LHC Group, Inc
Form S-3
June 14, 2006

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As filed with the Securities and Exchange Commission on June 14, 2006

Registration No.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LHC GROUP, INC.
(Exact Name of Registrant as specified in its charter)

Delaware	**8082**	**71-0918189**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

420 West Pinhook Rd, Suite A, Lafayette, LA 70503, (337) 233-1307
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)
Keith G. Myers, President and Chief Executive Officer, LHC Group, Inc.
420 West Pinhook Rd., Suite A, Lafayette, LA 70503, (337) 233-1307
(Name, address, including zip code and telephone number, including area code, of agent for service)
Copies to:
Peter C. November, Esq., Alston & Bird LLP, 1201 West Peachtree Street NW, Atlanta, GA 30309, (404) 881-7000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or reinvestment plans, please check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

curities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggr Offering Price(3)
value	(4)	(4)	(4)
value	(4)	(4)	(4)
	$50,000,000	100%	$50,000,000

(1) The securities registered also include such indeterminate amounts and numbers of common stock, as may be issued upon conversion of or exchange for preferred stock that provide for conversion or exchange or pursuant to the antidilution provisions of any such securities.

(2) The proposed maximum offering price per share will be determined from time to time by LHC Group, Inc. in connection with the issuance by the registrant of the securities registered hereunder.

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the Securities Act).

(4) Not required to be included in accordance with General Instruction II.D. of Form S-3 under the Securities Act.

ss of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)
value $0.01 per share, to be sold ders	4,000,000	$19.695	$78,780,000

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act based on the average of the high and low reported sales prices on the Nasdaq National Market on June 8, 2006.

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The information in this prospectus is not complete and may be changed. No person may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 14, 2006

PROSPECTUS

$50,000,000
Common Stock
Preferred Stock

4,000,000 Shares
Common Stock

LHC Group, Inc. may from time to time offer up to an aggregate of $50,000,000 in shares of common stock or preferred stock.

Our common stock is traded on the Nasdaq National Market under the symbol LHCG. On June 8, 2006, the last reported sale price for our common stock on the Nasdaq National Market was $19.92 per share. We will apply to list any shares of common stock sold under this prospectus and any prospectus supplement on the Nasdaq National Market. We have not determined whether we will list any series of preferred stock we may offer on any exchange or over-the-counter market. If we decide to seek listing of any series of preferred stock, a prospectus supplement will disclose the exchange or market.

Some of our stockholders may sell up to 4,000,000 shares of our common stock under this prospectus and any prospectus supplement. In the prospectus supplement relating to sales by selling stockholders, we will identify each selling stockholder and the number of shares of our common stock that each selling stockholder will be selling.

When we offer securities, we will provide specific terms of such securities in supplements to this prospectus. The securities offered by this prospectus and any prospectus supplement may be offered directly by us to investors, through agents designated from time to time or through underwriters or dealers. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution. If any underwriters are involved in the sale of any securities offered by this prospectus and any prospectus supplement, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. The net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

You should read this prospectus and any prospectus supplement carefully before you invest in any of our securities.

Investing in our securities involves risks. Risks associated with an investment in our securities will be described in the applicable prospectus supplement and certain of our filings with the Securities and Exchange Commission, as described under the section entitled Risk Factors on page 1.

Neither the Securities and Exchange Commission, any state securities commission, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2006.

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or the Commission, utilizing a shelf registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $50,000,000. In addition, some of our stockholders may sell up to 4,000,000 shares of our common stock under our shelf registration statement. This prospectus provides you with a general description of the securities we or any selling stockholder may offer. Each time we or any selling stockholders sell securities under this shelf registration, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and the accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. This prospectus and the accompanying supplement to this prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying supplement to this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and the accompanying prospectus supplement is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date

subsequent to the date of the document incorporated by reference, even though this prospectus and any accompanying prospectus supplement is delivered or securities are sold on a later date.

Unless the context otherwise requires or as otherwise expressly stated, references in this prospectus to LHC Group, we, us, our, and similar terms refer to LHC Group, Inc. and our consolidated subsidiaries.

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ABOUT LHC GROUP

We provide post-acute healthcare services primarily to Medicare beneficiaries in rural markets in the southern United States. We provide home-based services, primarily through home nursing agencies and hospices, and facility-based services, primarily through long-term acute care hospitals and outpatient rehabilitation clinics. Through our wholly and majority-owned subsidiaries, equity joint ventures, and controlled affiliates, we currently operate in Louisiana, Mississippi, Arkansas, Alabama, Texas, and West Virginia. As of March 31, 2006, we owned and operated 80 home nursing locations, of which 77 were Medicare-certified, and four Medicare-certified hospices. Of these 84 home-based services locations, 40 are wholly-owned by us and 44 are majority-owned or controlled by us through joint ventures. We also manage the operations of three home nursing agencies and one hospice in which we have no ownership interest. With respect to our facility-based services operations, as of March 31, 2006, we owned and operated four long-term acute hospitals with a total of seven locations, all located within host hospitals. We also owned and operated four outpatient rehabilitation clinics and provided contract rehabilitation services to third parties. Of these 11 facility-based services locations, four are wholly-owned by us and seven are majority-owned or controlled by us through joint ventures. We also manage the operations of one inpatient rehabilitation facility in which we have no ownership interest.

Our founders began operations in September 1994 as St. Landry Home Health, Inc. in Palmetto, Louisiana. After several years of expansion, in June 2000, our founders reorganized their business and began operating as Louisiana Healthcare Group, Inc. In March 2001, Louisiana Healthcare Group, Inc. reorganized and became a wholly owned subsidiary of The Healthcare Group, Inc., also a Louisiana business corporation. Effective December 2002, The Healthcare Group, Inc. merged into LHC Group, LLC, a Louisiana limited liability company, with LHC Group, LLC being the surviving entity. In January 2005, LHC Group, LLC established a wholly owned Delaware subsidiary, LHC Group, Inc. Effective February 9, 2005, LHC Group, LLC merged into LHC Group, Inc.

LHC Group is a Delaware corporation. Our principal executive offices are located at 420 West Pinhook Road, Suite A, Lafayette, Louisiana, 70503. Our telephone number is (337) 233-1307 and our website address is www.lhcgroup.com. Information contained on our website is not a part of this prospectus.

RISK FACTORS

You should carefully consider the specific risks set forth under the caption Risk Factors in the applicable prospectus supplement and under the caption Risk Factors in any of our filings with the Commission pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, incorporated by reference herein, including, without limitation, our Form 10-Q for the quarter ended March 31, 2006, before making an investment decision. For more information see Where You Can Find More Information.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements that are based on current expectations, estimates and projections about our industry, management s beliefs, and assumptions made by management. Words such as anticipates, expects, intends, plans, believes, seeks, estir
variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any forward-looking statements. The risks and uncertainties include those noted in Risk Factors above and in the documents incorporated by reference. Except as required by law, we undertake no obligation to update publicly any

forward-looking statements, whether as a result of new information, future events or otherwise.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our ratio of earnings to combined fixed charges and preferred stock dividends for each of the five fiscal years ended December 31, 2001, 2002, 2003, 2004 and 2005 and for the three months ended March 31, 2006 are set forth below. The information set forth below should be read in conjunction with the financial information incorporated by reference herein.

	Year Ended December 31,					Three Months Ended
	2001	2002	2003	2004	2005	March 31, 2006
Ratio of earnings to combined fixed charges and preferred stock dividends	9.6	8.0	7.9	16.7	19.7	76.8

USE OF PROCEEDS

We will use the net proceeds from our sale of the securities for our general corporate purposes, which may include repaying indebtedness, increasing our working capital, funding future acquisitions or for any other purpose we describe in the applicable prospectus supplement. We will not receive any of the proceeds from the sale of common stock that may be sold by selling stockholders.

SELLING STOCKHOLDERS

The selling stockholders may be our directors, executive officers, former directors, employees, former employees or other holders of our common stock. The shares of common stock to be sold by the selling stockholders were originally acquired in one of the following transactions:

- as founders shares in connection with our formation;
- through private offerings prior to our initial public offering; or
- through the conversion of joint venture equity interests or key employee equity participation units in connection with our initial public offering.

The prospectus supplement for any offering of the common stock by selling stockholders will include the following information:

- the names of the selling stockholders;
- the nature of any position, office or other material relationship which each selling stockholder has had within the last three years with us or any of our predecessors or affiliates;
- the number of shares held by each of the selling stockholders before and after the offering;

the percentage of the common stock held by each of the selling stockholders before and after the offering; and

the number of shares of our common stock offered by each of the selling stockholders.

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DESCRIPTION OF OUR CAPITAL STOCK

The following description of our capital stock is only a summary. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, we encourage you to read our certificate of incorporation and bylaws, copies of which are on file with the Commission as exhibits to registration statements previously filed by us, as well as the relevant portions of the Delaware General Corporation Law. See Where You Can Find More Information. As of the date of this prospectus, we are authorized to issue up to 40,000,000 shares of common stock, $0.01 par value, and 5,000,000 shares of preferred stock, $0.01 par value.

Common Stock

General. As of June 13, 2006, we had outstanding 16,559,828 shares of our common stock.

Voting Rights. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose.

Dividends. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive ratably those dividends, if any, as may be declared by the board of directors out of legally available funds.

Liquidation, Dissolution and Winding Up. Upon our liquidation, dissolution or winding up, the holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the prior rights of any preferred stock then outstanding.

Preemptive Rights. Holders of our common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to our common stock.

Assessment. All outstanding shares of our common stock are, and the shares of our common stock to be outstanding upon completion of any offering of common stock pursuant to this prospectus will be, fully paid and nonassessable.

Miscellaneous. The transfer agent and registrar for our common stock is SunTrust Bank. Our common stock is listed and traded on the Nasdaq National Market under the symbol LHCG.

Preferred Stock

A total of 5,000,000 shares of undesignated preferred stock is authorized, none of which is outstanding. The board of directors has the authority, without further action by the stockholders, to issue from time to time the undesignated preferred stock in one or more series and to fix the number of shares, designations, preferences, powers, and relative, participating, optional or other special rights and the qualifications or restrictions thereof. The preferences, powers, rights and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions, purchase funds and other matters. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of our common stock or adversely affect the rights and powers, including voting rights, of the holders of our common stock, and may have the effect of delaying, deferring or preventing a change in control of our company.

You should read the particular terms of any series of preferred stock offered by us, which will be described in more detail in any prospectus supplement relating to such series, together with the more detailed provisions of our certificate of incorporation and the certificate of designation relating to each particular series of preferred stock for provisions that may be important to you. The certificate of designation relating to the particular series of preferred stock offered by an accompanying prospectus supplement and this prospectus will be filed as an exhibit to a document incorporated by reference in the registration statement and will describe

the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. This description will include:

- the title and stated value;
- the number of shares we are offering;
- the liquidation preference per share;
- the purchase price per share;
- the dividend rate per share, if any, dividend period and payment dates and method of calculation for dividends;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;
- whether dividends may be payable in additional shares of preferred stock and the method of calculation therefor;
- our right, if any, to defer payment of dividends and the maximum length of any such deferral period;
- the procedures for any auction and remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption or repurchase, if any, and any restrictions on our ability to exercise those redemption and repurchase rights;
- any listing of the preferred stock on any securities exchange or market;
- whether the preferred stock will be convertible into our common stock, and, if applicable, the conversion period, the conversion price, or how it will be calculated, and under what circumstances it may be adjusted;
- voting rights, if any, of the preferred stock;
- preemption rights, if any;
- restrictions on transfer, sale or other assignment, if any;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material or special United States federal income tax considerations applicable to the preferred stock;
- the relative ranking and preferences of the preferred stock as to dividend rights and rights if we liquidate, dissolve or wind up our affairs;
- any limitations on issuances of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock being issued as to dividend rights and rights if we liquidate, dissolve or wind up our

affairs; and

any other specific terms, rights, preferences, privileges, limitations or restrictions of the preferred stock.

When we issue shares of preferred stock under this prospectus, the shares will be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

Delaware law provides that the holders of preferred stock have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in a certificate of designation.

The transfer agent, registrar, dividend disbursing agent and redemption agent for shares of each series of preferred stock will be named in the prospectus supplement relating to such series.

Anti-Takeover Effects of Provisions of our Certificate of Incorporation and Bylaws and Delaware Law

Some provisions of Delaware law and our certificate of incorporation and bylaws contain provisions that could make the following transactions more difficult: (1) acquisition of us by means of a tender offer; (2) acquisition of us by means of a proxy contest or otherwise; or (3) removal of our incumbent officers and directors. These provisions, summarized below, are intended to encourage persons seeking to acquire control of us to first negotiate with our board of directors. These provisions also serve to discourage hostile takeover practices and inadequate takeover bids.

Undesignated Preferred Stock. Our board of directors has the ability to authorize undesignated preferred stock, which allows the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any unsolicited attempt to change control of our company. This ability may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Stockholder Meetings. Our bylaws provide that a special meeting of stockholders may be called only by our President, our Chief Executive Officer or by a resolution adopted by a majority of our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee thereof.

Elimination of Stockholder Action by Written Consent. Our certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting.

Election and Removal of Directors. Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. Once elected, directors may be removed only for cause and only by the affirmative vote of a majority of our outstanding common stock. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.

Delaware Anti-Takeover Statute. We are subject to Section 203 of the Delaware General Corporation Law which prohibits persons deemed interested stockholders from engaging in a business combination with a Delaware corporation for three years following the date these persons become interested stockholders. Generally, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15.0% or more of a corporation s voting stock. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

The provisions of Delaware law and our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. Such provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Limitations of Liability and Indemnification Matters

We have adopted provisions in our certificate of incorporation that limit the liability of our directors for monetary damages for breach of their fiduciary duties, except for liability that cannot be eliminated under the Delaware General

Corporation Law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following: (1) any breach of their duty of loyalty to the corporation or the stockholders; (2) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or (4) any transaction from which the director derived an improper

personal benefit. This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our bylaws also provide that we will indemnify our directors and executive officers and we may indemnify our other officers and employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether our bylaws would permit indemnification. We have entered into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our charter documents. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses, judgments, fines, and settlement amounts incurred by any such person in any action or proceeding arising out of such person s services as a director or executive officer or at our request.

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PLAN OF DISTRIBUTION

We or the selling stockholders may sell securities through underwriters or dealers, through agents, or directly to one or more purchasers or through a combination of any of these methods of sale. A prospectus supplement or supplements will describe the terms of the offering of the securities, including:

- the name or names of any underwriters, if any;
- the purchase price of the securities and the proceeds we will receive from the sale;
- any over-allotment options under which underwriters may purchase additional securities from us;
- any agency fees or underwriting discounts and other items constituting agents or underwriters compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

We or any selling stockholder may sell securities from time to time in one or more transactions:

- at a fixed price or prices, which may be changed,
- at market prices prevailing at the time of sale,
- at prices relating to the prevailing market prices or at negotiated prices.

The distribution of the securities may be effected from time to time in one or more transactions, by means of one or more of the following transactions, which may include:

- block trades;
- at-the-market offerings;
- negotiated transactions;
- put or call option transactions relating to the securities;
- under delayed delivery contracts or other contractual commitments; or
- a combination of such methods of sale.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, if available, rather than under this prospectus.

Only underwriters named in the prospectus supplement are underwriters of the securities offered by the prospectus supplement.

If underwriters are used in the sale, they will acquire the securities for their own account and may resell the stock from time to time in one or more transactions at a fixed public offering price. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. We or the selling stockholders may offer the securities to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Subject to certain conditions, the underwriters will be obligated to purchase all the securities offered by the prospectus supplement. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may change from time to time. We may use underwriters with whom we have a material relationship, which we will describe in the applicable prospectus supplement, naming the underwriter.

If a dealer is used in the sale of the securities, we, the selling stockholders or an underwriter will sell the securities to the dealer, as principal. The dealer may resell the securities to the public at varying prices to be determined by the dealer at the time of resale. The prospectus supplement will set forth the name of the dealer and the terms of the transaction.

We or the selling stockholders may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, any such agent will act on a best-efforts basis for the period of its appointment.

We or the selling stockholders may authorize agents or underwriters to solicit offers by certain types of institutional investors to purchase securities from us or the selling stockholders at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. We will describe the conditions to these contracts and the commissions we or the selling stockholders must pay for solicitation of these contracts in the prospectus supplement.

We and the selling stockholders may provide agents and underwriters with indemnification against civil liabilities related to this offering, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. The prospectus supplement will describe the terms and conditions of indemnification or contribution. Agents and underwriters may engage in transactions with, or perform services for, us in the ordinary course of business.

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions.

Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer is purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters who are qualified market makers on the Nasdaq National Market may engage in passive market making transactions in the securities on the Nasdaq National Market in accordance with Rule 103 of Regulation M, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the securities. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker s bid, however, the passive market maker s bid must then be lowered when certain purchase limits are exceeded.

LEGAL MATTERS

Unless otherwise specified in the prospectus supplement accompanying this prospectus, Alston & Bird LLP, Atlanta, Georgia, will provide opinions about certain legal matters with respect to the securities. Any underwriters will also be advised about legal matters by their own counsel, who will be named in the prospectus supplement.

EXPERTS

The consolidated financial statements of LHC Group, Inc. appearing in LHC Group, Inc. s Annual Report on Form 10-K for the year ended December 31, 2005 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Commission. You may read and copy any document we file at the Commission s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. Our filings with the Commission are also available to the public at the Commission s website at http://www.sec.gov. You may also inspect copies of these materials and other information about us at the offices of the Nasdaq Stock Market, Inc., National Market System, 1735 K Street, N.W., Washington, D.C. 20006-1500.

INFORMATION INCORPORATED BY REFERENCE

The Commission allows us to incorporate by reference in this prospectus the information in other documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the Commission will automatically update and supersede information contained in documents filed earlier with the Commission or contained in this prospectus or a prospectus supplement. We incorporate by reference the documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act, between the date of this prospectus and the termination of the offering and also between the date of the initial registration statement and prior to effectiveness of the registration statement:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on March 31, 2006.
- our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006, filed on May 15, 2006.
- our Proxy Statement relating to the annual meeting of stockholders to be held on June 13, 2006, filed on April 28, 2006.
- our Current Reports on Form 8-K filed on January 4, 2006, January 23, 2006, March 16, 2006, May 5, 2006, May 23, 2006, and June 7, 2006.
- the description of the shares of common stock contained in the Registration Statement on Form 8-A filed on June 6, 2005 (File no. 000-51343).

This prospectus is part of a registration statement on Form S-3 we have filed with the Commission under the Securities Act. This prospectus does not contain all of the information in the registration statement. We have omitted certain parts of the registration statement or the exhibits and schedules thereto, as permitted by the rules and regulations of the Commission. You may inspect and copy the registration statement, including exhibits, at the Commission s public reference room or website. Our statements in this prospectus about the contents of any contract or other document are summaries of the terms of such contracts or documents and are not necessarily complete. You should refer to the copy of each contract or other document we have filed as an exhibit to the registration statement for complete information.

We will furnish without charge to you, upon written or oral request, a copy of any or all of the documents incorporated by reference, including the exhibits or schedules to these documents. You should direct any such requests to the Company s secretary at LHC Group, Inc., 420 West Pinhook Road, Suite A, Lafayette, Louisiana 70503 or by telephone at (337) 233-1307.

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PROSPECTUS

$50,000,000
Common Stock
Preferred Stock

4,000,000 Shares
Common Stock

, 2006

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information contained or incorporated by reference in this prospectus is accurate as of any date other than the date of this prospectus. We are not making an offer of these securities in any state where the offer is not permitted.

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

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Employees

As of December 31, 2010, we had 433 employees. We consider our relations with our employees to be good.

Environmental Matters

Our operations are subject to federal, state, and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities to investigate or remediate contamination, as well as other liabilities concerning hazardous materials or contamination, such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as at properties currently owned or operated by us. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent and compliance with those requirements more expensive. We are not aware of any specific developments that would increase our costs for such compliance in a manner that would be expected to have a material adverse effect on our results of operations, financial position or liquidity.

Our assets and operations also involve the use of materials classified as hazardous, toxic or otherwise dangerous. Many of the properties our Regulated Operating Subsidiaries own or operate have been used for many years, and include older facilities and equipment that may be more likely than newer ones to contain or be made from such materials. Some of these properties include aboveground or underground storage tanks and associated piping. Some of them also include large electrical equipment filled with mineral oil, which may contain or previously have contained polychlorinated biphenyls (commonly known as PCBs). Our facilities and equipment are often situated close to or on property owned by others so that, if they are the source of contamination, the property of others may be affected. For example, aboveground and underground transmission lines sometimes traverse properties that we do not own, and, at some of our transmission stations, transmission assets (owned or operated by us) and distribution assets (owned or operated by our transmission customers) are commingled.

Some properties in which we have an ownership interest or at which we operate are, and others are suspected of being, affected by environmental contamination. We are not aware of any claims pending or threatened against us with respect to environmental contamination, or of any investigation or remediation of contamination at any properties, that entail costs likely to materially affect us. Some facilities and properties are located near environmentally sensitive areas such as wetlands.

Claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electric transmission and distribution lines. While we do not believe that a causal link between electromagnetic field exposure and injury has been generally established and accepted in the scientific community, if such a relationship is established or accepted, the liabilities and costs imposed on our business could be significant. We are not aware of any claims pending or threatened against us for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields and electric transmission and distribution lines that entail costs likely to have a material adverse effect on our results of operations, financial position or liquidity.

Filings Under the Securities Exchange Act of 1934

Our internet address is http://www.itc-holdings.com. You can access free of charge on our web site all of our reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports. These reports are available as soon as

practicable after they are electronically filed with the Securities and Exchange Commission (the SEC). Also on our web site are our:

Corporate Governance Guidelines;

Code of Business Conduct and Ethics; and

Committee Charters for the Audit and Finance Committee, Compensation Committee and Nominating/Corporate Governance Committee.

Our Code of Business Conduct and Ethics applies to all directors, officers and employees, including our Chairman, President and Chief Executive Officer and our Executive Vice President, Treasurer and Chief Financial Officer. We will post any amendments to the Code of Business Conduct and Ethics, and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE, on our web site within the required periods. The information on our web site is not incorporated by reference into this report.

To learn more about us, please visit our website at http://www.itc-holdings.com. We use our website as a channel of distribution of material company information. Financial and other material information regarding us is routinely posted on our website and is readily accessible.

You may also read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington DC, 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is http://www.sec.gov.

ITEM 1A. ***RISK FACTORS.***

Risks Related to Our Business

Certain elements of our Regulated Operating Subsidiaries cost recovery through rates can be challenged, which could result in lowered rates and/or refunds of amounts previously collected and thus have an adverse effect on our business, financial condition, results of operations and cash flows. We have also made certain commitments to federal and state regulators with respect to, among other things, our rates in connection with recent acquisitions (including ITC Midwest s acquisition of IP&L s electric transmission assets) that could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our Regulated Operating Subsidiaries provide transmission service under rates regulated by the FERC. The FERC has approved the cost-based formula rate templates used by our Regulated Operating Subsidiaries, but it has not expressly approved the amount of actual capital and operating expenditures to be used in the formula rates. All aspects of our Regulated Operating Subsidiaries rates approved by the FERC, including the formula rate templates, ITCTransmission s, METC s, ITC Midwest s and ITC Great Plains respective allowed 13.88%, 13.38%, 12.38% and 12.16% rates of return on the actual equity portion of their respective capital structures, and the data inputs provided by our Regulated Operating Subsidiaries for calculation of each year s rate, are subject to challenge by interested parties at the FERC in a proceeding under Section 206 of the FPA. If a challenger can establish that any of these aspects are unjust, unreasonable, unduly discriminatory or preferential, then the FERC will make appropriate prospective adjustments to them and/or disallow any of our Regulated Operating Subsidiaries inclusion of those aspects in the rate setting formula. This could result in lowered rates and/or refunds of amounts collected after the date that a Section 206 challenge is filed.

On November 18, 2008, IP&L filed a complaint against ITC Midwest with the FERC under Section 206 of the Federal Power Act. The complaint alleged that: (1) the operations and maintenance expenses and administrative and general expenses projected in the 2009 ITC Midwest rate appeared excessive; (2) the true-up amount related to ITC Midwest s posted network rate for the period through December 31, 2008 would cause ITC Midwest to charge an excessive rate in future years; and (3) the methodology of allocating

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administrative and general expenses among ITC Holdings operating companies was changed, resulting in such additional expenses being allocated to ITC Midwest. Among other things, IP&L s complaint sought investigative action by the FERC relating to ITC Midwest s transmission service charges reflected in its 2009 rate, as well as hearings regarding the justness and reasonableness of the 2009 rate (with the ultimate goal of reducing such rate).

On April 16, 2009, the FERC issued an order that dismissed the IP&L complaint, citing that IP&L failed to meet its burden to establish that the current rate is unjust and unreasonable and that IP&L s alternative rate proposal is just and reasonable. Requests for rehearing have been filed with the FERC and, therefore the April 16 order remains subject to rehearing and ultimately to an appeal to a Federal Court of Appeals within 30 days of any decision on rehearing.

The FERC s order approving our acquisition of METC was conditioned upon ITCTransmission and METC not recovering merger-related costs in their rates, as described in the order, unless a separate informational filing is submitted to the FERC. The informational filing, which could be challenged by interested parties, would need to identify those costs and show that such costs are outweighed by the benefits of the acquisition. Determinations by ITCTransmission or METC that expenses included in their formula rate template for recovery are not acquisition related costs are also subject to challenge by interested parties at the FERC. If challenged at the FERC and ITCTransmission or METC fail to show that costs included for recovery are not merger-related, this also could result in lowered rates and/or refunds of amounts collected. We have not sought recovery of merger-related costs at ITCTransmission or METC.

Under the FERC s order approving ITC Midwest s asset acquisition, ITC Midwest agreed to a hold harmless commitment in which no acquisition premium will be recovered in rates, nor will ITC Midwest recover through transmission rates any transaction-related costs that exceed demonstrated transaction-related savings for a period of five years. If during the five year period ITC Midwest seeks to recover transaction-related costs through its formula rate, ITC Midwest must make an informational filing at the FERC that identifies the transaction-related costs sought to be recovered and demonstrates that those costs are exceeded by transaction-related savings. If challenged at the FERC and ITC Midwest fails to show that transaction-related costs included for recovery do not exceed transaction-related savings, ITC Midwest could be subject to lowered rates and/or refunds of amounts previously collected. Additionally, in Iowa and Minnesota, as part of the regulatory approval process, ITC Midwest committed not to recover the first $15.0 million in transaction-related costs under any circumstances. We have not sought recovery of transaction-related costs at ITC Midwest.

In the Minnesota regulatory proceeding, ITC Midwest also agreed to build two transmission projects intended to improve the reliability and efficiency of our electric transmission system. Specifically, ITC Midwest made commitments to use commercially reasonable best efforts to complete these projects prior to December 31, 2009 and 2011, respectively. In the event ITC Midwest is found to have failed to meet these commitments, the allowed 12.38% rate of return on the actual equity portion of ITC Midwest s capital structure would be reduced to 10.39% until such time as ITC Midwest completes these projects, and ITC Midwest would refund with interest any amounts collected since the close date of the transaction that exceeded what would have been collected if the 10.39% return on equity had been used. The project that was required to be completed prior to December 31, 2009 was completed by that deadline. With respect to the second project, the 345 kV Salem-Hazelton line, the IUB must provide certain regulatory approvals, but, due to the current case schedule, we do not expect the approvals to be received in time to allow the project to be completed by December 31, 2011. While we believe we have used commercially reasonable best efforts to meet the December 31, 2011 deadline, any of the events described above could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our Regulated Operating Subsidiaries actual capital expenditures may be lower than planned, which would decrease expected rate base and therefore our expected revenues and earnings. In addition, we expect to invest in strategic development opportunities to improve the efficiency

and reliability of the transmission grid, but we cannot assure you that we will be able to initiate or complete any of these investments.

Each of our Regulated Operating Subsidiaries rate base, revenues and earnings are determined in part by additions to property, plant and equipment when placed in service. We anticipate making significant capital investments over the next five years which include estimated transmission network upgrades for generator interconnections. The amounts for network upgrades could change significantly due to factors beyond our control, such as changes in the MISO queue for generation projects and whether the generator meets the various criteria of Attachment FF of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff for the project to qualify as a refundable network upgrade, among other factors. If our Regulated Operating Subsidiaries capital expenditures and the resulting in-service property, plant and equipment are lower than anticipated for any reason, our Regulated Operating Subsidiaries will have a lower than anticipated rate base thus causing their revenue requirements and future earnings to be potentially lower than anticipated.

In addition, we are pursuing broader strategic development investment opportunities for transmission construction related to building regional transmission facilities, interconnections for generating resources, and other investment opportunities. The incumbent utilities or other entities with transmission development initiatives may compete with us by deciding to pursue capital projects that we are pursuing. These estimates of potential investment opportunities are based primarily on foreseeable transmission needs and general transmission construction costs, not necessarily on particular project cost estimates.

Any capital investment at our Regulated Operating Subsidiaries or as a result of our broader strategic development initiatives may be lower than expected due to, among other factors, the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labor shortages, material and equipment prices and availability, our ability to obtain financing for such expenditures, if necessary, limitations on the amount of construction that can be undertaken on our system or transmission systems owned by others at any one time or regulatory approvals for reasons relating to rate construct, environmental, siting, regional planning, cost recovery and other issues or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded. Our ability to engage in construction projects resulting from pursuing these initiatives is subject to significant uncertainties, including the factors discussed above, and will depend on obtaining any necessary regulatory and other approvals for the project and for us to initiate construction, our achieving status as the builder of the project in some circumstances and other factors. Therefore, we can provide no assurance as to the actual level of investment we may achieve at our Regulated Operating Subsidiaries or as a result of the broader strategic development initiatives.

The regulations to which we are subject may limit our ability to raise capital and/or pursue acquisitions, development opportunities or other transactions or may subject us to liabilities.

Each of our Regulated Operating Subsidiaries is a public utility under the FPA and, accordingly, is subject to regulation by the FERC. Approval of the FERC is required under Section 203 of the FPA for a disposition or acquisition of regulated public utility facilities, either directly or indirectly through a holding company. Such approval may also be required to acquire securities in a public utility. Section 203 of the FPA also provides the FERC with explicit authority over utility holding companies purchases or acquisitions of, and mergers or consolidations with, a public utility. Finally, each of our Regulated Operating Subsidiaries must also seek approval by the FERC under Section 204 of the FPA for issuances of its securities (including debt securities).

We are also pursuing strategic development opportunities for construction of transmission facilities and interconnections with generating resources. These projects require regulatory approval by the FERC, applicable RTOs and state regulatory agencies. Failure to secure such regulatory approval for new strategic development projects could adversely affect our ability to grow our business and increase our revenues. In addition, we are subject to state and/or

local regulations relating to, among other things, facility siting. If we fail to comply with these local regulations, we may incur liabilities for such failure.

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Changes in federal energy laws, regulations or policies could impact cash flows and could reduce the dividends we may be able to pay our stockholders.

The formula rate templates used by our Regulated Operating Subsidiaries to calculate their respective annual revenue requirements will be used by our Regulated Operating Subsidiaries for that purpose until and unless the FERC determines that such rate formula is unjust and unreasonable or that another mechanism is more appropriate. Such determinations could result from challenges initiated at the FERC by interested parties, by the FERC on its own initiative in a proceeding under Section 206 of the FPA or by a successful application initiated by any of our Regulated Operating Subsidiaries under Section 205 of the FPA. End-use consumers and entities supplying electricity to end-use consumers may attempt to influence government and/or regulators to change the rate setting methodologies that apply to our Regulated Operating Subsidiaries, particularly if rates for delivered electricity increase substantially.

Each of our Regulated Operating Subsidiaries is regulated by the FERC as a public utility under the FPA and is a transmission owner in MISO or SPP. We cannot predict whether the approved rate methodologies for any of our Regulated Operating Subsidiaries will be changed. In addition, the U.S. Congress periodically considers enacting energy legislation that could shift new responsibilities to the FERC, modify provisions of the FPA or provide the FERC or another entity with increased authority to regulate transmission matters. We cannot predict whether, and to what extent, our Regulated Operating Subsidiaries may be affected by any such changes in federal energy laws, regulations or policies in the future.

If amounts billed for transmission service for our Regulated Operating Subsidiaries transmission systems are lower than expected, the timing of collection of our revenues would be delayed.

If amounts billed for transmission service are lower than expected, which could result from lower network load or point-to-point transmission service on our Regulated Operating Subsidiaries transmission systems due to weather, a weak economy, changes in the nature or composition of the transmission assets of our Regulated Operating Subsidiaries and surrounding areas, poor transmission quality of neighboring transmission systems, or for any other reason, the timing of the collection of our revenue requirement would likely be delayed until such circumstances are adjusted through the true-up mechanism in our Regulated Operating Subsidiaries formula rate templates.

Each of our MISO Regulated Operating Subsidiaries depends on its primary customer for a substantial portion of its revenues, and any material failure by those primary customers to make payments for transmission services would adversely affect our revenues and our ability to service our debt obligations and affect our ability to pay dividends.

ITCTransmission derives a substantial portion of its revenues from the transmission of electricity to Detroit Edison s local distribution facilities. Detroit Edison accounted for 77.5% of ITCTransmission s total operating revenues for the year ended December 31, 2010 and is expected to constitute the majority of ITCTransmission s revenues for the foreseeable future. Detroit Edison is rated BBB+/stable and Baa1/stable by Standard & Poor s Ratings Services and Moody s Investors Services, Inc., respectively. Similarly, Consumers Energy accounted for 72.3% of METC s total operating revenues for the year ended December 31, 2010 and is expected to constitute the majority of METC s revenues for the foreseeable future. Consumers Energy is rated BBB-/stable and Baa2/stable by Standard & Poor s Ratings Services and Moody s Investors Service, Inc., respectively. Further, IP&L accounted for 82.5% of ITC Midwest s total operating revenues for the year ended December 31, 2010 and is expected to constitute the majority of ITC Midwest s revenues for the foreseeable future. IP&L is rated BBB+/stable and A3/stable by Standard & Poor s Ratings Services and Moody s Investors Service, Inc., respectively. These percentages of total operating revenues of Detroit Edison, Consumers Energy and IP&L include an estimate for the 2010 revenue accrual and deferrals that were included in our 2010 operating revenues, but will not be billed to our customers until 2012. We have assumed that the revenues billed to these customers in 2012 would be in the same proportion of the respective percentages of network

and regional cost sharing revenues billed to them in 2010.

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Any material failure by Detroit Edison, Consumers Energy or IP&L to make payments for transmission services could adversely affect our financial condition and results of operations and our ability to service our debt obligations, and could impact the amount of dividends we pay our stockholders.

A significant amount of the land on which our Regulated Operating Subsidiaries assets are located is subject to easements, mineral rights and other similar encumbrances. As a result, our Regulated Operating Subsidiaries must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete construction projects in a timely manner.

METC does not own the majority of the land on which its electric transmission assets are located. Instead, under the provisions of an Easement Agreement with Consumers Energy, METC pays annual rent of $10.0 million to Consumers Energy in exchange for rights-of-way, leases, fee interests and licenses which allow METC to use the land on which its transmission lines are located. Under the terms of the Easement Agreement, METC s easement rights could be eliminated if METC fails to meet certain requirements, such as paying contractual rent to Consumers Energy in a timely manner. Additionally, a significant amount of the land on which ITCTransmission s, ITC Midwest s and ITC Great Plains assets are located is subject to easements, mineral rights and other similar encumbrances. As a result, they must comply with the provisions of various easements, mineral rights and other similar encumbrances, which may adversely impact their ability to complete their construction projects in a timely manner.

If ITC Midwest s Operations Services Agreement with IP&L is terminated, ITC Midwest may face a shortage of labor or replacement contractors to provide the services formerly provided by IP&L.

ITC Midwest and IP&L have entered into the Operations Services Agreement For 34.5 kV Transmission Facilities (the OSA), under which IP&L performs certain operations functions for ITC Midwest s 34.5 kV transmission system. The OSA s term is from January 1, 2011 until December 31, 2015, and by its terms will remain in full force and effect from year to year thereafter until terminated by either party upon not less than one year prior written notice to the other party. If the OSA is terminated for any reason or at a time when ITC Midwest is unprepared for such termination, ITC Midwest may face difficulty finding a qualified replacement work force to provide such services, which could have a material adverse effect on its ability to carry on its business and on its results of operations.

Hazards associated with high-voltage electricity transmission may result in suspension of our Regulated Operating Subsidiaries operations or the imposition of civil or criminal penalties.

The operations of our Regulated Operating Subsidiaries are subject to the usual hazards associated with high-voltage electricity transmission, including explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, equipment interruptions, remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases and other environmental risks. The hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. We maintain property and casualty insurance, but we are not fully insured against all potential hazards incident to our business, such as damage to poles, towers and lines or losses caused by outages.

Our Regulated Operating Subsidiaries are subject to environmental regulations and to laws that can give rise to substantial liabilities from environmental contamination.

The operations of our Regulated Operating Subsidiaries are subject to federal, state and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities to investigate

or remediate contamination, as

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well as other liabilities concerning hazardous materials or contamination such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as at properties currently owned or operated by our Regulated Operating Subsidiaries. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent in recent years, and compliance with those requirements more expensive.

Our Regulated Operating Subsidiaries have incurred expenses in connection with environmental compliance, and we anticipate that each will continue to do so in the future. Failure to comply with the extensive environmental laws and regulations applicable to each could result in significant civil or criminal penalties and remediation costs. Our Regulated Operating Subsidiaries assets and operations also involve the use of materials classified as hazardous, toxic, or otherwise dangerous. Some of our Regulated Operating Subsidiaries facilities and properties are located near environmentally sensitive areas such as wetlands and habitats of endangered or threatened species. In addition, certain properties in which our Regulated Operating Subsidiaries operate are, or are suspected of being, affected by environmental contamination. Compliance with these laws and regulations, and liabilities concerning contamination or hazardous materials, may adversely affect our costs and, therefore, our business, financial condition and results of operations.

In addition, claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electric transmission and distribution lines. We cannot assure you that such claims will not be asserted against us or that, if determined in a manner adverse to our interests, such claims would not have a material adverse effect on our business, financial condition and results of operations.

Our Regulated Operating Subsidiaries are subject to various regulatory requirements, including reliability standards. Violations of these requirements, whether intentional or unintentional, may result in penalties that, under some circumstances, could have a material adverse effect on our financial condition, results of operations and cash flows.

The various regulatory requirements to which we are subject include reliability standards established by the NERC, which acts as the nation s Electric Reliability Organization approved by the FERC in accordance with Section 215 of the FPA. These standards address operation, planning and security of the bulk power system, including requirements with respect to real-time transmission operations, emergency operations, vegetation management, critical infrastructure protection and personnel training. Failure to comply with these requirements can result in monetary penalties as well as non-monetary sanctions. Monetary penalties vary based on an assigned risk factor for each potential violation, the severity of the violation and various other circumstances, such as whether the violation was intentional or concealed, whether there are repeated violations, the degree of the violator s cooperation in investigating and remediating the violation and the presence of a compliance program. Penalty amounts range from $1,000 to a maximum of $1.0 million per day, depending on the severity of the violation. Non-monetary sanctions include potential limitations on the violator s activities or operation and placing the violator on a watchlist for major violators. Despite our best efforts to comply and the implementation of a compliance program intended to ensure reliability, there can be no assurance that violations will not occur that would result in material penalties or sanctions. If any of our Regulated Operating Subsidiaries were to violate the NERC reliability standards, even unintentionally, in any material way, any penalties or sanctions imposed against us could have a material adverse effect on our financial condition, results of operations and cash flows.

Acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and cash flows.

Acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and cash flows in unpredictable ways, such as increased security measures and disruptions of markets. Strategic targets, such as energy related assets, including, for example, our Regulated Operating Subsidiaries transmission facilities and Detroit Edison s, Consumers Energy s and IP&L s generation and distribution facilities, may be at risk of future terrorist attacks. In addition to the increased costs associated with heightened security requirements, such events may have an adverse effect on the economy in general. A lower level of economic activity could result in a decline in energy consumption, which may adversely affect our business, financial condition and cash flows.

Risks Relating to Our Structure and Financial Leverage

ITC Holdings is a holding company with no operations, and unless we receive dividends or other payments from our subsidiaries, we may be unable to pay dividends and fulfill our other cash obligations.

As a holding company with no business operations, ITC Holdings material assets consist primarily of the stock and membership interests in our Regulated Operating Subsidiaries and our other subsidiaries, deferred tax assets relating primarily to federal income tax NOLs and cash on hand. Our only sources of cash to pay dividends to our stockholders are dividends and other payments received by us from time to time from our Regulated Operating Subsidiaries and our other subsidiaries and the proceeds raised from the sale of our debt and equity securities. Each of our Regulated Operating Subsidiaries, however, is legally distinct from us and has no obligation, contingent or otherwise, to make funds available to us for the payment of dividends to ITC Holdings stockholders or otherwise. The ability of each of our Regulated Operating Subsidiaries and our other subsidiaries to pay dividends and make other payments to us is subject to, among other things, the availability of funds, after taking into account capital expenditure requirements, the terms of its indebtedness, applicable state laws and regulations of the FERC and the FPA. While we currently intend to continue to pay quarterly dividends on our common stock, we have no obligation to do so. The payment of dividends is within the absolute discretion of our board of directors and will depend on, among other things, our results of operations, working capital requirements, capital expenditure requirements, financial condition, contractual restrictions, anticipated cash needs and other factors that our board of directors deems relevant.

We are highly leveraged and our dependence on debt may limit our ability to fulfill our debt obligations and/or to obtain additional financing.

We are highly leveraged and our consolidated indebtedness consists of various outstanding debt securities and borrowings under various revolving credit agreements. This capital structure can have several important consequences, including, but not limited to, the following:

- If future cash flows are insufficient, we may not be able to make principal or interest payments on our debt obligations, which could result in the occurrence of an event of default under one or more of those debt instruments.

- If future cash flows are insufficient, we may need to incur further indebtedness in order to make the capital expenditures and other expenses or investments planned by us.

- Our indebtedness has the general effect of reducing our flexibility to react to changing business and economic conditions insofar as they affect our financial condition and, therefore, may pose substantial risk to our shareholders. A substantial portion of the dividends and payments in lieu of taxes we receive from our

Regulated Operating Subsidiaries will be dedicated to the payment of interest on our indebtedness, thereby reducing the funds available for the payment of dividends on our common stock.

In the event that we are liquidated, our senior or subordinated creditors and the senior or subordinated creditors of our subsidiaries will be entitled to payment in full prior to any distributions to the holders of shares of our common stock.

We currently have debt instruments outstanding with relatively short remaining maturities. Our ability to secure additional financing prior to or after these facilities mature, if needed, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in our debt instruments.

Market conditions could affect our access to capital markets, restrict our ability to secure financing to make the capital expenditures and other expenses or investments planned by us and could adversely affect our business, financial condition, cash flows and results of operations.

We may incur substantial indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks described here.

Certain provisions in our debt instruments limit our financial flexibility.

Our debt instruments include senior notes, secured notes, first mortgage bonds and revolving credit agreements containing numerous financial and operating covenants that place significant restrictions on, among other things, our ability to:

incur additional indebtedness;

engage in sale and lease-back transactions;

create liens or other encumbrances;

enter into mergers, consolidations, liquidations or dissolutions, or sell or otherwise dispose of all or substantially all of our assets;

create and acquire subsidiaries; and

pay dividends or make distributions on our and ITCTransmission s capital stock and METC s, ITC Midwest s, and ITC Great Plains member capital.

The revolving credit agreements, ITC Holdings senior notes, ITCTransmission s first mortgage bonds, ITC Midwest s first mortgage bonds and METC s senior secured notes require us to meet certain financial ratios, such as maintaining certain debt to capitalization ratios. Our ability to comply with these and other requirements and restrictions may be affected by changes in economic or business conditions, results of operations or other events beyond our control. A failure to comply with the obligations contained in any of our debt instruments could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions.

Adverse changes in our credit ratings may negatively affect us.

Our ability to access capital markets is important to our ability to operate our business. Increased scrutiny of the energy industry and the impact of regulation, as well as changes in our financial performance and unfavorable conditions in the capital markets could result in credit agencies reexamining our credit ratings. A downgrade in our

credit ratings could restrict or discontinue our ability to access capital markets at attractive rates and increase our borrowing costs. A rating downgrade could also increase the interest we pay under our revolving credit agreements.

The amount of our federal income tax NOLs that we may use to reduce our tax liability in any given period is limited.

We have significant federal income tax NOLs resulting in part from accelerated depreciation methods for property, plant and equipment for income tax reporting purposes. These federal income tax NOLs may

be used to offset future taxable income and thereby reduce our U.S. federal income taxes otherwise payable. Section 382 of the Internal Revenue Code of 1986, as amended imposes an annual limit on the ability of a corporation that undergoes an ownership change to use its federal income tax NOLs to reduce its tax liability. We are subject to annual limitations on the use of such federal income tax NOLs as a result of changes in our ownership in 2006. We have not recorded a valuation allowance relating to our federal income tax NOLs. In the event it becomes more likely than not that any portion of the federal income tax NOLs will expire unused, we would be required to recognize an expense to establish a valuation allowance in the period in which the determination is made. If the expense is significant, it could have a material adverse effect on our results of operations.

Provisions in our Articles of Incorporation and bylaws, Michigan corporate law and our debt agreements may impede efforts by our shareholders to change the direction or management of our company.

Our Articles of Incorporation and bylaws contain provisions that might enable our management to resist a proposed takeover. These provisions could discourage, delay or prevent a change of control or an acquisition at a price that our shareholders may find attractive. These provisions also may discourage proxy contests and make it more difficult for our shareholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions include:

- a requirement that special meetings of our shareholders may be called only by our board of directors, the chairman of our board of directors, our president or the holders of a majority of the shares of our outstanding common stock;

- advance notice requirements for shareholder proposals and nominations; and

- the authority of our board to issue, without shareholder approval, common or preferred stock, including in connection with our implementation of any shareholders rights plan, or poison pill.

In addition, our revolving credit agreements provide that a change in a majority of ITC Holdings board of directors that is not approved by the current ITC Holdings directors or acquiring beneficial ownership of 35% or more of ITC Holdings outstanding common shares will constitute a default under those agreements.

Provisions in our Articles of Incorporation restrict market participants from voting or owning 5% or more of the outstanding shares of our capital stock.

Certain of our Regulated Operating Subsidiaries have been granted favorable rate treatment by the FERC based on their independence from market participants. The FERC defines a market participant to include any person or entity that, either directly or through an affiliate, sells or brokers electricity, or provides ancillary services to an RTO. An affiliate, for these purposes, includes any person or entity that directly or indirectly owns, controls or holds with the power to vote 5% or more of the outstanding voting securities of a market participant. To help ensure that we and our subsidiaries will remain independent of market participants, our Articles of Incorporation impose certain restrictions on the ownership and voting of shares of our capital stock by market participants. In particular, the Articles of Incorporation provide that we are restricted from issuing any shares of capital stock or recording any transfer of shares if the issuance or transfer would cause any market participant, either individually or together with members of its group (as defined in SEC beneficial ownership rules), to beneficially own 5% or more of any class or series of our capital stock. Additionally, if a market participant, together with its group members, acquires beneficial ownership of 5% or more of any series of the outstanding shares of our capital stock, such market participant or any shareholder who is a member of a group including a market participant will not be able to vote or direct or control the votes of shares representing 5% or more of any series of our outstanding capital stock. Finally, to the extent a market participant, together with its group members, acquires beneficial ownership of 5% or more of the outstanding shares

of any series of our capital stock, our Articles of Incorporation allow our board of directors to redeem any shares of our capital stock so that, after giving

effect to the redemption, the market participant, together with its group members, will cease to beneficially own 5% or more of that series of our outstanding capital stock.

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2. *PROPERTIES.*

Our Regulated Operating Subsidiaries transmission facilities are located in the lower peninsula of Michigan and portions of Iowa, Minnesota, Illinois, Missouri and Kansas. Our MISO Regulated Operating Subsidiaries have agreements with other utilities for the joint ownership of specific substations and transmission lines. See Note 15 to the consolidated financial statements.

ITCTransmission owns the assets of a transmission system and related assets, including:

- approximately 2,800 circuit miles of overhead and underground transmission lines rated at voltages of 120 kV to 345 kV;
- approximately 18,700 transmission towers and poles;
- station assets, such as transformers and circuit breakers, at 170 stations and substations which either interconnect our transmission facilities or connect ITCTransmission s facilities with generation or distribution facilities owned by others;
- other transmission equipment necessary to safely operate the system (e.g., monitoring and metering equipment);
- warehouses and related equipment;
- associated land held in fee, rights of way and easements;
- an approximately 188,000 square-foot corporate headquarters facility and operations control room in Novi, Michigan, including furniture, fixtures and office equipment; and
- an approximately 40,000 square-foot facility in Ann Arbor, Michigan that includes a back-up operations control room.

ITCTransmission s First Mortgage Bonds are issued under ITCTransmission s First Mortgage and Deed of Trust. As a result, the bondholders have the benefit of a first mortgage lien on substantially all of ITCTransmission s property.

METC owns the assets of a transmission system and related assets, including:

- approximately 5,500 circuit miles of overhead transmission lines rated at voltages of 120 kV to 345 kV;
- approximately 36,400 transmission towers and poles;
- station assets, such as transformers and circuit breakers, at 93 stations and substations which either interconnect our transmission facilities or connect METC s facilities with generation or distribution facilities owned by

others;

other transmission equipment necessary to safely operate the system (e.g., monitoring and metering equipment); and

warehouses and related equipment.

Amounts borrowed under METC s revolving credit agreement are secured by a first priority security interest on all of METC s assets through the issuance of senior secured bonds, collateral series, under METC s first mortgage indenture and the second supplemental indenture thereto.

METC does not own the majority of the land on which its assets are located, but under the provisions of its Easement Agreement with Consumers Energy, METC has an easement to use the land, rights-of-way, leases and licenses in the land on which its transmission lines are located that are held or controlled by Consumers Energy. See Item 1 Business Operating Contracts METC Amended and Restated Easement Agreement.

ITC Midwest owns the assets of a transmission system and related assets, including:

- approximately 6,800 miles of transmission lines rated at voltages of 34.5 kV to 345 kV;
- transmission towers and poles;
- station assets, such as transformers and circuit breakers, at approximately 256 stations and substations which either interconnect ITC Midwest s transmission facilities or connect ITC Midwest s facilities with generation or distribution facilities owned by others;
- other transmission equipment necessary to safely operate the system (e.g., monitoring and metering equipment);
- warehouses and related equipment; and
- associated land held in fee, rights of way and easements.

As a result of ITC Midwest s First Mortgage Bonds, issued under ITC Midwest s First Mortgage and Deed of Trust, the bondholders have the benefit of a first mortgage lien on substantially all of ITC Midwest s property.

ITC Great Plains owns the assets of two electric transmission substations in Kansas. As of December 31, 2010, there were no liens or encumbrances on the assets of ITC Great Plains.

The assets of our Regulated Operating Subsidiaries are suitable for electric transmission and adequate for the electricity demand in our service territory. We prioritize capital spending based in part on meeting reliability standards within the industry. This includes replacing and upgrading existing assets as needed.

ITEM 3. *LEGAL PROCEEDINGS.*

We are involved in certain legal proceedings from time to time before various courts, governmental agencies, and mediation panels concerning matters arising in the ordinary course of business. These proceedings include certain contract disputes, regulatory matters, and pending judicial matters. We cannot predict the final disposition of such proceedings. We regularly review legal matters and record provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on our operations or financial statements in the period they are resolved.

On November 18, 2008, IP&L filed a complaint with the FERC against ITC Midwest under Section 206 of the Federal Power Act. The complaint alleged that: (1) the operations and maintenance expenses and administrative and general expenses projected in the 2009 ITC Midwest rate appeared excessive; (2) the true-up amount related to ITC Midwest s posted network rate for the period through December 31, 2008 would cause ITC Midwest to charge an excessive rate in future years; and (3) the methodology of allocating administrative and general expenses among ITC Holdings operating companies was changed, resulting in such additional expenses being allocated to ITC Midwest. Among other things, IP&L s complaint sought investigative action by the FERC relating to ITC Midwest s transmission service charges reflected in its 2009 rate, as well as hearings regarding the justness and reasonableness of the 2009 rate (with

the ultimate goal of reducing such rate).

On April 16, 2009, the FERC dismissed the IP&L complaint, citing that IP&L failed to meet its burden as the complainant to establish that the current rate is unjust and unreasonable and that IP&L s alternative rate proposal is just and reasonable. Requests for rehearing have been filed with the FERC and, therefore,

the April 16 order remains subject to rehearing and ultimately to an appeal to a federal Court of Appeals within 30 days of any decision on rehearing.

Refer to Notes 4 and 16 to the consolidated financial statements for a description of other pending litigation.

ITEM 4. ***(RESERVED AND REMOVED)***

PART II

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

Stock Price and Dividends

Our common stock has traded on the NYSE since July 26, 2005 under the symbol ITC . Prior to that time, there was no public market for our stock. As of February 18, 2011, there were approximately 522 shareholders of record of our common stock.

The following tables set forth the high and low sales price per share of the common stock for each full quarterly period in 2010 and 2009, as reported on the NYSE and the cash dividends per share paid during the periods indicated.

Year Ended December 31, 2010	**High**	**Low**	**Dividends**
Quarter ended December 31, 2010	$ 63.17	$ 59.77	$ 0.335
Quarter ended September 30, 2010	$ 63.89	$ 51.65	$ 0.335
Quarter ended June 30, 2010(a)	$ 56.66	$ 21.80	$ 0.320
Quarter ended March 31, 2010	$ 56.04	$ 50.75	$ 0.320

Year Ended December 31, 2009	**High**	**Low**	**Dividends**
Quarter ended December 31, 2009	$ 52.77	$ 42.90	$ 0.320
Quarter ended September 30, 2009	$ 48.69	$ 41.90	$ 0.320
Quarter ended June 30, 2009	$ 46.82	$ 40.57	$ 0.305
Quarter ended March 31, 2009	$ 46.50	$ 32.26	$ 0.305

(a) The low sales price per share for the quarter ended June 30, 2010 occurred on May 6, 2010, the day when security prices on the New York Stock Exchange experienced an intraday decline of over 1000 points within a few minutes before partially recovering. Excluding the sales price per share that occurred on May 6, 2010, the lowest sales price per share for the quarter ended June 30, 2010 was $47.45.

The declaration and payment of dividends is subject to the discretion of ITC Holdings board of directors and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors. As a holding company with no business operations, ITC Holdings material assets consist primarily of the common stock or ownership interests in its subsidiaries, deferred tax assets relating primarily to federal income tax NOLs and cash. ITC Holdings material cash inflows are only from dividends and other payments received from time to time from its subsidiaries and the proceeds raised from the sale of debt and equity

securities. ITC Holdings may not be able to access cash generated by its subsidiaries in order to pay dividends to shareholders. The ability of ITC Holdings subsidiaries to make dividend and other payments to ITC Holdings is subject to the availability of funds after taking into account the subsidiaries funding requirements, the terms of the subsidiaries indebtedness, the regulations of the FERC under FPA, and applicable state laws. The debt agreements to which we are parties contain numerous financial covenants that could limit ITC Holdings ability to pay dividends, as well as covenants that prohibit ITC Holdings from paying dividends if we are in

default under our revolving credit facilities. Further, each of our subsidiaries is legally distinct from ITC Holdings and has no obligation, contingent or otherwise, to make funds available to us.

If and when ITC Holdings pays a dividend on its common stock, pursuant to our special bonus plans for executives and certain non-executive employees, amounts equivalent to the dividend may be paid to the special bonus plan participants, if approved by the compensation committee. We currently expect these amounts to be paid upon the declaration of dividends on ITC Holdings common stock.

The board of directors intends to increase the dividend rate from time to time as necessary to maintain an appropriate dividend payout ratio, subject to prevailing business conditions, applicable restrictions on dividend payments, the availability of capital resources and our investment opportunities.

The transfer agent for the common stock is Computershare Trust Company, N.A., P.O. Box 43078 Providence, RI 02940-3078.

In addition, the information contained in the Equity Compensation table under Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this report is incorporated herein by reference.

Stock Repurchases

	Total Number of Shares Purchased	Average Price Paid Per Share
October 1 through October 31, 2010		$
November 1 through November 30, 2010(a)	621	$ 60.73
December 1 through December 31, 2010		$

(a) Shares acquired were delivered to us by employees as payment of tax withholdings due to us upon the vesting of restricted stock. We did not repurchase any shares of common stock during this period as part of a publicly announced repurchase plan or program and do not have such a plan or program.

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ITEM 6. ***SELECTED FINANCIAL DATA.***

The selected historical financial data presented below should be read together with our consolidated financial statements and the notes to those statements and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Form 10-K.

	ITC Holdings and Subsidiaries(a) Year Ended December 31,				
(In thousands, except per share data)	**2010**	**2009**	**2008**	**2007**	**2006**
OPERATING REVENUES(b)	$ 696,843	$ 621,015	$ 617,877	$ 426,249	$ 223,622
OPERATING EXPENSES					
Operation and maintenance(c)	126,528	95,730	113,818	81,406	35,441
General and administrative(c)(d)	78,120	69,231	81,296	62,089	40,632
Depreciation and amortization(e)	86,976	85,949	94,769	67,928	40,156
Taxes other than income taxes	48,195	43,905	41,180	33,340	22,156
Other operating income and expense net	(297)	(667)	(809)	(688)	(842)
Total operating expenses	339,522	294,148	330,254	244,075	137,543
OPERATING INCOME	357,321	326,867	287,623	182,174	86,079
OTHER EXPENSES (INCOME)					
Interest expense	142,553	130,209	122,234	81,863	42,049
Allowance for equity funds used during construction	(13,412)	(13,203)	(11,610)	(8,145)	(3,977)
Loss on extinguishment of debt		1,263		349	1,874
Other income	(2,340)	(2,792)	(3,415)	(3,457)	(2,348)
Other expense	2,588	2,918	3,944	1,618	1,629
Total other expenses (income)	129,389	118,395	111,153	72,228	39,227
INCOME BEFORE INCOME TAXES	227,932	208,472	176,470	109,946	46,852
INCOME TAX PROVISION(f)	82,254	77,572	67,262	36,650	13,658
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	145,678	130,900	109,208	73,296	33,194
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (NET OF TAX OF $16)					29
NET INCOME	$ 145,678	$ 130,900	$ 109,208	$ 73,296	$ 33,223
Basic earnings per share	$ 2.89	$ 2.62	$ 2.22	$ 1.72	$ 0.94
Diluted earnings per share	$ 2.84	$ 2.58	$ 2.18	$ 1.68	$ 0.91

Dividends declared per share	$	1.310	$	1.250	$	1.190	$	1.130	$	1.075

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(In thousands)	ITC Holdings and Subsidiaries(a) As of December 31, 2010	2009	2008	2007	2006
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 95,109	$ 74,853	$ 58,110	$ 2,616	$ 13,426
Working capital (deficit)	69,338	147,335	1,095	(30,370)	10,107
Property, plant and equipment net	2,872,277	2,542,064	2,304,386	1,960,433	1,197,862
Goodwill	950,163	950,163	951,319	959,042	624,385
Total assets	4,307,873	4,029,716	3,714,565	3,213,297	2,128,797
Long-term debt:					
ITC Holdings	1,459,178	1,458,757	1,327,741	1,687,193	775,963
Regulated Operating Subsidiaries	1,037,718	975,641	920,512	556,231	486,315
Total long-term debt	2,496,896	2,434,398	2,248,253	2,243,424	1,262,278
Total stockholders equity	1,117,433	1,011,523	929,063	563,075	532,244

(In thousands)	ITC Holdings and Subsidiaries(a) Year Ended December 31, 2010	2009	2008	2007	2006
CASH FLOWS DATA:					
Capital expenditures	$ 388,401	$ 404,514	$ 401,840	$ 287,170	$ 167,496

(a) METC s results of operations, cash flows and balances are included for the periods presented subsequent to its acquisition on October 10, 2006. In addition, ITC Midwest s results of operations, cash flows and balances are included for the periods presented subsequent to its acquisition of the electric transmission assets of IP&L on December 20, 2007.

(b) ITCTransmission s and METC s implementation of its cost-based formula rate with a true-up mechanism for rates beginning January 1, 2007 resulted in increases in operating revenues for the years presented subsequent to December 31, 2006. Refer to Cost-Based Formula Rates with True-Up Mechanism in Note 4 to the consolidated financial statements.

(c) The reduction in expenses for 2009 were due, in part, to efforts to mitigate operation and maintenance expenses and general and administrative expenses to offset the impact of lower network load on cash flows and any potential revenue accrual relating to 2009.

(d) During 2009, we recognized $10.0 million of regulatory assets associated with the development activities of ITC Great Plains as well as certain pre-construction costs for the KETA project. Upon initial establishment of these regulatory assets in 2009, $8.0 million of general and administrative expenses were reversed, of which $5.9 million were incurred in periods prior to 2009.

(e) In 2009, the FERC accepted the depreciation studies filed by ITCTransmission and METC that revised their depreciation rates. In 2010, the FERC accepted a depreciation study filed by ITC Midwest which revised its depreciation rates. These changes in accounting estimates resulted in lower composite depreciation rates for ITCTransmission, METC and ITC Midwest primarily due to the revision of asset service lives and cost of removal values. The revised estimate of annual depreciation expense was reflected in 2009 for ITCTransmission and METC and in 2010 for ITC Midwest. See discussion in Note 4 to the consolidated financial statements under Depreciation Studies.

(f) The increase in the income tax provision for 2008 compared to 2007 is due in part to the implementation of the Michigan Business Tax, which is accounted for as an income tax, compared to the previous Michigan Single Business Tax that was accounted for as a tax other than income tax.

ITEM 7. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

Safe Harbor Statement Under The Private Securities Litigation Reform Act of 1995

Our reports, filings and other public announcements contain certain statements that describe our management s beliefs concerning future business conditions, plans and prospects, growth opportunities and the outlook for our business and the electric transmission industry based upon information currently available. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, we have identified these forward-looking statements by words such as will, may, anticipates, believes, intends, estimate expects, projects and similar phrases. These forward-looking statements are based upon assumptions our management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among others, the risks and uncertainties disclosed under Item 1A Risk Factors.

Because our forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different and any or all of our forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this report will be important in determining future results. Consequently, we cannot assure you that our expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary materially. Except as required by law, we undertake no obligation to publicly update any of our forward-looking or other statements, whether as a result of new information, future events, or otherwise.

Overview

Through our Regulated Operating Subsidiaries, we operate high-voltage systems in Michigan s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri and Kansas that transmit electricity from generating stations to local distribution facilities connected to our systems. Our business strategy is to operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, to reduce transmission constraints and to allow new generating resources to interconnect to our transmission systems. We also are pursuing development projects not within our existing systems, which are also intended to improve overall grid reliability, lower electricity congestion and facilitate interconnections of new generating resources, as well as to enhance competitive wholesale electricity markets.

As electric transmission utilities with rates regulated by the FERC, our Regulated Operating Subsidiaries earn revenues through tariff rates charged for the use of their electric transmission systems by our customers, which include investor-owned utilities, municipalities, cooperatives, power marketers and alternative energy suppliers. As independent transmission companies, our Regulated Operating Subsidiaries are subject to rate regulation only by the FERC. The rates charged by our Regulated Operating Subsidiaries are established using cost-based formula rate templates, as discussed in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Cost-Based Formula Rates with True-Up Mechanism.

Our Regulated Operating Subsidiaries primary operating responsibilities include maintaining, improving and expanding their transmission systems to meet their customers ongoing needs, scheduling outages on system elements to allow for maintenance and construction, balancing electricity generation

and demand, maintaining appropriate system voltages and monitoring flows over transmission lines and other facilities to ensure physical limits are not exceeded.

Significant recent matters that influenced our financial position and results of operations and cash flows for the year ended December 31, 2010 or may affect future results include:

Our capital investment of $454.6 million at our Regulated Operating Subsidiaries ($67.1 million, $137.7 million, $232.5 million and $17.3 million at ITCTransmission, METC, ITC Midwest and ITC Great Plains, respectively) for the year ended December 31, 2010, primarily to improve system reliability, replace aging infrastructure and interconnect new generating resources;

Collection of the 2008 formula rate revenue accruals and related accrued interest totaling $83.8 million and higher monthly peak loads than what were forecasted in developing the network transmission rates for 2010, resulting in higher operating cash flows for the year ended December 31, 2010;

Debt issuances and borrowings under our revolving credit agreements in 2010 and 2009 to fund capital investment at our Regulated Operating Subsidiaries, resulting in higher interest expense; and

Our development activities relating to ITC Great Plains and Green Power Express. Certain development activities are expensed in the period incurred as they are not yet probable of recovery and there is no corresponding revenue recognized for these expenses.

These items are discussed in more detail throughout Management s Discussion and Analysis of Financial Condition and Results of Operations.

Cost-Based Formula Rates with True-Up Mechanism

Our Regulated Operating Subsidiaries calculate their revenue requirements using cost-based formula rate templates and are effective without the need to file rate cases with the FERC, although the rates are subject to legal challenge at the FERC. Under these formula rate templates, our Regulated Operating Subsidiaries recover expenses and earn a return on and recover investments in property, plant and equipment on a current rather than a lagging basis. The formula rate templates utilize forecasted expenses, property, plant and equipment, point-to-point revenues, network load and other items for the upcoming calendar year to establish projected revenue requirements for each of our Regulated Operating Subsidiaries that are used as the basis for billing for service on their systems from January 1 to December 31 of that year. Our cost-based formula rate templates include a true-up mechanism, whereby our Regulated Operating Subsidiaries compare their actual revenue requirements to their billed revenues for each year to determine any over- or under-collection of revenue requirements. The over- or under-collection typically results from differences between the projected revenue requirement used as the basis for billing and actual revenue requirement at each of our Regulated Operating Subsidiaries, or from differences between actual and projected monthly peak loads at our MISO Regulated Operating subsidiaries. In the event billed revenues in a given year are more or less than actual revenue requirements, which are calculated primarily using information from that year s FERC Form No. 1, our Regulated Operating Subsidiaries will refund or collect additional revenues, with interest, within a two-year period such that customers pay only the amounts that correspond to actual revenue requirements for that given period. This annual true-up ensures that our Regulated Operating Subsidiaries recover their allowed costs and earn their allowed returns.

Revenue Accruals Effects of Monthly Peak Loads

For our MISO Regulated Operating Subsidiaries, monthly peak loads are used for billing network revenues, which currently is the largest component of our operating revenues. One of the primary factors that impacts the revenue accrual/deferral at our MISO Regulated Operating Subsidiaries is actual monthly peak loads experienced as compared to those forecasted in establishing the annual network transmission rate. Under their formula rates that contain a true-up mechanism, our Regulated Operating Subsidiaries

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accrue or defer revenues to the extent that their actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting period. For example, to the extent that amounts billed are less than revenue requirement for a reporting period, a revenue accrual is recorded for the difference. To the extent that amounts billed are more than our revenue requirement for a reporting period, a revenue deferral is recorded for the difference. Although monthly peak loads do not impact operating revenues recognized, network load continues to have an impact on cash flows from transmission service. The monthly peak load of our MISO Regulated Operating Subsidiaries is affected by many variables, but is generally impacted by weather and economic conditions and is seasonally shaped with higher load in the summer months when cooling demand is higher. The following table sets forth the monthly peak loads during the last three calendar years.

Monthly Peak Load (in MW)(a)

	2010			2009			2008		
	ITCTransmission	METC	ITC Midwest	ITCTransmission	METC	ITC Midwest	ITCTransmission	METC	ITC Midwest
January	7,255	5,947	2,838	7,314	6,009	2,952	7,890	6,215	2,871
February	6,998	5,800	2,782	7,176	5,818	2,816	7,715	6,159	2,950
March	6,620	5,376	2,517	7,070	5,548	2,696	7,532	5,797	2,720
April	6,501	5,112	2,425	6,761	5,112	2,428	6,926	5,223	2,587
May	9,412	7,240	3,052	6,801	5,296	2,421	7,051	5,328	2,523
June	9,722	7,128	3,207	10,392	8,063	3,385	10,624	7,241	2,906
July	11,451	8,498	3,422	8,751	6,523	2,843	11,016	8,042	3,382
August	11,082	8,422	3,400	9,823	7,181	3,103	10,890	7,816	3,210
September	10,817	7,344	2,774	8,049	5,919	2,596	10,311	7,622	3,205
October	6,725	5,414	2,449	6,456	5,258	2,494	6,893	5,514	2,725
November	6,926	5,735	2,718	6,996	5,778	2,634	7,205	5,823	2,834
December	7,824	6,526	2,936	7,661	6,192	2,856	7,636	6,281	2,986
Total	101,333	78,542	34,520	93,250	72,697	33,224	101,689	77,061	34,899

(a) Our MISO Regulated Operating Subsidiaries are each part of a joint rate zone. The load data presented is for all transmission owners in the respective joint rate zone and is used for billing network revenues. Each of our MISO Regulated Operating Subsidiaries makes up the most significant portion of the rates or revenue requirements billed to network load within their respective joint rate zone.

The following table presents the network transmission rates (per kW/month) for our MISO Regulated Operating Subsidiaries that are relevant to our cash flows since January 1, 2008:

Network Transmission Rate	ITCTransmission	METC	ITC Midwest
January 1, 2008 to December 31, 2008	$ 2.350	$ 1.985	$ 2.446
January 1, 2009 to December 31, 2009	$ 2.520	$ 2.522	$ 4.162
January 1, 2010 to December 31, 2010	$ 2.818	$ 2.370	$ 6.882
January 1, 2011 to December 31, 2011	$ 2.495	$ 2.331	$ 6.694

ITC Great Plains does not receive revenue based on a peak load each month and therefore does not have a seasonal effect on operating cash flows. The SPP tariff applicable to ITC Great Plains is billed ratably each month based on the annual projected net revenue requirement and is not based on a network transmission rate.

Net Revenue Requirement Calculation

Under their cost-based formula rate templates, each of our Regulated Operating Subsidiaries separately calculates a net revenue requirement based on financial information specific to each company. The calculation of actual net revenue requirements for a historic period is used to calculate the amount of network revenues recognized in that period and to calculate the true-up adjustment for that period. The

calculation of projected net revenue requirements is used to establish the transmission rate used for billing purposes, and follows the same methodology as the calculation of actual net revenue requirement. The following steps illustrate the calculation of net revenue requirement and the rate-setting methodology under the formula rate template with a true-up mechanism used by our MISO Regulated Operating Subsidiaries. ITC Great Plains follows a similar methodology and uses a FERC-approved return of 12.16% on the common equity portion of its capital structure.

Step One Establish Projected Rate Base and Calculate Projected Allowed Return

Rate base is projected using the average of the 13 projected month-end balances for the months beginning with December 31 of the current year and ending with December 31 of the upcoming year and consists primarily of projected in-service property, plant and equipment, net of accumulated depreciation, as well as other items.

Projected rate base is multiplied by the projected weighted average cost of capital to determine the projected allowed return on rate base. The weighted average cost of capital is calculated using a projected 13 month average capital structure, the forecasted pre-tax cost of the debt portion of the capital structure and a FERC-approved return of 13.88%, 13.38%, and 12.38% for ITCTransmission, METC, and, ITC Midwest, respectively, on the common equity portion of the capital structure.

Step Two Calculate Projected Gross Revenue Requirement

The projected gross revenue requirement is calculated beginning with the projected allowed return on rate base, as calculated in Step One above, and adding projected recoverable operating expenses and an allowance for income taxes.

Step Three Calculate Projected Net Revenue Requirement

After calculating the projected gross revenue requirement in Step Two above, the projected gross revenue requirement is adjusted for any prior year true-up adjustment discussed in Step Four and is reduced for certain revenues, other than network revenues, such as projected point-to-point, regional cost sharing revenues and rental revenues to arrive at our projected net revenue requirement

Step Four Calculate True-up Adjustment

The actual transmission revenues billed for 2009 were compared to 2009 actual net revenue requirement which is based primarily on amounts from the completed FERC Form No. 1 for 2009. The true-up adjustment that results from the difference between the actual revenue billed and actual net revenue requirement for 2009 was added to the 2011 projected net revenue requirement used to determine the 2011 network transmission rate. Interest is also applied to the true-up adjustment.

Illustration of Formula Rate Setting. Set forth below is a simplified illustration of the calculation of ITCTransmission s projected net revenue requirement as well as its component of the joint zone network transmission rate for billing purposes under its formula rate setting mechanism for the period from January 1, 2011 through December 31, 2011, that was based primarily upon projections of

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ITCTransmission s 2011 FERC Form No. 1 data. Amounts below are approximations of the amounts used to establish ITCTransmission s 2011 projected net revenue requirement.

Line	Item	Instructions	Amount
1	Projected rate base (the average of the 13 months ended December 31, 2010 through December 31, 2011)		$ 987,400,000
2	Multiply by projected 13 month weighted average cost of capital(a)		10.50%
3	Projected allowed return on rate base	(Line 1 × Line 2)	$ 103,677,000
4	Projected recoverable operating expenses for 2011		$ 58,000,000
5	Projected taxes and depreciation and amortization for 2011		$ 129,100,000
6	Projected gross revenue requirements for 2011	(Line 3 + Line 4 + Line 5)	$ 290,777,000
7	Less projected revenue credits for 2011		$ (41,900,000)
8	Plus/(less) 2009 true-up adjustment		$ (4,700,000)
9	Projected net revenue requirement for 2011	(Line 6 + Line 7 + Line 8)	$ 244,177,000
10	Projected average monthly 2011 network load (in kW)		8,154,000
11	Annual component of the joint zone network transmission rate	(Line 9 divided by Line 10)	$ 29.946
12	Monthly component of the joint zone network transmission rate ($/kW per month)	(Line 11 divided by 12 months)	$ 2.496

(a) The weighted average cost of capital for purposes of this illustration is calculated as follows:

	Percentage of ITCTransmission s Total Capitalization	Cost of Capital	Weighted Average Cost of Capital
Debt	40.00%	5.43% (Pre-tax) =	2.17%
Equity	60.00%	13.88% (After tax) =	8.33%
	100.00%		10.50%

Capital Investment Forecasts and Operating Results Trends

We expect a general trend of increases in revenues and earnings for our Regulated Operating Subsidiaries over the long term. The primary factor that is expected to continue to increase our actual revenue requirements in future years is our anticipated capital investment in excess of depreciation as a result of our Regulated Operating Subsidiaries

long-term capital investment programs to improve reliability and interconnect new generating resources. In addition, our capital investment efforts relating to development initiatives are based on establishing an ongoing pipeline of projects that will position us for long-term growth. Investments in property, plant and equipment, when placed in service upon completion of a capital project, are added to the rate base of our Regulated Operating Subsidiaries.

Our Regulated Operating Subsidiaries strive for high reliability of their systems and to improve accessibility to generation sources of choice, including renewable sources. The Energy Policy Act requires the FERC to implement mandatory electric transmission reliability standards to be enforced by an Electric Reliability Organization. Effective June 2007, the FERC approved mandatory adoption of certain reliability standards and approved enforcement actions for violators, including fines of up to $1.0 million per day. The

NERC was assigned the responsibility of developing and enforcing these mandatory reliability standards. We continually assess our transmission systems against standards established by the NERC, as well as the standards of applicable regional entities under the NERC that have been delegated certain authority for the purpose of proposing and enforcing reliability standards. We believe we meet the applicable standards in all material respects, although further investment in our transmission systems and an increase in maintenance activities will likely be needed to maintain compliance, improve reliability and address any new standards that may be promulgated.

On October 7, 2010, the NERC issued a recommendation for transmission owners such as our MISO Regulated Operating Subsidiaries to inspect their transmission systems in order to verify their facility ratings methodology is based on actual field conditions. Each of our MISO Regulated Operating Subsidiaries will undertake a program to assess its system over the next three years as a response to the recommendation. There are likely to be costs associated with the assessment and potential system modifications to mitigate instances where actual field conditions necessitate a facility rating that is unacceptable to the reliable operation of the transmission system. The costs for this mitigation will be determined after the assessment is completed, and the appropriate mitigation is planned and may result in significant operating expenses and/or capital investment. These operating expenses and capital investments would be recovered through higher revenue requirements under the cost-based formula rates of our MISO Regulated Operating Subsidiaries.

We also assess our transmission systems against our own planning criteria that are filed annually with the FERC. Based on our planning studies, we see needs to make capital investments to (1) rebuild existing property, plant and equipment; (2) upgrade the system to address demographic changes that have impacted transmission load and the changing role that transmission plays in meeting the needs of the wholesale market, including accommodating the siting of new generation or to increase import capacity to meet changes in peak electrical demand; (3) relieve congestion in the transmission systems; and (4) achieve state and federal policy goals, such as renewable generation portfolio standards. The following table shows our expected and actual capital investment for each of the Regulated Operating Subsidiaries:

(In millions) **Operating Subsidiary**	**Five-Year Capital Investment Program 2011-2015**	**Actual Capital Investment for the Year Ended December 31, 2010(a)**	**Forecasted Capital Investment for the Year Ending December 31, 2011**
ITCTransmission	$ 796	$ 67.1	$ 60 75
METC	682	137.7	155 170
ITC Midwest	1,087	232.5	225 250
ITC Great Plains	1,058	17.3	120 145
Other(b)	306		
Total	$ 3,929	$ 454.6	$ 560 640

(a) Capital investment amounts differ from cash expenditures for property, plant and equipment included in our consolidated statements of cash flows due in part to differences in construction costs incurred compared to cash

paid during that period, as well as payments for major equipment inventory that are included in cash expenditures but not included in capital investment until transferred to construction work in progress, among other factors.

(b) Includes Green Power Express and other development initiatives.

Investments in property, plant and equipment could vary due to, among other things, the impact of actual loads, forecasted loads, regional economic conditions, weather conditions, union strikes, labor shortages, material and equipment prices and availability, our ability to obtain financing for such expenditures, if necessary, limitations on the amount of construction that can be undertaken on our systems at any one time, regulatory approvals for reasons relating to rate construct, environmental, siting, regional planning, cost recovery or other issues or as a result of legal proceedings and variances between estimated and actual costs of construction contracts awarded. In addition, investments in transmission

network upgrades for generator interconnection projects could change from prior estimates significantly due to changes in the MISO queue for generation projects, the generator s potential failure to meet the various criteria of Attachment FF of the MISO tariff for the project to qualify as a refundable network upgrade, and other factors beyond our control.

Capital Project Updates and Other Recent Developments

ITC Great Plains

KETA Project

The KETA Project is a 225-mile transmission line that will run between Spearville, Kansas and Axtell, Nebraska. On January 19, 2010, the FERC issued an order approving the novation agreements required by SPP for the designation of the right and obligation to build the Kansas portion of this project to ITC Great Plains by Sunflower Electric Power Corporation and Midwest Energy, Inc. The portion of the transmission line that ITC Great Plains is responsible for constructing will run approximately 174 miles. ITC Great Plains has commenced construction for the first phase of the 345 kV KETA Project, which will run from Spearville, Kansas to Hays, Kansas. In June 2010, ITC Great Plains received siting approval for the second phase of the project, which will run from Hays, Kansas to the Nebraska border and has secured the regulatory approvals required to complete the second phase of the KETA Project. At December 31, 2010, we had a construction work in progress balance for KETA project of $13.2 million, which includes the substation construction relating to the project. We estimate that the cost for ITC Great Plains portion of the KETA project will be approximately $203 million.

Kansas V-Plan Project

The Kansas V-Plan Project is a 180-mile transmission line that will run between Spearville and Wichita, Kansas. In 2009, the KCC authorized ITC Great Plains to build a portion of the segment from Spearville to Medicine Lodge, Kansas. The portion of the transmission line that ITC Great Plains is responsible for constructing will run approximately 110 miles. In April 2010, SPP approved construction of the Kansas V-Plan as a 345 kV double circuit facility. SPP then issued Notifications to Construct to the affected transmission owners. ITC Great Plains is now in the process of obtaining additional regulatory approvals necessary to begin construction related activities for the project. ITC Great Plains estimates it will invest approximately $300 million to construct its portions of the project.

Regulatory Assets

As of December 31, 2010, we have recorded approximately $10.5 million of regulatory assets for start-up and development expenses incurred by ITC Great Plains as well as certain costs incurred for the KETA Project prior to construction. Based on ITC Great Plains application and the related FERC order, ITC Great Plains will be required to make an additional filing with the FERC under Section 205 of the Federal Power Act in order to recover these start-up, development and pre-construction expenses.

The regulatory assets recorded at ITC Great Plains do not include amounts associated with pre-construction costs for the Kansas V-Plan Project, which have been recorded to expenses in the periods in which they were incurred. If in a future reporting period it becomes probable that future revenues will result from the authorization to recover certain pre-construction expenses for the Kansas V-Plan Project, which totaled $1.5 million at December 31, 2010, we will recognize those expenses as regulatory assets. No regulatory assets for the Kansas V-Plan have been recorded as of December 31, 2010.

Development Bonuses

During 2010, we recognized general and administrative expenses of $1.9 million for bonuses for the successful completion of certain regulatory milestones relating to the KETA Project. It is reasonably possible that future development-related bonuses would be authorized and awarded for this or other development projects.

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Green Power Express

The Green Power Express project consists of transmission line segments that would facilitate the movement of power from the wind-abundant areas in the Dakotas, Minnesota and Iowa to Midwest load centers that demand clean, renewable energy. The FERC issued an order authorizing certain transmission investment incentives, including the establishment of a regulatory asset for start-up and development costs of Green Power Express and certain pre-construction costs for the project to be recovered pursuant to a future FERC filing. Further, the FERC order conditionally accepted Green Power Express proposed formula rate tariff sheets, subject to refund, and set them for hearing and settlement procedures. On February 22, 2010, Green Power Express filed an Offer of Settlement that intended to resolve all of the issues set for hearing and is pending further action by the FERC. Interested parties have filed comments and reply comments. The original FERC order remains subject to several requests for rehearing. The amount of any future capital expenditures on this project is currently unknown.

The total development expenses through December 31, 2010 that may be recoverable through regulatory assets were approximately $5.5 million, which have been recorded to expenses in the periods in which they were incurred. If in a future reporting period it becomes probable that future revenues will result from the authorization to recover these development expenses, we will recognize the regulatory assets. No regulatory assets for Green Power Express have been recorded as of December 31, 2010.

Thumb Loop Project

In 2010, we received MISO approval of the Thumb Loop Project located in ITCTransmission s region with a total expected capital investment of $510 million. The Thumb Loop Project consists of a 140-mile, double-circuit 345 kV transmission line and related substations that will serve as the backbone of the transmission system needed to accommodate future wind development projects in the Michigan counties of Tuscola, Huron, Sanilac and St. Clair. Siting application approval was filed with the MPSC in August 2010. Significant capital investments for this project are expected to occur beginning in 2012.

ITC Midwest Depreciation Study

During the third quarter of 2010, the FERC accepted a depreciation study filed by ITC Midwest which revised its depreciation rates. This change in accounting estimate resulted in lower composite depreciation rates for ITC Midwest primarily due to the revision of asset service lives and cost of removal values.

For ratemaking purposes, the FERC accepted our filing such that the full annual impact of the revised depreciation rates has been reflected in ITC Midwest s 2010 revenue requirement. This resulted in a $5.1 million reduction in revenue recognized for the year ended December 31, 2010. The revised estimate of 2010 annual depreciation expense was reflected in depreciation expense beginning in the third quarter of 2010 and resulted in a reduction of depreciation expense of $5.1 million for the year ended December 31, 2010. Because of the inclusion of depreciation expense as a component of net revenue requirement under ITC Midwest s cost-based formula rate, the offsetting effect on revenues and expenses from the change in depreciation rates had an immaterial effect on net income and earnings per share amounts for the year ended December 31, 2010.

ITC Midwest s depreciation study also resulted in revised estimates for the amount of accrued removal costs we have recorded in our consolidated statement of financial position, and we recorded the net effect of this revision as a decrease in our regulatory liability for accrued removal costs and an increase in accumulated depreciation of $17.9 million.

Significant Components of Results of Operations

Revenues

We derive nearly all of our revenues from providing network transmission service, point-to-point transmission service and other related services over our Regulated Operating Subsidiaries   transmission systems to Detroit Edison, Consumers Energy, IP&L and to other entities such as alternative electricity

suppliers, power marketers and other wholesale customers that provide electricity to end-use consumers and from transaction-based capacity reservations on our transmission systems. MISO and SPP are responsible for billing and collection of transmission services. As the billing agent for our Regulated Operating Subsidiaries, MISO and SPP collect fees for the use of our transmission systems, invoicing Detroit Edison, Consumers Energy, IP&L and other customers on a monthly basis.

Network Revenues are generated from network customers for their use of our electric transmission systems and consist of both billed network revenues and accrued or deferred revenues as a result of our accounting under our cost-based formula rates that contain a true-up mechanism. Refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Revenue Recognition under Cost-Based Formula Rates with True-Up Mechanisms for a discussion of revenue recognition relating to network revenues. The monthly network revenues billed to customers using the transmission facilities of our MISO Regulated Operating Subsidiaries are the result of a calculation which can be simplified into the following:

(1) ***multiply*** the network load measured in kW achieved during the one hour of monthly peak usage for our transmission systems by the appropriate monthly tariff rate by 12 by the number of days in that month; and

(2) ***divide*** the result by 365.

Our rates at ITC Great Plains are billed ratably each month based on its annual projected net revenue requirement and therefore peak usage does not impact its billed network transmission revenues.

Point-to-Point Revenues consist of revenues generated from a type of transmission service for which the customer pays for transmission capacity reserved along a specified path between two points on an hourly, daily, weekly or monthly basis. Point-to-point revenues also include other components pursuant to schedules under the MISO and SPP transmission tariffs. Point-to-point revenues are a reduction in net revenue requirement for network revenues calculated under our cost-based formula rates.

Regional Cost Sharing Revenues are generated from transmission customers throughout RTO regions for their use of our MISO Regulated Operating Subsidiaries network upgrade projects that are eligible for regional cost sharing under provisions of the MISO tariff, including MVP projects such as the Thumb Loop Project. Additionally, the KETA Project and Kansas V-Plan Project at ITC Great Plains are eligible for recovery through a region-wide charge under provisions of the SPP tariff. Regional cost sharing revenues consist of both billed regional cost sharing revenues and accrued or deferred revenues as a result of our accounting under our cost-based formula rates that contain a true-up mechanism. The amount of the regional cost sharing revenue accruals (deferrals) is estimated for each reporting period until such time as the regional cost sharing formula rate templates based on actual costs are completed for each of our Regulated Operating Subsidiaries during the following year.

Scheduling, Control and Dispatch Revenues are allocated to our MISO Regulated Operating Subsidiaries by MISO as compensation for the services performed in operating the transmission system. Such services include monitoring of reliability data, current and next day analysis, implementation of emergency procedures and outage coordination and switching. Revenues that are allocated by MISO to our MISO Regulated Operating Subsidiaries relating to these services are determined based on projected expenses incurred but are not subject to a true-up. In any given year, our MISO Regulated Operating Subsidiaries may earn more or less scheduling, control and dispatch revenues than our actual expenses incurred for control room activities.

Other Revenues consist of rental revenues, easement revenues and amounts from providing ancillary services to customers.

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Operating Expenses

Operation and Maintenance Expenses consist primarily of the costs of contractors to operate and maintain our transmission systems and costs for our personnel involved in operation and maintenance activities.

Operation expenses include activities related to control area operations, which involve balancing loads and generation and transmission system operations activities, including monitoring the status of our transmission lines and stations. The expenses relating to METC s Easement Agreement are also recorded within operation expenses.

Maintenance expenses include preventive or planned maintenance, such as vegetation management, tower painting and equipment inspections, as well as reactive maintenance for equipment failures.

General and Administrative Expenses consist primarily of costs for personnel in our finance, human resources, regulatory, information technology and legal organizations, general office expenses and fees for professional services. Professional services are principally composed of outside legal, audit and information technology services. We capitalize to property, plant and equipment portions of certain general and administrative expenses such as compensation, office rent, utilities and information technology.

Depreciation and Amortization Expenses consist primarily of depreciation of property, plant and equipment using the straight-line method of accounting. Additionally, this consists of amortization of various regulatory and intangible assets. We capitalize to property, plant and equipment depreciation expense for vehicles and equipment used in our construction activities.

Taxes other than Income Taxes consist primarily of property taxes and payroll taxes.

Other Operating Income and Expense Net consists primarily of gains and losses associated with the sale of assets. Additionally, this item consists of income recognized for tax gross-ups received from developers or generators for construction projects as described in Note 2 to the consolidated financial statements under Generator Interconnection Projects. The tax gross-up represents the difference between taxable income associated with the contribution compared to the present value of tax depreciation of the property constructed using the taxable contribution in aid of construction.

Other items of income or expense

Interest Expense consists primarily of interest on debt at ITC Holdings and our Regulated Operating Subsidiaries. Additionally, the amortization of debt financing expenses is recorded to interest expense. An allowance for borrowed funds used during construction is included in property, plant and equipment accounts and is a reduction to interest expense.

Allowance for Equity Funds Used During Construction (AFUDC equity) is recorded as an item of other income and is included in property, plant and equipment accounts. The allowance represents a return on equity at our Regulated Operating Subsidiaries used for construction purposes in accordance with FERC regulations. The capitalization rate applied to the construction work in progress balance is based on the proportion of equity to total capital (which currently includes equity and long-term debt) and the allowed return on equity for our Regulated Operating Subsidiaries.

Income tax provision

Income tax provision consists primarily of federal income taxes. Additionally, we record income tax provisions for the various state income taxes to which we are subject.

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Results of Operations

The following table summarizes historical operating results for the periods indicated:

(In thousands)	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase (Decrease)	Percentage Increase (Decrease)	Year Ended December 31, 2008	Increase (Decrease)	Percentage Increase (Decrease)
OPERATING REVENUES	$ 696,843	$ 621,015	$ 75,828	12.2%	$ 617,877	$ 3,138	0.5%
OPERATING EXPENSES							
Operation and maintenance	126,528	95,730	30,798	32.2%	113,818	(18,088)	(15.9)%
General and administrative	78,120	69,231	8,889	12.8%	81,296	(12,065)	(14.8)%
Depreciation and amortization	86,976	85,949	1,027	1.2%	94,769	(8,820)	(9.3)%
Taxes other than income taxes	48,195	43,905	4,290	9.8%	41,180	2,725	6.6%
Other operating income and expense net	(297)	(667)	370	(55.5)%	(809)	142	(17.6)%
Total operating expenses	339,522	294,148	45,374	15.4%	330,254	(36,106)	(10.9)%
OPERATING INCOME	357,321	326,867	30,454	9.3%	287,623	39,244	13.6%
OTHER EXPENSES (INCOME)							
Interest expense	142,553	130,209	12,344	9.5%	122,234	7,975	6.5%
Allowance for equity funds used during construction	(13,412)	(13,203)	(209)	1.6%	(11,610)	(1,593)	13.7%
Loss on extinguishment of debt		1,263	(1,263)	(100.0)%		1,263	n/a
Other income	(2,340)	(2,792)	452	(16.2)%	(3,415)	623	(18.2)%
Other expense	2,588	2,918	(330)	(11.3)%	3,944	(1,026)	(26.0)%
Total other expenses (income)	129,389	118,395	10,994	9.3%	111,153	7,242	6.5%
INCOME BEFORE INCOME TAXES	227,932	208,472	19,460	9.3%	176,470	32,002	18.1%
INCOME TAX PROVISION	82,254	77,572	4,682	6.0%	67,262	10,310	15.3%
NET INCOME	$ 145,678	$ 130,900	$ 14,778	11.3%	$ 109,208	$ 21,692	19.9%

Operating Revenues

Year ended December 31, 2010 compared to year ended December 31, 2009

The following table sets forth the components of and changes in operating revenues:

	2010		2009			Percentage
	Amount	Percentage	Amount	Percentage	Increase (Decrease)	Increase (Decrease)
(In thousands)						
Network revenues	$ 595,071	85.4%	$ 547,279	88.1%	$ 47,792	8.7%
Regional cost sharing revenues	55,638	8.0%	39,710	6.4%	15,928	40.1%
Point-to-point	26,063	3.7%	17,087	2.8%	8,976	52.5%
Scheduling, control and dispatch	14,525	2.1%	14,578	2.3%	(53)	(0.4)%
Other	5,546	0.8%	2,361	0.4%	3,185	134.9%
Total	$ 696,843	100.0%	$ 621,015	100.0%	$ 75,828	12.2%

Network revenues increased due primarily to higher net revenue requirements at our Regulated Operating Subsidiaries during the year ended December 31, 2010 as compared to the same period in 2009. Higher net revenue requirements were due primarily to higher rate bases associated with higher balances of property, plant and equipment in-service and higher recoverable expenses due primarily to higher operation and maintenance expenses, partially offset by higher regional cost sharing and point-to-point revenues.

Regional cost sharing revenues increased due primarily to additional capital projects that have been identified by MISO and SPP as eligible for regional cost sharing. We expect to continue to receive regional cost sharing revenues and the amounts could increase in the near future, including revenues associated with projects that have been or are expected to be approved for regional cost sharing.

Point-to point revenues increased due primarily to an increase in scheduled transmission flow on our transmission systems.

Other revenues increased due primarily to revenue recognized at METC for utilization of its jointly-owned lines under its transmission ownership and operating agreements.

Operating revenues for the year ended December 31, 2010 include the network revenue accruals (deferrals) and regional cost sharing revenue accruals (deferrals) as calculated below:

Line	Item		ITCTransmission		METC		ITC Midwest		ITC Great Plains		Total Net Revenue Deferral
(In thousands)											
1	Estimated net revenue requirement (network revenues recognized)(a)	$	238,818	$	171,259	$	183,095	$	1,899		
2	Network revenues billed(b)		267,441		173,710		183,027		1,070		
3	Network revenue accruals (deferrals) (line 1 line 2)		(28,623)		(2,451)		68		829		
4	Regional cost sharing revenue accrual (deferrals)(c)		(740)		(7,086)		1,464		(745)		
5	Total revenue accruals (deferrals) (line 3 + line 4)	$	(29,363)	$	(9,537)	$	1,532	$	84	$	(37,284)

(a) The calculation of net revenue requirement for our Regulated Operating Subsidiaries is described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Cost-Based Formula Rates with True-Up Mechanism Net Revenue Requirement Calculation. The amount is estimated for each reporting period until such time as FERC Form No. 1 s are completed for our Regulated Operating Subsidiaries. Regional cost sharing revenues have a separate true-up mechanism and the related revenue accruals or deferrals are included in the regional cost sharing revenue amounts.

(b)

Network revenues billed at our MISO Regulated Operating Subsidiaries were calculated based on the joint zone monthly network peak load multiplied by our effective monthly network rates for 2010. The rates for 2010 include amounts for the collection of the 2008 revenue accruals and the revenues billed in 2010 associated with the 2008 revenue accruals are not included in these amounts. Our rates at ITC Great Plains are billed ratably each month on its annual projected net revenue requirement.

(c) Regional cost sharing revenues are subject to a true-up mechanism whereby our Regulated Operating Subsidiaries accrue or defer revenues for any over- or under-recovery.

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Year ended December 31, 2009 compared to year ended December 31, 2008

The following table sets forth the components of and changes in operating revenues:

(In thousands)	2009 Amount	2009 Percentage	2008 Amount	2008 Percentage	Increase (Decrease)	Percentage Increase (Decrease)
Network revenues	$ 547,279	88.1%	$ 558,896	90.5%	$ (11,617)	(2.1)%
Regional cost sharing revenues	39,710	6.4%	15,534	2.5%	24,176	155.6%
Point-to-point	17,087	2.8%	23,417	3.8%	(6,330)	(27.0)%
Scheduling, control and dispatch	14,578	2.3%	16,972	2.7%	(2,394)	(14.1)%
Other	2,361	0.4%	3,058	0.5%	(697)	(22.8)%
Total	$ 621,015	100.0%	$ 617,877	100.0%	$ 3,138	0.5%

Network revenues decreased due primarily to lower net revenue requirements at our MISO Regulated Operating Subsidiaries during 2009 as compared to 2008. Lower net revenue requirements were due primarily to our expense mitigation efforts, other reductions to operating expenses as a result of higher capitalization, the reduction of depreciation expense as a result of the ITCTransmission and METC depreciation studies and an increase in regional cost sharing revenues. Partially offsetting these decreases was an increase due to higher rate base primarily associated with higher balances of property, plant and equipment in-service.

Regional cost sharing revenues increased due primarily to additional capital projects that have been identified by MISO as eligible for regional cost sharing.

Point-to-point revenues decreased due primarily to fewer point-to-point reservations caused by a reduction of usage related to unfavorable regional economic conditions and unfavorable weather conditions.

Scheduling, control and dispatch revenues decreased due primarily to lower network peak load at ITCTransmission.

Operating revenues for the year ended December 31, 2009 include the network revenue accruals (deferrals) as calculated below:

Line	Item	ITCTransmission	METC	ITC Midwest	ITC Great Plains	Total Net Revenue Accrual
(In thousands)						
1		$ 232,253	$ 154,280	$ 159,960	$ 786	

	Estimated net revenue requirement (network revenues recognized)(a)					
2	Network revenues billed(b)	235,216	161,299	140,136	261	
3	Network revenue accruals (deferrals) (line 1 line 2)(c)	$ (2,963)	$ (7,019)	$ 19,824	$ 525	$ 10,367

(a) The calculation of net revenue requirement for our Regulated Operating Subsidiaries is described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Cost-Based Formula Rates with True-Up Mechanism Net Revenue Requirement Calculation. The amount is estimated for each reporting period until such time as FERC Form No. 1 s are completed for our Regulated Operating Subsidiaries. Regional cost sharing revenues have a separate true-up mechanism and the related revenue accruals or deferrals are included in the regional cost sharing revenue amounts.

(b) Network revenues billed at our MISO Regulated Operating Subsidiaries were calculated based on the joint zone monthly network peak load multiplied by our effective monthly network rates for 2009. The rates for 2009 include amounts for the collection or refund of the 2007 revenue accruals and deferrals and the revenues billed or refunded in 2009 associated with the 2007 revenue accruals and deferrals are not included in these amounts. Our rates at ITC Great Plains are billed ratably each month on its annual projected net revenue requirement.

(c) Revenue accruals (deferrals) relating to regional cost sharing revenues in 2009 were not separately estimated until June 2010 and the revenue deferral amount for regional cost sharing revenues of $2.0 million for 2009 was included in the total network revenue deferral line.

Operating Expenses

Operation and maintenance expenses

Year ended December 31, 2010 compared to year ended December 31, 2009

Operation and maintenance expenses increased by $15.1 million due to higher vegetation management expenses, $6.7 million due to higher equipment and structure maintenance, $4.7 million due to higher tower painting expenses and $4.4 million due to higher substation facility maintenance expenses. The lower operation and maintenance expenses in 2009 were due in part to efforts to mitigate operation and maintenance expenses and general and administrative expenses to offset the impact of lower network load on cash flows and any potential revenue accrual relating to 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Operation and maintenance expenses decreased by $13.0 million due to lower field maintenance expenses consisting primarily of reductions in inspections, vegetation management, tower painting, overhead structure maintenance and field operations and training. These items were due in part to the expense mitigation efforts. Operation and maintenance expenses also decreased by $1.2 million for lower control center expenses and $5.1 million as a result of the expense capitalization process which focused on activities performed by employees directly related to construction programs at our Regulated Operating Subsidiaries. In addition, operation and maintenance expenses decreased by $1.5 million due to lower emergency station expenses at ITC Midwest that resulted from the 2008 floods in Iowa and by $1.2 million for lower incentive bonuses related to the ITC Midwest integration activities. These decreases were partially offset by higher information technology system maintenance expenses of $3.5 million, due in part to additional operating control room software and expanded financial systems and the expenses to support those systems.

General and administrative expenses

Year ended December 31, 2010 compared to year ended December 31, 2009

General and administrative expenses increased by $8.0 million due to the reduction of expenses in 2009 in connection with the recognition of regulatory assets relating to development activities of ITC Great Plains as well as certain pre-construction costs for the KETA Project. In addition, general and administrative expenses increased by $11.0 million due to higher compensation and benefit expenses due in part to personnel additions, stock compensation expense and the development bonuses as described above under ITC Great Plains Development Bonuses. These increases were partially offset by lower professional advisory and consulting services of $4.9 million as well as lower general business expenses of $4.0 million.

Year ended December 31, 2009 compared to year ended December 31, 2008

General and administrative expenses decreased by $9.6 million as a result of the aforementioned expense capitalization process and $7.4 million due to lower business expenses and professional advisory and consulting services resulting, in part, from our expense mitigation efforts described above. In addition,

general and administrative expenses decreased by $8.0 million due to the recognition of regulatory assets relating to start-up and development activities of ITC Great Plains as well as pre-construction costs for the KETA Project. Partially offsetting these decreases was an increase of $6.8 million due to higher compensation and benefits expenses, due in part to personnel additions, stock compensation expense associated with our 2008 and 2009 long term incentive plan grants and net pension cost. There was an additional $4.7 million increase for salaries, benefits and general business expenses associated with increased development activities at ITC Grid Development and Green Power Express, which are not included in the increases explained above.

Depreciation and amortization expenses

Year ended December 31, 2010 compared to year ended December 31, 2009

Depreciation and amortization expenses at our Regulated Operating Subsidiaries increased due to a higher depreciable rate base resulting from property, plant and equipment additions. This increase was partially offset by the effects of the ITC Midwest depreciation study, which revised ITC Midwest s depreciation rates used to calculate depreciation expense for the 2010 calendar year and resulted in a reduction of depreciation expense of $5.1 million as described in Note 4 to the consolidated financial statements.

Year ended December 31, 2009 compared to year ended December 31, 2008

Depreciation and amortization expenses at our Regulated Operating Subsidiaries decreased due primarily to the ITCTransmission and METC depreciation studies described in Note 4 to the consolidated financial statements, which revised their depreciation rates used to calculate depreciation expense for the entire 2009 calendar year and resulted in a reduction of depreciation expense of $14.2 million and $5.3 million for ITCTransmission and METC, respectively. Partially offsetting this decrease was an increase in depreciation expense due to a higher depreciable rate base resulting from property, plant and equipment additions.

Taxes other than income taxes

Year ended December 31, 2010 compared to year ended December 31, 2009

Taxes other than income taxes increased due to higher property tax expenses primarily due to our MISO Regulated Operating Subsidiaries 2009 capital additions, which are included in the assessments for 2010 personal property taxes.

Year ended December 31, 2009 compared to year ended December 31, 2008

Taxes other than income taxes increased due to higher property tax expenses primarily due to our MISO Regulated Operating Subsidiaries 2008 capital additions, which are included in the assessments for 2009 personal property taxes.

Other expenses (income)

Year ended December 31, 2010 compared to year ended December 31, 2009

Interest expense increased due primarily to additional interest expense associated with ITC Holdings $200 million debt issuance in December 2009. This increase was partially offset by the effects of lower borrowing levels and interest rates under our revolving credit agreements.

AFUDC equity increased due to increased property, plant and equipment expenditures and the resulting higher construction work in progress balances during 2010 compared to 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Interest expense increased due primarily to additional interest expense associated with the $186.1 million of additional indebtedness incurred during 2009. This increase was partially offset by the effects of lower interest rates under our revolving credit agreements.

AFUDC equity increased due to increased property, plant and equipment expenditures and the resulting higher construction work in progress balances during 2009 compared to 2008.

Other expenses increased due primarily to realized and unrealized losses on our trading securities recognized during 2008 as a result of financial market conditions that caused a decrease in our investment values.

Income Tax Provision

Year ended December 31, 2010 compared to year ended December 31, 2009

Our effective tax rate for the years ended December 31, 2010 and 2009 are 36.1% and 37.2%, respectively. Our effective rate differs from our 35% statutory federal income tax rate due primarily to state income tax provision of $5.9 million (net of federal deductibility) recorded during the year ended December 31, 2010 and $8.0 million (net of federal deductibility) recorded during the year ended December 31, 2009, partially offset by the tax effects of AFUDC equity which reduces the effective tax rate. The amount of income tax expense relating to AFUDC equity is recognized as a regulatory asset and not included in the income tax provision. Our Regulated Operating Subsidiaries include taxes payable relating to AFUDC equity in their actual net revenue requirements. Additionally, the income tax provision for the year ended December 31, 2010 has been reduced by $0.7 million for the settlement of an uncertain tax position resulting from the deductibility of transaction costs incurred in connection with the METC acquisition (as described in Note 10 to the consolidated financial statements under METC Uncertain Tax Position).

Year ended December 31, 2009 compared to year ended December 31, 2008

Our effective tax rate for the years ended December 31, 2009 and 2008 are 37.2% and 38.1%, respectively. Our effective rate differs from our 35% statutory federal income tax rate due primarily to state income tax provision of $8.0 million (net of federal deductibility) recorded during the year ended December 31, 2009 and $9.0 million (net of federal deductibility) recorded during the year ended December 31, 2008, partially offset by the tax effects of AFUDC equity.

Liquidity and Capital Resources

We expect to fund our future capital requirements with cash from operations, our existing cash and cash equivalents and amounts available under our revolving credit agreements (the terms of which are described in Note 8 to the consolidated financial statements). In addition, we may from time to time secure debt and equity funding in the capital markets, although we can provide no assurance that we will be able to obtain financing on favorable terms or at all. We expect that our capital requirements will arise principally from our need to:

Fund capital expenditures at our Regulated Operating Subsidiaries. Our plans with regard to property, plant and equipment investments are described in detail above under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Investment Forecasts and Operating Results Trends.

Fund business development expenses and related capital expenditures. We are pursuing development activities at ITC Grid Development and Green Power Express that will continue to result in the incurrence of

development expenses and could result in significant capital expenditures.

Fund working capital requirements.

Fund our debt service requirements, which are described in detail below under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations. We expect our interest payments to increase each year as a result of the additional debt we expect to incur to fund our capital expenditures.

Fund dividends to holders of our common stock.

Fund contributions to our retirement plans, as described in Note 11 to the consolidated financial statements. The impact of the growth in the number of participants in our retirement benefit plans, the recent financial market conditions that have caused a decrease in the value of our retirement plan assets and changes in the requirements of the Pension Protection Act may require contributions to our retirement plans to be higher than we have experienced in the past.

In addition to the expected capital requirements above, an adverse determination in our appeal relating to the recent denial of our ability to use the sales and use tax exemption as described in Note 16 to the consolidated financial statements would result in additional capital requirements.

We believe that we have sufficient capital resources to meet our currently anticipated short-term needs. We rely on both internal and external sources of liquidity to provide working capital and to fund capital investments. We expect to continue to utilize our revolving credit agreements and our cash and cash equivalents as needed to meet our short-term cash requirements. As of December 31, 2010, we had consolidated indebtedness under our revolving credit agreements of $53.4 million, with unused capacity under the agreements of $231.6 million. In addition, as of December 31, 2010, we had $95.1 million of cash and cash equivalents on hand.

On July 22, 2010, we amended our revolving credit facilities to remove Lehman Brothers Bank, FSB s commitments of $19.8 million, $16.7 million, $9.5 million and $9.0 million for ITC Holdings, ITCTransmission, METC and ITC Midwest, respectively, and to permit us in the future to terminate or replace certain lenders that default on their obligations under the credit facilities. We believe we have sufficient unused capacity under our revolving credit agreements to meet our short-term capital requirements. Additionally, if necessary, we believe we would be able to access the financial markets to satisfy short-term capital requirements.

For our long-term capital requirements, we expect that we will need to obtain additional debt and equity financing. Certain of our capital projects could be delayed in the event we experience difficulties in accessing capital. We expect to be able to obtain such additional financing as needed in amounts and upon terms that will be reasonably satisfactory to us.

Credit Ratings

Credit ratings by nationally recognized statistical rating agencies are an important component of our liquidity profile. Credit ratings relate to our ability to issue debt securities and the cost to borrow money, and should not be viewed as an indication of future stock performance or a recommendation to buy, sell, or hold

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securities. Ratings are subject to revision or withdrawal at any time and each rating should be evaluated independently of any other rating. Our current credit ratings are displayed in the following table. An explanation of these ratings may be obtained from the respective rating agency.

Issuer	Issuance	Standard and Poor s Ratings Services(a)	Moody s Investor Service, Inc.(b)
ITC Holdings	Senior Notes	BBB–	Baa2
ITCTransmission	First Mortgage Bonds	A–	A1
METC	Senior Secured Notes	A–	A1
ITC Midwest	First Mortgage Bonds	A–	A1
ITC Great Plains	Unsecured Credit Facility	BBB	Baa1

(a) All of the Standard and Poor s Ratings Services ratings have a positive outlook.

(b) All of the Moody s Investor Service, Inc. ratings have a stable outlook.

Covenants

Our debt instruments include senior notes, secured notes, first mortgage bonds and revolving credit agreements containing numerous financial and operating covenants that place significant restrictions on certain transactions and require us to maintain certain financial ratios, as described in Note 8 to the consolidated financial statements. We are currently in compliance with all debt covenants and in the event of a downgrade in our credit ratings, none of the covenants would be directly impacted.

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Cash Flows

The following table summarizes cash flows for the periods indicated:

(In thousands)	Year Ended December 31, 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 145,678	$ 130,900	$ 109,208
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	86,976	85,949	94,769
Revenue accruals and deferrals including accrued interest	121,315	10,912	(83,390)
Deferred income tax expense	76,746	75,001	65,054
Other	579	(7,574)	(1,240)
Changes in assets and liabilities, exclusive of changes shown separately	(7,961)	(27,253)	11,020
Net cash provided by operating activities	423,333	267,935	195,421
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(388,401)	(404,514)	(401,840)
Other	(460)	(4,448)	520
Net cash used in investing activities	(388,861)	(408,962)	(401,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net issuance/repayment of long-term debt (including revolving credit agreements)	62,034	185,802	4,516
Issuance of common stock	8,908	3,575	310,543
Dividends on common stock	(66,041)	(62,408)	(58,935)
Refundable deposits from and repayments to generators for transmission network upgrades net	(18,295)	35,051	13,309
Other	(822)	(4,250)	(8,040)
Net cash (used in) provided by financing activities	(14,216)	157,770	261,393
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,256	16,743	55,494
CASH AND CASH EQUIVALENTS Beginning of period	74,853	58,110	2,616
CASH AND CASH EQUIVALENTS End of period	$ 95,109	$ 74,853	$ 58,110

Cash Flows From Operating Activities

Year ended December 31, 2010 compared to year ended December 31, 2009

Net cash provided by operating activities increased $155.4 million in 2010 over 2009. The increase in cash provided by operating activities was due primarily to an increase in cash received from operating revenues of $173.9 million

due to the collection of $83.8 million of the 2008 formula rate revenue accruals and related accrued interest, as well as the additional revenues collected as a result of higher monthly peak loads in 2010 compared to what had been forecasted in developing the network transmission rates for our MISO Regulated Operating Subsidiaries. These increases were partially offset by $10.5 million of

additional interest payments (net of interest capitalized) due primarily to higher outstanding balances of long-term debt as well as higher income taxes paid of $6.9 million during 2010 compared to 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Net cash provided by operating activities increased $72.5 million in 2009 over 2008. The increase in cash provided by operating activities was due to an increase in cash received for operating revenues of $95.8 million, primarily as a result of additional revenues collected at ITC Midwest in 2009 subsequent to the rate freeze that was in effect during 2008. This increase was partially offset by $23.1 million of additional interest payments (net of interest capitalized) during 2009 compared to 2008 due primarily to higher outstanding balances of long-term debt.

Cash Flows From Investing Activities

Year ended December 31, 2010 compared to year ended December 31, 2009

Net cash used in investing activities decreased $20.1 million in 2010 over 2009. The decrease in cash used in investing activities was due primarily to lower payments during 2010 for amounts accrued for property, plant and equipment compared to payments for such amounts during 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Net cash used in investing activities was consistent in 2009 compared to 2008, as a result of similar levels of capital investment.

Cash Flows From Financing Activities

Year ended December 31, 2010 compared to year ended December 31, 2009

Net cash from financing activities decreased $172.0 million in 2010 compared to 2009. The decrease in cash from financing activities was due primarily to a reduction in net proceeds associated with refundable deposits for transmission network upgrades of $53.3 million during 2010 as compared to 2009. In addition, the issuance of the $200.0 million received in December 2009 from the issuance of ITC Holdings 5.50% Senior Notes, due January 15, 2020, and the proceeds from the issuance of the $35.0 million ITC Midwest 4.60% First Mortgage Bonds, Series D (Series D Bonds), due December 17, 2024, exceeded the proceeds of $40.0 million from the closing of the Series D Bonds and proceeds of $50.0 million received from the issuance of METC s 5.64% Senior Secured Notes during 2010. These decreases were partially offset by a net increase of $19.9 million in amounts outstanding under our revolving credit agreements.

Year ended December 31, 2009 compared to year ended December 31, 2008

Net cash provided by financing activities decreased $103.6 million in 2009 compared to 2008. The decrease was due to the $307.0 million of proceeds of common stock issuance costs associated with the January 2008 public common stock offering and the net decrease in borrowings under our revolving credit facilities of $34.6 million during 2009 as compared to 2008. These decreases were partially offset by the 2009 issuances of the $200.0 million ITC Holdings Senior Secured Notes and proceeds from the issuance of the $35.0 million ITC Midwest First Mortgage Bonds, Series D.

Contractual Obligations

The following table details our contractual obligations as of December 31, 2010:

(In thousands)	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Long-term debt:					
ITC Holdings Senior Notes	$ 1,462,000	$	$ 317,000	$ 255,000	$ 890,000
ITCTransmission First Mortgage Bonds	385,000		185,000		200,000
ITCTransmission/METC revolving credit agreement	13,800		13,800		
METC Senior Secured Notes	275,000		50,000	175,000	50,000
ITC Midwest First Mortgage Bonds	325,000				325,000
ITC Midwest revolving credit agreement	39,600		39,600		
Interest payments:					
ITC Holdings Senior Notes	836,998	85,683	235,767	133,545	382,003
ITCTransmission First Mortgage Bonds	217,284	20,108	48,317	23,750	125,109
METC Senior Secured Notes	145,671	16,198	48,483	15,143	65,847
ITC Midwest First Mortgage Bonds	384,922	19,606	58,816	39,210	267,290
Operating leases	1,598	429	1,160	4	5
Purchase obligations	54,683	46,940	6,412	1,331	
METC Easement Agreement	399,884	10,041	30,123	20,082	339,638
Total obligations	$ 4,541,440	$ 199,005	$ 1,034,478	$ 663,065	$ 2,644,892

Interest payments included above relate only to our fixed-rate long-term debt outstanding at December 31, 2010. We also expect to pay interest and commitment fees under our variable-rate revolving credit agreements that have not been included above due to varying amounts of borrowings and interest rates under the facilities. In 2010, we paid $0.4 million of interest and commitment fees under our revolving credit agreements.

Purchase obligations represent commitments for materials, services and equipment that had not been received as of December 31, 2010, primarily for construction and maintenance projects for which we have an executed contract. The majority of the items relate to materials and equipment that have long production lead times.

The Easement Agreement provides METC with an easement for transmission purposes and rights-of-way, leasehold interests, fee interests and licenses associated with the land over which the transmission lines cross. The cost for use of the rights-of-way is $10.0 million per year. The term of the Easement Agreement runs through December 31, 2050 and is subject to 10 automatic 50-year renewals thereafter unless METC gives notice of nonrenewal of at least one year in advance. Payments to Consumers Energy under the Easement Agreement are charged to operation and maintenance expense.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these consolidated financial statements requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events.

These estimates and judgments, in and of themselves, could materially impact the consolidated financial statements and disclosures based on varying assumptions, as future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment.

The following is a list of accounting policies that are most significant to the portrayal of our financial condition and results of operations and/or that require management s most difficult, subjective or complex judgments.

Regulation

Nearly all of our Regulated Operating Subsidiaries business is subject to regulation by the FERC. As a result, we apply accounting principles in accordance with the standards set forth by the Financial Accounting Standards Board (FASB) for accounting for the effects of certain types of regulation. Use of this accounting guidance results in differences in the application of GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Future regulatory changes or changes in the competitive environment could result in discontinuing the application of the guidance for accounting for the effects of certain types of regulations. If we were to discontinue the application of this guidance on our Regulated Operating Subsidiaries operations, we may be required to record losses of $170.7 million relating to the regulatory assets at December 31, 2010 that are described in Note 5 to the consolidated financial statements. We also may be required to record losses of $50.0 million relating to intangible assets at December 31, 2010 that are described in Note 6 to the consolidated financial statements. Additionally, we may be required to record gains of $151.8 million relating to regulatory liabilities at December 31, 2010, primarily for asset removal costs that have been accrued in advance of incurring these costs.

We believe that currently available facts support the continued applicability of the standards for accounting for the effects of certain types of regulation and that all regulatory assets and liabilities are recoverable or refundable under our current rate environment.

Revenue Recognition under Cost-Based Formula Rates with True-Up Mechanisms

Beginning January 1, 2007 for ITCTransmission and METC, January 1, 2008 for ITC Midwest and August 18, 2009 for ITC Great Plains, our Regulated Operating Subsidiaries recover expenses and earn a return on and recover investments in property, plant and equipment on a current rather than a lagging basis under their forward-looking cost-based formula rates with a true-up mechanism.

Under their formula rates, our Regulated Operating Subsidiaries use forecasted expenses, property, plant and equipment, point-to-point revenues and other items for the upcoming calendar year to establish their projected net revenue requirement and their component of the billed network rates for service on their systems from January 1 to December 31 of that year. The formula rates include a true-up mechanism, whereby our Regulated Operating Subsidiaries compare their actual net revenue requirement to their billed revenues for each year in order to subsequently collect or refund any under-recovery or over-recovery of revenues, as appropriate. The under- or over-collection typically results from differences between the projected revenue requirement used to establish the billing rate and actual revenue requirement at each of our Regulated Operating Subsidiaries, or from differences between actual and projected monthly peak loads at our MISO Regulated Operating subsidiaries.

The true-up mechanisms under our formula rates meet the requirements in the Accounting Standards Codification for accounting for rate-regulated utilities and the effects of certain alternative revenue programs. Accordingly, revenue is recognized during each reporting period based on actual net revenue requirements calculated using the cost-based formula rate. Our Regulated Operating Subsidiaries accrue or defer revenues to the extent that their actual net revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting

period. The true-up amount is automatically reflected in customer bills within two years under the provisions of the formula rates.

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ITCTransmission s Rate Freeze Revenue Deferral

ITCTransmission s revenue deferral results from the regulatory authority to bill and collect certain revenue requirements calculated for historical periods. This revenue deferral resulted from the difference between the revenue ITCTransmission would have collected under its cost based formula rate and the actual revenue ITCTransmission received based on the frozen rate of $1.075 kW/month for the period from February 28, 2003 through December 31, 2004. The cumulative revenue deferral at the end of the rate freeze was $59.7 million ($38.8 million net of tax). The revenue deferral and related taxes are not reflected as assets and liabilities in our consolidated financial statements because they do not meet the criteria to be recorded as regulatory assets. Similarly none of the revenue deferral amortization used in ratemaking is reflected in our consolidated financial statements. The proper revenue recognition relating to the revenue deferral occurs when we charge the rate that includes the amortization of the revenue deferral. The revenue deferral is being amortized for ratemaking on a straight-line basis for five years from June 2006 through May 2011 and has been or will be included in ITCTransmission s revenue requirement for those periods. Revenues of $11.9 million were recognized in 2010 relating to the rate freeze revenue deferral and will be $5.0 million for January through May 2011. The $6.9 million reduction in revenues is also expected to result in a reduction to earnings of approximately $4.3 million in 2011 compared to 2010.

Valuation of Goodwill

We have goodwill resulting from our acquisitions of ITCTransmission and METC and ITC Midwest s acquisition of the IP&L transmission assets. In accordance with the standards set forth by the FASB for goodwill, we are required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired. In order to perform these impairment tests, we determined fair value using quoted market prices in active markets, and valuation techniques based on discounted future cash flows under various scenarios. We also considered estimates of market-based valuation multiples for companies within our Regulated Operating Subsidiaries peer group. The market-based multiples involve judgment regarding the appropriate peer group and the appropriate multiple to apply in the valuation and the cash flow estimates involve judgments based on a broad range of assumptions, information and historical results. To the extent estimated market-based valuation multiples and/or discounted cash flows are revised downward, we may be required to write down all or a portion of goodwill, which would adversely impact earnings. As of December 31, 2010, consolidated goodwill totaled $950.2 million and we determined that no impairment existed, nor do we believe there is a material risk of being impaired in the near term at ITCTransmission, METC or ITC Midwest as of our goodwill impairment testing date of October 1, 2010.

Contingent Obligations

We are subject to a number of federal and state laws and regulations, as well as other factors and conditions that potentially subject us to environmental, litigation, income tax, and other risks. We periodically evaluate our exposure to such risks and record reserves for those matters where a loss is considered probable and reasonably estimable in accordance with GAAP. The adequacy of reserves can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect our consolidated financial statements. These events or conditions include the following:

- Changes in existing state or federal regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances, hazardous and solid wastes, and other environmental matters.
- Changes in existing federal income tax laws or Internal Revenue Service regulations.
- Identification and evaluation of potential lawsuits or complaints in which we may be or have been named as a defendant.

Resolution or progression of existing matters through the legislative process, the courts, the Internal Revenue Service, or the Environmental Protection Agency.

Valuation of Share-Based Payments

Our accounting for share-based payments requires us to determine the fair value of awards of ITC Holdings common stock. We use the value of ITC Holdings common stock at the date of grant in the calculation of the fair value of our share-based awards. The fair value of stock options held by our employees is determined using a Black-Scholes option valuation method, which is a valuation technique that is acceptable for share-based payment accounting. Key assumptions in determining fair value include volatility, risk-free interest rate, dividend yield and expected lives. In the event different assumptions were used, a different fair value would be derived that could cause the related expense to be materially higher or lower.

Pension and Postretirement Costs

We sponsor certain post-employment benefits to our employees, which include retirement plans and certain postretirement health care, dental and life insurance benefits. Our periodic costs and obligations associated with these post employment plans are developed from actuarial valuations derived from a number of assumptions including rates of return on plan assets, the discount rate, the rate of increase in health care costs, the amount and timing of plan sponsor contributions and demographic factors such as retirements, mortality and turnover, among others. We evaluate these assumptions annually and update them periodically to reflect our actual experience. Three critical assumptions in determining our periodic costs and obligations are discount rate, expected long-term return on plan assets and the rate of increases in health care costs. The discount rate represents the market rate for synthesized AA rated zero coupon bonds with durations corresponding to the expected durations of the benefit obligations and is used to calculate the present value of the expected future cash flows for benefit obligations under our post employment plans. For our rate of return on plan assets, we consider the current and expected asset allocations, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term return on plan assets. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans as described in Note 11 to the consolidated financial statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition.

Recent Accounting Pronouncements

See Note 3 to the consolidated financial statements.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Commodity Price Risk

We have commodity price risk at our Regulated Operating Subsidiaries arising from market price fluctuations for materials such as copper, aluminum, steel, oil and gas and other goods used in construction and maintenance activities. Higher costs of these materials are passed on to us by the contractors for these activities. These items affect only cash flows, as the amounts are included as components of net revenue requirement and any higher costs are included in rates under their cost-based formula rates.

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Interest Rate Risk

Fixed Rate Long Term Debt

Based on the borrowing rates currently available for bank loans with similar terms and average maturities, the fair value of our consolidated long-term debt, excluding revolving credit agreements, was $2,747.2 million at December 31, 2010. The total book value of our consolidated long-term debt, excluding revolving credit agreements, was $2,443.5 million at December 31, 2010. We performed an analysis calculating the impact of changes in interest rates on the fair value of long-term debt, excluding revolving credit agreements, at December 31, 2010. An increase in interest rates of 10% (from 7.0% to 7.7%, for example) at December 31, 2010 would decrease the fair value of debt by $81.1 million, and a decrease in interest rates of 10% at December 31, 2010 would increase the fair value of debt by $87.3 million at that date.

Revolving Credit Agreements

At December 31, 2010, we had a consolidated total of $53.4 million outstanding under our revolving credit agreements, which are variable rate loans and therefore fair value approximates book value. A 10% increase or decrease in borrowing rates under the revolving credit agreements compared to the weighted average rates in effect at December 31, 2010 would increase or decrease the total interest expense by $0.1 million, respectively, for an annual period on a constant borrowing level of $53.4 million.

Credit Risk

Our credit risk is primarily with Detroit Edison, Consumers Energy and IP&L, which were responsible for 33.1%, 23.6% and 23.9%, respectively, or $230.9 million, $164.6 million and $166.9 million, respectively, of our consolidated operating revenues for 2010. These percentages assume a portion of the 2010 revenue accruals and deferrals included in our 2010 operating revenues, which will be billed or refunded to our customers in 2012, would be paid by Detroit Edison, Consumers Energy and IP&L in the future based on the respective percentage of network and regional cost sharing revenues billed to them in 2010. Under Detroit Edison s and Consumers Energy s current rate structure, Detroit Edison and Consumers Energy include in their retail rates the actual cost of transmission services provided by ITCTransmission and METC, respectively, in their billings to their customers, effectively passing through to end-use consumers the total cost of transmission service. IP&L currently includes in their retail rates an allowance for transmission services provided by ITC Midwest in their billings to their customers. However, any financial difficulties experienced by Detroit Edison, Consumers Energy or IP&L may affect their ability to make payments for transmission service to ITCTransmission, METC and ITC Midwest, which could negatively impact our business. MISO, as our MISO Regulated Operating Subsidiaries billing agent, bills Detroit Edison, Consumers Energy, IP&L and other customers on a monthly basis and collects fees for the use of our transmission systems. SPP, the billing agent for ITC Great Plains, began to bill ITC Great Plains 2009 network revenues in January 2010, retroactive to August 18, 2009. MISO and SPP have implemented strict credit policies for its members customers, which include customers using our transmission systems. In general, if these customers do not maintain their investment grade credit rating or have a history of late payments, MISO and SPP may require them to provide MISO and the SPP with a letter of credit or cash deposit equal to the highest monthly invoiced amount over the previous twelve months.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The following financial statements and schedules are included herein:

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Report of Independent Registered Public Accounting Firm	59
Consolidated Statements of Financial Position as of December 31, 2010 and 2009	60
Consolidated Statements of Operations for the Years Ended December 31, 2010, 2009 and 2008	61
Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income for the Years Ended December 31, 2010, 2009 and 2008	62
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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable, not absolute, assurance as to the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Under management s supervision, an evaluation of the design and effectiveness of our internal control over financial reporting was conducted based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our assessment included extensive documenting, evaluating and testing of the design and operating effectiveness of our internal control over financial reporting. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2010.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2010. Deloitte & Touche LLP s report, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting, is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of:
ITC Holdings Corp.

We have audited the accompanying consolidated statements of financial position of ITC Holdings Corp. and subsidiaries (the Company) as of December 31, 2010 and 2009 and the related consolidated statements of operations, changes in stockholders equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITC Holdings Corp. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Detroit, Michigan
February 23, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ITC Holdings Corp.:

We have audited the internal control over financial reporting of ITC Holdings Corp. and subsidiaries (the Company) as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010 of the Company and our report dated February 23, 2011 expressed an unqualified opinion on

those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Detroit, Michigan
February 23, 2011

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ITC HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands, except share data)	December 31, 2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 95,109	$ 74,853
Accounts receivable	80,417	72,352
Inventory	42,286	36,834
Deferred income taxes		23,859
Regulatory assets revenue accruals, including accrued interest	28,637	82,871
Other	5,293	3,244
Total current assets	251,742	294,013
Property, plant and equipment (net of accumulated depreciation and amortization of $1,129,669 and $1,051,045, respectively)	2,872,277	2,542,064
Other assets		
Goodwill	950,163	950,163
Intangible assets (net of accumulated amortization of $12,176 and $9,095, respectively)	49,985	51,987
Regulatory assets revenue accruals, including accrued interest	3,947	20,406
Other regulatory assets	138,152	134,924
Deferred financing fees (net of accumulated amortization of $11,750 and $9,616, respectively)	19,949	21,672
Other	21,658	14,487
Total other assets	1,183,854	1,193,639
TOTAL ASSETS	$ 4,307,873	$ 4,029,716
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 66,953	$ 43,508
Accrued payroll	18,606	13,648
Accrued interest	42,725	39,099
Accrued taxes	19,461	21,188
Regulatory liabilities revenue deferrals, including accrued interest	17,658	
Refundable deposits from generators for transmission network upgrades	10,492	25,891
Other	6,509	3,344
Total current liabilities	182,404	146,678
Accrued pension and postretirement liabilities	35,811	31,158
Deferred income taxes	314,979	255,516
Regulatory liabilities revenue deferrals, including accrued interest	43,202	10,238

Regulatory liabilities accrued asset removal costs	90,987	112,430
Refundable deposits from generators for transmission network upgrades	14,515	17,664
Other	11,646	10,111
Long-term debt	2,496,896	2,434,398
Commitments and contingent liabilities (Notes 4 and 16)		
STOCKHOLDERS EQUITY		
Common stock, without par value, 100,000,000 shares authorized, 50,715,805 and 50,084,061 shares issued and outstanding at December 31, 2010 and 2009, respectively	886,808	862,512
Retained earnings	229,437	149,776
Accumulated other comprehensive income (loss)	1,188	(765)
Total stockholders equity	1,117,433	1,011,523
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 4,307,873	$ 4,029,716

See notes to consolidated financial statements.

ITC HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
(In thousands, except per share data)	**2010**	**2009**	**2008**
OPERATING REVENUES	$ 696,843	$ 621,015	$ 617,877
OPERATING EXPENSES			
Operation and maintenance	126,528	95,730	113,818
General and administrative	78,120	69,231	81,296
Depreciation and amortization	86,976	85,949	94,769
Taxes other than income taxes	48,195	43,905	41,180
Other operating income and expense net	(297)	(667)	(809)
Total operating expenses	339,522	294,148	330,254
OPERATING INCOME	357,321	326,867	287,623
OTHER EXPENSES (INCOME)			
Interest expense	142,553	130,209	122,234
Allowance for equity funds used during construction	(13,412)	(13,203)	(11,610)
Loss on extinguishment of debt		1,263	
Other income	(2,340)	(2,792)	(3,415)
Other expense	2,588	2,918	3,944
Total other expenses (income)	129,389	118,395	111,153
INCOME BEFORE INCOME TAXES	227,932	208,472	176,470
INCOME TAX PROVISION	82,254	77,572	67,262
NET INCOME	$ 145,678	$ 130,900	$ 109,208
Basic earnings per common share (Note 9)	$ 2.89	$ 2.62	$ 2.22
Diluted earnings per common share (Note 9)	$ 2.84	$ 2.58	$ 2.18
Dividends declared per common share	$ 1.310	$ 1.250	$ 1.190

See notes to consolidated financial statements.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Retained	Accumulated Other Comprehensive Income	Total Stockholders	Comprehensive
(In thousands, except share and per share data)	Shares	Amount	Earnings	(Loss)	Equity	Income
BALANCE, DECEMBER 31, 2007	42,916,852	$ 532,103	$ 31,864	$ (892)	$ 563,075	
Net income			109,208		109,208	$ 109,208
Common stock issuance costs		(755)			(755)	
Dividends declared on common stock ($1.190 per share)			(58,953)		(58,953)	
Issuance of common stock	6,420,737	308,317			308,317	
Stock option exercises	141,883	1,460			1,460	
Shares issued under the Employee Stock Purchase Plan	18,593	766			766	
Issuance of restricted stock	172,261					
Forfeiture of restricted stock	(15,808)		21		21	
Amortization of share-based compensation, net of forfeitures		7,251			7,251	
Amortization of interest rate lock cash flow hedges, net of tax of $34				63	63	63
Other		(518)			(518)	
Comprehensive income						$ 109,271
Employers accounting for defined benefit pension and other postretirement plans change in measurement date provisions						
Service cost, interest cost, and expected return on plan assets for October 1 December 31, 2007, net of tax of $400			(647)		(647)	

Amortization of prior service cost and losses for October 1 December 31, 2007, net of tax of $140			(225)		(225)	
BALANCE, DECEMBER 31, 2008	49,654,518	$ 848,624	$ 81,268	$ (829)	$ 929,063	
Net income			130,900		130,900	$ 130,900
Repurchase and retirement of common stock	(700)	(31)			(31)	
Dividends declared on common stock ($1.250 per share)			(62,421)		(62,421)	
Stock option exercises	223,975	2,522			2,522	
Shares issued under the Employee Stock Purchase Plan	28,681	1,053			1,053	
Issuance of restricted stock	189,264					
Forfeiture of restricted stock	(16,894)		29		29	
Vesting of deferred stock units	5,217					
Amortization of share-based compensation, net of forfeitures		9,977			9,977	
Amortization of interest rate lock cash flow hedges, net of tax of $34				64	64	64
Tax deduction for stock compensation exceeding book value		129			129	
Other		238			238	
Comprehensive income						$ 130,964
BALANCE, DECEMBER 31, 2009	50,084,061	$ 862,512	$ 149,776	$ (765)	$ 1,011,523	
Net income			145,678		145,678	$ 145,678
Repurchase and retirement of common stock	(1,057)	(61)			(61)	
Dividends declared on common stock ($1.310 per share)			(66,048)		(66,048)	
Stock option exercises	464,264	7,786			7,786	
Shares issued under the Employee Stock Purchase Plan	24,840	1,122			1,122	
Issuance of restricted stock	152,737					
Forfeiture of restricted stock	(14,404)		31		31	
Vesting of deferred stock units	5,364					
		14,843			14,843	

Amortization of share-based compensation, net of forfeitures						
Amortization of interest rate lock cash flow hedges, net of tax of $34				64	64	64
Fair value of interest rate swap, net of tax of $1,211				1,889	1,889	1,889
Tax deduction for stock compensation exceeding book value		320			320	
Other		286			286	
Comprehensive income						$ 147,631
BALANCE, DECEMBER 31, 2010	50,715,805	$ 886,808	$ 229,437	$ 1,188	$ 1,117,433	

See notes to consolidated financial statements.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31, 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 145,678	$ 130,900	$ 109,208
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	86,976	85,949	94,769
Revenue accruals and deferrals including accrued interest	121,315	10,912	(83,390)
Deferred income tax expense	76,746	75,001	65,054
Allowance for equity funds used during construction	(13,412)	(13,203)	(11,610)
Recognition of ITC Great Plains regulatory assets		(8,191)	
Other	13,991	13,820	10,370
Changes in assets and liabilities, exclusive of changes shown separately:			
Accounts receivable	(9,479)	(12,986)	(14,455)
Inventory	(5,452)	(14,599)	(10,237)
Other current assets	(2,049)	903	(629)
Accounts payable	2,210	(6,097)	14,948
Accrued payroll	4,893	2,003	778
Accrued interest	3,626	1,320	14,693
Accrued taxes	(2,071)	3,073	3,600
Other current liabilities	2,770	(2,049)	1,191
Other non-current assets and liabilities, net	(2,409)	1,179	1,131
Net cash provided by operating activities	423,333	267,935	195,421
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(388,401)	(404,514)	(401,840)
Proceeds from sale of securities	14,576	1,182	
Purchases of securities	(14,587)	(5,309)	
Other	(449)	(321)	520
Net cash used in investing activities	(388,861)	(408,962)	(401,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	90,000	333,670	782,782
Repayment of long-term debt		(100,000)	(765,000)
Borrowings under revolving credit agreements	475,627	623,966	657,733
Repayments of revolving credit agreements	(503,593)	(671,834)	(670,999)
Issuance of common stock	8,908	3,575	310,543
Dividends on common stock	(66,041)	(62,408)	(58,935)
Refundable deposits from generators for transmission network upgrades	21,618	40,279	15,661
Repayment of refundable deposits from generators for transmission network upgrades	(39,913)	(5,228)	(2,352)
Other	(822)	(4,250)	(8,040)

Net cash (used in) provided by financing activities	(14,216)	157,770	261,393
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,256	16,743	55,494
CASH AND CASH EQUIVALENTS Beginning of period	74,853	58,110	2,616
CASH AND CASH EQUIVALENTS End of period	$ 95,109	$ 74,853	$ 58,110

See notes to consolidated financial statements.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

ITC Holdings Corp. (ITC Holdings, and together with its subsidiaries, we, our or us) was incorporated for the purpo
of acquiring International Transmission Company (ITCTransmission) from DTE Energy Company (DTE Energy). Following the approval of the transaction by the Federal Energy Regulatory Commission (the FERC), ITC Holdings acquired the outstanding ownership interests of ITCTransmission on February 28, 2003.

On October 10, 2006, ITC Holdings acquired an indirect ownership (through various intermediate entities) of all the partnership interests in Michigan Transco Holdings, Limited Partnership (MTH), the sole member of Michigan Electric Transmission Company, LLC (METC).

On December 20, 2007, ITC Midwest LLC (ITC Midwest), a wholly-owned subsidiary of ITC Holdings, completed the acquisition of the transmission assets of Interstate Power and Light Company (IP&L), an Alliant Energy Corporation subsidiary.

On August 18, 2009, ITC Great Plains, LLC (ITC Great Plains), a wholly-owned subsidiary of ITC Grid Development, LLC (ITC Grid Development), which is a wholly-owned subsidiary of ITC Holdings, completed the acquisition of two electric transmission substations from Mid-Kansas Electric Company LLC (Mid-Kansas) and became an electric utility with rates regulated by FERC.

Through ITCTransmission, METC, ITC Midwest and ITC Great Plains (together, our Regulated Operating Subsidiaries), we are engaged in the transmission of electricity in the United States. We operate high-voltage systems in Michigan s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri and Kansas that transmit electricity from generating stations to local distribution facilities connected to our systems. Our business strategy is to operate, maintain and invest in transmission infrastructure in order to enhance system integrity and reliability, to reduce transmission constraints and to allow new generating resources to interconnect to our transmission systems. We also are pursuing development projects not within our existing systems, which are intended to improve overall grid reliability, lower electricity congestion and facilitate interconnections of new generating resources, as well as to enhance competitive wholesale electricity markets.

Our Regulated Operating Subsidiaries are independent electric transmission utilities, with rates regulated by the FERC and established on a cost-of-service model. ITCTransmission s service area is located in southeastern Michigan and METC s service area covers approximately two-thirds of Michigan s Lower Peninsula and is contiguous with ITCTransmission s service area. ITC Midwest s service area is located in portions of Iowa, Minnesota, Illinois and Missouri and ITC Great Plains currently owns assets located in Kansas. The Midwest Independent Transmission System Operator, Inc. (MISO) bills and collects revenues from ITCTransmission, METC, and ITC Midwest (MISO Regulated Operating Subsidiaries) customers. Southwest Power Pool, Inc. (SPP) bills and collects revenue from ITC Great Plains customers.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the major accounting policies followed in the preparation of the accompanying consolidated financial statements, which conform to accounting principles generally accepted in the United States of America (GAAP), is presented below:

Principles of Consolidation   ITC Holdings consolidates its majority owned subsidiaries. We eliminate all intercompany balances and transactions.

Use of Estimates   The preparation of the consolidated financial statements in accordance with GAAP requires us to use estimates and assumptions that impact the reported amounts of assets,

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from our estimates.

Regulation Our Regulated Operating Subsidiaries are subject to the regulatory jurisdiction of the FERC, which issues orders pertaining to rates, recovery of certain costs, including the costs of transmission assets and regulatory assets, conditions of service, accounting, financing authorization and operating-related matters. The utility operations of our Regulated Operating Subsidiaries meet the accounting standards set forth by the Financial Accounting Standards Board (FASB) for the accounting effects of certain types of regulation. These accounting standards recognize the cost-based rate setting process, which results in differences in the application of GAAP between regulated and non-regulated businesses. These standards require the recording of regulatory assets and liabilities for transactions that would have been recorded as revenue and expense in non-regulated businesses. Regulatory assets represent costs that will be included as a component of future tariff rates and regulatory liabilities represent amounts provided in the current tariff rates that are intended to recover costs expected to be incurred in the future or amounts to be refunded to customers.

Cash and Cash Equivalents We consider all unrestricted highly-liquid temporary investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Consolidated Statements of Cash Flows The following table presents certain supplementary cash flows information for the years ended December 31, 2010, 2009 and 2008:

	Year Ended December 31,		
	2010	**2009**	**2008**
(In thousands)			
Supplementary cash flows information:			
Interest paid (net of interest capitalized)	$ 135,771	$ 125,254	$ 102,149
Income taxes paid	8,844	1,971	2,012
Supplementary non-cash investing and financing activities:			
Additions to property, plant and equipment(a)	44,496	23,169	54,689
Allowance for equity funds used during construction	13,412	13,203	11,610

(a) Amounts consist of current liabilities for construction labor and materials that have not been included in investing activities. These amounts have not been paid for as of December 31, 2010, 2009 or 2008, respectively, but have been or will be included as a cash outflow from investing activities for expenditures for property, plant and equipment when paid.

Accounts Receivable We recognize losses for uncollectible accounts based on specific identification of any such items. As of December 31, 2010 and 2009, we did not have an accounts receivable reserve.

Inventories Materials and supplies inventories are valued at average cost. Additionally, the costs of warehousing activities are recorded here and included in the cost of materials when requisitioned.

Property, Plant and Equipment Depreciation and amortization expense on property, plant and equipment was $77.8 million, $76.8 million and $85.6 million for 2010, 2009 and 2008, respectively.

Property, plant and equipment in service at our Regulated Operating Subsidiaries is stated at its original cost when first devoted to utility service. The gross book value of assets retired less salvage proceeds is charged to accumulated depreciation. The provision for depreciation of transmission assets is a significant component of our Regulated Operating Subsidiaries cost of service under

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FERC-approved rates. Depreciation is computed over the estimated useful lives of the assets using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes. The composite depreciation rate for our Regulated Operating Subsidiaries included in our consolidated statements of operations was 2.4%, 2.6% and 3.0% for 2010, 2009 and 2008, respectively. Both ITCTransmission and METC implemented new depreciation rates effective for the year ended December 31, 2009 and ITC Midwest implemented new depreciation rates effective for the year ended December 31, 2010. Refer to Note 4 for additional discussion of these depreciation rate changes. The composite depreciation rates include depreciation primarily on transmission station equipment, towers, poles and overhead and underground lines that have a useful life ranging from 48 to 60 years. The portion of depreciation expense related to asset removal costs is added to regulatory liabilities and removal costs incurred are deducted from regulatory liabilities. Our Regulated Operating Subsidiaries capitalize to property, plant and equipment an allowance for the cost of equity and borrowings used during construction (AFUDC) in accordance with FERC regulations. AFUDC represents the composite cost incurred to fund the construction of assets, including interest expense and a return on equity capital devoted to construction of assets. The AFUDC debt of $3.9 million, $3.9 million and $3.5 million for 2010, 2009 and 2008, respectively, was a reduction to interest expense. The AFUDC equity was $13.4 million, $13.2 million and $11.6 million for 2010, 2009 and 2008, respectively. Certain projects at ITC Great Plains have been granted an incentive to include construction work in progress balances in rate base, and we do not accrue AFUDC on those projects.

For acquisitions of property, plant and equipment greater than the net book value (other than asset acquisitions accounted for under the purchase method of accounting that result in goodwill), the acquisition premium is recorded to property, plant and equipment and amortized over the estimated remaining useful lives of the assets using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes.

Property, plant and equipment includes capital equipment inventory stated at original cost consisting of items that are expected to be used exclusively for capital projects.

We capitalize the costs associated with computer software we develop or obtain for use in our business, which is included in property, plant and equipment. We amortize computer software costs on a straight-line basis over the expected period of benefit once the installed software is ready for its intended use.

Property, plant and equipment at ITC Holdings and non-regulated subsidiaries is stated at its acquired cost. Proceeds from salvage less the net book value of assets disposed of is recognized as a gain or loss on disposal. Depreciation is computed based on the acquired cost less expected residual value and is recognized over the estimated useful lives of the assets on a straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes.

Impairment of Long-Lived Assets Other than goodwill, our long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds the expected undiscounted future cash flows generated by the asset, an impairment loss is recognized resulting in the asset being written down to its estimated fair value.

Goodwill and Intangible Assets We comply with the standards set forth by the FASB for goodwill and other intangible assets. Under these standards, goodwill and other intangibles with indefinite lives are not subject to amortization. However, goodwill and other intangibles are subject to fair value-based rules for measuring impairment, and resulting write-downs, if any, are to be reflected in operating expense. In order to perform these impairment tests,

we determined fair value using

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

valuation techniques based on discounted future cash flows under various scenarios and we also considered estimates of market-based valuation multiples for companies within the peer group of the reporting unit that has goodwill recorded. These accounting standards require that goodwill be reviewed at least annually for impairment and whenever facts or circumstances indicate that the carrying amounts may not be recoverable. We have goodwill recorded relating to the acquisitions of each our MISO Regulated Operating Subsidiaries. We completed our annual goodwill impairment test for each of our MISO Regulated Operating Subsidiaries as of October 1, 2010 and determined that no impairment exists, nor do we believe there is material risk of being impaired in the near term. There were no events subsequent to October 1, 2010 that indicated impairment of our goodwill. Our intangible assets have finite lives and are amortized over their useful lives, refer to Note 6.

Deferred Financing Fees and Discount or Premium on Debt The costs related to the issuance of long-term debt are recorded to deferred financing fees and are deferred and amortized over the life of the debt issue. The debt discount or premium related to the issuance of long-term debt is recorded to long-term debt and amortized over the life of the debt issue. We recorded to interest expense the amortization of deferred financing fees and the amortization of our debt discounts for 2010, 2009 and 2008 of $3.1 million, $3.3 million and $3.2 million, respectively.

Asset Retirement Obligations We comply with the standards set forth by the FASB for asset retirement obligations. As defined in the standards, a conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within our control. We have identified conditional asset retirement obligations primarily associated with the removal of equipment containing polychlorinated biphenyls (PCBs) and asbestos. We record a liability at fair value for a legal asset retirement obligation in the period in which it is incurred. When a new legal obligation is recorded, we capitalize the costs of the liability by increasing the carrying amount of the related long-lived asset. We accrete the liability to its present value each period and depreciate the capitalized cost over the useful life of the related asset. At the end of the asset s useful life, we settle the obligation for its recorded amount or incur a gain or loss. The standards for asset retirement obligation applied to our Regulated Operating Subsidiaries require us to recognize regulatory assets or liabilities for the timing differences between when we recover legal asset retirement obligations in rates and when we would recognize these costs under the standards. Our asset retirement obligations as of December 31, 2010 and 2009 of $3.3 million and $3.5 million, respectively, are included in other liabilities.

Financial Instruments We comply with the standards set forth by the FASB for derivatives and hedging in accounting for financial instruments. For derivative instruments that have been designated and qualify as hedges of the exposure to variability in expected future cash flows, the gain or loss on the derivative is initially reported as a component of other comprehensive income (loss) and reclassified to the consolidated statement of operations when the underlying hedged transaction affects net income. Any hedge ineffectiveness is recognized in net income during the period of change.

Contingent Obligations We are subject to a number of federal and state laws and regulations, as well as other factors and conditions that potentially subject us to environmental, litigation and other risks. We periodically evaluate our exposure to such risks and record reserves for those matters where a loss is considered probable and reasonably estimable in accordance with GAAP. The adequacy of reserves can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect our consolidated financial statements.

Generator Interconnection Projects Certain capital investment at our MISO Regulated Operating Subsidiaries relates to investments we make under generator interconnection agreements. The generator interconnection agreements typically consist of both transmission network upgrades, which

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

have been deemed by FERC to benefit the transmission system as a whole, as well as direct connection facilities, which are needed to interconnect the generating facility to the transmission system and primarily benefit the generating facility. Our investment in transmission network upgrade facilities are recorded to property, plant and equipment. For direct connection facilities, we collect a contribution in aid of construction from the generator for the cost of the facilities and offset the contribution against the plant investment recorded to property, plant and equipment.

We receive deposits or letters of credit from the generator for the network upgrade facilities in advance of construction. When the generator meets certain criteria of Attachment FF of the MISO tariff, such as having a long-term sales agreement at the commercial operation date for the generating capacity of the facility, we refund the cash deposits or release letter of credit that was provided. If the generator does not meet these criteria, the deposit is retained or other security drawn upon, and is recorded as an offset against the plant investment recorded to property, plant and equipment. When the cash or other security received is not refunded under the criteria of Attachment FF, the receipt of cash becomes taxable income for us for which we bill the generator a tax gross-up. The tax gross-up represents the difference between taxable income associated with the contribution compared to the present value of tax depreciation of the property constructed using the taxable contribution in aid of construction. The deferred revenues associated with the tax gross-up are recorded to other long-term liabilities when collected, and amortized over the tax depreciation life of the asset to other operating income and expense-net.

Revenues Revenues from the transmission of electricity are recognized as services are provided based on FERC-approved cost-based formula rate templates. We record a reserve for revenue subject to refund when such refund is probable and can be reasonably estimated. The reserve is recorded as a reduction to operating revenues.

The cost-based formula rate templates at our Regulated Operating Subsidiaries include a true-up mechanism, whereby they compare their actual revenue requirements to their billed revenues for each year to determine any over- or under-collection of revenue requirements and record a revenue accrual or deferral for the difference. Refer to Note 4 under Cost-Based Formula Rates with True-Up Mechanism for a discussion of our revenue accounting under our cost-based formula rate templates.

Share-Based Payment We have an Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of ITC Holdings Corp. and its subsidiaries (the 2003 Stock Purchase and Option Plan) and an Amended and Restated 2006 Long-Term Incentive Plan (the LTIP) pursuant to which we grant various share-based awards, including options and restricted stock and deferred stock units. Compensation expense for employees and directors is recorded for stock options, restricted stock awards and deferred stock units that are expected to vest based on their fair value at grant date, and is amortized over the expected vesting period. We recognize expense for our stock options, which have graded vesting schedules, on a straight-line basis over the entire vesting period and not for each separately vesting portion of the award. The grant date is the date at which our commitment to issue share based awards to the employee or a director arises, which is generally the later of the board approval date, the date of hire of the employee or the date of the employee s compensation agreement which contains the commitment to issue the award.

We also have an Employee Stock Purchase Plan (ESPP) which is a compensatory plan. Compensation expense is recorded based on the fair value of the purchase options at the grant date,

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which corresponds to the first day of each purchase period, and is amortized over the purchase period.

Comprehensive Income (Loss) Comprehensive income (loss) is the change in common stockholders equity during a period arising from transactions and events from non-owner sources, including net income and any gain or loss recognized for the effective portion of our interest rate swap.

Income Taxes Deferred income taxes are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of various assets and liabilities using the tax rates expected to be in effect for the year in which the differences are expected to reverse.

The accounting standards for uncertainty in income taxes prescribe a recognition threshold and a measurement attribute for tax positions taken, or expected to be taken, in a tax return that may not be sustainable.

We file income tax returns with the Internal Revenue Service and with various state and city jurisdictions. We are no longer subject to U.S. federal tax examinations for tax years 2006 and earlier. The Internal Revenue Service completed its examination of our 2006 federal tax returns in January 2010. State and city jurisdictions that remain subject to examination range from tax years 2006 to 2009. The Internal Revenue Service examination did not result in any material adjustments to our consolidated financial statements. In the event we are assessed interest or penalties by any income tax jurisdictions, interest would be recorded as interest expense and penalties would be recorded as other expense.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

The guidance set forth by the FASB for fair value measurements was revised to require additional disclosure as part of our consolidated financial statements. We are required to disclose separately the amounts of and reasons for, significant transfers between Level 1 and Level 2 of the fair value hierarchy and significant transfers into and out of Level 3 of the fair value hierarchy for the reconciliation of Level 3 measurements. In addition, we are required to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements in Level 2 or Level 3 of the fair value hierarchy and for each class of assets and liabilities. Effective for the year ended December 31, 2010, we are required to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis. The new disclosure requirements did not have a material impact on our consolidated financial statements. Refer to Note 11 and Note 12 for our fair value measurement disclosures.

Consolidation of Variable Interest Entities

The new consolidation guidance set forth by the FASB applicable to a variable interest entity (VIE) and the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity requires a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity s economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Continuous reassessments of whether an enterprise is the primary beneficiary of a VIE and enhanced disclosures about an enterprise s involvement with a VIE

are also required. Previously, reconsideration of whether an enterprise was the primary beneficiary of a VIE arose only when specific

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

events had occurred. These requirements became effective for us in the first quarter of 2010 and did not have a material effect on our consolidated financial statements.

4. REGULATORY MATTERS

ITC Great Plains

On August 18, 2009, ITC Great Plains acquired two electric transmission substations and became an independent transmission company in SPP. SPP began to bill ITC Great Plains 2009 network revenues in January 2010, retroactive to August 18, 2009. ITC Great Plains has committed to construct certain transmission projects in the SPP region, including the Kansas Electric Transmission Authority (KETA) Project (also known as the Spearville Knoll Axtell Project) and a segment of the Kansas V-Plan.

In 2009, ITC Great Plains filed an application for a formula rate under Section 205 of the Federal Power Act. The FERC conditionally accepted the proposed formula rate tariff sheets, subject to refund, and set them for hearing and settlement procedures. In addition, the FERC approved certain transmission investment incentives, including the establishment of regulatory assets for start-up and development costs of ITC Great Plains and certain pre-construction costs specific to the KETA Project and the Kansas V-Plan to be recovered pursuant to future FERC filings. During the first quarter of 2010, the FERC accepted ITC Great Plains cost-based formula rate tariff sheets, which include an annual true-up mechanism, and their corresponding implementation protocols.

As of December 31, 2010, we have recorded approximately $10.5 million of regulatory assets for start-up and development expenses incurred by ITC Great Plains as well as certain pre-construction costs for the KETA Project. Based on ITC Great Plains application and the FERC order, ITC Great Plains will be required to make an additional filing with the FERC under Section 205 of the Federal Power Act in order to recover these start-up, development and pre-construction expenses.

The regulatory assets recorded at ITC Great Plains do not include amounts associated with pre-construction costs for the Kansas V-Plan, which have been recorded to expenses in the period in which they were incurred. If in a future period it becomes probable that future revenues will result from the authorization to recover certain pre-construction expenses for the Kansas V-Plan, which totaled $1.5 million at December 31, 2010, we will recognize the regulatory asset. No regulatory assets for Kansas V-Plan have been recorded as of December 31, 2010.

Green Power Express

The Green Power Express consists of transmission line segments that would facilitate the movement of power from the wind-abundant areas in the Dakotas, Minnesota and Iowa to Midwest load centers that demand clean, renewable energy. In 2009, Green Power Express filed an application with the FERC for approval of a cost-based formula rate with a true-up mechanism and incentives for the construction of the Green Power Express project, including the approval of a regulatory asset for recovery of development expense previously incurred as well as future development costs for the project.

The FERC issued an order authorizing certain transmission investment incentives, including the establishment of a regulatory asset for start-up and development costs of Green Power Express and certain pre-construction costs for the project to be recovered pursuant to a future FERC filing. Further, the FERC order conditionally accepted Green Power

Express   proposed formula rate tariff sheets, subject to refund, and set them for hearing and settlement procedures. On February 22, 2010, Green Power Express filed an Offer of Settlement that intended to resolve all of the issues set for hearing and is pending further action by the FERC. Interested parties have filed comments and reply comments. The original FERC order remains subject to several requests for rehearing. As of December 31, 2010, there are no projects under construction and no revenues earned relating to the Green Power Express.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total development expenses through December 31, 2010 that may be recoverable through regulatory assets were approximately $5.5 million, which have been recorded to expenses in the periods in which they were incurred. If in a future reporting period it becomes probable that future revenues will result from the authorization to recover these development expenses, we will recognize the regulatory assets. No regulatory assets for Green Power Express have been recorded as of December 31, 2010.

Cost-Based Formula Rates with True-Up Mechanism

The transmission rates at our Regulated Operating Subsidiaries are set annually and remain in effect for a one-year period. Rates are posted on the Open Access Same-Time Information System each year. By completing their formula rate template on an annual basis, our Regulated Operating Subsidiaries are able to adjust their transmission rates to reflect changing operational data and financial performance, including the amount of network load on their transmission systems (for our MISO Regulated Operating Subsidiaries), operating expenses and additions to property, plant and equipment when placed in service, among other items. The FERC-approved formula rates do not require further action or FERC filings for the calculated joint zone rates to go into effect, although the rates are subject to legal challenge at the FERC. Our Regulated Operating Subsidiaries will continue to use the formula rates to calculate their respective annual revenue requirements unless the FERC determines the rates to be unjust and unreasonable or another mechanism is determined by the FERC to be just and reasonable.

Our cost-based formula rate templates include a true-up mechanism, whereby our Regulated Operating Subsidiaries compare their actual revenue requirements to their billed revenues for each year to determine any over- or under-collection of revenue requirements. The over- or under-collection typically results from differences between the projected revenue requirement used to establish the billing rate and actual revenue requirement at each of our Regulated Operating Subsidiaries, or from differences between actual and projected monthly peak loads at our MISO Regulated Operating subsidiaries. Revenue is recognized for services provided during each reporting period based on actual revenue requirements calculated using the formula rate templates. Our Regulated Operating Subsidiaries accrue or defer revenues to the extent that the actual revenue requirement for the reporting period is higher or lower, respectively, than the amounts billed relating to that reporting period. The true-up amount is reflected in customer bills within two years under the provisions of the formula rate templates.

The changes in regulatory assets and liabilities (net) associated with our Regulated Operating Subsidiaries formula rate revenue accruals and deferrals, including accrued interest, were as follows during the year ended December 31, 2010:

(In thousands)	ITCTransmission	METC	ITC Midwest	ITC Great Plains	Total
Balance as of December 31, 2009	$ 15,267	$ 4,848	$ 72,395	$ 529	$ 93,039
Collection of 2008 revenue accruals including interest	(18,490)	(12,197)	(53,068)		(83,755)
Revenue accruals (deferrals) for the year ended December 31, 2010	(29,363)	(9,537)	1,532	84	(37,284)

Accrued interest receivable (payable) for the year ended December 31, 2010	(468)	(350)	529	13	(276)
Balance as of December 31, 2010	$ (33,054)	$ (17,236)	$ 21,388	$ 626	$ (28,276)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Regulatory assets and liabilities associated with our Regulated Operating Subsidiaries formula rate revenue accruals and deferrals are recorded in our consolidated statement of financial position as follows:

(In thousands)	ITCTransmission	METC	ITC Midwest	ITC Great Plains	Total
Current assets	$ 1,906	$ 2,074	$ 24,033	$ 624	$ 28,637
Non-current assets			3,197	750	3,947
Current liabilities	(5,633)	(9,639)	(2,386)		(17,658)
Non-current liabilities	(29,327)	(9,671)	(3,456)	(748)	(43,202)
Balance as of December 31, 2010	$ (33,054)	$ (17,236)	$ 21,388	$ 626	$ (28,276)

Complaint of IP&L

On November 18, 2008, IP&L filed a complaint with the FERC against ITC Midwest under Section 206 of the Federal Power Act. The complaint alleged that: (1) the operations and maintenance expenses and administrative and general expenses projected in the 2009 ITC Midwest rate appeared excessive; (2) the true-up amount related to ITC Midwest s posted network rate for the period through December 31, 2008, will cause ITC Midwest to charge an excessive rate in future years; and (3) the methodology of allocating administrative and general expenses among ITC Holdings operating companies was changed, resulting in such additional expenses being allocated to ITC Midwest. Among other things, IP&L s complaint sought investigative action by the FERC relating to ITC Midwest s transmission service charges reflected in its 2009 rate, as well as hearings regarding the justness and reasonableness of the 2009 rate (with the ultimate goal of reducing such rate).

On April 16, 2009, the FERC dismissed the IP&L complaint, citing that IP&L failed to meet its burden as the complainant to establish that the current rate is unjust and unreasonable and to establish that IP&L s alternative rate proposal is just and reasonable. Requests for rehearing have been filed with the FERC and, therefore, the April 16 order remains subject to rehearing and ultimately to an appeal to a federal Court of Appeals within 30 days of any decision on rehearing.

ITC Midwest s Rate Discount

As part of the orders by the Iowa Utility Board (IUB) and the Minnesota Public Service Commission (MPUC) approving ITC Midwest s asset acquisition, ITC Midwest agreed to provide a rate discount of $4.1 million per year to its customers for eight years, beginning in the first year customers experience an increase in transmission charges following the consummation of the ITC Midwest asset acquisition. Beginning in 2009 and extending through 2016, ITC Midwest s net revenue requirement was or will be reduced by $4.1 million for each year. The rate discount is recognized as a reduction in revenues when we provide the service and charge the reduced rate that includes the rate discount.

ITCTransmission Rate Freeze Revenue Deferral

ITCTransmission s revenue deferral results from the regulatory authority to bill and collect certain revenue requirements calculated for historical periods. This revenue deferral resulted from the difference between the revenue ITCTransmission would have collected under its cost based formula rate and the actual revenue ITCTransmission received based on the frozen rate of $1.075 kW/month for the period from February 28, 2003 through December 31, 2004. The cumulative revenue deferral at the end of the rate freeze was $59.7 million ($38.8 million net of tax). The revenue deferral and related taxes are not reflected as assets and liabilities in our consolidated financial statements because they do not meet the criteria to be recorded as regulatory assets. Similarly none of the revenue deferral amortization used in ratemaking is

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reflected in our consolidated financial statements. The proper revenue recognition relating to the revenue deferral occurs when we charge the rate that includes the amortization of the revenue deferral. The revenue deferral is being amortized for ratemaking on a straight-line basis for five years from June 2006 through May 2011 and has been or will be included in ITCTransmission s revenue requirement for those periods. As of December 31, 2010 and 2009, the balance of ITCTransmission s revenue deferral that has not yet been recognized as revenue was $5.0 million (net of accumulated amortization of $54.7 million) and $16.9 million (net of accumulated amortization of $42.8 million), respectively.

Depreciation Studies

ITC Midwest

During the third quarter of 2010, the FERC accepted a depreciation study filed by ITC Midwest which revised its depreciation rates. This change in accounting estimate resulted in lower composite depreciation rates for ITC Midwest primarily due to the revision of asset service lives and cost of removal values.

For ratemaking purposes, the FERC accepted our filing such that the impact of the revised depreciation rates has been reflected in ITC Midwest s 2010 revenue requirement. This resulted in a $5.1 million reduction in revenue recognized for the year ended December 31, 2010. The revised estimate of 2010 annual depreciation expense was reflected in depreciation expense beginning in the third quarter of 2010 and resulted in a reduction of depreciation expense of $5.1 million for the year ended December 31, 2010. Because of the inclusion of depreciation expense as a component of net revenue requirement under ITC Midwest s cost-based formula rate, the offsetting effect on revenues and expenses from the change in depreciation rates had an immaterial effect on net income and earnings per share amounts for both the year ended December 31, 2010.

ITC Midwest s depreciation study also resulted in revised estimates for the amount of accrued removal costs we have recorded in our consolidated statement of financial position, and the net effect of this resulted in a decrease in our regulatory liability for accrued removal costs and an increase in accumulated depreciation of $17.9 million.

ITCTransmission and METC

During the third and fourth quarter of 2009, the FERC accepted depreciation studies filed by ITCTransmission and METC, respectively, which revised their depreciation rates. This change in accounting estimate results in lower composite depreciation rates for ITCTransmission and METC primarily due to the revision of asset service lives and cost of removal values.

For ratemaking purposes, the FERC accepted our filing such that the impact of the revised depreciation rates was reflected in ITCTransmission s and METC s 2009 revenue requirement. The revised depreciation rates resulted in a reduction of depreciation expense of $21.9 million and $19.5 million for the years ended December 31, 2010 and 2009, respectively, as compared to the amount of depreciation expense that would have been recognized under the previous depreciation rates utilized by ITCTransmission and METC. Because of the inclusion of depreciation expense as a component of net revenue requirement under their cost-based formula rates, the offsetting effect on revenues and expenses from the change in depreciation rates had an immaterial effect on net income and earnings per share amounts for the years ended December 31, 2010 and 2009.

The depreciation studies also resulted in revised estimates for the amount of accrued removal costs we have recorded in our consolidated statement of financial position, and the net effect of this resulted in a decrease in our regulatory liability for accrued removal costs and an increase in accumulated depreciation of $84.3 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. REGULATORY ASSETS AND LIABILITIES

Regulatory Assets

The following table summarizes the regulatory asset balances at December 31, 2010 and 2009:

(In thousands)	2010	2009
Regulatory Assets:		
Revenue accruals:		
Current (including accrued interest of $266 and $2,652 as of December 31, 2010 and 2009, respectively)	$ 28,637	$ 82,871
Non-current (including accrued interest of $22 and $75 as of December 31, 2010 and 2009, respectively)	3,947	20,406
Other:		
ITCTransmission ADIT Deferral (net of accumulated amortization of $23,736 and $20,706 as of December 31, 2010 and 2009, respectively)	36,866	39,896
METC ADIT Deferral (net of accumulated amortization of $9,435 and $7,076 as of December 31, 2010 and 2009, respectively)	33,021	35,380
METC Regulatory Deferrals (net of accumulated amortization of $3,086 and $2,314 as of December 31, 2010 and 2009, respectively)	12,342	13,114
Income taxes recoverable related to AFUDC equity	28,687	22,296
ITC Great Plains Start-up and Development Regulatory Asset	8,783	8,757
KETA Project Regulatory Asset	1,748	1,202
Pensions and postretirement	16,705	14,279
Total	$ 170,736	$ 238,201

Revenue Accruals

Refer to discussion of revenue accruals in Note 4 under Cost-Based Formula Rates with True-Up Mechanism. Our Regulated Operating Subsidiaries do not earn a return on the balance of the revenue accruals, but do accrue interest carrying costs which are subject to rate recovery along with the principal amount of the revenue accrual.

ITCTransmission ADIT Deferral

The carrying amount of the ITCTransmission ADIT Deferral is the remaining unamortized balance of the portion of ITCTransmission s purchase price in excess of the fair value of net assets acquired approved for inclusion in future rates by the FERC. ITCTransmission earns a return on the remaining unamortized balance of the ITCTransmission ADIT Deferral that is included in rate base. The original amount recorded for this regulatory asset of $60.6 million is being recognized in rates and amortized on a straight-line basis over 20 years. ITCTransmission recorded amortization expense of $3.0 million annually during 2010, 2009 and 2008, which is included in depreciation and amortization.

METC ADIT Deferrals

The carrying amount of the METC ADIT Deferral is the remaining unamortized balance of the portion of METC s purchase price in excess of the fair value of net assets acquired from Consumers Energy approved for inclusion in future rates by the FERC. The original amount recorded for the regulatory asset for METC ADIT Deferrals of $42.5 million is recognized in rates and amortized over 18 years beginning

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

January 1, 2007, which corresponds to the amortization period established in the METC s rate case settlement in 2007. METC earns a return on the remaining unamortized balance of the regulatory asset for METC ADIT Deferrals that is included in rate base. METC recorded amortization expense of $2.4 million annually during 2010, 2009 and 2008, respectively, which is included in depreciation and amortization.

METC Regulatory Deferrals

METC has deferred, as a regulatory asset, depreciation and related interest expense associated with new transmission assets placed in service from January 1, 2001 through December 31, 2005 that were included on METC s balance sheet at the time MTH acquired METC from Consumers Energy (the METC Regulatory Deferrals). The original amount recorded for the regulatory asset for METC Regulatory Deferrals of $15.4 million is recognized in rates and amortized over 20 years beginning January 1, 2007, which corresponds to the amortization period established in METC s rate case settlement in 2007. METC earns a return on the remaining unamortized balance of the regulatory asset for METC Regulatory Deferrals that is included in rate base. METC recorded amortization expense of $0.8 million during 2010, 2009 and 2008, respectively, which is included in depreciation and amortization.

Income Taxes Recoverable Related to AFUDC Equity

Accounting standards for income taxes provide that a regulatory asset be recorded if it is probable that a future increase in taxes payable relating to the book depreciation of AFUDC equity that has been capitalized to property, plant and equipment will be recovered from customers through future rates. Under our Regulated Operating Subsidiaries cost-based formula rates with true-up mechanisms, the future taxes payable relating to AFUDC equity will be recovered from customers in future rates. The true-up mechanism allows our Regulated Operating Subsidiaries to collect their actual net revenue requirement, which includes taxes payable relating to depreciation of AFUDC equity. Because AFUDC equity is a component of property, plant and equipment that is included in rate base when the plant is placed in service, and the related deferred tax liabilities are not a reduction to rate base, we effectively earn a return on this regulatory asset.

ITC Great Plains Start-up and Development Regulatory Asset

The start-up and development regulatory asset consists of certain costs incurred by ITC Great Plains from inception through the effective date of the ITC Great Plains cost-based formula rate, including costs which had been incurred to develop and acquire transmission assets in the SPP region. These costs relate primarily to obtaining various state, SPP and FERC approvals necessary for ITC Great Plains to own transmission assets and build new facilities in the SPP region, efforts to establish the ITC Great Plains cost-based formula rate, the establishment of ITC Great Plains as a public utility in Kansas and Oklahoma, as well as obtaining the necessary approvals and authorizations for the state regulators in Kansas and Oklahoma.

The startup and development regulatory asset accrues carrying charges at a rate equivalent to ITC Great Plains weighted average cost of capital, adjusted annually based on ITC Great Plains actual weighted average cost of capital calculated in ITC Great Plains formula rate template for that year. The equity component of these carrying charges, totaling $1.1 million as of December 31, 2010, is not recorded for GAAP accounting and reporting as the equity return does not meet the recognition criteria of incurred costs eligible for deferral under GAAP. The carrying charges began to accrue in March 2009 as authorized by the FERC Order and will continue until such time that the regulatory asset is included in rate base.

Recovery of the start-up and development regulatory asset requires FERC authorization upon ITC Great Plains making an additional filing under Section 205 of the Federal Power Act to demonstrate that the costs to be recovered are just and reasonable. Subsequent to FERC authorization, ITC Great Plains

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

will include the unamortized balance of the start-up and development regulatory assets in its rate base and will begin amortizing it over a ten-year period upon the in-service date of the KETA Project, the Kansas V-Plan or when the total in-service gross property, plant and equipment at ITC Great Plains exceeds $100 million, whichever occurs first. The amortization expense will be recovered through ITC Great Plains cost-based formula rate template beginning in the period in which amortization begins.

KETA Project Regulatory Asset

The KETA Project regulatory asset includes certain costs incurred associated with regulatory activities in Kansas and Oklahoma and with participants in SPP to obtain the necessary approvals and authorization before proceeding further with plans, as well as engineering studies, routing studies and education and outreach to stakeholders on ITC Great Plains efforts to bring these projects to the SPP region, and other costs incurred specific to the KETA Project prior to construction. The KETA Project regulatory asset accrues carrying charges at a rate equivalent to ITC Great Plains weighted average cost of capital, adjusted annually based on ITC Great Plains actual weighted average cost of capital calculated in our formula rate template for that year. The equity component of these carrying charges, totaling $0.2 million as of December 31, 2010, are not recorded for GAAP accounting and reporting as the equity return does not meet the recognition criteria of a incurred costs eligible for deferral under GAAP. The carrying charges began to accrue in March 2009 as authorized by the FERC Order and will continue until such time that the regulatory asset is included in rate base.

Recovery of the KETA Project regulatory asset requires FERC authorization upon ITC Great Plains making an additional filing under Section 205 of the Federal Power Act to demonstrate that the costs to be recovered are just and reasonable. Subsequent to FERC authorization, ITC Great Plains will include the unamortized balance of the KETA Project Regulatory Asset in its rate base and begin amortizing it over a ten-year period upon the in-service date of the KETA Project. The amortization expense will be recovered through ITC Great Plains cost-based formula rate template beginning in that year.

Pensions and Postretirement

Accounting standards for defined benefit pension and other postretirement plans require that amounts that otherwise would have been charged and or credited to accumulated other comprehensive income are recorded as a regulatory asset or liability. As the unrecognized amounts recorded to this regulatory asset are recognized, expenses will be recovered from customers in future rates under our cost-based formula rates. Our Regulated Operating Subsidiaries do not earn a return on the balance of the Pension and Postretirement regulatory asset.

Regulatory Liabilities

The following table summarizes the regulatory liabilities balances at December 31, 2010 and 2009:

(In thousands)	**2010**	**2009**
Regulatory Liabilities:		
Accrued asset removal costs	$ 90,987	$ 112,430
Revenue deferrals(a):		

Current (including accrued interest of $876 as of December 31, 2010)	17,658	
Non-current (including accrued interest of $680 and $186 as of December 31, 2010 and 2009, respectively)	43,202	10,238
Total	$ 151,847	$ 122,668

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Refer to discussion of revenue deferrals in Note 4 under Cost-Based Formula Rates with True-Up Mechanism. Our Regulated Operating Subsidiaries accrue interest on the true-up amounts which will be refunded through rates along with the principal amount of revenue deferrals in future periods.

Accrued Asset Removal Costs

The carrying amount of the accrued asset removal costs represents the accrued asset removal costs to remove the asset at retirement. The portion of depreciation expense included in our depreciation rates related to asset removal costs is added to this regulatory liability and removal expenditures incurred are charged to this regulatory liability. In addition, the regulatory liability is also adjusted for timing differences between when we recover legal asset retirement obligations in our rates and when we would recognize these costs under the standards set forth by the FASB. Our Regulated Operating Subsidiaries include this item, excluding the cost component related to the recognition of our asset retirement obligations under the standards set forth by the FASB, within accumulated depreciation for rate-making purposes, which is a reduction to rate base. As a result of ITC Midwest s depreciation studies as discussed in Note 4 under Depreciation Studies, we recorded a decrease in our regulatory liability for accrued removal costs of $17.9 million during 2010.

6. GOODWILL AND INTANGIBLE ASSETS

At December 31, 2010, we had goodwill balances recorded at ITCTransmission, METC and ITC Midwest of $173.4 million, $453.8 million and $323.0 million, respectively, which resulted from the ITCTransmission acquisition, the METC acquisition and ITC Midwest s asset acquisition, respectively. At December 31, 2009, we had goodwill balances recorded at ITCTransmission, METC and ITC Midwest of $173.4 million, $453.8 million and $323.0 million, respectively.

Intangible Assets

Pursuant to the METC acquisition in October 2006, we have identified intangible assets with finite lives derived from the portion of regulatory assets recorded on METC s historical FERC financial statements that were not recorded on METC s historical GAAP financial statements associated with the METC Regulatory Deferrals and the METC ADIT Deferrals. The carrying amount of the intangible asset for METC Regulatory Deferrals at December 31, 2010 and 2009 is $31.7 million and $33.6 million, respectively, and is amortized over 20 years beginning January 1, 2007, which corresponds to the amortization period established in METC rate case settlement in 2007. The carrying amount of the intangible asset for METC ADIT Deferrals at December 31, 2010 and 2009 is $14.6 million and $15.7 million, respectively, and is amortized over 18 years beginning January 1, 2007, which also corresponds to the amortization period established in the METC rate case settlement. METC earns an equity return on the remaining unamortized balance of both the intangible asset for METC Regulatory Deferrals and the intangible asset for METC ADIT Deferrals.

ITC Great Plains has recorded intangible assets for payments made to certain transmission owners to acquire rights which are required under the SPP tariff to designate ITC Great Plains to build, own and operate projects within the SPP region, including the KETA Project and the Kansas V-Plan. The carrying amount of these intangible assets is $3.7 million and $2.7 million (net of accumulated amortization of $0.1 million and less than $0.1 million) as of December 31, 2010 and 2009, respectively.

During the year ended December 31, 2010, we recognized $3.1 million of amortization expense of our intangible assets. During each of the years ended December 31, 2009 and 2008, we recognized

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$3.0 million of amortization expense of our intangible assets. We expect the annual amortization of our intangible assets that have been recorded as of December 31, 2010 to be as follows:

(In thousands)	
2011	$ 3,100
2012	3,100
2013	3,100
2014	3,100
2015	3,100
2016 and thereafter	34,485
Total	$ 49,985

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment-net consisted of the following at December 31, 2010 and 2009:

(In thousands)	2010	2009
Property, plant and equipment		
Regulated Operating Subsidiaries:		
Property, plant and equipment in service	$ 3,722,937	$ 3,330,057
Construction work in progress	197,985	167,092
Capital equipment inventory	62,168	76,697
Other	12,432	12,114
ITC Holdings and other	6,424	7,149
Total	4,001,946	3,593,109
Less accumulated depreciation and amortization	(1,129,669)	(1,051,045)
Property, plant and equipment-net	$ 2,872,277	$ 2,542,064

Additions to property, plant and equipment in service and construction work in progress during 2010 and 2009 were primarily for projects to upgrade or replace existing transmission plant to improve the reliability of our transmission systems.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2010 and 2009:

(In thousands)	2010	2009
ITC Holdings 5.25% Senior Notes due July 15, 2013 (net of discount of $302 and $421, respectively)	$ 266,698	$ 266,579
ITC Holdings 6.04% Senior Notes, Series A, due September 20, 2014	50,000	50,000
ITC Holdings 5.875% Senior Notes due September 30, 2016 (net of discount of $19 and $22, respectively)	254,981	254,978
ITC Holdings 6.23% Senior Notes, Series B, due September 20, 2017	50,000	50,000
ITC Holdings 6.375% Senior Notes due September 30, 2036 (net of discount of $197 and $205, respectively)	254,803	254,795
ITC Holdings 6.050% Senior Notes due January 31, 2018 (net of discount of $1,118 and $1,276, respectively)	383,882	383,724
ITC Holdings 5.500% Senior Notes due January 15, 2020 (net of discount of $1,186 and $1,319, respectively)	198,814	198,681
ITC Holdings Revolving Credit Agreement due March 29, 2012		
ITCTransmission 4.45% First Mortgage Bonds, Series A, due July 15, 2013 (net of discount of $30 and $42, respectively)	184,970	184,958
ITCTransmission 6.125% First Mortgage Bonds, Series C, due March 31, 2036 (net of discount of $93 and $96, respectively)	99,907	99,904
ITCTransmission 5.75% First Mortgage Bonds, Series D, due April 1, 2018 (net of discount of $83 and $95, respectively)	99,917	99,905
ITCTransmission/METC Revolving Credit Agreement due March 29, 2012	13,800	57,803
METC 5.75% Senior Secured Notes due December 10, 2015	175,000	175,000
METC 6.63% Senior Secured Notes due December 18, 2014	50,000	50,000
METC 5.64% Senior Secured Notes due May 6, 2040	50,000	
ITC Midwest 6.15% First Mortgage Bonds, Series A, due January 31, 2038 (net of discount of $476 and $493, respectively)	174,524	174,507
ITC Midwest 7.12% First Mortgage Bonds, Series B, due December 22, 2017	40,000	40,000
ITC Midwest 7.27% First Mortgage Bonds, Series C, due December 22, 2020	35,000	35,000
ITC Midwest 4.60% First Mortgage Bonds, Series D, due December 17, 2024	75,000	35,000
ITC Midwest Revolving Credit Agreement due January 29, 2013	39,600	23,564
Total long-term debt	$ 2,496,896	$ 2,434,398

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The annual maturities of long-term debt as of December 31, 2010 are as follows:

(In thousands)	
2011	$
2012	13,800
2013	491,600
2014	100,000
2015	175,000
2016 and thereafter	1,720,000
Total	$ 2,500,400

ITC Holdings

Term Loan Agreement

On April 29, 2009, ITC Holdings entered into a two year Term Loan Agreement (the Term Loan Agreement) with various financial institutions as lenders. The Term Loan Agreement established an unguaranteed, unsecured $100 million term facility, under which the entire $100 million was drawn at closing. Amounts outstanding under the Term Loan Agreement accrued interest at 350 basis points over the applicable LIBOR rate and could be repaid without penalty in increments of $5 million in advance of the maturity date. The funds provided under the Term Loan Agreement were used for general corporate purposes.

In December 2009, we repaid in full all amounts outstanding under the Term Loan Agreement using proceeds of ITC Holdings $200.0 million 5.50% Senior Notes due January 15, 2020. ITC Holdings incurred a loss on extinguishment of debt of $1.3 million related to the write-off of deferred debt issuance costs.

Senior Notes

The ITC Holdings Senior Notes are issued under ITC Holdings indenture. All issuances of ITC Holdings Senior Notes are unsecured.

ITCTransmission

The ITCTransmission First Mortgage Bonds are issued under ITCTransmission s First Mortgage and Deed of Trust, and therefore have the benefit of a first mortgage lien on substantially all of ITCTransmission s property.

METC

On May 6, 2010, METC issued $50.0 million aggregate principal amount of its 5.64% Senior Secured Notes, due May 6, 2040 (the METC Senior Secured Notes). The METC Senior Secured Notes are secured by a first mortgage lien on substantially all of METC s real property and tangible personal property. The proceeds were used primarily to repay

amounts outstanding under the ITCTransmission/METC Revolving Credit Agreement, to partially fund capital expenditures and for general corporate purposes.

ITC Midwest

On December 17, 2009, ITC Midwest issued $35.0 million of the total face amount of $75.0 million of its 4.60% First Mortgage Bonds, Series D, due December 17, 2024 (Series D Bonds). ITC Midwest closed on the additional $40.0 million of Series D Bonds in February 2010. The proceeds were used to

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

repay a portion of the amounts outstanding under the ITC Midwest Revolving Credit Agreement. All of ITC Midwest s First Mortgage Bonds are issued under its First Mortgage and Deed of Trust, and therefore have the benefit of a first mortgage lien on substantially all of ITC Midwest s property.

Derivative Instruments and Hedging Activities

We use derivative financial instruments, including interest rate swap contracts, to manage our exposure to fluctuations in interest rates. The use of these financial instruments mitigates exposure to these risks and the variability of our operating results. We are not a party to leveraged derivatives and do not enter into derivative financial instruments for trading or speculative purposes. On September 27, 2010, ITC Holdings entered into a 10-year forward starting interest rate swap agreement with a notional amount of $50.0 million. The interest rate swap manages interest rate risk associated with the forecasted future issuance of fixed-rate debt related to the expected refinancing of the maturing $267.0 million ITC Holdings 5.25% Senior Notes due July 15, 2013.

The interest rate swap calls for ITC Holdings to receive interest quarterly at a variable rate equal to LIBOR and to pay interest semi-annually at a fixed rate of 3.60% effective for the ten-year period beginning July 15, 2013. The agreement will be terminated no later than the effective date of the interest rate swap of July 15, 2013. The interest rate swap has been determined to be highly effective at offsetting changes in the cash flows of the forecasted interest payments associated with the expected debt issuance attributable to changes in benchmark interest rates from the trade date of the interest rate swap to the issuance date of the debt obligation. As of December 31, 2010, there has been no ineffectiveness recorded on the consolidated statement of operations. The interest rate swap qualifies for hedge accounting treatment, whereby any pre-tax gain or loss recognized from the trade date to the effective date for the effective portion of the hedge is recorded in accumulated other comprehensive income (loss). These amounts will be accumulated and amortized as a component of interest expense over the life of the forecasted debt. As of December 31, 2010, the fair value of the derivative instrument was an asset of $3.1 million.

Revolving Credit Agreements

ITC Holdings Revolving Credit Agreement

ITC Holdings has a revolving credit agreement, (the ITC Holdings Revolving Credit Agreement), dated as of March 29, 2007, that establishes an unguaranteed, unsecured revolving credit facility under which ITC Holdings may borrow and issue letters of credit up to $105.2 million. The maturity date of the ITC Holdings Revolving Credit Agreement is March 29, 2012. With consent of the lenders holding a majority of the commitments under the ITC Holdings Revolving Credit Agreement, ITC Holdings may extend the maturity date of the ITC Holdings Revolving Credit Agreement for up to two additional one-year periods. Loans under the ITC Holdings Revolving Credit Agreement are variable rate loans, with rates on LIBOR-based loans varying from 20 to 110 basis points over the applicable LIBOR rate, depending on ITC Holdings credit rating and the amount of the credit line in use, and rates on other loans at the higher of prime or 50 basis points over the federal funds rate. At December 31, 2010 and 2009, ITC Holdings had no outstanding amounts under the ITC Holdings Revolving Credit Agreement. The ITC Holdings Revolving Credit Agreement also provides for the payment to the lenders of a commitment fee on the average daily unused commitments at rates varying from 0.05% to 0.20% each year, depending on ITC Holdings credit rating.

ITCTransmission/METC Revolving Credit Agreement

ITCTransmission and METC have a revolving credit agreement (the ITCTransmission/METC Revolving Credit Agreement), dated as of March 29, 2007, that establishes an unguaranteed, unsecured revolving credit facility under which ITCTransmission may borrow and issue letters of credit up to

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$88.3 million and METC may borrow and issue letters of credit up to $50.5 million. The maturity date of the ITCTransmission/METC Revolving Credit Agreement is March 29, 2012. With consent of the lenders holding a majority of the commitments under the ITCTransmission/METC Revolving Credit Agreement, ITCTransmission and METC may extend the maturity date of the ITCTransmission/METC Revolving Credit Agreement for up to two additional one-year periods. Loans made under the ITCTransmission/METC Revolving Credit Agreement are variable rate loans, with rates on LIBOR-based loans varying from 20 to 110 basis points over the applicable LIBOR rate, depending on ITCTransmission and METC s credit ratings and the amount of the credit line in use, and rates on other loans at the higher of prime or 50 basis points over the federal funds rate. At December 31, 2010 and 2009, ITCTransmission had $11.6 million and $20.9 million, respectively, outstanding under the ITCTransmission/METC Revolving Credit Agreement. At December 31, 2010 and 2009, METC had $2.2 million and $36.9 million, respectively, outstanding under the ITCTransmission/METC Revolving Credit Agreement. The weighted-average interest rate of borrowings outstanding under the agreement at December 31, 2010 and 2009 was 3.3% and 0.6%, respectively, for both ITCTransmission and METC. The ITCTransmission/METC Revolving Credit Agreement also provides for the payment to the lenders of a commitment fee on the average daily unused commitments at rates varying from 0.05% to 0.20% each year, depending on ITCTransmission s and METC s credit ratings.

ITC Midwest Revolving Credit Agreement

ITC Midwest has a revolving credit agreement (the 2008 ITC Midwest Revolving Credit Agreement), dated as of January 28, 2008, that establishes an unguaranteed, unsecured revolving credit facility under which ITC Midwest may borrow and issue letters of credit up to $41.0 million. The maturity date of the 2008 ITC Midwest Revolving Credit Agreement is January 29, 2013. ITC Midwest s loans made under the 2008 ITC Midwest Revolving Credit Agreement bear interest at a variable rate, with rates on LIBOR-based loans varying from 20 to 110 basis points over the applicable LIBOR rate, depending on ITC Midwest s credit rating and the amount of the credit line in use, and rates on other loans at the higher of prime or 50 basis points over the federal funds rate. At December 31, 2010 and 2009, ITC Midwest had $39.6 million and $23.6 million, respectively, outstanding under the 2008 ITC Midwest Revolving Credit Agreement. The weighted-average interest rate of borrowings outstanding under the agreement was 0.6% at both December 31, 2010 and 2009. The 2008 ITC Midwest Revolving Credit Agreement also provides for the payment to the lenders of a commitment fee on the average daily unused commitments at rates varying from 0.05% to 0.20% each year, depending on ITC Midwest s credit rating.

On February 11, 2011, ITC Midwest entered into a new revolving credit agreement (the 2011 ITC Midwest Revolving Credit Agreement) that establishes an unguaranteed, unsecured revolving facility under which ITC Midwest may borrow up to $75.0 million, in addition to the borrowing capacity under the 2008 ITC Midwest Revolving Credit Agreement. The maturity date of the 2011 ITC Midwest Revolving Credit Agreement is February 11, 2013. ITC Midwest s loans made under the 2011 ITC Midwest Revolving Credit Agreement bear interest at a variable rate, with rates on LIBOR-based loans varying from 125 to 150 basis points over the applicable LIBOR rate, depending on ITC Midwest s credit rating, and rates on other loans at the higher of prime, 50 basis points over the federal funds rate or 100 basis points over the one month LIBOR plus an applicable margin varying from 25 basis points to 50 basis points in each case, depending on ITC Midwest s credit rating. The 2011 ITC Midwest Revolving Credit Agreement also provides for the payment to the lenders of a commitment fee on the average daily unused commitments at rates varying from 0.125% to 0.175% each year, depending on ITC Midwest s credit rating.

ITC Great Plains Revolving Credit Agreement

On February 16, 2011, ITC Great Plains entered into a revolving credit agreement (the ITC Great Plains Revolving Credit Agreement) that established an unguaranteed, unsecured revolving credit facility

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

under which ITC Great Plains may borrow and issue letters of credit up to $150.0 million. The maturity date of the ITC Great Plains Revolving Credit Agreement is February 16, 2015. ITC Great Plain s loans made under the ITC Great Plains Revolving Credit Agreement will bear interest at a variable rate, with rates on LIBOR-based loans varying from 150 to 275 basis points over the applicable LIBOR rate, depending on ITC Great Plains credit rating and rates on other loans at the higher of prime, 50 basis points over the federal funds rate or 100 basis points over the one month LIBOR rate plus an applicable margin varying from 50 basis points to 175 basis points in each case, depending on ITC Great Plains credit rating. The ITC Great Plains Revolving Credit Agreement also provides for the payment to the lenders of a commitment fee on the average daily unused commitments at rates varying from 0.25% to 0.50% each year, depending on ITC Great Plains credit rating.

Lehman Commitment

On July 22, 2010, we amended our revolving credit facilities to remove Lehman Brothers Bank, FSB s unfulfilled commitments of $19.8 million, $16.7 million, $9.5 million and $9.0 million for ITC Holdings, ITCTransmission, METC and ITC Midwest, respectively, and to permit us in the future to terminate or replace certain lenders that default on their obligations under the credit facilities.

Covenants

Our debt instruments described above contain numerous financial and operating covenants that place significant restrictions on certain transactions, such as incurring additional indebtedness, engaging in sale and lease-back transactions, creating liens or other encumbrances, entering into mergers, consolidations, liquidations or dissolutions, creating or acquiring subsidiaries, selling or otherwise disposing of all or substantially all of our assets and paying dividends. In addition, the covenants require us to meet certain financial ratios, such as maintaining certain debt to capitalization ratios and maintaining certain interest coverage ratios. We are currently in compliance with all debt covenants.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. EARNINGS PER SHARE

We report both basic and diluted earnings per share. A reconciliation of both calculations for the years ended December 31, 2010, 2009 and 2008 is presented in the following table:

(In thousands, except share, per share data and percentages)	2010	2009	2008
Numerator:			
Net income	$ 145,678	$ 130,900	$ 109,208
Less: dividends declared common shares, restricted shares and deferred stock units(a)	(66,017)	(62,392)	(58,933)
Undistributed earnings	79,661	68,508	50,275
Percentage allocated to common shares(b)	98.3%	98.6%	98.9%
Undistributed earnings common shares	78,307	67,549	49,722
Add: dividends declared common shares	64,926	61,517	58,318
Numerator for basic and diluted earnings per common share	$ 143,233	$ 129,066	$ 108,040
Denominator:			
Denominator for basic earnings per common share weighted-average common shares	49,526,580	49,196,470	48,592,534
Incremental shares for stock options and employee stock purchase plan	871,459	880,963	1,035,353
Denominator for diluted earnings per common share adjusted weighted-average shares and assumed conversion	50,398,039	50,077,433	49,627,887
Per common share net income:			
Basic	$ 2.89	$ 2.62	$ 2.22
Diluted	$ 2.84	$ 2.58	$ 2.18

	2010	2009	2008
(a) Includes dividends paid in the form of shares for deferred stock units			
(b) Weighted-average common shares outstanding	49,526,580	49,196,470	48,592,534
Weighted-average restricted shares and deferred stock units (participating securities)	842,108	705,716	517,248
Total	50,368,688	49,902,186	49,109,782
Percentage allocated to common shares	98.3%	98.6%	98.9%

Our restricted stock and deferred stock units contain rights to receive nonforfeitable dividends, and thus, are participating securities requiring the two-class method of computing earnings per share.

The retroactive application of the two-class method resulted in a decrease in basic earnings per share of $0.03 per share for the year ended December 31, 2008 as compared to the earnings per share calculations used and disclosed in our Form 10-K for the annual period ended December 31, 2008. The retroactive application of the two-class method decreased diluted earnings per share by $0.01 per share for the year ended December 31, 2008.

At December 31, 2010, 2009 and 2008, we had 2,436,742, 2,673,121 and 2,603,115 of outstanding stock options, respectively. Stock options are included in the diluted earnings per share calculation using

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the treasury stock method, unless the effect of including the stock options would be anti-dilutive. At December 31, 2010, 2009, and 2008, 225,740, 814,914 and 502,511 anti-dilutive stock options were excluded from the diluted earnings per share calculations, respectively.

10. INCOME TAXES

Our effective tax rate varied from the statutory federal income tax rate due to differences between the book and tax treatment of various transactions as follows:

(In thousands)	2010	2009	2008
Income tax expense at 35% statutory rate	$ 79,776	$ 72,965	$ 61,765
State income taxes (net of federal benefit)	4,208	7,230	6,769
Valuation allowance state income taxes	1,719	785	1,829
AFUDC equity	(3,998)	(4,336)	(3,601)
Other net	549	928	500
Income tax provision	$ 82,254	$ 77,572	$ 67,262

Components of the income tax provision were as follows:

(In thousands)	2010	2009	2008
Current income tax expense	$ 5,508	$ 2,571	$ 2,208
Deferred income tax expense	6,989	74,001	65,054
Benefits of operating loss carryforward	69,757	1,000	
Total income tax provision	$ 82,254	$ 77,572	$ 67,262

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts in the financial statements. Deferred tax assets and liabilities are classified as current or noncurrent according to the classification of the related assets or liabilities. Deferred tax assets and liabilities not related to assets or liabilities are classified according to the expected reversal date of the temporary differences.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income tax assets (liabilities) consisted of the following at December 31:

(In thousands)	2010	2009
Property, plant and equipment	$ (246,354)	$ (209,169)
Federal income tax NOLs	2,347	80,437
Michigan Business Tax deductions	21,697	21,697
METC regulatory deferral(a)	(16,947)	(17,395)
Acquisition adjustments ADIT deferrals(a)	(16,454)	(15,704)
Goodwill	(75,017)	(57,555)
Revenue accruals/deferrals net (including accrued interest)(a)	9,522	(41,970)
Pension and postretirement liabilities	14,030	12,506
State income tax NOLs	20,152	17,103
Other net	(25,706)	(18,994)
Deferred tax asset valuation allowance(b)	(2,645)	(2,613)
Net deferred tax liabilities	$ (315,375)	$ (231,657)
Gross deferred income tax liabilities	$ (414,616)	$ (382,244)
Gross deferred income tax assets	101,886	153,200
Deferred tax asset valuation allowance(b)	(2,645)	(2,613)
Net deferred tax liabilities	$ (315,375)	$ (231,657)

(a) Described in Note 5.

(b) Amounts relate primarily to state income tax NOLs for which it is more likely than not that a tax benefit will not be realized.

We have estimated federal income tax NOLs of $61.2 million as of December 31, 2010, all of which we expect to use prior to their expiration. These federal income tax NOLs result in part from accelerated depreciation methods for property, plant and equipment for income tax reporting purposes. Portions of our federal income tax NOLs would expire beginning in 2019, with the majority of federal income tax NOLs expiring in 2028 and 2029.

Included in the $61.2 million total estimated federal income tax NOLs is $54.5 million ($19.1 million tax effected) of federal income tax NOLs relating to tax deductions for share-based compensation not recognized in the consolidated financial statements. The accounting standards for share-based compensation require that the tax deductions that exceed book value be recognized as increases to common stock only if that deduction reduces taxes payable as a result of a realized cash benefit from the deduction. For the years ended December 31, 2010, 2009 and 2008, we did not recognize the tax effects of the excess federal tax deductions as increases in common stock or increases to NOL deferred tax assets, as the deductions have not resulted in a reduction of taxes payable due to our federal income tax NOLs. For the year ended December 31, 2010 and 2009, we recognized the tax effects of the excess state tax

deduction as common stock of $0.3 million and $0.1 million, respectively. No state tax deductions were recognized for the year ended December 31, 2008.

METC Uncertain Tax Position

At December 31, 2009, we had an uncertain tax position resulting from an analysis we performed on various transaction costs incurred in connection with the METC acquisition. In applying the measurement provisions of income taxes, this tax position resulted in an immaterial reduction to the deferred tax asset

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

recorded in purchase accounting. This tax position was settled in January 2010 upon completion of the Internal Revenue Service audit of our 2006 tax year. The settlement of this tax position resulted in a reduction of our income tax provision by $0.7 million when recorded in the first quarter of 2010.

11. RETIREMENT BENEFITS AND ASSETS HELD IN TRUST

Retirement Plan Benefits

We have a qualified retirement plan for eligible employees, comprised of a traditional final average pay plan and a cash balance plan. The traditional final average pay plan is noncontributory, covers select employees, and provides retirement benefits based on the employees years of benefit service, average final compensation and age at retirement. The cash balance plan is also noncontributory, covers substantially all employees, and provides retirement benefits based on eligible compensation and interest credits. While we are obligated to fund the retirement plan by contributing the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended, it is our practice to contribute the maximum allowable amount as defined by section 404 of the Internal Revenue Code. We made contributions of $6.1 million, $3.2 million and $2.1 million to the retirement plan in 2010, 2009 and 2008, respectively, although we had no minimum funding requirements. We expect to contribute up to $3.6 million to the defined benefit retirement plan relating to the 2010 plan year in 2011.

We have also established two supplemental nonqualified, noncontributory, retirement benefit plans for selected management employees. The plans provide for benefits that supplement those provided by our other retirement plans. The obligations under these supplemental nonqualified plans are included in the pension benefit obligation calculations below. The investments in trust for the supplemental nonqualified retirement plans of $10.8 million and $9.4 million at December 31, 2010 and 2009, respectively, are not included in the pension plan asset amounts presented below, but are included in other assets on our consolidated statement of financial position. For the years ended December 31, 2010, 2009 and 2008, we contributed $0.5 million, $4.0 million and $1.0 million, respectively, to these supplemental nonqualified, noncontributory, retirement benefit plans. We account for the assets contributed under the supplemental nonqualified, noncontributory, retirement benefit plan and held in a trust as trading securities under the ASC for certain investments in debt and equity securities. Accordingly, realized and unrealized gains or losses on the investments are recorded as investment income or loss. We recognized gains of $0.9 million and $0.7 million in other income during 2010 and 2009, respectively, and losses of $1.8 million in other expenses during 2008 associated with realized and unrealized gains and losses on the investments held in trust associated with our supplemental nonqualified retirement plans.

The plan assets consisted of the following assets by category:

Asset Category	2010	2009
Fixed income securities	47.2%	57.8%
Equity securities	52.8%	42.2%
Total	100.0%	100.0%

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net pension cost for 2010, 2009 and 2008 includes the following components:

(In thousands)	2010	2009	2008
Service cost	$ 2,868	$ 2,674	$ 1,977
Interest cost	2,222	1,691	1,164
Expected return on plan assets	(1,388)	(987)	(1,038)
Amortization of prior service cost	(42)	(42)	(882)
Amortization of actuarial loss	1,722	2,250	1,762
Net pension cost	$ 5,382	$ 5,586	$ 2,983

The following table reconciles the obligations, assets and funded status of the pension plans as well as the amounts recognized as accrued pension liability in the consolidated statement of financial position as of December 31, 2010 and 2009:

(In thousands)	2010	2009
Change in Benefit Obligation:		
Beginning projected benefit obligation	$ (35,734)	$ (26,175)
Service cost	(2,868)	(2,674)
Interest cost	(2,222)	(1,691)
Actuarial net loss	(4,856)	(5,820)
Benefits paid	576	626
Ending projected benefit obligation	$ (45,104)	$ (35,734)
Change in Plans Assets:		
Beginning plan assets at fair value	$ 16,503	$ 12,294
Actual return on plan assets	2,632	1,648
Employer contributions	6,088	3,187
Benefits paid	(576)	(626)
Ending plan assets at fair value	$ 24,647	$ 16,503
Funded status, underfunded	$ (20,457)	$ (19,231)
Ending accumulated benefit obligation	$ (33,830)	$ (25,534)
Amounts recorded as:		
Funded Status:		
Accrued pension and postretirement liabilities	$ (23,165)	$ (19,231)
Pension assets other assets other	2,708	

Total	$ (20,457)	$ (19,231)
Unrecognized Amounts in Other Regulatory Assets:		
Net actuarial loss	$ 13,288	$ 11,398
Prior service credit	(142)	(184)
Total	$ 13,146	$ 11,214

The unrecognized amounts that otherwise would have been charged and or credited to accumulated other comprehensive income associated with the guidance for employers accounting for pensions are recorded as a regulatory asset on our consolidated statements of financial position as discussed in Note 5.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also recorded a deferred income tax liability on the regulatory asset in deferred income tax liabilities on our consolidated statements of financial position. The amounts recorded as a regulatory asset represent a net periodic benefit cost to be recognized in our operating income in future periods.

Actuarial assumptions used to determine the benefit obligation for 2010, 2009 and 2008 are listed below:

	2010	**2009**	**2008**
Discount rate	5.60%	6.00%	5.95%
Annual rate of salary increases	5.00%	5.00%	5.00%

Actuarial assumptions used to determine the benefit cost for 2010, 2009 and 2008 are listed below:

	2010	**2009**	**2008**
Discount rate	6.00%	5.95%	6.19%
Annual rate of salary increases	5.00%	5.00%	5.00%
Expected long-term rate of return on plan assets	7.50%	7.25%	7.25%

At December 31, 2010, the projected benefit payments for the defined benefit retirement plan calculated using the same assumptions as those used to calculate the benefit obligation described above are listed below:

(In thousands)	
2011	$ 575
2012	1,202
2013	1,914
2014	3,388
2015	3,830
2016 through 2020	22,525

Investment Objectives and Fair Value Measurement

The general investment objectives of the qualified retirement benefit plan includes maximizing the return within reasonable and prudent levels of risk and controlling administrative and management costs. The targeted asset allocation is weighted equally between equity and fixed income investments. Investment decisions are made by our retirement benefits board as delegated by our board of directors. Equity investments may include various types of U.S. and international equity securities, such as large-cap, mid-cap and small-cap stocks. Fixed income investments may include cash and short-term instruments, U.S. Government securities, corporate bonds, mortgages and other fixed income investments. No investments are prohibited for use in the retirement plan, including derivatives, but our exposure to derivatives currently is not material. We intend that the long-term capital growth of the retirement plan, together with employer contributions, will provide for the payment of the benefit obligations.

We determine our expected long-term rate of return on plan assets based on the current target allocations of the retirement plan investments and considering historical returns on comparable fixed income investments and equity investments.

The measurement of fair value is based on a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value measurement of the retirement plan as of December 31, 2010, was as follows:

		Fair Value Measurements at Reporting Date Using		
(In thousands)		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured on a recurring basis:				
Pooled separate accounts	U.S. equity securities	$	$ 10,502	$
Pooled separate accounts	international equity securities		2,506	
Pooled separate accounts	fixed income securities		9,999	
Guaranteed deposit fund			1,640	
Total		$	$ 24,647	$

The fair value measurement of the retirement plan as of December 31, 2009, was as follows:

		Fair Value Measurements at Reporting Date Using		
(In thousands)		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured on a recurring basis:				
Short term investments		$	$ 3,599	$
Pooled separate accounts	U.S. equity securities		5,487	
Pooled separate accounts	international equity securities		1,469	
Pooled separate accounts	fixed income securities		4,618	
Guaranteed deposit fund			1,330	
Total		$	$ 16,503	$

Other Postretirement Benefits

We provide certain postretirement health care, dental, and life insurance benefits for employees who may become eligible for these benefits. We contributed $3.1 million, $2.5 million and $1.3 million to the postretirement benefit plan in 2010, 2009 and 2008, respectively. We expect to contribute up to $3.5 million to the plan in 2011.

The plan assets consisted of the following assets by category:

Asset Category	**2010**	**2009**
Fixed income securities	53.2%	73.3%
Equity securities	46.8%	26.7%
Total	100.0%	100.0%

Our measurement of the accumulated postretirement benefit obligation as of December 31, 2010 and 2009 does not reflect any potential amounts associated with subsidies under the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net postretirement cost for 2010, 2009 and 2008 includes the following components:

(In thousands)	2010	2009	2008
Service cost	$ 2,809	$ 1,841	$ 1,632
Interest cost	984	921	672
Expected return on plan assets	(469)	(228)	(218)
Amortization of unrecognized prior service cost	313	314	580
Amortization of actuarial loss		166	
Net postretirement cost	$ 3,637	$ 3,014	$ 2,666

The following table reconciles the obligations, assets and funded status of the plans as well as the amounts recognized as accrued postretirement liability in the consolidated statement of financial position as of December 31, 2010 and 2009:

(In thousands)	2010	2009
Change in Benefit Obligation:		
Beginning accumulated postretirement obligation	$ (17,757)	$ (13,419)
Service cost	(2,809)	(1,841)
Interest cost	(984)	(921)
Actuarial net loss	(1,189)	(1,625)
Benefits paid	330	49
Ending accumulated postretirement obligation	$ (22,409)	$ (17,757)
Change in Plan s Assets:		
Beginning plan assets at fair value	$ 5,830	$ 3,005
Actual return on plan assets	850	297
Employer contributions	3,083	2,528
Employer provided retiree premiums	330	49
Benefits paid	(330)	(49)
Ending Plan assets at fair value	$ 9,763	$ 5,830
Funded status, underfunded	$ (12,646)	$ (11,927)
Amounts recorded as:		
Funded Status:		
Accrued pension and postretirement liabilities	$ (12,646)	$ (11,927)
Total	$ (12,646)	$ (11,927)

Unrecognized Amounts in Other Regulatory Assets:		
Net actuarial loss	$ 3,121	$ 2,314
Prior service cost	438	751
Total	$ 3,559	$ 3,065

The unrecognized amounts that otherwise would have been charged and or credited to accumulated other comprehensive income associated with the guidance for employers accounting for pensions are recorded as a regulatory asset on our consolidated statements of financial position. We also recorded a deferred income tax liability on the regulatory asset in deferred income tax liabilities on our consolidated

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

statements of financial position. The amounts recorded as a regulatory asset represent a net periodic benefit cost to be recognized in our operating income in future periods.

Actuarial assumptions used to determine the benefit obligation for 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Discount rate	5.60%	6.00%	5.95%
Annual rate of salary increases	5.00%	5.00%	5.00%
Health care cost trend rate assumed for next year	9.00%	9.00%	10.00%
Rate to which the cost trend rate is assumed to decline	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2016	2015	2015
Annual rate of increase in dental benefit costs	5.00%	5.00%	5.00%

Actuarial assumptions used to determine the benefit cost for 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Discount rate	6.00%	5.95%	6.19%
Annual rate of salary increases	5.00%	5.00%	5.00%
Health care cost trend rate assumed for next year	9.00%	10.00%	10.50%
Rate to which the cost trend rate is assumed to decline	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2015	2015	2015

At December 31, 2010, the projected benefit payments for the postretirement benefit plan calculated using the same assumptions as those used to calculate the benefit obligations listed above are listed below:

(In thousands)	
2011	$ 202
2012	284
2013	419
2014	592
2015	742
2016 through 2020	8,141

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point increase or decrease in assumed health care cost trend rates would have the following effects on costs for 2010 and the postretirement benefit obligation at December 31, 2010:

	One-Percentage-	One-Percentage-

(In thousands)	Point Increase		Point Decrease	
Effect on total of service and interest cost	$	681	$	(545)
Effect on postretirement benefit obligation		2,524		(2,053)

Investment Objectives and Fair Value Measurement

The general investment objectives of the qualified other postretirement benefit plans include maximizing the return within reasonable and prudent levels of risk and controlling administrative and management costs. The targeted asset allocation is weighted equally between equity and fixed income investments. Investment decisions are made by our retirement benefits board as delegated by our board of directors. Equity investments may include various types of U.S. and international equity securities, such as

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

large-cap, mid-cap and small-cap stocks. Fixed income investments may include cash and short-term instruments, U.S. Government securities, corporate bonds, mortgages and other fixed income investments. No investments are prohibited for use in the other postretirement plan, including derivatives, but our exposure to derivatives currently is not material. We intend that the long-term capital growth of the other postretirement plans, together with employer contributions, will provide for the payment of the benefit obligations.

We determine our expected long-term rate of return on plan assets based on the current target allocations of the retirement plan investments and considering historical returns on comparable fixed income investments and equity investments.

The measurement of fair value is based on a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value measurement of the other postretirement benefit plans as of December 31, 2010, was as follows:

	Fair Value Measurements at Reporting Date Using		
(In thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured on a recurring basis:			
Cash and cash equivalents	$ 27	$	$
Pooled separate accounts U.S. equity securities		859	
Pooled separate accounts international equity securities		188	
Pooled separate accounts fixed income securities		813	
Mutual funds equity securities	3,515		
Mutual funds fixed income securities	3,350		
Guaranteed deposit fund		1,011	
Total	$ 6,892	$ 2,871	$

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value measurement of the other postretirement benefit plans as of December 31, 2009, was as follows:

	Fair Value Measurements at Reporting Date Using		
(In thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured on a recurring basis:			
Cash and cash equivalents	$ 2,836	$	$
Pooled separate accounts U.S. equity securities		723	
Pooled separate accounts international equity securities		174	
Pooled separate accounts fixed income securities		749	
Mutual funds equity securities	662		
Mutual funds fixed income securities	519		
Guaranteed deposit fund		167	
Total	$ 4,017	$ 1,813	$

Defined Contribution Plans

We also sponsor a defined contribution retirement savings plan. Participation in this plan is available to substantially all employees. We match employee contributions up to certain predefined limits based upon eligible compensation and the employee s contribution rate. The cost of this plan was $2.7 million, $2.6 million and $1.8 million in 2010, 2009 and 2008, respectively.

12. FAIR VALUE MEASUREMENTS

The measurement of fair value is based on a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our assets measured at fair value subject to the three-tier hierarchy at December 31, 2010, were as follows:

Fair Value Measurements at Reporting Date Using

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured on a recurring basis:			
Cash and cash equivalents cash equivalents	$ 10	$ 84,726	$
Mutual funds fixed income securities	10,479		
Mutual funds equity securities	876		
Interest rate swap derivative		3,099	
Total	$ 11,365	$ 87,825	$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our assets measured at fair value subject to the three-tier hierarchy at December 31, 2009, were as follows:

	Fair Value Measurements at Reporting Date Using		
(In thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured on a recurring basis:			
Cash and cash equivalents cash equivalents	$ 70,558	$	$
Mutual funds fixed income securities	6,091		
Mutual funds equity securities	3,775		
Total	$ 80,424	$	$

As of December 31, 2010, we held certain assets that are required to be measured at fair value on a recurring basis. These consist of investments recorded within cash and cash equivalents and other long-term assets, including investments held in trust associated with our nonqualified, noncontributory, supplemental retirement benefit plans for selected management and employees that are classified as trading securities discussed in Note 11 and our interest rate swap discussed in Note 8. Our investments included in cash equivalents consist of money market funds recorded at cost plus accrued interest to approximate fair value. Our investments classified as trading securities consist primarily of mutual funds and equity securities that are publicly traded and for which market prices are readily available. Changes in the observed trading prices and liquidity of money market funds are monitored as additional support for determining fair value, and losses are recorded in earnings if fair value falls below recorded cost. The fair value of our interest rate swap derivative as of December 31, 2010 is determined based on a discounted cash flow method.

We also held non-financial assets that are required to be measured at fair value on a non-recurring basis. These consist of goodwill and intangible assets. We did not take any impairment charges on long-lived assets and no other significant events requiring non-financial assets and liabilities to be measured at fair value occurred (subsequent to initial recognition) during the year ended December 31, 2010.

Fair Value of Long-Term Debt

Fixed Rate Long-Term Debt

Based on the borrowing rates currently available for bank loans with similar terms and average maturities, the fair value of our consolidated long-term debt as described in Note 8, excluding revolving credit agreements, was $2,747.2 million and $2,165.9 million at December 31, 2010 and 2009, respectively. The total book value of our consolidated long-term debt, excluding revolving credit agreements, was $2,443.5 million and $2,353.0 million at

December 31, 2010 and 2009, respectively.

Revolving Credit Agreements

At December 31, 2010 and 2009, we had a consolidated total of $53.4 million and $81.4 million, respectively, outstanding under our revolving credit agreements, which are variable rate loans. The fair value of these loans approximates book value.

Trade Accounts Receivables and Payables

As of December 31, 2010, our accounts receivable and accounts payable balances approximate fair value due to their short term nature.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. STOCKHOLDERS EQUITY

Common Stock

General ITC Holdings authorized capital stock consists of:

100 million shares of common stock, without par value; and

10 million shares of preferred stock, without par value.

As of December 31, 2010, there were 50,715,805 shares of our common stock outstanding, no shares of preferred stock outstanding and 515 holders of record of our common stock.

Voting Rights Each holder of ITC Holdings common stock, including holders of our common stock subject to restricted stock awards, is entitled to cast one vote for each share held of record on all matters submitted to a vote of stockholders, including the election of directors. Holders of ITC Holdings common stock have no cumulative voting rights.

Dividends Holders of our common stock, including holders of common stock subject to restricted stock awards, are entitled to receive dividends or other distributions declared by the board of directors. The right of the board of directors to declare dividends is subject to the right of any holders of ITC Holdings preferred stock, to the extent that any preferred stock is authorized and issued, and the availability under the Michigan Business Corporation Act of sufficient funds to pay dividends. We have not issued any shares of preferred stock. The declaration and payment of dividends is subject to the discretion of ITC Holdings board of directors and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other factors deemed relevant by ITC Holdings board of directors.

As a holding company with no business operations, ITC Holdings assets consist primarily of the stock and membership interests in its subsidiaries, deferred tax assets relating primarily to federal income tax NOLs and cash on hand. ITC Holdings only sources of cash to pay dividends to our stockholders are dividends and other payments received by us from our Regulated Operating Subsidiaries and any other subsidiaries we may have and the proceeds raised from the sale of our debt and equity securities. Each of our Regulated Operating Subsidiaries, however, is legally distinct from ITC Holdings and has no obligation, contingent or otherwise, to make funds available to us for the payment of dividends to ITC Holdings stockholders or otherwise. The ability of each of our Regulated Operating Subsidiaries and any other subsidiaries we may have to pay dividends and make other payments to ITC Holdings is subject to, among other things, the availability of funds, after taking into account capital expenditure requirements, the terms of its indebtedness, applicable state laws and regulations of the FERC and the FPA.

Each of the ITC Holdings Revolving Credit Agreement, the ITCTransmission/METC Revolving Credit Agreement, the ITC Midwest Revolving Credit Agreements, the ITC Great Plains Revolving Credit Agreement and the note purchase agreements governing ITC Holdings Senior Notes imposes restrictions on ITC Holdings and its subsidiaries respective abilities to pay dividends if an event of default has occurred under the relevant agreement, and thus ITC Holdings ability to pay dividends on its common stock will depend upon, among other things, our level of indebtedness at the time of the proposed dividend and whether we are in compliance with the covenants under our revolving credit facilities and our other debt instruments. ITC Holdings future dividend policy will also depend on the

requirements of any future financing agreements to which we may be a party and other factors considered relevant by ITC Holdings board of directors.

Pursuant to the requirements of SEC Regulation S-X Rule 4-08(e), Schedule I is required because of restrictions which limit the payment of dividends to ITC Holdings by its subsidiaries. ITCTransmission, METC and ITC Midwest are restricted by their revolving credit agreements in their ability to pay dividends to ITC Holdings. In the event of default on our revolving credit agreements or non-compliance with the

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

covenants under our revolving credit agreements, we may not be able to disburse dividends. ITCTransmission, METC and ITC Midwest were in compliance with the covenants under their revolving credit agreements during 2010.

Liquidation Rights If ITC Holdings is dissolved, the holders of our common stock will share ratably in the distribution of all assets that remain after we pay all of our liabilities and satisfy our obligations to the holders of any of ITC Holdings preferred stock, to the extent that any preferred stock is authorized and issued.

Preemptive and Other Rights Holders of our common stock have no preemptive rights to purchase or subscribe for any of our stock or other securities of our company and there are no conversion rights or redemption or sinking fund provisions with respect to our common stock.

Repurchases In 2010 and 2009, we repurchased 1,057 and 700 shares of common stock for an aggregate of $0.1 million and less than $0.1 million, respectively, which represented shares of common stock delivered to us by employees as payment of tax withholdings due to us upon the vesting of restricted stock. No shares of common stock were repurchased during 2008.

ITC Holdings Common Stock Offerings

In January 2008, ITC Holdings completed an underwritten public offering of its common stock. ITC Holdings sold 6,420,737 newly-issued common shares in the offering, which resulted in proceeds of $308.3 million (net of underwriting discount of $13.7 million and before issuance costs of $0.8 million). The proceeds from this offering were used to partially finance ITC Midwest s asset acquisition and for general purposes.

ITC Holdings Sales Agency Financing Agreement

On June 27, 2008, ITC Holdings entered into a Sales Agency Financing Agreement (the SAFE Agreement) with BNY Mellon Capital Markets, LLC (BNYMCM). Under the terms of the SAFE Agreement, ITC Holdings may issue and sell shares of common stock, without par value, from time to time, up to an aggregate sales price of $150.0 million. The term of the SAFE Agreement is for a period of up to June 2011, subject to continued approval from the FERC authorizing ITC Holdings to issue equity. BNYMCM will act as ITC Holdings agent in connection with any offerings of shares under the SAFE Agreement. The shares of common stock may be offered in one or more selling periods, none of which will exceed 20 trading days. Any shares of common stock sold under the SAFE Agreement will be offered at market prices prevailing at the time of sale. Moreover, ITC Holdings will specify to BNYMCM (i) the aggregate selling price of the shares of common stock to be sold during each selling period, which may not exceed $40.0 million without BYNMCM s prior written consent and (ii) the minimum price below which sales may not be made, which may not be less than $10.00 per share without BNYMCM s prior written consent. ITC Holdings will pay BNYMCM a commission equal to 1% of the sales price of all shares of common stock sold through it as agent under the SAFE Agreement, plus expenses. The shares we would issue under the SAFE Agreement have been registered under ITC Holdings automatic shelf registration statement on Form S-3 (File No. 333- 163716) filed on December 14, 2009 with the SEC. As of December 31, 2010, we have not issued shares under the SAFE Agreement.

14. SHARE-BASED COMPENSATION

Our Long Term Incentive Plan, which was adopted in 2006 and amended and restated in 2008 (the LTIP), permits the compensation committee to make grants of a variety of share-based awards (such as

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

options, restricted shares and deferred stock units) for a cumulative amount of up to 4,950,000 shares to employees, directors and consultants. The LTIP provides that no more than 3,250,000 of the shares may be granted as awards to be settled in shares of common stock other than options or stock appreciation rights. No awards would be permitted after February 7, 2012. Prior to the adoption of the LTIP, we made various share-based awards under the 2003 Stock Purchase and Option Plan (the 2003 Plan), including options and restricted stock. In addition, our board of directors and shareholders approved the ESPP, which we implemented effective April 1, 2007. The ESPP allows for the issuance of an aggregate of 180,000 shares of our common stock. Participation in this plan is available to substantially all employees. ITC Holdings issues new shares to satisfy option exercises, restricted stock grants, employee ESPP purchases and settlement of deferred stock units. As of December 31, 2010, 3,305,528 shares were available for future issuance under our 2003 Plan, ESPP and 2006 LTIP, including 2,436,742 shares issuable upon the exercise of outstanding stock options, of which 1,778,451 were vested.

We recorded share-based compensation in 2010, 2009 and 2008 as follows:

(In thousands)	**2010**	**2009**	**2008**
Operation and maintenance expenses	$ 2,098	$ 1,581	$ 1,152
General and administrative expenses	8,074	4,999	4,674
Amounts capitalized to property, plant and equipment	4,702	3,426	1,446
Total share-based compensation	$ 14,874	$ 10,006	$ 7,272
Total tax benefit recognized in the consolidated statement of operations	$ 4,028	$ 2,621	$ 2,328

Tax deductions that exceed the cumulative compensation cost recognized for options exercised, restricted shares that vested or deferred stock units that are settled are recognized as common stock only if the tax deductions reduce taxes payable as a result of a realized cash benefit from the deduction. For the year ended December 31, 2010, 2009 and 2008, we did not recognize excess federal tax deductions for option exercises and restricted stock vesting of $6.1 million, $2.4 million, and $2.0 million, respectively, in common stock, as the deductions have not resulted in a cash benefit due to our federal income tax NOLs. We will recognize these excess federal tax deductions in common stock when the tax benefits are realized. For the year ended December 31, 2010 and 2009, we recognized the tax effects of the excess state tax deduction as common stock of $0.3 million and $0.1 million, respectively. No state tax deduction was recognized for the year ended December 31, 2008.

Options

Our option grants vest in equal annual installments over a three- or five-year period from the date of grant, or as a result of other events such as death or disability of the option holder. The options have a term of 10 years from the grant date. Stock option activity for 2010 was as follows:

	Number of	**Weighted Average**

	Options		Exercise Price
Outstanding at January 1, 2010 (1,852,682 exercisable with a weighted average exercise price of $16.50)	2,673,373	$	24.10
Granted	232,537		52.47
Exercised	(464,264)		16.65
Forfeited	(4,904)		40.64
Outstanding at December 31, 2010 (1,778,451 exercisable with a weighted average exercise price of $21.21)	2,436,742	$	27.96

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Grant date fair value of the stock options was determined using a Black-Scholes option pricing model. The following assumptions were used in determining the weighted-average fair value per option:

	2010 Option Grants	2009 Option Grants	2008 Options Grants
Weighted-average grant-date fair value per option	$ 16.01	$ 11.93	$ 13.31
Weighted-average expected volatility(a)	37.4%	37.5%	24.7%
Weighted-average risk-free interest rate	2.5%	2.4%	3.4%
Weighted-average expected term(b)	6 years	6 years	6 years
Weighted-average expected dividend yield	2.44%	2.95%	2.14%
Estimated fair value of underlying shares	$ 52.47	$ 41.37	$ 56.88

(a) We estimated volatility using the historical volatility of our stock.

(b) The expected term represents the period of time that options granted are expected to be outstanding. We have utilized the simplified method permitted under share-based award accounting standards in determining the expected term for all option grants as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time our equity shares have been publicly traded.

At December 31, 2010, the aggregate intrinsic value and the weighted-average remaining contractual term for all outstanding options were approximately $82.4 million and 5.2 years, respectively. At December 31, 2010, the aggregate intrinsic value and the weighted-average remaining contractual term for exercisable options were $72.5 million and 4.2 years, respectively. The aggregate intrinsic value of options exercised during 2010, 2009 and 2008 were $19.3 million, $7.5 million and $6.2 million, respectively. At December 31, 2010, the total unrecognized compensation cost related to the unvested options awards was $5.8 million and the weighted-average period over which it is expected to be recognized was 1.8 years.

We estimate that 2,411,840 of the options outstanding at December 31, 2010 will vest, including those already vested. The weighted-average exercise price, aggregate intrinsic value and the weighted-average remaining contractual term for options shares that are vested and expected to vest as of December 31, 2010 was $28.00 per share, $82.0 million and 5.2 years, respectively.

Restricted Stock Awards

Holders of restricted stock awards have all the rights of a holder of common stock of ITC Holdings, including dividend and voting rights. The holder becomes vested as a result of certain events such as death or disability of the holder, but not later than the vesting date of the awards. The weighted-average expected remaining vesting period at December 31, 2010 is 1.6 years. Holders of restricted shares may not sell, transfer, or pledge their restricted shares until the shares vest and the restrictions lapse.

Restricted stock awards are recorded at fair value at the date of grant, which is based on the closing share price on the grant date. Awards that were granted for future services are accounted for as unearned compensation, with amounts amortized over the vesting period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted stock award activity for 2010 was as follows:

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Unvested restricted stock awards at January 1, 2010	756,939	$ 44.55
Granted	152,737	53.28
Vested	(9,932)	40.87
Forfeited	(14,404)	45.10
Unvested restricted stock awards at December 31, 2010	885,340	$ 46.12

The weighted-average grant date fair value of restricted stock awarded during 2009 and 2008 was $41.81 and $55.07 per share, respectively. The aggregate fair value of restricted stock awards as of December 31, 2010 was $54.9 million. The aggregate fair value of restricted stock awards that vested during 2010, 2009 and 2008 was $0.6 million, $0.3 million and $0.1 million, respectively. At December 31, 2010, the total unrecognized compensation cost related to the restricted stock awards was $19.1 million and the weighted-average period over which that cost is expected to be recognized was 2.1 years.

As of December 31, 2010, we estimate that 796,238 shares of the restricted shares outstanding at December 31, 2010 will vest. The weighted-average fair value, aggregate intrinsic value and the weighted-average remaining contractual term for restricted shares that are expected to vest is $45.92 per share, $49.4 million and 1.5 years, respectively.

Employee Stock Purchase Plan

The ESPP is a compensatory plan accounted for under the expense recognition provisions of the share-based payment accounting standards. Compensation expense is recorded based on the fair market value of the purchase options at the grant date, which corresponds to the first day of each purchase period and is amortized over the purchase period. During 2010, 2009 and 2008, employees purchased 24,840, 28,681 and 18,593 shares, respectively, resulting in proceeds from the sale of our common stock of $1.1 million, $1.1 million and $0.8 million, respectively, under the ESPP. The total share-based compensation amortization for the ESPP was $0.3 million, $0.3 million and $0.2 million in 2010, 2009 and 2008, respectively.

Deferred Stock Units

Our deferred stock units are paid in shares of common stock on each of the following three anniversaries of the grant date, in equal installments. The deferred stock units do not contain any vesting provisions; that is, our common stock will be issued at the anniversary dates of the grant dates irrespective of employment status. The deferred stock units do not provide for any voting rights until the deferred stock units are delivered as shares of our common stock. The deferred stock units have dividend equivalent rights, providing the holder with the right to any dividends declared on our common stock subsequent to the grant date, such that the holders receive additional deferred stock units with a fair

market value equal to the cash dividends they would have received on the shares underlying the deferred stock units they hold as if such underlying shares of common stock had been outstanding on the record date for the dividend. The additional dividend equivalent units granted will be settled in shares of our common stock at the same time as the deferred stock units on which the dividend equivalents were received. The deferred stock units are not transferable by the holders, but the shares issued upon each settlement date will be immediately transferable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred stock unit activity for 2010 was as follows:

	Number of Deferred Stock Units	Weighted-Average Grant Date Fair Value	
Deferred stock units at January 1, 2010	10,731	$	55.16
Granted	122		57.60
Vested	(5,364)		55.16
Deferred stock units at December 31, 2010	5,489	$	55.21

The weighted-average grant date fair value of deferred stock units awarded during 2009 and 2008 was $43.54 and $55.49 per share, respectively. The aggregate fair value of deferred stock units as of December 31, 2010 was $0.3 million. The aggregate fair value of deferred stock units that vested as of December 31, 2010 and 2009 was $0.3 million and $0.2 million, respectively. The weighted-average remaining contractual term for the deferred stock units outstanding as of December 31, 2010 was 0.1 years. As of December 31, 2010, there is no unrecognized compensation costs related to the deferred stock units and we expect all of the deferred stock units to vest.

15. JOINTLY OWNED UTILITY PLANT/COORDINATED SERVICES

Our MISO Regulated Operating Subsidiaries have agreements with other utilities for the joint ownership of substation assets and transmission lines. We account for these jointly owned assets by recording property, plant and equipment for our percentage of ownership interest. Various agreements provide the authority for construction of capital improvements and for the operating costs associated with the substations and lines. Generally, each party is responsible for the capital, operation and maintenance, and other costs of these jointly owned facilities based upon each participant s undivided ownership interest. Our MISO Regulated Operating Subsidiaries participating share of expenses associated with these jointly held assets are primarily recorded within operating and maintenance expense on our consolidated statement of operations.

We have investments in jointly owned utility assets as shown in the table below as of December 31, 2010:

(In thousands)	Net Investment(a)		Construction Work in Progress	
Substations	$	16,904	$	1,453
Lines		83,934		
Total	$	100,838	$	1,453

(a) Amount represents our investment in jointly held plant, which has been reduced by the ownership interest amounts of other parties.

ITCTransmission

The Michigan Public Power Agency (the MPPA) has a 50.4% ownership interest in two ITCTransmission 345 kV transmission lines. ITCTransmission s net investment in these two lines totaled $21.5 million as of December 31, 2010. The MPPA s ownership portion entitles them to approximately 234 MW of network transmission service over the ITCTransmission system. An Ownership and Operating Agreement with the MPPA provides ITCTransmission with authority for construction of capital improvements and for

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the operation and management of the transmission lines. The MPPA is responsible for the capital and operating and maintenance costs allocable to their ownership interest.

METC

METC has joint sharing of several assets within various substations with Consumers Energy, other municipal distribution systems and other generators. The rights, responsibilities and obligations for these jointly owned assets are documented in the Amended and Restated Distribution Transmission Interconnection Agreement with Consumers Energy and in numerous Interconnection Facilities Agreements with various municipals and other generators. As of December 31, 2010, METC had net investments in jointly owned assets within substations including jointly owned assets under construction totaling $10.7 million of which METC s ownership percentages for these jointly owned substation assets ranged from 6.3% to 92.0%. In addition, the MPPA, the Wolverine Power Supply Cooperative, Inc, (the WPSC), and the Michigan South Central Power Agency, (the MSCPA), each have an ownership interest in several METC 345 kV transmission lines. This ownership entitles the MPPA, WPSC and MSCPA to approximately 608 MW of network transmission service over the METC transmission system. As of December 31, 2010, METC had net investments in jointly shared transmission lines totaling $41.0 million of which METC s ownership percentages for these jointly owned lines ranged from 35.2% to 64.5%.

ITC Midwest

ITC Midwest has joint sharing of several substations and transmission lines with various parties. As of December 31, 2010, ITC Midwest had net investments in jointly shared substations facilities including jointly shared substations facilities under construction totaling $7.7 million of which ITC Midwest s ownership percentages for these jointly owned substations facilities ranged from 48.0% to 70.0%. As of December 31, 2010, ITC Midwest had net investments in jointly shares transmission lines including jointly shared transmission lines under construction totaling $21.4 million of which ITC Midwest s ownership percentage for the jointly owned substation facilities and lines ranged from 28.0% to 70.0%.

16. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Our Regulated Operating Subsidiaries operations are subject to federal, state, and local environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the management, treatment, storage, transportation and disposal of hazardous materials and of solid and hazardous wastes, and impose obligations to investigate and remediate contamination in certain circumstances. Liabilities to investigate or remediate contamination, as well as other liabilities concerning hazardous materials or contamination, such as claims for personal injury or property damage, may arise at many locations, including formerly owned or operated properties and sites where wastes have been treated or disposed of, as well as at properties currently owned or operated by our Regulated Operating Subsidiaries. Such liabilities may arise even where the contamination does not result from noncompliance with applicable environmental laws. Under a number of environmental laws, such liabilities may also be joint and several, meaning that a party can be held responsible for more than its share of the liability involved, or even the entire share. Environmental requirements generally have become more stringent and compliance with those requirements more expensive. We are not aware of any specific developments that would increase our Regulated Operating Subsidiaries costs for such compliance in a manner that would be expected to have a

material adverse effect on our results of operations, financial position or liquidity.

Our Regulated Operating Subsidiaries assets and operations also involve the use of materials classified as hazardous, toxic or otherwise dangerous. Many of the properties our Regulated Operating

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsidiaries own or operate have been used for many years, and include older facilities and equipment that may be more likely than newer ones to contain or be made from such materials. Some of these properties include aboveground or underground storage tanks and associated piping. Some of them also include large electrical equipment filled with mineral oil, which may contain or previously have contained PCBs. Our Regulated Operating Subsidiaries facilities and equipment are often situated close to or on property owned by others so that, if they are the source of contamination, other s property may be affected. For example, aboveground and underground transmission lines sometimes traverse properties that our Regulated Operating Subsidiaries do not own, and, at some of our Regulated Operating Subsidiaries transmission stations, transmission assets (owned or operated by our Regulated Operating Subsidiaries) and distribution assets (owned or operated by our Regulated Operating Subsidiaries transmission customer) are commingled.

Some properties in which our Regulated Operating Subsidiaries have an ownership interest or at which they operate are, and others are suspected of being, affected by environmental contamination. Our Regulated Operating Subsidiaries are not aware of any pending or threatened claims against them with respect to environmental contamination, or of any investigation or remediation of contamination at any properties, that entail costs likely to materially affect them. Some facilities and properties are located near environmentally sensitive areas such as wetlands.

Claims have been made or threatened against electric utilities for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields associated with electric transmission and distribution lines. While our Regulated Operating Subsidiaries do not believe that a causal link between electromagnetic field exposure and injury has been generally established and accepted in the scientific community, if such a relationship is established or accepted, the liabilities and costs imposed on our business could be significant. We are not aware of any pending or threatened claims against our Regulated Operating Subsidiaries for bodily injury, disease or other damages allegedly related to exposure to electromagnetic fields and electric transmission and distribution lines that entail costs likely to have a material adverse effect on our results of operations, financial position or liquidity.

Litigation

We are involved in certain legal proceedings before various courts, governmental agencies, and mediation panels concerning matters arising in the ordinary course of business. These proceedings include certain contract disputes, regulatory matters and pending judicial matters. We cannot predict the final disposition of such proceedings. We regularly review legal matters and record provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on our operations or consolidated financial statements in the period in which they are resolved.

Michigan Sales and Use Tax Audit

The Michigan Department of Treasury conducted a sales and use tax audit of ITCTransmission for the audit period April 1, 2005 through June 30, 2008 and has denied ITCTransmission s use of the industrial processing exemption from use tax it has taken beginning January 1, 2007. ITCTransmission has certain administrative and judicial appeal rights.

ITCTransmission believes that its utilization of the industrial processing exemption is appropriate and intends to defend itself against the denial of such exemption. However, it is reasonably possible that the assessment of additional

use tax could be sustained after all administrative appeals and litigation have been exhausted.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amount of use tax liability associated with the exemptions taken by ITCTransmission through December 31, 2010 is estimated to be approximately $7.4 million, which includes approximately $3.5 million assessed for the audit period April 1, 2005 through June 30, 2008, including interest. In the event it becomes appropriate to record additional use tax liability relating to this matter, ITCTransmission would record the additional use tax primarily as an increase to the cost of property, plant and equipment, as the majority of purchases for which the exemption was taken relate to equipment purchases associated with capital projects. METC has also taken the industrial processing exemption, estimated to be approximately $9.9 million for periods still subject to audit since 2006. These higher use tax expenses would be passed on to ITCTransmission s and METC s customers as the amounts are included as components of net revenue requirements and resulting rates.

FERC audit of ITC Midwest

The staff of the FERC has conducted an audit of ITC Midwest s compliance with certain of the FERC s regulations and the conditions established in the 2007 FERC order approving the acquisition by ITC Midwest of the transmission assets of Interstate Power and Light Company. On February 8, 2011, FERC staff provided a draft audit report to us for review and comment. The draft audit report contains certain proposed findings and recommendations which, if finalized and approved by FERC, have the potential to result in adjustments to ITC Midwest s revenue requirement calculations for 2008 through 2010 which could result in refunds and have a negative effect on our results of operations. We intend to both vigorously defend our position and seek an agreed-upon resolution of the audit findings. We believe it is reasonably possible for an unfavorable outcome, but do not believe the range of potential loss would be material to the consolidated financial statements.

Purchase Obligations and Leases

At December 31, 2010, we had purchase obligations of $54.7 million representing commitments for materials, services and equipment that had not been received as of December 31, 2010, primarily for construction and maintenance projects for which we have an executed contract. The majority of the items relate to materials and equipment that have long production lead times that are expected to be paid for in 2011.

We have operating leases for office space, equipment and storage facilities. We recognize expenses relating to our operating lease obligations on a straight-line basis over the term of the lease. We recognized rent expense of $0.9 million, $0.4 million and $0.6 million for the years ended December 31, 2010, 2009 and 2008, respectively, recorded in general and administrative and operation and maintenance expenses. These amounts and the amounts in the table below do not include any expense or payments to be made under the METC Easement Agreement described below under Other Commitments METC Amended and Restated Easement Agreement with Consumers Energy.

Future minimum lease payments under the leases at December 31, 2010 were:

(In thousands)	
2011	$ 429
2012	424
2013	405
2014	331

2015 and thereafter	9
Total minimum lease payments	$ 1,598

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Commitments

ITCTransmission

In August 2003, ITCTransmission entered into an Operation and Maintenance Agreement with its primary maintenance contractor and a Supply Chain Management Agreement with its primary purchasing and inventory management contractor. ITCTransmission is not obligated to take any specified amount of services under the terms of the Operation and Maintenance Agreement or the Supply Chain Management Agreement, which have five-year terms ending August 29, 2013 and automatically renew for additional five year terms unless terminated by either party.

METC

Amended and Restated Purchase and Sale Agreement for Ancillary Services with Consumers Energy. Under the Purchase and Sale Agreement for Ancillary Services with Consumers Energy (the Ancillary Services Agreement), Consumers Energy provides reactive power, balancing energy, load following and spinning and supplemental reserves that are needed by METC and MISO. These ancillary services are a necessary part of the provision of transmission service. This agreement is necessary because METC does not own any generating facilities and therefore must procure ancillary services from third party suppliers including Consumers Energy. The Ancillary Services Agreement establishes the terms and conditions under which METC obtains ancillary services from Consumers Energy. Consumers Energy will offer all ancillary services as required by FERC Order No. 888 at FERC-approved rates. METC is not precluded from procuring these services from third party suppliers and is free to purchase ancillary services from unaffiliated generators located within its control area or in neighboring jurisdictions on a non-preferential, competitive basis. This one- year agreement became effective on May 1, 2002 and is automatically renewed each year for successive one-year periods, with the most recent renewal effective May 1, 2010. The Ancillary Services Agreement can be terminated by either party with six months prior written notice. Services performed by Consumers Energy under the Ancillary Services Agreement are charged to operation and maintenance expense.

Amended and Restated Easement Agreement with Consumers Energy. The Easement Agreement with Consumers Energy (the Easement Agreement) provides METC with an easement for transmission purposes and rights-of-way, leasehold interests, fee interests and licenses associated with the land over which the transmission lines cross. Consumers Energy has reserved for itself the rights to and the value of activities associated with other uses of the infrastructure (such as for fiber optics, telecommunications and gas pipelines). The cost for use of the rights-of-way is $10.0 million per year. The term of the Easement Agreement runs through December 31, 2050 and is subject to 10 automatic 50-year renewals thereafter. Payments to Consumers Energy under the Easement Agreement are charged to operation and maintenance expense.

ITC Midwest

Operations Services Agreement For 34.5 kV Transmission Facilities. ITC Midwest and IP&L have entered into the Operations Services Agreement For 34.5 kV Transmission Facilities (the OSA), under which IP&L performs certain operations of ITC Midwest s 34.5 kV transmission system. The OSA will remain in full force and effect from year to year thereafter until terminated by either party upon not less than one year prior written notice to the other party.

Project Commitment. In the Minnesota regulatory proceeding to approve ITC Midwest s asset acquisition, ITC Midwest agreed to build a certain project in Iowa, the 345 kV Salem-Hazelton line, and made a commitment to use

commercially reasonable best efforts to complete the project prior to December 31, 2011. In the event ITC Midwest is found to have failed to meet this commitment, the

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

allowed 12.38% rate of return on the actual equity portion of its capital structure would be reduced to 10.39% until such time as ITC Midwest completes the project, and ITC Midwest would refund with interest any amounts collected since the close date of the transaction that exceeded what would have been collected if the 10.39% return on equity had been used. To complete this project, the IUB must provide certain regulatory approvals but, due to the current case schedule, we do not expect the approvals to be received in time to allow the project to be completed by December 31, 2011. ITC Midwest believes it has made commercially reasonable best efforts toward completion of the project by the stipulated deadlines and will continue to do so and, therefore, we believe the likelihood of any adverse effect from this matter is remote.

ITC Great Plains

Amended and Restated Maintenance Agreement. Mid-Kansas Electric Company LLC (Mid-Kansas) and ITC Great Plains have entered into a Maintenance Agreement (the Mid-Kansas Agreement), dated as of August 24, 2010, pursuant to which Mid-Kansas has agreed to perform various field operations and maintenance services related to the ITC Great Plains Elm Creek and Flat Ridge Substations, which ITC Great Plains has purchased from Mid-Kansas. The Mid-Kansas Agreement has an initial term of ten years and automatic ten-year renewal terms unless terminated (1) due to a breach by the non-terminating party following notice and failure to cure, (2) by mutual consent of the parties, or (3) by ITC Great Plains under certain limited circumstances. Services must continue to be provided for at least six months subsequent to the termination date in any case.

Concentration of Credit Risk

Our credit risk is primarily with Detroit Edison, Consumers Energy and IP&L, which were responsible for approximately 33.1%, 23.6% and 23.9%, respectively, or $230.9 million, $164.6 million and $166.9 million, respectively, of our consolidated operating revenues for the year ended December 31, 2010. These percentages and amounts of total operating revenues of Detroit Edison, Consumers Energy and IP&L include an estimate for the 2010 revenue accruals and deferrals that were included in our 2010 operating revenues, but will not be billed or refunded to our customers until 2012. We have assumed that the revenues associated with the revenue accruals and deferrals would be billed or refunded to these customers in 2012 in the same proportion of the respective percentages of network and regional cost sharing revenues billed to them in 2010. Any financial difficulties experienced by Detroit Edison, Consumers Energy or IP&L could negatively impact our business. MISO, as our MISO Regulated Operating Subsidiaries billing agent, bills Detroit Edison, Consumers Energy, IP&L and other customers on a monthly basis and collects fees for the use of our transmission systems. SPP bills customers of ITC Great Plains on a monthly basis and collects fees for the use of ITC Great Plains assets. MISO and the SPP have implemented strict credit policies for its members customers, which include customers using our transmission systems. In general, if these customers do not maintain their investment grade credit rating or have a history of late payments, MISO and the SPP may require them to provide MISO and the SPP with a letter of credit or cash deposit equal to the highest monthly invoiced amount over the previous twelve months.

17. SEGMENT INFORMATION

We identify reportable segments based on the criteria set forth by the FASB regarding disclosures about segments of an enterprise. We determine our reportable segments based primarily on the regulatory environment of our subsidiaries and the business activities performed to earn revenues and incur expenses. During the third quarter of 2009, ITC Great Plains implemented its cost-based formula rate in SPP to record revenues. As a result, the newly

regulated transmission business at ITC Great Plains is now included in the Regulated Operating Subsidiaries segment.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Regulated Operating Subsidiaries

We aggregate ITCTransmission, METC, ITC Midwest and ITC Great Plains into one reportable operating segment based on their similar regulatory environment and economic characteristics, among other factors. They are engaged in the transmission of electricity within the United States, earn revenues from the same types of customers and are regulated by the FERC. Their tariff rates are established using cost-based formula rates.

ITC Holdings and Other

Information below for ITC Holdings and Other consists of a holding company whose activities include debt and equity financings and general corporate activities and all of ITC Holdings other subsidiaries, excluding the Regulated Operating Subsidiaries, which are focused primarily on business development activities.

2010 **(In thousands)**	**Regulated Operating Subsidiaries**	**ITC Holdings and Other**	**Reconciliations**	**Eliminations**	**Total**
Operating revenues	$ 696,885	$ 425	$	$ (467)	$ 696,843
Depreciation and amortization	86,621	355			86,976
Interest expense	54,983	87,665		(95)	142,553
Income before income taxes	330,207	(102,275)			227,932
Income tax provision (benefit)(b)	98,995	(16,741)			82,254
Net income(b)	231,212	145,678		(231,212)	145,678
Property, plant and equipment, net	2,867,008	5,269			2,872,277
Goodwill	950,163				950,163
Total assets(c)	4,180,485	2,762,210	(11,878)	(2,622,944)	4,307,873
Capital expenditures	391,252	45		(2,896)	388,401

2009 **(In thousands)**	**Regulated Operating Subsidiaries(a)**	**ITC Holdings and Other**	**Reconciliations**	**Eliminations**	**Total**
Operating revenues	$ 621,061	$ 329	$	$ (375)	$ 621,015
Depreciation and amortization	85,622	327			85,949
Interest expense	49,605	80,604			130,209
Income before income taxes	297,241	(88,769)			208,472
Income tax provision (benefit)(b)	90,532	(12,960)			77,572
Net income(b)	206,709	130,900		(206,709)	130,900
	2,535,826	6,238			2,542,064

Property, plant and equipment, net					
Goodwill	950,163				950,163
Total assets(c)	3,890,874	2,614,394	(1,940)	(2,473,612)	4,029,716
Capital expenditures	410,086	47		(5,619)	404,514

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2008 (In thousands)	Regulated Operating Subsidiaries	ITC Holdings and Other	Reconciliations	Eliminations	Total
Operating revenues	$ 617,924	$ 254	$	$ (301)	$ 617,877
Depreciation and amortization	94,477	292			94,769
Interest expense	43,579	79,394		(739)	122,234
Income before income taxes	267,530	(91,060)			176,470
Income tax provision (benefit)(b)	82,919	(15,657)			67,262
Net income(b)	184,611	109,208		(184,611)	109,208
Property, plant and equipment, net	2,297,799	6,587			2,304,386
Goodwill	951,319				951,319
Total assets(c)	3,667,660	2,354,510	(3,154)	(2,304,451)	3,714,565
Capital expenditures	398,618	492		2,730	401,840

(a) Amounts include the results of operations from ITC Great Plains for the period August 18, 2009 through December 31, 2009.

(b) Income tax provision and net income for our Regulated Operating Subsidiaries do not include any allocation of taxes for METC. METC is organized as a single-member limited liability company that is a disregarded entity for federal income tax purposes. METC is treated as a branch of MTH, which is taxed as a multiple-partner limited partnership for federal income tax purposes. Since METC and MTH, its immediate parent, file as a partnership for federal income tax purposes, they are exempt from federal income taxes. As a result, METC does not record a provision for federal income taxes in its statements of operations or record amounts for federal deferred income tax assets or liabilities on its statements of financial position. For FERC regulatory reporting, however, METC computes theoretical federal income taxes as well as the associated deferred income taxes and includes an annual allowance for income taxes in its net revenue requirement used to determine its rates.

(c) Reconciliation of total assets results primarily from differences in the netting of deferred tax assets and liabilities at our Regulated Operating Subsidiaries as compared to the classification in our consolidated statement of financial position.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly earnings per share amounts may not sum to the totals for each of the years, since quarterly computation are based on weighted average common shares outstanding during each quarter.

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter(a)	Fourth Quarter	Year
2010					
Operating revenue	$ 161,288	$ 168,468	$ 178,020	$ 189,067	$ 696,843
Operating income	85,348	88,898	93,213	89,862	357,321
Net income	34,204	36,301	38,394	36,779	145,678
Basic earnings per share	$ 0.68	$ 0.72	$ 0.76	$ 0.73	$ 2.89
Diluted earnings per share	$ 0.67	$ 0.71	$ 0.75	$ 0.71	$ 2.84
2009					
Operating revenue	$ 155,941	$ 157,238	$ 151,328	$ 156,508	$ 621,015
Operating income	74,661	78,267	89,057	84,882	326,867
Net income	28,725	30,793	37,818	33,564	130,900
Basic earnings per share	$ 0.58	$ 0.62	$ 0.76	$ 0.67	$ 2.62
Diluted earnings per share	$ 0.57	$ 0.61	$ 0.74	$ 0.66	$ 2.58

(a) During 2009, we recognized $10.0 million of regulatory assets associated with both the start-up and development costs at ITC Great Plains and development costs for the KETA project. Upon initial establishment of these regulatory assets in the third quarter of 2009, $8.2 million of operating expenses were reversed of which $5.9 million were incurred in periods prior to 2009. This resulted in an increase in operating income, net income and earnings per share in the third quarter of 2009 as compared to other quarters in 2009.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

None.

ITEM 9A. *CONTROLS AND PROCEDURES.*

Management s Report on Internal Control Over Financial Reporting is included in Item 8 of this Form 10-K. The attestation report of Deloitte & Touche LLP, our independent registered public accounting firm, on the effectiveness of our internal control over financial reporting is also included in Item 8 of this Form 10-K.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our reports that we file or submit under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such

information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with a company have been detected.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION.*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The information required by this Item is contained under the captions Election of Directors, Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, and Corporate Governance in the Proxy Statement and (excluding the report of the Audit Committee) is incorporated herein by reference.

ITEM 11. *EXECUTIVE COMPENSATION.*

The information required by this Item is contained under the caption Compensation of Executive Officers and Directors in the Proxy Statement and is incorporated herein by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

The information required by this Item is contained under the caption Security Ownership of Management and Major Shareholders in the Proxy Statement and is incorporated herein by reference.

Equity Compensation Plans

At December 31, 2010, the 2003 Stock Purchase and Option Plan and the LTIP were in place, pursuant to which we grant stock options and restricted stock and other equity based compensation to employees, officers, and directors, as well as the ESPP. Each of these plans has been approved by shareholders.

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ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth certain information with respect to our equity compensation plans at December 31, 2010 (shares in thousands):

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans(a)
Equity compensation plans approved by shareholders	2,437	$ 27.96	3,306

(a) The number of shares remaining available for future issuance under equity compensation plans has been reduced by 1) the common shares issued through December 31, 2010 upon exercise of stock options; 2) the number of common shares to be issued upon the future exercise of outstanding stock options and 3) the number of restricted stock awards granted that have not been forfeited. The LTIP imposes a separate restriction so that no more than 3,250,000 of the shares may be granted as awards to be settled in shares of common stock other than options or stock appreciation rights.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***

The information required by this Item is contained under the captions Certain Transactions and Corporate Governance Director Independence in the Proxy Statement and is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES.***

The information required by this Item is contained under the caption Independent Registered Public Accounting Firm in the Proxy Statement and is incorporated herein by reference.

ITC HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

(a) (1) Financial Statements:

Management s Report on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Financial Position as of December 31, 2010 and 2009

Consolidated Statements of Operations for the Years Ended December 31, 2010, 2009 and 2008

Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income for the Years Ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the Years Ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule

Schedule I Condensed Financial Information of Registrant

All other schedules for which provision is made in Regulation S-X either (i) are not required under the related instructions or are inapplicable and, therefore, have been omitted, or (ii) the information required is included in the consolidated financial statements or the notes thereto that are a part hereof.

(b) The exhibits included as part of this report are listed in the attached Exhibit Index, which is incorporated herein by reference. **At the request of any shareholder, ITC Holdings will furnish any exhibit upon the payment of a fee of $.10 per page to cover the costs of furnishing the exhibit.**

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Schedule

SCHEDULE I Condensed Financial Information of Registrant

ITC HOLDINGS CORP.

CONDENSED STATEMENTS OF FINANCIAL POSITION (PARENT COMPANY ONLY)

(In thousands, except share data)	**December 31, 2010**	**2009**
ASSETS		
Current assets		
Cash and cash equivalents	$ 71,384	$ 70,583
Accounts receivable from subsidiaries	49,645	30,373
Deferred income taxes		4,672
Other	2,520	438
Total current assets	123,549	106,066
Other assets		
Investment in subsidiaries	2,492,969	2,375,583
Deferred income taxes	9,474	30,675
Deferred financing fees (net of accumulated amortization of $5,397 and $4,610, respectively)	9,094	10,296
Other	33,877	24,156
Total other assets	2,545,414	2,440,710
TOTAL ASSETS	$ 2,668,963	$ 2,546,776
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 1,804	$ 3,432
Accrued payroll	18,606	13,648
Accrued interest	30,827	26,352
Deferred income taxes	2,348	
Other	931	52
Total current liabilities	54,516	43,484
Accrued pension and other postretirement liabilities	35,811	31,158
Other	2,025	1,854
Long-term debt (net of discounts of $2,822 and $3,243, respectively)	1,459,178	1,458,757
STOCKHOLDERS EQUITY		
	886,808	862,512

Common stock, without par value, 100,000,000 shares authorized, 50,715,805 and 50,084,061 shares issued and outstanding at December 31, 2010 and 2009, respectively		
Retained earnings	229,437	149,776
Accumulated other comprehensive loss	1,188	(765)
Total stockholders equity	1,117,433	1,011,523
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 2,668,963	$ 2,546,776

See notes to condensed financial statements (parent company only).

SCHEDULE I Condensed Financial Information of Registrant

ITC HOLDINGS CORP.

CONDENSED STATEMENTS OF OPERATIONS (PARENT COMPANY ONLY)

	Year Ended December 31,		
	2010	**2009**	**2008**
(In thousands)			
Other income	$ 1,518	$ 1,154	$ 1,392
General and administrative expense	(8,899)	(5,539)	(5,232)
Interest expense	(87,610)	(80,638)	(79,394)
Loss on extinguishment of debt		(1,263)	
Other expense	(281)	(344)	(1,965)
LOSS BEFORE INCOME TAXES	(95,272)	(86,630)	(85,199)
INCOME TAX BENEFIT	(41,457)	(35,798)	(35,881)
LOSS AFTER TAXES	(53,815)	(50,832)	(49,318)
EQUITY IN SUBSIDIARIES NET EARNINGS	199,493	181,732	158,526
NET INCOME	$ 145,678	$ 130,900	$ 109,208

See notes to condensed financial statements (parent company only).

SCHEDULE I Condensed Financial Information of Registrant

ITC HOLDINGS CORP.

CONDENSED STATEMENTS OF CASH FLOWS (PARENT COMPANY ONLY)

(In thousands)	Year Ended December 31, 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 145,678	$ 130,900	$ 109,208
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in subsidiaries earnings	(199,493)	(181,732)	(158,526)
Dividends from subsidiaries	231,101	189,200	84,039
Deferred income tax expense	(34,623)	(31,776)	(36,109)
Intercompany tax payments from subsidiaries	59,643	26,950	30,900
Share-based compensation expense	14,874	10,006	7,272
Other	1,795	3,369	2,341
Changes in assets and liabilities, exclusive of changes shown separately:			
Accounts receivable from subsidiaries	(26,361)	(14,377)	15,376
Other current assets	(2,082)	(18)	4
Accrued payable	(1,539)	(342)	622
Accrued payroll	4,958	3,319	1,848
Accrued interest	4,475	517	8,355
Other current liabilities	3,156	(2,617)	(528)
Non-current assets and liabilities, net	(1,806)	(1,731)	4,673
Net cash provided by operating activities	199,776	131,668	69,475
CASH FLOWS FROM INVESTING ACTIVITIES			
Equity contributions to subsidiaries	(141,904)	(152,522)	(117,050)
Proceeds from sale of securities	14,576		
Purchases of securities	(14,587)		
Repayment of advance to ITC Midwest			175,000
Other		3,495	
Net cash (used in) provided by investing activities	(141,915)	(149,027)	57,950
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt		298,670	383,422
Repayment of long-term debt		(100,000)	(765,000)
Borrowings under revolving credit agreements		90,715	153,807
Repayments of revolving credit agreements		(158,668)	(131,954)
Issuance of common stock	8,908	3,575	310,543
Dividends on common stock	(66,041)	(62,408)	(58,935)
Debt issuance costs	(185)	(3,412)	(575)
Other	258	98	(881)

Net cash (used in) provided by financing activities	(57,060)	68,570	(109,573)
NET INCREASE IN CASH AND CASH EQUIVALENTS	801	51,211	17,852
CASH AND CASH EQUIVALENTS Beginning of period	70,583	19,372	1,520
CASH AND CASH EQUIVALENTS End of period	$ 71,384	$ 70,583	$ 19,372
Supplementary cash flows information:			
Interest paid	$ 81,416	$ 78,181	$ 68,794
Income taxes paid	8,844	1,967	1,317
Supplementary noncash investing and financing activities:			
Equity transfers to subsidiaries	7,090	4,149	3,537

See notes to condensed financial statements (parent company only).

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SCHEDULE I Condensed Financial Information of Registrant

ITC HOLDINGS CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS (PARENT COMPANY ONLY)

1. GENERAL

For ITC Holdings Corp. s (ITC Holdings, we, our and us) presentation (Parent Company only), the investment in subsidiaries is accounted for using the equity method. The condensed parent company financial statements and notes should be read in conjunction with the consolidated financial statements and notes of ITC Holdings appearing in this Annual Report on Form 10-K.

As a holding company with no business operations, ITC Holdings assets consist primarily of investments in our subsidiaries, deferred tax assets relating primarily to federal income tax operating loss carryforwards and cash. ITC Holdings material cash inflows are only from dividends and other payments received from our subsidiaries and the proceeds raised from the sale of debt and equity securities. ITC Holdings may not be able to access cash generated by our subsidiaries in order to fulfill cash commitments or to pay dividends to shareholders. The ability of our subsidiaries to make dividend and other payments to us is subject to the availability of funds after taking into account their respective funding requirements, the terms of their respective indebtedness, the regulations of the FERC under the FPA, and applicable state laws. Each of our subsidiaries, however, is legally distinct from us and has no obligation, contingent or otherwise, to make funds available to us.

2. LONG-TERM DEBT

As of December 31, 2010, the maturities of our long-term debt outstanding were as follows:

(In thousands)		
2011	$	
2012		
2013		267,000
2014		50,000
2015		
2016 and thereafter		1,145,000
Total	$	1,462,000

Refer to Note 8 to the consolidated financial statements for a description of the ITC Holdings Senior Notes and the ITC Holdings Revolving Credit Agreement and related items.

Based on the borrowing rates currently available to us for loans with similar terms and average maturities, the fair value of the ITC Holdings Senior Notes is $1,634.7 million at December 31, 2010. The total book value of the ITC Holdings Senior Notes net of discount is $1,459.2 million at December 31, 2010.

At December 31, 2010, we were in compliance with all covenants.

3. RELATED-PARTY TRANSACTIONS

ITCTransmission, MTH, ITC Midwest and other subsidiaries paid cash dividends to ITC Holdings totaling $231.1 million, $189.2 million and $84.0 million in 2010, 2009 and 2008, respectively.

Additionally, ITCTransmission paid amounts of $52.8 million, $23.5 million and $30.9 million to ITC Holdings under an intercompany tax sharing arrangement during 2010, 2009 and 2008, respectively. METC paid $3.5 million to ITC Holdings under an intercompany tax sharing arrangement during both 2010 and 2009. No payment was made by METC in 2008. Additionally, ITC Midwest paid $3.3 million to ITC Holdings under an intercompany tax sharing arrangement during 2010. No payments were made by ITC Midwest in 2009 and 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Novi, State of Michigan, on February 23, 2011.

ITC HOLDINGS CORP.

By: /s/ Joseph L. Welch

Joseph L. Welch
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Joseph L. Welch Joseph L. Welch	Chairman, President and Chief Executive Officer (principal executive officer)	February 23, 2011
/s/ Cameron M. Bready Cameron M. Bready	Executive Vice President, Treasurer and Chief Financial Officer (principal financial officer and principal accounting officer)	February 23, 2011
/s/ Edward G. Jepsen Edward G. Jepsen	Director	February 23, 2011
/s/ Richard D. McLellan Richard D. McLellan	Director	February 23, 2011
/s/ William J. Museler William J. Museler	Director	February 23, 2011
/s/ Hazel R. O Leary Hazel R. O Leary	Director	February 23, 2011
/s/ Gordon Bennett Stewart, III Gordon Bennett Stewart, III	Director	February 23, 2011

/s/ Lee C. Stewart	Director	February 23, 2011
Lee C. Stewart		

EXHIBITS

The following exhibits are filed as part of this report or filed previously and incorporated by reference to the filing indicated. Our SEC file number is 001-32576.

Exhibit No	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of the Registrant (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
3.2	Third Amended and Restated Bylaws of Registrant dated as of February 16, 2011
4.1	Form of Certificate of Common Stock (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.3	Indenture, dated as of July 16, 2003, between the Registrant and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.4	First Supplemental Indenture, dated as of July 16, 2003, supplemental to the Indenture dated as of July 16, 2003, between the Registrant and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.5	First Mortgage and Deed of Trust, dated as of July 15, 2003, between International Transmission Company and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.6	First Supplemental Indenture, dated as of July 15, 2003, supplementing the First Mortgage and Deed of Trust dated as of July 15, 2003, between International Transmission Company and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.7	Second Supplemental Indenture, dated as of July 15, 2003, supplementing the First Mortgage and Deed of Trust dated as of July 15, 2003, between International Transmission Company and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.8	Amendment to Second Supplemental Indenture, dated as of January 19, 2005, between International Transmission Company and BNY Midwest Trust Company, as trustee (filed with Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
4.9	Second Amendment to Second Supplemental Indenture, dated as of March 24, 2006, between International Transmission Company and The Bank of New York Trust Company, N.A. (as successor to BNY Midwest Trust Company, as trustee (filed with Registrant s Form 8-K filed on March 30, 2006)
4.10	Third Supplemental Indenture, dated as of March 28, 2006, supplementing the First Mortgage and Deed of Trust dated as of July 15, 2003, between International Transmission Company and BNY Midwest Trust Company, as trustee (filed with Registrant s Form 8-K filed on March 30, 2006)
4.12	Second Supplemental Indenture, dated as of October 10, 2006, supplemental to the Indenture dated as of July 16, 2003, between the Registrant and The Bank of New York Trust Company, N.A., (as successor to BNY Midwest Trust Company, as trustee) (filed with Registrant s Form 8-K filed on October 10, 2006)
4.14	First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, dated as of December 10, 2003 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)

4.15 First Supplemental Indenture, dated as of December 10, 2003, supplemental to the First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, dated as of December 10, 2003 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)

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Exhibit No	Description of Exhibit
4.16	Second Supplemental Indenture, dated as of December 10, 2003, supplemental to the First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, to the First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, dated as of December 10, 2003 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)
4.17	ITC Holdings Corp. Note Purchase Agreement, dated as of September 20, 2007 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2007)
4.18	Third Supplemental Indenture, dated as of January 24, 2008, supplemental to the Indenture dated as of July 16, 2003, between the Registrant and The Bank of New York Trust Company, N.A. (as successor to BNY Midwest Trust Company, as trustee (filed with Registrant s Form 8-K filed on January 25, 2008)
4.19	First Mortgage and Deed of Trust, dated as of January 14, 2008, between ITC Midwest LLC and The Bank of New York Trust Company, N.A., as trustee (filed with Registrant s Form 8-K filed on February 1, 2008)
4.20	First Supplemental Indenture, dated as of January 14, 2008, supplemental to the First Mortgage Indenture between ITC Midwest LLC and The Bank of New York Trust Company, N.A., as trustee, First Mortgage and Deed of Trust, dated as of January 14, 2008 (filed with Registrant s Form 8-K filed on February 1, 2008)
4.21	Fourth Supplemental Indenture, dated as of March 25, 2008, between International Transmission Company and The Bank of New York Trust Company, N.A., as trustee, to the First Mortgage and Deed of Trust dated as of July 15, 2003, (filed with Registrant s Form 8-K filed on March 27, 2008)
4.22	Fourth Supplemental Indenture, dated as of December 11, 2008, between METC and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, N.A.), as trustee, to the First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, dated as of December 10, 2003 (filed with Registrant s Form 8-K filed on December 23, 2008)
4.23	Second Supplemental Indenture, dated as of December 15, 2008, between ITC Midwest LLC and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A.), as trustee, to the First Mortgage and Deed of Trust, dated as of January 14, 2008, (filed with Registrant s Form 8-K filed on December 23, 2008)
4.24	Third Supplemental Indenture, dated as of November 25, 2008, between METC and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, N.A.), as trustee, to the First Mortgage Indenture between Michigan Electric Transmission Company, LLC and JPMorgan Chase Bank, dated as of December 10, 2003 (filed with Registrant s Form 8-K filed on December 23, 2008)
4.25	Fourth Supplemental Indenture, dated as of December 11, 2009, between ITC Holdings Corp. and The Bank of New York Mellon Trust Company, N.A. (f.k.a. The Bank of New York Trust Company, N.A., as successor to BNY Midwest Trust Company), as trustee (filed with Registrant s Form 8-K filed on December 14, 2009)
4.26	Fourth Supplemental Indenture, dated as of December 10, 2009, between ITC Midwest LLC and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A.), as trustee (filed with Registrant s Form 8-K filed on December 17, 2009)
4.27	Fifth Supplemental Indenture, dated as of April 20, 2010, between Michigan Electric Transmission Company, LLC and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank), as trustee (filed with Registrant s Form 8-K filed May 10, 2010)
*10.13	

Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant and its Subsidiaries (filed as an exhibit to Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)

Exhibit No	Description of Exhibit
*10.27	Deferred Compensation Plan (filed as an exhibit to Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
10.28	Service Level Agreement Construction and Maintenance/Engineering/System Operations, dated February 28, 2003, between The Detroit Edison Company and International Transmission Company (filed as an exhibit to Registrant s Registration Statement on Form S-1, as amended, Reg. No. 333-123657)
*10.34	Form of stock option agreement for executive officers under Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant and its subsidiaries (filed as Exhibit 10.34 to Registrant s Form 10-Q for the quarter ended September 30, 2005)
*10.35	Form of restricted stock award agreement for directors and executive officers under Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant and its subsidiaries (filed as Exhibit 10.35 to Registrant s 2005 Form 10-K)
*10.38	Amendment No. 1 dated as of February 8, 2006, to Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant (filed as Exhibit 10.38 to Registrant s Form 8-K filed on February 14, 2006)
*10.44	Form of Restricted Stock Award Agreement for Non-employee Directors under Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant and its subsidiaries (filed with Registrant s Form 8-K filed on August 18, 2006)
*10.45	Form of Restricted Stock Award Agreement for Employees under the Registrant s 2006 Long Term Incentive Plan (filed with Registrant s Form 8-K filed on August 18, 2006)
*10.46	Form of Stock Option Agreement for Employees under the Registrant s 2006 Long Term Incentive Plan (filed with Registrant s Form 8-K filed on August 18, 2006)
*10.48	Summary of Stock Ownership Agreement, effective August 16, 2006, for Registrant s Directors and Executive Officers (filed with Registrant s Form 8-K filed on August 18, 2006)
10.51	Form of Amended and Restated Easement Agreement between Consumers Energy Company and Michigan Electric Transmission Company (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)
10.52	Amendment and Restatement of the April 1, 2001 Operating Agreement by and between Michigan Electric Transmission Company and Consumers Energy Company, effective May 1, 2002 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)
10.53	Amendment and Restatement of the April 1, 2001 Purchase and Sale Agreement for Ancillary Services between Consumers Energy Company and Michigan Electric Transmission Company, effective May 1, 2002 (filed with Registrant s Form 10-Q for the quarter ended September 30, 2006)
10.58	Revolving Credit Agreement, dated as of March 29, 2007, among the Registrant, as the Borrower, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner, and Comerica Bank, Credit Suisse (Cayman Islands Branch) and Lehman Brothers Bank, FSB, as Co-Syndication Agents (filed with Registrant s Form 8-K filed on April 4, 2007)
10.59	Revolving Credit Agreement, dated as of March 29, 2007, among International Transmission Company and Michigan Electric Transmission Company, LLC, as the Borrowers, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner, and Comerica Bank, Credit Suisse (Cayman Islands Branch) and Lehman Brothers Bank, FSB, as Co-Syndication Agents (filed with Registrant s Form 8-K filed on April 4, 2007)

10.61 Form of Distribution-Transmission Interconnection Agreement, by and between ITC Midwest LLC, as Transmission Owner and Interstate Power and Light Company, as Local Distribution Company, dated as of December 17, 2007 (filed with Registrant s Form 8-K filed on December 21, 2007)

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Exhibit No	Description of Exhibit
10.62	Form of Large Generator Interconnection Agreement, entered into by the Midwest Independent Transmission System Operator, Inc., Interstate Power and Light Company and ITC Midwest LLC (filed with Registrant s Form 8-K filed on December 21, 2007)
10.63	Revolving Credit Agreement, dated as of January 29, 2008, among ITC Midwest LLC, as the Borrower, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner, Credit Suisse (Cayman Islands Branch), as Syndication Agent and Lehman Brothers Bank, FSB, as Documentation Agent (filed with Registrant s Form 8-K filed on January 31, 2008)
*10.64	Form of Amended and Restated Executive Group Special Bonus Plan of the Registrant, dated November 12, 2007 (filed with Registrant s 2007 Form 10-K)
*10.65	Form of Amended and Restated Special Bonus Plan of the Registrant, dated November 12, 2007 (filed with Registrant s 2007 Form 10-K)
*10.66	ITC Holdings Corp. Employee Stock Purchase Plan, as amended June 8, 2007 (filed with Registrant s 2007 Form 10-K)
10.67	Commitment Increase Supplements of the Lenders, dated December 27, 2007, related to the Revolving Credit Agreement, dated as of March 29, 2007, among International Transmission Company and Michigan Electric Transmission Company, LLC, as the Borrowers, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner, and Comerica Bank, Credit Suisse (Cayman Islands Branch) and Lehman Brothers Bank, FSB, as Co-Syndication Agents (filed with Registrant s 2007 Form 10-K)
*10.68	Deferred Stock Unit Award Agreement, dated February 25, 2008, pursuant to the 2006 Long-Term Incentive Plan of Registrant, between the Registrant and Joseph L. Welch (filed with Registrant s Form 10-Q for the quarter ended March 31, 2008)
*10.69	Amended and Restated Registrant 2006 Long Term Incentive Plan effective May 21, 2008 (filed with Registrant s Form 8-K filed on May 23, 2008)
10.70	Sales Agency Financing Agreement, dated June 27, 2008, between Registrant and BNY Mellon Capital Markets, LLC (filed with Registrant s Form 8-K filed on June 27, 2008)
*10.71	Form of Amendment to Stock Option Agreement under 2003 Plan (Initial Option) (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.72	Form of Amendment to Stock Option Agreement under 2003 Plan (IPO Option) (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.73	Form of Amendment to Restricted Stock Agreement under 2003 Plan (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.74	Form of Amendment to Management Stockholder s Agreement (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.75	Form of Amendment to Stock Option Agreement under 2006 LTIP (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.76	Form of Amendment to Restricted Stock Agreement under 2006 LTIP) (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.77	Form of Stock Option Agreement under 2006 LTIP (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)
*10.78	Form of Restricted Stock Award Agreement under 2006 LTIP (August 2008) (filed with Registrant s Form 8-K filed on August 19, 2008)

*10.79	Form of Restricted Stock Award Agreement for Non-employee Directors under Amended and Restated 2003 Stock Purchase and Option Plan for Key Employees of the Registrant and its subsidiaries (filed with Registrant s 2008 Form 10-K)
*10.80	Management Supplemental Benefit Plan (filed with Registrant s 2008 Form 10-K)
*10.81	Executive Supplemental Retirement Plan (filed with Registrant s 2008 Form 10-K)

Exhibit No	Description of Exhibit
*10.82	Employment Agreement between the Registrant and Joseph L. Welch (filed with Registrant s 2008 Form 10-K)
*10.83	Form of Employment Agreements between the Registrant and Linda H. Blair, Jon E. Jipping, Edward M. Rahill, Daniel J. Oginsky and Cameron Bready (filed with Registrant s 2008 Form 10-K)
10.85	Term Loan Agreement, dated as of April 29, 2009, among the Registrant, as the Borrower, Various Financial Institutions and Other Parties from Time to Time Parties Thereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner, and PNC Bank, National Association, as Syndication Agent (filed with Registrant s 2009 Form 10-K)
10.86	First Amendment, dated as of July 22, 2010, to the Revolving Credit Agreement, dated as of March 29, 2007, among the Registrant, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as the administrative agent, J.P. Morgan Securities Inc., as sole lead arranger and sole bookrunner, and Comerica Bank, Credit Suisse, Cayman Islands Branch and Lehman Brothers Bank, FSB as co-syndication agents (filed with Registrant s Form 8-K filed July 27, 2010)
10.87	First Amendment, dated as of July 22, 2010, to the Revolving Credit Agreement, dated as of March 29, 2007, among International Transmission Company and Michigan Electric Transmission Company, LLC, as borrowers, the lenders party thereto, JPMorgan Chase Bank, N.A., as the administrative agent, J.P. Morgan Securities Inc., as sole lead arranger and sole bookrunner, and Comerica Bank, Credit Suisse, Cayman Islands Branch and Lehman Brothers Bank, FSB as co-syndication agents (filed with Registrant s Form 8-K filed July 27, 2010)
10.88	Second Amendment, dated as of July 22, 2010, to the Revolving Credit Agreement, dated as of January 29, 2008, among ITC Midwest LLC, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as the administrative agent, J.P. Morgan Securities Inc., as sole lead arranger and sole bookrunner, Credit Suisse, Cayman Islands Branch as syndication agent and Lehman Brothers Bank, FSB as documentation agent (filed with Registrant s Form 8-K filed July 27, 2010)
10.89	Revolving Credit Agreement, dated as of February 11, 2011, among ITC Midwest LLC, as the Borrower, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, JPMorgan Chase Bank, N.A., as the Administrative Agent and J.P. Morgan Securities Inc., as Sole Lead Arranger and Sole Bookrunner (filed with Registrant s Form 8-K filed on February 17, 2011)
10.90	Revolving Credit Agreement, dated as of February 16, 2011, among ITC Great Plains, LLC, as the Borrower, Various Financial Institutions and Other Persons from Time to Time Parties Hereto, as the Lenders, Credit Suisse AG, Cayman Islands Branch, as the Administrative Agent, Credit Suisse Securities (USA) LLC and Morgan Stanley Senior Funding, Inc., as Joint Lead Arrangers and Joint Bookrunners, and Morgan Stanley Senior Funding, Inc., as Syndication Agent (filed with Registrant s Form 8-K filed on February 17, 2011)
10.91	Amendment and Restatement of the April 1, 2001 Distribution-Transmission Interconnection Agreement by and between Michigan Electric Transmission Company, LLC as Transmission Provider and Consumers Energy Company as Local Distribution Company, effective September 1, 2010
10.92	Amended and Restated Generator Interconnection Agreement entered into by the Midwest Independent Transmission System Operator, Inc., Michigan Electric Transmission Company and Consumers Energy Company, effective April 22, 2010
21	List of Subsidiaries
23.1	Consent of Deloitte & Touche LLP relating to the Registrant and subsidiaries

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit No	Description of Exhibit
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase
**101.DEF	XBRL Taxonomy Extension Definition Database
** 101.LAB	XBRL Taxonomy Extension Label Linkbase
** 101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Management contract or compensatory plan or arrangement.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.