

PROPOSAL 9: SHAREOWNER APPROVAL FOR SPIN-OFF OF PPL ENERGY SUPPLY, LLC

Supporting Statement

"PPL Corporation and Riverstone Holdings LLC, announced an agreement to combine their merchant power generation businesses into a new stand-alone, publicly traded independent power producer – **without shareholder approval.**

"The venture's corporate structure, charter and by-laws are being established without approval of PPL's shareholders. In addition, "There is no duty of 'fairness' as between the parent and the spin-off company. Accordingly, the parent board can make unilateral decisions as to the allocation of assets and liabilities between the parent and the spin-off company, subject to insolvency and tax considerations, before the spin-off is completed." (Wachtell, Lipton, Rosen & Katz 2013, p. 14.)

"Furthermore, "Generally speaking, newly spun-off companies tend not to adopt shareholder rights plans upon the spin-off. Rather, as has been the trend in recent years with established companies, a newly public company often will keep a rights plan 'on the shelf' and ready for deployment if and when needed." (Wachtell, Lipton, Rosen & Katz , 2013, p. 17.)

Resolved

"Resolved, shareowners request that PPL postpone the spin-off of PPL Energy Supply and allow for the shareholders to approve the following protocols at the Annual Meeting in 2015:

- Elect directors and officers;
- Approve charter and by-laws and adopt any related board or shareholder resolutions;
- Authorize transfers of assets and liabilities, if necessary;
- Approve form of separation and distribution agreement and other documents;
- Ratify Form 10; authorize execution and delivery of the other securities law-related documentation; appoint attorney in fact to sign the registration statements required for employee benefit plans; and authorize such other customary resolutions with respect to securities law matters in the spin-off;
- Approve form and authorize execution and delivery of various agreements concerning credit lines and debt agreements;
- Appoint a transfer agent and registrar acceptable to applicable stock exchanges on which listing will be made;
- Authorize compliance with blue sky laws as required and adopt resolutions concerning blue sky authorities;

- Authorize listing of common stock;
- Authorize name changes and filings to effectuate them;
- Approve employee benefits, stock option and other incentive compensation and benefit plans; and,
- Authorize all steps previously taken and the taking of all further steps in connection with the transactions."

PPL'S STATEMENT IN RESPONSE

The Board of Directors has considered this proposal and has concluded that its adoption would not be in the best interests of our company and its shareowners.

The proposal relates to the definitive agreement announced on June 9, 2014 between PPL and Riverstone Holdings LLC, or Riverstone, an energy and power investment firm, to combine their merchant power generation businesses into a new stand-alone, publicly traded independent power producer named Talen Energy Corporation, or Talen Energy. Following the completion of a series of transactions contemplated by the definitive agreement, or the Transactions, PPL shareowners will own 65% of the outstanding common stock of Talen Energy, and funds affiliated with Riverstone will own the remaining 35%. The shareowner proposal seeks to require shareowner approval of various enumerated matters pertaining to the incorporation and governance of Talen Energy prior to the consummation of the Transactions.

The Board recommends that you vote against this proposal because PPL would be legally powerless to implement the proposal. Furthermore, even if PPL could implement the proposal, doing so would require PPL to violate state law and could undermine the authority of the Board to manage our company.

The proposal cannot be implemented because it improperly purports to require shareowners of PPL, a Pennsylvania corporation, to approve matters pertaining to Talen Energy, a Delaware subsidiary in which they do not own stock. Most fundamentally, if the proposal were to garner majority support, PPL would be legally unable to implement it, because under Pennsylvania law, PPL shareowners are not entitled to vote on matters pertaining to the incorporation and governance of Talen Energy before they become stockholders of Talen Energy. Currently, a subsidiary of PPL is the sole stockholder of Talen Energy; PPL shareowners will own stock in Talen Energy only upon completion of the Transactions. Accordingly, under Pennsylvania law, PPL shareowners are not entitled to vote on matters pertaining to Talen Energy's incorporation and governance, despite the fact that Talen Energy is currently wholly owned by PPL – the company in which they own shares. For example, while Pennsylvania law entitles shareowners to vote for directors on the Board of the company in which they directly own shares, the shareowners of a parent corporation cannot elect the directors of another corporation that is a direct or indirect subsidiary of the parent corporation. Because PPL shareowners do not have voting rights with respect to the matters listed in the proposal, all of which pertain to Talen Energy, PPL would be legally powerless to implement the proposal.

The proposal cannot be implemented because it purportedly requires shareowner approval of specific incorporation and governance items that are not proper subjects for shareowner action under Pennsylvania law. Even if PPL's shareowners were entitled to vote on matters pertaining to a subsidiary corporation incorporated in Delaware, PPL would be unable to implement the proposal because it requests voting rights with respect to specific matters that are beyond the purview of shareowners under Pennsylvania law. Of the dozen or so enumerated items for which the proposal seeks shareowner approval, only the election of directors and the adoption of shareowner resolutions are generally recognized as proper subjects for shareowner action under Pennsylvania law. Examples of items listed in the proposal that are not proper subjects for shareowner action under Pennsylvania law include the following:

- *Election of Officers.* While the proposal purports to require PPL shareowners to approve the election of officers of Talen Energy, Pennsylvania law provides that officers shall be elected or appointed in the manner fixed by the company's bylaws. In turn, PPL's bylaws provide that officers shall be elected by the company's Board of Directors unless the Board has delegated to an officer the power to elect subordinate officers. Accordingly, PPL shareowners are not legally authorized to elect or appoint corporate officers of PPL, much less of Talen Energy, its indirect wholly owned subsidiary.
- *Approval of Charter and Bylaws.* The proposal seeks shareowner approval of the charter and bylaws of Talen Energy. Under Pennsylvania law, however, the incorporators have the authority to determine the contents of the company's initial articles of incorporation and bylaws; shareowners are not authorized to approve the company's initial charter and bylaws.
- *Approval of Stock Options.* The proposal purports to require shareowner approval of "employee benefits, stock option and other incentive compensation and benefit plans." Under Pennsylvania law, however, the terms of stock options are fixed by the Board of Directors.

Many of the other items listed in the proposal, such as approving the "form of separation and distribution agreement" and appointing a transfer agent and registrar, similarly involve subjects that, absent a bylaw to the contrary, are within the sole authority of the Board of Directors under Pennsylvania law. As PPL's bylaws do not transfer the authority of the Board with respect to any of the matters listed in the proposal, those matters are not proper subjects for shareowner action under Pennsylvania law.

Even the election of directors, which is generally recognized as a proper subject for shareowner action, cannot be categorized as such in this case. Pennsylvania law bestows upon the incorporator or incorporators the authority to elect the first Board of Directors. Accordingly, PPL shareowners are not legally entitled to vote on the directors of the new corporations created for the Transactions, particularly as those directors have already been validly elected.

Finally, while the proposal attempts to require PPL shareowners to "[a]uthorize all steps previously taken . . . in connection with the transactions," shareowners in a Pennsylvania corporation may not be charged with approving decisions that were already validly made under Pennsylvania law. Certain decisions and actions integral to the Transactions and their implementation have already been taken. For example, officers and directors of Talen Energy have been identified, new financing arrangements have been negotiated with Talen Energy's future financing sources, a transfer agent and registrar has been selected, discussions with the New York Stock Exchange regarding the listing of Talen Energy's common stock have been undertaken and the drafting of employee benefit plans has begun. Under Pennsylvania law, PPL shareowners are not able to authorize these decisions *ex post facto*.

Given that the vast majority of the incorporation and governance matters for which the proposal seeks shareowner approval are not proper subjects for shareowner action under Pennsylvania law, PPL would be unable to execute the proposal's requirements, even if the proposal were to receive majority shareowner support.

Even if PPL were able to implement the proposal, its implementation would cause PPL to violate Pennsylvania law, to the detriment of our company and its shareowners. A Pennsylvania corporation that breaches a contract violates Pennsylvania contract law and is liable for all damages resulting from the breach that could have been fairly and reasonably contemplated by the parties to the contract at the time of its execution.

As previously disclosed, PPL has executed definitive and binding agreements to effectuate the spin-off of PPL Energy Supply. Pursuant to these agreements, authorization or consummation of the Transactions does not depend on shareowner approval of the Transactions themselves or any of the "protocols" listed in the proposal. Because the proposal seeks to halt the Transactions and make them contingent on shareowner approval of twelve enumerated items – none of which are conditions precedent specified in the agreements – implementation of the proposal would cause the company to breach the existing contractual agreements, in violation of Pennsylvania law.

Implementation of the proposal threatens to undermine the discretion of the Board of Directors in managing the company for the best interests of our shareowners. At its most basic level, the proposal seeks to mandate shareowner approval of the Transactions. Whether or not to spin off part of a business, however, is a complex matter that is best left to the sole discretion of our company's Board of Directors. Under Pennsylvania law, the business and affairs of every corporation must be managed under the direction of a Board of Directors. Because PPL's bylaws do not contain any limitation on the Board's authority to manage the company, the decision to spin off PPL Energy Supply was within the sole purview of our company's Board of Directors. Indeed, our Board of Directors is best situated to make such significant decisions with the best interests of our shareowners in mind.

In addition, many of the specific items for which the proposal seeks to require shareowner approval are themselves tasks that are fundamental to our Board's ability to run our company on a day-to-day basis. Subjecting these items to direct shareowner oversight has the potential to undermine the authority of our Board of Directors and its thoughtful processes in making decisions for the best interests of our shareowners.

For the reasons set forth above, the Board believes that PPL would be unable to implement the proposal and that even if it were, implementation of the proposal would cause our company to contravene Pennsylvania law to the detriment of our shareowners and could interfere with the Board's ability to serve our shareowners' best interests. Accordingly, we recommend that you vote against this proposal.

**Your Board of Directors recommends that
you vote AGAINST Proposal 9**