

PPL CORP  
Form 424B5  
May 15, 2003

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

**PROSPECTUS SUPPLEMENT (Subject to Completion) Issued May 14, 2003**  
(To Prospectus dated July 22, 2002)

## 6,500,000 Shares

### Common Stock

PPL Corporation, or PPL, is selling 6,500,000 shares of its common stock.

Our common stock is traded on the New York Stock Exchange under the symbol PPL. On May 14, 2003, the last reported sale price of our common stock on the New York Stock Exchange was \$37.17 per share.

**Investing in our common stock involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to PPL	\$	\$

We have granted the underwriters an option to purchase up to an additional 975,000 shares of our common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about May , 2003.

### *Joint Book-Running Managers*

**Morgan Stanley**

**JPMorgan**

**Citigroup**

**Wachovia Securities**

**Merrill Lynch & Co.**

May , 2003

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which will not apply to the common stock. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus may be accurate only as of their respective dates.

We and the underwriters are not making an offer to sell the common stock in jurisdictions where the offer or sale is not permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus



supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for a person to make an offer or solicitation.

As used in this prospectus supplement, the terms we, our or us may, depending upon the context, refer to PPL Corporation, to one or more of PPL Corporation's consolidated subsidiaries or to all of them taken as a whole.

### **FORWARD-LOOKING INFORMATION**

Certain statements included or incorporated by reference in this prospectus supplement, including statements with respect to future earnings, energy supply and demand, costs, subsidiary performance, growth, new technology, project development, energy prices, strategic initiatives, and generation capacity and performance, are forward-looking statements within the meaning of the federal securities laws. Although we believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in the Risk Factors section in this prospectus supplement and our reports that are incorporated by reference, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements:

- market demand and prices for energy, capacity and fuel;
- weather variations affecting customer energy usage;
- competition in retail and wholesale power markets;
- effect of any business or industry restructuring;
- profitability and liquidity of PPL and our subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- operation of existing facilities and operating costs of PPL and our subsidiaries;
- environmental conditions and requirements;
- transmission and distribution system conditions and operating costs;
- development of new projects, markets and technologies;
- performance of new ventures;
- political, regulatory or economic conditions in states, regions or countries where we or our subsidiaries conduct business;
- receipt and renewals of necessary governmental permits and approvals;
- impact of state or federal investigations applicable to us or our industry;
- outcome of litigation against us;
- capital markets conditions and decisions regarding capital structure;
- stock price performance of PPL;

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market prices of equity securities and resultant cash funding requirements for defined benefit pension plans;

securities and credit ratings of PPL and our subsidiaries;

state and federal regulatory developments;

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foreign exchange rates;

new state or federal legislation;

national or regional economic conditions, including any potential effects arising from the September 11, 2001 terrorist attacks in the United States, the situation in Iraq and any consequential hostilities or other hostilities; and

commitments and liabilities of PPL and our subsidiaries.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL and our subsidiaries that are on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update the information contained in such statement to reflect subsequent developments or information.

We caution you that any one of these factors or other factors described under the heading **Risk Factors** herein, or a combination of these factors, could materially affect our future results of operations and whether our forward-looking statements ultimately prove to be accurate. These forward-looking statements are not guarantees of our future performance, and our actual results and future performance may differ materially from those suggested in our forward-looking statements. When considering these forward-looking statements, you should keep in mind the factors described under the heading **Risk Factors** herein and other cautionary statements in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. To fully understand this offering, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the sections entitled Risk Factors in this prospectus supplement and our financial statements and the related notes, contained elsewhere or incorporated by reference in this prospectus supplement or the accompanying prospectus, before making an investment decision. Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters over-allotment option.*

### PPL CORPORATION

#### Overview

PPL Corporation is an energy and utility holding company that, through its subsidiaries, is primarily engaged in the generation and marketing of electricity in the northeastern and western United States and in the delivery of electricity in Pennsylvania, the United Kingdom and Latin America. As of December 31, 2002, we owned or controlled 11,488 megawatts, or MW, of low-cost and diverse power generation capacity. We are also developing or constructing 690 MW of new electric generation capacity in Pennsylvania (the 690 MW includes our 45 MW share of an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania completed in April 2003). Additionally, we provide energy-related services to businesses primarily in the mid-Atlantic and northeastern United States.

Approximately 6,500 MW of our total generation capacity is currently committed to meeting the obligation of our Pennsylvania delivery company to provide electricity through the year 2009 under fixed-price tariffs pursuant to Pennsylvania's Customer Choice Act. We have another 450 MW of generation capacity committed to providing electricity to a delivery company in Montana through June 2007. These two commitments, combined with other contractual sales to other counterparties for terms of various lengths, commits, on average, over 70% of our expected annual output for the period 2003 through 2007. These arrangements are consistent with and are an integral part of our overall business strategy, which includes the use of long-term energy supply contracts to capture profits while reducing our exposure to movements in energy prices.

We operate through three principal lines of business:

#### **Energy supply**

We are a leading supplier of competitively priced energy in the United States through our subsidiaries, PPL Generation and PPL EnergyPlus, and acquire and develop U.S. generation projects through our PPL Global subsidiary.

**PPL Generation** owns or controls a portfolio of domestic power generation assets, with a total capacity of 11,488 MW as of December 31, 2002. These power plants are located in Pennsylvania (8,534 MW), Montana (1,157 MW), Arizona (750 MW), Illinois (540 MW), Connecticut (252 MW), New York (159 MW) and Maine (96 MW) and use well-diversified fuel sources including coal, nuclear, natural gas, oil and hydro. In April 2003, we completed an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania, which added up to an additional 45 MW to our portfolio.

**PPL EnergyPlus** markets electricity produced by PPL Generation, along with purchased power and natural gas, in competitive wholesale and deregulated retail markets, primarily in the northeastern and western portions of the United States. PPL EnergyPlus also provides energy-related products and services, such as engineering and mechanical contracting, construction and maintenance services, to commercial and industrial customers.

**PPL Global** (domestic operations) acquires and develops U.S. generation projects that are, in turn, operated by PPL Generation as part of its portfolio of generation assets.



***Energy delivery***

We provide energy delivery services in the mid-Atlantic regions of the United States through our subsidiaries, PPL Electric Utilities and PPL Gas Utilities, and in the United Kingdom and Latin America through our PPL Global subsidiary.

***PPL Electric Utilities*** is a regulated public utility company, incorporated in 1920, providing electricity delivery services to approximately 1.3 million customers in eastern and central Pennsylvania.

***PPL Gas Utilities*** is a regulated public utility providing gas delivery services to approximately 103,000 customers in Pennsylvania and Maryland.

***International operations***

We acquire and hold international energy projects that are primarily focused on the distribution of electricity through our PPL Global subsidiary.

***PPL Global*** (international operations) currently owns and operates energy delivery businesses serving approximately 3.5 million customers in the United Kingdom and Latin America. In September 2002, PPL Global acquired a controlling interest in, and consequentially gained 100% ownership of, Western Power Distribution Holdings Limited and WPD Investment Holdings Limited, which together we refer to as WPD. WPD operates two electric distribution companies in the U.K., which together serve approximately 2.5 million end-users. WPD delivered 28,074 million kWh of electricity in 2002.

**Our Strategy**

A key objective of our strategy is to be a leading, asset-based provider of retail and wholesale energy and energy-related products and services. We plan to achieve this objective by generating and selling competitively priced electricity primarily in the northeastern and western United States markets using a disciplined approach to growth while minimizing exposure to commodity price and supply risk by matching our generation capacity to long-term contracts with creditworthy counterparties. Another key objective of our strategy is to own and operate high-quality energy delivery businesses in selected regions around the world. Our strategy is reinforced by our ongoing commitment to operating excellence and customer satisfaction in the generation and delivery of electricity. We believe that the successful achievement of these objectives will provide strong returns to our shareowners while reducing our risk exposure to adverse movements in energy prices.

The key elements of our strategy are as follows:

***Operate a diverse and low-cost portfolio of generation assets***

We seek to operate an efficient and low-cost portfolio of generation assets that is diversified as to geography, fuel source, cost structure and operating characteristics. Our current generation facilities, together with our generation projects under development, provide us with a geographically diverse presence in the northeastern and western United States, helping to mitigate the risks resulting from regional price differences. Our current portfolio of generation assets is also well diversified by fuel type, with 39% coal, 34% natural gas/oil, 18% nuclear, 7% hydro and 2% qualifying facilities as of December 31, 2002. Our coal-fired capacity is located in the eastern and western United States and benefits from our low fuel transportation costs due to the proximity of our plants to coal fields, our extensive experience in acquiring coal at competitive prices and our highly-efficient coal-fired plant technology. With respect to cost structure and operating characteristics, our current generation portfolio is weighted towards base-load and/or low variable cost generation units which help reduce the variability of our revenues. Our primary remaining development project involves a combined-cycle generation unit.

***Pursue stable cash flows and earnings through long-term contracts***

We have in place and intend to continue to pursue long-term contracts and other means to mitigate the risk associated with adverse changes in the difference, or margin, between the cost to produce electricity and the price at which we sell it. These contracts can take a number of forms and include the use of fixed-price fuel supply

contracts and contracts under which we agree to provide electricity and generating capacity to third parties for extended periods at contracted prices for a large portion of our generation capacity. Currently, we have approximately 6,500 MW of our total generation capacity committed to our Pennsylvania delivery company through 2009, 450 MW committed to a delivery company in Montana through June 2007. These two commitments, combined with other contractual sales to other counterparties for terms of various lengths, commits, on average, over 70% of our expected annual output for the period 2003 through 2007. We believe that our use of long-term contracts will provide stability to our cash flows and earnings.

***Maintain a disciplined, asset-based approach to marketing and trading opportunities***

We use our expertise in energy marketing and trading to optimize the financial performance of our generation assets and minimize our exposure to commodity price volatility. Given our asset-based strategy, we seek to execute contractual commitments for energy sales that do not exceed our ability to produce the energy required. We believe that our ability to market and trade around our physical portfolio of generation assets through our integrated generation, marketing and trading functions will provide us with opportunities to grow our cash flows and earnings. We also utilize our extensive market knowledge to capture regional arbitrage opportunities and maximize the value of our generation capacity. In pursuing these opportunities, we limit our financial exposure by following a comprehensive risk management program. In addition, we seek to capture a diverse stream of revenues and avoid over-reliance on any one market or type of customer.

***Continue to pursue a disciplined approach to adding generation facilities in key markets***

As of December 31, 2002, we owned or controlled 11,488 MW of generation capacity in Pennsylvania, Montana, Arizona, Illinois, Connecticut, New York and Maine. In addition, we are developing or constructing an additional 690 MW of new power projects in Pennsylvania which we expect to complete in 2004 (the 690 MW includes our 45 MW share of an upgrade to Unit 2 at our Susquehanna nuclear facility in Pennsylvania completed in April 2003). Our current development program will be complete upon the commercial operation of these facilities. We will continue to evaluate opportunities to acquire operating generation facilities in key markets using a disciplined strategy that balances growth in generation capacity with growth in retail load or the use of long-term contracts. We believe that the northeastern and western regions of the United States are particularly attractive markets because of favorable supply and demand dynamics for power in these regions and our understanding of these markets.

***Operate our transmission and distribution businesses to high standards of customer service and reliability***

We have over 80 years of experience in operating and managing rate-regulated electric transmission and distribution businesses and we use this experience to seek to achieve high standards of customer service and reliability in a cost-effective manner. We believe that by achieving our customer-focused objectives, we can also deliver strong returns to our shareowners. We have applied this philosophy both domestically to our Pennsylvania delivery business as well as to our international investments in the United Kingdom and Latin America (Argentina, Bolivia, Chile, El Salvador and Peru) and have won customer service awards in the United States and the United Kingdom.

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The address of our principal executive offices is Two North Ninth Street, Allentown, Pennsylvania 18101-1179 and our telephone number is (610) 774-5151.

**The Offering**

Common stock offered 6,500,000 shares

Common stock to be outstanding after the offering 175,062,458 shares

Use of proceeds We intend to use the net proceeds from this offering and the concurrent convertible senior notes offering described below, if it is completed, to repurchase commercial paper of PPL Energy Supply and for general corporate purposes. See Use of Proceeds.

Dividend policy We have paid quarterly cash dividends on our common stock in every year since 1946. The annual dividends paid per share in 2002 and in 2001 were \$1.44 and \$1.06, respectively. In February 2003, we declared an increase to our dividend level to an annualized rate of \$1.54 per share (\$0.385 per share on a quarterly basis) and paid the quarterly dividend on April 1, 2003. Future dividends, declared at the discretion of our board of directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.

New York and Philadelphia Stock Exchange symbol Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol PPL.

For a complete description of our common stock, please refer to Description of PPL Corporation's Capital Stock in the accompanying prospectus.

Unless we state otherwise, the information in this prospectus supplement does not include 975,000 shares of common stock that may be issued to the underwriters pursuant to their over-allotment option. If the underwriters exercise their over-allotment option in full, the total number of shares of common stock offered will be 7,475,000.

The number of shares to be outstanding after the offering is based on 168,562,458 shares outstanding as of April 30, 2003 and does not include 3,770,059 shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$32.95 per share.

### Summary Financial Data

The summary financial data set forth below should be read in conjunction with our financial statements and related notes and other financial and operating data incorporated by reference in this prospectus supplement. The Statement of Income Data, Balance Sheet Data, Basic EPS (loss) and Diluted EPS (loss) for the years ended December 31, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements incorporated by reference in this prospectus supplement, and for the three months ended March 31, 2003 and 2002 have been derived from the unaudited consolidated financial statements incorporated by reference in this prospectus supplement. Some previously reported amounts have been reclassified to conform with the current period presentation.

	Three Months Ended March 31,		Year Ended December 31,		
	2003	2002	2002	2001	2000
<b>Statement of Income Data \$ millions:</b>					
Operating revenues	\$ 1,487	\$ 1,354	\$ 5,429	\$ 5,077	\$ 4,545
Operating income	357	400	1,240	849	1,194
Income before cumulative effect of a change in accounting principle <sup>(a)</sup>	189	165	425	221	524
Net income (loss) <sup>(a)</sup>	239	(3)	208	179	498
<b>Balance Sheet Data \$ millions (end of period):</b>					
Cash and cash equivalents	397	486	245	933	480
Property, plant and equipment, net	9,699	6,092	9,563	5,947	5,948
Recoverable transition costs	1,875	2,119	1,946	2,172	2,425
Total assets	15,975	12,368	15,570	12,562	12,360
Short-term debt, including current maturities of long-term debt	1,200(b)	691	1,309	616	1,354
Long-term debt, excluding current maturities	6,195(b)	4,940	5,901	5,081	4,467
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures	661	825	661	825	250
Preferred stock	82	82	82	82	97
Shareowners' common equity	2,470	1,814	2,224	1,857	2,012
<b>Other Data:</b>					
Number of shares outstanding thousands					
Period-end	167,723	147,122	165,736	146,580	145,041
Average	166,506	146,753	152,492	145,974	144,350
Basic EPS (loss) <sup>(a)</sup>	\$ 1.43	\$ (0.02)	\$ 1.37	\$ 1.23	\$ 3.45
Diluted EPS (loss) <sup>(a)</sup>	1.43	(0.02)	1.36	1.22	3.44
Dividends declared per share	0.385	0.36	1.44	1.06	1.06
<b>Sales Data Millions of Kilowatt-Hours:</b>					
Electric energy supplied retail	11,207	11,146	42,065	43,470	41,493
Electric energy supplied wholesale	10,047	7,649	37,060	27,683	40,925
Electric energy delivered retail <sup>(f)</sup>	18,817	28,358	69,105	41,453	37,642

(a) On January 1, 2003, we adopted the provisions of SFAS 143, Accounting for Asset Retirement Obligations. See Note 13 to our financial statements included in our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference. On January 1, 2002, we adopted the provisions of SFAS 142, Goodwill and Other Intangible Assets, which provides that goodwill no longer be amortized. See Note 18 to our financial statements included in our Form 10-K for the year ended December 31, 2002, which is also incorporated herein by reference.

(b)

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Includes the reclassification of \$393 million of WPD short-term debt, as described in Note 6 to our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference.

- (c) Deliveries for 2002 include the electricity deliveries of WPD for the full year and of Companhia Energética do Maranhão, or CEMAR, prior to deconsolidation in August 2002. See Note 7 to our financial statements included in our Form 10-Q for the quarter ended March 31, 2003, which is incorporated herein by reference.

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**Concurrent Offering**

Concurrent with this offering, PPL Energy Supply is offering \$300,000,000 aggregate principal amount of convertible senior notes due 2023, guaranteed by PPL Corporation and convertible into PPL Corporation common stock, plus up to an additional \$45,000,000 aggregate principal amount of convertible senior notes if the initial purchasers exercise in full their option to purchase additional convertible senior notes in that offering. The convertible senior notes offering is being conducted privately pursuant to an exemption from the registration requirements of the Securities Act of 1933. The convertible senior notes will pay interest semi-annually at the annual rate of \_\_\_\_\_ % on their principal amount. At the initial rate of conversion, the convertible senior notes would be convertible into a maximum of \_\_\_\_\_ shares ( \_\_\_\_\_ shares if the option is exercised in full) of PPL Corporation common stock. We expect the convertible senior notes offering to close at the same time this offering is closed. However, neither offering is conditioned on the completion of the other.

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## RISK FACTORS

*You should carefully consider the risks associated with PPL Corporation and its subsidiaries described below before making an investment decision. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.*

*Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.*

*This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement.*

### Risks Related to Our Supply Businesses

***Changes in commodity prices may increase the cost of producing power or decrease the amount we receive from selling power, which could adversely affect our financial performance.***

Changes in power prices or fuel costs may impact our financial results and financial position by increasing the cost of producing power or decreasing the amount we receive from the sale of power. The market prices for these commodities may fluctuate substantially over relatively short periods of time. Among the factors that could influence such prices are:

prevailing market prices for coal, natural gas, fuel oil and other fuels used in our generation facilities, including associated transportation costs and supplies of such commodities;

demand for energy and the extent of additional supplies of energy available from current or new competitors;

capacity and transmission service into, or out of, our markets;

changes in the regulatory framework for wholesale power markets;

liquidity in the general wholesale electricity market; and

weather conditions impacting demand for electricity.

In the absence of long-term power sales agreements, we must sell the energy, capacity and other products from our facilities into the competitive wholesale power markets. Unlike most other commodities, electric power cannot be stored and must be produced at the time of use. As a result, the wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. In addition, power prices may not change at the same rate as changes in fuel and other costs. Given the volatility and potential for material differences between actual power prices and fuel and other costs, if we cannot secure or maintain long-term power sales and fuel purchase agreements for our power generation facilities, our revenues will be subject to increased volatility and our financial results may be materially adversely affected.

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

Operation of power plants involves many risks, including the breakdown or failure of equipment or processes, accidents, labor disputes, fuel interruption and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt both generation and transmission delivery systems. Operation of our power plants below expected capacity levels may result in lost revenues or increased expenses, including higher maintenance costs and, if we are unable to perform our contractual obligations as a result, penalties or damages.





***We may not be able to obtain adequate fuel supplies, which could adversely affect our ability to operate our facilities.***

We purchase fuel from a number of suppliers. Disruption in the delivery of fuel, including disruptions as a result of weather, labor relations or environmental regulations affecting our fuel suppliers, could adversely affect our ability to operate our facilities and, thus, our results of operations.

***We have agreed to provide electricity to PPL Electric Utilities in amounts sufficient to satisfy its provider of last resort, or PLR, obligations at prices which may be below our cost, which could adversely affect our financial condition.***

PPL Electric Utilities has PLR obligations to serve those electric retail customers that did not select an alternate supplier under the Customer Choice Act. PPL EnergyPlus has entered into long-term contracts to supply PPL Electric Utilities PLR requirements at agreed prices through 2009. This obligation currently represents a significant portion of the normal operating capacity of our existing generation assets. The prices we receive are established under the contracts and may not have any relationship to the cost to us of supplying this power. This means that we are required to absorb increasing costs, including the risk of fuel price increases and increased costs of production.

The PLR contract obligations do not provide us with any guaranteed level of sales. If the customers of PPL Electric Utilities obtain service from alternate suppliers, which they are entitled to do at any time, our sales of power under the contract may decrease. Alternatively, customers could switch back to PPL Electric Utilities from alternative suppliers, which may increase demand above our facilities available capacity. Any such switching by customers could have a material adverse effect on our results of operations or financial position.

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

Nuclear generation accounts for about 20% of our generation capacity. The risks of nuclear generation generally include:

the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and

uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

The Nuclear Regulatory Commission, or NRC, has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised safety requirements promulgated by the NRC could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna plant, if an incident did occur, it could have a material adverse effect on our results of operations or financial condition.

***We have a limited history of operating many of our generation facilities in a competitive environment, in which we are not assured of any return on our investment.***

Many of our facilities were historically operated within vertically-integrated, regulated utilities that sold electricity to consumers at prices based on predetermined rates set by state public utility commissions. Unlike regulated utilities, we are not assured any rate of return on our capital investments through predetermined rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for

electricity in our regional markets and other competitive markets, the volume of demand, capacity factors and ancillary services.

***Changes in technology may impair the value of our power plants.***

A basic premise of our business is that generating power at central power plants achieves economies of scale and produces electricity at a relatively low price. There are other technologies that produce electricity, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. Research and development activities are ongoing to seek improvements in the alternate technologies. It is possible that advances will reduce the cost of alternate methods of electric production to a level that is equal to or below that of most central station electric production. If this were to happen, the value of our power plants may be significantly impaired.

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

We purchase and sell power at the wholesale level under market-based tariffs authorized by the Federal Energy Regulatory Commission, or FERC, throughout the United States and also enter into short-term agreements to market available energy and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and energy under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or energy and the contract price of the undelivered capacity or energy. Depending on price volatility in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmissions disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and energy. We also face credit risk that parties with whom we contract will default in their performance, in which case we may have to sell our power into a lower-priced market or make purchases in a higher priced market than existed at the time of contract. Although we attempt to mitigate these risks, there can be no assurance that we will be able to fully meet our obligations, that we will not be required to pay damages for failure to perform or that we will not experience counterparty non-performance.

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

We attempt to mitigate risks associated with satisfying our contractual power sales arrangements by reserving generation capacity to deliver electricity to satisfy our net firm sales contracts and, when necessary, by purchasing firm transmission service. We also routinely enter into contracts, such as fuel and power purchase and sale commitments, to hedge our exposure to weather conditions, fuel requirements and other energy-related commodities. We may not, however, hedge the entire exposure of our operations from commodity price volatility. To the extent we fail to hedge against commodity price volatility, our results of operations and financial position may be affected unfavorably.

***Our trading, marketing and risk management policies may not work as planned and we may suffer economic losses despite such policies.***

We actively manage the market risk inherent in our energy and fuel, debt and foreign currency positions. Nonetheless, adverse changes in energy and fuel prices, interest rates and foreign currency exchange rates may result in losses in our earnings or cash flows and adversely affect our balance sheet. Our trading, marketing and risk management procedures may not always be followed or may not work as planned. As a result, we cannot always predict the impact that our trading, marketing and risk management decisions may have on our business, operating results or financial position.

In addition, our trading, marketing and risk management activities are exposed to the credit risk that counterparties that owe us money or energy will breach their obligations. We have established risk management policies and programs, including credit policies to evaluate counterparty credit risk. However, if counterparties to these arrangements fail to perform, we may be forced to enter into alternative hedging arrangements or honor

underlying commitments at then-current market prices. In that event, our financial results are likely to be adversely affected.

***Our operating results may fluctuate on a seasonal and quarterly basis.***

Electrical power supply may be seasonal. For example, in some parts of the country, demand for, and market prices of, electricity peak during the hot summer months, while in other parts of the country such peaks occur in the cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of the facilities we acquire or develop and the terms of our contracts to sell electricity.

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

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we purchase for use in our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered.

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

**Risks Related to Our Business Generally and to Our Industry**

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

On May 13, 2003, Moody's Investors Service, Inc. downgraded by one notch the credit ratings on PPL Energy Supply's senior unsecured debt, to Baa2 from Baa1, PPL Electric Utilities' senior secured debt, to Baa1 from A3, and PPL Capital Funding's senior unsecured debt, to Baa2. Also on May 13, Fitch Ratings downgraded by one notch the ratings of PPL Capital Funding's senior unsecured debt, to BBB from BBB+, and placed PPL Corporation, PPL Energy Supply and PPL Capital Funding on negative outlook. In addition, on April 29, 2003, Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, affirmed its BBB corporate credit ratings for PPL Corporation and PPL Energy Supply, downgraded by one notch the rating of PPL Capital Funding's senior unsecured debt, to BBB- from BBB, and placed PPL Electric Utilities on negative outlook. Standard & Poor's also indicated that PPL Corporation and PPL Energy Supply remain on negative outlook. While we do not expect these recent ratings decisions to limit our ability to fund our short-term liquidity needs and we expect these ratings decisions to have an immaterial impact on the cost to maintain our credit facilities and to access any new long-term debt, any future ratings downgrades, including downgrades to our short-term debt ratings, could negatively affect our ability to fund our short-term liquidity needs and more significantly impact the cost to maintain our credit facilities and to access new long-term debt.

***We face intense competition in our energy supply and development businesses, which may adversely affect our ability to operate profitably.***

The electric power industry has experienced a significant increase in the level of competition in the energy markets in response to federal and state deregulation initiatives. This competition may negatively impact our ability to sell energy and related products and the prices which we may charge for such products, which could adversely affect our results of operations and our ability to grow our business.

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In addition, while demand for electricity is generally increasing throughout the United States, the rate of construction and development of new electric assets may exceed the increase in demand in some regional markets. The commencement of commercial operation of new facilities in the regional markets where we own or control generation capacity will likely increase the competitiveness of the wholesale power market in those regions, which could have a material adverse effect on our business and financial condition.

***Our investments and projects located outside of the United States expose us to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. These risks may delay or reduce our realization of value from our international projects.***

We have operations outside of the United States. The acquisition, financing, development and operation of projects outside the United States entail significant financial risks, which vary by country, including:

changes in foreign laws or regulations relating to foreign operations, including tax laws and regulations;

changes in United States laws related to foreign operations, including tax laws and regulations;

changes in government policies, personnel or approval requirements;

changes in general economic conditions affecting each country;

regulatory reviews of tariffs for local distribution companies;

changes in labor relations in foreign operations;

limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;

limitations on ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;

fluctuations in currency exchange rates and difficulty in converting our foreign funds to U.S. dollars, which can increase our expenses and/or impair our ability to meet such expenses, and difficulty moving funds out of the country in which the funds were earned;

limitations on ability to import or export property and equipment;

compliance with United States foreign corrupt practices laws;

political instability and civil unrest; and

expropriation and confiscation of assets and facilities.

Our international operations are subject to regulation by various foreign governments and regulatory authorities. The laws and regulations of some countries may limit our ability to hold a majority interest in some of the projects that we may develop or acquire, thus limiting our ability to control the development, construction and operation of those projects. In addition, the legal environment in foreign countries in which we currently own assets or projects or may develop projects in the future could make it more difficult for us to enforce our rights under agreements relating to such projects. Our international projects may also be subject to risks of being delayed, suspended or terminated by the applicable foreign governments or may be subject to risks of contract invalidation by commercial or governmental entities. In addition, WPD is a regulated regional monopoly distribution business in Great Britain subject to control on the prices it can charge and the quality of supply it must provide. The current distribution price control formula that governs WPD's allowed revenue is scheduled to operate until 2005. Any significant lowering of rates implemented by the regulatory authority upon the 2005 regulatory review could lower the amount of revenue WPD generates in relation to its operational costs and could materially lower the income of WPD.

Despite contractual protections we have against many of these risks for our international operations or potential investments in the future, our actual results and the value of our investment may be adversely affected by the occurrence of any of these events.



***We operate in competitive segments of the electric power industry created by deregulation initiatives at the state and federal levels. If the present trend towards competition is reversed, discontinued or delayed, our business prospects and financial condition could be materially adversely affected.***

Some restructured markets have recently experienced supply problems and price volatility. In some of these markets, government agencies and other interested parties have made proposals to delay market restructuring or even re-regulate areas of these markets that have previously been deregulated. In California, legislation has been passed placing a moratorium on the sale of generation plants by public utilities regulated by the California Public Utilities Commission. In 2001, the FERC instituted a series of price controls designed to mitigate (or cap) prices in the entire western U.S. to address the extreme volatility in the California energy markets. These price controls have had the effect of significantly lowering spot and forward energy prices in the western market.

In addition, the independent system operators, or ISOs, that oversee the transmission systems in certain wholesale power markets have from time to time been authorized to impose price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing and trading business.

Other proposals to re-regulate our industry may be made, and legislative or other action affecting the electric power restructuring process may cause the process to be delayed, discontinued or reversed in the states in which we currently, or may in the future, operate. If the current trend towards competitive restructuring of the wholesale and retail power markets is delayed, discontinued or reversed, our business prospects and financial condition could be materially adversely affected.

***We cannot predict the outcome or extent of any investigations or litigation associated with our capacity transactions described in the PJM Market Monitor report and related matters, which could result in penalties, an obligation to pay damages, or other liabilities.***

In November 2001, the Market Monitor of PJM Interconnection, LLC, or PJM, publicly released a report prepared for the Pennsylvania Public Utility Commission, or PUC, entitled "Capacity Market Questions" relating to the pricing of installed capacity in the PJM daily market during the first quarter of 2001. The report concluded that PPL EnergyPlus was able to exercise market power to raise the market-clearing price above the competitive level during that period. In November 2001, the PUC issued an investigation order directing its Law Bureau to conduct an investigation into the PJM capacity market and the allegations in the Market Monitor's report. PPL EnergyPlus does not agree with the Market Monitor's conclusions that it exercised market power; in addition, the Market Monitor acknowledged in his report that PJM's standards and rules did not prohibit PPL EnergyPlus' conduct. In June 2002, the PUC issued an investigation report alleging, among other things, that PPL had unfairly manipulated electricity markets in early 2001, and that there was an unlawful exercise of market power and market rules gaming by PPL that was damaging to wholesale and retail electricity markets in Pennsylvania. The PUC stated that it was not authorized to, and was not attempting to, adjudicate the merits of PPL's defenses to these charges, but has referred the matter to the U.S. Department of Justice Antitrust Division, or DOJ, the FERC and the Pennsylvania Attorney General.

In July 2002, we appealed the PUC order to the Commonwealth Court of Pennsylvania. Since the PUC clarified that its report has no precedential value and should be given no weight in any future proceedings, we consented to having its appeal dismissed by the Commonwealth Court. Accordingly, the Commonwealth Court dismissed the appeal in September 2002. Although we believe that the PUC's report is inaccurate, that its conclusions are groundless, and that we acted ethically and legally, in compliance with all applicable laws and regulations, we cannot predict the outcome or extent of any investigations, litigation or other proceedings related to this matter.

In late 2002, we were served with complaints filed by Ultimax.com, Inc., which was a member of PJM, and a group of 14 Pennsylvania boroughs that are wholesale customers of PPL Electric Utilities, alleging, among other things, violations of the federal antitrust laws in connection with the capacity transactions described in the PJM Market Monitor report. Although we believe the claims under these complaints are without merit and intend to defend the actions vigorously, we cannot predict the outcome of these matters.

Finally, several parties filed interventions and protests at FERC requesting that, in light of the PJM Market Monitor's report, PPL EnergyPlus be required to provide additional information demonstrating that it has met the FERC's market power tests necessary for PPL EnergyPlus to continue its authority to make wholesale sales of electric power and related products at market-based rates. We have responded that the FERC does not require the economic test suggested by the intervenors and that, in any event, we would meet such economic test if required by the FERC. We cannot predict the outcome of this matter.

***We may be adversely affected by legal proceedings arising out of the electricity supply situation in California and other western states, which could result in refund or other liabilities.***

Litigation arising out of the California electricity supply situation has been filed with the FERC and in California courts against sellers of energy to the California ISO. The plaintiffs and intervenors in these proceedings allege abuse of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, among other things, and seek price caps on wholesale sales in California and other western power markets, refunds of excess profits allegedly earned on these sales of energy, and other relief, including treble damages and attorneys' fees. While PPL subsidiaries have not been named by the plaintiffs in the proceedings alleging abuses of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, PPL Montana was named by a defendant in its cross-complaint in a consolidated court proceeding, which combined into one master proceeding several of the lawsuits alleging antitrust violations and unfair trade practices. This generator denies that any unlawful, unfair or fraudulent conduct occurred but asserts that, if it is found liable, the other generators and power marketers, including PPL Montana, caused, contributed to and/or participated in the plaintiffs' alleged losses.

The FERC has determined that all sellers of energy into markets operated by the California ISO and the California Power Exchange, including PPL Montana, should be subject to refund liability for the period beginning October 2, 2000 through June 20, 2001 and has initiated an evidentiary hearing concerning refund amounts. In April 2003, the FERC changed the manner in which this refund liability is to be computed and ordered further proceedings to determine the exact amount that the sellers, including PPL Montana, would be required to refund. The FERC also is considering whether to order refunds for spot market bilateral sales made in the Pacific Northwest, including sales made by PPL Montana during the period December 2000 through June 2001. The FERC Administrative Law Judge assigned to the Pacific Northwest proceeding has recommended that no refunds be ordered for such sales into the Pacific Northwest. The FERC presently is considering this recommendation. The FERC discussed the Pacific Northwest issues at a meeting in April 2003, but has not yet issued any orders on this matter. The FERC has been conducting an additional investigation of alleged price manipulation in power markets in California and the western U.S. In connection with this investigation, the FERC has served several sets of data requests on sellers of energy in those markets, including PPL Montana. Finally, attorneys general in several western states, including California, have begun investigations related to the electricity supply situation in California and other western states.

PPL Montana sold only a small amount of electricity into the California market during 2000 and 2001, and it did not sell any electricity into the California market during 2002. In response to FERC data requests concerning trading strategies, PPL Montana and PPL EnergyPlus have each explained that they did not engage in, and that they do not engage in, wash trades or other improper trading strategies. In April 2003, as a result of its investigation, the FERC issued several orders that could result in the revocation of market-based rate authority from several companies. Our subsidiaries were not included in these orders.

While we believe that we have not engaged in any improper trading practices, we cannot predict whether, or the extent to which, any of our subsidiaries will be the target of any additional governmental investigations or named in other lawsuits or refund proceedings, the outcome of any such lawsuits or proceedings or whether the ultimate impact on us of the electricity supply situation in California and other western states will be material.

***Our business is subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.***

Our U.S. generation subsidiaries are exempt wholesale generators, or EWGs, which sell electricity into the wholesale market. Generally, our EWGs and our marketing subsidiaries are subject to regulation by the FERC. The FERC has authorized us to sell generation from our facilities and our marketing subsidiaries at market-based prices. The FERC retains the authority to modify or withdraw power from our market-based rate authority and to impose cost of service rates if it determines that the market is not workably competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC of the rate we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations.

The acquisition, ownership and operation of power generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

***Our costs of compliance with environmental laws are significant and the costs of compliance with new environmental laws could adversely affect our profitability.***

Our operations are subject to extensive federal, state, local and foreign statutes, rules and regulations relating to environmental protection. To comply with these legal requirements, we must spend significant sums on environmental monitoring, pollution control and emission fees.

New environmental laws and regulations affecting our operations, and new interpretations of existing laws and regulations, may be adopted or become applicable to us. For example, the laws governing air emissions from coal-burning plants are being re-interpreted by federal and state authorities. These re-interpretations could result in the imposition of substantially more stringent limitations on these emissions than those currently in effect.

We may not be able to obtain or maintain all environmental regulatory approvals necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted or subjected to additional costs. Further, at some of our older facilities it may be uneconomical for us to install the necessary equipment, which may cause us to shut down those generation units.

***Our business development activities may not be successful and our projects under construction may not commence operation as scheduled, which could increase our costs and impair our ability to recover our investment.***

The acquisition, development and construction of generating facilities involves numerous risks. We may be required to expend significant sums for preliminary engineering, permitting, fuel supply, resource exploration, legal and other expenses in preparation for competitive bids which we may not win or before it can be established whether a project is feasible, economically attractive or capable of being financed. Our success in developing a particular project is contingent upon, among other things, negotiation of satisfactory engineering, construction, fuel supply and power sales contracts, receipt of required governmental permits and timely implementation and satisfactory completion of construction. If we were unable to complete the development of a facility, we would generally not be able to recover our investment in the project.

Currently, we have power plants with 645 MW of generation capacity under development or construction and we intend to continue to evaluate opportunities to acquire and develop new, low-cost and efficient electric power generation facilities in key northeastern and western markets. Successful completion of these facilities is subject to numerous factors, including:

changes in market prices of power and fuel;

our ability to obtain permits and approvals and comply with applicable regulations;



availability and timely delivery of gas turbine generators and other equipment;

unforeseen engineering problems;

construction delays and contractor performance shortfalls;

shortages and inconsistent quality of equipment, material and labor;

work stoppages;

adverse weather conditions;

environmental and geological conditions; and

unanticipated cost increases.

Any of these factors could give rise to delays, cost overruns or the termination of a project.

The failure to complete construction according to specifications and on time can result in cost overruns, liabilities, reduced plant efficiency, higher operating and other costs and reduced earnings.

#### **Risks Related to Corporate and Financial Structure**

***Our cash flow and ability to meet debt obligations largely depend on the performance of our subsidiaries and affiliates, some of which we do not control.***

We are a holding company and conduct our operations primarily through wholly-owned subsidiaries. Substantially all of our consolidated assets are held by these subsidiaries. Accordingly, our cash flow and our ability to meet our obligations under the notes are largely dependent upon the earnings of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends or loans or advances and repayment of loans or advances from us. The subsidiaries are separate and distinct legal entities.

Because PPL Corporation is a holding company, its obligations will be effectively subordinated to all existing and future liabilities of its respective subsidiaries. Therefore, its rights and the rights of its creditors to participate in the assets of any subsidiary in the event that such a subsidiary is liquidated or reorganized will be subject to the prior claims of such subsidiary's creditors. To the extent that PPL Corporation may be a creditor with recognized claims against any such subsidiary, its claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of such subsidiary and would be subordinated to any indebtedness or other liabilities of such subsidiary senior to that held by them. Although certain agreements to which PPL Corporation and its respective subsidiaries are parties limit the incurrence of additional indebtedness, PPL Corporation and its respective subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities.

The debt agreements of some of our subsidiaries and affiliates restrict their ability to pay dividends, make distributions or otherwise transfer funds to us prior to the payment of other obligations, including operating expenses, debt service and reserves. Further, if we elect to receive distributions of earnings from our foreign operations, we may incur United States taxes, net of any available foreign tax credits, on such amounts. Distributions to us from our international projects are, in some countries, also subject to withholding taxes.

***We may need significant additional financing to pursue growth opportunities.***

We continually review potential acquisitions and development projects and may enter into significant acquisitions or development projects in the future. Any acquisition or development project will likely require access to substantial capital from outside sources on acceptable terms. We can give no assurance that we will obtain the substantial debt and equity capital required to invest in, acquire and develop new generation projects or to refinance existing projects. We may also need external financing to fund capital expenditures, including capital expenditures necessary to comply with environmental regulations or other regulatory requirements.



Our ability to arrange financing and our cost of capital are dependent on numerous factors, including:

general economic conditions, including the conditions in the energy industry;

credit availability from banks and other financial institutions;

market prices for electricity and fuels;

our capital structure and the maintenance of acceptable credit ratings;

our financial performance;

the success of current projects and the perceived quality of new projects; and

provisions of relevant tax and securities laws.

Inability to obtain sufficient financing on terms that are acceptable to us could adversely affect our ability to pursue acquisition and development opportunities and fund capital expenditures.

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### USE OF PROCEEDS

We will receive net proceeds from the sale of our common stock in this offering of approximately \$ \_\_\_\_\_ million, or approximately \$ \_\_\_\_\_ million if the underwriters exercise in full their over-allotment option, after deducting underwriting discounts and commissions and estimated expenses payable by us. Our net proceeds from the convertible senior notes offering are estimated to be approximately \$ \_\_\_\_\_ million, or approximately \$ \_\_\_\_\_ million if the initial purchasers exercise in full their option to purchase additional convertible senior notes, after deducting discounts and commissions and estimated expenses payable by us. Neither offering is conditioned upon the completion of the other.

We expect to use the net proceeds from this offering and the concurrent convertible senior notes offering, if it is completed, to repurchase commercial paper of PPL Energy Supply and for general corporate purposes. As of March 31, 2003, PPL Energy Supply had \$635 million of commercial paper outstanding which had a weighted average interest rate of 1.55%, had weighted average days to maturity of approximately 40 days and was incurred for the retirement and early redemption of long-term debt and other general corporate purposes.

We have not determined the amount we plan to spend for each such purpose or the timing of such expenditures, and the allocation of the net proceeds for these purposes will be subject to the discretion of our management.

### PRICE RANGE OF COMMON STOCK

Our common stock is traded on the New York Stock Exchange under the symbol PPL. The following table sets forth, for the periods indicated, the range of high and low sale prices for our common stock. On May 14, 2003, the last reported sale price for our common stock was \$37.17 per share.

	Common Stock Price	
	High	Low
<b>Year Ended December 31, 2001</b>		
First Quarter	\$46.75	\$33.88
Second Quarter	62.36	44.03
Third Quarter	56.50	30.99
Fourth Quarter	37.65	31.20
<b>Year Ended December 31, 2002</b>		
First Quarter	\$39.85	\$31.40
Second Quarter	39.95	28.97
Third Quarter	37.60	26.00
Fourth Quarter	36.26	26.47
<b>Year Ending December 31, 2003</b>		
First Quarter	\$38.10	\$31.65
Second Quarter (through May 14, 2003)	37.38	35.04

As of April 30, 2003, there were 83,955 holders of record of our common stock.

### DIVIDEND POLICY

We have paid quarterly cash dividends on our common stock in every year since 1946. The annual dividends paid per share in 2002 and in 2001 were \$1.44 and \$1.06, respectively. In February 2003, we declared an increase to our dividend level to an annualized rate of \$1.54 per share (\$0.385 per share on a quarterly basis) and paid the quarterly dividend on April 1, 2003. Future dividends, declared at the discretion of our board of directors, will be dependent upon future earnings, cash flows, financial requirements and other factors.

## CAPITALIZATION

The following table sets forth our historical unaudited consolidated capitalization as of March 31, 2003:

on an actual basis;

on an as adjusted basis to give effect to the estimated net proceeds of \$ \_\_\_\_\_ million from the sale by us of shares of common stock in this offering and the application of the net proceeds as described under Use of Proceeds; and

on an as further adjusted basis to give effect to the estimated net proceeds of \$ \_\_\_\_\_ million from the sale by PPL Energy Supply of convertible senior notes in the concurrent offering and the application of the net proceeds as described under Use of Proceeds.

Completion of the concurrent offering of PPL Energy Supply convertible senior notes is not a condition to the completion of this offering of our common stock. This table should be read in conjunction with our consolidated financial statements, the notes related thereto and the other financial and operating data incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of March 31, 2003		
	Actual	As Adjusted	As Further Adjusted
	(in millions)		
Short-term debt, including current maturities of long-term debt	\$ 1,200	\$	\$
Long-term debt, excluding current maturities	\$ 6,195	\$	\$
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures	661		
Preferred stock, including current sinking fund obligations	82		
Shareowners' common equity:			
Common stock, \$0.01 par value; 390,000,000 shares authorized;			
167,723,463 shares issued and outstanding as of March 31, 2003, actual; and			
174,223,463 shares issued and outstanding as of March 31, 2003, as adjusted and as further adjusted	2		
Capital in excess of par value	2,612		
Treasury stock	(836)		
Earnings reinvested	1,187		
Accumulated other comprehensive income (loss)	(437)		
Capital stock expense and other	(58)		
Total shareowners' common equity	2,470		
Total capitalization	\$ 9,408	\$	\$

## CERTAIN UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

The following summary describes the material United States federal income tax consequences of the ownership of common stock by a non-U.S. holder (as defined below) as of the date hereof. This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to such non-U.S. holders in light of their personal circumstances. Special rules may apply to certain non-U.S. holders, such as certain United States expatriates, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies and corporations that accumulate earnings to avoid U.S. federal income tax, that are subject to special treatment under the Internal Revenue Code of 1986, as amended (the Code). Such non-U.S. holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below.

If a partnership holds common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding common stock should consult their own tax advisors.

As used herein, a U.S. holder of common stock means a holder that for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (1) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. A non-U.S. holder is a holder that is not a U.S. holder.

**Persons considering the purchase, ownership or disposition of common stock should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

### Dividends

Dividends paid to a non-U.S. holder of common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States, and, where an applicable tax treaty so provides, are attributable to a United States permanent establishment of the non-U.S. holder, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements must be satisfied in order for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of common stock who wishes to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends paid will be required (a) to complete Internal Revenue Service (IRS) Form W-8BEN (or other applicable form) and certify under penalties of perjury that such holder is not a United States person or (b) if the common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are entities rather than individuals.

A non-U.S. holder of common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

### **Gain on Disposition of Common Stock**

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of common stock unless (i) the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, and, where an applicable tax treaty so provides, is attributable to a United States permanent establishment of the non-U.S. holder, (ii) in the case of a non-U.S. holder who is an individual and holds the common stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, or (iii) we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes.

A non-U.S. holder as described in clause (i) above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and, if it is a corporation, may be subject to the branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in clause (ii) above will be subject to a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States).

We have not determined whether we are a U.S. real property holding corporation for U.S. federal income tax purposes. If we are or become a U.S. real property holding corporation, so long as the common stock is and continues to be regularly traded on an established securities market, only a non-U.S. holder who holds or held (at any time during the shorter of the five-year period preceding the date of disposition or the holder's holding period) more than five percent of the common stock will be subject to U.S. federal income tax on the disposition of the common stock.

### **Federal Estate Tax**

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Information Reporting and Backup Withholding**

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld, if any, with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of common stock within the United States or conducted through certain U.S.-related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished by the IRS.

**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement, dated the date of this prospectus supplement, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as representatives, have severally agreed to purchase and we have agreed to sell them, severally, the number of shares of common stock indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Wachovia Securities, Inc.	
Merrill Pierce, Fenner & Smith Lynd Incorporated	
Total	6,500,000

The underwriters are offering the shares subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligation of the underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement is subject to the approval of certain legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus supplement if any are taken. However, the underwriters are not required to take or pay for the shares of common stock covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer some of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus supplement. The underwriters may also offer some of the shares of common stock to securities dealers at a price that represents a concession not in excess of \$ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be changed by the representatives of the underwriters.

We have granted to the underwriters an option to purchase from us within 30 days from the date of original issuance of the shares up to an aggregate of 975,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus supplement less underwriting discounts and commissions. The underwriters may exercise this option solely to cover over-allotments, if any, made in connection with this offering. If the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock offered by all the underwriters. If the underwriters' over-allotment option is exercised in full, the total public offering price would be approximately \$ million, the total underwriting discounts and commissions would be approximately \$ million and the total proceeds to us, before offering expenses, would be approximately \$ million.

We estimate that the total expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately \$ .

Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange and trades under the symbol PPL, and the shares of common stock offered hereby have been approved for listing subject to official notice of issuance. No underwriter is obligated to make a market in our common stock and any market making may be discontinued at any time without notice.

In connection with this offering, certain of the underwriters may distribute prospectuses electronically.

We have agreed to indemnify the underwriters against certain liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make under the Securities Act.



## Edgar Filing: PPL CORP - Form 424B5

We and each of our directors and executive officers have agreed, without the prior written consent of Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. on behalf of the underwriters, and the representatives of the initial purchasers of the convertible senior notes, not to, during the period ending 90 days for us and 60 days for our directors and executive officers after the date of this prospectus supplement:

register, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of shares of our common stock;

whether any transaction described above is to be settled by delivery of shares of common stock, such other securities, in cash or otherwise. The restrictions described in the preceding paragraph do not apply to:

the issuance and sale of the shares of common stock offered by this prospectus supplement;

the issuance and sale of the convertible senior notes, the issuance of shares of common stock upon conversion of the convertible senior notes and the registration of the resale of the convertible senior notes and the shares of common stock issued upon conversion thereof;

the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus supplement of which the underwriters have been advised in writing;

the issuance by us of shares of common stock under our existing employee benefit or dividend reinvestment plans;

the issuance by us of additional options under our existing stock option plans, provided that these options are not exercisable during the 90-day period; and

transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares of common stock.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. A short sale is covered if the short position is no greater than the number of shares of common stock available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing common stock in the open market. In determining the source of common stock to close out a covered short sale, the underwriters will consider, among other things, the open market price of the common stock compared to the price available under the over-allotment option. The underwriters may also sell common stock in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase shares of common stock in the offering. As an additional means of facilitating the offering of common stock, the underwriters may bid for and purchase any shares of common stock in the open market to stabilize the price of the common stock. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the shares of common stock in the offering, if the syndicate repurchases previously distributed shares of common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

## Edgar Filing: PPL CORP - Form 424B5

From time to time, some of the underwriters and their affiliates have provided, and continue to provide, investment banking and commercial banking services to PPL Corporation and its affiliates. Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Securities, Inc. are among the initial purchasers of the convertible senior notes in the concurrent offering.

### VALIDITY OF COMMON STOCK

Simpson Thacher & Bartlett, New York, New York, counsel to PPL Corporation, will pass upon the validity of the shares of common stock offered hereby for PPL Corporation. Thomas D. Salus, Esq., Senior Counsel of PPL Services Corporation, will pass upon the validity of the shares of common stock for PPL Corporation. Sullivan & Cromwell LLP, New York, New York, will pass upon the validity of the shares of common stock offered hereby for the underwriters. Simpson Thacher & Bartlett and Sullivan & Cromwell LLP will rely on the opinion of Mr. Salus as to matters involving the law of the Commonwealth of Pennsylvania. As to matters involving the law of the State of New York, Mr. Salus will rely on the opinion of Simpson Thacher & Bartlett.

### EXPERTS

The consolidated financial statements incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K of PPL Corporation for the year ended December 31, 2002 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

### WHERE YOU CAN FIND MORE INFORMATION

#### Available Information

PPL Corporation files reports, proxy statements and other information with the SEC. You may read and obtain copies of this information by mail from the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

PPL's Internet website is [www.pplweb.com](http://www.pplweb.com). On the Investor Center page of that website, PPL provides access to all SEC filings of PPL registrants free of charge, as soon as reasonably practicable after filing with the SEC. Additionally, PPL registrants' filings are available at the SEC's website ([www.sec.gov](http://www.sec.gov)).

PPL Corporation's common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange (symbol: PPL), and reports, proxy statements and other information concerning PPL Corporation can also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005 and the Philadelphia Stock Exchange, 1900 Market Street, Philadelphia, Pennsylvania 19103. In addition, reports, proxy statements and other information concerning PPL Corporation can be inspected at its offices at Two North Ninth Street, Allentown, Pennsylvania 18101-1179. PPL's Internet site at [www.pplweb.com](http://www.pplweb.com) contains information concerning PPL Corporation and its affiliates. The information at PPL Corporation's Internet site is not incorporated in this prospectus supplement and the accompanying prospectus by reference, and you should not consider it a part of this prospectus supplement and the accompanying prospectus.

#### Incorporation by Reference

The rules of the SEC allow us to incorporate by reference information into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede that information. This prospectus supplement and the accompanying prospectus incorporate by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about PPL Corporation.

## Edgar Filing: PPL CORP - Form 424B5

SEC Filings (File No. 1-11459)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2002
Quarterly Report on Form 10-Q	Quarter ended March 31, 2003
Current Report on Form 8-K	April 2, 2003
PPL Corporation's Registration Statement on Form 8-B	April 27, 1995

We are also incorporating by reference additional documents that PPL Corporation files with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, between the date of this prospectus supplement and the termination of the offering of the common stock.

PPL Corporation will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement and the accompanying prospectus has been delivered, a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning us at:

PPL Corporation

Two North Ninth Street  
Allentown, Pennsylvania 18101-1179  
Attention: Investor Services Department  
Telephone: 1-800-345-3085

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**PROSPECTUS**

**PPL Corporation**  
**PPL Capital Funding, Inc.**  
**PPL Capital Funding Trust II**  
Two North Ninth Street  
Allentown, Pennsylvania 18101-1179  
(610) 774-5151

**\$950,000,000**

**PPL Corporation**

**Common Stock, Preferred Stock,  
Stock Purchase Contracts and Stock Purchase Units**

**PPL Capital Funding, Inc.**

**Debt Securities and Subordinated Debt Securities**  
**Guaranteed as described**  
**in this prospectus by PPL Corporation**

**PPL Capital Funding Trust II**

**Preferred Trust Securities**  
**Guaranteed as described**  
**in this prospectus by PPL Corporation**

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We may offer the securities directly or through underwriters or agents. The applicable prospectus supplement will describe the terms of any particular plan of distribution.

**Investing in the securities involves certain risks. See Risk Factors beginning on page 4.**

PPL Corporation's common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange and trades under the symbol PPL.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 22, 2002.

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that PPL Corporation, PPL Capital Funding, Inc. ( PPL Capital Funding ) and PPL Capital Funding Trust II (the Trust ) filed with the Securities and Exchange Commission, or SEC, using the shelf registration process. Under this shelf process, we may, from time to time, sell combinations of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$950,000,000. This amount includes \$20,000,000 of securities registered under an earlier registration statement. This prospectus provides a general description of the securities we may offer. Each time we sell securities, 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 Where You Can Find More Information.

We may use this prospectus to offer from time to time:

shares of PPL Corporation Common Stock, par value \$.01 per share ( Common Stock );

shares of PPL Corporation Preferred Stock, par value \$.01 per share ( Preferred Stock );

contracts to purchase shares of PPL Corporation Common Stock ( Stock Purchase Contracts ); and

stock purchase units, each representing (1) a Stock Purchase Contract and (2) debt securities or preferred trust securities of third parties (such as Debt Securities or Subordinated Debt Securities of PPL Capital Funding, Preferred Trust Securities of the Trust or United States Treasury securities) that are pledged to secure the stock purchase unit holders' obligations to purchase Common Stock under the Stock Purchase Contracts ( Stock Purchase Units ).

We may also use this prospectus to offer from time to time:

PPL Capital Funding's unsecured and unsubordinated debt securities ( Debt Securities ); and

PPL Capital Funding's unsecured subordinated debt securities ( Subordinated Debt Securities ). PPL Corporation will unconditionally guarantee the payment of principal, premium and interest on the PPL Capital Funding Debt Securities and Subordinated Debt Securities as described below in Description of the Debt Securities PPL Corporation Guarantees and Description of the Subordinated Debt Securities Subordinated Guarantees.

We may also use this prospectus to offer from time to time the Trust's preferred trust securities ( Preferred Trust Securities ). PPL Corporation will guarantee the Trust's obligations under the Preferred Trust Securities as described below under Description of the Preferred Trust Securities Guarantee.

We sometimes refer to the Common Stock, the Preferred Stock, the Stock Purchase Contracts, the Stock Purchase Units, the Debt Securities, the Subordinated Debt Securities and the Preferred Trust Securities collectively as the Securities. In addition, we sometimes refer to PPL Corporation's guarantees of Debt Securities ( Guarantees ), guarantees of Subordinated Debt Securities ( Subordinated Guarantees ), and the guarantee of Preferred Trust Securities ( Preferred Trust Securities Guarantee ), collectively as Securities Guarantees.

For more detailed information about the Securities and the Securities Guarantees, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

**See page 13 for FORWARD-LOOKING INFORMATION , which sets forth a warning regarding forward-looking information contained or incorporated by reference in this prospectus.**

## RISK FACTORS

*In addition to the other information in this prospectus, you should consider the factors described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may impair our business operations. Each of the risks described below could have a material adverse effect on our business, financial condition or results of operations and could result in a loss or a decrease in the value of the Securities.*

### Risks Related to Our Supply Businesses

***Changes in commodity prices may increase the cost of producing power or decrease the amount we receive from selling power, which could adversely affect our financial performance.***

Our generation and marketing businesses are subject to changes in power prices or fuel costs, which may impact our financial results and financial position by increasing the cost of producing power or decreasing the amount we receive from the sale of power. The market prices for these commodities may fluctuate substantially over relatively short periods of time. Among the factors that could influence such prices are:

prevailing market prices for coal, natural gas, fuel oil and other fuels used in our generation facilities, including associated transportation costs, and supplies of such commodities;

demand for energy and the extent of additional supplies of energy available from current or new competitors;

capacity and transmission service into, or out of, our markets;

changes in the regulatory framework for wholesale power markets;

liquidity in the general wholesale electricity market; and

weather conditions impacting demand for electricity.

In the absence of long-term power sales agreements, we must sell the energy, capacity and other products from our facilities into the competitive wholesale power markets. Unlike most other commodities, electric power cannot be stored and must be produced concurrently with its use. As a result, the wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. In addition, the price we can obtain for power sales may not change at the same rate as changes in fuel and other costs. Given the volatility and potential for material differences between actual power prices and fuel and other costs, if we are unable to secure or maintain long-term power sales and fuel purchase agreements for our power generation facilities, our revenues would be subject to increased volatility and our financial results may be materially adversely affected.

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

Operation of power plants involves many risks, including the breakdown or failure of equipment or processes, accidents, labor disputes, fuel interruption and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt both generation and transmission delivery systems. Operation of our power plants below expected capacity levels may result in lost revenues or increased expenses, including higher maintenance costs and, if we are unable to perform our contractual obligations as a result, penalties or damages.

***We may not be able to obtain adequate fuel supplies, which could adversely affect our ability to operate our facilities.***

We purchase fuel from a number of suppliers. Disruption in the delivery of fuel, including disruptions as a result of weather, labor relations or environmental regulations affecting our fuel suppliers, could adversely affect our ability to operate our facilities, and thus, our results of operations.

***We may be required to meet our provider of last resort, or PLR, obligations at prices which may be below our cost, which could adversely affect our financial condition. We also are not assured of any guaranteed level of sales as a PLR.***

Under its settlement order in connection with its restructuring pursuant to the Pennsylvania Electricity Generation Customer Choice and Competition Act, which we refer to as the Customer Choice Act, our Pennsylvania electricity delivery subsidiary, PPL Electric Utilities Corporation, or PPL Electric, has an obligation to act as a provider of last resort, or PLR, to provide electricity, at settlement rates through 2009, to certain retail electric customers that do not select an alternate energy supplier. Our energy marketing subsidiary, PPL EnergyPlus, has entered into long-term contracts to supply PPL Electric's PLR requirements at the settlement rates through 2009. This obligation currently represents a significant portion of the normal operating capacity of our existing generation assets. The prices we receive from our PLR customers were established under the settlement order and may not have any relationship to the cost to us of supplying this power. This means that we are required to absorb increasing costs, including the risk of fuel price increases and increased costs of production.

The PLR contract obligations do not provide us with any guaranteed level of sales. If our customers obtain service from alternate suppliers, which they are entitled to do at any time, our sales of power under the contracts may decrease. Alternatively, customers could switch back to PPL Electric from alternative suppliers, which may increase demand above our facilities' available capacity. Any switching by customers could have a material adverse effect on our results of operations or financial position.

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

Nuclear generation accounts for about 20% of our generation capacity. The risks of nuclear generation generally include:

the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and

uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

The Nuclear Regulatory Commission, or NRC, has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised safety requirements promulgated by the NRC could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna plant, if an incident did occur, it could have a material adverse effect on our results of operations or financial condition.

***We have a limited history of operating many of our generating facilities in a competitive environment, in which we are not assured of any return on our investment.***

Many of our facilities were historically operated within vertically-integrated, regulated utilities that sold electricity to consumers at prices based on predetermined rates set by state public utility commissions. Unlike regulated utilities, we are not assured of any rate of return on our capital investments through predetermined rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for electricity in our regional markets and other competitive markets, the volume of demand, capacity factors and ancillary services. We have limited history operating these facilities in a market-based competitive environment, and we may not be able to operate them successfully in such an environment.



***Changes in technology may impair the value of our power plants.***

A basic premise of our business is that generating power at central power plants achieves economies of scale and produces electricity at a relatively low price. There are other technologies that produce electricity, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. Research and development activities are ongoing to seek improvements in the alternate technologies. It is possible that advances will reduce the cost of alternate methods of electric production to a level that is equal to or below that of most central station electric production. If this were to happen, the value of our power plants may be significantly impaired.

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

We purchase and sell power at the wholesale level under market-based tariffs authorized by the Federal Energy Regulatory Commission, or FERC, throughout the United States and also enter into short-term agreements to market available energy and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and energy under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or energy and the contract price of the undelivered capacity or energy. Depending on price volatility in the wholesale energy markets, such damages could be significant. We also face credit risk that parties with whom we contract will default in their performance, in which case we may have to sell our power into a lower-priced market or make purchases in a higher priced market than existed at the time of contract. For example, we recorded significant charges in 2001 associated with the bankruptcy of Enron Corporation and its affiliates ( Enron ), and Enron 's defaults under various electric and gas contracts with our subsidiaries and other entities in which we have invested. For more information, please refer to the reports described under Where You Can Find More Information. In addition, extreme weather conditions, unplanned power plant outages, transmission disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and energy. Although we attempt to mitigate these risks, there can be no assurance that we will be able to fully meet our obligations, that we will not experience counterparty non-performance or that we will not be required to pay damages for failure to perform.

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

We attempt to mitigate risks associated with satisfying our contractual power sales arrangements by reserving generation capacity to deliver electricity to satisfy our net firm sales contracts and, when necessary, by purchasing firm transmission service. We also routinely enter into contracts, such as fuel and power purchase and sale commitments, to hedge our exposure to weather conditions, fuel requirements and other energy-related commodities. We may not, however, hedge the entire exposure of our operations from commodity price volatility. To the extent we fail to hedge against commodity price volatility, our results of operations and financial position may be affected unfavorably.

***Our trading, marketing and risk management policies may not work as planned, and we may suffer economic losses despite such policies.***

We actively manage the market risk inherent in our energy and fuel, debt and foreign currency positions. Nonetheless, adverse changes in energy and fuel prices, interest rates and foreign currency exchange rates may result in losses in our earnings or cash flows and adversely affect our balance sheet. Our trading, marketing and risk management procedures may not always be followed or may not work as planned. As a result, we cannot predict with precision the impact that our trading, marketing and risk management decisions may have on our business, operating results or financial position.

In addition, our trading, marketing and risk management activities are exposed to the credit risk that counterparties that owe us money or energy will breach their obligations. We have established risk management policies and programs, including credit policies to evaluate counterparty credit risk. However, if counterparties to these arrangements fail to perform, we may be forced to enter into alternative hedging arrangements or honor

underlying commitments at then-current market prices. In that event, our financial results are likely to be adversely affected.

***Our operating results may fluctuate on a seasonal and quarterly basis.***

Electrical power supply may be seasonal. For example, in some parts of the country, demand for, and market prices of, electricity peak during the hot summer months, while in other parts of the country such peaks occur in the cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of the facilities we acquire and the terms of our contracts to sell electricity.

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

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we purchase for use in our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered.

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

**Risks Related to Our Business Generally and to Our Industry**

***The energy industry is rapidly changing and intensely competitive, which may adversely affect our ability to operate profitably.***

We face intense competition in our energy supply and development businesses. A number of our competitors, including domestic and international energy companies and other global power providers, have more extensive experience operating in unregulated markets, larger staffs and/or greater financial resources than we do. In addition, many of the regions in which we operate have implemented or are considering implementing regulatory initiatives designed to increase competition. For example, regulations encouraging industry deregulation and privatization continue to cause the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses in the United States and abroad. Moreover, the FERC has implemented regulatory changes designed to increase access to transmission grids by utility and non-utility purchasers and sellers of electricity. As a result, a significant number of additional competitors could become active in the generation segment of our industry. This competition may negatively impact our ability to sell energy and related products and the prices which we may charge for such products, which could adversely affect our results of operations and our ability to grow our business.

In addition, while demand for electricity is generally increasing throughout the United States, the rate of construction and development of new electric assets may exceed the increase in demand in some regional markets. The commencement of commercial operation of new facilities in the regional markets where we own or control generation capacity will likely increase the competitiveness of the wholesale power market in those regions, which could have a material adverse effect on our business and financial condition.

***Our business is subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.***

Our U.S. generation subsidiaries are exempt wholesale generators, or EWGs, which sell electricity into the wholesale market. Generally, our EWGs are subject to regulation by the FERC. The FERC has authorized us to

sell generation from our facilities at market-based prices. The FERC retains the authority to modify or withdraw our market-based rate authority and to impose cost of service rates if it determines that the market is not workably competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC of the rate we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations.

The acquisition, ownership and operation of power generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

***We operate in competitive segments of the electric power industry created by deregulation initiatives at the state and federal levels. If the present trend towards competition is reversed, discontinued or delayed, our business prospects and financial condition could be materially adversely affected.***

Some restructured markets have recently experienced supply problems and price volatility. In some of these markets, government agencies and other interested parties have made proposals to delay market restructuring or even re-regulate areas of these markets that have previously been deregulated. See We cannot predict the effect of initiatives in Montana to re-regulate generating assets, below for more information. In California, legislation has been passed placing a moratorium on the sale of generation plants by public utilities regulated by the California Public Utilities Commission. In 2001, the FERC instituted a series of price controls designed to mitigate (or cap) prices in the entire western U.S. to address the extreme volatility in the California energy markets. These price controls have had the effect of significantly lowering spot and forward energy prices in the western market.

In addition, the independent system operators that oversee the transmission systems in certain wholesale power markets have from time to time been authorized to impose price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing and trading business.

Other proposals to re-regulate our industry may be made, and legislative or other action affecting the electric power restructuring process may cause the process to be delayed, discontinued or reversed in the states in which we currently, or may in the future, operate. If the current trend towards competitive restructuring of the wholesale and retail power markets is delayed, discontinued or reversed, our business prospects and financial condition could be materially adversely affected.

***We cannot predict the outcome or extent of any investigations or litigation associated with our capacity transactions described in the PJM Market Monitor report and related matters, which could result in penalties, an obligation to pay damages, or other liabilities.***

In November 2001, the Market Monitor of PJM Interconnection, LLC, or PJM, publicly released a report prepared for the Pennsylvania Public Utility Commission, or PUC, entitled Capacity Market Questions relating to the pricing of installed capacity in the PJM daily market during the first quarter of 2001. The report concludes that PPL EnergyPlus was able to exercise market power to raise the market-clearing price above the competitive level during that period. In November 2001, the PUC issued an investigation order directing its Law Bureau to conduct an investigation into the PJM capacity market and the allegations in the Market Monitor's report. In June 2002, the PUC issued an investigation report alleging, among other things, that PPL had unfairly manipulated electricity markets in early 2001, and that there was an unlawful exercise of market power and market rules gaming by PPL that was damaging to wholesale and retail electricity markets in Pennsylvania. The PUC stated that it was not authorized to, and was not attempting to, adjudicate the merits of PPL's defenses to these charges, but has referred the matter to the U.S. Department of Justice Antitrust Division, or DOJ, the FERC and the Pennsylvania Attorney General. We had previously responded to certain information requests of the DOJ in connection with a civil investigative demand regarding capacity transactions in the PJM, and the Office of the Pennsylvania Attorney General has now requested PPL to provide it with any

information that we provided to the DOJ. In addition, in July 2002, PPL appealed the PUC order to the Commonwealth Court of Pennsylvania. Although we believe that the PUC's report is inaccurate, that its conclusions are groundless, and that we acted ethically and legally, in compliance with all applicable laws and regulations, we cannot predict the outcome or extent of any investigations, litigation or other proceedings related to this matter.

***We cannot predict the effects of initiatives in Montana to re-regulate generating assets.***

In 2001, the Montana Public Service Commission, or MPSC, issued an order in which it found that The Montana Power Company must continue to provide electric service to its customers at tariffed rates until its transition plan under the Montana restructuring legislation is finally approved, and that purchasers of generating assets from Montana Power must provide electricity to meet Montana Power's full load requirements at prices to Montana Power that reflect costs calculated as if the generation assets had not been sold. PPL Montana purchased Montana Power's interest in two coal-fired plants and 11 hydroelectric units in 1999. In 2001, PPL Montana challenged the MPSC Order, asserting, among other things, that the Federal Power Act preempts states from regulating the sale of electricity in wholesale markets, and requesting that the MPSC be enjoined from seeking to regulate wholesale sales from PPL Montana's generating assets. In March 2002, the U.S. District Court in Helena, Montana dismissed PPL Montana's lawsuit on procedural grounds, ruling that the Eleventh Amendment to the U.S. Constitution prevented PPL Montana from bringing the action in federal court. The District Court noted that the action could be filed in a state court in Montana. PPL Montana has appealed the District Court's ruling to the United States Court of Appeals for the Ninth Circuit. We cannot predict the ultimate outcome of these proceedings.

In addition, there has been proposed a ballot initiative to create an elected Montana public power commission to determine whether purchasing hydroelectric dams in Montana is in the public interest. See [Where You Can Find More Information](#) for how you can find more information regarding this initiative. Such a commission could decide to acquire PPL Montana's hydroelectric dams either pursuant to a negotiated purchase or an acquisition at fair market value through the power of condemnation. While PPL Montana intends to vigorously oppose such an initiative, we cannot predict the outcome of this proposal.

***We may be adversely affected by legal proceedings arising out of the electricity supply situation in California and other western states, which could result in refund or other liabilities.***

Litigation arising out of the California electricity supply situation has been filed with the FERC and in California courts against sellers of energy to the California ISO. The plaintiffs and intervenors in these proceedings allege abuse of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, among other things, and seek price caps on wholesale sales in California and other western power markets, refunds of excess profits allegedly earned on these sales, and other relief, including treble damages and attorney's fees. In addition, attorneys general in several western states, including California, have begun investigations related to the electricity supply situation in California and other western states. Certain of our subsidiaries have intervened in the FERC proceedings in order to protect their interests, but have not been named by the plaintiffs in the proceedings alleging abuses of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws. However, in April 2002, PPL Montana was named by a defendant in a consolidated court proceeding which combined several of the lawsuits alleging antitrust and unfair trade practices. Specifically, one of the original generators, sued by various plaintiffs, filed a cross-complaint against 30 other generators and power marketers, including PPL Montana. This generator denies that any unlawful, unfair or fraudulent conduct occurred or caused any harm to the plaintiffs, and explains that the plaintiffs' claims are completely barred by federal law. Nonetheless, this generator alleges that it filed its complaint against the other generators and power marketers in order to assist the court in resolving the proceeding and asserts that, if it is found liable, the other generators and power marketers, including PPL Montana caused, contributed to and/or participated in the plaintiffs' alleged losses.

In addition, PPL Montana has been named as a defendant in a declaratory judgment action initiated by the State of California to prevent certain members of the California Power Exchange from seeking compensation for the state's seizure of certain energy contracts. PPL Montana is a member of the California Power Exchange, but it

has no energy contracts with or through the California Power Exchange and has not sought compensation in connection with the state's seizure.

The FERC has determined that all sellers of energy in the California markets should be subject to refund liability for the period beginning October 2, 2000 through June 20, 2001 and has initiated an evidentiary hearing concerning refund amounts. The FERC also is considering whether to order refunds for sales made in the Pacific Northwest, including sales made by our subsidiaries. The FERC Administrative Law Judge assigned to this proceeding has recommended that no refunds be ordered for sales into the Pacific Northwest. The FERC presently is considering this recommendation. In addition, the FERC has been conducting an additional investigation of alleged price manipulation in power markets in California and the western United States. In connection with this investigation, the FERC has served several sets of data requests on sellers of energy in those markets, including PPL Montana.

While PPL Montana sold only a small amount of electricity into the California market during 2000 and 2001 and currently is not selling into that market, and while PPL believes that it has not engaged in any improper trading practices, we cannot predict whether or the extent to which any of our subsidiaries will be the target of any additional governmental investigation or named in other lawsuits or refund proceedings, the outcome of any such existing or future proceedings or whether the ultimate impact on us of the electricity supply situation in California and other western states will be material.

***Our costs of compliance with environmental laws are significant, and the costs of compliance with new environmental laws could adversely affect our profitability.***

Our operations are subject to extensive federal, state, local and foreign statutes, rules and regulations relating to environmental protection. To comply with these legal requirements, we must spend significant sums on environmental monitoring, pollution control and emission fees.

New environmental laws and regulations affecting our operations, and new interpretations of existing laws and regulations, may be adopted or become applicable to us. For example, the laws governing air emissions from coal-burning plants are being re-interpreted by federal and state authorities. These re-interpretations could result in the imposition of substantially more stringent limitations on these emissions than those currently in effect.

We may not be able to obtain or maintain all environmental regulatory approvals necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted or subjected to additional costs. Further, at some of our older facilities it may be uneconomical for us to install the necessary equipment, which may cause us to shut down those generation units.

***Our business development activities may not be successful and our projects under construction may not commence operation as scheduled, which could increase our costs and impair our ability to recover our investment.***

The acquisition, development and construction of generating facilities involves numerous risks. We may be required to expend significant sums for preliminary engineering, permitting, fuel supply, resource exploration, legal and other expenses in preparation for competitive bids which we may not win or before it can be established whether a project is feasible, economically attractive or capable of being financed. Our success in developing a particular project is contingent upon, among other things, negotiation of satisfactory engineering, construction, fuel supply and power sales contracts, receipt of required governmental permits and timely implementation and satisfactory completion of construction. If we were unable to complete the development of a facility, we would generally not be able to recover our investment in the project.

Currently, we have power plants with 2,140 MW of generation capacity under development or construction and we intend to continue to acquire and develop new, low-cost and efficient electric power generation facilities

in key northeastern and western markets. Successful completion of these facilities is subject to numerous factors, including:

changes in market prices;

our ability to obtain permits and approvals and comply with applicable regulations;

availability and timely delivery of gas turbine generators and other equipment;

unforeseen engineering problems;

construction delays and contractor performance shortfalls;

shortages and inconsistent quality of equipment, material and labor;

work stoppages;

adverse weather conditions;

environmental and geological conditions; and

unanticipated cost increases.

Any of these factors could give rise to delays, cost overruns or the termination of expansion, construction or development. The failure to complete construction according to specifications and on time can result in cost overruns, liabilities, reduced plant efficiency, higher operating and other costs and reduced earnings.

***Our investments and projects located outside of the United States expose us to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. These risks may delay or reduce our realization of value from our international projects.***

We have operations outside of the United States. The acquisition, financing, development and operation of projects outside the United States entail significant financial risks, which vary by country, including:

changes in foreign laws or regulations relating to foreign operations, including tax laws and regulations;

changes in United States laws related to foreign operations, including tax laws and regulations;

changes in government policies, personnel or approval requirements;

changes in general economic conditions affecting each country;

changes in labor relations in foreign operations;

limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;

limitations on ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;

fluctuations in currency exchange rates and difficulty in converting our foreign funds to U.S. dollars, which can increase our expenses and/or impair our ability to meet such expenses, and difficulty moving funds out of the country in which the funds were earned;

limitations on ability to import or export property and equipment;

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compliance with United States foreign corrupt practices laws;

political instability and civil unrest; and

expropriation and confiscation of assets and facilities.

Our international operations are subject to regulation by various foreign governments and regulatory authorities. The laws and regulations of some countries may limit our ability to hold a majority interest in some of the projects that we may develop or acquire, thus limiting our ability to control the development, construction and operation of those projects. In addition, the legal environment in foreign countries in which we currently own assets or projects or may develop projects in the future could make it more difficult for us to enforce our rights under agreements relating to such projects. Our international projects may also be subject to risks of being

delayed, suspended or terminated by the applicable foreign governments or may be subject to risks of contract invalidation by commercial or governmental entities.

Despite contractual protections we have against many of these risks for our international operations or potential investments in the future, our actual results and the value of our investment may be adversely affected by the occurrence of any of these events.

Many of the countries in which we operate have adopted programs to encourage private investment and competition in the electric industry. However, some of these restructured markets have experienced disruption. Companhia Energética de Maranhão, or CEMAR, which is our electricity distribution subsidiary in Brazil, operates under a 30-year concession agreement with the Brazilian government. CEMAR has been impacted by shortages of electricity, government imposed electricity rationing, substantial disruption in the energy markets, and the failure of the electricity regulator to adequately address these problems. As a result, CEMAR's results of operations, cash flows, and ability to meet its financial obligations have deteriorated. We have determined that the long-term viability of the CEMAR operation is jeopardized and expect to record impairment losses for the entire amount of the investment. In 2001, we recorded impairment losses of \$217 million. We did not write-off the remaining portion of our CEMAR investment, approximately \$100 million at December 31, 2001, primarily related to our foreign currency translation adjustment, or CTA, balance, because accounting guidance prohibits the including of CTA in an impairment calculation where the assets are not held for disposal. We have been working with CEMAR's creditors and governmental authorities in Brazil on a plan to return the company to financial stability. That plan included our request for a rate increase review, which Brazilian regulators denied in early June 2002. We viewed the rate-increase review as a critical step in restoring CEMAR to financial stability. We are now considering a narrowing range of options to maximize the value of CEMAR, but we have not yet made a decision to exit the investment. Should we make such an exit decision, we would again assess impairment of the investment and would, most likely, record an additional impairment for the CTA balance, reduced by any operating losses recorded through the date of the impairment.

#### **Risks Related to Our Corporate and Financial Structure**

*Our cash flow, ability to pay dividends and ability to meet debt obligations largely depend on the performance of our subsidiaries and affiliates, some of which we do not control.*

PPL Corporation is a holding company and conducts its operations primarily through subsidiaries. Substantially all of PPL Corporation's consolidated assets are held by such subsidiaries. Accordingly, PPL Corporation's cash flow, its ability to pay dividends on its capital stock and its ability to meet its obligations under the Securities Guarantees are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to PPL Corporation in the form of dividends, loans or advances or repayment of loans and advances from PPL Corporation. The subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on any Securities (except for the Securities issued by such subsidiaries) or to make any funds available for such payment.

Because PPL Corporation is a holding company, its obligations under the Securities Guarantees will be effectively subordinated to all existing and future liabilities of its subsidiaries. Therefore, PPL Corporation's rights and the rights of its shareholders and creditors, including rights of a holder of any Security under a Securities Guarantee, to participate in the assets of any subsidiary in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors. To the extent that PPL Corporation may itself be a creditor with recognized claims against any such subsidiary, PPL Corporation's claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary and would be subordinated to any indebtedness or other liabilities of the subsidiary senior to that held by PPL Corporation. Although certain agreements to which PPL Corporation and its subsidiaries are parties limit the ability to incur additional indebtedness, PPL Corporation and its subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities.

The debt agreements of some of our subsidiaries and affiliates restrict their ability to pay dividends, make distributions or otherwise transfer funds to us prior to the payment of other obligations, including operating expenses, debt service and reserves. Further, if we elect to receive distributions of earnings from our foreign



operations, we may incur United States taxes, net of any available foreign tax credits, on such amounts. Distributions to us from our international projects are, in some countries, also subject to withholding taxes.

#### **FORWARD-LOOKING INFORMATION**

Certain statements included or incorporated by reference in this prospectus, including statements with respect to future earnings, energy supply and demand, costs, subsidiary performance, growth, new technology, project development, energy and fuel prices and generating capacity and performance, are forward-looking statements within the meaning of the federal securities laws. Although we believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in the Risk Factors section herein and our reports that are incorporated herein by reference, the following are among the most important factors that could cause actual results to differ materially from the forward-looking statements:

- market demand and prices for energy, capacity and fuel;
- weather variations affecting customer energy usage;
- competition in retail and wholesale power markets;
- the effect of any business or industry restructuring;
- profitability and liquidity;
- new accounting requirements or new interpretations or applications of existing requirements;
- operation of existing facilities and operating costs;
- the development of new projects, markets and technologies;
- the performance of new ventures;
- political, regulatory or economic conditions in states, regions or countries where we or our subsidiaries conduct business;
- receipt and renewals of necessary governmental permits and approvals;
- capital markets conditions and decisions regarding our capital structure;
- stock price performance;
- our or any of our subsidiaries' securities ratings;
- foreign exchange rates;
- commitments and liabilities;
- state and federal regulatory developments;
- new state or federal legislation;

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national or regional economic conditions, including any potential effects arising from the September 11, 2001 terrorist attacks in the United States, and any consequential hostilities;

environmental conditions and requirements; and

system conditions and operating costs.

Any such forward-looking statements should be considered in light of such important factors.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all of such factors, or the extent to

which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update the information contained in such statement to reflect subsequent developments or information.

## PPL CORPORATION

PPL Corporation ( PPL ) is a holding company and is engaged, through subsidiaries, in power generation and marketing primarily in the northeastern and western United States, and in the delivery of electricity in Pennsylvania, the United Kingdom and Latin America. We are a Pennsylvania corporation, incorporated in 1995, with headquarters in Allentown, Pennsylvania.

At March 31, 2002, we owned or controlled, through subsidiaries, 10,280 MW of electric power generation capacity, and we intend to continue to acquire and develop new, low-cost and efficient electric power generation facilities in key northeastern and western markets. At March 31, 2002, we were constructing or developing new electric power projects in Arizona, Illinois, New York and Pennsylvania representing an additional 2,140 MW of power generation capacity. When we refer to MW in this prospectus, we mean net megawatts with respect to generation capacity that is currently in operation, and we mean gross megawatts with respect to generation capacity that is in development.

We market wholesale and retail energy primarily in the northeastern and western portions of the United States, deliver electricity to approximately 6 million customers in Pennsylvania, the United Kingdom and Latin America, and provide energy-related services to businesses in the mid-Atlantic and northeastern United States.

We operate through two principal lines of business, energy supply and energy delivery.

### Energy Supply

Our generation assets are managed as an integrated portfolio through subsidiaries of PPL Energy Supply, our holding company for our competitive energy businesses, and we coordinate our generation operations with our marketing, trading and risk management activities.

Our principal supply subsidiaries include:

**PPL Generation**, which serves as the holding company for our generation businesses in the United States. At March 31, 2002, PPL Generation owned or controlled a portfolio of domestic power generation assets with a total capacity of 10,280 MW. These power plants are located in Pennsylvania (8,502 MW), Montana (1,157 MW), Arizona (300 MW), Connecticut (225 MW) and Maine (96 MW) and use well-diversified fuel sources including coal, nuclear, natural gas, oil and hydro. Our Pennsylvania generation assets consist primarily of low-cost, baseload facilities and are located in the market-administered PJM, the largest centrally-dispatched power pool in the United States.

**PPL EnergyPlus**, which markets or brokers electricity produced by PPL Generation, along with purchased power and natural gas, in competitive wholesale and retail markets, primarily in the northeastern and western United States. Under two generation supply agreements with PPL Electric which extend through 2009, PPL EnergyPlus also sells electricity to PPL Electric to meet PPL Electric's PLR obligation, as well as PPL Electric's contractual obligations to certain municipalities. In addition, PPL EnergyPlus subsidiaries provide energy-related products and services, such as engineering and mechanical contracting, construction and maintenance services, to commercial and industrial customers.

**PPL Global** holds international energy projects that are primarily focused on the distribution of electricity. PPL Global currently owns and operates electricity delivery businesses primarily in the United Kingdom and Latin America.

## Energy Delivery

We also provide high-quality energy delivery services in the mid-Atlantic regions of the United States through our subsidiaries, PPL Electric and PPL Gas Utilities Corporation.

**PPL Electric**, incorporated in 1920, is a regulated public utility providing electricity delivery services to approximately 1.3 million customers in eastern and central Pennsylvania. PPL Electric also serves as the PLR for electric customers in its service territory who have not selected an alternate supplier under the Customer Choice Act.

**PPL Gas Utilities** is a holding company with regulated public utility subsidiaries providing natural gas and propane delivery services to approximately 103,000 customers in Pennsylvania and Maryland.

Our significant operating subsidiaries are depicted below:

The information above concerning PPL Corporation and its subsidiaries is only a summary and does not purport to be comprehensive. For additional information concerning PPL Corporation and its subsidiaries, including certain assumptions, risks and uncertainties involved in the forward-looking statements contained or incorporated by reference in this prospectus, you should refer to the information described in [Where You Can Find More Information](#).

PPL Corporation's offices are located at Two North Ninth Street, Allentown, Pennsylvania 18101-1179 and its telephone number is (610) 774-5151.

### PPL CAPITAL FUNDING

PPL Capital Funding is a Delaware corporation and a wholly-owned subsidiary of PPL Corporation. PPL Capital Funding's primary business is to provide financing for the operations of PPL Corporation and its subsidiaries.

PPL Capital Funding's offices are located at Two North Ninth Street, Allentown, Pennsylvania 18101-1179 and its telephone number is (610) 774-5151.

### PPL CAPITAL FUNDING TRUST II

The Trust is a statutory business trust created under Delaware law under a trust agreement which is to be amended pursuant to an Amended and Restated Trust Agreement (as so amended, the [Trust Agreement](#)) among PPL Corporation, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) as the Property Trustee, Chase Manhattan Bank USA, National Association, as Delaware Trustee and two of our employees as Administrative Trustees. The Trust exists only to issue and sell its Preferred Trust Securities and Common Trust Securities, to acquire and hold the Subordinated Debt Securities as trust assets and to engage in activities

incidental to the foregoing. All of the Common Trust Securities will be owned by PPL Corporation. The Common Trust Securities will represent at least 3% of the total capital of the Trust. Payments will be made on the Common Trust Securities *pro rata* with the Preferred Trust Securities, except that the Common Trust Securities' right to payment will be subordinated to the rights of the Preferred Trust Securities if there is a default under the Trust Agreement resulting from an event of default under the Subordinated Indenture, as defined below. The Trust has a term of approximately 40 years, but may dissolve earlier as provided in the Trust Agreement. The Trust's business and affairs will be conducted by its Administrative Trustees, as set forth in the Trust Agreement. The office of the Delaware Trustee in the State of Delaware is 500 Stanton Christiana Road, Building 4, 3rd Floor, Newark, Delaware 19713. The Trust's offices are located at Two North Ninth Street, Allentown, PA 18101-1179, and the telephone number is (610) 774-5151.

**USE OF PROCEEDS**

Unless we indicate differently in the applicable prospectus supplement, the net proceeds from the sale of the Debt Securities, Subordinated Debt Securities and/or the Preferred Trust Securities will be loaned to PPL Corporation and/or its subsidiaries. PPL Corporation and/or its subsidiaries are expected to use the proceeds of such loans, and the proceeds of any other Securities, for general corporate purposes, including investing in unregulated business activities and retiring short-term debt previously incurred to provide interim financing for such purposes. At May 15, 2002, PPL Corporation had \$150 million of short-term debt outstanding at an average interest rate of 2%.

**RATIOS OF EARNINGS TO FIXED CHARGES AND**

**EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS**

The following table sets forth PPL Corporation's ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred dividends for the periods indicated:

	Twelve Months Ended March 31,	Twelve Months Ended December 31,				
	2002	2001(a)	2000(a)	1999(a)	1998(a)	1997
Ratio of earnings to fixed charges	1.5	1.8	2.6	2.8	3.1	2.9
Ratio of earnings to fixed charges and preferred dividends(b)	1.5	1.8	2.6	2.8	3.1	2.9

(a) 2001, 2000, 1999 and 1998 net income excludes extraordinary items, minority interest and the cumulative effect of a change in accounting principle. In addition, the changes in ratios from year-to-year are in part attributable to certain unusual items with significant earnings impact. See PPL Corporation's reports on file with the SEC pursuant to the Exchange Act as described under "Where You Can Find More Information" for more information.

(b) Computed using earnings and fixed charges of PPL Corporation and its subsidiaries. Fixed charges consist of interest on short-and long-term debt, interest on company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely subsidiary company debentures, other interest charges, interest on capital lease obligations and the estimated interest component of other rentals and dividends on preferred stock of subsidiaries.

**DESCRIPTION OF PPL CORPORATION'S CAPITAL STOCK**

The description below is a summary of certain provisions of PPL Corporation's capital stock. The Pennsylvania Business Corporation Law, or BCL, and the Restated Articles of Incorporation and Bylaws of PPL Corporation determine the rights and privileges of holders of PPL Corporation's capital stock. We encourage you to read such documents, which have been filed with the SEC, and the Pennsylvania law for more information regarding such capital stock.

## Authorized Capital

The authorized capital stock of PPL Corporation consists of 390,000,000 shares of Common Stock, par value \$.01 per share and 10,000,000 shares of Preferred Stock, par value \$.01 per share.

## Common Stock

As of March 31, 2002, 147,142,007 shares of Common Stock were issued and outstanding. The outstanding Common Stock is, and the Common Stock offered hereby when issued and paid for will be, fully paid and non-assessable.

*Dividends.* Dividends on the Common Stock will be paid if, when and as determined by the Board of Directors of PPL Corporation out of funds legally available for this purpose. The rate and timing of future dividends will depend upon the future earnings and financial condition of PPL Corporation and its subsidiaries and upon other relevant factors affecting PPL Corporation's dividend policy which PPL Corporation cannot presently determine. As a practical matter, the ability of PPL Corporation to pay dividends will be governed by the ability of PPL Corporation's operating subsidiaries to pay dividends to PPL Corporation. The subsidiaries' ability to pay dividends to PPL Corporation will be subject to the prior rights of the holders of such subsidiaries' outstanding debt and preferred securities, the availability of earnings and the needs of their businesses.

*Voting Rights.* Holders of Common Stock are entitled to one vote for each share held by them on all matters presented to shareowners. Pursuant to PPL Corporation's Articles of Incorporation, the holders of Common Stock will not have cumulative voting rights in the election of directors. PPL Corporation's bylaws provide for a classified board of directors consisting of three classes as nearly equal in number as may be. Each class holds office until the third year following the election of such class, and no director may be removed except for cause upon a two-thirds vote of all outstanding shares. PPL Corporation's bylaws also provide for certain notice requirements for shareowner nominations and proposals at annual meetings and preclude shareowners from bringing business before any special meeting. PPL Corporation's Articles of Incorporation and certain provisions of Pennsylvania law would require a supermajority vote of the holders of Common Stock or a majority vote of disinterested directors to approve certain business combinations and other major transactions involving PPL Corporation. See Possible Anti-Takeover Effects of the Articles and Bylaws below for additional information.

*Liquidation Rights.* After satisfaction of the preferential liquidation rights of any Preferred Stock, the holders of Common Stock are entitled to share, ratably, in the distribution of all remaining net assets.

*Preemptive and Other Rights.* The holders of Common Stock do not have preemptive rights as to additional issues of Common Stock or conversion rights. The shares of Common Stock are not subject to redemption or to any further calls or assessments and are not entitled to the benefit of any sinking fund provisions.

## Preferred Stock

PPL Corporation's Board of Directors is authorized, without further shareowner action, to divide the Preferred Stock into one or more classes or series and to determine the designations, preferences, limitations and special rights of any class or series including, but not limited to, the following:

- (a) the rate of dividend, if any;
- (b) the rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, dissolution or winding up of PPL Corporation;
- (c) the terms and conditions upon which shares may be converted into shares of other series or other capital stock, if issued with the privilege of conversion;
- (d) the price at and the terms and conditions upon which shares may be redeemed; and
- (e) the voting rights, if any.

No shares of Preferred Stock have been issued. The applicable prospectus supplement will describe the terms of any Preferred Stock.

Unless otherwise provided in the applicable prospectus supplement, holders of Preferred Stock will not have any preemptive rights to subscribe for or purchase any additional shares of the capital stock of PPL Corporation, or other securities or other right or option to purchase shares of capital stock. See Possible Anti-Takeover Effects of Certain Provisions of the Articles and Bylaws below for additional information.

#### **Possible Anti-Takeover Effects of the Articles and Bylaws**

Certain provisions of the Articles and Bylaws may have the effect of discouraging unilateral tender offers or other attempts to takeover and acquire the business of PPL Corporation. As permitted by the BCL, our Articles and Bylaws

- (a) do not provide for cumulative voting in the election of directors,
- (b) restrict shareholders from bringing any business before a special meeting of shareowners,
- (c) require prior written notice of any business to be brought by a shareowner before the annual meeting and
- (d) require advance notice for shareowner nominations for directors.

In addition, the Articles and Bylaws authorize the Board of Directors to create and issue a new class or series of preferred stock, provide for a classified Board of Directors, and include certain fair price provisions and super-majority voting requirements relating to business combinations, removal of directors and amendments to the Articles and Bylaws. These provisions in our Articles and Bylaws may limit the ability of individuals to bring matters before shareowner meetings, change the composition of the Board of Directors and pursue a merger, takeover, business combination or tender offer involving PPL Corporation, which, under certain circumstances, could encourage a potentially interested purchaser to negotiate with the Board of Directors rather than pursue a non-negotiated takeover attempt, including one which shareowners might favor, and could reduce the market value of our common stock.

#### **Listing**

The outstanding shares of Common Stock are, and the shares offered hereby will be, listed on the New York and Philadelphia Stock Exchanges.

#### **Transfer Agents and Registrars**

The Transfer Agents and Registrars for the Common Stock are PPL Services Corporation and Wells Fargo Bank Minnesota, N.A., St. Paul, Minnesota.

#### **DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS**

PPL Corporation may issue Stock Purchase Contracts representing contracts obligating holders to purchase from PPL Corporation, and PPL Corporation to sell to the holders, a specified number of shares of Common Stock at a future date or dates. The price per share of Common Stock and number of shares of Common Stock may be fixed at the time the Stock Purchase Contracts are issued or may be determined by reference to a specific formula set forth in the Stock Purchase Contracts. The Stock Purchase Contracts may be issued separately or as a part of other Stock Purchase Units that consist of (a) a Stock Purchase Contract or (b) a Stock Purchase Contract and debt securities or preferred trust securities of third parties (including, but not limited to, Debt Securities, Subordinated Debt Securities, Preferred Trust Securities or United States Treasury securities), that would secure the holders' obligations to purchase the Common Stock under the Stock Purchase Contracts. The Stock Purchase Contracts may require PPL Corporation to make periodic payments to the holders of the Stock Purchase Units or vice-versa. These payments may be unsecured or prefunded on some basis. The Stock Purchase Contracts may require holders to secure their obligations thereunder in a specified manner.

The applicable prospectus supplement will describe the terms of any Stock Purchase Contracts or Stock Purchase Units.

### DESCRIPTION OF THE DEBT SECURITIES

The following description sets forth certain general terms and provisions of PPL Capital Funding's unsecured debt securities, consisting of notes or debentures, that we may offer by this prospectus ( "Debt Securities" ). We will describe the particular terms of Debt Securities, and provisions that vary from those described below, in one or more prospectus supplements.

We may issue the Debt Securities from time to time in the future in one or more series. We will issue the Debt Securities and the guarantee or guarantees of PPL Corporation relating thereto (the "Guarantee" or "Guarantees" ) under the Indenture, dated as of November 1, 1997 (as such indenture has been and may be supplemented, the "Indenture" ), among PPL Capital Funding, PPL Corporation and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee" ).

The Indenture is filed as an exhibit to the registration statement. The Indenture and its associated documents contain the full legal text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the Debt Securities or the Indenture. This summary is subject to and qualified in its entirety by reference to all the provisions of the Indenture, including definitions of certain terms used in the Indenture. We also include references in parentheses to certain sections of the Indenture. Whenever we refer to particular sections or defined terms of the Indenture in this prospectus or in a prospectus supplement, such sections or defined terms are incorporated by reference herein or in the prospectus supplement. This summary also is subject to and qualified by reference to the description of the particular terms of your securities described in the applicable prospectus supplement or supplements. The Indenture has been qualified under the Trust Indenture Act, and you should refer to the Trust Indenture Act for provisions that apply to the Debt Securities.

#### General

We may issue an unlimited amount of Debt Securities or other securities under the Indenture. The Debt Securities and all other debt securities issued previously or hereafter under the Indenture are collectively referred to herein as the "Indenture Securities".

The Debt Securities will be unsecured and unsubordinated obligations of PPL Capital Funding, and by the Guarantees will be unconditionally guaranteed by PPL Corporation as to payment of principal and any interest and premium. See "PPL Corporation Guarantees".

Prior to the issuance of each series, certain aspects of the particular Debt Securities have to be specified in a supplemental indenture, in a board resolution of PPL Capital Funding, or in one or more officer's certificates of PPL Capital Funding pursuant to a supplemental indenture or a board resolution. We refer you to the applicable prospectus supplement(s) for a description of the following terms of the series of Debt Securities:

- (a) the title of such Debt Securities;
- (b) any limit upon the principal amount of such Debt Securities;
- (c) the date or dates on which principal will be payable or how to determine such dates;
- (d) the rate or rates or method of determination of interest; the date from which interest will accrue; the dates on which interest will be payable ( "Interest Payment Dates" ); and any record dates for the interest payable on such Interest Payment Dates;
- (e) any obligation or option of PPL Capital Funding to redeem, purchase or repay Debt Securities, or any option of the Holder to require PPL Capital Funding to redeem or repurchase Debt Securities, and the terms and conditions upon which such Debt Securities will be redeemed, purchased or repaid;
- (f) the denominations in which such Debt Securities will be issuable (if other than denominations of \$1,000 and any integral multiple thereof);



(g) whether such Debt Securities are to be issued in whole or in part in the form of one or more global Debt Securities and, if so, the identity of the depositary for such global Debt Securities; and

(h) any other terms of such Debt Securities.  
(See Section 301.)

### **PPL Corporation Guarantees**

PPL Corporation will unconditionally guarantee the payment of principal of and any interest and premium on the Debt Securities, when due and payable, whether at the stated maturity date, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of such Debt Securities and the Indenture. The Guarantees will remain in effect until the entire principal of and any premium and interest on the Debt Securities has been paid in full or otherwise discharged in accordance with the provisions of the Indenture. (See Article Fourteen.) The Guarantees will be unsecured debt of PPL Corporation, not subordinated by their terms to any other obligations of PPL Corporation. See Risk Factors Risks Related to Our Corporate and Financial Structure, above, however, with regard to the effect of the holding company structure on the status of PPL Corporation's obligations compared to obligations of its subsidiaries.

### **Payment of Debt Securities**

#### ***Interest***

Unless we indicate differently in a prospectus supplement, we will pay interest on each Debt Security on each Interest Payment Date by check mailed to the person in whose name such Debt Security is registered (the registered holder of any Indenture Security being called a Holder in this prospectus) as of the close of business on the regular record date relating to such Interest Payment Date, *except* that interest payable at maturity (whether at stated maturity, upon redemption or otherwise, Maturity ) will be paid to the person to whom principal is paid.

However, if we default in paying interest on a Debt Security, we will pay defaulted interest in either of the two following ways:

(a) We will first propose to the Trustee a payment date for such defaulted interest. Next, the Trustee will choose a Special Record Date for determining which Holders are entitled to the payment. The Special Record Date will be between 10 and 15 days before the payment date we propose. Finally, we will pay such defaulted interest on the payment date to the Holder of the Debt Security as of the close of business on the Special Record Date.

(b) Alternatively, we can propose to the Trustee any other lawful manner of payment that is consistent with the requirements of any securities exchange on which such Debt Securities are listed for trading. If the Trustee thinks the proposal is practicable, payment will be made as proposed.  
(See Section 307.)

#### ***Principal***

Unless we indicate differently in a prospectus supplement, we will pay principal of and any interest and premium on the Debt Securities at Maturity upon presentation of the Debt Securities at the office of JPMorgan Chase Bank in New York, New York, as our Paying Agent. Any other Paying Agent initially designated for the Debt Securities of a particular series will be named in the applicable prospectus supplement.

In our discretion, we may change the place of payment on the Debt Securities, and may remove any Paying Agent and may appoint one or more additional Paying Agents (including PPL Capital Funding, PPL Corporation or any affiliate of either of them). (See Section 602.)

## Form; Transfers; Exchanges

Unless otherwise indicated in a prospectus supplement, the Debt Securities will be issued:

- (a) only in fully registered form;
- (b) without interest coupons; and
- (c) in denominations that are integral multiples of \$1,000. (See Section 302.)

You may have your Debt Securities divided into Debt Securities of smaller denominations (of at least \$1,000) or combined into Debt Securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may exchange or transfer Debt Securities at the office of the Trustee. The Trustee acts as our agent for registering Debt Securities in the names of holders and transferring debt securities. We may appoint another agent or act as our own agent for this purpose. The entity performing the role of maintaining the list of registered holders is called the Security Registrar. It will also perform transfers.

In our discretion, we may change the place for registration of transfer of the Debt Securities and may remove and/or appoint one or more additional Security Registrars (including PPL Capital Funding, PPL Corporation or any affiliate of either of them). (See Sections 305 and 602.)

Except as otherwise provided in a prospectus supplement, there will be no service charge for any transfer or exchange of the Debt Securities, but you may be required to pay a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We may block the transfer or exchange of (a) Debt Securities during a period of 15 days prior to giving any notice of redemption or (b) any Debt Security selected for redemption in whole or in part, except the unredeemed portion of any Debt Security being redeemed in part. (See Section 305.)

## Redemption

We will set forth any terms for the redemption of Debt Securities in a prospectus supplement. Unless we indicate differently in a prospectus supplement, and except with respect to Debt Securities redeemable at the option of the Holder, Debt Securities will be redeemable upon notice by mail between 30 and 60 days prior to the redemption date. If less than all of the Debt Securities of any series or any tranche thereof are to be redeemed, the Trustee will select the Debt Securities to be redeemed. In the absence of any provision for selection, the Trustee will choose a method of random selection as it deems fair and appropriate. (See Sections 403 and 404.)

Debt Securities will cease to bear interest on the redemption date. PPL Capital Funding will pay the redemption price and any accrued interest once you surrender the Debt Security for redemption. (See Section 405.) If only part of a Debt Security is redeemed, the Trustee will deliver to you a new Debt Security of the same series for the remaining portion without charge. (Section 406.)

We may make any redemption at the option of PPL Capital Funding conditional upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price. If the Paying Agent has not received such money by the date fixed for redemption, PPL Capital Funding will not be required to redeem such Debt Securities. (See Section 404.)

## Events of Default

An Event of Default occurs with respect to Indenture Securities of any series if

- (a) we do not pay any interest on any Indenture Securities of the applicable series within 30 days of the due date;
- (b) we do not pay principal or premium on any Indenture Securities of the applicable series on its due date;

(c) we remain in breach of a covenant (excluding covenants solely applicable to a specific series) or warranty of the Indenture for 90 days after we receive a written notice of default stating we are in breach and requiring remedy of the breach; the notice must be sent by either the Trustee or Holders of 25% of the principal amount of Indenture Securities of the affected series; the Trustee or such Holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if we are diligently pursuing action to correct the default;

(d) the Guarantees on any Indenture Securities of the applicable series

(1) cease to be effective (except in accordance with their terms),

(2) are found in any judicial proceeding to be unenforceable or invalid, or

(3) are denied or disaffirmed (except in accordance with their terms);

(e) we file for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur; or

(f) any other Event of Default specified in the prospectus supplement occurs.

(See Section 801.)

No Event of Default with respect to the Debt Securities necessarily constitutes an Event of Default with respect to the Indenture Securities of any other series issued under the Indenture.

## Remedies

### *Acceleration*

**Any One Series.** If an Event of Default occurs and is continuing with respect to any one series of Indenture Securities, then either the Trustee or the Holders of 25% in principal amount of the outstanding Indenture Securities of such series may declare the principal amount of all of the Indenture Securities of such series to be due and payable immediately.

**More Than One Series.** If an Event of Default occurs and is continuing with respect to more than one series of Indenture Securities, then either the Trustee or the Holders of 25% in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, may make such declaration of acceleration. Thus, if there is more than one series affected, the action by 25% in principal amount of the Indenture Securities of any particular series will not, in itself, be sufficient to make a declaration of acceleration.

(See Section 802.)

### *Rescission of Acceleration*

After the declaration of acceleration has been made and before the Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

(a) we pay or deposit with the Trustee a sum sufficient to pay

(1) all overdue interest;

(2) the principal of and any premium which have become due otherwise than by such declaration of acceleration and overdue interest thereon;

(3) interest on overdue interest to the extent lawful; and

(4) all amounts due to the Trustee under the Indenture; and

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(b) all Events of Default, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture.  
(See Section 802.) For more information as to waiver of defaults, see Waiver of Default and of Compliance below.

***Control by Holders; Limitations***

Subject to the Indenture, if an Event of Default with respect to the Indenture Securities of any one series occurs and is continuing, the Holders of a majority in principal amount of the outstanding Indenture Securities of that series will have the right to

(a) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee; or

(b) exercise any trust or power conferred on the Trustee with respect to the Indenture Securities of such series.

If an Event of Default is continuing with respect to more than one series of Indenture Securities, the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, will have the right to make such direction, and not the Holders of the Indenture Securities of any one of such series. These rights of Holders to make direction are subject to the following limitations:

(a) the Holders' directions may not conflict with any law or the Indenture; and

(b) the Holders' directions may not involve the Trustee in personal liability where the Trustee believes indemnity is not adequate. The Trustee may also take any other action it deems proper which is consistent with the Holders' direction. (See Sections 812 and 903.)

In addition, the Indenture provides that no Holder of any Indenture Security will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture for the appointment of a receiver or for any other remedy thereunder unless

(a) that Holder has previously given the Trustee written notice of a continuing Event of Default;

(b) the Holders of 25% in aggregate principal amount of the outstanding Indenture Securities of all affected series, considered as one class, have made written request to the Trustee to institute proceedings in respect of that Event of Default and have offered the Trustee reasonable indemnity against costs and liabilities incurred in complying with such request; and

(c) for 60 days after receipt of such notice, the Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of outstanding Indenture Securities of all affected series, considered as one class.

Furthermore, no Holder will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other Holders. (See Sections 807 and 903.)

However, each Holder has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right. (See Sections 807 and 808.)

**Notice of Default**

The Trustee is required to give the Holders of the Indenture Securities notice of any default under the Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an Event of Default of the character specified above in clause (c) under Events of Default, no such notice shall be given to such Holders until at least 75 days after the occurrence thereof. (See Section 902.) The Trust Indenture Act currently permits the Trustee to withhold notices of default (except for certain payment defaults) if the Trustee in good faith determines the withholding of such notice to be in the interests of the Holders.

We will furnish the Trustee with an annual statement as to the compliance by PPL Capital Funding with the conditions and covenants in the Indenture. (See Section 605.)

### **Waiver of Default and of Compliance**

The Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of any series may waive, on behalf of the Holders of all Indenture Securities of such series, any past default under the Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the Indenture that cannot be amended without the consent of the Holder of each outstanding Indenture Security. (See Section 813.)

Compliance with certain covenants in the Indenture or otherwise provided with respect to Indenture Securities may be waived by the Holders of a majority in aggregate principal amount of the affected Indenture Securities, considered as one class. (See Section 606.)

### **Consolidation, Merger and Conveyance of Assets as an Entirety; No Financial Covenants**

Subject to the provisions described in the next paragraph, each of PPL Capital Funding and PPL Corporation will preserve its corporate existence. (See Section 604.)

PPL Capital Funding and PPL Corporation have each agreed not to consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity unless

(a) the entity formed by such consolidation or into which PPL Capital Funding or PPL Corporation, as the case may be, is merged or the entity which acquires or which leases the property and assets of PPL Capital Funding or PPL Corporation, as the case may be, substantially as an entirety is an entity organized and existing under the laws of the United States of America or any State thereof or the District of Columbia, and expressly assumes, by supplemental indenture, the due and punctual payment of the principal, premium and interest on all the outstanding Indenture Securities (or the Guarantees endorsed thereon, as the case may be) and the performance of all of the covenants of PPL Capital Funding or PPL Corporation, as the case may be, under the Indenture; and

(b) immediately after giving effect to such transactions, no Event of Default, and no event which after notice or lapse of time or both would become an Event of Default, will have occurred and be continuing. (See Section 1101.)

The Indenture does not prevent or restrict:

(a) any consolidation or merger after the consummation of which PPL Capital Funding or PPL Corporation would be the surviving or resulting entity; or

(b) any conveyance or other transfer, or lease, of any part of the properties of PPL Capital Funding or PPL Corporation which does not constitute the entirety, or substantially the entirety, thereof. (See Section 1103.)

Neither the Indenture nor the Guarantee contains any financial or other similar restrictive covenants.

### **Modification of Indenture**

**Without Holder Consent.** Without the consent of any Holders of Indenture Securities, PPL Capital Funding, PPL Corporation and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

(a) to evidence the succession of another entity to PPL Capital Funding or PPL Corporation; or

(b) to add one or more covenants of PPL Capital Funding or PPL Corporation or other provisions for the benefit of the Holders of all or any series or tranche of Indenture Securities, or to surrender any right or power conferred upon PPL Capital Funding or PPL Corporation; or

(c) to add any additional Events of Default for all or any series of Indenture Securities; or

(d) to change or eliminate any provision of the Indenture or to add any new provision to the Indenture that does not adversely affect the interests of the Holders; or

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- (e) to provide security for the Indenture Securities of any series; or
- (f) to establish the form or terms of Indenture Securities of any series or tranche or any Guarantees as permitted by the Indenture; or
- (g) to provide for the issuance of bearer securities; or
- (h) to evidence and provide for the acceptance of appointment of a separate or successor Trustee; or
- (i) to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of Indenture Securities; or
- (j) to change any place or places where
  - (1) we may pay principal, premium and interest,
  - (2) Indenture Securities may be surrendered for transfer or exchange, and
  - (3) notices and demands to or upon PPL Capital Funding or PPL Corporation may be served; or
- (k) to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the Holders in any material respect.

If the Trust Indenture Act is amended after the date of the Indenture so as to require changes to the Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the Indenture, the Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and PPL Capital Funding, PPL Corporation and the Trustee may, without the consent of any Holders, enter into one or more supplemental indentures to effect or evidence such amendment.

(See Section 1201.)

**With Holder Consent.** Except as provided above, the consent of the Holders of at least a majority in aggregate principal amount of the Indenture Securities of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding Indenture Securities are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all directly affected series, considered as one class. Moreover, if the Indenture Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the Holders of Indenture Securities of one or more, but less than all, of such tranches, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the Holder of each outstanding Indenture Security directly affected thereby,

- (a) change the stated maturity of the principal or interest on any Indenture Security (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable or change the currency in which any Indenture Security is payable, or impair the right to bring suit to enforce any payment;
- (b) reduce the percentages of Holders whose consent is required for any supplemental indenture or waiver or reduce the requirements for quorum and voting under the Indenture; or
- (c) modify certain of the provisions in the Indenture relating to supplemental indentures and waivers of certain covenants and past defaults.

A supplemental indenture which changes or eliminates any provision of the Indenture expressly included solely for the benefit of Holders of Indenture Securities of one or more particular series or tranches will be deemed not to affect the rights under the Indenture of the Holders of

Indenture Securities of any other series or tranche. (See Section 1202.)



### **Miscellaneous Provisions**

The Indenture provides that certain Indenture Securities, including those for which payment or redemption money has been deposited or set aside in trust as described under Satisfaction and Discharge below, will not be deemed to be outstanding in determining whether the Holders of the requisite principal amount of the outstanding Indenture Securities have given or taken any demand, direction, consent or other action under the Indenture as of any date, or are present at a meeting of Holders for quorum purposes. (See Section 101.)

PPL Capital Funding or PPL Corporation will be entitled to set any day as a record date for the purpose of determining the Holders of outstanding Indenture Securities of any series entitled to give or take any demand, direction, consent or other action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain circumstances, the Trustee also will be entitled to set a record date for action by Holders. If such a record date is set for any action to be taken by Holders of particular Indenture Securities, such action may be taken only by persons who are Holders of such Indenture Securities on the record date. (See Section 104.)

### **Satisfaction and Discharge**

Any Indenture Securities or any portion will be deemed to have been paid for purposes of the Indenture, and at PPL Capital Funding's election, our entire indebtedness will be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than PPL Capital Funding or PPL Corporation), in trust:

(a) money sufficient, or

(b) in the case of a deposit made prior to the maturity of such Indenture Securities, non-redeemable Government Obligations (as defined in the Indenture) sufficient, or

(c) a combination of (a) and (b), which in total are sufficient, to pay when due the principal of, and any premium, and interest due and to become due on such Indenture Securities or portions thereof on and prior to the maturity thereof.

(See Section 701.)

The Indenture will be deemed satisfied and discharged when no Indenture Securities remain outstanding and when we have paid all other sums payable by us under the Indenture. (See Section 702.)

All moneys we pay to the Trustee or any Paying Agent on Debt Securities which remain unclaimed at the end of two years after payments have become due will be paid to or upon the order of PPL Capital Funding. Thereafter, the Holder of such Debt Security may look only to us for payment thereof. (See Section 603.)

### **Resignation and Removal of the Trustee; Deemed Resignation**

The Trustee may resign at any time by giving written notice thereof to us.

The Trustee may also be removed by act of the Holders of a majority in principal amount of the then outstanding Indenture Securities of any series.

No resignation or removal of the Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Indenture.

Under certain circumstances, we may appoint a successor trustee and if the successor accepts, the Trustee will be deemed to have resigned.

(See Section 910).

### **Governing Law**

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The Indenture, the Debt Securities and the Guarantees provide that they are to be governed by and construed in accordance with the laws of the State of New York.

## DESCRIPTION OF THE TRUST SECURITIES

The Trust may issue Preferred Trust Securities and Common Trust Securities under the Trust Agreement. These Trust securities will represent undivided beneficial interests in the assets of the Trust. The Common Trust Securities are not being offered by this prospectus. All of the Common Trust Securities of the Trust will be owned by PPL Corporation. Selected provisions of the Trust Agreement are summarized below. Because this section is a summary, it does not describe every aspect of the Trust Agreement. The form of Trust Agreement was filed with the SEC and you should read the Trust Agreement for provisions that may be important to you. The Trust Agreement will be qualified as an indenture under the Trust Indenture Act. You should also refer to the Trust Indenture Act for provisions that apply to the Preferred Trust Securities. Wherever particular defined terms of the Trust Agreement are referred to, such defined terms are incorporated herein by reference.

### General

The Preferred Trust Securities and Common Trust Securities issued by the Trust will be substantially the same except that, if there is an Event of Default under the Trust Agreement, as described below, that results from an Event of Default under the Subordinated Indenture, the rights of the holders of the Common Trust Securities to payment of distributions and upon liquidation or redemption will be subordinated to the rights of the holders of the Preferred Trust Securities.

PPL Corporation will fully and unconditionally guarantee payments due on the Preferred Trust Securities through a combination of the following:

- (a) PPL Corporation's guarantee of PPL Capital Funding's obligations under the Subordinated Debt Securities (the Subordinated Guarantee);
- (b) the rights of holders of Preferred Trust Securities to enforce those obligations;
- (c) PPL Corporation's agreement to pay the expenses of the Trust; and
- (d) PPL Corporation's guarantee of payments due on the Preferred Trust Securities to the extent of the Trust's assets (the Preferred Trust Securities Guarantee).

The Trust will use the proceeds from the sale of the Preferred Trust Securities and Common Trust Securities to purchase Subordinated Debt Securities from PPL Capital Funding. The Subordinated Debt Securities will be guaranteed by PPL Corporation pursuant to the Subordinated Guarantee described below. The Subordinated Debt Securities will be held in trust for the benefit of holders of the Preferred Trust Securities and Common Trust Securities.

A prospectus supplement relating to the Preferred Trust Securities will include specific terms of those securities and of the Subordinated Debt Securities. For a description of some specific terms that will affect both the Preferred Trust Securities and the Subordinated Debt Securities and your rights under each, see Description of the Subordinated Debt Securities below.

### Distributions

The only income of the Trust available for distribution to the holders of Preferred Trust Securities will be payments on the Subordinated Debt Securities. If neither PPL Capital Funding nor PPL Corporation makes interest payments on the Subordinated Debt Securities, the Trust will not have funds available to pay distributions on Preferred Trust Securities. The payment of distributions, if and to the extent the Trust has sufficient funds available for the payment of such distributions, is guaranteed on a limited basis by PPL Corporation as described under Description of the Preferred Trust Securities Guarantee.

So long as no Event of Default under the Subordinated Indenture has occurred and is continuing, PPL Capital Funding may extend the interest payment period from time to time on the Subordinated Debt Securities for one or more periods. As a consequence, distributions on Preferred Trust Securities would be deferred during any such period. Interest would, however, continue to accrue. During any extended interest period, or for so long

as an Event of Default under the Subordinated Indenture resulting from a payment default or any payment default under the Preferred Trust Securities Guarantee has occurred and is continuing, PPL Corporation may not:

- (a) declare or pay any dividend or distribution on its capital stock, other than dividends paid in shares of capital stock of PPL Corporation;
- (b) redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock;
- (c) pay any principal, interest or premium on, or repay, repurchase or redeem any debt securities that are equal or junior in right of payment with the Subordinated Guarantees; or
- (d) make any payments with respect to any guarantee of debt securities by PPL Corporation if such guarantee is equal or junior in right of payment to the Subordinated Guarantees.

Before an extension period ends, PPL Capital Funding may further extend the interest payment period. No extension period as further extended may exceed 20 consecutive quarters. After any extension period and the payment of all amounts then due, PPL Capital Funding may select a new extended interest payment period. No interest period may be extended beyond the maturity of the Subordinated Debt Securities.

### **Redemption**

Whenever Subordinated Debt Securities are repaid, whether at maturity or earlier redemption, the Property Trustee will apply the proceeds to redeem a like amount of Preferred Trust Securities and Common Trust Securities.

Preferred Trust Securities will be redeemed at the redemption price plus accrued and unpaid distributions with the proceeds from the contemporaneous redemption of Subordinated Debt Securities. Redemptions of the Preferred Trust Securities will be made on a redemption date only if the Trust has funds available for the payment of the redemption price plus accrued and unpaid distributions.

Holders of Preferred Trust Securities will be given not less than 30 nor more than 60 days notice of any redemption. On or before the redemption date, the Trust will irrevocably deposit with the paying agent for Preferred Trust Securities sufficient funds and will give the paying agent irrevocable instructions and authority to pay the redemption price plus accrued and unpaid distributions to the holders upon surrender of their Preferred Trust Securities. Distributions payable on or before a redemption date will be payable to the holders on the record date for the distribution payment. If notice is given and funds are deposited as required, then on the redemption date all rights of holders of the Preferred Trust Securities called for redemption will cease, except the right of the holders to receive the redemption price plus accrued and unpaid distributions, and the Preferred Trust Securities will cease to be outstanding. No interest will accrue on amounts payable on the redemption date. In the event that any date fixed for redemption of Preferred Trust Securities is not a business day, then payment will be made on the next business day, except that, if such business day falls in the next calendar year, then payment will be made on the immediately preceding business day. No interest will be payable because of any such delay. The actual payment date will be considered the date fixed for redemption for purposes of calculating the redemption price plus accrued and unpaid distributions.

Subject to applicable law, including United States federal securities law, PPL Corporation or its affiliates may at any time and from time to time purchase outstanding Preferred Trust Securities by tender, in the open market or by private agreement.

If Preferred Trust Securities are partially redeemed on a redemption date, a corresponding percentage of the Common Trust Securities will be redeemed. The particular Preferred Trust Securities to be redeemed will be selected pro rata not more than 60 days prior to the redemption date by the Property Trustee. The Property Trustee will promptly notify the agent designated under the Trust Agreement for exchange or registration of the Preferred Trust Securities, or Preferred Trust Securities Registrar, in writing of the Preferred Trust Securities selected for redemption and, where applicable, the partial amount to be redeemed.

### **Subordination of Common Trust Securities**

Payment of distributions on, and the redemption price, plus accrued and unpaid distributions, of, the Preferred Trust Securities and Common Trust Securities shall be made pro rata based on the liquidation preference amount of such securities. However, if on any distribution payment date or redemption date an event of default under the Trust Agreement resulting from an event of default under the Subordinated Indenture has occurred and is continuing, no payment on any Common Trust Security shall be made until all payments due on the Preferred Trust Securities have been made. In that case, funds available to the Property Trustee shall first be applied to the payment in full of all distributions on, or the redemption price plus accrued and unpaid distributions of, Preferred Trust Securities then due and payable.

If an event of default under the Trust Agreement results from an event of default under the Subordinated Indenture, the holder of Common Trust Securities cannot take action with respect to the Trust Agreement default until the effect of all defaults with respect to Preferred Trust Securities has been cured, waived or otherwise eliminated. Until the event of default under the Trust Agreement with respect to Preferred Trust Securities has been cured, waived or otherwise eliminated, the Property Trustee shall, to the fullest extent permitted by law, act solely on behalf of the holders of Preferred Trust Securities and not the holders of the Common Trust Securities, and only holders of Preferred Trust Securities will have the right to direct the Property Trustee to act on their behalf.

### **Liquidation Distribution upon Dissolution**

The Trust shall dissolve and shall be liquidated by the Property Trustee on the first to occur of:

- (a) the expiration of the term of the Trust;
- (b) the bankruptcy, dissolution or liquidation of PPL Corporation;
- (c) the redemption of all of the Preferred Trust Securities;
- (d) the entry of an order for dissolution of the Trust by a court of competent jurisdiction; and
- (e) the election of PPL Corporation at any time.

If a dissolution of the Trust occurs, the Trust will be liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be appropriate. If a dissolution of the Trust occurs other than by redemption of all the Preferred Trust Securities, the Property Trustee will provide for the satisfaction of liabilities of creditors, if any, and distribute to each holder of the Preferred Trust Securities and Common Trust Securities a proportionate amount of Subordinated Debt Securities. If a distribution of Subordinated Debt Securities is determined by the Property Trustee not to be practical, holders will be entitled to receive, out of the assets of the Trust after adequate provision for the satisfaction of liabilities of creditors, if any, an amount equal to the aggregate liquidation preference of the Preferred Trust Securities plus accrued and unpaid distributions thereon to the date of payment. If this liquidation distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate liquidation distribution, then the amounts payable by the Trust on the Preferred Trust Securities shall be paid on a pro rata basis. PPL Corporation, as holder of the Common Trust Securities, will be entitled to receive distributions upon any dissolution pro rata with the holders of the Preferred Trust Securities, except that if an Event of Default (or event that, with the lapse of time or giving of notice, would become such an Event of Default) has occurred and is continuing under the Subordinated Indenture, the Preferred Trust Securities will have a preference over the Common Trust Securities.

### Events of Default; Notice

Any one of the following events will be an event of default under the Trust Agreement whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) the occurrence of an Event of Default as described in the Subordinated Indenture;

(b) default by the Trust in the payment of any distribution when it becomes due and payable, and continuation of that default for a period of 30 days;

(c) default by the Trust in the payment of any redemption price, plus accrued and unpaid distributions, of any Preferred Trust Security or Common Trust Security when it becomes due and payable;

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the trustees under the Trust Agreement which is not dealt with above, and the continuation of that default or breach for a period of 90 days after written notice to the Trust and PPL Corporation by the holders of Preferred Trust Securities having at least 25% of the total liquidation preference amount of the outstanding Preferred Trust Securities; or

(e) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust.

Within 90 days after the occurrence of any event of default actually known to the Property Trustee, the Property Trustee shall transmit to the holders of Preferred Trust Securities, PPL Capital Funding, PPL Corporation and the Administrative Trustees notice of any such default, unless that default will have been cured or waived.

A holder of Preferred Trust Securities may directly institute a proceeding to enforce payment when due directly to the holder of the Preferred Trust Securities of the principal of or interest on Subordinated Debt Securities having a principal amount equal to the aggregate liquidation preference amount of the holder's Preferred Trust Securities. The holders of Preferred Trust Securities have no other rights to exercise directly any other remedies available to the holder of the Subordinated Debt Securities unless the trustees under the Trust Agreement fail to do so.

### Removal of Trustees

Unless an event of default under the Subordinated Indenture has occurred and is continuing, the holder of the Common Trust Securities may remove any trustee under the Trust Agreement at any time. If an event of default under the Subordinated Indenture has occurred and is continuing, the holders of a majority of the total liquidation preference amount of the outstanding Preferred Trust Securities may remove the Property Trustee or the Delaware Trustee, or both of them. The holder of the Common Trust Securities may remove any Administrative Trustee at any time. Any resignation or removal of a trustee under the Trust Agreement will take effect only on the acceptance of appointment by the successor trustee.

Holders of Preferred Trust Securities will have no right to appoint or remove the Administrative Trustees of the Trust, who may be appointed, removed or replaced solely by PPL Corporation as the holder of the Common Trust Securities.

### Voting Rights

Except as provided below and under Description of the Preferred Trust Securities Guarantee Amendments and Assignment, and as otherwise required by law or the Trust Agreement, the holders of Preferred Trust Securities will have no voting rights.

While Subordinated Debt Securities are held by the Property Trustee, the Property Trustee will not:

(a) direct the time, method and place to conduct any proceeding for any remedy available to the Subordinated Indenture Trustee, or execute any trust or power conferred on the Subordinated Indenture Trustee with respect to the Subordinated Debt Securities;

(b) waive any past default under the Subordinated Indenture;

(c) exercise any right to rescind or annul a declaration that the principal of all the Subordinated Debt Securities will be due and payable;  
or

(d) consent to any amendment, modification or termination of the Subordinated Indenture or the Subordinated Debt Securities, where that consent will be required;  
without, in each case, obtaining the prior approval of the holders of Preferred Trust Securities having at least a majority of the liquidation preference amount of all outstanding Preferred Trust Securities. Where a consent of each holder of Subordinated Debt Securities affected is required, no consent shall be given by the Property Trustee without the prior consent of each holder of the Preferred Trust Securities affected. The Trustees shall not revoke any action previously authorized or approved by a vote of the holders of Preferred Trust Securities, except pursuant to the subsequent vote of the holders of Preferred Trust Securities. If the Property Trustee fails to enforce its rights under the Subordinated Debt Securities or the Trust Agreement, a holder of the Preferred Trust Securities may institute a legal proceeding directly against PPL Capital Funding or PPL Corporation, as the case may be, to enforce the Property Trustee's rights under the Subordinated Debt Securities or the Trust Agreement without first instituting any legal proceeding against the Property Trustee or anyone else. The Property Trustee shall notify all holders of Preferred Trust Securities of any notice of default received from the Subordinated Indenture Trustee. The Property Trustee shall not take any action approved by the consent of the holders without an opinion of counsel experienced in those matters to the effect that the Trust will not be classified as a publicly traded partnership or an association taxable as a corporation for United States federal income tax purposes on account of that action.

Holders of Preferred Trust Securities may give any required approval at a meeting convened for such purpose or by written consent without prior notice. The Administrative Trustees will give notice of any meeting at which holders of Preferred Trust Securities are entitled to vote.

No vote or consent of the holders of Preferred Trust Securities will be required for the Trust to redeem and cancel Preferred Trust Securities in accordance with the Trust Agreement.

Notwithstanding that holders of Preferred Trust Securities are entitled to vote or consent under any of the circumstances described above, any Preferred Trust Securities that are owned by PPL Capital Funding, PPL Corporation or any affiliate of any of them, shall be treated as if they were not outstanding for purposes of such vote or consent.

#### **Amendments**

The Trust Agreement may be amended from time to time by a majority of the Administrative Trustees and PPL Corporation, without the consent of any holders of Preferred Trust Securities:

(a) to cure any ambiguity, correct inconsistent provisions or make any other provisions with respect to matters or questions arising under the Trust Agreement; or

(b) to change the name of the Trust; or

(c) to modify, eliminate or add to any provisions of the Trust Agreement to the extent necessary to ensure that the Trust will not be classified for United States federal income tax purposes other than as a grantor trust (and not an association taxable as a corporation) at all times that any Preferred Trust Securities and Common Trust Securities are outstanding or to ensure the Trust's exemption from the status of an investment company under the Investment Company Act of 1940.

No amendment described above may materially adversely affect the interests of any holder of Preferred Trust Securities and Common Trust Securities without such holder's consent. Any of the amendments of the Trust Agreement described in paragraph (a) above shall become effective when notice of the amendment is given to the holders of Preferred Trust Securities and Common Trust Securities.

Except as provided below, any provision of the Trust Agreement may be amended by the Administrative Trustees and PPL Corporation with:

(a) the consent of holders of Preferred Trust Securities and Common Trust Securities representing not less than a majority in aggregate liquidation preference amount of the Preferred Trust Securities and Common Trust Securities then outstanding; and

(b) receipt by the trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees in accordance with the amendment will not cause the Trust to be treated as a publicly traded partnership or association taxable as a corporation for federal income tax purposes or affect the Trust's exemption from status of an investment company under the Investment Company Act of 1940.

Each affected holder of Preferred Trust Securities or Common Trust Securities must have consented to any amendment to the Trust Agreement that:

(a) adversely changes the amount or timing of any distribution with respect to Preferred Trust Securities or Common Trust Securities or otherwise adversely affects the amount of any distribution required to be made in respect of Preferred Trust Securities and Common Trust Securities as of a specified date; or

(b) restricts the right of a holder of Preferred Trust Securities or Common Trust Securities to institute suit for the enforcement of any such payment on or after that date.

#### **Form, Exchange and Transfer**

Preferred Trust Securities may be exchanged for other Preferred Trust Securities in any authorized denomination and of like tenor and aggregate liquidation preference.

Subject to the terms of the Trust Agreement, Preferred Trust Securities may be presented for exchange as provided above or for registration of transfer, duly endorsed or accompanied by a duly executed instrument of transfer, at the office of the Preferred Trust Security Registrar. The Administrative Trustees may designate PPL Corporation or PPL Capital Funding or any affiliate of either of them as the Preferred Trust Security Registrar. The Property Trustee will initially act as the Preferred Trust Security Registrar and transfer agent. No service charge will be made for any registration of transfer or exchange of Preferred Trust Securities, but the Preferred Trust Security Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange. A transfer or exchange will be made when the Preferred Trust Security Registrar and Administrative Trustees are satisfied with the documents of title and identity of the person making the request. The Administrative Trustees may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that PPL Corporation will, or will cause the Preferred Trust Security Registrar to, maintain an office or agency in The City of New York where Preferred Trust Securities may be transferred or exchanged.

The Trust will not be required to (1) issue, register the transfer of, or exchange any Preferred Trust Securities during the 15 calendar days before the mailing of a notice of redemption of any Preferred Trust Securities called for redemption and ending at the close of business on the day the notice is mailed or (2) register the transfer of or exchange any Preferred Trust Securities so selected for redemption, in whole or in part, except the unredeemed portion of any Preferred Trust Securities being redeemed in part.

#### **Payment of Preferred Trust Securities and Paying Agent**

Unless we indicate differently in a prospectus supplement, payments in respect of the Preferred Trust Securities will be made on the applicable distribution dates by check mailed to the address of the holder entitled thereto as such address appears on the Preferred Trust Security Registrar. The paying agent shall initially be the Property Trustee and any co-paying agent chosen by the Property Trustee and acceptable to the Administrative Trustees, PPL Capital Funding and PPL Corporation, which may be PPL Corporation or PPL Capital Funding. The paying agent may resign upon 30 days' written notice to the Administrative Trustees, the Property Trustee, PPL Capital Funding and PPL Corporation. In the event that the Property Trustee shall no longer be the paying agent, the Administrative Trustees shall appoint a successor, which shall be a bank, trust company or affiliate of



PPL Corporation acceptable to the Property Trustee, PPL Capital Funding and PPL Corporation to act as paying agent.

### **Duties of the Trustees**

The Delaware Trustee will act as the resident trustee in the State of Delaware and will have no other significant duties. The Property Trustee will hold the Subordinated Debt Securities on behalf of the Trust and will maintain a payment account with respect to the Preferred Trust Securities and Common Trust Securities, and will also act as trustee under the Trust Agreement for the purposes of the Trust Indenture Act.

The Administrative Trustees of the Trust are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that (i) the Trust will not be deemed to be an investment company required to be registered under the Investment Company Act, (ii) the Trust will not be taxed as a corporation, (iii) the Trust will not be classified as other than a grantor trust for United States federal income tax purposes and (iv) the Subordinated Debt Securities will be treated as indebtedness of PPL Capital Funding for United States federal income tax purposes. In this regard, PPL Corporation and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Trust Agreement, that PPL Corporation and the Administrative Trustees determine in their discretion to be necessary or desirable for those purposes, as long as the action does not materially adversely affect the interests of the holders of the Preferred Trust Securities.

### **Miscellaneous**

Holders of the Preferred Trust Securities have no preemptive or similar rights.

### **Governing Law**

The Trust Agreement, the Preferred Trust Securities and the Common Trust Securities provide that they are to be governed by and construed in accordance with the laws of the State of Delaware.

## **DESCRIPTION OF THE PREFERRED TRUST SECURITIES GUARANTEE**

Selected provisions of the Preferred Trust Securities Guarantee that PPL Corporation will execute and deliver for the benefit of the holders of the Preferred Trust Securities are summarized below. Because this section is a summary, it does not describe every aspect of the Preferred Trust Securities guarantee. The form of Preferred Trust Securities Guarantee was filed with the SEC and you should read the Preferred Trust Securities Guarantee for provisions that may be important to you. The Preferred Trust Securities Guarantee will be qualified as an indenture under the Trust Indenture Act. You should refer to the Trust Indenture Act for provisions that apply to the Preferred Trust Securities Guarantee. Whenever particular defined terms of the Preferred Trust Securities Guarantee are referred to, those defined terms are incorporated herein by reference.

JPMorgan Chase Bank will act as Guarantee Trustee under the Preferred Trust Securities Guarantee. The Guarantee Trustee will hold the Preferred Trust Securities Guarantee for the benefit of the holders of the Preferred Trust Securities.

### **General**

PPL Corporation will irrevocably, fully and unconditionally agree to make the guarantee payments listed below in full to the holders of the Preferred Trust Securities if they are not made by the Trust, as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert. The Common Trust Securities are also guaranteed by PPL Corporation and payments will be made under the guarantee to the holders of the Common Trust Securities and Preferred Trust Securities on a pro rata basis. However, if an Event of Default occurred or is occurring, the rights of the holders of the Common Trust Securities will be subordinate to

the right of the holders of the Preferred Trust Securities to receive payment under the guarantee. The following payments will be subject to the Preferred Trust Securities Guarantee (without duplication):

(a) any accrued and unpaid distributions required to be paid on Preferred Trust Securities, to the extent the Trust has funds available therefor;

(b) the redemption price, plus all accrued and unpaid distributions, for any Preferred Trust Securities called for redemption by the Trust, to the extent the Trust has funds available therefor; and

(c) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (except in connection with the distribution of Subordinated Debt Securities to the holders in exchange for Preferred Trust Securities as provided in the Trust Agreement or upon a redemption of all of the Preferred Trust Securities upon maturity or redemption of the Subordinated Debt Securities as provided in the Trust Agreement), the lesser of:

(1) the aggregate of the liquidation preference and all accrued and unpaid distributions on Preferred Trust Securities to the date of payment, to the extent the Trust has funds available therefor; and

(2) the amount of assets of the Trust remaining available for distribution to holders of Preferred Trust Securities in liquidation of the Trust after satisfaction of liabilities to creditors of the Trust as required by applicable law.

PPL Corporation's obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by PPL Corporation to the holders of Preferred Trust Securities or by causing the Trust to pay such amounts to those holders.

The Preferred Trust Securities Guarantee will be a guarantee with respect to the Preferred Trust Securities, but will not apply to any payment of distributions if and to the extent that the Trust does not have funds available to make those payments.

If neither PPL Capital Funding nor PPL Corporation makes interest payments on the Subordinated Debt Securities held by the Trust, the Trust will not have funds available to pay distributions on the Preferred Trust Securities. The Preferred Trust Securities Guarantee will rank subordinate and junior in right of payment to all other liabilities of PPL Corporation (except those made *pari passu* or subordinate by their terms). The Preferred Trust Securities Guarantee does not limit PPL Corporation from incurring or issuing additional debt, whether secured or unsecured, senior to or equal in right of payment to the Preferred Trust Securities Guarantee in the future.

PPL Corporation will agree to provide funds to the Trust as needed to pay costs, expenses or liabilities of the Trust to parties other than holders of Preferred Trust Securities or Common Trust Securities. The Subordinated Debt Securities, the Subordinated Guarantees and the Preferred Trust Securities Guarantee, together with the obligations of PPL Corporation with respect to the Preferred Trust Securities under the Subordinated Indenture, the Trust Agreement, the Preferred Trust Securities Guarantee, including the agreement by PPL Corporation to pay expenses and obligations of the Trust to parties (other than holders of Preferred Trust Securities or Common Trust Securities), constitute a full and unconditional guarantee of the Preferred Trust Securities by PPL Corporation. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes that guarantee. It is only the combined operation of these documents that has the effect of providing a full and unconditional guarantee by PPL Corporation of the Preferred Trust Securities.

#### **Amendments and Assignment**

No consent of holders of Preferred Trust Securities is required for changes to the Preferred Trust Securities Guarantee that do not materially adversely affect their rights. Other terms of the Preferred Trust Securities Guarantee may be changed only with the prior approval of the holders of the Preferred Trust Securities having at least a majority of the liquidation preference amount of the outstanding Preferred Trust Securities. All guarantees and agreements contained in the Preferred Trust Securities Guarantee will bind the successors, assigns, receivers,

trustees and representatives of PPL Corporation and will inure to the benefit of the holders of the Preferred Trust Securities then outstanding.

#### **Events of Default**

An event of default under the Preferred Trust Securities Guarantee will occur if PPL Corporation fails to perform any of its payment or other obligations under the Preferred Trust Securities Guarantee and has not cured such failure within 90 days of receipt of notice thereof. The holders of the Preferred Trust Securities having a majority of the liquidation preference of the Preferred Trust Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee under the Preferred Trust Securities Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Preferred Trust Securities Guarantee.

Any holder of the Preferred Trust Securities may enforce the Preferred Trust Securities Guarantee, or institute a legal proceeding directly against PPL Corporation to enforce the Guarantee Trustee's rights under the Preferred Trust Securities Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or anyone else.

PPL Corporation will be required to file an annual statement with the Guarantee Trustee as to its compliance with the Preferred Trust Securities Guarantee.

#### **Duties of the Guarantee Trustee**

The Guarantee Trustee will undertake to perform only those duties specifically set forth in the Preferred Trust Securities Guarantee until a default occurs. After a default under the Preferred Trust Securities Guarantee, the Guarantee Trustee must exercise the same degree of care in its duties as a prudent individual would exercise in the conduct of his or her own affairs. The Preferred Trust Securities Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Preferred Trust Securities Guarantee at the request of any holder of the Preferred Trust Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that it might incur.

#### **Termination of the Preferred Trust Securities Guarantee**

The Preferred Trust Securities Guarantee will terminate and be of no further force and effect upon:

(a) full payment of the redemption price, plus accrued and unpaid distributions, for all the Preferred Trust Securities;

(b) the distribution of Subordinated Debt Securities to holders of the Preferred Trust Securities in exchange for all of the Preferred Trust Securities; or

(c) full payment of the amounts payable upon liquidation of the Trust.

The Preferred Trust Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Preferred Trust Securities must restore payment of any sums paid under the Preferred Trust Securities or the Preferred Trust Securities Guarantee.

#### **Status of the Preferred Trust Securities Guarantee**

The Preferred Trust Securities Guarantee will be an unsecured obligation of PPL Corporation and will rank:

(a) subordinate and junior in right of payment to all other liabilities of PPL Corporation, including the Subordinated Guarantees;

(b) equal in right of payment with the most senior preferred or preference stock that may be issued by PPL Corporation and with any guarantee that may be entered into by PPL Corporation in respect of any preferred or preference stock of any affiliate of PPL Corporation; and

(c) senior to PPL Corporation common stock.

The Trust Agreement provides that by accepting Preferred Trust Securities, a holder agrees to the subordination provisions and other terms of the Preferred Trust Securities Guarantee.

The Preferred Trust Securities Guarantee will be a guarantee of payment and not of collection, that is, the guaranteed party may institute a legal proceeding directly against PPL Corporation to enforce its rights under the Preferred Trust Securities Guarantee without first instituting a legal proceeding against anyone else.

Because PPL Corporation is a holding company that conducts all of its operations through subsidiaries, obligations under the Preferred Trust Securities Guarantee, as obligations of a holding company, will generally have a position junior to claims of creditors and preferred stockholders of the subsidiaries of PPL Corporation.

### **Governing Law**

The Preferred Trust Securities Guarantee provides that it is to be governed by and construed in accordance with the laws of the State of New York.

### **DESCRIPTION OF THE SUBORDINATED DEBT SECURITIES**

The Subordinated Indenture and its associated documents contain the full legal text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the Subordinated Debt Securities or the Subordinated Indenture. The form of the Subordinated Indenture has been filed with the SEC, and you should read the Subordinated Indenture for provisions that may be important to you. The Subordinated Indenture will be qualified under the Trust Indenture Act. You should refer to the Trust Indenture Act for provisions that apply to the Subordinated Debt Securities.

This summary is subject to and qualified in its entirety by reference to all the provisions of the Subordinated Indenture, including definitions of certain terms used in the Subordinated Indenture. We also include references in parentheses to certain sections of the Subordinated Indenture. Whenever we refer to particular sections or defined terms of the Subordinated Indenture in this prospectus or in a prospectus supplement, such sections or defined terms are incorporated by reference herein or in the prospectus supplement. This summary also is subject to and qualified by reference to the description of the particular terms of your securities described in the applicable prospectus supplement or supplements.

### **General**

The Subordinated Debt Securities, including any Subordinated Debt Securities which the Property Trustee will hold on behalf of the Trust as trust assets, will be issued under the Subordinated Indenture (the Subordinated Indenture ) among PPL Capital Funding, PPL Corporation and JPMorgan Chase Bank, as Trustee (the Subordinated Indenture Trustee ). The Subordinated Indenture provides for the issuance from time to time of subordinated debt in an unlimited amount. The Subordinated Debt Securities and all other subordinated debt issued previously or hereafter under the Subordinated Indenture are collectively referred to as the Subordinated Indenture Securities. Subordinated Debt Securities issued to the Trust will constitute a separate series under the Subordinated Indenture and will be limited in aggregate principal amount to the sum of the aggregate liquidation preference amount of the Preferred Trust Securities and the consideration paid by PPL Corporation for the Common Trust Securities.

The Subordinated Debt Securities will be unsecured, subordinated obligations of PPL Capital Funding which rank junior to all of PPL Capital Funding's Senior Indebtedness (as defined herein). The Subordinated Debt Securities will be unconditionally guaranteed by PPL Corporation as to payment of principal, and any interest and premium pursuant to subordinated guarantees ( Subordinated Guarantees ) of PPL Corporation which rank junior to all of PPL Corporation's Senior Indebtedness (as defined herein). See Subordinated Guarantees.

Prior to the issuance of each series, certain aspects of the particular securities have to be specified in a supplemental indenture, in a board resolution of PPL Capital Funding, or in one or more officer's certificates of

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PPL Capital Funding pursuant to a supplemental indenture or a board resolution. We refer you to the applicable prospectus supplement(s) for a description of the following terms of the series of Subordinated Debt Securities:

(a) the title of such Subordinated Debt Securities;

(b) any limit upon the principal amount of such Subordinated Debt Securities;

(c) the date or dates on which principal will be payable or how to determine such dates;

(d) the rate or rates or method of determination of interest; the date from which interest will accrue; the dates on which interest will be payable ( Subordinated Debt Securities Interest Payment Dates ); and any record dates for the interest payable on such Subordinated Debt Securities Interest Payment Dates;

(e) any obligation or option of PPL Capital Funding to redeem, purchase or repay Subordinated Debt Securities, or any option of the Holder to require PPL Capital Funding to redeem or repurchase Subordinated Debt Securities, and the terms and conditions upon which such Subordinated Debt Securities will be redeemed, purchased or repaid;

(f) the denominations in which such Subordinated Debt Securities will be issuable (if other than denominations of \$25 and any integral multiple thereof);

(g) whether such Subordinated Debt Securities are to be issued in whole or in part in the form of one or more global Subordinated Debt Securities and, if so, the identity of the depository for such global Subordinated Debt Securities; and

(h) any other terms of such Subordinated Debt Securities.

(See Section 301.)

### **Subordination**

The Subordinated Debt Securities will be subordinate and junior in right of payment to all Senior Indebtedness of PPL Capital Funding. (See Article Fifteen.) No payment of the principal (including redemption and sinking fund payments) of, or interest on, the Subordinated Debt Securities may be made by PPL Capital Funding until all holders of Senior Indebtedness of PPL Capital Funding have been paid, if any of the following occurs:

(a) certain events of bankruptcy, insolvency or reorganization of PPL Capital Funding;

(b) any Senior Indebtedness of PPL Capital Funding is not paid when due and that default continues without waiver;

(c) any other default has occurred and continues without waiver pursuant to which the holders of Senior Indebtedness of PPL Capital Funding are permitted to accelerate the maturity of such Senior Indebtedness; or

(d) the maturity of any other series of subordinated debentures under the Subordinated Indenture has been accelerated, because of an event of default which remains uncured.

Upon any distribution of assets of PPL Capital Funding to creditors in connection with any insolvency, bankruptcy or similar proceeding, all principal of, and premium, if any, and interest due or to become due on all Senior Indebtedness of PPL Capital Funding must be paid in full before the holders of the Subordinated Debt Securities are entitled to receive or retain any payment from such distribution.

Senior Indebtedness, when used with respect to PPL Capital Funding or PPL Corporation, is defined in the Subordinated Indenture to include all obligations of PPL Capital Funding or PPL Corporation, as the case may be, for borrowed money, or guarantees of the same, or for the payment of money pursuant to capital leases (other than trade accounts payable incurred in the ordinary course of business), unless such obligation or guarantee expressly provides that it is not superior to or equal in right of payment to the Subordinated Debt Securities or the Subordinated Guarantees, as the case may be. The obligations of PPL Corporation under the Preferred Trust Securities Guarantee shall not be deemed to be Senior Indebtedness. (See Section 101.)



The Subordinated Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued. As of December 31, 2001, PPL Capital Funding had approximately \$1.35 billion principal amount of indebtedness for borrowed money constituting its Senior Indebtedness, and PPL Corporation had approximately \$1.6 billion principal amount of obligations constituting its Senior Indebtedness (including guarantees of indebtedness of PPL Capital Funding and certain of PPL Corporation's other subsidiaries).

### **Subordinated Guarantees**

PPL Corporation will unconditionally guarantee the payment of principal of and any interest and premium on the Subordinated Debt Securities, when due and payable, whether at the stated maturity date, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of such Subordinated Debt Securities and the Subordinated Indenture. The Subordinated Guarantees will remain in effect until the entire principal of and any premium and interest on the Subordinated Debt Securities has been paid in full or otherwise discharged in accordance with the provisions of the Subordinated Indenture. (See Article Fourteen.)

The Subordinated Guarantees will be subordinate and junior in right of payment to all Senior Indebtedness of PPL Corporation. No payment of the principal (including redemption and sinking fund payments) of, or interest on, the Subordinated Debt Securities may be made by PPL Corporation under the Subordinated Guarantees until all holders of Senior Indebtedness of PPL Corporation have been paid, if any of the following occurs:

(a) certain events of bankruptcy, insolvency or reorganization of PPL Corporation;

(b) any Senior Indebtedness of PPL Corporation is not paid when due and that default continues without waiver;

(c) any other default has occurred and continues without waiver pursuant to which the holders of Senior Indebtedness of PPL Corporation are permitted to accelerate the maturity of such Senior Indebtedness; or

(d) the maturity of any other series of subordinated debentures under the Subordinated Indenture which has been guaranteed by PPL Corporation and has been accelerated, because of an event of default which remains uncured.

Upon any distribution of assets of PPL Corporation to creditors in connection with any insolvency, bankruptcy or similar proceeding, all principal of, and premium, if any, and interest due or to become due on all Senior Indebtedness of PPL Corporation must be paid in full before the holders of the Subordinated Debt Securities are entitled to receive or retain any payment from such distribution.

### **Payment of Subordinated Debt Securities**

#### ***Interest***

Unless we indicate differently in a prospectus supplement, we will pay interest on each Subordinated Debt Security on each Subordinated Debt Securities Interest Payment Date by check mailed to the Holder of the Subordinated Debt Securities as of the close of business on the regular record date relating to such Subordinated Debt Securities Interest Payment Date, *except*, that interest payable at Maturity will be paid to the person to whom principal is paid.

However, if we default in paying interest on a Subordinated Debt Security, we will pay defaulted interest in either of the two following ways:

(a) We will first propose to the Subordinated Indenture Trustee a payment date for such defaulted interest. Next, the Subordinated Indenture Trustee will choose a Special Record Date for determining which Holders are entitled to the payment. The Special Record Date will be between 10 and 15 days before the payment date we propose. Finally, we will pay such defaulted interest on the payment date to the Holder of the Subordinated Debt Security as of the close of business on the Special Record Date.

(b) Alternatively, we can propose to the Subordinated Indenture Trustee any other lawful manner of payment that is consistent with the requirements of any securities exchange on which such Subordinated Debt Securities are listed for trading. If the Subordinated Indenture Trustee thinks the proposal is practicable, payment will be made as proposed. (See Section 307.)

***Principal***

Unless we indicate differently in a prospectus supplement, we will pay principal of and any interest and premium on the Subordinated Debt Securities at Maturity upon presentation of the Subordinated Debt Securities at the office of JPMorgan Chase Bank in New York, New York, as our Paying Agent. Any other Paying Agent initially designated for the Subordinated Debt Securities of a particular series will be named in the applicable prospectus supplement.

In our discretion, we may change the place of payment on the Subordinated Debt Securities, and may remove any Paying Agent and may appoint one or more additional Paying Agents (including PPL Capital Funding, PPL Corporation or any affiliate of either of them). (See Section 602.)

**Option to Extend Interest Payment Period**

So long as no Event of Default under the Subordinated Indenture has occurred and is continuing, PPL Capital Funding may extend the interest payment period from time to time on the Subordinated Debt Securities for one or more periods. As a consequence, distributions on Preferred Trust Securities would be deferred during any extension period. Interest would, however, continue to accrue. During any extended interest period, or for so long as an Event of Default under the Subordinated Indenture resulting from a payment default or a payment default under the Preferred Trust Securities Guarantee has occurred and is continuing, PPL Corporation may not:

(a) declare or pay any dividend or distribution on its capital stock, other than dividends paid in shares of capital stock of PPL Corporation;

(b) redeem, purchase, acquire or make a liquidation payment with respect to any of its capital stock;

(c) pay any principal, interest or premium on, or repay, repurchase or redeem any debt securities that are equal or junior in right of payment with the Subordinated Guarantees; or

(d) make any payments with respect to any guarantee of debt securities by PPL Corporation if such guarantee is equal or junior in right of payment to the Subordinated Guarantees.

(See Section 312.)

Before an extension period ends, PPL Capital Funding may further extend the interest payment period. No extension period as further extended may exceed 20 consecutive quarters. After any extension period and the payment of all amounts then due, PPL Capital Funding may select a new extended interest payment period. No interest period may be extended beyond the maturity of the Subordinated Debt Securities. PPL Capital Funding will give the Trust and the Subordinated Indenture Trustee notice of its election of an extension period prior to the earlier of (i) one business day before the record date for the distribution which would occur if PPL Capital Funding did not make the election to extend or (ii) the date the Administrative Trustees are required to give notice to any securities exchange or any other applicable self-regulatory organization of the record date. The Property Trustee shall send notice of that election to the holders of Preferred Trust Securities.

***Fees and Expenses***

So long as any Preferred Trust Securities remain outstanding, if the Trust is required to pay any taxes, duties, assessments or governmental charges imposed by the United States or any other taxing authority on income derived from the interest payments on the Subordinated Debt Securities, then PPL Capital Funding, as borrower, will pay all such taxes, duties, assessments or governmental charges, so that the net amounts retained by the Trust



after the payment of those taxes, duties, assessments or governmental charges will be the same as the Trust would have had in the absence of such payment. (See Section 313.)

### **Form; Transfers; Exchanges**

Unless we indicated differently in a prospectus supplement, the Subordinated Debt Securities will be issued

(a) only in fully registered form;

(b) without interest coupons; and

(c) in denominations that are even multiples of \$25. (See Section 302.)

Unless we indicate differently in a prospectus supplement, Subordinated Debt Securities may be exchanged at the office of the Subordinated Indenture Trustee. The Subordinated Indenture Trustee will also act as our agent for registering Subordinated Debt Securities in the names of holders and transferring debt securities. We may appoint another agent or act as our own agent for this purpose. The entity performing the role of maintaining the list of registered holders is called the Subordinated Indenture Registrar. It will also perform transfers.

In our discretion, we may change the place for registration of transfer of the Subordinated Debt Securities and may remove and/or appoint one or more additional Subordinated Indenture Registrars (including PPL Capital Funding, PPL Corporation or any affiliate of either of them). (See Sections 305 and 602.)

Except as otherwise provided in a prospectus supplement, there will be no service charge for any transfer or exchange of the Debt Securities, but you may be required to pay a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We may block the transfer or exchange of (a) Subordinated Debt Securities during a period of 15 days prior to giving any notice of redemption or (b) any Subordinated Debt Security selected for redemption in whole or in part, except the unredeemed portion of any Subordinated Debt Security being redeemed in part. (See Section 305.)

Unless we indicate differently in a prospectus supplement, if Subordinated Debt Securities are distributed to holders of Preferred Trust Securities in a dissolution of the Trust, the Subordinated Debt Securities will be issued in fully registered certificated form in the denominations and integral multiples thereof in which the Preferred Trust Securities have been issued, and they may be transferred or exchanged at the offices of the Subordinated Indenture Trustee.

### **Redemption**

For so long as the Trust is the holder of all the Subordinated Debt Securities, the proceeds of any redemption will be used by the Trust to redeem Preferred Trust Securities and Common Trust Securities in accordance with their terms.

We will set forth any terms for the redemption of Subordinated Debt Securities in a prospectus supplement. Unless we indicate differently in a prospectus supplement, and except with respect to Subordinated Debt Securities redeemable at the option of the Holder, Subordinated Debt Securities will be redeemable upon notice by mail between 30 and 60 days prior to the redemption date. If less than all of the Subordinated Debt Securities of any series or any tranche thereof are to be redeemed, the Subordinated Indenture Trustee will select the Subordinated Debt Securities to be redeemed. In the absence of any provision for selection, the Subordinated Indenture Trustee will choose a method of random selection as it deems fair and appropriate. (See Sections 403 and 404.)

Subordinated Debt Securities will cease to bear interest on the redemption date. PPL Capital Funding will pay the redemption price and any accrued interest once the Subordinated Debt Securities are surrendered for redemption. (See Section 405.) If only part of a Subordinated Debt Security is redeemed, the Subordinated Indenture Trustee will deliver a new Subordinated Debt Security of the same series for the remaining portion without charge. (See Section 406.)

We may make any redemption at the option of PPL Capital Funding conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price. If the

paying agent has not received such money by the date fixed for redemption, PPL Capital Funding will not be required to redeem such Subordinated Debt Securities. (See Section 404.)

### Events of Default

An Event of Default occurs with respect to Subordinated Indenture Securities of any series if

(a) we do not pay any interest on any Subordinated Indenture Securities of the applicable series within 30 days of the due date; provided, however, that a valid extension of the interest period by us will not constitute an Event of Default;

(b) we do not pay principal or premium on any Subordinated Indenture Securities of the applicable series on its due date;

(c) we remain in breach of a covenant (excluding covenants solely applicable to a specific series) or warranty of the Subordinated Indenture for 90 days after we receive a written notice of default stating we are in breach and requiring remedy of the breach; the notice must be sent by either the Subordinated Indenture Trustee or Holders of 25% of the principal amount of Subordinated Indenture Securities of the affected series; the Subordinated Indenture Trustee or such Holders can agree to extend the 90-day period and such an agreement to extend will be automatically deemed to occur if we are diligently pursuing action to correct the default;

(d) the Subordinated Guarantees of PPL Corporation relating to any Subordinated Indenture Securities of the applicable series

(1) cease to be effective (except in accordance with their terms),

(2) are found in any judicial proceeding to be unenforceable or invalid, or

(3) are denied or disaffirmed (except in accordance with their terms);

(e) we file for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur; or

(f) any other Event of Default specified in the prospectus supplement occurs.

(See Section 801.)

No Event of Default with respect to the Subordinated Debt Securities necessarily constitutes an Event of Default with respect to the Subordinated Indenture Securities of any other series issued under the Subordinated Indenture.

### Remedies

#### *Acceleration*

**Any One Series.** If an Event of Default occurs and is continuing with respect to any one series of Subordinated Indenture Securities, then either the Subordinated Indenture Trustee or the Holders of 25% in principal amount of the outstanding Subordinated Indenture Securities of such series may declare the principal amount of all of the Subordinated Indenture Securities of such series to be due and payable immediately.

**More Than One Series.** If an Event of Default occurs and is continuing with respect to more than one series of Subordinated Indenture Securities, then either the Subordinated Indenture Trustee or the Holders of 25% in aggregate principal amount of the outstanding Subordinated Indenture Securities of all such series, considered as one class, may make such declaration of acceleration. Thus, if there is more than one series affected, the action by 25% in principal amount of the Subordinated Indenture Securities of any particular series will not, in itself, be sufficient to make a declaration of acceleration.

(See Section 802.)

***Rescission of Acceleration***

After the declaration of acceleration has been made and before the Subordinated Indenture Trustee has obtained a judgment or decree for payment of the money due, such declaration and its consequences will be rescinded and annulled, if

(a) we pay or deposit with the Subordinated Indenture Trustee a sum sufficient to pay

(1) all overdue interest;

(2) the principal of and any premium which have become due otherwise than by such declaration of acceleration and overdue interest thereon;

(3) interest on overdue interest to the extent lawful; and

(4) all amounts due to the Subordinated Indenture Trustee under the Subordinated Indenture; and

(b) all Events of Default, other than the nonpayment of the principal which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Subordinated Indenture.

(See Section 802.) For more information as to waiver of defaults, see Waiver of Default and of Compliance below.

***Control by Holders; Limitations***

Subject to the Subordinated Indenture, if an Event of Default with respect to the Subordinated Indenture Securities of any one series occurs and is continuing, the Holders of a majority in principal amount of the outstanding Subordinated Indenture Securities of that series will have the right to

(a) direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Indenture Trustee, or

(b) exercise any trust or power conferred on the Subordinated Indenture Trustee with respect to the Subordinated Indenture Securities of such series.

If an Event of Default is continuing with respect to more than one series of Subordinated Indenture Securities, the Holders of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all such series, considered as one class, will have the right to make such direction, and not the Holders of the Subordinated Indenture Securities of any one of such series. These rights of Holders to make direction are subject to the following limitations:

(a) the Holders' directions may not conflict with any law or the Subordinated Indenture; and

(b) the Holders' directions may not involve the Subordinated Indenture Trustee in personal liability where the Trustee believes indemnity is not adequate.

The Subordinated Indenture Trustee may also take any other action it deems proper which is consistent with the Holders' direction. (See Sections 812 and 903.)

In addition, the Subordinated Indenture provides that no Holder of any Subordinated Indenture Security will have any right to institute any proceeding, judicial or otherwise, with respect to the Subordinated Indenture for the appointment of a receiver or for any other remedy thereunder unless

(a) that Holder has previously given the Subordinated Indenture Trustee written notice of a continuing Event of Default;

(b) the Holders of 25% in aggregate principal amount of the outstanding Subordinated Indenture Securities of all affected series, considered as one class, have made written request to the Subordinated Indenture Trustee to institute proceedings in respect of that Event of Default and have offered the Subordinated Indenture Trustee reasonable indemnity against costs and liabilities incurred in complying with such request; and



(c) for 60 days after receipt of such notice, the Subordinated Indenture Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Subordinated Indenture Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of outstanding Subordinated Indenture Securities of all affected series, considered as one class. Furthermore, no Holder will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other Holders. (See Sections 807 and 903.)

However, each Holder has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right. (See Sections 807 and 808.)

#### **Enforcement of Certain Rights by Holders of Preferred Trust Securities**

If there is an Event of Default with respect to Subordinated Debt Securities held by the Trust, then the holders of Preferred Trust Securities will rely on the Property Trustee or the Subordinated Indenture Trustee, acting for the benefit of the Property Trustee, to enforce the Property Trustee's rights against PPL Capital Funding and PPL Corporation as a holder of the Subordinated Debt Securities. However, a holder of Preferred Trust Securities may enforce the Subordinated Indenture directly against PPL Capital Funding and PPL Corporation to the same extent as if the holder of Preferred Trust Securities held a principal amount of Subordinated Debt Securities equal to the aggregate liquidation amount of its Preferred Trust Securities. (See Section 609.)

Subject to their right to bring suit to enforce their right to payment, the holders of Preferred Trust Securities would not be able to institute any proceeding with respect to the Subordinated Indenture unless the Subordinated Indenture Trustee has failed to do so for 60 days after a request of the holders of 25% in liquidation amount of Preferred Trust Securities. Upon such failure, the holders of a majority of the aggregate liquidation amount of the outstanding Preferred Trust Securities would have the right to directly institute proceedings for enforcement of all other rights of the Subordinated Indenture Trustee against PPL Capital Funding to the fullest extent permitted by law. (See Sections 807, 808 and 812.)

#### **Notice of Default**

The Subordinated Indenture Trustee is required to give the Holders of the Subordinated Indenture Securities notice of any default under the Subordinated Indenture to the extent required by the Trust Indenture Act, unless such default has been cured or waived; except that in the case of an Event of Default of the character specified above in clause (c) under Events of Default, no such notice shall be given to such Holders until at least 90 days after the occurrence thereof. (See Section 902.) The Trust Indenture Act currently permits the Subordinated Indenture Trustee to withhold notices of default (except for certain payment defaults) if the Subordinated Indenture Trustee in good faith determines the withholding of such notice to be in the interests of the Holders.

We will furnish the Subordinated Indenture Trustee with an annual statement as to the compliance by PPL Capital Funding with the conditions and covenants in the Subordinated Indenture. (See Section 605.)

#### **Waiver of Default and of Compliance**

The Holders of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of any series may waive, on behalf of the Holders of all Subordinated Indenture Securities of such series, any past default under the Subordinated Indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the Subordinated Indenture that cannot be amended without the consent of the Holder of each outstanding Subordinated Indenture Security. (See Section 813.)

Compliance with certain covenants in the Subordinated Indenture or otherwise provided with respect to Subordinated Indenture Securities may be waived by the Holders of a majority in aggregate principal amount of the affected Subordinated Indenture Securities, considered as one class. (See Section 606.)

### **Consolidation, Merger and Conveyance of Assets as an Entirety**

Subject to the provisions described in the next paragraph, each of PPL Capital Funding and PPL Corporation will preserve its corporate existence. (See Section 604.)

PPL Capital Funding and PPL Corporation have each agreed not to consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity unless

(a) the entity formed by such consolidation or into which PPL Capital Funding or PPL Corporation, as the case may be, is merged or the entity which acquires or which leases the property and assets of PPL Capital Funding or PPL Corporation, as the case may be, substantially as an entirety is an entity organized and existing under the laws of the United States of America or any State thereof or the District of Columbia, and expressly assumes, by supplemental indenture, the due and punctual payment of the principal, premium and interest on all the outstanding Subordinated Indenture Securities (or the Subordinated Guarantees endorsed thereon, as the case may be) and the performance of all of the covenants of PPL Capital Funding or PPL Corporation, as the case may be, under the Subordinated Indenture, and

(b) immediately after giving effect to such transactions, no Event of Default, and no event which after notice or lapse of time or both would become an Event of Default, will have occurred and be continuing. (See Section 1101.)

The Subordinated Indenture does not prevent or restrict:

(a) any consolidation or merger after the consummation of which PPL Capital Funding or PPL Corporation would be the surviving or resulting entity;

(b) any consolidation of PPL Capital Funding with PPL Corporation or any other entity all of the outstanding voting securities of which are owned, directly or indirectly, by PPL Corporation; or any merger of any such entity into any other of such entities; or any conveyance or other transfer, or lease, or properties by any thereof to any other thereof;

(c) any conveyance or other transfer, or lease, of any part of the properties of PPL Capital Funding or PPL Corporation which does not constitute the entirety, or substantially the entirety, thereof; or

(d) the approval by PPL Capital Funding or PPL Corporation of, or the consent by PPL Capital Funding or PPL Corporation to, any consolidation or merger to which any direct or indirect subsidiary or affiliate of PPL Capital Funding or PPL Corporation, as the case requires, may be a party or any conveyance, transfer or lease by any such subsidiary or affiliate of any of its assets. (See Section 1103.)

### **Modification of Subordinated Indenture**

**Without Holder Consent.** Without the consent of any Holders of Subordinated Indenture Securities, PPL Capital Funding, PPL Corporation and the Subordinated Indenture Trustee may enter into one or more supplemental indentures for any of the following purposes:

(a) to evidence the succession of another entity to PPL Capital Funding or PPL Corporation; or

(b) to add one or more covenants of PPL Capital Funding or PPL Corporation or other provisions for the benefit of the Holders of all or any series or tranche of Subordinated Indenture Securities, or to surrender any right or power conferred upon PPL Capital Funding or PPL Corporation; or

(c) to add any additional Events of Default for all or any series of Subordinated Indenture Securities; or

(d) to change or eliminate any provision of the Subordinated Indenture or to add any new provision to the Subordinated Indenture that does not adversely affect the interests of the Holders; or

(e) to provide security for the Subordinated Indenture Securities of any series; or

(f) to establish the form or terms of Subordinated Indenture Securities of any series or tranche or any Subordinated Guarantees as permitted by the Subordinated Indenture; or



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(g) to provide for the issuance of bearer securities; or

(h) to evidence and provide for the acceptance of appointment of a separate or successor Subordinated Indenture Trustee or co-trustee;  
or

(i) to provide for the procedures required to permit the utilization of a noncertificated system of registration for any series or tranche of Subordinated Indenture Securities; or

(j) to change any place or places where

(1) we may pay principal, premium and interest,

(2) Subordinated Indenture Securities may be surrendered for transfer or exchange, and

(3) notices and demands to or upon PPL Capital Funding or PPL Corporation may be served; or

(k) to cure any ambiguity, defect or inconsistency or to make any other changes that do not adversely affect the interests of the Holders in any material respect.

If the Trust Indenture Act is amended after the date of the Subordinated Indenture so as to require changes to the Subordinated Indenture or so as to permit changes to, or the elimination of, provisions which, at the date of the Subordinated Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the Subordinated Indenture, the Subordinated Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and PPL Capital Funding, PPL Corporation and the Subordinated Indenture Trustee may, without the consent of any Holders, enter into one or more supplemental indentures to effect or evidence such amendment.

(See Section 1201.)

**With Holder Consent.** Except as provided above, the consent of the Holders of at least a majority in aggregate principal amount of the Subordinated Indenture Securities of all outstanding series, considered as one class, is generally required for the purpose of adding to, or changing or eliminating any of the provisions of, the Subordinated Indenture pursuant to a supplemental indenture. However, if less than all of the series of outstanding Subordinated Indenture Securities are directly affected by a proposed supplemental indenture, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all directly affected series, considered as one class. Moreover, if the Subordinated Indenture Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the Holders of Subordinated Indenture Securities of one or more, but less than all, of such tranches, then such proposal only requires the consent of the Holders of a majority in aggregate principal amount of the outstanding Subordinated Indenture Securities of all directly affected tranches, considered as one class.

However, no amendment or modification may, without the consent of the Holder of each outstanding Subordinated Indenture Security directly affected thereby,

(a) change the stated maturity of the principal or (except as described above under **Option to Extend Interest Payment Period**) interest on any Subordinated Indenture Security (other than pursuant to the terms thereof), or reduce the principal amount, interest or premium payable or change the currency in which any Subordinated Indenture Security is payable, or impair the right to bring suit to enforce any payment;

(b) reduce the percentages of Holders whose consent is required for any supplemental indenture or waiver or reduce the requirements for quorum and voting under the Subordinated Indenture; or

(c) modify certain of the provisions in the Subordinated Indenture relating to supplemental indentures and waivers of certain covenants and past defaults.

A supplemental indenture which changes or eliminates any provision of the Subordinated Indenture expressly included solely for the benefit of Holders of Subordinated Indenture Securities of one or more particular series or tranches will be deemed not to affect the rights under the Subordinated Indenture of the Holders of





Subordinated Indenture Securities of any other series or tranche. So long as any Preferred Trust Securities are outstanding, the Subordinated Indenture Trustee may not consent to any supplemental indenture that would ordinarily require Subordinated Indenture Security Holder consent without the prior consent of the holders of a majority in aggregate liquidation preference of all outstanding Preferred Trust Securities affected or, in the case of changes described in clauses (a) through (c) immediately above, 100% in aggregate liquidation preference of all such outstanding Preferred Trust Securities affected. (See Section 1202.)

#### **Miscellaneous Provisions**

The Subordinated Indenture provides that certain Subordinated Indenture Securities, including those for which payment or redemption money has been deposited or set aside in trust as described under Satisfaction and Discharge below, will not be deemed to be outstanding in determining whether the Holders of the requisite principal amount of the outstanding Subordinated Indenture Securities have given or taken any demand, direction, consent or other action under the Subordinated Indenture as of any date, or are present at a meeting of Holders for quorum purposes. (See Section 101.)

PPL Capital Funding or PPL Corporation will be entitled to set any day as a record date for the purpose of determining the Holders of outstanding Subordinated Indenture Securities of any series entitled to give or take any demand, direction, consent or other action under the Subordinated Indenture, in the manner and subject to the limitations provided in the Subordinated Indenture. In certain circumstances, the Subordinated Indenture Trustee also will be entitled to set a record date for action by Holders. If such a record date is set for any action to be taken by Holders of particular Subordinated Indenture Securities, such action may be taken only by persons who are Holders of such Subordinated Indenture Securities on the record date. (See Section 104.)

#### **Satisfaction and Discharge**

Any Subordinated Indenture Securities or any portion will be deemed to have been paid for purposes of the Subordinated Indenture, and at PPL Capital Funding's election, the entire indebtedness of PPL Capital Funding and PPL Corporation will be satisfied and discharged, if there shall have been irrevocably deposited with the Subordinated Indenture Trustee or any paying agent (other than PPL Capital Funding or PPL Corporation), in trust:

(a) money sufficient, or

(b) in the case of a deposit made prior to the maturity of such Subordinated Indenture Securities, non-redeemable Eligible Obligations (as defined in the Subordinated Indenture) sufficient, or

(c) a combination of (a) and (b), which in total are sufficient, to pay when due the principal of, and any premium, and interest due and to become due on such Subordinated Indenture Securities or portions thereof on and prior to the maturity thereof.

(See Section 701.)

The Subordinated Indenture will be deemed satisfied and discharged when no Subordinated Indenture Securities remain outstanding and when we have paid all other sums payable by us under the Subordinated Indenture. (See Section 702.)

All moneys we pay to the Subordinated Indenture Trustee or any paying agent on Subordinated Debt Securities which remain unclaimed at the end of two years after payments have become due will be paid to or upon the order of PPL Capital Funding. Thereafter, the Holder of such Subordinated Debt Security may look only to us for payment thereof. (See Section 603.)

#### **Resignation and Removal of the Subordinated Indenture Trustee; Deemed Resignation**

The Subordinated Indenture Trustee may resign at any time by giving written notice thereof to us.

The Subordinated Indenture Trustee may also be removed by act of the Holders of a majority in principal amount of the then outstanding Subordinated Indenture Securities of any series.



No resignation or removal of the Subordinated Indenture Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Subordinated Indenture.

Under certain circumstances, we may appoint a successor trustee and if the successor accepts, the Subordinated Indenture Trustee will be deemed to have resigned.

(Section 910).

### **Governing Law**

The Subordinated Indenture and the Subordinated Indenture Securities provide that they are to be governed by and construed in accordance with the laws of the State of New York.

### **INFORMATION CONCERNING THE TRUSTEES**

JPMorgan Chase Bank has at various times in the ordinary course of business made loans to PPL Corporation and its subsidiaries and affiliates, and acts as a lender to certain of our subsidiaries under their current revolving credit facilities. In addition, JPMorgan Chase Bank acts as issuing and paying agent for PPL Capital Funding's commercial paper notes, and acts as guarantee trustee and property trustee for the preferred and common trust securities of our affiliates, PPL Capital Trust and PPL Capital Trust I and acts as trustee with respect to the related subordinated debentures of our affiliate, PPL Electric. JPMorgan Chase Bank also acts as purchase contract agent with respect to our premium equity participating security units and as guarantee trustee and property trustee for the related preferred and common trust securities of our affiliate, PPL Capital Funding Trust I, and as trustee with respect to the related subordinated notes of PPL Capital Funding.

Chase Manhattan Bank USA, National Association, an affiliate of the Trustee, acts as Delaware trustee for the preferred and common trust securities of PPL Capital Trust and PPL Capital Trust I and the preferred and common trust securities of PPL Capital Funding Trust I.

### **PLAN OF DISTRIBUTION**

We may sell Securities (a) to purchasers directly; (b) to underwriters for public offering and sale by them; or (c) through agents or dealers. We may determine the price or other terms of the securities offered under this prospectus by use of an electronic auction. We will describe how any auction will determine the price or any other terms, how potential investors may participate in the auction and the nature of the underwriters obligations in the related supplement to this prospectus.

We currently expect that sales of Securities will be made through underwriters, dealers or agents who are broker-dealers or associated persons of broker-dealers registered under the Securities Exchange Act of 1934, as amended (the Exchange Act). However, we may also sell the Securities directly to institutional investors and we do not expect that our officers or employees associated with any such sale will be required to be registered broker-dealers under the Exchange Act. A prospectus supplement will describe the terms of any such sale.

The applicable prospectus supplement will name any underwriter involved in a sale of Securities. Underwriters may offer and sell Securities at a fixed price or prices, which may be changed, or from time to time at market prices or at negotiated prices. Underwriters may be deemed to have received compensation from us from sales of Securities in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Securities for whom they may act as agent.

Underwriters may sell Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Unless otherwise provided in a prospectus supplement, the obligations of any underwriters to purchase particular Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all such Securities if any are purchased.

We will name any agent or dealer involved in a sale of Securities, as well as any commissions payable by us to such agent, in a prospectus supplement. Unless we indicate differently in the prospectus supplement, any such agent will be acting on a reasonable efforts basis for the period of its appointment. Salomon Smith Barney Inc. may act as agent or underwriter in connection with an at-the-market offering of our common stock.

Underwriters, dealers acting as principals and agents participating in a sale of Securities may be deemed to be underwriters as defined in the Securities Act, and any discounts and commissions received by them and any profit realized by them on resale of the Securities may be deemed to be underwriting discounts and commissions, under the Securities Act. We may have agreements with underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, and to reimburse them for certain expenses.

Underwriters or agents and their associates may be customers of, engage in transactions with or perform services for us or our affiliates in the ordinary course of business.

Each series of Securities will be a new issue and, except for the Common Stock, which is listed on the New York and Philadelphia Stock Exchanges, will have no established trading market. We may elect to list any series of new Securities on an exchange, or in the case of the Common Stock, on any additional exchange, but unless we advise you differently in the prospectus supplement, we have no obligation to cause any Securities to be so listed. Any underwriters that purchase Securities for public offering and sale may make a market in the Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We make no assurance as to the liquidity of, or the trading markets for, any Securities.

## WHERE YOU CAN FIND MORE INFORMATION

### Available Information

PPL Corporation files reports, proxy statements and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet world wide web site that contains reports, proxy statements and other information about issuers, such as PPL Corporation, who file electronically with the Commission. The address of that site is <http://www.sec.gov>.

PPL Corporation Common Stock is listed on the New York Stock Exchange ( NYSE ) and the Philadelphia Stock Exchange (symbol: PPL), and reports, proxy statements and other information concerning PPL Corporation can also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005 and the Philadelphia Stock Exchange, 1900 Market Street, Philadelphia, Pennsylvania 19103. In addition, reports, proxy statements and other information concerning PPL Corporation can be inspected at its offices at Two North Ninth Street, Allentown, Pennsylvania 18101-1179. PPL Corporation maintains an Internet site at <http://www.pplweb.com> (which is not intended to be an active hyperlink herein) which contains information concerning PPL Corporation and its affiliates. The information at PPL Corporation's Internet site is not incorporated in this prospectus by reference, and you should not consider it a part of this prospectus.

### Incorporation by Reference

The rules of the SEC allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede that information. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about PPL Corporation.

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<b>SEC Filings (File No. 1-11459)</b>	<b>Period/Date</b>
Annual Report on Form 10-K	Year ended December 31, 2001
Quarterly Report(s) on Form 10-Q	Quarter Ended March 31, 2002 (Amended by Quarterly Report on Form 10-Q/ A filed June 21, 2002)
Current Reports on Form 8-K	January 7, January 22, January 31, April 25, June 21, and July 3, 2002
PPL Corporation's Registration Statement on Form 8-B	April 27, 1995

We are also incorporating by reference additional documents that PPL Corporation files with the SEC pursuant to 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 of the Securities.

PPL Corporation will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus has been delivered, a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning us at:

PPL Corporation  
Two North Ninth Street  
Allentown, Pennsylvania 18101-1179  
Attention: Investor Services Department  
Telephone: 1-800-345-3085

We have not included or incorporated by reference any separate financial statements of PPL Capital Funding herein. We do not consider those financial statements to be material to holders of the Debt Securities or Subordinated Debt Securities because (1) PPL Capital Funding was formed for the primary purpose of providing financing for PPL Corporation and its subsidiaries, (2) PPL Capital Funding does not currently engage in any independent operations and (3) PPL Capital Funding does not currently plan to engage, in the future, in more than minimal independent operations. See PPL Capital Funding. PPL Capital Funding has received a no action letter from the Staff of the SEC stating that the Staff would not raise any objection if PPL Capital Funding does not file periodic reports under Sections 13 and 15(d) of the Exchange Act. Accordingly, we do not expect PPL Capital Funding to file those reports.

We have similarly not included or incorporated by reference any separate financial statements of the Trust herein. We do not consider those financial statements to be material to holders of the Preferred Trust Securities because (1) the Trust is a newly formed special purpose entity and has no operating history or independent operations, and (2) the Trust is not engaged in and does not propose to engage in any activity other than holding as trust assets the Subordinated Debt Securities of PPL Capital Funding and issuing the Preferred Trust Securities and the Common Trust Securities. We do not expect the Trust to file periodic reports under Sections 13 and 15(d) of the Exchange Act.

### EXPERTS

The consolidated financial statements of PPL Corporation incorporated in this prospectus by reference to the Annual Report on Form 10-K of PPL Corporation for the year ended December 31, 2001, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

### VALIDITY OF THE SECURITIES AND THE SECURITIES GUARANTEES

Thelen Reid & Priest LLP, New York, New York, counsel to PPL Corporation, PPL Capital Funding and PPL Capital Funding Trust II, will pass upon the validity of the Securities and the Securities Guarantees for PPL Corporation, PPL Capital Funding and the Trust. Simpson Thacher & Bartlett, counsel to PPL Corporation, will pass upon the validity of the Common Stock and the Preferred Stock for PPL Corporation. Michael A. McGrail, Esq., Senior Counsel of PPL Services Corporation, will pass upon the validity of the PPL Corporation Securities

and the Securities Guarantees for PPL Corporation. Sullivan & Cromwell, New York, New York, will pass upon the validity of the Securities and the Securities Guarantees for any underwriters or agents. Certain matters of Delaware law relating to the validity of the Preferred Trust Securities, the enforceability of the Trust Agreement and the creation of the Trust will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel to PPL Corporation, PPL Capital Funding and the Trust. Thelen Reid & Priest LLP, Simpson Thacher & Bartlett and Sullivan & Cromwell will rely on the opinion of Mr. McGrail as to matters involving the law of the Commonwealth of Pennsylvania, and on the opinion of Richards, Layton & Finger, P.A., as to matters involving the law of the State of Delaware in connection with the Preferred Trust Securities. As to matters involving the law of the State of New York, Mr. McGrail will rely on the opinion of Thelen Reid & Priest LLP.

