

PPL CORP  
Form 424B5  
May 13, 2004

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated February 9, 2001)

**PPL Capital Funding, Inc.**

**\$99,337,000**

**Notes due May 18, 2006**

**Fully and Unconditionally Guaranteed, as set forth herein,**

**By PPL Corporation**

On January 21, 2004, PPL Corporation issued 3,975,160 Premium Equity Participating Security Units (PEPS<sup>SM</sup> Units), Series B, referred to herein as the PEPS Units, Series B, in an exchange offer for certain previously outstanding Premium Equity Participating Security Units (PEPS<sup>SM</sup> Units) that were issued in May 2001 (referred to herein as the PEPS Units). The PEPS Units, Series B consist of a forward purchase contract to purchase shares of PPL Corporation common stock and an aggregate of \$99,379,000 of notes due May 2006 issued by us and guaranteed by PPL Corporation. This prospectus supplement relates to a remarketing of an aggregate principal amount of \$99,337,000 of those notes.

The notes mature on May 18, 2006. Interest on the notes will be payable quarterly in arrears on February 18, May 18, August 18 and November 18 of each year at the floating reset interest rate described herein commencing on August 18, 2004. On and after May 18, 2004, the notes will be PPL Capital Funding's direct, unsecured and unsubordinated obligations and will rank equally in right of payment with PPL Capital Funding's existing and future direct, unsecured and unsubordinated indebtedness and senior in right of payment to all of PPL Capital Funding's subordinated indebtedness.

**For a discussion of the risks that you should consider in evaluating an investment in the notes, see Risk Factors beginning on page S-5 of this prospectus supplement.**

	<u>Per Note</u>	<u>Total</u>
Price to the Public	100.50%	\$99,833,685
Remarketing Fee to Remarketing Agent	0.25%	\$ 248,343

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

We expect the notes will be ready for delivery in book-entry form through the facilities of The Depository Trust Company on or about May 18, 2004.

\_\_\_\_\_  
*Remarketing Agent*

**MORGAN STANLEY**

May 11, 2004

## TABLE OF CONTENTS

	<b>Page</b>
Prospectus Supplement Summary	S-1
Risk Factors	S-5
Forward-Looking Information	S-14
Ratio of Earnings to Fixed Charges	S-16
Use of Proceeds	S-16
Description of the Remarketed Notes	S-17
Book-Entry Systems	S-25
Plan of Distribution	S-27
Experts	S-28
Legal Matters	S-28
Where You Can Find More Information	S-28
About This Prospectus	2
Where You Can Find More Information	3
PPL Corporation	5
PPL Capital Funding	7
PPL Capital Funding Trust I	7
Use of Proceeds	7
Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Dividends	7
Description of PPL Corporation's Capital Stock	8
Description of Stock Purchase Contracts and Stock Purchase Units	9
Description of the Debt Securities	10
Description of the Trust Securities	18
Description of the Preferred Securities Guarantee	25
Description of the Subordinated Debt Securities	27
Information Concerning the Trustees	39
Experts	39
Validity of the Securities and the Securities Guarantees	39
Plan of Distribution	40

As used in this prospectus supplement, the terms company, we, our and us refers to PPL Capital Funding, PPL Corporation or to one or more of PPL Corporation's consolidated subsidiaries. The term PPL refers to PPL Corporation together with PPL Corporation's consolidated subsidiaries, taken as a whole. Reference to the accompanying prospectus means the prospectus of February 9, 2001 of PPL Corporation, PPL Capital Funding Inc. and PPL Capital Funding Trust I.

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus and those documents incorporated by reference herein. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this prospectus supplement nor any sale made under it implies that there has been no change in our affairs or that the information in this prospectus supplement is correct as of any date after the date of this prospectus supplement.**

This prospectus supplement and the accompanying prospectus have been prepared based on information provided by us and other sources we believe to be reliable.

## 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. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled Risk Factors and our financial statements and the related notes contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.*

### 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 March 31, 2004, we owned or controlled 11,527 megawatts, or MW, of low-cost and diverse power generation capacity, and we had domestic generation projects under development that will provide 863 MW of new electric generation capacity, including our 45 MW share of an upgrade to Unit 1 at our Susquehanna nuclear facility in Pennsylvania completed in April 2004. 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, commit, on average, over 80% of our expected annual output for the period 2004 through 2008. These arrangements are consistent with and are an integral part of our overall business strategy, which includes the matching of energy supply with load, or customer demand, under long-term and intermediate-term contracts with creditworthy counterparties to capture profits while reducing our exposure to movements in energy and fuel prices and counterparty credit risk.

We operate two 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. These entities are direct, wholly-owned subsidiaries of PPL Energy Supply, LLC. PPL Energy Supply is an indirect wholly-owned subsidiary of PPL Corporation.

PPL Generation owns or controls a portfolio of domestic power generation assets, with a total capacity of 11,527 MW as of March 31, 2004. These power plants are located in Pennsylvania (8,582 MW), Montana (1,157 MW), Arizona (750 MW), Illinois (540 MW), Connecticut (243 MW), New York (159 MW) and Maine (96 MW) and use diversified fuel sources including coal, nuclear, natural gas, oil and hydro. In April 2004, we completed an upgrade to Unit 1 at our Susquehanna nuclear facility in Pennsylvania, which added 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 105,000 customers in Pennsylvania and Maryland.

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 consequently 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 28,137 million kWh of electricity in 2003.

---

### **PPL Capital Funding, Inc.**

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

---

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 Remarketing**

Issuer	PPL Capital Funding, Inc.
Securities remarketed	\$99,337,000 aggregate principal amount of notes.
Maturity date	May 18, 2006.
Interest payment dates	February 18, May 18, August 18 and November 18 of each year commencing on August 18, 2004.
Interest	The notes will bear interest at the floating reset interest rate described herein. The amount of interest for each day the notes are outstanding will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the principal amount of the notes.
Ranking	On and after May 18, 2004, the notes will be PPL Capital Funding's direct, unsecured and unsubordinated obligations and will rank equally in right of payment with PPL Capital Funding's existing and future direct, unsecured and unsubordinated indebtedness and senior in right of payment to all of PPL Capital Funding's subordinated indebtedness.
Guarantee	PPL Corporation guarantees the payment of principal of and any interest on the notes, when due and payable, whether at the stated maturity date, by declaration of acceleration or otherwise, in accordance with the terms of the notes and the indenture. On and after May 18, 2004, the guarantee of the notes will be PPL Corporation's unsecured obligation and will rank equally with all of PPL Corporation's existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of PPL Corporation's subordinated indebtedness.
Redemption	The notes are not redeemable at the election of PPL Capital Funding prior to the maturity date thereof.
Sinking Fund	None.
DTC Eligibility	The notes are issued only in book-entry form, in denominations of \$1,000 or any integral multiples of \$1,000 such that the notes are represented by one or more permanent global securities registered in the name of The Depository Trust Company, or DTC, or its nominee. The global securities have been deposited with the trustee as custodian or DTC.
Trading of the Notes	The notes are not listed on any securities exchange or included in any automated quotation system.
Use of proceeds	We are remarketing an aggregate principal amount of \$99,337,000 of notes to investors on behalf of holders of PPL Corporation's PEPS Units, Series B issued in January 2004. PPL Corporation will receive the proceeds from a successful remarketing equal to 100% of the principal amount of the remarketed notes in satisfaction of the obligation of the holders of the PEPS Units, Series B under the stock purchase contracts to purchase shares of our common stock. PPL Corporation will use these proceeds for

Edgar Filing: PPL CORP - Form 424B5

general corporate purposes, which may include the repayment of debt as determined by PPL Corporation.

Trustee and Paying Agent

JPMorgan Chase Bank

Governing Law

The notes and the indenture are governed by the laws of the State of New York.

For a complete description of the terms of the notes, please refer to Description of the Remarketed Notes.

S-4

---

## RISK FACTORS

*In considering whether to purchase notes, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below. In addition, please read *Forward-Looking Information* on page S-14 of this prospectus supplement, where we describe additional uncertainties associated with our business and the forward-looking statements in this prospectus supplement and the accompanying prospectus.*

*As used in this *Risk Factors* section only, the terms *we*, *our* and *us* refers to PPL.*

### Risks Relating to the Notes

#### ***An active trading market for the notes may not develop.***

There is currently no public market for the notes. We do not plan to list the notes on any securities exchange or to include them in any automated quotation system. We cannot assure you that an active trading market for the notes will develop or as to the liquidity or sustainability of any such market, your ability to sell the notes or the price at which you will be able to sell your notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities.

#### ***PPL Corporation is a holding company, and will depend upon funds from its subsidiaries to meet its obligations under the guarantee.***

PPL Corporation is a holding company, and its only significant assets are its investments in its subsidiaries. As a holding company, it is dependent upon dividends, loans or advances, or other intercompany transfers of funds from subsidiaries to meet its obligations, including its obligations under the guarantee. The subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due under PPL Corporation's obligations or to make any funds available for such payment.

Because PPL Corporation is a holding company, its obligations under the guarantee 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 the notes, 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 respective subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities.

The debt agreements of some of PPL Corporation's subsidiaries and affiliates contain provisions that might restrict their ability to pay dividends, make distributions or otherwise transfer funds to PPL Corporation upon failing to meet certain financial tests or other conditions, although we currently believe that all of PPL Corporation's subsidiaries and affiliates are in compliance with such tests and conditions.

Accordingly, PPL Corporation's ability to make payments with respect to the guarantee may be limited.

### Risks Related to Our Supply Businesses

#### ***Changes in commodity prices may increase the cost of producing electricity or decrease the amount we receive from selling electricity, 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:

demand for electricity and additional supplies of electricity from current or new competitors;

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;

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.

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. For example, in recent years, wholesale electricity prices in the northwestern United States for all hours reached a high of \$525 per megawatt hour in December 2000 and a low in May 2002 of \$13 per megawatt hour.

Like wholesale power prices, fuel costs have fluctuated historically. In recent years, prices for wholesale natural gas as reported on the New York Mercantile Exchange, or NYMEX, have ranged from a high of \$9.98 per btu in January 2001 to a low of \$1.83 per btu in October 2001. In addition, the price for 1% residual oil at New York Harbor, which is the primary pricing location for the northeastern United States, has ranged from a high of \$35 per barrel in February 2003 to a low of \$15 per barrel in February 2002.

A key part of our business strategy is to sell our anticipated generation production under long-term power sales agreements that include fixed prices for our electric power. If we cannot secure or maintain favorable long-term fuel purchase agreements for our power generation facilities, our fuel costs could exceed the revenues that we derive under these long-term, fixed-price agreements. In addition, 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. 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, our revenues will be subject to increased volatility and our financial results may be materially adversely affected.

***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, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations.

***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 are not assured of any guaranteed level of sales as a provider of last resort, or PLR.***

The PLR contract obligations do not provide us with any guaranteed level of sales. If PPL Electric's customers obtain service from alternate suppliers, which they are entitled to do at any time, our sales of power

under the PPL EnergyPlus contracts may decrease. Alternatively, customers could switch back to PPL Electric from alternative suppliers, which may increase demand above our facilities' available capacity. While PPL Energy Supply satisfies its energy supply obligations through a portfolio approach of providing energy from its generation assets, contractual relationships and market purchases, we estimate that if the PLR requirements were satisfied solely from our existing Pennsylvania generating assets, this obligation currently would represent approximately 75% of the normal operating capacity of our existing Pennsylvania generation assets. Any switching by customers could have a material adverse effect on our results of operations or financial position.

***We face competition in our energy supply business, which may adversely affect our ability to operate profitably.***

As a result of federal and state deregulation initiatives, the electric power industry has experienced a significant increase in the level of competition in the energy markets. Many of our generation 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, our energy supply business is not assured of any rate of return on our capital investments through predetermined rates, and our revenues and results of operations are dependent on our ability to operate in a competitive environment.

We expect the deregulated energy markets to continue to be highly competitive. Competition is impacted by energy and fuel prices, new market entrants, construction by others of generating assets, the actions of regulatory authorities and other factors. These competitive factors 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.

Although we have long-term supply agreements for a substantial portion of our generation, a substantial portion of our future sales will be made into the competitive wholesale markets. Competition in these markets will occur principally on the basis of the price of products and, to a lesser extent, on the basis of reliability and availability. We expect the commencement of commercial operation of new electric facilities in the regional markets where we own or control generation capacity will continue to increase the competitiveness of the wholesale power market in those regions, which could have a material adverse effect on the prices we receive for energy.

We also face competition in the wholesale markets for energy capacity and ancillary services. We primarily compete with other energy merchants based on our ability to aggregate supplies at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities. Competitors may employ very different strategies. We also compete against other energy marketers on the basis of relative financial condition and access to credit sources, and many of our competitors have greater financial resources than we do.

***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, any resulting operational loss, damages and injuries could have a material adverse effect on our results of operations or financial condition.

***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 for producing 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 do not hedge against commodity price volatility, our results of operations and financial position may be affected unfavorably.

***Our risk management policies relating to energy and fuel prices, interest rates, foreign currency and counterparty credit, 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. We have implemented procedures to enhance and monitor compliance with our risk management policies, including validation of transaction and market prices, verification of risk and transaction limits, sensitivity

analyses and daily portfolio reporting of various risk measurement metrics. Nonetheless, we cannot hedge against all of our exposures in these areas and our risk management program may not work as planned. For instance, our power plants might not produce the expected amount of power during a given day or time period due to weather conditions, technical problems or other unanticipated events, which could require us to make energy purchases at higher prices than the prices under our energy supply contracts. In addition, we may miscalculate the amount of fuel required for one of our power plants during a given day or time period, which could require us to buy additional fuel or sell excess fuel at prices less favorable than the prices under our fuel contracts. Similarly, interest rates or foreign currency exchange rates in countries where we have foreign operations, could change in significant ways as a result of economic, political, social or other events that our risk management procedures were not set up to address. As a result, we cannot always predict the impact that our risk management decisions may have on us if actual events lead to greater losses or costs than our risk management positions were intended to hedge.

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.

***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. In Pennsylvania, although we own transmission and distribution facilities, we are a member of the PJM Interconnection, which operates the electric transmission network and electric energy market in the mid-Atlantic region of the United States. Our transmission through PJM is highly dependent on operational conditions at a given time depending on what generation assets are operating within PJM, customer demand, the status of the transmission system and whether or not PJM is importing or exporting energy to other adjacent power pools. In Arizona, Illinois, Montana, New England and New York, where we do not own transmission lines, all of the output from our generation assets is transmitted over facilities owned and operated by other companies. 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.

***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 deregulated markets have 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.

#### **Risk Related to Our Delivery Businesses**

*Regulators may not approve the rates we request. An increase in PPL Electric's distribution rates lower than expected, or a decrease in WPD's distribution rates, could have an adverse impact on our income.*

Our electricity and gas delivery businesses are subject to cost-of-service based rate regulation. While such regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, the rates that we may charge our delivery customers are subject to authorization of the applicable regulatory authorities and there is no guarantee that the rates authorized by regulators will match our actual costs or provide a particular return on invested capital at any given time.

Pursuant to a 1998 Settlement Order of the PUC, PPL Electric agreed to a cap on the electricity transmission and distribution rates that it collects from retail customers in its service territory. This cap expires on December 31, 2004. On March 29, 2004, PPL Electric filed a request for a distribution rate increase with the PUC. If approved, the new distribution rates would go into effect on January 1, 2005, when the distribution rate cap expires. PPL Electric cannot predict the amount of the rate increase that will ultimately be approved by the PUC.

WPD is a regulated regional monopoly electricity 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 April 2005. Any significant lowering of rates implemented by the regulatory authority based upon the 2005 regulatory review could lower the amount of revenue WPD generates in relation to its operational costs and could materially reduce our income.

#### **Other Risks Related to Our Businesses**

*Our operating results could fluctuate on a seasonal basis, especially as a result of severe weather conditions.*

Our electricity and gas supply and delivery businesses 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, especially when severe weather conditions such as heat waves or winter storms make such fluctuations more pronounced. 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.

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

The acquisition, ownership and operation of power generation facilities and the delivery of electricity and gas through our transmission and distribution 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 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 power from our marketing subsidiaries 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.

***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.

***We cannot predict the outcome of the legal proceedings and investigations currently being conducted with respect to our current and past business activities. An adverse determination could have a material adverse effect on our financial condition, results of operations or cash flows.***

We are involved in numerous legal proceedings, claims and litigation and subject to ongoing state and federal investigations arising out of our business operations, the most significant of which are summarized in our reports filed with the SEC and incorporated by reference into this prospectus. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liability that could potentially result from a negative outcome in each case.

***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 of 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.

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.

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

At March 31, 2004, we had power plants with 863 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 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. 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. If we were unable to complete the development of a facility, we would generally not be able to recover our investment in the project.

***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 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, credit availability and our financial performance. The 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.



***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.***

Moody's Investors Service, Inc. currently rates PPL Energy Supply's senior unsecured debt at Baa2, PPL Capital Funding's senior unsecured debt at Baa3, and PPL Electric Utilities' senior secured debt at Baa1. Fitch Ratings rates PPL Capital Funding's senior unsecured debt at BBB. Our Fitch ratings for PPL Corporation, PPL Energy Supply and PPL Capital Funding are on negative outlook. Standard & Poor's Ratings Services rates PPL Corporation and PPL Energy Supply at BBB, PPL Capital Funding's senior unsecured debt at BBB- and PPL Electric Utilities at A-. Our Standard & Poor's ratings for PPL Corporation, PPL Energy Supply and PPL Electric Utilities are on negative outlook. While we do not expect these ratings to limit our ability to fund our short-term liquidity needs or to have a material impact on the cost to maintain our credit facilities and/or access any new long-term debt, any future ratings downgrades could negatively affect our ability to fund our short-term liquidity needs and increase the cost to maintain our credit facilities and access new long-term debt.

S-13

---

**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, electric rates, subsidiary performance, growth, new technology, project development, fuel and energy prices, strategic initiatives, 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 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 conditions affecting customer energy usage and operating costs;

competition in retail and wholesale power markets;

effect of any business or industry restructuring;

profitability and liquidity of PPL Corporation and its subsidiaries;

new accounting requirements or new interpretations or applications of existing requirements;

operation of existing facilities and operating costs of PPL Corporation and its subsidiaries;

environmental conditions and requirements;

transmission and distribution system conditions and operating costs;

development of new projects, markets and technologies;

performance of new ventures;

asset acquisitions and dispositions;

political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business;

receipt and renewals of necessary governmental permits, approvals and rate relief;

impact of state or federal investigations applicable to us and the energy industry;

outcome of litigation against us;

capital markets conditions and decisions regarding capital structure;

stock price performance of PPL Corporation;

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

securities and credit ratings of PPL Corporation and its subsidiaries;

state and federal regulatory developments;

foreign exchange rates;

new state or federal legislation, including new tax 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

S-14

---

commitments and liabilities of PPL Corporation and its subsidiaries.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL Corporation and its subsidiaries that are on file with the Securities and Exchange Commission, or 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" in this prospectus supplement, or a combination of these factors, could materially affect our future results of operations and financial position 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" in this prospectus supplement and other cautionary statements in this prospectus supplement and the documents we have incorporated by reference.

**RATIO OF EARNINGS TO FIXED CHARGES**

	Twelve Months	Year Ended December 31,				
	Ended March					
	31, 2004	2003	2002	2001	2000	1999
Ratio of Earnings to Fixed Charges(a)	2.6	2.5	1.9	1.7	2.5	2.7

- (a) Computed using earnings and fixed charges of PPL Corporation and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, other interest charges, interest on capital lease obligations and the estimated interest component of other rentals.

**USE OF PROCEEDS**

We are remarketing an aggregate principal amount of \$99,337,000 of notes to investors on behalf of holders of PPL Corporation's PEPS Units, Series B issued in January 2004. PPL Corporation will receive the proceeds from a successful remarketing equal to 100% of the principal amount of the remarketed notes in satisfaction of the obligation of the holders of the PEPS Units, Series B under the stock purchase contracts to purchase shares of our common stock. PPL Corporation will use these proceeds for general corporate purposes, which may include the repayment of debt as determined by PPL Corporation.

## DESCRIPTION OF THE REMARKETED NOTES

The following description is a summary of the terms of the notes. The notes have been issued under the indenture dated as of November 1, 1997 and a related supplemental indenture dated as of January 21, 2004.

The descriptions in this prospectus contain a description of the material terms of the notes and the indenture but do not purport to be complete, and reference is hereby made to the indenture and the form of note that are filed as exhibits to the registration statement and to the Trust Indenture Act.

### General

The notes have been issued as a separate series in an aggregate principal amount of \$99,379,000.

The notes have been issued in denominations of \$1,000 and integral multiples of \$1,000.

Payment of interest and principal on the notes will be guaranteed by PPL Corporation as described under          Guarantee.

The notes are not subject to a sinking fund provision. The entire principal amount of the notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on May 18, 2006.

The indenture does not contain provisions that afford holders of the notes protection in the event PPL Capital Funding or PPL Corporation are involved in a highly leveraged transaction or other similar transaction that may adversely affect the holders.

### Ranking

On and after May 18, 2004, the notes will be PPL Capital Funding's direct, unsecured obligations and will rank without preference or priority among themselves and equally with all of PPL Capital Funding's existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of PPL Capital Funding's subordinated indebtedness.

### Interest

The interest rate on the notes will be reset in connection with the remarketing as described below under          Interest Rate Reset and Determination. Following a successful remarketing, interest will be payable quarterly in arrears on February 18, May 18, August 18 and November 18 of each year at the floating reset interest rate commencing on August 18, 2004.

Interest will be payable to the person in whose name the note is registered at the close of business on the 15th day (whether or not a business day) prior to the interest payment date, except that when the notes are represented by global security certificates held by the depositary, the record date will be one business day prior to the interest payment date.

Following a successful remarketing, the amount of interest for each day the notes are outstanding will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the principal amount of the notes. After a successful remarketing, if an interest payment date (other than at final maturity) would fall on a day that is not a business day, such interest payment date shall be the following day that is a business day, except that if such next day is in a different month, then that interest payment date will be the immediately preceding day that is a business day; provided, further that if the final maturity of the notes shall fall on a day that is not a business day, the interest due on such day shall be paid on the following day that is a business day (and without any interest or other payment in respect of such delay).

### Interest Rate Reset and Determination

The interest rate on the notes was reset on the date of the remarketing and the reset rate will become effective on May 18, 2004. The reset rate will be equal to 3-month LIBOR plus a spread. The spread equals 105 basis points (1.05%) to be added to the 3-month LIBOR.

Following a successful remarketing and commencing on August 18, 2004, the reset rate at which interest on such note shall be payable shall be reset quarterly on February 18, May 18, August 18 and November 18 of each year (each, an Interest Reset Date). If any Interest Reset Date would otherwise be a day that is not a business day, such Interest Reset Date shall be postponed to the next succeeding day that is a business day, except that if such next day is in a different month, then that Interest Reset Date will be the next immediately preceding day that is a business day. JPMorgan Chase Bank will be the calculation agent; *provided, however*, that for the initial interest rate reset on May 18, 2004, the calculation agent shall be the remarketing agent. Following a successful remarketing and upon request of any holder of a note, the calculation agent will disclose to such holder the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such note. The calculation agent shall determine each applicable interest rate in accordance with the following provisions. The calculation agent's determination of any interest rate will be conclusive and binding in the absence of any manifest error.

3-month LIBOR means the rate determined in accordance with the following provisions:

- (a) the rate for deposits in United States dollars having a maturity of three months, commencing on the applicable Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 A.M., London time, on the preceding Interest Determination Date. If no such rate so appears, 3-month LIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (b) below.
- (b) With respect to an Interest Determination Date on which no rate appears on the Designated LIBOR Page as specified in clause (a) above, the calculation agent will request the principal London offices of each of four major reference banks (which may include the remarketing agent or affiliates of the remarketing agent, the trustee or the calculation agent) in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in such market at such time. If at least two such quotations are so provided, then 3-month LIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then 3-month LIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on such Interest Determination Date by three major banks (which may include the remarketing agent or affiliates of the remarketing agent, the trustee or the calculation agent) in New York City selected by the calculation agent for loans in United States dollars to leading European banks, having a three month maturity and in a principal amount that is representative for a single transaction in United States dollars in such market at such time; *provided, however*, that if the banks so selected by the calculation agent are not quoting as mentioned in this sentence, 3-month LIBOR determined as of such Interest Determination Date will be 3-month LIBOR in effect on such Interest Determination Date, or if no such 3-month LIBOR rate is then in effect, the interest rate on the notes will be the rate in effect on such Interest Determination Date.

## Edgar Filing: PPL CORP - Form 424B5

Designated LIBOR Page means the display designated as Page 3750 on Moneyline Telerate, Inc., or such other page as may replace Page 3750 on such service or any successor service or services as may be nominated by the British Bankers' Association for the purpose of displaying the London interbank rates of major banks for United States dollars.

Interest Determination Date means the second London Business Day immediately preceding the applicable Interest Reset Date; *provided, however*, that for the initial interest rate reset on May 18, 2004, the Interest Determination Date means either (a) the second London Business Day immediately preceding May 11, 2004 or (b) the second London Business Day immediately preceding May 18, 2004, whichever date of clause (a) or (b) has a higher 3-month LIBOR.

London Business Day means a business day on which dealings in deposits in United States dollars are transacted in the London interbank market.

The remarketing agent is not obligated to purchase any notes that would otherwise remain unsold in the remarketing. None of PPL Corporation, PPL Capital Funding nor the remarketing agent or any of their affiliates will be obligated in any case to provide funds to make payment upon tender of notes for remarketing.

### Guarantee

PPL Corporation fully and unconditionally guarantees the payment of principal of and any interest on the notes, when due and payable, whether at the stated maturity date, by declaration of acceleration or otherwise, in accordance with the terms of such notes and the indenture. The guarantee will remain in effect until the entire principal of and any interest on the notes has been paid in full or otherwise discharged in accordance with the provisions of the indenture.

On or after May 18, 2004, the guarantee of the notes will be PPL Corporation's unsecured obligation and will rank equally with all of PPL Corporation's existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of PPL Corporation's subordinated indebtedness.

### Events of Default

An Event of Default occurs with respect to the notes if

- (i) we do not pay any interest on the notes within 30 days of the due date;
- (ii) we do not pay principal on the notes when due on the due date;
- (iii) we remain in breach of a covenant (excluding covenants solely applicable to the notes) 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 the notes and any other affected securities; 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;
- (iv) the guarantee on the notes
  - (a) ceases to be effective (except in accordance with its terms),
  - (b) is found in any judicial proceeding to be unenforceable or invalid, or
  - (c) is denied or disaffirmed (except in accordance with its terms), or
- (v) we file for bankruptcy or certain other events in bankruptcy, insolvency, receivership or reorganization occur.



No Event of Default with respect to the notes necessarily constitutes an Event of Default with respect to the notes of any other series issued under the indenture.

## **Remedies**

### **Acceleration**

#### *The Notes*

If an Event of Default occurs and is continuing with respect to the notes, then either the trustee or the holders of 25% in principal amount of the outstanding notes may declare the principal amount of all of the notes 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 notes issued under the indenture, then either the trustee or the holders of 25% in aggregate principal amount of the outstanding notes issued under the indenture 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 notes of any particular series will not, in itself, be sufficient to make a declaration of acceleration.

#### *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
- (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.

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 notes occurs and is continuing, the holders of a majority in principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the notes.

If an Event of Default is continuing with respect to more than one series of notes issued under the indenture, the holders of a majority in aggregate principal amount of the outstanding notes issued under the indenture of all such series, considered as one class, will have the right to make such direction, and not the

holders of the notes 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.

In addition, the indenture provides that no holder of any notes 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 notes under the indenture 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 notes issued under the indenture 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.

However, each holder has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right.

#### **Notice of Default**

The trustee is required to give the holders of the notes 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. 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.

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

The holders of a majority in aggregate principal amount of the outstanding notes may waive, on behalf of the holders of all notes, 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 note affected.

Compliance with certain covenants in the indenture or otherwise provided with respect to all of the notes issued under the indenture may be waived by the holders of a majority in aggregate principal amount of the outstanding notes affected, considered as one class.

**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.

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 notes issued under the indenture (or the guarantee 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.

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 l