced provisions of the Plan. Employees who were members of the Pension Plan as of December 31, 2010, will now be provided top-up contributions within the Plan for the period while they are active employees, or up to December 31, 2027.

7. Subsequent Events

Management has evaluated subsequent events to July 20, 2011, which represents the date the financial statements were available to be issued.

Supplemental Schedule

EIN: 98-0220829

Plan Number: 002

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December 31, 2010

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¹ Fidelity Freedom 2045 Fund	16,604 units	157,568
¹ Fidelity Freedom 2050 Fund	13,921 units	130,582
Rainier Small/Mid Cap Equity Portfolio	76,406 units	2,495,436
PIMCO High Yield Fund – Admin Class	149,985 units	1,394,863
MSI International Equity Portfolio – Class P	9,270 units	124,682
Vanguard Inflation-Protected Securities Fund Admiral Share	es 14,296 units	365,108
MFS Value Fund Class R3	2,816 units	64,065
American Beacon Small Cap Value Fund – Plan Ahead	27,134 units	526,661
American Century Large Company Value Fund – Investor C		645,078
Royce Pennsylvania Inv	83,893 units	977,355
Total mutual funds		\$ 46,077,429

EIN: 98-0220829

Plan Number: 002

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) (continued)

December 31, 2010

<u>(a)</u>	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
¹ Commor	n collective trust fund		
Fidelity N	Managed Income Portfolio	5,115,515 units	\$ 5,157,450
¹ Money n	narket fund		
Fidelity N	Money Market Trust – Retirement Money		
Market	Portfolio	4,225,876 units	4,225,876
Total inv	vestments		\$ 55,460,755
¹ Participa	ant loans	Interest rates range from 4.0% to 9.5%, maturing through 2025	\$ 1,468,714

1 Indicates party-in-interest to the Plan. Column (d), Cost, is not applicable as investments are participant directed.

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