UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended June 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
333-74794	**PPL Energy Supply, LLC** (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-50350	**PPL Montana, LLC** (Exact name of Registrant as specified in its charter) (Delaware) 303 North Broadway - Suite 400 Billings, MT 59101 (406) 237-6900	54-1928759

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No _
PPL Energy Supply, LLC	Yes X	No _
PPL Electric Utilities Corporation	Yes X	No _
PPL Montana, LLC	Yes X	No _

Indicate by check mark whether the Registrants are accelerated filers (as defined in Rule 12b-2 of the Act).

PPL Corporation	Yes X	No _

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PPL Energy Supply, LLC	Yes _	No X
PPL Electric Utilities Corporation	Yes _	No X
PPL Montana, LLC	Yes _	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

PPL Corporation	Common stock, $.01 par value, 176,704,662 shares outstanding at July 31, 2003, excluding 31,017,674 shares held as treasury stock
PPL Energy Supply, LLC	PPL Corporation indirectly holds all of the member interests in PPL Energy Supply, LLC.
PPL Electric Utilities Corporation	Common stock, no par value, 78,029,863 shares outstanding and all held by PPL Corporation at July 31, 2003, excluding 79,270,519 shares held as treasury stock
PPL Montana, LLC	PPL Corporation indirectly holds all of the member interests in PPL Montana, LLC.

PPL Montana, LLC meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

This document is available free of charge at the Investor Center on PPL's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

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PPL CORPORATION
PPL ENERGY SUPPLY, LLC
PPL ELECTRIC UTILITIES CORPORATION
PPL MONTANA, LLC

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2003
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GLOSSARY OF TERMS AND ABBREVIATIONS

- British pounds sterling.

1945 First Mortgage Bond Indenture - PPL Electric's Mortgage and Deed of Trust, dated as of October 1, 1945, to Deutsche Bank Trust Company Americas, as trustee, as supplemented.

2001 Senior Secured Bond Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to JPMorgan Chase Bank, as trustee, as supplemented.

ANEEL - National Electric Energy Agency, Brazil's agency that regulates the transmission and distribution of electricity.

APA - Asset Purchase Agreement.

APB - Accounting Principles Board.

ARB - Accounting Research Bulletin.

ARO - asset retirement obligation.

Bcf - billion cubic feet.

CEMAR - Companhia Energtica do Maranho, a Brazilian electric distribution company in which PPL Global has a majority ownership interest.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions including acid rain, ozone and toxic air emissions.

CTC - competitive transition charge on customer bills to recover allowable transition costs under the Customer Choice Act.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DEP - Department of Environmental Protection, a state government agency.

Derivative - a financial instrument or other contract with all three of the following characteristics:

1. It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
3. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

DIG - Derivatives Implementation Group.

DRIP - Dividend Reinvestment Plan.

EITF - Emerging Issues Task Force, an organization that assists the FASB in improving financial reporting through the identification, discussion and resolution of financial issues within the framework of existing authoritative literature.

EMF - electric and magnetic fields.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings (loss) per share.

FASB - Financial Accounting Standards Board, a rulemaking organization that establishes financial accounting and reporting standards.

FERC - Federal Energy Regulatory Commission, the federal agency that regulates interstate transmission and wholesale sales of electricity and related matters.

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FIN - FASB Interpretation, intended to clarify accounting pronouncements previously issued by the FASB.

GAAP - generally accepted accounting principles.

GWh - gigawatt-hour, one million kilowatt-hours.

Hyder - Hyder Limited, which was acquired by WPDL and was the previous owner of South Wales Electricity plc. In March 2001, South Wales Electricity plc was acquired by WPDH Limited and renamed WPD (South Wales).

ICP - Incentive Compensation Plan.

ICPKE - Incentive Compensation Plan for Key Employees.

IRS - Internal Revenue Service, a U.S. government agency.

ISO - Independent System Operator.

ITC - intangible transition charge on customer bills to recover intangible transition costs associated with securitizing stranded costs under the Customer Choice Act.

kWh - kilowatt-hour, basic unit of electrical energy.

LIBOR - London Interbank Offered Rate.

Mirant - Mirant Corporation, a diversified energy company based in Atlanta. PPL Global and Mirant jointly owned WPD until September 6, 2002.

Montana Power - The Montana Power Company, a Montana-based company that sold its generating assets to PPL Montana in December 1999. Through a series of transactions consummated during the first quarter of 2002, Montana Power sold its electricity delivery business to NorthWestern.

MW - megawatt, one thousand kilowatts.

MWh - megawatt-hour, one thousand kilowatt-hours.

NorthWestern - NorthWestern Corporation, a Delaware corporation and successor in interest to Montana Power's electricity delivery business, including Montana Power's rights and obligations under contracts with PPL Montana.

NPDES - National Pollutant Discharge Elimination System.

NUGs (Non-Utility Generators) - generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

PCB - polychlorinated biphenyl, an additive to oil used in certain electrical equipment up to the late 1970s. Now classified as a hazardous chemical.

PEPS Units (Premium Equity Participating Security Units) - securities issued by PPL Capital Funding Trust I, consisting of a Preferred Security and a forward contract to purchase PPL common stock.

PJM (PJM Interconnection, LLC) - operates the electric transmission network and electric energy market in the mid-Atlantic region of the U.S.

PLR (Provider of Last Resort) - PPL Electric providing electricity to retail customers within its delivery territory who have chosen not to shop for electricity under the Customer Choice Act.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a PPL financing subsidiary.

PPL Capital Funding Trust I - a Delaware statutory business trust created to issue PEPS Units, whose common securities are held by PPL.

PPL Electric - PPL Electric Utilities Corporation, a regulated utility subsidiary of PPL that transmits and distributes electricity in its service

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territory and provides electric supply to retail customers in this territory as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent company of PPL Energy Supply.

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply, which markets wholesale and retail electricity, and supplies energy and energy services in newly deregulated markets.

PPL Energy Supply - PPL Energy Supply, LLC, the parent company of PPL Generation, PPL EnergyPlus, PPL Global and other subsidiaries. Formed in November 2000, PPL Energy Supply is a subsidiary of PPL Energy Funding.

PPL Gas Utilities - PPL Gas Utilities Corporation, a regulated utility subsidiary of PPL specializing in natural gas distribution, transmission and storage services, and the competitive sale of propane.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply, which owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Supply, which acquires and develops domestic generation projects and acquires and holds international energy projects that are primarily focused on the distribution of electricity.

PPL Martins Creek - PPL Martins Creek, LLC, a fossil generating subsidiary of PPL Generation.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation, which generates electricity for wholesale sales in Montana and the Pacific Northwest.

PPL Services - PPL Services Corporation, a subsidiary of PPL, which provides shared services for PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

PPL Telcom - PPL Telcom, LLC, an indirect subsidiary of PPL Energy Funding, which delivers high band-width telecommunication services in the Northeast corridor from Washington, D.C. to New York City and to six metropolitan areas in Central and Eastern Pennsylvania.

PPL Transition Bond Company - PPL Transition Bond Company, LLC, a wholly-owned subsidiary of PPL Electric that was formed to issue transition bonds under the Customer Choice Act.

Preferred Securities - company-obligated mandatorily redeemable preferred securities issued by PPL Capital Funding Trust I, holding solely debentures of PPL Capital Funding, and by SIUK Capital Trust I, holding solely debentures of WPD LLP.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

PURPA - Public Utility Regulatory Policies Act of 1978, legislation passed by the U.S. Congress to encourage energy conservation, efficient use of resources and equitable rates.

PURTA - the Pennsylvania Public Utility Realty Tax Act.

SCR - selective catalytic reduction, a pollution control process.

SEC - Securities and Exchange Commission, a U.S. government agency.

SFAS - Statement of Financial Accounting Standards, the accounting and financial reporting rules issued by the FASB.

SIUK Capital Trust I - a business trust created to issue preferred securities, whose common securities are held by WPD LLP.

Superfund - federal environmental legislation that addresses remediation of contaminated sites; states also have similar statutes.

Tolling agreement - agreement whereby the owner of an electric generating facility agrees to use that facility to convert fuel provided by a third party into electric energy for delivery back to the third party.

WPD - refers collectively to WPDH Limited and WPDL. PPL Global purchased Mirant's 49% ownership interest in these entities on September 6, 2002, thereby achieving 100% ownership and operational control.

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WPD LLP - Western Power Distribution LLP, a wholly-owned subsidiary of WPDH Limited.

***WPD* (South Wales)** - Western Power Distribution (South Wales) plc, a British regional electric utility company.

***WPD* (South West)** - Western Power Distribution (South West) plc, a British regional electric utility company.

WPDH Limited - Western Power Distribution Holdings Limited, an indirect, wholly-owned subsidiary of PPL Global. WPDH Limited owns WPD LLP, which owns WPD (South West) and WPD (South Wales).

WPDL - WPD Investment Holdings Limited, an indirect wholly-owned subsidiary of PPL Global. WPDL owns 100% of the common shares of Hyder.

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Forward-looking Information

Certain statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts are "forward-looking statements" within the meaning of the federal securities laws. Although PPL, PPL Energy Supply, PPL Electric and PPL Montana 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 Management's Discussion and Analysis of the Financial Condition and Results of Operations sections herein, 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;
- the effect of any business or industry restructuring;
- the profitability and liquidity of PPL and its subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- operation of existing facilities and operating costs;
- 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 PPL or its subsidiaries conduct business;
- receipt and renewals of necessary governmental permits and approvals;
- impact of state or federal investigations applicable to PPL and its subsidiaries and the energy industry;
- the outcome of litigation against PPL and its subsidiaries;
- capital market conditions and decisions regarding capital structure;
- stock price performance;
- the market prices of equity securities and resultant cash funding requirements for defined benefit pension plans;
- securities and credit ratings;
- state and federal regulatory developments;
- 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 U.S., the situation in Iraq and any consequential hostilities or other hostilities; and
- the commitments and liabilities of PPL 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, PPL Energy Supply, PPL Electric and PPL Montana 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 PPL, PPL Energy Supply, PPL Electric or PPL Montana 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 PPL, PPL Energy Supply, PPL Electric and PPL Montana undertake no obligations to update the information contained in such statement to reflect subsequent developments or information.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements
CONDENSED CONSOLIDATED STATEMENT OF INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Operating Revenues				
Utility	**$ 861**	$ 888	**$ 1,881**	$ 1,839
Unregulated retail electric and gas	**33**	42	**85**	91
Wholesale energy marketing	**303**	221	**601**	414
Net energy trading margins	**14**	2	**7**	16
Energy related businesses	**127**	146	**251**	293
Total	**1,338**	1,299	**2,825**	2,653
Operating Expenses				
Operation				
Fuel	**137**	127	**334**	274
Energy purchases	**251**	214	**553**	412
Other	**234**	182	**437**	388
Amortization of recoverable transition costs	**56**	50	**127**	103
Maintenance	**88**	81	**161**	150
Depreciation	**92**	91	**188**	177
Taxes, other than income	**60**	58	**125**	118
Energy related businesses	**135**	150	**256**	279
Other charges				
Write-down of international energy projects		94		100
Workforce reduction		74		74
Total	**1,053**	1,121	**2,181**	2,075
Operating Income	**285**	178	**644**	578
Other Income - net	**23**	4	**31**	11
Interest Expense	**128**	132	**236**	262
Income Before Income Taxes and Minority Interest	**180**	50	**439**	327
Income Taxes	**49**	29	**118**	115
Minority Interest	**1**	30	**2**	56
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	**130**	(9)	**319**	156
Cumulative Effect of a Change in Accounting Principle (net of income taxes)			**63**	(150)
Income (Loss) Before Dividends and Distributions on Preferred Securities	**130**	(9)	**382**	6
Dividends and Distributions - Preferred Securities	**14**	18	**27**	36
Net Income (Loss)	**$ 116**	$ (27)	**$ 355**	$ (30)
Earnings (Loss) Per Share of Common Stock				
Net income (loss) - before cumulative effect of change in accounting principle:				
Basic	**$ 0.68**	$ (0.18)	**$ 1.73**	$ 0.82
Diluted	**0.67**	(0.18)	**1.72**	0.82
Net income (loss):				
Basic	**$ 0.68**	$ (0.18)	**$ 2.10**	$ (0.20)

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Diluted	**0.67**	(0.18)	**2.09**	(0.20)
Dividends Declared per Share of Common Stock	**$ 0.385**	$ 0.36	**$ 0.77**	$ 0.72

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2003	**2002**
Net Cash Provided by Operating Activities	**$ 498**	$ 19
Cash Flows From Investing Activities		
Expenditures for property, plant and equipment	**(357)**	(248)
Investment in generating assets and electric energy projects		(256)
Other investing activities - net	**5**	(19)
Net cash used in investing activities	**(352)**	(523)
Cash Flows From Financing Activities		
Issuance of long-term debt	**986**	
Issuance of common stock	**411**	20
Retirement of long-term debt	**(404)**	(191)
Retirement of company-obligated mandatorily redeemable preferred securities		(100)
Retirement of preferred stock	**(10)**	
Payment of common and preferred dividends	**(145)**	(127)
Net increase (decrease) in short-term debt	**(834)**	163
Other financing activities - net	**(25)**	(1)
Net cash used in financing activities	**(21)**	(236)
Net Increase (Decrease) In Cash and Cash Equivalents	**125**	(740)
Cash and Cash Equivalents at Beginning of Period	**245**	933
Cash and Cash Equivalents at End of Period	**$ 370**	$ 193

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash and cash equivalents	**$ 370**	$ 245
Accounts receivable (less reserve: 2003, $114; 2002, $112)	**534**	610
Unbilled revenues	**273**	281
Fuel, materials and supplies - at average cost	**255**	242
Prepayments	**167**	122
Deferred income taxes	**104**	99
Price risk management assets	**121**	103
Other	**161**	135
	1,985	1,837
Investments		
Investment in unconsolidated affiliates - at equity	**227**	234
Investment in unconsolidated affiliates - at cost	**106**	107
Nuclear plant decommissioning trust fund	**320**	287
Other	**24**	28
	677	656
Property, Plant and Equipment - net		
Electric plant in service		
Transmission and distribution	**5,862**	5,603
Generation	**2,816**	2,679
General	**489**	476
	9,167	8,758
Construction work in progress	**157**	223
Nuclear fuel	**129**	129
Electric plant	**9,453**	9,110
Gas and oil plant	**203**	201
Other property	**275**	252
	9,931	9,563
Regulatory and Other Noncurrent Assets		
Recoverable transition costs	**1,820**	1,946
Goodwill and other intangibles	**644**	666
Other	**955**	879
	3,419	3,491
	$ 16,012	$ 15,547

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 122**	$ 943
Long-term debt	**315**	366
Accounts payable	**348**	452
Above market NUG contracts	**75**	75
Taxes	**232**	193
Interest	**111**	101
Dividends	**77**	66
Price risk management liabilities	**145**	110
Other	**314**	307
	1,739	2,613
Long-term Debt	**6,589**	5,901
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes and investment tax credits	**2,436**	2,371
Above market NUG contracts	**315**	352
Other	**1,287**	1,307
	4,038	4,030
Commitments and Contingent Liabilities		
Minority Interest	**33**	36
Company-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Company Debentures	**661**	661
Preferred Stock		
With sinking fund requirements	**21**	31
Without sinking fund requirements	**51**	51
	72	82
Shareowners' Common Equity		
Common stock	**2**	2
Capital in excess of par value	**2,950**	2,539
Treasury stock	**(837)**	(836)
Earnings reinvested	**1,235**	1,013
Accumulated other comprehensive loss	**(405)**	(446)
Capital stock expense and other	**(65)**	(48)
	2,880	2,224
	$ 16,012	$ 15,547

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF SHAREOWNERS' COMMON EQUITY AND COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Common stock at beginning of period	**$ 2**	$ 2	**$ 2**	$ 2
Common stock at end of period	**2**	2	**2**	2
Capital in excess of par value at beginning of period	**2,612**	1,975	**2,539**	1,956
Common stock issued (a)	**338**	1	**411**	20
Capital in excess of par value at end of period	**2,950**	1,976	**2,950**	1,976
Treasury stock at beginning of period	**(836)**	(836)	**(836)**	(836)
Treasury stock purchased	**(1)**		**(1)**	
Treasury stock at end of period	**(837)**	(836)	**(837)**	(836)
Earnings reinvested at beginning of period	**1,187**	967	**1,013**	1,023
Net income (loss) (b)	**116**	(27)	**355**	(30)
Cash dividends declared on common stock	**(68)**	(53)	**(133)**	(106)
Earnings reinvested at end of period	**1,235**	887	**1,235**	887
Accumulated other comprehensive loss at beginning of period	**(437)**	(255)	**(446)**	(251)
Foreign currency translation adjustments (b) (c)	**32**	136	**17**	144
Unrealized gain (loss) on available-for-sale securities (b)	**13**	(1)	**10**	(2)
Unrealized gain (loss) on qualifying derivatives (b)	**(13)**		**14**	(11)
Accumulated other comprehensive loss at end of period	**(405)**	(120)	**(405)**	(120)
Capital stock expense and other at beginning of period	**(58)**	(39)	**(48)**	(37)
Issuance costs and other charges to issue common stock	**(9)**		**(9)**	
Other	**2**		**(8)**	(2)
Capital stock expense and other at end of period	**(65)**	(39)	**(65)**	(39)
Total Shareowners' Common Equity	**$ 2,880**	$ 1,870	**$ 2,880**	$ 1,870
Common stock shares at beginning of period (a)	**167,723**	147,122	**165,736**	146,580
Common stock issued through the DRIP, ICP, ICPKE, structured equity program and public offering	**8,970**	43	**10,976**	585
Treasury stock purchased	**(4)**		**(23)**	
Common stock shares at end of period	**176,689**	147,165	**176,689**	147,165

(a) Shares in thousands. $.01 par value, 390 million shares authorized. Each share entitles the holder to one vote on any question presented to any shareowners' meeting.

(b) Statement of Comprehensive Income:

Net income (loss)	**$ 116**	$ (27)	**$ 355**	$ (30)
Other comprehensive income:				
Foreign currency translation adjustments, net of tax (benefit) of $0, $(4), $0, $(10)	**32**	136	**17**	144
Unrealized gain (loss) on available-for-sale securities, net of tax (benefit) of $8, $(1), $6, $(1)	**13**	(1)	**10**	(2)
Unrealized gain (loss) on qualifying derivatives, net of tax (benefit) of $(9), $0, $3, $(7)	**(13)**		**14**	(11)
Total other comprehensive income	**32**	135	**41**	131
Comprehensive Income	**$ 148**	$ 108	**$ 396**	$ 101

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(c) Includes a $94 million credit for the write-off of the CEMAR cumulative translation adjustment in June 2002. See Note 6 for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Operating Revenues				
Wholesale energy marketing	**$ 303**	$ 221	**$ 601**	$ 414
Wholesale energy marketing to affiliates	**327**	339	**716**	708
Utility	**236**	256	**477**	504
Unregulated retail electric and gas	**33**	42	**85**	91
Net energy trading margins	**14**	2	**7**	16
Energy related businesses	**124**	144	**246**	290
Total	**1,037**	1,004	**2,132**	2,023
Operating Expenses				
Operation				
Fuel	**121**	109	**274**	221
Energy purchases	**199**	163	**448**	308
Energy purchases from affiliates	**38**	40	**83**	86
Other operation and maintenance	**241**	185	**447**	388
Depreciation	**64**	66	**133**	127
Taxes, other than income	**22**	20	**43**	39
Energy related businesses	**128**	147	**247**	273
Other charges				
Write-down of international energy projects		94		100
Workforce reduction		40		40
Total	**813**	864	**1,675**	1,582
Operating Income	**224**	140	**457**	441
Other Income - net	**25**	10	**42**	21
Interest Expense	**60**	51	**102**	102
Income Before Income Taxes and Minority Interest	**189**	99	**397**	360
Income Taxes	**54**	58	**106**	146
Minority Interest	**1**	30	**2**	56
Income Before Cumulative Effect of a Change in Accounting Principle	**134**	11	**289**	158
Cumulative Effect of a Change in Accounting Principle (net of income taxes)			**63**	(150)
Income Before Distributions on Preferred Securities	**134**	11	**352**	8
Distributions - Preferred Securities	**2**	2	**4**	4
Net Income	**$ 132**	$ 9	**$ 348**	$ 4

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2003	**2002**
Net Cash Provided by (Used in) Operating Activities	**$ 322**	$ (36)
Cash Flows From Investing Activities		
Expenditures for property, plant and equipment	**(234)**	(157)
Investment in generating assets and electric energy projects		(256)
Net decrease in notes receivable from affiliates	**428**	152
Other investing activities - net	**17**	(17)
Net cash provided by (used in) investing activities	**211**	(278)
Cash Flows From Financing Activities		
Issuance of long-term debt	**797**	
Contributions from Member	**262**	5
Retirement of long-term debt	**(53)**	(10)
Distributions to Member	**(650)**	(552)
Net increase (decrease) in short-term debt	**(819)**	165
Other financing activities - net	**(12)**	(3)
Net cash used in financing activities	**(475)**	(395)
Net Increase (Decrease) In Cash and Cash Equivalents	**58**	(709)
Cash and Cash Equivalents at Beginning of Period	**149**	815
Cash and Cash Equivalents at End of Period	**$ 207**	$ 106

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash and cash equivalents	**$ 207**	$ 149
Accounts receivable (less reserve: 2003, $87; 2002, $88)	**306**	375
Unbilled revenues	**173**	165
Accounts receivable from affiliates	**131**	11
Notes receivable from affiliates	**227**	655
Fuel, materials and supplies - at average cost	**215**	200
Price risk management assets	**115**	93
Other	**145**	177
	1,519	1,825
Investments		
Investment in unconsolidated affiliates - at equity	**227**	234
Investment in unconsolidated affiliates - at cost	**106**	107
Nuclear plant decommissioning trust fund	**320**	287
Other	**4**	10
	657	638
Property, Plant and Equipment - net		
Electric plant in service		
Transmission and distribution	**3,596**	3,390
Generation	**2,816**	2,679
General	**265**	277
	6,677	6,346
Construction work in progress	**125**	176
Nuclear fuel	**129**	129
Electric plant	**6,931**	6,651
Gas and oil plant	**23**	23
Other property	**212**	213
	7,166	6,887
Other Noncurrent Assets		
Goodwill and other intangibles	**467**	491
Other	**547**	495
	1,014	986
	$ 10,356	$ 10,336

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 122**	$ 928
Long-term debt	**5**	6
Accounts payable	**299**	382
Accounts payable to affiliates	**31**	76
Above market NUG contracts	**75**	75
Taxes	**193**	114
Interest	**68**	55
Deferred revenue on PLR energy supply to affiliate	**12**	12
Price risk management liabilities	**134**	96
Other	**221**	216
	1,160	1,960
Long-term Debt	**2,991**	2,225
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes and investment tax credits	**1,127**	1,028
Above market NUG contracts	**315**	352
Deferred revenue on PLR energy supply to affiliate	**63**	69
Other	**1,065**	1,073
	2,570	2,522
Commitments and Contingent Liabilities		
Minority Interest	**33**	36
Company-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Company Debentures	**86**	86
Member's Equity	**3,516**	3,507
	$ 10,356	$ 10,336

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF MEMBER'S EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Member's Equity at beginning of period	**$ 3,429**	$ 3,742	**$ 3,507**	$ 3,972
Comprehensive income:				
Net income	**132**	9	**348**	4
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax (benefit) of $0, $(4), $0, $(10) (a)	**32**	136	**17**	144
Unrealized gain (loss) on qualifying derivatives, net of tax (benefit) of $(3), $(1), $10, $(10)	**(5)**	(1)	**24**	(14)
Unrealized gain on available-for-sale securities, net of tax of $8, $0, $6, $0	**11**		**8**	
Total comprehensive income	**170**	144	**397**	134
Member contributions	**262**	4	**262**	5
Distributions to Member	**(345)**	(331)	**(650)**	(552)
Member's Equity at end of period	**$ 3,516**	$ 3,559	**$ 3,516**	$ 3,559

(a) Includes a $94 million credit for the write-off of the CEMAR cumulative translation adjustment in June 2002. See Note 6 for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Operating Revenues				
Retail electric	**$ 591**	$ 595	**$ 1,293**	$ 1,236
Retail electric to affiliate	**2**	8	**6**	13
Wholesale electric	**7**	6	**15**	13
Wholesale electric to affiliate	**37**	40	**76**	82
Energy related businesses		2		4
Total	**637**	651	**1,390**	1,348
Operating Expenses				
Operation				
Energy purchases	**51**	51	**104**	105
Energy purchases from affiliate	**327**	339	**714**	708
Other	**68**	61	**129**	116
Amortization of recoverable transition costs	**56**	50	**127**	103
Maintenance	**18**	16	**32**	27
Depreciation	**26**	23	**50**	46
Taxes, other than income	**37**	38	**81**	79
Energy related businesses		1		3
Workforce reduction		33		33
Total	**583**	612	**1,237**	1,220
Operating Income	**54**	39	**153**	128
Other Income - net	**1**	2	**4**	7
Interest Expense	**53**	53	**109**	109
Income (Loss) Before Income Taxes	**2**	(12)	**48**	26
Income Taxes (Benefit)	**1**	(9)	**17**	3
Income (Loss) Before Dividends and Distributions on Preferred Securities	**1**	(3)	**31**	23
Dividends and Distributions - Preferred Securities	**1**	5	**2**	11
Net Income (Loss)	**$**	$ (8)	**$ 29**	$ 12

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net Cash Provided by Operating Activities	**$ 233**	$ 73
Cash Flows From Investing Activities		
Expenditures for property, plant and equipment	**(112)**	(86)
Net (increase) decrease in notes receivable from affiliates	**(10)**	270
Other investing activities - net		12
Net cash provided by (used in) investing activities	**(122)**	196
Cash Flows From Financing Activities		
Issuance of long-term debt	**190**	
Contribution from parent	**75**	
Retirement of long-term debt	**(291)**	(171)
Retirement of company-obligated mandatorily redeemable preferred securities		(100)
Retirement of preferred stock	**(10)**	
Payment of common and preferred dividends	**(21)**	(42)
Net decrease in short-term debt	**(15)**	
Other financing activities - net	**(8)**	
Net cash used in financing activities	**(80)**	(313)
Net Increase (Decrease) in Cash and Cash Equivalents	**31**	(44)
Cash and Cash Equivalents at Beginning of Period	**29**	79
Cash and Cash Equivalents at End of Period	**$ 60**	$ 35

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash and cash equivalents	**$ 60**	$ 29
Accounts receivable (less reserve: 2003, $26; 2002, $23)	**209**	216
Unbilled revenues	**99**	113
Accounts receivable from affiliates	**14**	44
Notes receivable from affiliates	**100**	90
Income tax receivable	**35**	35
Prepayments	**121**	51
Prepayment on PLR energy supply from affiliate	**12**	12
Deferred income taxes	**45**	43
Other	**73**	36
	768	669
Property, Plant and Equipment - net		
Electric plant in service		
Transmission and distribution	**2,267**	2,214
General	**218**	192
	2,485	2,406
Construction work in progress	**29**	46
Electric plant	**2,514**	2,452
Other property	**4**	4
	2,518	2,456
Regulatory and Other Noncurrent Assets		
Recoverable transition costs	**1,820**	1,946
Intangibles	**118**	118
Prepayment on PLR energy supply from affiliate	**63**	69
Other	**331**	325
	2,332	2,458
	$ 5,618	$ 5,583

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Liabilities and Equity		
Current Liabilities		
Short-term debt		$ 15
Long-term debt	**$ 285**	274
Accounts payable	**29**	42
Accounts payable to affiliates	**127**	24
Taxes	**64**	96
Interest	**32**	34
Other	**71**	63
	608	548
Long-term Debt	**2,790**	2,901
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes and investment tax credits	**787**	780
Other	**129**	125
	916	905
Commitments and Contingent Liabilities		
Preferred Stock		
With sinking fund requirements	**21**	31
Without sinking fund requirements	**51**	51
	72	82
Shareowner's Common Equity		
Common stock	**1,476**	1,476
Additional paid-in capital	**357**	282
Treasury stock	**(912)**	(912)
Earnings reinvested	**318**	308
Capital stock expense and other	**(7)**	(7)
	1,232	1,147
	$ 5,618	$ 5,583

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF SHAREOWNER'S COMMON EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Common stock at beginning of period	**$ 1,476**	$ 1,476	**$ 1,476**	$ 1,476
Common stock at end of period	**1,476**	1,476	**1,476**	1,476
Additional paid-in capital at beginning of period	**357**	51	**282**	51
Capital contribution from PPL			**75**	
Additional paid-in capital at end of period	**357**	51	**357**	51
Treasury stock at beginning of period	**(912)**	(912)	**(912)**	(912)
Treasury stock at end of period	**(912)**	(912)	**(912)**	(912)
Earnings reinvested at beginning of period	**335**	333	**308**	332
Net income (loss) (a)		(8)	**29**	12
Cash dividends declared on common stock	**(17)**	(10)	**(19)**	(29)
Earnings reinvested at end of period	**318**	315	**318**	315
Capital stock expense and other at beginning of period	**(7)**	(16)	**(7)**	(16)
Capital stock expense and other at end of period	**(7)**	(16)	**(7)**	(16)
Total Shareowner's Common Equity	**$ 1,232**	$ 914	**$ 1,232**	$ 914
Common stock shares at beginning of period (b)	**78,030**	78,030	**78,030**	78,030
Common stock shares at end of period	**78,030**	78,030	**78,030**	78,030

(a) PPL Electric's net income approximates comprehensive income.

(b) Shares in thousands. No par value. 170 million shares authorized. All common shares of PPL Electric stock are owned by PPL.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME
PPL Montana, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Operating Revenues				
Wholesale energy marketing	**$ 66**	$ 49	**$ 146**	$ 106
Wholesale energy marketing to affiliate	**15**	13	**31**	30
Net energy trading margins				(1)
Other			**1**	1
Total	**81**	62	**178**	136
Operating Expenses				
Operation				
Fuel	**7**	6	**16**	14
Energy purchases	**11**	10	**37**	22
Other operation and maintenance	**28**	31	**48**	54
Transmission	**3**	1	**6**	3
Depreciation	**3**	2	**6**	5
Taxes, other than income	**4**	4	**8**	8
Total	**56**	54	**121**	106
Operating Income	**25**	8	**57**	30
Other Income - net		1		1
Interest Expense	**1**	2	**2**	3
Income Before Income Taxes	**24**	7	**55**	28
Income Taxes	**10**	3	**22**	11
Net Income	**$ 14**	$ 4	**$ 33**	$ 17

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
PPL Montana, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Six Months Ended June 30,	
	2003	**2002**
Net Cash Provided by Operating Activities	**$ 41**	$ 20
Cash Flows From Investing Activities		
Expenditures for property, plant and equipment	**(13)**	(13)
Net cash used in investing activities	**(13)**	(13)
Cash Flows From Financing Activities		
Net repayments under revolving line of credit	**(7)**	(4)
Distribution to Member	**(5)**	
Net cash used in financing activities	**(12)**	(4)
Net Increase in Cash and Cash Equivalents	**16**	3
Cash and Cash Equivalents at Beginning of Period	**1**	24
Cash and Cash Equivalents at End of Period	**$ 17**	$ 27

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET
PPL Montana, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	June 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash and cash equivalents	**$ 17**	$ 1
Accounts receivable (less reserve: 2003, $49, 2002, $47)	**12**	26
Accounts receivable from joint owners	**11**	8
Accounts receivable from Member		2
Fuel, materials and supplies - at average cost	**6**	6
Price risk management assets	**9**	12
Deferred income taxes	**24**	17
Prepayments and other	**7**	4
	86	76
Noncurrent Assets		
Property, plant and equipment - net	**441**	433
Deferred income taxes	**3**	12
Other	**140**	122
	584	567
	$ 670	$ 643
Liabilities and Equity		
Current Liabilities		
Accounts payable	**$ 47**	$ 31
Accounts payable to affiliates	**2**	1
Accounts payable to Member	**4**	
Revolving line of credit with affiliate	**19**	26
Accrued expenses	**14**	17
Price risk management liabilities	**15**	12
Wholesale energy commitments	**3**	2
	104	89
Noncurrent Liabilities		
Employee benefit obligations	**19**	27
Wholesale energy commitments	**59**	62
Other	**33**	31
	111	120
Commitments and Contingent Liabilities		
Member's Equity	**455**	434
	$ 670	$ 643

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF MEMBER'S EQUITY
PPL Montana, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Member's Equity at beginning of period	**$ 462**	$ 420	**$ 434**	$ 421
Comprehensive income:				
Net income	**14**	4	**33**	17
Other comprehensive income (loss):				
Unrealized gain (loss) on qualifying derivatives, net of tax (benefit) of $(11), $0, $(5), $(9)	**(16)**	1	**(7)**	(13)
Total comprehensive income (loss)	**(2)**	5	**26**	4
Distribution to Member	**(5)**		**(5)**	
Member's Equity at end of period	**$ 455**	$ 425	**$ 455**	$ 425

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the financial statements.

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Combined Notes to Condensed Consolidated Financial Statements

Terms and abbreviations appearing in Combined Notes to Condensed Consolidated Financial Statements are explained in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

1. **Interim Financial Statements**

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. In the opinion of management, all adjustments (including normal, recurring accruals) considered necessary for a fair presentation in accordance with accounting principles generally accepted in the U.S. are reflected in the condensed consolidated financial statements. The Balance Sheet as of December 31, 2002 is derived from each Registrant's 2002 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002. The results of operations for the three and six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the full year ending December 31, 2003 or other future periods, because results for interim periods can be disproportionately influenced by various factors and developments and seasonal variations.

Certain amounts in the June 30, 2002 and December 31, 2002 financial statements have been reclassified to conform to the presentation in the June 30, 2003 financial statements. The required reclassification of energy trading activity to a net basis, as described in Note 10, and the retroactive consolidation of WPD, as described in Note 6, are the most significant reclassifications of the June 30, 2002 financial statements.

2. **Summary of Significant Accounting Policies**

The following accounting policy disclosures represent updates to the "Summary of Significant Accounting Policies" Note in each Registrant's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002.

Stock-Based Compensation

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

PPL grants stock options, restricted stock, restricted stock units and stock units to employees and directors under several stock-based compensation plans. SFAS 123, "Accounting for Stock-Based Compensation," encourages entities to record compensation expense for stock-based compensation plans at fair value but provides the option of measuring compensation expense using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." The fair value method under SFAS 123 is indicated therein as the preferable method of accounting for stock-based compensation, as it provides a consistent basis of accounting for all stock-based awards, thereby facilitating a better measure of compensation cost and improved financial reporting.

Prior to 2003, PPL accounted for stock-based compensation in accordance with APB Opinion No. 25, as permitted by SFAS 123. Effective January 1, 2003, PPL and its subsidiaries adopted the fair value method of accounting for stock-based compensation, as prescribed by SFAS 123, using the prospective method of transition permitted by SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123." See Note 14 for further discussion of SFAS 148. The prospective method of transition requires PPL and its subsidiaries to use the fair value method under SFAS 123 for all stock-based compensation awards granted, modified or settled on or after January 1, 2003. Thus, all awards granted prior to January 1, 2003 continue to be accounted for under the intrinsic value method of APB Opinion No. 25, to the extent such awards are not modified or settled. Stock-based compensation is included in other operation expense on the Statement of Income.

Use of the fair value method prescribed by SFAS 123 requires PPL and its subsidiaries to recognize compensation expense for stock options issued. Fair value for the stock options is determined using the Black-Scholes options pricing model. Stock option expense was approximately $1 million for the three and six months ended June 30, 2003.

PPL and its subsidiaries were not required to recognize compensation expense for stock options issued under the intrinsic value method of APB Opinion No. 25, since PPL grants stock options with an exercise price that is not less than the fair market value of PPL's common stock on the date of grant. As currently structured, awards of restricted stock, restricted stock units and stock units result in the same amount of compensation expense under the fair value method of SFAS 123 as they would under the intrinsic value method of APB Opinion No. 25.

The following table illustrates the pro forma effect on net income and EPS if the fair value method had been used to account for all

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outstanding stock-based compensation awards in the periods shown:

(PPL)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income				
Net Income (Loss) - as reported	$ 116	$ (27)	$ 355	$ (30)
Add: Stock-based employee compensation expense included in reported net income, net of tax	2	1	2	2
Deduct: Total stock-based compensation expense determined under the fair value method for all awards, net of tax	3	2	4	4
Pro forma Net Income (Loss)	$ 115	$ (28)	$ 353	$ (32)
EPS				
Basic - as reported	$ 0.68	$ (0.18)	$ 2.10	$ (0.20)
Basic - pro forma	$ 0.67	$ (0.19)	$ 2.09	$ (0.22)
Diluted - as reported	$ 0.67	$ (0.18)	$ 2.09	$ (0.20)
Diluted - pro forma	$ 0.67	$ (0.19)	$ 2.08	$ (0.22)

(PPL Energy Supply, PPL Electric and PPL Montana)

Stock-based compensation expense for PPL Energy Supply, PPL Electric and PPL Montana, including awards granted to their employees and an allocation of the costs of awards granted to employees of PPL Services, was insignificant under both the intrinsic value and fair value methods for the three and six months ended June 30, 2003 and 2002.

Asset Retirement Obligations

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

See Note 12 for a discussion of the accounting for asset retirement obligations.

New Accounting Standards

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

See Note 14 for a discussion of new accounting standards.

3. **Segment and Related Information**

(PPL and PPL Energy Supply)

PPL's reportable segments are Supply, Delivery and International. The Supply segment primarily consists of the domestic energy marketing, domestic generation and domestic development operations of PPL Energy Supply. The Delivery segment includes the regulated electric and gas delivery operations of PPL Electric and PPL Gas Utilities. The International segment includes PPL Global's responsibility for the acquisition and holding of international energy projects. The majority of PPL Global's international investments are located in the U.K., Chile, El Salvador and Bolivia.

PPL Energy Supply's reportable segments are Supply and International. The International segment at the PPL Energy Supply level is consistent with the International segment at the PPL level. The Supply segment information reported at the PPL Energy Supply level will not agree with the Supply segment information reported at the PPL level. Additional Supply segment functions, including telecommunications, exist at PPL that are outside of PPL Energy Supply. Furthermore, certain income items, including PLR revenue and intercompany interest income, exist at the PPL Energy Supply level, but are eliminated in consolidation at the PPL level. Finally, certain expense items are fully allocated to the segments at the PPL level only.

Segments include direct charges, as well as an allocation of indirect corporate costs, for services provided by PPL Services. These service costs include functions such as financial, legal, human resources and information services.

See Note 8 for a discussion of the PLR contracts between PPL Electric and PPL EnergyPlus. PPL EnergyPlus' sales to PPL Electric, to meet PPL Electric's PLR load, are included in the Supply segment of PPL Energy Supply. PPL Electric's sales of this electricity to its PLR customers are included in the Delivery segment of PPL. There are no intersegment revenues for PPL or PPL Energy Supply.

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Financial data for the segments are as follows:

(PPL)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Income Statement Data				
Revenues from external customers				
Supply	$ 451	$ 384	$ 898	$ 753
International	260	281	522	561
Delivery	627	634	1,405	1,339
	1,338	1,299	2,825	2,653
Net Income (Loss)				
Supply (a)	90	58	241	174
International (b)	26	(77)	77	(222)
Delivery		(8)	37	18
	$ 116	$ (27)	$ 355	$ (30)

(a) The six months ended June 30, 2003 includes the "Cumulative Effect of a Change in Accounting Principle" recorded in January 2003. See Note 12 for additional information.

(b) The six months ended June 30, 2002 includes the "Cumulative Effect of a Change in Accounting Principle" recorded in March 2002. See Note 11 for additional information. The International segment also includes the write-downs of the CEMAR investment described in Note 6.

	June 30, 2003	December 31, 2002
Balance Sheet Data		
Total assets		
Supply	$ 5,254	$ 4,907
International	4,964	4,773
Delivery	5,794	5,867
	$ 16,012	$ 15,547

(PPL Energy Supply)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Income Statement Data				
Revenues from external customers				
Supply	$ 777	$ 723	$ 1,610	$ 1,462
International	260	281	522	561
	1,037	1,004	2,132	2,023
Net Income				
Supply (a)	106	86	271	226
International (b)	26	(77)	77	(222)
	$ 132	$ 9	$ 348	$ 4

(a) The six months ended June 30, 2003 includes the "Cumulative Effect of a Change in Accounting Principle" recorded in January 2003. See Note 12 for additional information.

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(b) The six months ended June 30, 2002 includes the "Cumulative Effect of a Change in Accounting Principle" recorded in March 2002. See Note 11 for additional information. The International segment also includes the write-downs of the CEMAR investment described in Note 6.

	June 30, 2003	December 31, 2002
Balance Sheet Data		
Total assets		
Supply	$ 5,392	$ 5,563
International	4,964	4,773
	$ 10,356	$ 10,336

4. **Earnings Per Share**

(PPL)

Basic EPS is calculated by dividing "Net Income (Loss)" on the Statement of Income by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated similarly, except that weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock. Potentially dilutive securities consist of:

• stock options, restricted stock and restricted stock units granted under the incentive compensation plans,

• stock units representing common stock granted under the directors compensation programs,

• common stock purchase contracts that are a component of the PEPS units, and

• convertible senior notes.

The basic and diluted EPS calculations, and the reconciliation of the shares (in thousands) used in the calculations, are shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income (Numerator)				
Net Income (Loss) - before cumulative effect of a change in accounting principle (a)	$ 116	$ (27)	$ 292	$ 120
Cumulative effect of a change in accounting principle (net of tax)			63	(150)
Net Income (Loss)	$ 116	$ (27)	$ 355	$ (30)
Shares (Denominator)				
Shares for Basic EPS	171,892	147,149	169,482	146,927
Add: Incremental shares:				
Stock options and other share-based awards	649		579	348
Shares for Diluted EPS	172,541	147,149	170,061	147,275
Basic EPS				
Net Income (Loss) - before cumulative effect of a change in accounting principle	$ 0.68	$ (0.18)	$ 1.73	$ 0.82
Cumulative effect of a change in accounting principle (net of tax)			0.37	(1.02)
Net Income (Loss)	$ 0.68	$ (0.18)	$ 2.10	$ (0.20)
Diluted EPS				
Net Income (Loss) - before cumulative effect of a change in accounting principle	$ 0.67	$ (0.18)	$ 1.72	$ 0.82

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	Cumulative effect of a change in accounting principle (net of tax)					0.37		(1.02)
Net Income (Loss)		$	0.67	$	(0.18)	$ 2.09	$	(0.20)

(a) Represents income before cumulative effect of a change in accounting principle less dividends and distributions on preferred securities.

In May 2001, PPL issued 23 million PEPS Units that contain a purchase contract component for PPL's common stock. The purchase contracts will only be dilutive if the average price of PPL's common stock exceeds $65.03 for any period. Since the average price has not exceeded $65.03 since issuance, they were excluded from the diluted EPS calculations.

In May 2003, PPL Energy Supply issued $400 million of 2.625% Convertible Senior Notes due 2023. The notes can be converted into shares of PPL common stock, at an initial conversion rate of 20.1106 shares per $1,000 principal amount of notes, subject to adjustment if:

- during any fiscal quarter starting after June 30, 2003, the market price of PPL's common stock trades at or above $59.67 per share over a certain period during the preceding fiscal quarter;
- PPL calls the debt for redemption;
- the holder exercises their right to put the debt on each five-year anniversary of the offering;
- the long-term credit rating assigned to the notes by Moody's and Standard & Poor's falls below Ba2 and BB or the notes are not rated; or
- certain specified corporate transactions occur, e.g., change in control and certain distributions to the holders of PPL common stock.

As none of these events has occurred, the convertible senior notes were excluded from the diluted EPS calculations.

Stock options to purchase 1,673,000 PPL common shares for the three months ended June 30, 2003 were not included in that period's computation of diluted EPS because the exercise price of the options was greater than the average market price of the common shares. Therefore, the effect would have been antidilutive.

Stock options to purchase 3,058,000 PPL common shares, as well as 67,000 directors stock units, were not included in the computation of diluted EPS for the three months ended June30, 2002. Since PPL had a loss before the cumulative effect of a change in accounting principle, the effect would have been antidilutive.

Stock options to purchase 1,694,000 and 879,000 PPL common shares for the six months ended June 30, 2003 and 2002 were not included in those periods' computation of diluted EPS because the exercise price of the options was greater than the average market price of the common shares. Therefore, the effect would have been antidilutive.

5. **Credit Arrangements and Financing Activities**

Credit Arrangements

(PPL, PPL Energy Supply and PPL Electric)

In June 2003, PPL Energy Supply's $300 million, 364-day credit facility and PPL Electric's $400 million, 364-day credit facility both expired. PPL Energy Supply replaced its expiring facility with a new $300 million, three-year credit facility maturing in June 2006. PPL Electric replaced its expiring facility with a new $200 million, 364-day facility maturing in June 2004 and a new $100 million three-year credit facility maturing in June 2006. At June 30, 2003, no borrowings were outstanding under any credit facilities of PPL Electric or PPL Energy Supply. Both PPL Electric and PPL Energy Supply have the ability to cause the lenders to issue letters of credit under their respective facilities. At June 30, 2003, PPL Electric had $40 million of letters of credit outstanding under its $100 million, three-year facility, and PPL Energy Supply had $77 million of letters of credit outstanding under its existing $500 million facility.

(PPL and PPL Energy Supply)

At June 30, 2003, WPD (South West) had no outstanding borrowings under either its 100 million credit facility maturing in October 2003 or its 150 million credit facility maturing October 2007. At June 30, 2003, WPD (South West) also had uncommitted credit line borrowings of 23 million ($38 million based on current exchange rates) in separate agreements with lender banks.

WPD (South West) maintained a bridge facility to meet short-term liquidity that expired in April 2003. This bridge facility was paid down with the proceeds from the issuance of long-term bonds and borrowings under another credit facility. The long-term bond issuance is discussed in more detail under "Financing Activities."

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(PPL Montana)

At June 30, 2003, PPL Montana had outstanding borrowings of $19 million under its credit facility with another PPL Energy Supply subsidiary.

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of the subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL is not liable for the debts of its subsidiaries. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL absent a specific contractual undertaking by PPL to pay the creditors of its subsidiaries or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Energy Supply, PPL Electric and PPL Montana are separate legal entities. These subsidiaries are not liable for the debts of PPL Energy Supply, PPL Electric and PPL Montana. Accordingly, creditors of PPL Energy Supply, PPL Electric and PPL Montana may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. In addition, absent a specific contractual undertaking or as required by applicable law or regulation, PPL Energy Supply, PPL Electric and PPL Montana are not liable for the debts of their subsidiaries. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Energy Supply, PPL Electric or PPL Montana absent a specific contractual undertaking by that parent to pay the creditors of its subsidiaries or as required by applicable law or regulation.

Financing Activities

(PPL)

In March 2003, PPL Capital Funding retired all $60 million of its medium-term notes, 6.375% Series due March 2003, at par value.

PPL issued $411 million of common stock during the first six months of 2003, including $109 million under its Structured Equity Shelf Program and $270 million under a public offering in May 2003. Under this public offering, PPL issued 7.1 million shares of common stock for $38.25 per share. PPL received net proceeds of approximately $261 million, which were used to repay short-term debt and for general corporate purposes.

(PPL and PPL Energy Supply)

In March 2003, WPD (South West) issued 200 million of 5.875% bonds due 2027. The proceeds from this issuance were used to repay 200 million of borrowings under its bridge facility. Additionally, in May 2003, WPD (South West) issued an additional 50 million of 5.875% bonds due 2027. WPD used the proceeds from this issuance to pay down short-term borrowings. The issuance of this long-term debt resulted in an $11 million write-off of unamortized swap restructuring costs in the second quarter of 2003.

In May 2003, PPL Energy Supply issued $400 million of 2.625% Convertible Senior Notes due 2023, which are guaranteed by PPL and convertible into PPL common stock. The convertible notes were sold in a Rule 144A private offering to qualified institutional buyers, and PPL Energy Supply and PPL subsequently filed a registration statement with the SEC to register the resale of the notes for the benefit of the holders. See Note 4 for additional information on the convertibility features of the notes. PPL Energy Supply used the proceeds from the private offering of the convertible notes to repurchase commercial paper and for general corporate purposes.

In the first six months of 2003, WPD retired $50 million of 7.375% unsecured bonds due 2028.

At June 30, 2003, PPL Energy Supply had no commercial paper outstanding.

During the six months ended June 2003, PPL Energy Supply distributed $650 million to its parent company, PPL Energy Funding, and received capital contributions of $262 million.

(PPL and PPL Electric)

In February 2003, the Lehigh County Industrial Development Authority (LCIDA) issued $90 million of 3.125% Pollution Control Revenue Refunding Bonds due November 2008 on behalf of PPL Electric. The proceeds of the bonds were used to refund the LCIDA's $90 million, 6.40% Pollution Control Revenue Refunding Bonds due 2021. In order to secure its obligations to repay LCIDA, PPL Electric issued $90 million aggregate principal amount of its Senior Secured Bonds under its 2001 Senior Secured Bond Indenture, having terms corresponding to the terms of the LCIDA bonds.

In February 2003, PPL Electric retired $19 million of its outstanding First Mortgage Bonds, 6-7/8% Series due February 2003, at par value.

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In April 2003, as permitted by the 1945 First Mortgage Bond Indenture, PPL Electric retired approximately $46 million aggregate principal amount of its First Mortgage Bonds, 7-7/8% Series due 2023, at par value, plus accrued interest, through the application of cash deposited with the Trustee to release certain transmission lines and other equipment from the lien of the 1945 First Mortgage Bond Indenture.

In April 2003, PPL Electric redeemed all outstanding shares of its 6.15% Series Preferred Stock. This redemption, which totaled $10 million, was made at par value of $100 per share plus accumulated and unpaid dividends, in accordance with the mandatory sinking fund requirements of this series.

In May 2003, PPL Electric issued $100 million of 4.30% Senior Secured Bonds due 2013. The proceeds were used for general corporate purposes including the refunding of higher-cost securities.

In July 2003, PPL Electric redeemed all outstanding shares of the 6.33% Series Preferred Stock. This redemption, which totaled $5 million, was made at par value of $100 per share plus accumulated and unpaid dividends, in accordance with the mandatory sinking fund requirements of this series.

During the first six months of 2003, PPL Transition Bond Company made principal payments on transition bonds totaling $136 million.

During the first six months of 2003, PPL Electric received a capital contribution of $75 million from PPL.

At June 30, 2003, PPL Electric had no commercial paper outstanding.

(PPL Montana)

During the first six months of 2003, PPL Montana distributed $5 million to PPL Montana Holdings, LLC, which holds the member interests in PPL Montana.

Dividends and Dividend Restrictions *(PPL)*

In February 2003, PPL announced an increase to its quarterly common stock dividend, payable April 1, 2003, from 36 cents per share to 38.5 cents per share (equivalent to $1.54 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, financial requirements and other factors.

6. **Acquisitions, Development and Divestitures**

Domestic Generation Projects *(PPL and PPL Energy Supply)*

In January 2003, PPL announced that it had decided not to proceed with development of the 300 MW Kings Park project. In March, PPL Global sold its interest in Kings Park Energy, LLC. PPL is exploring the sale of the generation equipment that was associated with Kings Park.

In April 2003, PPL Susquehanna completed the replacement of the Unit 2 steam turbine at the Susquehanna station. This project provides a nominal power increase of 50MW of generation capacity, of which PPL Susquehanna has a 90% undivided interest. An additional turbine upgrade is in progress for Unit 1 and is expected to be completed in 2004. Through June 30, 2003, approximately $74 million in total has been incurred on these projects.

See Note 7 for a discussion of the Lower Mt. Bethel facility.

International Energy Projects *(PPL and PPL Energy Supply)*

Acquisition of Controlling Interest in WPD

On September 6, 2002, PPL Global acquired the remaining 49% equity interest in WPDH Limited and WPDL from Mirant for approximately $236 million, including acquisition costs. The acquisition of Mirant's 49% interest provides PPL Global with complete control of WPD.

Prior to the acquisition, PPL Global held 51% of the equity interest in WPD but shared control with Mirant pursuant to a shareholders' agreement. The shareholders' agreement was terminated in connection with the closing of the acquisition. No regulatory approvals were required for this transaction.

The purchase of Mirant's interest in WPD was accounted for as a step-acquisition and resulted in the consolidation of WPD's accounts by PPL and PPL Energy Supply.

The assets acquired and liabilities assumed were recorded at estimated fair value as determined by management based on information currently

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available, including an independent appraisal of the fair value of acquired property, plant and equipment and intangible assets. Management is also completing its review and determination of fair value of other assets acquired and liabilities assumed, including pre-acquisition contingencies. Accordingly, the allocation of purchase price is preliminary and may be revised as additional information becomes available. The following table summarizes the preliminary allocation of purchase price based on estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, plus the book value of assets and liabilities underlying PPL Global's previous 51% equity ownership:

Current assets	$	228
Investments (a)		(447)
Property, plant and equipment		3,437
Goodwill		198
Other		244
Total assets acquired		3,660
Current liabilities		787
Long-term debt		1,581
Other		1,056
Total liabilities assumed		3,424
Net assets acquired	$	236

(a) Includes the reversal of PPL Global's equity investment.

The goodwill reflected above includes the remaining value of PPL Global's 51% share of the goodwill recognized by WPD on its acquisition of Hyder.

The PPL income statements for the six months ended June 30, 2003 and 2002 include consolidated WPD results for the six-month periods ended May 31, 2003 and 2002. This reflects PPL Global's policy of recording the results of foreign controlled subsidiaries on a one-month lag. The portion of earnings attributable to Mirant, $28 million and $53 million for the three and six months ended June 30, 2002, is reported on the Statement of Income in "Minority Interest."

Write-down of International Energy Projects - CEMAR

At December 31, 2001, PPL Global estimated that the long-term viability of its CEMAR investment was jeopardized and that there was minimal probability of positive future cash flows. At that time, PPL Global recorded an impairment loss in the carrying value of its net assets in CEMAR. At March 31, 2002, PPL Global recorded a further impairment loss of $6 million, which was charged to "Write-down of international energy projects" on the Statement of Income. In June 2002, PPL made a decision to exit the investment. PPL Global's remaining portion of its CEMAR investment, $94 million, was written-off as of June 30, 2002.

On August 21, 2002, ANEEL authorized an administrative intervention in CEMAR and fully assumed operational and financial control of the company. In its public announcement relating to the intervention, ANEEL said that its intervention and control of CEMAR would last for an initial term of 180 days and that it could be extended.

The intervenor appointed by ANEEL issued a public statement and schedule for the transfer of the ownership interest in CEMAR to a new owner. Although the schedule announced by the intervenor reflected a closing for the transfer of control of CEMAR to a third party on December 20, 2002, the closing did not occur. The deadline for the sale process was extended to February 17, 2003, the same day the initial term of the intervention was scheduled to end. No conforming bids were submitted to ANEEL by the February 17 deadline due to three outstanding injunctions preventing the sale process from continuing. ANEEL publicly announced a 180-day extension of the initial intervention on February 14, citing the continuing unresolved financial crisis of CEMAR as the primary reason for the extension. As of February 11, 2003, due to the inability to discharge their obligations under the continuing intervention, PPL-related officers and directors of CEMAR resigned from their respective positions.

In April 2003, PPL learned that the Brazilian Federal Appellate Court hearing the appeal of one of the above-mentioned injunctions accepted ANEEL's arguments and cancelled the injunction. In June, ANEEL's officials indicated to PPL that the other two injunctions outstanding against the sale process had been lifted as well. The intervenor appointed by ANEEL issued a public statement and revised schedule for the transfer of the ownership interest in CEMAR to a new owner. In July, ANEEL pre-qualified a Brazilian private equity fund, GP Investimentos (GP), as the sole qualified bidder. ANEEL is expected to announce a decision on GP's proposal on August 12. Although the current schedule reflects a closing for the transfer of control of CEMAR to a third party on August 15, 2003, which is also the end of the second 180-day intervention period, there is significant risk that this timetable will not be met. PPL has reiterated to ANEEL its desire to transfer its ownership interest in CEMAR.

Based on these and other events described more fully in each Registrant's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002, PPL Global no longer controls or manages CEMAR and PPL Global has deconsolidated the financial assets and liabilities of CEMAR from its financial statements. Consistent with the cost method of accounting, PPL Global is no longer recording CEMAR's

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operating results. PPL Global does not believe that it would be appropriate to reconsolidate CEMAR post-intervention because it is not the primary beneficiary, as defined under FIN 46. See Note 14 for additional information on FIN 46.

At June 30, 2003, the negative investment in CEMAR of $19 million was included in "Deferred Credits and Other Noncurrent Liabilities - Other." Any negative carrying value will be reversed upon the final sale or other disposition of the company.

Sales

In the second quarter of 2003, a subsidiary of WPD sold certain Hyder properties. PPL Global received approximately $17 million from the sales, and recorded a pre-tax gain of about $2 million. This gain is included in "Other Income - net" on the Statement of Income.

Other *(PPL)*

In April 2003, a subsidiary of PPL Telcom acquired the fiber optic network of a Fairfax, Virginia-based company for approximately $21 million, consisting of $9 million in cash and a $12 million capital lease obligation for the right to use portions of a fiber optic network. The 1,330-route-mile metropolitan area fiber network connects New York, northern New Jersey, Philadelphia, Baltimore and Washington, D.C. The acquisition required certain regulatory approvals and authorizations in the area served by the network.

7. **Commitments and Contingent Liabilities**

Energy Purchases and Sales Commitments

Liability for Above Market NUG Contracts *(PPL, PPL Energy Supply and PPL Electric)*

In 1998, PPL Electric recorded a loss accrual for above market contracts with NUGs of $854 million, due to its generation business being deregulated. Effective January 1999, PPL Electric began reducing this liability as an offset to "Energy purchases" on the Statement of Income. This reduction is based on the estimated timing of the purchases from the NUGs and projected market prices for this generation. The final existing NUG contract expires in 2014. In connection with the corporate realignment, effective July 1, 2000, the remaining balance of this liability was transferred to PPL EnergyPlus. At June 30, 2003, the remaining liability associated with the above market NUG contracts was $390 million.

Wholesale Energy Commitments

(PPL, PPL Energy Supply and PPL Montana)

As part of the purchase of generation assets from Montana Power, PPL Montana assumed a power purchase agreement and another power sales agreement. In accordance with purchase accounting guidelines, PPL Montana recorded liabilities of $118 million as the estimated fair value of these agreements at the acquisition date. These liabilities are being reduced over the terms of the agreements, through 2010, as adjustments to "Wholesale energy marketing" revenues and "Energy purchases" on the Statement of Income. The unamortized balance of these liabilities at June 30, 2003 was $62 million.

On July 1, 2002, PPL EnergyPlus began to sell to NorthWestern an aggregate of 450 MW of energy to be supplied by PPL Montana. Under two five-year agreements, PPL EnergyPlus is supplying 300 MW of around-the-clock electricity and 150 MW of unit-contingent on-peak electricity.

(PPL and PPL Energy Supply)

In April 2003, PPL EnergyPlus entered into an agreement with Arizona Public Service Company to provide 112 MW of electricity from July through September of 2003 and 150 MW from June through September of 2004 and 2005.

In May 2003, PPL EnergyPlus entered into agreements with Tucson Electric Power Company to provide 37 MW of electricity from June through December of 2003 and 75 MW from January 2004 through December 2006.

In May 2003, PPL EnergyPlus entered into a 20-year agreement with Community Energy, Inc. to purchase energy from its Bear Creek wind power project in northeastern Pennsylvania. The project is expected to produce up to 20 MW and is not expected to be completed earlier than December 2003.

Legal Matters

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

PPL and its subsidiaries are involved in numerous legal proceedings, claims and litigation in the ordinary course of business. PPL and its

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subsidiaries cannot predict the ultimate outcome of such matters, or whether such matters may result in material liabilities.

Tax Assessment Appeals

(PPL and PPL Energy Supply)

Pursuant to changes in PURTA enacted in 1999, PPL subsidiaries have filed a number of tax assessment appeals in various Pennsylvania counties where PPL facilities are located. These appeals challenge existing local tax assessments, which now comprise the basis for payment of the PURTA tax on PPL's properties. Also, as of January1, 2000, generation facilities are no longer taxed under PURTA, and these local assessments will be used directly to determine local real estate tax liability for PPL's power plants. In July 1999, PPL filed retroactive appeals for tax years 1998 and 1999, as permitted by the new law. In addition, PPL has filed appeals for 2000 and beyond, as permitted under normal assessment procedures. It is anticipated that assessment appeals may now be an annual occurrence.

Hearings on the pending appeals were held by the boards of assessment appeals in each county, and decisions have now been rendered by all counties. To the extent the appeals were denied or PPL was not otherwise satisfied with the results, PPL filed further appeals from the board decisions with the appropriate county Courts of Common Pleas.

Of the three pending proceedings in Pennsylvania, only the appeal concerning the assessed value of the Susquehanna nuclear station will result in annual local taxes exceeding $1 million. PPL's appeal of the Susquehanna station assessment was decided in its favor by the Luzerne County Court of Common Pleas, and PPL subsequently settled with the local taxing authorities, resulting in annual local tax liability of approximately $3 million for tax years 2000 and beyond and no additional PURTA tax liability for tax years 1998 and 1999. However, the settlement of the tax liability for tax years 1998 and 1999 is subject to the outcome of claims asserted by certain intervenors which are described below.

In August 2000, over PPL's objections, the Luzerne County Court of Common Pleas permitted Philadelphia City and County, the Philadelphia School District and the Southeastern Pennsylvania Transportation Authority (SEPTA) (collectively, the "Philadelphia parties") to intervene in the case because a change in the assessment of the plant affected the amount they collected under PURTA for the tax years 1998 and 1999. Following the court's decision in PPL's favor, the Philadelphia parties appealed the matter to the Commonwealth Court, and PPL cross-appealed on the issue of the right of the Philadelphia parties to intervene. Based on the appraisal obtained by the Philadelphia parties, PPL would be required to pay up to an extra $213 million in PURTA taxes for tax years 1998 and 1999. As a result of these proceedings and appeals, it is possible that a final determination of market value and the associated tax liability for 1998 and 1999 may not occur for several years.

(PPL, PPL Energy Supply and PPL Montana)

PPL Montana is currently protesting certain property tax assessments by the Montana Department of Revenue (MDOR) on its generation facilities. The tax liabilities in dispute are approximately $2 million for 2000 and 2001 and $9 million for 2002. PPL Montana's dispute with respect to most of the 2002 tax liability is based on the assessed value used by the MDOR for PPL Montana's hydroelectric facilities versus the assessed value used for the facilities of another hydroelectric generator in the state. The state tax appeals board is scheduled to hear the 2000 and 2001 disputes in January 2004, while the hearing for the 2002 dispute is scheduled for April 2004.

Montana Power Shareholders' Litigation *(PPL, PPL Energy Supply and PPL Montana)*

In August 2001, a purported class-action lawsuit was filed by a group of shareholders of Montana Power against Montana Power, the directors of Montana Power, certain advisors and consultants of Montana Power and PPL Montana. The plaintiffs allege, among other things, that Montana Power was required to, and did not, obtain shareholder approval of the sale of Montana Power's generation assets to PPL Montana in 1999. Although most of the claims in the complaint are against Montana Power, its board of directors, and its consultants and advisors, two claims are asserted against PPL Montana. In the first claim, plaintiffs seek a declaration that because Montana Power shareholders did not vote on the 1999 sale of generating assets to PPL Montana, that sale "was null and void ab initio." The second claim alleges that PPL Montana was privy to and participated in a strategy whereby Montana Power would sell its generation assets to PPL Montana without first obtaining Montana Power shareholder approval, and that PPL Montana has made net profits in excess of $100 million as the result of this alleged illegal sale. In the second claim, plaintiffs request that the court impose a "resulting and/or constructive trust" on both the generation assets themselves and all profits, plus interest on the amounts subject to the trust. This lawsuit is currently pending in federal court in Montana. PPL, PPL Energy Supply and PPL Montana cannot predict the outcome of this matter.

Energy West Litigation *(PPL, PPL Energy Supply and PPL Montana)*

In July 2001, PPL Montana filed an action in state court and a responsive pleading in federal court, both related to a breach of contract by Energy West Resources, Inc. (Energy West), a Great Falls, Montana-based energy aggregator. PPL Montana was seeking a judgment that Energy West violated the terms of the contract under which it supplied energy to Energy West during the period July 1, 2000 through June 30, 2002. All litigation in this matter was consolidated in the U.S. District Court for the District of Montana, Great Falls Division. In June 2003, PPL Montana and Energy West agreed to settle the litigation. Under the terms of the settlement, Energy West agreed to pay PPL Montana $3 million, of which $1 million was paid in June and the remaining $2 million is to be paid in September 2003.

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NorthWestern Corporation Litigation *(PPL, PPL Energy Supply and PPL Montana)*

In connection with the acquisition of the Montana generation assets, the Montana Power APA, which was previously assigned to PPL Montana by PPL Global, includes a provision concerning the proposed purchase by PPL Montana of a portion of NorthWestern's interest in the 500-kilovolt Colstrip Transmission System (CTS) for $97 million. During 2002, PPL Montana had been in discussions with NorthWestern regarding the proposed purchase of the CTS and the claims that PPL Montana believes it has against NorthWestern arising from the Montana Power APA and related agreements. Notwithstanding such discussions, in September 2002, NorthWestern filed a lawsuit against PPL Montana in Montana state court seeking specific performance of PPL Montana's purchase of the CTS or, alternatively, damages for breach of contract. Pursuant to PPL Montana's application, the matter was removed to the U.S. District Court for the District of Montana, Butte Division. Following removal, NorthWestern asserted additional claims for damages against PPL Montana, and PPL Montana filed defenses denying liability for NorthWestern's claims as well as counterclaims against NorthWestern seeking damages PPL Montana believes it has suffered under the Montana Power APA and related agreements. This matter is currently scheduled for trial in mid-2005. PPL, PPL Energy Supply and PPL Montana cannot predict the outcome of this litigation.

Regulatory Issues

California ISO and Pacific Northwest *(PPL, PPL Energy Supply and PPL Montana)*

Through its subsidiaries, PPL has made approximately $18 million of sales to the California ISO, of which $17 million has not been paid to PPL subsidiaries. Given the myriad of electricity supply problems presently faced by the California electric utilities and the California ISO, PPL cannot predict whether or when it will receive payment. As of June 30, 2003, PPL has fully reserved for possible underrecoveries of payments for these sales.

Regulatory proceedings arising out of the California electricity supply situation have been filed at the FERC. 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 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 amounts that the sellers, including PPL Montana, would be required to refund.

In June 2003, the FERC took several actions as a result of a number of related investigations. The FERC terminated proceedings pursuant to which it had been 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 explained that the totality of the circumstances made refunds unfeasible and inequitable, and that it had provided adequate relief by adopting a price cap throughout the western U.S. The FERC also denied pending complaints against long-term contracts in the western U.S. In these complaints, various power buyers challenged selected long-term contracts that they entered into during 2000 and 2001, complaining that the power prices were too high and reflected manipulation of those energy markets. The FERC found that the complainants had not met their burden of showing that changing or canceling the contracts was "in the public interest" and that the dysfunction in the California markets did not justify changing these long-term contracts. In two separate orders, the FERC also ordered 65 different companies, agencies or municipalities to show cause why they should not be ordered to disgorge profits for gaming or anomalous market behavior during 2000 and 2001. These orders to show cause address both unilateral and joint conduct identified as the "Enron trading strategies." Neither PPL EnergyPlus nor PPL Montana were included in these orders to show cause, and they previously have explained in responses to data requests from the FERC that they have not, and did not, engage in such trading strategies. Finally, the FERC issued a new investigation order directing its staff to investigate any bids made into the California markets in excess of $250/MWh during the period from May 2000 to October 2000, a period of time prior to the period examined in connection with most of the proceedings described above. To their knowledge, neither PPL EnergyPlus nor PPL Montana are being investigated by the FERC under this new order.

Litigation arising out of the California electricity supply situation has been filed in California courts against sellers of energy to the California ISO. The plaintiffs and intervenors in these legal proceedings allege, among other things, abuse of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, and seek other relief, including treble damages and attorneys' fees. While PPL's subsidiaries have not been named by the plaintiffs in these legal 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.

Also, in May 2003, the Port of Seattle filed a lawsuit in federal district court in Seattle against eighteen defendants, including PPL Montana. The lawsuit asserts claims against all defendants under the federal and state antitrust laws, the federal Racketeer Influenced and Corrupt Organizations Act and for common law fraud. The complaint centers on many of the same alleged activities that are the basis for the litigation arising out of the California electricity supply situation described above. The Port of Seattle is seeking actual, trebled and punitive damages, as well as attorneys' fees.

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While PPL and its subsidiaries believe that they have not engaged in any improper trading practices, they cannot predict whether, or the extent to which, any PPL 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 them of the electricity supply situation in California and other western states will be material.

PJM Capacity Transactions *(PPL, PPL Energy Supply and PPL Electric)*

In November 2001, the PJM Market Monitor publicly released a report prepared for the 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 (identified in the report as "Entity 1") was able to exercise market power to raise the market-clearing price above the competitive level during that period. PPL EnergyPlus does not agree with the Market Monitor's conclusions that it exercised market power, and the Market Monitor acknowledged in his report that PJM's standards and rules did not prohibit PPL EnergyPlus' conduct. 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. The PUC stated that it was not authorized to, and was not attempting to, adjudicate the merits of PPL's defenses to its allegations, but referred the matter to the U.S. Department of Justice - Antitrust Division, or DOJ, the FERC and the Pennsylvania Attorney General.

In June 2003, the DOJ notified PPL that it had closed its investigation in this matter. Also in June, the Pennsylvania Attorney General's office completed its investigation and notified the PUC that PPL did not violate antitrust or other laws in its capacity market activities. The FERC already has completed two investigations related to these capacity market questions and has found no reason to take action against PPL. PPL continues to believe that the PUC's report is inaccurate, that its conclusions are groundless, and that PPL acted ethically and legally, in compliance with all applicable laws and regulations.

In September 2002, PPL was served with a complaint filed by Utilimax.com, Inc., which was a member of PJM, in the U.S. District Court for the Eastern District of Pennsylvania against PPL and PPL EnergyPlus alleging, among other things, violations of the federal antitrust laws in connection with the capacity transactions described in the Market Monitor's report. The court dismissed the complaint with prejudice in July 2003.

In addition, in December 2002, PPL was served with a complaint against PPL, PPL EnergyPlus and PPL Electric filed in the same court by a group of 14 Pennsylvania boroughs that apparently alleges, in broad terms, similar violations of the federal antitrust laws. These boroughs are wholesale customers of PPL Electric. Although PPL, PPL EnergyPlus and PPL Electric believe the claims in this complaint are without merit and intend to defend the action vigorously, they cannot predict the outcome of this matter.

FERC Market-Based Rate Authority *(PPL and PPL Energy Supply)*

In December 1998, the FERC issued an order authorizing PPL EnergyPlus to make wholesale sales of electric power and related products at market-based rates. In that order, the FERC directed PPL EnergyPlus to file an updated market analysis within three years of the date of the order, and every three years thereafter. PPL EnergyPlus filed its initial updated market analysis in December 2001. Several parties thereafter filed interventions and protests requesting that, in light of the PJM Market Monitor's report described above, 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 market-based rate authority. PPL EnergyPlus has responded that the FERC does not require the economic test suggested by the intervenors and that, in any event, it would meet such economic test if required by the FERC. PPL EnergyPlus cannot predict the outcome of this matter.

FERC Proposed Rules *(PPL, PPL Energy Supply, PPL Electric and PPL Montana)*

In July 2002, the FERC issued a Notice of Proposed Rulemaking entitled "Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design." The proposed rule is currently available for public comment and contains a proposed implementation date of July 31, 2003. However, since the issuance of the proposed rule, the FERC has delayed the implementation date. This far-reaching proposed rule, in its current form, purports to establish uniform transmission rules and establish a standard market design by, among other things:

- enacting standard transmission tariffs and uniform market mechanisms,
- monitoring and mitigating "market power,"
- managing transmission congestion through pricing and tradable financial rights,
- requiring independent operational control over transmission facilities,
- forming state advisory committees on regional transmission organizations and resource adequacy, and
- exercising FERC jurisdiction over all transmission service.

In April 2003, the FERC issued a white paper describing certain modifications to the proposed rule. The FERC has requested comments and is holding numerous public comment sessions concerning the white paper.

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In an order issued in June 2003, the FERC requested comments on a proposal to condition all new and existing electric market-based tariffs and authorizations to include provisions prohibiting the seller from engaging in anticompetitive behavior or the exercise of market power. The FERC order proposes a list of market behavior rules that, if adopted, would apply to all electric market-based rate tariffs and authorizations, including PPL EnergyPlus and any other PPL subsidiaries that hold market-based rate authority.

If adopted, these proposed rules may have a significant impact on PPL and its subsidiaries, which cannot be predicted at this time.

Montana Hydroelectric License Contingencies *(PPL Montana)*

PPL Montana has 11 hydroelectric facilities and one storage reservoir licensed by the FERC pursuant to the Federal Power Act under long-term licenses which expire on varying dates from 2009 through 2040. Pursuant to Section 8(e) of the Federal Power Act, the FERC approved the transfer from Montana Power to PPL Montana of all pertinent licenses and any amendments in connection with the Montana APA.

The Kerr Dam Project license was jointly issued by the FERC to Montana Power and the Confederated Salish and Kootenai Tribes of the Flathead Reservation in 1985, and required Montana Power to hold and operate the project for 30 years. The license required Montana Power, and subsequently PPL Montana as a result of the purchase of the Kerr Dam from Montana Power, to continue to implement a plan to mitigate the impact of the Kerr Dam on fish, wildlife and the habitat. Such implementation will require remaining payments totaling approximately $6 million between 2003 and 2020.

PPL Montana entered into a Memorandum of Understanding (MOU) with state, federal and private entities related to the issuance in 2000 of the FERC renewal license for the nine dams for the Missouri-Madison project. The MOU requires PPL Montana to implement plans to mitigate the impact of its projects on fish, wildlife, habitat and to increase recreational opportunities. The MOU was created to maximize collaboration between the parties and possibilities for matching funds. Such implementation will require remaining payments by PPL Montana totaling $19 million between 2003 and 2010.

Wallingford Deactivation (*PPL and PPL Energy Supply)*

In January 2003, PPL negotiated an agreement with the ISO - New England that would declare that four of the five units at PPL's Wallingford, Connecticut facility are "reliability must run" units and put those units under cost-based rates. This agreement and the cost-based rates are subject to the FERC's approval, and PPL filed a request with the FERC for such approval. PPL requested authority for cost-based rates because the current and anticipated wholesale prices in New England are insufficient to cover the costs of keeping these units available for operation. In March 2003, PPL filed an application with the New England Power Pool to temporarily deactivate these four units. In May 2003, FERC denied PPL's request for cost-based rates in light of FERC's changes to the market and bid mitigation rules of the ISO - New England made in a similar case involving generating units owned by NRG Energy, Inc. PPL subsequently has explained to the FERC that its changes to the market and bid mitigation rules of ISO - New England will not provide sufficient revenues to PPL, and PPL continues to seek approval of its cost-based rates. However, PPL has informed the New England Power Pool that it will not pursue its request to temporarily deactivate certain Wallingford units. PPL cannot predict whether the FERC will eventually approve its request for cost-based rates.

IRS Synthetic Fuels Tax Credits *(PPL and PPL Energy Supply)*

Through its subsidiaries, PPL operates a synfuel facility in Somerset, Pennsylvania and receives tax credits pursuant to Section 29 of the Internal Revenue Code based on its sale of synfuel to unaffiliated third-party purchasers. Section 29 of the Internal Revenue Code provides tax credits for the production and sale of solid synthetic fuels produced from coal. To qualify for the Section 29 tax credits, the synthetic fuel must meet three primary conditions: (i) there must be a significant chemical change in the coal feedstock, (ii) the product must be sold to an unaffiliated entity, and (iii) the production facility must have been placed in service before July 1, 1998. Section 29 tax credits are currently scheduled to expire at the end of 2007.

PPL received a private letter ruling from the IRS in November 2001 pursuant to which, among other things, the IRS concluded that the synthetic fuel produced at the Somerset facility qualifies for Section 29 tax credits. PPL uses the Covol technology to produce synfuel at the Somerset facility, and the IRS issued the private letter ruling after its review and approval of that technology. In reliance on this private letter ruling, PPL has sold synfuel produced at the Somerset facility resulting in an aggregate of approximately $120million of tax credits as of June 30, 2003. PPL has projected that the Somerset facility will contribute approximately $0.15 to its EPS in each year from 2003 through 2007. PPL also purchases synfuel from unaffiliated third parties, at prices below the market price of coal, for use at its coal-fired power plants.

On June 27, 2003, the IRS announced that it has reason to question the scientific validity of certain test procedures and results that have been presented to it by taxpayers with interests in synfuel operations as evidence that the required significant chemical change has occurred, and that it is currently reviewing information regarding these test procedures and practices. Accordingly, the IRS has suspended the issuance of private letter rulings concerning whether a significant chemical change has occurred for requests relying on the procedures and results being reviewed. In addition, the IRS indicated that it may revoke existing private letter rulings that relied on the procedures and results under review if it determines that those test procedures and results do not demonstrate that a significant chemical change has occurred.

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PPL does not know the specific nature of the synfuel production procedures and results that are being reviewed by the IRS. At this time, PPL cannot predict the outcome of the IRS' review, when the review will be completed or the ultimate impact, if any, of the review on PPL. PPL believes that it is justified in its reliance on the private letter ruling for the Somerset facility, that the test results that it presented to the IRS in connection with its private letter ruling are scientifically valid and that it has operated the Somerset facility in compliance with the private letter ruling and Section 29 of the Internal Revenue Code.

U.K. Electricity Regulation *(PPL and PPL Energy Supply)*

The principal legislation governing the structure of the electricity industry in Great Britain is the Electricity Act 1989 (the "Electricity Act"), as amended by the Utilities Act 2000 (the "Utilities Act").

The provisions in the Utilities Act include the replacement of individual gas and electricity regulators with the Gas and Electricity Markets Authority (the "Regulator"). The principal objective of the Regulator is to protect the interests of consumers, wherever appropriate, by promoting effective competition in electricity generation and supply. There currently is no competition in electricity distribution.

Each distribution business constitutes a natural regional monopoly and is subject to control on the prices it can charge and the quality of supply it must provide. The operations of WPD are regulated under its distribution licenses, pursuant to which income generated is subject to an allowed revenue regulatory framework that provides economic incentives to minimize operating, capital and financing costs. Under the Electricity Act, WPD is under a statutory duty to connect any customer requiring electricity within their area and to maintain that connection. The allowed revenue that is recovered from electricity supply businesses through charges by the Distribution Network Operator (DNO) made for the use of the distribution network is regulated on the basis of the Retail Price Index (RPI) minus X formula. The allowed revenue is increased by RPI minus X during the tenure of each price control period. (RPI is a measure of inflation and equals the percentage change in the U.K. RPI between the six-month period of July to December in the previous year. The X factor is established by the Regulator following review and represents an annual efficiency factor.) The Regulator currently sets the Distribution Price Control Formula for five-year periods.

The current Distribution Price Control Formula permits DNOs, within a review period, to partially retain additional revenues due to increased distribution of units and to retain all increases in operating profit due to efficient operations and the reduction of expenses (including financing costs). The Regulator may reduce this increase in operating profit through a one-off price reduction in the first year of the new pricing regime, if the Regulator determines that it is not a function of efficiency savings, or, if genuine efficiency savings have been made, and the Regulator determines that customers should benefit through lower prices.

In December 1999, the Regulator published final price proposals for distribution price control for the 12 DNOs in England and Wales. These proposals represented a reduction to distribution prices of 20% for WPD (South West) and 26% for WPD (South Wales) effective April 2000, followed by a reduction in real terms (i.e., before inflation is taken into account) of 3% each year from April 2001. This price control is scheduled to operate until March 2005.

Improvements in quality of supply form an important part of the final proposals. Revised targets for system performance, in terms of the security and availability of supply, were proposed with new targets for reductions in minutes lost and interruptions.

The Regulator has introduced a quality of service incentive plan for the period from April 2002 to March 2005. Companies will be penalized annually up to 2% of revenue for failing to meet their quality of supply targets for the incentive plan. The plan includes a mechanism for rewarding companies which exceed their targets based on their rate of improvement of performance during the period and a process for rewarding exceptional performance by specifying how the targets will be reset.

Distribution businesses must also meet the Guaranteed and Overall Standards of Performance, which are set by the Regulator to ensure an appropriate level of quality of supply. If a company fails to provide the level of service specified, it must make a fixed payment to the retail customer affected.

In June 2003, the Regulator published a report on the quality of supply from April 2001 through March 2002. The report confirms that WPD (South West) and WPD (South Wales) met or exceeded such standards and that no payments were made by either company.

Environmental Matters - Domestic

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

Due to the environmental issues discussed below or other environmental matters, PPL subsidiaries may be required to modify, replace or cease operating certain facilities to comply with statutes, regulations and actions by regulatory bodies or courts. In this regard, PPL subsidiaries also may incur capital expenditures or operating expenses in amounts which are not now determinable, but which could be significant.

Air *(PPL, PPL Energy Supply and PPL Montana)*

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The Clean Air Act deals, in part, with acid rain, attainment of federal ambient ozone standards and toxic air emissions in the U.S. PPL's subsidiaries are in substantial compliance with the Clean Air Act. The Bush administration and certain members of Congress have made proposals regarding possible amendments to the Clean Air Act. These amendments could require significant further reductions in nitrogen oxide, sulfur dioxide and mercury and could possibly require measures to limit carbon dioxide. In addition, several states have taken their own actions requiring mandatory carbon dioxide emission reductions. Pennsylvania and Montana have not at this time established any formal programs to address carbon dioxide and other greenhouse gases.

The Pennsylvania DEP has finalized regulations requiring further seasonal (May-June) nitrogen oxide reductions to 80% from 1990 levels starting in 2003. These regulations are pursuant to EPA's 1998 State Implementation Plan (SIP) call to 22 eastern states, including Pennsylvania, to revise their state implementation plans. PPL expects to achieve the 2003 nitrogen oxide reductions with the recent installation of SCR technology on the Montour units, and may install SCR technology on one or more Brunner Island units at a later date.

The EPA has also developed new standards for ambient levels of ozone and fine particulates in the U.S. These standards have been upheld following court challenges. The new particulates standard may require further reductions in sulfur dioxide and year-round nitrogen oxide reductions commencing in 2010-2012 at SIP-call levels in Pennsylvania for certain PPL subsidiaries, and at slightly less stringent levels in Montana. The revised ozone standard is not expected to have a material effect on facilities of PPL subsidiaries.

Under the Clean Air Act, the EPA has been studying the health effects of hazardous air emissions from power plants and other sources in order to determine what emissions should be regulated, and has determined that mercury and nickel emissions must be regulated. The EPA may determine that other hazardous air emissions from power plants should be regulated. In this regard, the EPA is expected to develop mercury and nickel regulations by 2004.

In 1999, the EPA initiated enforcement actions against several utilities, asserting that older, coal-fired power plants operated by those utilities have, over the years, been modified in ways that subject them to more stringent "New Source" requirements under the Clean Air Act. The EPA has since issued notices of violation and commenced enforcement activities against other utilities. Although the EPA has threatened to continue expanding its enforcement actions, the future direction of the "New Source" requirements is presently unclear. Therefore, at this time, PPL is unable to predict whether such EPA enforcement actions will be brought with respect to any of its affiliates' plants. However, the EPA regional offices that regulate plants in Pennsylvania (Region III) and Montana (Region VIII) have indicated an intention to issue information requests to all utilities in their jurisdiction. The Region VIII office issued such a request to PPL Montana's Corette plant in 2000, and the Region III office issued such a request to PPL Generation's Martins Creek plant in 2002. PPL and its subsidiaries have responded to both of these information requests. PPL cannot presently predict what, if any, action the EPA might take in this regard. Should the EPA or any state initiate one or more enforcement actions against PPL or its subsidiaries, compliance with any such enforcement actions could result in additional capital and operating expenses in amounts which are not now determinable, but which could be significant.

The EPA has finalized some changes to its "New Source" regulations, which do not significantly affect PPL's plants. The EPA is also proposing to further revise its regulations regarding the exemption from the requirement for power plants to either meet "New Source" performance standards or undergo "New Source" review in the case of certain maintenance and repair activities. The outcome and cost of addressing these proposals, if finalized, are not now determinable, but could be significant.

The New Jersey DEP and some New Jersey residents raised environmental concerns with respect to the Martins Creek plant, particularly with respect to sulfur dioxide emissions and the opacity of the plant's plume. These issues were raised in the context of an appeal by the New Jersey DEP of the Air Quality Plan Approval issued by the Pennsylvania DEP to the adjacent Lower Mt. Bethel facility, which is currently under construction. PPL Martins Creek had been discussing these concerns with the New Jersey DEP and the Pennsylvania DEP. In May 2003, PPL Generation, the parent company of Lower Mt. Bethel and PPL Martins Creek, entered into an agreement in principle with the New Jersey DEP pursuant to which it will reduce sulfur dioxide emissions from its Martins Creek power plant. Under the preliminary agreement, PPL will shut down or repower the plant's two coal-fired generating units by September 2007 and reduce the fuel sulfur content for those units as well as the plant's two oil-fired units beginning in 2004. In addition, PPL will donate to a non-profit organization 70% of the excess emission allowances and emission reduction credits that result from shutting down or repowering the coal units. The Pennsylvania DEP concurs with the agreement. As a result of the agreement, the New Jersey DEP will withdraw its challenge to the Air Quality Plan Approval for the Lower Mt. Bethel facility. If the agreement is finalized, the costs to PPL will not be material. The agreement does not address the opacity issues. If it is determined that opacity must be addressed, the cost is not now determinable, but could be significant.

Water/Waste *(PPL, PPL Energy Supply and PPL Montana)*

A final NPDES permit has been issued to the Brunner Island generating plant. The permit contains a provision requiring further studies on the thermal impact of the cooling water discharge from the plant. Depending on the outcome of these studies, the plant could be subject to capital and operating costs that are not now determinable, but which could be significant.

The EPA has significantly tightened the water quality standard for arsenic. The revised standard may require several PPL subsidiaries to either further treat wastewater or take abatement action at their power plants, or both. The cost of complying with the revised standard is not now

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determinable, but could be significant.

The EPA recently finalized requirements for new or modified water intake structures. These requirements will affect where generating facilities are built, will establish intake design standards, and could lead to requirements for cooling towers at new and modified power plants. If the source of water for the plants is surface water, these rules could impose significant capital and operating costs on PPL subsidiaries. Another new rule, expected to be finalized in 2004, will address existing structures. Each of these rules could impose additional costs on PPL subsidiaries, which are not now determinable, but which could be significant.

Superfund and Other Remediation

(PPL and PPL Electric)

In 1995, PPL Electric entered into a consent order with the Pennsylvania DEP to address a number of sites where it may be liable for remediation. This may include potential PCB contamination at certain PPL Electric substations and pole sites; potential contamination at a number of coal gas manufacturing facilities formerly owned or operated by PPL Electric; and oil or other contamination which may exist at some of PPL Electric's former generating facilities. Remedial actions are now under way at a site in Sunbury, Pennsylvania. As of June30, 2003, work has been completed on over 90% of the sites included in the consent order. Additional sites formerly owned or operated by PPL Electric are added to the consent order on a case-by-case basis.

In 1996, PPL Gas Utilities entered into a similar consent order with the Pennsylvania DEP to address a number of sites where subsidiaries of PPL Gas Utilities may be liable for remediation. The sites primarily include former coal gas manufacturing facilities. Subsidiaries of PPL Gas Utilities are also investigating the potential for any mercury contamination from gas meters and regulators. Accordingly, PPL Gas Utilities and the Pennsylvania DEP have agreed to add 72 meter/regulation sites to the consent order. As of June 30, 2003, PPL Gas Utilities had addressed 15% of the sites under its consent order.

At June 30, 2003, PPL Electric and PPL Gas Utilities had accrued approximately $6 million and $9 million, representing the estimated amounts they will have to spend for site remediation, including those sites covered by each company's consent orders mentioned above. Depending on the outcome of investigations at sites where investigations have not begun or have not been completed, the costs of remediation and other liabilities could be substantial.

(PPL, PPL Energy Supply and PPL Montana)

In conjunction with its 1999 sale of generating assets to PPL Montana, Montana Power prepared a Phase I and Phase II Environmental Site Assessment. The assessment identified various groundwater remediation issues. Based upon subsequent assessments and actions taken by PPL Montana, the costs to PPL Montana of the groundwater remediation measures identified in those assessments are expected to be approximately $3 million. However, additional expenditures could be required in amounts which are not now determinable, but which could be significant.

In May 2003, approximately 40 plaintiffs brought an action in Montana state court against PPL Montana and the other owners of the Colstrip plant alleging property damage from freshwater pond seepage and contamination from wastewater ponds at the plant. This action could result in PPL Montana and the other Colstrip owners being required to take additional remedial measures, the costs of which are not now determinable, but which could be significant.

In 1999, the Montana Supreme Court held in favor of several citizens' groups that the right to a clean and healthful environment is a fundamental right guaranteed by the Montana Constitution. The court's ruling could result in significantly more stringent environmental laws and regulations, as well as an increase in citizens' suits under Montana's environmental laws. The effect on PPL Montana of any such changes in laws or regulations or any such increase in legal actions is not currently determinable, but it could be significant.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in material additional operating costs for PPL subsidiaries that cannot be estimated at this time.

Asbestos *(PPL and PPL Energy Supply)*

There have been increasing litigation claims throughout the U.S. based on exposure to asbestos against companies that manufacture or distribute asbestos products or that have these products on their premises. Certain of PPL's generation subsidiaries and certain of its energy services subsidiaries, such as those that have supplied, may have supplied or installed asbestos material in connection with the repair or installation of process piping and heating, ventilating and air conditioning systems, have been named as defendants in asbestos-related lawsuits. PPL cannot predict the outcome of these lawsuits or whether additional claims may be asserted against its subsidiaries in the future. PPL does not expect that the ultimate resolution of the current lawsuits will have a material adverse effect on its financial condition.

Electric and Magnetic Fields *(PPL, PPL Energy Supply and PPL Electric)*

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Concerns have been expressed by some members of the public regarding the potential health effects of EMFs. These fields are emitted by all devices carrying electricity, including electric transmission and distribution lines and substation equipment. Government officials in the U.S. and the U.K. have focused attention on this issue. PPL and its subsidiaries support the current efforts to determine whether EMFs cause any human health problems and are taking steps to reduce EMFs, where practical, in the design of new transmission and distribution facilities. PPL is unable to predict what effect, if any, the EMF issue might have on its operations and facilities either in the U.S. or abroad, and the associated cost, or what, if any, liabilities it might incur related to the EMF issue.

Lower Mt. Bethel *(PPL and PPL Energy Supply)*

The Air Quality Plan Approval issued by the Pennsylvania DEP for construction of the Lower Mt. Bethel facility was appealed by the New Jersey DEP to the Pennsylvania DEP Environmental Hearing Board. In May 2003, PPL Generation entered into an agreement in principle with the New Jersey DEP pursuant to which PPL will, among other things, reduce the sulfur dioxide emissions from its Martins Creek power plant and the New Jersey DEP will withdraw its challenge to the Air Quality Plan Approval for the Lower Mt. Bethel facility. If the agreement is finalized, PPL's costs to comply will not be material.

In addition, in August 2002, the Northampton County Court of Common Pleas issued a decision concerning the permissible noise levels from the Lower Mt. Bethel facility when it becomes operational. Specifically, the court's decision addressed the noise measurement criteria and the point at which the noise levels are to be measured. PPL appealed the court's decision to the Commonwealth Court, and an intervenor in the lawsuit cross-appealed the court's decision. In May 2003, the Commonwealth Court remanded the case to the Court of Common Pleas for further findings of fact concerning the zoning application relating to the construction of the facility. The Lower Mt. Bethel facility is expected to be operational in early 2004. PPL and PPL Energy Supply cannot predict the outcome of this matter or its ultimate impact on the Lower Mt. Bethel facility, but such impact may be material.

Environmental Matters - International *(PPL and PPL Energy Supply)*

U.K.

WPD's distribution businesses are subject to numerous regulatory and statutory requirements with respect to environmental matters. WPD believes it has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment. There are no material legal or administrative proceedings pending against WPD with respect to environmental matters. See "Environmental Matters-Domestic-Electric and Magnetic Fields" for a discussion of EMFs.

Latin America

Certain of PPL's affiliates have electric distribution operations in Latin America. PPL believes that these operations are in compliance in all material respects with all applicable laws and government regulations to protect the environment. There are no material legal or administrative proceedings pending against PPL's affiliates in Latin America with respect to environmental matters.

Other

Commitments - Acquisitions, Development and Lease Activities *(PPL and PPL Energy Supply)*

At June 30, 2003, a lessor had $25 million of purchase commitments for domestic construction projects for which a PPL subsidiary is the construction agent. PPL's exposure is limited to the guarantees under the operating lease. See Note 14 for additional information on guarantees under operating lease arrangements.

Nuclear Insurance *(PPL and PPL Energy Supply)*

PPL Susquehanna is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating stations. Facilities at the Susquehanna station are insured against property damage losses up to $2.75 billion under these programs. PPL Susquehanna is also a member of an insurance program which provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions. Under the property and replacement power insurance programs, PPL Susquehanna could be assessed retroactive premiums in the event of the insurers' adverse loss experience. At June 30, 2003, this maximum assessment was about $40 million.

PPL Susquehanna's public liability for claims resulting from a nuclear incident at the Susquehanna station is limited to about $9.55 billion under provisions of The Price Anderson Amendments Act of 1988. PPL Susquehanna is protected against this liability by a combination of commercial insurance and an industry assessment program. In the event of a nuclear incident at any of the reactors covered by The Price Anderson Amendments Act of 1988, PPL Susquehanna could be assessed up to $176 million per incident, payable at $20 million per year.

Guarantees and Other Assurances

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(PPL, PPL Energy Supply and PPL Electric)

In the normal course of business, PPL, PPL Energy Supply and PPL Electric enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of credit to accomplish the subsidiaries' intended commercial purposes.

(PPL)

PPL fully and unconditionally guarantees the medium-term notes of PPL Capital Funding, a wholly-owned financing subsidiary of PPL. PPL also fully and unconditionally guarantees all of the obligations of PPL Capital Funding Trust I, a wholly-owned financing subsidiary of PPL, under the trust preferred securities that are a component of the PEPS Units.

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

PPL, PPL Energy Supply, PPL Electric and PPL Montana provide certain guarantees that are required to be disclosed in accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." See Note 14 for a discussion of FIN 45. The guarantees provided as of June 30, 2003 are discussed below. In accordance with the provisions of FIN 45, the fair values of guarantees related to arrangements entered into prior to January 1, 2003, as well as guarantees excluded from the initial recognition and measurement provisions of FIN 45, are not recorded in the financial statements.

(*PPL*)

PPL or its subsidiaries provide guarantees in the aggregate amount of approximately $20 million, as of June 30, 2003, related to debt of unconsolidated entities. The guarantees are reduced as the related debt balances decline, and they expire from June 2006 through April 2009.

(PPL Energy Supply)

PPL Energy Supply has entered into several standby letter of credit arrangements under its $500 million credit facility for the purposes of protecting various third parties against nonperformance by PPL and PPL Gas Utilities. As of June 30, 2003, the aggregate maximum exposure related to these standby letters of credit was $11 million. These letters of credit expire in 2004.

PPL Energy Supply provides a guarantee in the amount of approximately $10 million, as of June 30, 2003, related to debt of an unconsolidated entity. This guarantee is reduced as the debt balance declines, and it expires in April 2009.

(PPL and PPL Energy Supply)

PPL Generation has entered into certain partnership arrangements for the sale of coal to third parties. PPL Generation has also executed support agreements, which expire in 2007, for the benefit of these third party purchasers pursuant to which it guarantees the partnerships' obligations in an amount up to its pro rata ownership interest in the partnerships. PPL Generation's maximum aggregate exposure under these support arrangements was approximately $9 million as of June 30, 2003.

Certain PPL Generation subsidiaries provide residual value guarantees under the operating leases for the Sundance, University Park and Lower Mt. Bethel generation facilities. See Note 14 for further discussion of these residual value guarantees.

PPL Susquehanna is contingently obligated to pay $40 million related to potential retroactive premiums that could be assessed under its nuclear insurance programs. Additionally, under the Price Anderson Amendments Act of 1988, PPL Susquehanna could be assessed up to $176 million for each incident at any of the nuclear reactors covered by this Act. See "Nuclear Insurance" for additional information.

PPL EnergyPlus is party to a wide range of energy trading or purchase and sale agreements pursuant to which the parties indemnify each other for any damages arising from events that occur while the indemnifying party has title to the electricity or natural gas. For example, in the case of the party that is delivering the product, such party would be responsible for damages arising from events occurring prior to delivery. The overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Historically, PPL EnergyPlus has not made any significant payments with respect to this type of indemnification. As of June 30, 2003, the aggregate fair value of these indemnifications related to arrangements entered into subsequent to December 31, 2002 was insignificant.

PPL EnergyPlus enters into written put option contracts under which, in exchange for a premium received, it agrees to purchase a specified quantity of a commodity for a specified price if the counterparty exercises the option. The aggregate carrying value of such contracts that were

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outstanding as of June 30, 2003 was a net liability of $3 million, which is included in price risk management assets and liabilities on the Balance Sheet. These option contracts expire from July 2003 through August 2004. The aggregate maximum amount of payments that PPL EnergyPlus could be required to make if the options are exercised by the counterparties under these contracts is $33 million.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters. In addition, in connection with certain of these sales, WPD and its affiliates have agreed to continue their obligations under existing third party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. They have also guaranteed the payment of up to 19 million, or $32 million at current exchange rates, under a contract, which expires in 2005, assigned as part of one of these sales. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties. These various guarantees vary in duration and in the maximum potential payment, which, except as otherwise noted above, cannot be estimated but which in the aggregate could be material. To date, neither WPD nor any of its affiliates have made any significant payments with respect to these guarantees.

Certain acquisition agreements relating to the acquisition of mechanical contractors contain provisions that require a PPL Energy Supply subsidiary to make contingent payments to the former owners based upon the profitability of the business unit. The maximum amount of potential payments is not explicitly stated in the acquisition agreements. Such arrangements expire in 2005. PPL Energy Supply estimates that an aggregate of approximately $7 million could be paid under these arrangements.

Certain agreements relating to the purchase of ownership interests in synfuel projects contain provisions that require certain PPL Energy Supply subsidiaries to make contingent purchase price payments to the former owners. These payments are non-recourse to PPL, PPL Energy Supply and their other subsidiaries and are based primarily upon production levels of the synfuel projects. The maximum amounts of potential payments are not explicitly stated in the agreements. Such arrangements expire in 2007. Based on current expectations, PPL Energy Supply estimates that the subsidiaries could pay up to an aggregate of approximately $66 million under these arrangements.

(PPL Electric)

PPL Electric provides a guarantee in the amount of approximately $7 million, as of June 30, 2003, related to debt of an unconsolidated entity. The guarantee expires in June 2008.

(PPL and PPL Electric)

PPL Electric leases vehicles and other equipment under four master operating lease agreements. The term for each piece of equipment leased under three of the master agreements is one year, after which time the lease term is extended from month to month until terminated. Under the fourth master agreement, the term for each piece of equipment ranges from one year to three years, after which time the lease term may be extended for certain equipment for up to two additional years. Under these lease arrangements, PPL Electric provides residual value guarantees to the lessors. PPL Electric generally could be required to pay a residual value guarantee if the proceeds received from the sale of a piece of equipment, upon termination of the lease, are less than the expected residual value of the equipment. As of June 30, 2003, the maximum aggregate amount of future payments that PPL Electric could be required to make as a result of these residual value guarantees was approximately $91 million. The aggregate carrying value of PPL Electric's residual value guarantees issued subsequent to December 31, 2002 was $14 million at June 30, 2003 and is included in "Current Liabilities - Other" on the Balance Sheet. These guarantees generally expire within one year, unless the lease terms are extended.

(PPL, PPL Energy Supply and PPL Montana)

PPL Montana leases certain equipment under a master operating lease agreement. The term for each piece of equipment leased under the master agreement is one year, after which time the lease term is extended from month to month until terminated. Under this lease arrangement, PPL Montana provides residual value guarantees to the lessor. PPL Montana generally would be required to pay a residual value guarantee if the proceeds received from the sale of a piece of equipment, upon termination of the lease, are less than the expected residual value of the equipment. As of June 30, 2003, the maximum aggregate amount of future payments that PPL Montana could be required to make as a result of these residual value guarantees was approximately $5 million. The aggregate carrying value of PPL Montana's residual value guarantees issued subsequent to December 31, 2002 was insignificant at June 30, 2003. These guarantees generally expire within one year, unless the lease terms are extended.

(*PPL, PPL Energy Supply, PPL Electric and PPL Montana*)

The operating lease arrangements described above and the companies' or their subsidiaries' other lease arrangements include certain indemnifications in favor of the lessors (e.g., tax and environmental matters) with terms that range in duration and scope and that are not explicitly defined. Because the obligated amounts of these types of indemnifications often are not explicitly stated, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Historically, no significant payments have been made with respect to these indemnifications. As of June 30, 2003, the aggregate fair value of these indemnifications related to arrangements entered

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into subsequent to December 31, 2002 was insignificant.

In connection with their issuances of securities, PPL, PPL Energy Supply, PPL Electric and PPL Montana and their subsidiaries engage underwriters, purchasers and purchasing agents to whom they provide indemnification for damages incurred by such parties arising from the companies' material misstatements or omissions in the related offering documents. In addition, in connection with these securities offerings and other financing transactions, the companies also engage trustees or custodial, escrow or other agents to act for the benefit of the investors or to provide other agency services. PPL, PPL Energy Supply, PPL Electric and PPL Montana and their subsidiaries typically provide indemnification to these agents for any liability or expenses incurred by them in performing their obligations. Because the obligated amounts of these types of indemnifications often are not explicitly stated, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Historically, no significant payments have been made with respect to these indemnifications. As of June 30, 2003, the fair value of these indemnifications related to arrangements entered into subsequent to December 31, 2002 was insignificant.

PPL, PPL Energy Supply, PPL Electric and PPL Montana and their subsidiaries also have various guarantees in contracts that they enter into in the normal course of business. These guarantees are primarily in the form of various indemnifications as well as warranties, related to services or equipment, that range in duration and coverage and that do not explicitly state the amount of the indemnification obligation. Historically, no significant payments have been made for these guarantees. As of June 30, 2003, the aggregate fair value of these guarantees related to arrangements entered into subsequent to December 31, 2002 was insignificant.

PPL, on behalf of itself and its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage requires a $4 million deductible per occurrence and provides maximum aggregate coverage of approximately $175 million. This insurance may be applicable to certain obligations under the contractual arrangements discussed above.

8. **Related Party Transactions**

PLR Contract *(PPL Energy Supply and PPL Electric)*

PPL Electric has power sales agreements with PPL EnergyPlus, effective January 1, 2002, to supply all of PPL Electric's PLR load through 2009. Under these contracts, PPL EnergyPlus will provide electricity at the pre-determined capped prices that PPL Electric is authorized to charge its PLR customers. For the three months ended June 30, 2003 and 2002, these purchases totaled $327 million and $339 million. For the six months ended June 30, 2003 and 2002, these purchases totaled $714 million and $708 million. These purchases include nuclear decommissioning recovery and amortization of an up-front contract payment and are included in the Statement of Income as "Energy purchases from affiliate" by PPL Electric and as "Wholesale energy marketing to affiliates" revenues by PPL Energy Supply.

Under the PLR contracts, PPL Electric is required to make performance assurance deposits with PPL EnergyPlus when the market price of electricity is less than the contract price by more than its contract collateral threshold. Conversely, PPL EnergyPlus is required to make performance assurance deposits with PPL Electric when the market price of electricity is greater than the contract price by more than its contract collateral threshold. At June 30, 2003 and December 31, 2002, neither PPL Electric nor PPL EnergyPlus was required to make performance assurance deposits since the market price of electricity was within contract collateral thresholds.

In 2001, PPL Electric made a $90 million payment to PPL EnergyPlus in connection with the PLR contracts. The upfront payment is being amortized by both parties over the term of the PLR contracts. The unamortized balance of this payment and other payments under the contract was $75 million at June 30, 2003 and $81 million at December 31, 2002.

NUG Purchases *(PPL Energy Supply and PPL Electric)*

PPL Electric has a reciprocal contract with PPL EnergyPlus to sell electricity purchased under contracts with NUGs. PPL Electric purchases electricity from the NUGs at contractual rates and then sells the electricity at the same price to PPL EnergyPlus. For the three months ended June 30, 2003 and 2002, these NUG purchases totaled $37 million and $40 million and for the six months ended June 30, 2003 and 2002 were $76 million and $82 million. These amounts are included in the Statement of Income as "Wholesale electric to affiliate" revenues by PPL Electric, and as "Energy purchases from affiliates" by PPL Energy Supply.

Montana Retail Supply *(PPL Montana)*

PPL Montana has a memorandum of understanding (MOU) with PPL EnergyPlus regarding the supply of energy to satisfy PPL EnergyPlus' obligations under its retail contracts. This MOU will remain in effect until terminated by mutual consent of the parties, or upon 90 days written notice of termination given by either party to the other party. Under the MOU, energy sales to PPL EnergyPlus for the three months ended June 30, 2003 and 2002 were $15 million and $13 million and for the six months ended June 30, 2003 and 2002 were $31 million and $30 million. These amounts are included in "Wholesale energy marketing to affiliate" revenues on the Statement of Income.

Brokering and Contract Management Agreement *(PPL Montana)*

Under a brokering and contract management agreement between PPL Montana and PPL EnergyPlus, PPL Montana paid PPL EnergyPlus $1

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million and $2 million for the three months ended June 30, 2003 and 2002. For the six months ended June 30, 2003 and 2002, the payments were $2 million and $4 million.

Allocations of Corporate Service Costs *(PPL Energy Supply, PPL Electric and PPL Montana)*

PPL Services provides corporate functions such as financial, legal, human resources and information services. PPL Services bills the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of these services that is not directly charged to PPL subsidiaries is allocated to certain of the subsidiaries using a three-factor method based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses, and number of employees. PPL Services allocated the following charges to PPL Energy Supply, PPL Electric and PPL Montana:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Direct expenses				
PPL Energy Supply	$ 23	$ 23	$ 45	$ 43
PPL Electric	16	14	31	28
PPL Montana	2	3	4	4
Overhead costs				
PPL Energy Supply	14	11	28	17
PPL Electric	6	7	13	13
PPL Montana	1	3	2	5

Intercompany Borrowings

(PPL Energy Supply)

PPL Energy Supply, primarily through its financing subsidiary PPL Investment Corporation, had notes receivable from affiliates of PPL totaling $227 million and $655 million at June 30, 2003 and December 31, 2002. At June 30, 2003, the largest note receivable was from PPL Energy Funding, with interest equal to LIBOR plus 3% and a balance of $194 million. Interest earned on loans to affiliates, included in "Other Income - net" on the Statement of Income, was $4 million and $6 million for the three months ended June 30, 2003 and 2002 and was $12 million and $11 million for the six months ended June 30, 2003 and 2002.

(PPL Electric)

In 2001, PPL Electric made a $150 million demand loan from excess cash to PPL Energy Funding. Interest on the loan is due monthly at an annual interest rate of 4.0%. The outstanding balance of this loan was $100 million and $90 million at June 30, 2003 and December 31, 2002. Intercompany interest income was $1 million for the three months ended June 30, 2002, and was $2 million and $5 million for the six months ended June 30, 2003 and 2002.

(PPL Montana)

In 2002, PPL Montana entered into a $100 million three-year credit facility with PPL Investment Corporation on market terms to meet its liquidity needs. PPL Montana had outstanding borrowings under this facility of $19 million and $26 million at June 30, 2003 and December 31, 2002, which are shown as "Revolving line of credit with affiliate" on the Balance Sheet.

Trademark Royalties *(PPL Energy Supply)*

In the fourth quarter of 2002, a PPL subsidiary that owns PPL trademarks began billing certain affiliates who use these trademarks. PPL Energy Supply was allocated $9 million and $20 million of this license fee for the three and six months ended June 30, 2003, which is primarily included in "Other operation and maintenance" on the Statement of Income.

9. **Other Income - Net**

(PPL)

The breakdown of PPL's Other Income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002

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Other Income				
Interest income	$ 4	$ 6	$ 7	$ 13
Earnings on nuclear decommissioning trust (a)	6		8	
Hyder - related activity	4		4	
Gain on property sales	3		3	
Rental income	3		3	
Legal claim settlements	3		3	
Equity earnings	1	1		1
Miscellaneous	4	3	13	10
Total	28	10	41	24
Other Deductions				
Domestic project development costs	1		1	
Non-operating taxes other than income	1	1	1	1
Miscellaneous	3	5	8	12
Other Income - net	$ 23	$ 4	$ 31	$ 11

(a) Effective with the adoption of SFAS 143 on January 1, 2003 (as described in Note 12), realized earnings on the nuclear decommissioning trust are recorded in "Other Income - net." Prior to January 1, 2003, such realized earnings served to increase the nuclear decommissioning liability.

(PPL Energy Supply)

The breakdown of PPL Energy Supply's Other Income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Other Income				
Affiliated interest income	$ 4	$ 6	$ 12	$ 11
Earnings on nuclear decommissioning trust (a)	6		8	
Hyder - related activity	4		4	
Interest income	3	5	4	10
Gain on property sales	3		3	
Rental income	3		3	
Legal claim settlements	3		3	
Equity earnings	1	1	2	2
Miscellaneous	1	3	10	7
Total	28	15	49	30
Other Deductions				
Non-operating taxes other than income	1	1	1	1
Miscellaneous	2	4	6	8
Other Income - net	$ 25	$ 10	$ 42	$ 21

(a) Effective with the adoption of SFAS 143 on January 1, 2003 (as described in Note 12), realized earnings on the nuclear decommissioning trust are recorded in "Other Income - net." Prior to January 1, 2003, such realized earnings served to increase the nuclear decommissioning liability.

10. **Derivative Instruments and Hedging Activities**

(PPL, PPL Energy Supply and PPL Montana)

Fair Value Hedges

PPL Energy Supply and PPL Montana enter into financial or physical contracts to hedge a portion of the fair value of firm commitments of forward electricity sales. These contracts range in maturity through 2006. Additionally, PPL and PPL Energy Supply enter into financial contracts to hedge fluctuations in market value of existing debt issuances. These contracts range in maturity through 2029.

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As a result of settling certain transactions with a counterparty that exited its energy marketing function, PPL and PPL Energy Supply recognized a net gain of $1 million for the three and six months ended June 30, 2003 resulting from firm commitments that no longer qualified as fair value hedges. PPL Montana recognized a net loss of $1 million for the three and six months ended June 30, 2003. These transactions were reflected in "Energy purchases" on the Statement of Income. PPL, PPL Energy Supply and PPL Montana did not recognize any net gains or losses for similar activity for the three and six months ended June30, 2002.

PPL, PPL Energy Supply and PPL Montana did not recognize any gains or losses resulting from the ineffective portion of fair value hedges for the three and six months ended June 30, 2003 or 2002.

Cash Flow Hedges

PPL Energy Supply and PPL Montana enter into financial and physical contracts, including forwards, futures and swaps, to hedge the price risk associated with electric, gas and oil commodities. These contracts range in maturity through 2006. Additionally, PPL and PPL Energy Supply enter into financial interest rate swap contracts to hedge interest expense associated with both existing and anticipated debt issuances. These contracts range in maturity through 2010. PPL and PPL Energy Supply also enter into foreign currency forward and swap contracts to hedge exchange rates associated with firm commitments and debt financings denominated in foreign currencies and to hedge the net investment of foreign operations. These forward contracts range in maturity through 2028.

Cash flow hedges may be discontinued because it is probable that the original forecasted transaction will not occur by the end of the originally specified time period. PPL and PPL Energy Supply discontinued certain cash flow hedges which resulted in a loss of $11 million being reclassified from other comprehensive income into earnings for the three and six months ended June 30, 2003 (reported in "Interest Expense" on the Statement of Income).

Due to hedge ineffectiveness, PPL and PPL Energy Supply recorded a net loss of $1 million into earnings for the three and six months ended June 30, 2003, and an insignificant amount for the three and six months ended June 30, 2002.

As of June 30, 2003, the deferred net loss, after tax, on derivative instruments in accumulated other comprehensive income expected to be reclassified into earnings during the next twelve months was $9 million, $5 million and $3 million for PPL, PPL Energy Supply and PPL Montana.

The following table shows the after-tax change in accumulated unrealized gains or losses on derivatives in other comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
PPL				
Beginning accumulated derivative gain	$ 34	$ 12	$ 7	$ 23
Net change associated with current period hedging activities and other	19		68	(8)
Net change associated with hedges of net investments	(3)		(3)	
Net change from reclassification into earnings	(29)		(51)	(3)
Ending accumulated derivative gain	$ 21	$ 12	$ 21	$ 12

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
PPL Energy Supply				
Beginning accumulated derivative gain	$ 52	$ 34	$ 23	$ 47
Net change associated with current period hedging activities and other	28	(2)	75	(11)
Net change associated with hedges of net investments	(3)		(3)	
Net change from reclassification into earnings	(30)	1	(48)	(3)
Ending accumulated derivative gain	$ 47	$ 33	$ 47	$ 33
PPL Montana				
Beginning accumulated derivative gain	$ 13	$ 19	$ 4	$ 33
Net change associated with current period hedging activities and other	(14)	(2)	(5)	(13)
Net change from reclassification into earnings	(2)	3	(2)	
Ending accumulated derivative gain	$ (3)	$ 20	$ (3)	$ 20

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The changes associated with current period activity and reclassifications into earnings were significantly higher in 2003 than 2002 due to foreign currency hedges at WPD that were not reported on a consolidated basis during the first half of 2002. The transaction gains and losses arising from the remeasurement of its foreign-currency denominated debt are offset by a related amount reclassified each period from other comprehensive income to earnings.

Implementation Issues

PPL adopted the final provisions of EITF 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," during the fourth quarter of 2002. As such, PPL now reflects its net realized and unrealized gains and losses associated with all derivatives that are held for trading purposes in the "Net energy trading margins" line on the Statement of Income. Non-derivative contracts that met the definition of energy trading activities as defined by EITF 98-10, "Accounting for Energy Trading and Risk Management Activities," are reflected in the financial statements using the accrual method of accounting. Under the accrual method of accounting, unrealized gains and losses are not reflected in the financial statements. Prior periods have been reclassified. PPL did not need to record a cumulative effect of this change in accounting principle because all non-derivative energy-related trading contracts had been shown in the financial statements at their amortized cost. This amortized cost reflected modeling reserves that incorporated the lack of independence in valuing contracts for which there were no external market prices.

The financial statement impact of netting energy trading activities is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
PPL and PPL Energy Supply				
Prior classification				
Wholesale energy marketing	$ 197	$ 132	$ 513	$ 206
Energy purchases	183	130	506	190
Net energy trading margins	$ 14	$ 2	$ 7	$ 16
PPL Montana				
Prior classification				
Wholesale energy marketing	$ 5	$ 7	$ 13	$ (1)
Energy purchases	5	7	13	
Net energy trading margins	$	$	$	$ (1)

Credit Concentration

PPL, PPL Energy Supply and PPL Montana enter into contracts with many entities for the purchase and sale of energy. Most of these contracts are considered a normal part of doing business and, as such, the mark-to-market value of these contracts is not reflected in the financial statements. However, the mark-to-market value of these contracts is considered when committing to new business from a credit perspective.

PPL, PPL Energy Supply and PPL Montana have credit exposures to energy trading partners. The majority of these exposures were the mark-to-market value of multi-year contracts for energy sales. Therefore, if these counterparties fail to perform their obligations under such contracts, the companies would not experience an immediate financial loss, but would experience lower revenues in future years to the extent that replacement sales could not be made at the same prices as sales under the defaulted contracts.

At June 30, 2003, PPL had a credit exposure of $177 million to energy trading partners. Six counterparties accounted for 43% of this exposure. No other individual counterparty accounted for more than 3% of the exposure. With two exceptions, each of the six primary counterparties had an investment grade credit rating from Standard & Poor's. PPL entered into a multi-year contract with one non-investment grade counterparty through a bidding process sponsored by a state regulatory commission. The other non-investment grade counterparty has refused to supply credit assurance and PPL has therefore stopped trading with this company.

At June 30, 2003, PPL Energy Supply had a credit exposure of $280 million to energy trading partners. Seven counterparties accounted for 64% of this exposure. No other individual counterparty accounted for more than 2% of the exposure. The largest exposure, $102 million, was to PPL Electric, under the long-term contracts to provide PPL Electric's PLR load. With two exceptions, the other six counterparties have an investment grade credit rating from Standard & Poor's. PPL Energy Supply entered into a multi-year contract with one non-investment grade counterparty through a bidding process sponsored by a state regulatory commission. The other non-investment grade counterparty has refused to supply credit assurance and PPL Energy Supply has therefore stopped trading with this company.

At June 30, 2003, PPL Montana had a credit exposure of $36 million to energy trading partners. Three counterparties accounted for 63% of this

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exposure. No other individual counterparty accounted for more than 3% of the exposure. Each of the three primary counterparties has an investment grade credit rating from Standard & Poor's.

PPL, PPL Energy Supply and PPL Montana have the right to request collateral from each of these counterparties, except for one government agency, in the event their credit rating falls below investment grade, or in one case below current levels. It is also the policy of PPL, PPL Energy Supply and PPL Montana to enter into netting agreements with all of their counterparties to minimize credit exposure.

11. **Goodwill**

(PPL and PPL Energy Supply)

The changes in the carrying amounts of goodwill by segment were as follows:

	PPL Energy Supply				PPL
	Supply	**International**	**Total**	**Delivery(a)**	**Total**
Balance as of January 1, 2003	$ 85	$ 334	$ 419	$ 55	$ 474
Effect of foreign exchange rates		9	9		9
Purchase accounting adjustments	1	(26) (b)	(25)		(25)
Balance as of June 30, 2003	$ 86	$ 317	$ 403	$ 55	$ 458

(a) The Delivery segment is not part of PPL Energy Supply.
(b) See Note 6 for additional information.

The reporting units of the Supply, Delivery and International segments completed the transition impairment test in the first quarter of 2002 in accordance with SFAS 142, "Goodwill and Other Intangible Assets." A transition goodwill impairment loss of $150 million was recognized in the Latin American reporting unit within the International segment, and is reported as a "Cumulative Effect of a Change in Accounting Principle" on the Statement of Income. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

12. **Asset Retirement Obligations**

(PPL and PPL Energy Supply)

PPL and PPL Energy Supply adopted SFAS 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. Application of the new rules resulted in an increase in net property, plant and equipment of $32 million, reversal of previously recorded liabilities of $304 million, recognition of asset retirement obligations of $229 million, recognition of a deferred tax liability of $44 million and a cumulative effect of adoption that increased net income by $63 million or $0.37 per share. For the three and six months ended June 30, 2003, PPL and PPL Energy Supply recognized $4 million and $9 million of accretion expense and an insignificant amount of depreciation expense as a result of applying SFAS 143.

PPL and PPL Energy Supply identified various legal obligations to retire long-lived assets, the largest of which relates to the decommissioning of the Susquehanna station. PPL and PPL Energy Supply identified and recorded other asset retirement obligations related to significant interim retirements at the Susquehanna station, various environmental requirements for coal piles, ash basins and other waste basin retirements.

PPL and PPL Energy Supply also identified legal retirement obligations that were not measurable at this time. These items included the retirement of certain transmission assets and a reservoir. These retirement obligations were not measurable due to indeterminable dates of retirement.

Amounts collected from PPL Electric's customers for decommissioning, less applicable taxes, are deposited in external trust funds for investment and can only be used for future decommissioning costs. The fair value of the nuclear decommissioning trust was $320 million and $287 million as of June 30, 2003 and December 31, 2002.

PPL and PPL Energy Supply's asset retirement obligations are included in "Deferred Credits and Other Noncurrent Liabilities - Other" on the Balance Sheet. The changes in the carrying amounts of asset retirement obligations were as follows:

	PPL	PPL Energy Supply
Asset retirement obligation at January 1, 2003	$229	$ 229
Add: Accretion expense	9	9
Less: Settlement	(3)	(3)
Asset retirement obligation at June 30, 2003	$235	$ 235

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The pro forma asset retirement obligation liability balances calculated as if SFAS 143 had been adopted on January 1, 2002 were $235 million, $229 million and $211 million as of June 30, 2003, December 31, 2002 and January 1, 2002.

The pro forma effects of the application of SFAS 143 calculated as if it had been adopted on January 1, 2002 (rather than January 1, 2003) are presented below:

(PPL)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Reported net income (loss) - before cumulative effect of a change in accounting principle (a)	$ 116	$ (27)	$ 292	$ 120
Pro forma net income (loss) - before cumulative effect of a change in accounting principle	$ 116	$ (35)	$ 292	$ 113
Reported net income (loss)	$ 116	$ (27)	$ 355	$ (30)
Pro forma net income (loss)	$ 116	$ (35)	$ 292	$ (37)
Basic EPS:				
Reported net income (loss) - before cumulative effect of a change in accounting principle	$ 0.68	$ (0.18)	$ 1.73	$ 0.82
Pro forma net income (loss) - before cumulative effect of a change in accounting principle	$ 0.68	$ (0.24)	$ 1.73	$ 0.77
Reported net income (loss)	$ 0.68	$ (0.18)	$ 2.10	$ (0.20)
Pro forma net income (loss)	$ 0.68	$ (0.24)	$ 1.73	$ (0.25)
Diluted EPS:				
Reported net income (loss) - before cumulative effect of a change in accounting principle	$ 0.67	$ (0.18)	$ 1.72	$ 0.82
Pro forma net income (loss) - before cumulative effect of a change in accounting principle	$ 0.67	$ (0.24)	$ 1.72	$ 0.77
Reported net income (loss)	$ 0.67	$ (0.18)	$ 2.09	$ (0.20)
Pro forma net income (loss)	$ 0.67	$ (0.24)	$ 1.72	$ (0.25)

(a) Represents income before cumulative effect of a change in accounting principle less dividends and distributions on preferred securities.

(PPL Energy Supply)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Reported net income - before cumulative effect of a change in accounting principle (a)	$ 132	$ 9	$ 285	$ 154
Pro forma net income - before cumulative effect of a change in accounting principle	$ 132	$	$ 285	$ 147
Reported net income	$ 132	$ 9	$ 348	$ 4
Pro forma net income (loss)	$ 132	$	$ 285	$ (3)

(a) Represents income before cumulative effect of a change in accounting principle less dividends and distributions on preferred securities.

(PPL Electric)

PPL Electric adopted SFAS 143 effective January 1, 2003 and did not record any asset retirement obligations upon adoption. PPL Electric identified legal retirement obligations for the retirement of certain transmission assets that were not measurable at this time due to

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indeterminable dates of retirement.

(PPL Montana)

PPL Montana adopted SFAS 143 effective January 1, 2003. PPL Montana recorded asset retirement obligations associated with various environmental requirements for coal piles, ash basins and other waste basin retirements. The impact of these asset retirement obligations was insignificant.

Reconciliation of Prior Annual Periods *(PPL and PPL Energy Supply)*

The pro forma asset retirement obligation liability balances calculated as if SFAS 143 had been adopted on January 1, 2000 were $211 million, $196 million and $181 million as of December 31, 2001, December 31, 2000 and January 1, 2000.

The pro forma effects of the application of SFAS 143 calculated as if it had been adopted on January 1, 2000 (rather than January 1, 2003) are presented below:

	PPL For the Years Ended December 31,		
	2002	**2001**	**2000**
Reported net income - before extraordinary item and cumulative effect of a change in accounting principle (a)	$ 358	$ 169	$ 487
Pro forma net income - before extraordinary item and cumulative effect of a change in accounting principle	$ 349	$ 167	$ 489
Reported net income	$ 208	$ 179	$ 498
Pro forma net income	$ 199	$ 177	$ 500
Basic EPS:			
Reported net income - before extraordinary item and cumulative effect of a change in accounting principle	$ 2.35	$ 1.16	$ 3.38
Pro forma net income - before extraordinary item and cumulative effect of a change in accounting principle	$ 2.29	$ 1.15	$ 3.39
Reported net income	$ 1.37	$ 1.23	$ 3.45
Pro forma net income	$ 1.31	$ 1.21	$ 3.46
Diluted EPS:			
Reported net income - before extraordinary item and cumulative effect of a change in accounting principle	$ 2.35	$ 1.15	$ 3.37
Pro forma net income - before extraordinary item and cumulative effect of a change in accounting principle	$ 2.29	$ 1.14	$ 3.38
Reported net income	$ 1.36	$ 1.22	$ 3.44
Pro forma net income	$ 1.31	$ 1.21	$ 3.45

(a) Represents income before extraordinary item and cumulative effect of a change in accounting principle, less dividends and distributions on preferred securities.

	PPL Energy Supply For the Years Ended December 31,		
	2002	**2001**	**2000**
Reported net income - before cumulative effect of a change in accounting principle (a)	$ 429	$ 171	$ 242
Pro forma net income - before cumulative effect of a change in accounting principle	$ 420	$ 169	$ 244
Reported net income	$ 279	$ 174	$ 242
Pro forma net income	$ 270	$ 172	$ 244

(a) Represents income before cumulative effect of a change in accounting principle less dividends and distributions on preferred securities.

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13. **Workforce Reduction**

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

In an effort to improve operational efficiency and reduce costs, PPL and its subsidiaries completed a workforce reduction in June 2002 that will eliminate up to 598 employees, or about 7% of PPL's U.S. workforce, at a cost of $74 million. The program was broad-based and impacted all employee groups except certain positions that are key to providing high-quality service to PPL's electricity delivery customers. Linemen, electricians and line foremen, for example, were not affected by the reductions. An additional $1 million workforce reduction charge was recorded in September 2002, when plans, specific to PPL Global and PPL Montana subsidiaries, were finalized which were expected to impact 26 employees. These additional reductions increased PPL's total charge for workforce reductions to $75 million for the elimination of up to 624 positions.

PPL recorded the cost of the program as a one-time charge, included in the Statement of Income as "Workforce reduction" for the year ended December 31, 2002. This charge reduced net income by $44 million after taxes. The program provides primarily for enhanced early retirement benefits and/or one-time special pension separation allowances based on an employee's age and years of service. These features of the program will be paid from the PPL Retirement Plan pension trust and increased PPL's pension and postretirement benefit liabilities by $65 million. The remaining $10 million of costs relate primarily to non-pension benefits, such as severance payments and outplacement costs, which will be paid by PPL, and are included on the Balance Sheet in "Current Liabilities - Other."

PPL Energy Supply will ultimately eliminate up to 221 employees and has recorded a one-time charge of $41 million, $40 million in June 2002 and an additional $1 million in September 2002. This charge reduced net income by $24 million for the year ended December 31, 2002. Included in the charge was a $10 million allocation of the costs associated with the elimination of employees of PPL Services.

PPL Electric will ultimately eliminate up to 260 employees and has recorded a one-time charge of $33 million, which reduced net income by $19 million for the year ended December 31, 2002. Included in the charge was a $6 million allocation of the costs associated with the elimination of employees of PPL Services.

PPL Montana will ultimately eliminate up to ten employees and has recorded an insignificant one-time charge for the year ended December 31, 2002.

As of June 30, 2003, 445 employees of PPL subsidiaries were terminated. Substantially all of the accrued non-pension benefits have been paid. Approximately 180 positions targeted under the program, which are primarily bargaining unit, will be evaluated for termination over the next eighteen months, due to the timing of the automated meter reader implementation and the displacement process under the bargaining unit contract. PPL is currently evaluating the workforce reduction charge with its independent actuaries, which may result in a future adjustment.

14. **New Accounting Standards**

SFAS 143 *(PPL, PPL Energy Supply, PPL Electric and PPL Montana)*

See Note 12 for a discussion of SFAS 143, "Accounting for Asset Retirement Obligations," and the impact of adoption.

SFAS 146 *(PPL, PPL Energy Supply, PPL Electric and PPL Montana)*

In 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires the recognition of a liability for costs associated with exit or disposal activities when the liability is incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 also establishes that the initial liability should be measured at its estimated fair value. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002, with earlier application encouraged. PPL and its subsidiaries adopted SFAS 146 effective January1, 2003. The initial adoption did not have an impact on PPL or its subsidiaries. However, SFAS 146 may impact the accounting treatment of future disposal or exit activities.

SFAS 148 *(PPL, PPL Energy Supply, PPL Electric and PPL Montana)*

In 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123." SFAS 148 provides three transition methods for adopting the fair value method of accounting for stock-based compensation prescribed under SFAS 123 and enhances the required disclosures regarding stock-based compensation effective for fiscal years ending after December 15, 2002. SFAS 148 also requires certain disclosures in financial reports issued for interim periods beginning after December 15, 2002.

PPL and its subsidiaries elected to adopt the fair value method of accounting for stock-based compensation as of January 1, 2003 using the prospective method of transition, as permitted by SFAS 148. The prospective method provides that PPL and its subsidiaries will recognize

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expense for all stock-based compensation awards granted, modified or settled on or after January 1, 2003. See Note 2 for a discussion of the change in accounting for stock-based compensation and the interim disclosures required by SFAS 148.

SFAS 149 *(PPL, PPL Energy Supply and PPL Montana)*

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies SFAS 133 to improve financial accounting and reporting for derivative instruments and hedging activities. To ensure that contracts with comparable characteristics are accounted for similarly, SFAS 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an "underlying" and amends certain other existing pronouncements. SFAS 149 is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003, except certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist should be applied to both existing contracts and new contracts entered into after June 30, 2003. PPL, PPL Energy Supply and PPL Montana are in the process of evaluating the impact of the adoption of SFAS 149 on their financial position and results of operation.

SFAS 150

(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. The standards established by it require certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity to now be classified as liabilities on the balance sheet. SFAS 150 requires the following freestanding financial instruments to be classified as liabilities (or assets in some circumstances):

- mandatorily redeemable financial instruments,
- financial instruments that embody obligations to repurchase equity shares in exchange for cash or other assets, including written put options and forward purchase contracts, and
- certain financial instruments that embody obligations to issue a variable number of shares.

SFAS 150 also requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 prohibits the restatement of financial statements for periods prior to its adoption. SFAS 150 did not have an impact on PPL or its subsidiaries during the three or six months ended June 30, 2003.

(PPL, PPL Energy Supply and PPL Electric)

In accordance with SFAS 150, effective July 1, 2003, PPL will change its classification of the trust preferred securities of PPL Capital Funding Trust I, which were issued as a component of the PEPS Units, PPL Energy Supply will change its classification of the trust preferred securities issued by SIUK Capital Trust I and PPL Electric will change its classification of its preferred stock with sinking fund requirements. These securities are mandatorily redeemable financial instruments, as they require the issuer to redeem the securities for cash on a specified date. Thus, effective July 1, 2003, these securities will be classified as liabilities instead of "mezzanine" equity on the balance sheet. Additionally, the distributions on these securities are required to be included as a component of "Interest Expense" instead of "Dividends and Distributions - Preferred Securities" in the Statement of Income effective July 1, 2003. Since SFAS 150 prohibits the restatement of financial statements for periods prior to its adoption, these changes will be made prospectively.

FIN 45 *(PPL, PPL Energy Supply, PPL Electric and PPL Montana)*

In 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." FIN 45 clarifies that upon issuance of certain types of guarantees, the guarantor must recognize an initial liability for the fair value of the obligation it assumes under the guarantee. The offsetting entry will be dependent upon the circumstances under which the guarantee is issued, and the initial liability should typically be reduced as the guarantor is released from risk under the guarantee. FIN 45 also requires a guarantor to make significant new disclosures for guarantees even if the likelihood of the guarantor's having to make payments is remote. The provisions relating to the initial recognition and measurement of guarantee obligations must be applied on a prospective basis to guarantees issued or modified after December 31, 2002. PPL and its subsidiaries adopted FIN 45 effective January 1, 2003. FIN 45 did not have a significant impact on earnings for the three months or six months ended June 30, 2003. See Note 7 for disclosure of guarantees and other assurances existing as of June 30, 2003.

FIN 46

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(PPL, PPL Energy Supply, PPL Electric and PPL Montana)

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 clarifies that variable interest entities, as defined therein, that do not disperse risks among the parties involved should be consolidated by the entity that is determined to be the primary beneficiary. FIN 46 also requires certain disclosures to be made by the primary beneficiary and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003, FIN 46 must be adopted no later than the first fiscal year or interim period beginning after June 15, 2003. FIN 46 did not have an impact on PPL or its subsidiaries during the three or six months ended June 30, 2003. PPL and its subsidiaries are in the process of evaluating entities in which they hold a variable interest that was acquired before February 1, 2003. Except as discussed below, PPL and its subsidiaries are currently not aware of any variable interest entities that are not consolidated as of June 30, 2003 but which they must consolidate in accordance with FIN 46 effective July1, 2003. As they continue to evaluate the impact of applying FIN 46, PPL and its subsidiaries may identify additional entities that they would need to consolidate.

(PPL and PPL Energy Supply)

The lessors under the operating leases for the Sundance, University Park and Lower Mt. Bethel generation facilities are variable interest entities in which PPL Energy Supply is the primary beneficiary. Consequently, under FIN 46, PPL Energy Supply will be required to consolidate the financial statements of the lessors effective July 1, 2003. Upon initial consolidation, PPL Energy Supply will recognize $1.0 billion of additional assets and liabilities on its balance sheet and a charge of $21 million, after-tax, as a cumulative effect of a change in accounting principle. The additional assets consist principally of the generation facilities, and the additional liabilities consist principally of the lease financing. See below for a discussion of the leases.

In May 2001, a subsidiary of PPL Energy Supply entered into a lease arrangement, as lessee, for the development, construction and operation of commercial power generation facilities. The lessor is a variable interest entity that was created for the sole purpose of owning the facilities and incurring the related financing costs. The $660 million operating lease arrangement covers the 450 MW gas-powered Sundance project near Coolidge, Arizona and the 540 MW gas-powered University Park project near University Park, Illinois. These facilities were substantially complete in July 2002, at which time the initial lease term commenced. At the end of the lease term, which is June 2008, the lessee has the option to extend the lease or purchase the facilities. If the lessee does not choose either of these options, then it must sell the assets on behalf of the lessor and guarantee a residual value up to $544 million based on a total lessor's investment of $656 million for both projects combined. If the financing is terminated early as a result of significant environmental damage, or an event of default, the lessee could be obligated to pay up to 100% of the lessor's investment in the facilities. The variable-rate financing, which matures in June 2008, is secured by, among other things, the generation facilities and the land on which the facilities are located. As of July 1, 2003, the aggregate carrying value of the facilities and the land is $625 million, net of accumulated depreciation of $18 million.

In December 2001, another subsidiary of PPL Energy Supply entered into a $455 million operating lease arrangement, as lessee, for the development, construction and operation of a 600 MW gas-fired combined-cycle generation facility located in Lower Mt. Bethel Township, Northampton County, Pennsylvania. The lessor is a variable interest entity that was created for the sole purpose of owning the facilities and incurring the related financing costs. The initial lease term commences on the date of commercial operation, which is expected to occur in early 2004, and ends in December 2013. At the end of the lease term, the lessee has the option to extend the lease or purchase the facilities. If the lessee does not choose either of these options, then it must sell the assets on behalf of the lessor and guarantee a residual value estimated to be up to $321 million based on an estimated total lessor's investment of $455 million. The lessee could be obligated to pay up to 100% of the lessor's investment and other obligations in the facilities if the financing is terminated early as a result of a loss, destruction or condemnation of the project, or upon an event of default. Based on current market conditions, the total exposure as a result of such a termination is estimated to be up to $541 million as of June 30, 2003 and is estimated to be up to $604 million as of the commencement of the lease. The fixed-rate financing, which matures in December 2013, is secured by, among other things, the generation facility, which has a carrying value of $377 million as of July 1, 2003.

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PPL CORPORATION AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Financial Statements and Combined Notes to Condensed Consolidated Financial Statements included in Item 1 above, and with the section entitled "Review of the Financial Condition and Results of Operations" in PPL's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002. Terms and abbreviations appearing here are explained in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

Results of Operations

The following discussion, that explains significant changes in principal items on the Statement of Income, compares the three and six months ended June 30, 2003, to the comparable periods in 2002.

Prior to September 6, 2002, PPL Global held 51% of the equity interest in WPD, but shared joint control with Mirant. On September 6, 2002, PPL Global acquired the remaining 49% equity interest in WPD and gained complete control. The purchase of Mirant's interest was accounted for as a step-acquisition and resulted in the consolidation of WPD's results of operations as of January 1, 2002. Therefore, PPL's income statement for the three and six months ended June 30, 2002 has been reclassified to reflect the consolidation of WPD's results. Mirant's $28 million and $53 million share of earnings for the three and six months ended June 30, 2002 is reflected in "Minority Interest."

WPD's results as consolidated in PPL's income statement are impacted by changes in foreign currency exchange rates. For the three and six months ended June 30, 2003, as compared to the same periods in 2002, changes in foreign exchange rates increased WPD's portion of revenue and expense line items by about 10% and 11%.

The Statement of Income reflects the results of past operations and is not intended as any indication of future operating results. Future operating results will necessarily be affected by various and diverse factors and developments. Furthermore, because results for interim periods can be disproportionately influenced by various factors and developments and by seasonal variations, the results of operations for interim periods do not necessarily indicate results or trends for the year.

Earnings

The changes in net income from period to period were, in part, attributable to several unusual items with significant earnings impacts as shown below. Income from core operations, which excludes the impact of unusual items, should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL believes that income from core operations, although a non-GAAP measure, is also useful and meaningful to investors because it provides them with PPL's underlying earnings performance as another criterion in making their investment decisions. PPL's management also uses income from core operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance. The tables below reconcile income from core operations to net income in dollars and EPS, by eliminating the impact of unusual items.

	Net Income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income from core operations	$ 116	$ 111	$ 292	$ 262
Unusual items (net of tax):				
Accounting method change-asset retirement obligation (Note 12)			63	
Goodwill impairment (Note 11)				(150)
CEMAR impairment (Note 6)		(94)		(98)
Workforce reduction (Note 13)		(44)		(44)
Net income (loss) - actual	$ 116	$ (27)	$ 355	$ (30)

	EPS - Diluted			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income from core operations	$ 0.67	$ 0.75	$ 1.72	$ 1.77
Unusual items (net of tax):				

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Accounting method change - asset retirement obligations (Note 12)			0.37	
Goodwill impairment (Note 11)				(1.02)
CEMAR impairment (Note 6)		(0.64)		(0.66)
Workforce reduction (Note 13)		(0.29)		(0.29)
Net income (loss) - actual	$ 0.67	$ (0.18)	$ 2.09	$ (0.20)

The after-tax changes in core earnings were primarily due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**
Domestic:		
Higher wholesale energy margins	$ 20	$ 31
Net energy trading margins	7	(5)
Unregulated retail energy margins	2	1
Lower regulated retail energy margins	(15)	(39)
Delivery revenues (net of CTC/ITC amortization and interest expense on transition bonds)		14
Higher operating and maintenance expenses	(17)	(23)
Other	(2)	4
International:		
Higher earnings from U.K. operations	18	51
Lower earnings from Latin American operations	(6)	
Other	(2)	(4)
	$ 5	$ 30

The period to period changes in earnings components, including margins by activity and income statement line items, are discussed in the balance of the discussion in "Results of Operations." The increase in earnings from U.K. operations was primarily due to obtaining complete ownership of WPD in September 2002. (See Note 6 to the Financial Statements for additional information.)

PPL's future earnings could be impacted by a number of factors, including the following:

PPL expects that the low level of wholesale energy prices will adversely impact margins in 2003 and beyond. Based upon current energy price levels, there is a risk that PPL may be unable to recover its investment in new gas-fired generation facilities. Under GAAP, PPL does not believe that there is an impairment charge to be recorded at this time. PPL is unable to predict the ultimate earnings impact of this issue, based upon energy price levels, applicable accounting rules and other factors, but such impact may be material. See "Application of Critical Accounting Policies - Asset Impairment" in PPL's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for additional information.

Earnings in the third quarter of 2003 and beyond will be impacted by the consolidation of variable interest entities (as discussed in Note 14 to the Financial Statements).

In May 2003, PPL Electric announced that it expects to file a request for a delivery rate increase with the PUC in the spring of 2004. If approved, the new rates will go into effect January 2005, when PPL Electric's distribution rate cap expires. PPL Electric has not yet determined the amount of the rate increase it will request, and cannot predict the amount of such increase that will ultimately be approved by the PUC.

PPL operates a synfuel facility and receives tax credits pursuant to Section 29 of the Internal Revenue Code based on its sale of synfuel to unaffiliated third-party purchasers. See Note 7 to the Financial Statements for a discussion of the IRS announcement in June 2003, that it would be reviewing synfuel production procedures, and the projected annual earnings attributable to PPL's synfuel operations.

Domestic Energy Margins

The following tables provide summary data regarding changes in the components of domestic gross margins of wholesale and retail energy for the three and six months ended June 30, 2003, compared with the same periods in 2002:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**

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Utility revenues	$ (27)	$ 42
Unregulated retail electric and gas revenues	(9)	(6)
Wholesale energy marketing revenues	82	187
Net energy trading margins	12	(9)
Other revenue adjustments (a)	28	(22)
Total revenues	86	192
Fuel	10	60
Purchased power	37	141
Other cost adjustments (a)	14	12
Total cost of sales	61	213
Domestic gross energy margins	$ 25	$ (21)

(a) Adjusted to exclude the impact of any revenues and costs not associated with domestic energy margins, in particular, revenues and costs related to the international operations of PPL Global and the domestic delivery operations of PPL Electric and PPL Gas Utilities. Also adjusted to include gains on sales of emission allowances, which are included in other operating expenses on the Statement of Income.

Changes in Gross Domestic Energy Margins By Activity

Gross margin calculations are dependent on the allocation of fuel and purchased power costs to the activities listed in the following table. That allocation is based on monthly MWh consumption levels compared to monthly MWh supply costs. Any costs specific to an activity are charged to that activity.

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**
Wholesale - Eastern U.S.	$ 27	$ 34
Wholesale - Western U.S.	8	19
Net energy trading	12	(9)
Unregulated retail	3	1
Regulated retail	(25)	(66)
Domestic gross energy margins	$ 25	$ (21)

Wholesale - Eastern U.S.

East wholesale margins were higher for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to higher volumes, which increased 53% and 75%, respectively, over the same periods last year. The higher volumes were primarily driven by market opportunities to optimize the value of generating assets, and for the six months ended June 30, 2003, by higher spot prices that allowed PPL to increase the utilization of its higher cost generating units. In addition, 699 MW of new generation began commercial operations in mid-2002. Partially offsetting the increase in wholesale energy margins for the six months ended June 30, 2003, compared to the same period in 2002, was the buyout of a NUG contract in February 2002, which reduced power purchases by $25 million.

Wholesale - Western U.S.

Western wholesale margins consist of margins in the Northwest and in the Southwest.

In the Northwest, margins were $13 million and $23 million higher for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to higher wholesale prices. Average wholesale prices for the three and six months ended June 30, 2003 were $6/MWh and $13/MWh higher than those realized in the same periods in 2002. These amounts include a $3 million settlement with Energy West Resources, Inc. in June 2003.

In the Southwest, margins were $5 million and $4 million lower for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to less unrealized margins for hedging activities in this area.

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Net Energy Trading

PPL enters into certain energy contracts that meet the criteria of trading derivatives as defined by EITF 02-3. These physical and financial contracts cover trading activity associated with electricity, gas and oil. The $12 million increase for the three months ended June 30, 2003, compared to the same period in 2002, was primarily due to realized gains associated with gas and oil swaps as well as unrealized gains on electricity positions. The $9 million decrease for the six months ended June 30, 2003, compared to the same period in 2002, was primarily due to unrealized losses for the six months ended June 30, 2003. The physical volumes associated with energy trading for the three months ended June 30, 2003 were 2,366 GWh and 3.4 Bcf, compared to 2,231 GWh and 1.9 Bcf for the three months ended June 30, 2002. Energy trading physical volumes for the six months ended June 30, 2003 were 4,857 GWh and 7.2 Bcf, compared to 4,736 GWh and 5.1 Bcf for the six months ended June 30, 2002.

Unregulated Retail

Unregulated retail margins were higher for the three and six months ended June 30, 2003, compared to the same periods in 2002 primarily due to the retention of existing electric contracts at renegotiated higher prices in the East and executing new electric contracts in both the East and the West, partially offset by lower retail gas margins as a result of exiting the retail gas market in March 2003. In addition, for the six months ended June 30, 2003, compared to the same period in 2002, the increase in margins was partially offset by significantly lower electric retail prices in the West.

Regulated Retail

Regulated retail margins in the East decreased by 12% and 16% for the three and six months ended June 30, 2003, compared to the same periods in 2002, due to higher supply costs resulting from higher purchased power prices which rose because of higher gas and oil prices and the abnormally cold winter. Average PJM spot market real time prices rose 22% and 69% for the three and six months ended June 30, 2003, compared to the same periods in 2002.

Utility Revenues

The increase (decrease) in utility revenues was attributable to the following:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**
Domestic:		
Retail electric revenue (PPL Electric)		
Electric delivery	$ 3	$ 46
PLR electric generation supply	(7)	13
Other	(1)	(3)
Wholesale electric revenue (PPL Electric)	1	2
Gas revenue (PPL Gas Utilities)	(3)	11
International:		
Retail electric delivery (PPL Global)		
U.K.	9	29
El Salvador	6	9
Bolivia		1
Chile	(1)	(1)
Brazil	(34)	(65)
	$ (27)	$ 42

The decrease in utility revenues for the three months ended June 30, 2003, compared with the same period in 2002 was primarily due to:

lower revenues in Brazil attributable to the deconsolidation of CEMAR. PPL Global stopped recording operating results of CEMAR upon relinquishing control to ANEEL. (See Note 6 to the Financial Statements for additional information); and
lower PPL Electric PLR supply revenues due to a 5% decrease in sales volumes; offset by

higher WPD revenues in the U.K. primarily due to the change in foreign currency exchange rates from period to period; and
higher revenues in El Salvador primarily due to higher volumes and higher pass-through energy costs, partially offset by a 6% tariff reduction effective January 1, 2003.

The increase in utility revenues for the six months ended June 30, 2003, compared with the same period in 2002 was primarily due to:

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- higher PPL Electric delivery revenues due to a 3.4% increase in electricity deliveries, primarily due to the colder winter weather in the first quarter of 2003;
- higher PPL Electric PLR supply revenues due to a 1% increase in customers' PLR rates;
- higher PPL Gas Utilities revenues primarily due to higher sales volumes of 21%, which were also attributable to the colder winter weather in the first quarter of 2003;
- higher WPD revenues in the U.K. due to the change in foreign currency exchange rates from period to period; and
- higher revenues in El Salvador due to higher volumes and higher pass-through energy costs, partially offset by a 6% tariff reduction effective January 1, 2003; offset by
- lower revenues in Brazil due to the deconsolidation of CEMAR, as noted above.

Energy Related Businesses

Energy related businesses contributed $19 million less to operating income for the six months ended June 30, 2003, compared to the same period in 2002. The decrease resulted primarily from:

- a $7 million operating loss on some Hyder properties in 2003, which were subsequently sold in April 2003;
- a $4 million decrease in Latin America revenues from lower material and construction project sales. In 2002, PPL Global's Bolivian subsidiary participated in the construction of a 1,500 kilometer transmission line in rural areas of Bolivia;
- a $4 million credit recorded in 2002, due largely to a favorable settlement on the cancellation of a generation project in Washington state; and
- a $3 million decrease in pre-tax earnings of PPL's mechanical contractors, primarily due to the overall economic slowdown.

Other Operation Expenses

The increases in other operation expenses were primarily due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Decrease in pension income	$ 16	$ 31
Additional expenses of new generating facilities that became operational in mid-2002	9	18
Increase in WPD expenses due to increases in foreign currency exchange rates, regulatory accounting adjustments, and resolution of purchase accounting contingencies in the second quarter of 2002 related to the Hyder acquisition	12	12
Accretion expense as a result of adopting SFAS 143, "Accounting for Asset Retirement Obligations." See Note 12.	4	9
Outage costs associated with the turbine replacement at the Susquehanna station	8	8
Impairment charge on transmission rights	4	4
Reduction in salaries and benefits as a result of the workforce reduction initiated in 2002	(9)	(18)
Decrease in the Clean Air Act contingency relating to generating facilities		(8)
Other	8	(7)
	$ 52	$ 49

The decreases in pension income for the three and six months ended June 30, 2003, were attributable to PPL's primary domestic pension plan and the U.K. pension plans of WPD. As a result of weak capital markets during 2002, PPL's domestic and U.K. pension plans experienced significant asset losses. The weakened market performance decreased economic forecasts, which resulted in PPL reducing its assumed expected return on assets for its pension plans. In addition, declining fixed-income security yield rates resulted in PPL decreasing its discount rate assumption for its pension plans as of December 31, 2002. These events and assumption changes reduced the amount of pension income PPL will record in 2003. Through June 30, 2003, PPL recorded approximately $22 million of pension income and will record approximately $21 million of additional pension income in the second half of 2003. Future levels of pension income or expense depend on ongoing market conditions and results.

Amortization of Recoverable Transition Costs

Amortization of recoverable transition costs and interest expense on the transition bonds offset ITC revenues, resulting in a minimal impact on earnings.

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Maintenance Expenses

Maintenance expenses increased by $7 million for the three months ended June 30, 2003, compared with the same period in 2002. This increase was primarily due to $8 million of additional outage costs associated with the turbine replacement at the Susquehanna station and a $6 million increase in WPD expenses due to increases in foreign currency exchange rates, regulatory accounting adjustments, and resolution of purchase accounting contingencies in the second quarter of 2002 related to the Hyder acquisition. These increases were partially offset by an $8 million decrease in expenses from outage work at the Brunner Island plant completed in the spring of 2002, as opposed to the normal fall outage.

Maintenance expenses increased by $11 million for the six months ended June 30, 2003, compared with the same period in 2002. This increase was affected by the same items for the three-month period, as well as $2 million of work performed by PPL Electric to assure reliability of the transmission and distribution system and an additional $1 million from increased foreign currency exchange rates.

Depreciation

Normal plant additions accounted for the increase in depreciation of $11 million for the six months ended June 30, 2003, compared with the same period in 2002. However, there were also a few significant transactions with offsetting impacts, as follows:

- WPD depreciation increased by $14 million. Of that amount, $6 million relates to depreciation on the write-up to fair value of assets acquired in the acquisition, $6 million resulted from increased foreign currency exchange rates, and the remaining $2 million reflects the increase in distribution assets.
- PPL Global's write-down of CEMAR resulted in a $4 million decrease in depreciation on those assets in 2003.
- Due to the adoption of SFAS 143, "Accounting for Asset Retirement Obligations," on January 1, 2003, PPL Susquehanna depreciation expense (which previously included nuclear decommissioning expense) decreased by about $10 million for the six months ended June 30, 2003, compared with the same period in 2002. There was a corresponding recording of accretion expense in 2003, which is part of operation expense.

Write-down of International Energy Projects

See Note 6 to the Financial Statements for additional information on a $6 million charge in the three months ended March 31, 2002 and a $94 million charge in the three months ended June 30, 2002 to reflect additional write-downs of PPL Global's investment in CEMAR.

Workforce Reduction

See Note 13 to the Financial Statements for information regarding the $74 million charge recorded in June 2002.

Other Income - net

See Note 9 to the Financial Statements for details of other income.

Financing Costs

The decrease in interest expense was due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Decreased long-term debt expense due to net long-term debt retirements	$ (15)	$ (32)
Decreased long-term debt expense from the deconsolidation of CEMAR	(8)	(17)
Write-off unamortized swap costs on WPD debt restructuring	11	11
Increase in short-term debt expense	2	6
Capitalized interest and other	6	6
	$ (4)	$ (26)

Dividends and distributions on preferred securities decreased by $4 million and $9 million during the three and six months ended June 30, 2003, compared with the same periods in 2002, due to the retirement of preferred securities in 2002.

Income Taxes

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Income taxes increased by $20 million and $3 million for the three and six months ended June 30, 2003, compared to the same periods in 2002. The increases were due to:

- higher pre-tax book income, resulting in $65 million and $48 million increases in income taxes for the three and six months ended June 30, 2003; offset by
- a reduction related to an impairment charge on PPL's investment in CEMAR resulting in a $33 million deferred income tax valuation allowance recorded in the second quarter of 2002; and
- differences in income recognition for tax purposes related to foreign affiliates resulting in $10 million and $11 million reductions in income taxes for the three and six months ended June 30, 2003.

Cumulative Effect of a Change in Accounting Principle

PPL adopted SFAS 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. SFAS 143 addresses the accounting for obligations associated with the retirement of tangible long-lived assets. It requires legal obligations associated with the retirement of long-lived assets to be recognized as a liability in the financial statements. Application of the new rules resulted in a cumulative effect of adoption that increased net income by $63 million in 2003. See Note 12 to the Financial Statements for additional information.

PPL adopted SFAS 142, "Goodwill and Other Intangible Assets," on January 1, 2002. SFAS 142 requires an annual impairment test of goodwill and other intangible assets that are not subject to amortization. PPL conducted a transition impairment analysis in the first quarter of 2002 and recorded a transition goodwill impairment charge of $150 million. See Note 11 to the Financial Statements for additional information.

Financial Condition

Liquidity

At June 30, 2003, PPL had $370 million of cash and cash equivalents and $122 million of short-term debt. At December31, 2002, PPL had $245 million in cash and cash equivalents and $943 million of short-term debt. The increase in cash position was primarily the net result of:

- cash provided by operating activities of $498 million,
- the issuance of $986 million of long-term debt, and
- the issuance of $411 million of common stock, offset by
- the net decrease of $834 million of short-term debt,
- the retirement of $404 million of long-term debt,
- payment of $145 million of common and preferred dividends, and
- capital expenditures of $357 million.

In July 2003, PPL Energy Supply and PPL Electric each determined that, based on their strong current cash positions and anticipated cash flows, they will not need to access the commercial paper markets through at least the end of 2003. Neither company currently has any commercial paper outstanding. As a result, PPL Energy Supply and PPL Electric each requested Standard & Poor's Ratings Services (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch) to withdraw their ratings for these currently inactive commercial paper programs, which they did effective as of July 9, 2003. Based on current cash positions and availabilities under their respective revolving credit facilities, PPL Energy Supply and PPL Electric do not expect this decision to limit their ability to fund their short-term liquidity needs.

Rating Agency Decisions - PPL

S&P, Moody's and Fitch recently reviewed the credit ratings on the debt and preferred securities of PPL and its subsidiaries. Based on their respective reviews, the rating agencies made certain ratings revisions which are described below.

Management does not expect these ratings decisions to impact PPL and its subsidiaries' ability to raise new long-term debt. These ratings decisions will have an immaterial impact on PPL and its subsidiaries' cost of maintaining their credit facilities and the cost of any new long-term debt.

The ratings of S&P, Moody's and Fitch are not a recommendation to buy, sell or hold any securities of PPL or its subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to their securities.

S&P

In April 2003, S&P notified PPL, PPL Energy Supply and PPL Electric that it:

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affirmed both the 'A-' ratings on PPL Electric's first mortgage bonds and senior secured bonds and the 'BBB' corporate credit ratings for PPL and PPL Energy Supply;
lowered the rating on PPL Capital Funding's senior unsecured debt to 'BBB-' from 'BBB';
placed PPL Electric on negative outlook. S&P indicated that PPL and PPL Energy Supply remain on negative outlook; and
affirmed the 'A-2' commercial paper ratings of PPL Energy Supply and PPL Electric.

S&P indicated that the rating revision on PPL Capital Funding's senior unsecured debt is based on its structural subordination, which it noted will increase as new debt is financed at PPL Energy Supply. S&P also indicated that the negative outlook for PPL and its subsidiaries reflects its view of weak debt-protection measures due to low wholesale energy prices.

Moody's

In May 2003, Moody's downgraded the credit ratings on the debt and preferred securities of PPL, PPL Electric and PPL Energy Supply. The ratings downgraded include:

PPL Electric's first mortgage bonds and senior secured bonds, to 'Baa1' from 'A3';
PPL Energy Supply's senior unsecured notes, to 'Baa2' from 'Baa1';
PPL Capital Funding's senior unsecured debt, to 'Baa3' from 'Baa2'; and
PPL's senior unsecured debt that is not currently outstanding but that may be issued under PPL's shelf registration statement on file with the SEC, to 'Baa3' from 'Baa2'.

The Moody's ratings outlook was stable for each of PPL, PPL Electric, PPL Energy Supply and PPL Capital Funding.

Neither PPL Electric's nor PPL Energy Supply's short-term debt ratings were impacted by Moody's long-term debt review.

Moody's stated that the downgrades reflect its concerns about PPL's high debt levels, PPL Energy Supply's modest exposure to merchant generation risk, the continued weakness in the wholesale power market and the associated financial impact on PPL Energy Supply, and concerns regarding the amount of cash flow to be generated from PPL Energy Supply's non-regulated domestic operations and the free cash flow available from its regulated international assets. However, Moody's also indicated that the full requirements contract between PPL Electric and PPL EnergyPlus, which previously was approved by the PUC and which extends through December 2009, mitigates PPL Electric's supply and price risk and provides a predictable stream of cash flows to PPL Energy Supply during such time period. Moody's also noted that PPL's management has already implemented a number of initiatives to strengthen the company's current credit quality and reduce its debt levels, such as the issuance of over $1 billion of common stock and mandatory convertible securities over the last few years, a sizeable reduction in planned capital expenditures, the cancellation of projects under development, workforce reductions and write-downs of some non-core investments.

Fitch

Also in May 2003, Fitch notified PPL, PPL Energy Supply and PPL Capital Funding that it:

downgraded PPL Capital Funding's senior unsecured debt to 'BBB' from 'BBB+';
downgraded PPL's senior unsecured debt that is not currently outstanding but that may be issued under PPL's shelf registration statement on file with the SEC, to 'BBB' from 'BBB+';
affirmed both the 'BBB+' rating of PPL Energy Supply's senior unsecured debt, and the 'F2' rating of its commercial paper; and
placed each of PPL, PPL Capital Funding and PPL Energy Supply on negative outlook.

Fitch indicated that the revised ratings for PPL and PPL Capital Funding reflect the structural subordination of PPL to that of its subsidiaries and Fitch's expectations of lower cash flow from PPL Electric until early 2005. Fitch indicated that the change in outlook for these companies results from the increase during 2002 in PPL's generation asset portfolio that is dependent on merchant generation, continued weakness in U.S. merchant energy markets and exposure to international distribution assets primarily in Latin America and the U.K. However, Fitch noted that PPL Energy Supply derives significant earnings and cash flow from long-term supply contracts, including the full requirements contract between PPL Electric and PPL EnergyPlus, that on average account for about 70% of PPL Energy Supply's gross margin over the next five years.

Rating Agency Decisions - WPD

In February 2003, Moody's confirmed the ratings of WPDH Limited and WPD (South Wales) at 'Baa2' and 'Baa1,' and downgraded WPD LLP from 'Baa1' to 'Baa2' and SIUK Capital Trust I from 'Baa2' to 'Baa3.' The outlook on all ratings was stable. In March 2003, S&P assigned its 'BBB+' senior unsecured debt rating to the 200 million bonds issued by WPD (South West). At the same time the 'BBB+' and 'A-2' corporate credit ratings on SIUK PLC were withdrawn as a result of the acquisition of its debt by WPD LLP. S&P assigned its 'BBB' long-term and 'A-2' short-term corporate credit ratings to WPD LLP in line with the ratings on the rest of the WPD group.

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Following a review of holding companies of U.K. regulated utilities, in July 2003 S&P downgraded the long-term ratings from 'BBB' to 'BBB-' and short-term ratings from 'A-2' to 'A-3' for both WPDH Limited and WPD LLP, and retained a negative outlook. At the same time, S&P reaffirmed the credit ratings for WPD (South West) and WPD (South Wales) at 'BBB+.' This is in line with S&P U.K.'s recently announced implementation of a new methodology related to U.K. electric distribution holding companies wherein electric distribution operating companies rated in the BBB category will have the parent holding company (WPDH Limited) notched down by two categories from the operating company rating level. WPD's management does not expect the placement of WPD on negative outlook to limit its ability to fund its short-term liquidity needs or access new long-term debt or to impact the cost of any new long-term debt.

Risk Management - Energy Marketing & Trading and Other

Market Risk

Commodity Price Risk

As of June 30, 2003, PPL estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its non-trading portfolio by approximately $200 million. However, the change in the value of the non-trading portfolio would have been substantially offset by an increase in the value of the underlying commodity, the electricity generated, because these contracts serve to reduce the market risk inherent in the generation of electricity. Additionally, the value of PPL's unsold generation would be improved. Because PPL's electricity portfolio is generally in a net sales position, the adverse movement in prices is usually an increase in prices. Conversely, because PPL's commodity fuels portfolio is generally in a net purchase position, the adverse movement in prices is usually a decrease in prices. If both of these scenarios happened, the implied margins for the unsold generation would increase.

PPL also executes energy contracts to take advantage of market opportunities. As a result, PPL may at times create a net open position in its portfolio that could result in significant losses if prices do not move in the manner or direction anticipated. The margins from these trading activities are shown in the Statement of Income as "Net energy trading margins."

PPL's trading contracts mature at various times through 2005. The following chart sets forth PPL's net fair market value of trading contracts:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Fair value of contracts outstanding at the beginning of the period	$ (16)	$ 7	$ (6)	
Contracts realized or otherwise settled during the period	10	2	10	$ (1)
Fair value of new contracts at inception	(2)	(5)	(3)	(7)
Other changes in fair values	1	(3)	(8)	9
Fair value of contracts outstanding at the end of the period	$ (7)	$ 1	$ (7)	$ 1

During the three and six months ended June 30, 2003, PPL reversed net losses of approximately $10 million, and during the three and six months ended June 30, 2002, PPL reversed net gains/(losses) of approximately $(2) million and $1 million, related to contracts entered into prior to January 1 of the previous year. These amounts do not reflect intra-year contracts that were entered into and settled during the period.

"Other changes in fair values" represents changes in the market value of contracts outstanding at the end of the period.

As of June 30, 2003, the net unrealized gain on PPL's trading activities expected to be realized in earnings during the next three months is approximately $8 million.

The following chart segregates estimated fair values of PPL's trading portfolio at June 30, 2003 based on whether the fair values are determined by quoted market prices or other more subjective means.

	Fair Value of Contracts at Period-End Gains/(Losses)				
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Source of Fair Value					

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Prices actively quoted	$	3			$	3
Prices provided by other external sources		(8)				(8)
Prices based on models and other valuation methods		(3)	$	1		(2)
Fair value of contracts outstanding at the end of the period	$	(8)	$	1	$	(7)

The "Prices actively quoted" category includes the fair value of exchange-traded natural gas futures contracts quoted on the New York Mercantile Exchange.

The "Prices provided by other external sources" category includes PPL's forward positions and options in natural gas and power and natural gas basis swaps at points for which over-the-counter (OTC) broker quotes are available. The fair value of electricity positions recorded above use the midpoint of the bid/ask spreads obtained through OTC brokers. On average, OTC quotes for forwards and swaps of natural gas and power extend one and two years into the future.

The "Prices based on models and other valuation methods" category includes the value of transactions for which an internally developed price curve was constructed as a result of the long-dated nature of the transaction or the illiquidity of the market point, or the value of options not quoted by an exchange or OTC broker. Additionally, this category includes "strip" transactions whose prices are obtained from external sources and then modeled to monthly prices as appropriate. This level of modeling has been increasingly required due to the illiquidity of the energy markets.

As of June 30, 2003, PPL estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its trading portfolio by $7 million.

Interest Rate Risk

PPL and its subsidiaries have issued debt to finance their operations. PPL uses various financial derivative products to adjust the mix of fixed and floating interest rates in its debt portfolio, adjust the duration of its debt portfolio and lock in U.S. Treasury rates (and interest rate spreads over treasuries) in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of PPL's debt portfolio due to changes in the absolute level of interest rates.

At June 30, 2003, PPL's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was estimated at $2 million.

PPL is also exposed to changes in the fair value of its U.S. and international debt portfolios. At June 30, 2003, PPL estimated that its potential exposure to a change in the fair value of its debt portfolios, through a 10% adverse movement in interest rates, was $222 million.

PPL utilizes various risk management instruments to reduce its exposure to adverse interest rate movements for future anticipated financings. While PPL is exposed to changes in the fair value of these instruments, they are designed such that an economic loss in value should generally be offset by interest rate savings at the time the future anticipated financing is completed. At June 30, 2003, PPL estimated that its potential exposure to a change in the fair value of these instruments, through a 10% adverse movement in interest rates, was approximately $3 million.

Foreign Currency Risk

PPL is exposed to foreign currency risk, primarily through investments in affiliates in Latin America and Europe. In addition, PPL may make purchases of equipment in currencies other than U.S. dollars.

PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk.

PPL holds contracts for the forward purchase of 26 million euros and 1 million to pay for certain equipment of a PPL Energy Supply subsidiary in 2003 and 2004. The estimated value of these forward purchases as of June 30, 2003, being the amount PPL would receive to terminate them, was $5 million.

PPL executed forward sale transactions for 25 million to hedge a portion of its net investment in WPDH Limited. The estimated value of these agreements as of June 30, 2003 was insignificant.

To protect expected income in British pounds sterling, PPL entered into average rate options for 26 million and average rate forward sale

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agreements for 20 million. To protect expected income in Chilean pesos, PPL entered into average rate options for 4 billion Chilean pesos. At June 30, 2003, the market value of these positions, representing the amount PPL would pay to terminate them, was $1 million.

WPDH Limited executed cross-currency swaps totaling $1.3 billion to hedge the value of its U.S. dollar-denominated bonds. The estimated value of this position on June 30, 2003, being the amount PPL would pay to terminate them, was $29 million.

PPL executed a non-deliverable, forward purchase agreement for 3 billion Chilean Pesos to hedge the translation risk of a Chilean subsidiary's U.S. dollar receivable. The market value of this position at June 30, 2003 was insignificant.

Nuclear Decommissioning Fund - Securities Price Risk

In connection with certain Nuclear Regulatory Commission requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the Susquehanna station. As of June 30, 2003, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL's Balance Sheet. The mix of securities is designed to provide returns to be used to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are exposed to changes in interest rates. PPL Susquehanna actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At June 30, 2003, a hypothetical 10% adverse movement in interest rates and a 10% decrease in equity prices would have resulted in an estimated $20 million reduction in the fair value of the trust assets.

PPL Electric's 1998 restructuring settlement agreement provides for the collection of authorized nuclear decommissioning costs through the CTC. Additionally, PPL Electric is permitted to seek recovery from customers of up to 96% of certain increases in these costs. Under the power supply agreements between PPL Electric and PPL EnergyPlus, these revenues are passed on to PPL EnergyPlus. Similarly, these revenues are passed on to PPL Susquehanna under a power supply agreement between PPL EnergyPlus and PPL Susquehanna. These revenues are used to fund the trusts.

Related Party Transactions

PPL is not aware of any material ownership interests or operating responsibility by senior management of PPL or its subsidiaries in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL.

Acquisitions and Development

From time-to-time, PPL and its subsidiaries are involved in negotiations with third parties regarding acquisitions, joint ventures and other arrangements which may or may not result in definitive agreements. See Note 6 to the Financial Statements for information regarding recent acquisitions and development activities.

At June 30, 2003, PPL had domestic generation projects under development which would provide 645 MW of additional generation.

PPL Global is continuously reexamining development projects based on market conditions and other factors to determine whether to proceed with these projects, sell them, cancel them, expand them, execute tolling agreements or pursue other opportunities.

Environmental Matters

See Note 7 to the Financial Statements for a discussion of environmental matters.

New Accounting Standards

FIN 46

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 clarifies that variable interest entities, as defined therein, that do not disperse risks among the parties involved should be consolidated by the entity that is determined to be the primary beneficiary. FIN 46 also requires certain disclosures to be made by the primary beneficiary and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003, FIN 46 must be adopted no later than the first fiscal year or interim period beginning after June 15, 2003. FIN 46 did not have an impact on PPL during the three or six months ended June 30, 2003. PPL is in the process of evaluating entities in which it holds a variable interest that was acquired before February 1, 2003. Except as discussed below, PPL is currently not aware of any variable interest entities that are not consolidated as of June 30, 2003 but which it must consolidate in accordance with FIN 46 effective July 1, 2003. As it continues to evaluate the impact of applying FIN 46, PPL may identify additional entities that it would need to consolidate.

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The lessors under the operating leases for the Sundance, University Park and Lower Mt. Bethel generation facilities are variable interest entities in which PPL is the primary beneficiary. Consequently, under FIN 46, PPL will be required to consolidate the financial statements of the lessors effective July 1, 2003. Upon initial consolidation, PPL will recognize $1.0 billion of additional assets and liabilities on its balance sheet and a charge of $21 million, after-tax, as a cumulative effect of a change in accounting principle. The additional assets consist principally of the generation facilities, and the additional liabilities consist principally of the lease financing. See Note 14 to the Financial Statements for a discussion of the leases.

Other

See Note 14 to the Financial Statements for information on other new accounting standards adopted in 2003 or pending adoption.

Application of Critical Accounting Policies

PPL's financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations of PPL, and require estimates or other judgments of matters inherently uncertain: price risk management, pension and other postretirement benefits, asset impairment, leasing, loss accruals, and asset retirement obligations.

See Item 7, "Review of the Financial Condition and Results of Operations," in PPL's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for a discussion of each critical accounting policy, except for asset retirement obligations which is discussed below. PPL's senior management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with its Audit Committee. In addition, PPL's senior management reviewed the Form 10-K disclosures regarding the application of these critical accounting policies with the Audit Committee.

Asset Retirement Obligations

In 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which addresses the accounting for obligations associated with the retirement of tangible long-lived assets. SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized as a liability in the financial statements. The initial obligation should be measured at the estimated fair value. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability should be increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. SFAS 143 is effective for fiscal years beginning after June 15, 2002.

In determining asset retirement obligations, management must make significant judgments and estimates to calculate fair value. Fair value is developed through consideration of estimated retirement costs in today's dollars, inflated to the anticipated retirement date and then discounted back to the date the asset retirement obligation was incurred. Changes in assumptions and estimates included within the calculations of asset retirement obligations could result in significantly different results than those identified and recorded in the financial statements.

PPL adopted SFAS 143 effective January 1, 2003. Application of the new rules resulted in an increase in net property, plant and equipment of $32 million, reversal of previously recorded liabilities of $304 million, recognition of asset retirement obligations of $229 million, recognition of a deferred tax liability of $44 million and a cumulative effect of adoption that increased net income by $63 million or $0.37 per share. PPL's most significant assumptions surrounding asset retirement obligations are the forecasted retirement cost, discount rate and inflation rate. A variance in the forecasted retirement cost, discount rate or inflation rate could have a significant impact on the ARO liability and the cumulative effect gain.

The following chart reflects the sensitivities associated with a change in these assumptions upon initial adoption. Each sensitivity below reflects an evaluation of the change based solely on a change in that assumption only.

	Change in Assumption	Impact on Cumulative Effect	Impact on ARO Liability
Retirement Cost	10/(10)%	$(10)/$10	$21/$(21)
Discount Rate	0.25/(0.25)%	$10/$(11)	$(22)/$25
Inflation Rate	0.25/(0.25)%	$(12)/$11	$25/$(22)

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PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Financial Statements and Combined Notes to Condensed Consolidated Financial Statements included in Item 1 above, and with the section entitled "Review of the Financial Condition and Results of Operations" in PPL Energy Supply's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002. Terms and abbreviations appearing here are explained in the glossary. Dollars are in millions, unless otherwise noted.

Results of Operations

The following discussion, that explains significant changes in principal items on the Statement of Income, compares the three and six months ended June 30, 2003, to the comparable periods in 2002.

Prior to September 6, 2002, PPL Global held 51% of the equity interest in WPD, but shared joint control with Mirant. On September 6, 2002, PPL Global acquired the remaining 49% equity interest in WPD and gained complete control. The purchase of Mirant's interest was accounted for as a step-acquisition and resulted in the consolidation of WPD's results of operations as of January 1, 2002. Therefore, PPL Energy Supply's income statement for the three and six months ended June 30, 2002 has been reclassified to reflect the consolidation of WPD's results. Mirant's $28 million and $53 million share of earnings for the three and six months ended June 30, 2002 is reflected in "Minority Interest."

WPD's results as consolidated in PPL Energy Supply's income statement are impacted by changes in foreign currency exchange rates. For the three and six months ended June 30, 2003, as compared to the same periods in 2002, changes in foreign exchange rates increased WPD's portion of revenue and expense line items by about 10% and 11%.

The Statement of Income reflects the results of past operations and is not intended as any indication of future operating results. Future operating results will necessarily be affected by various and diverse factors and developments. Furthermore, because results for interim periods can be disproportionately influenced by various factors and developments and by seasonal variations, the results of operations for interim periods do not necessarily indicate results or trends for the year.

Earnings

The changes in net income from period to period were, in part, attributable to several unusual items with significant earnings impacts as shown below. Income from core operations, which excludes the impact of unusual items, should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL Energy Supply believes that income from core operations, although a non-GAAP measure, is also useful and meaningful to investors because it provides them with PPL Energy Supply's underlying earnings performance as another criterion in making their investment decisions. PPL Energy Supply's management also uses income from core operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance. The table below reconciles income from core operations to net income, by eliminating the impact of unusual items.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income from core operations	$ 132	$ 126	$ 285	$ 275
Unusual items (net of tax):				
Accounting method change - asset retirement obligation (Note 12)			63	
Goodwill impairment (Note 11)				(150)
CEMAR impairment (Note 6)		(94)		(98)
Workforce reduction (Note 13)		(23)		(23)
Net income - actual	$ 132	$ 9	$ 348	$ 4

The after-tax changes in core earnings were primarily due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Domestic:		
Higher wholesale energy margins	$ 20	$ 31
Net energy trading margins	7	(5)
Unregulated retail energy margins	2	1

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Lower regulated retail energy margins	(15)	(39)
Trademark royalties to affiliates	(5)	(11)
Higher operating and maintenance expenses	(12)	(12)
Other	(1)	(2)
International:		
Higher earnings from U.K. operations	18	51
Lower earnings from Latin American operations	(6)	
Other	(2)	(4)
	$ 6	$ 10

The period to period changes in earnings components, including margins by activity and income statement line items, are discussed in the balance of the discussion in "Results of Operations." The increase in earnings from U.K. operations was primarily due to obtaining complete ownership of WPD in September 2002. (See Note 6 to the Financial Statements for additional information.)

PPL Energy Supply's future earnings could be impacted by a number of factors, including the following:

PPL Energy Supply expects that the low level of wholesale energy prices will adversely impact margins in 2003 and beyond. Based upon current energy price levels, there is a risk that PPL Energy Supply may be unable to recover its investment in new gas-fired generation facilities. Under GAAP, PPL Energy Supply does not believe that there is an impairment charge to be recorded at this time. PPL Energy Supply is unable to predict the ultimate earnings impact of this issue, based upon energy price levels, applicable accounting rules and other factors, but such impact may be material. See "Application of Critical Accounting Policies - Asset Impairment" in PPL Energy Supply's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for additional information.

Earnings in the third quarter of 2003 and beyond will be impacted by the consolidation of variable interest entities (as discussed in Note 14 to the Financial Statements).

PPL Energy Supply operates a synfuel facility and receives tax credits pursuant to Section 29 of the Internal Revenue Code based on its sale of synfuel to unaffiliated third-party purchasers. See Note 7 to the Financial Statements for a discussion of the IRS announcement in June 2003, that it would be reviewing synfuel production procedures, and the projected annual earnings attributable to PPL Energy Supply's synfuel operations.

Domestic Energy Margins

The following tables provide summary data regarding changes in the components of domestic gross margins of wholesale and retail energy for the three and six months ended June 30, 2003, compared with the same periods in 2002:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**
Wholesale energy marketing revenues	$ 82	$ 187
Wholesale energy marketing to affiliates	(12)	8
Unregulated retail electric and gas revenues	(9)	(6)
Net energy trading margins	12	(9)
Total revenues	73	180
Fuel	12	53
Purchased power	36	140
Purchased power from affiliates	(2)	(3)
Other cost adjustments (a)	2	11
Total cost of sales	48	201
Domestic gross energy margins	$ 25	$ (21)

(a) Adjusted to exclude the impact of any costs not associated with domestic energy margins, in particular, costs related to the international operations of PPL Global. Also adjusted to include gains on sales of emission allowances, which are included in other operating expenses on the Statement of Income.

Changes in Gross Domestic Energy Margins By Activity

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Gross margin calculations are dependent on the allocation of fuel and purchased power costs to the activities listed in the following table. That allocation is based on monthly MWh consumption levels compared to monthly MWh supply costs. Any costs specific to an activity are charged to that activity.

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Wholesale - Eastern U.S.	$ 27	$ 34
Wholesale - Western U.S.	8	19
Net energy trading	12	(9)
Unregulated retail	3	1
Regulated retail	(25)	(66)
Domestic gross energy margins	$ 25	$ (21)

Wholesale - Eastern U.S.

East wholesale margins were higher for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to higher volumes, which increased 53% and 75%, respectively, over the same periods last year. The higher volumes were primarily driven by market opportunities to optimize the value of generating assets, and for the six months ended June 30, 2003, by higher spot prices that allowed PPL Energy Supply to increase the utilization of its higher cost generating units. In addition, 699 MW of new generation began commercial operations in mid-2002. Partially offsetting the increase in wholesale energy margins for the six months ended June 30, 2003, compared to the same period in 2002, was the buyout of a NUG contract in February 2002, which reduced power purchases by $25 million.

Wholesale - Western U.S.

Western wholesale margins consist of margins in the Northwest and in the Southwest.

In the Northwest, margins were $13 million and $23 million higher for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to higher wholesale prices. Average wholesale prices for the three and six months ended June 30, 2003 were $6/MWh and $13/MWh higher than those realized in the same periods in 2002. These amounts include a $3 million settlement with Energy West Resources, Inc. in June 2003.

In the Southwest, margins were $5 million and $4 million lower for the three and six months ended June 30, 2003, compared to the same periods in 2002, primarily due to less unrealized margins for hedging activities in this area.

Net Energy Trading

PPL Energy Supply enters into certain energy contracts that meet the criteria of trading derivatives as defined by EITF 02-3. These physical and financial contracts cover trading activity associated with electricity, gas and oil. The $12 million increase for the three months ended June 30, 2003, compared to the same period in 2002, was primarily due to realized gains associated with gas and oil swaps as well as unrealized gains on electricity positions. The $9 million decrease for the six months ended June 30, 2003, compared to the same period in 2002, was primarily due to unrealized losses for the six months ended June 30, 2003. The physical volumes associated with energy trading for the three months ended June 30, 2003 were 2,366 GWh and 3.4 Bcf, compared to 2,231 GWh and 1.9 Bcf for the three months ended June 30, 2002. Energy trading physical volumes for the six months ended June 30, 2003 were 4,857 GWh and 7.2 Bcf, compared to 4,736 GWh and 5.1 Bcf for the six months ended June 30, 2002.

Unregulated Retail

Unregulated retail margins were higher for the three and six months ended June 30, 2003, compared to the same periods in 2002 primarily due to the retention of existing electric contracts at renegotiated higher prices in the East and executing new electric contracts in both the East and the West, partially offset by lower retail gas margins as a result of exiting the retail gas market in March 2003. In addition, for the six months ended June 30, 2003, compared to the same period in 2002, the increase in margins was partially offset by significantly lower electric retail prices in the West.

Regulated Retail

Regulated retail margins in the East decreased by 12% and 16% for the three and six months ended June 30, 2003, compared to the same

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periods in 2002, due to higher supply costs resulting from higher purchased power prices which rose because of higher gas and oil prices and the abnormally cold winter. Average PJM spot market real time prices rose 22% and 69% for the three and six months ended June 30, 2003, compared to the same periods in 2002.

Utility Revenues

The decreases in utility revenues were attributable to the following:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
International:		
Retail electric delivery (PPL Global)		
U.K.	$ 9	$ 29
El Salvador	6	9
Bolivia		1
Chile	(1)	(1)
Brazil	(34)	(65)
	$ (20)	$ (27)

The decrease for both periods was primarily due to the deconsolidation of CEMAR. PPL Global stopped recording operating results of CEMAR upon relinquishing control to ANEEL. (See Note 6 to the Financial Statements for additional information.)

The decreases for the three and six month periods were partially offset by:

- higher WPD revenues in the U.K. primarily due to the change in foreign currency exchange rates from period to period; and
- higher revenues in El Salvador primarily due to higher volumes and higher pass-through energy costs, partially offset by a 6% tariff reduction effective January 1, 2003.

Energy Related Businesses

Energy related businesses contributed $18 million less to operating income for the six months ended June 30, 2003, compared to the same period in 2002. The decrease resulted primarily from:

- a $7 million operating loss on some Hyder properties in 2003, which were subsequently sold in April 2003;
- a $4 million decrease in Latin America revenues from lower material and construction project sales. In 2002, PPL Global's Bolivian subsidiary participated in the construction of a 1,500 kilometer transmission line in rural areas of Bolivia;
- a $4 million credit recorded in 2002, due largely to a favorable settlement on the cancellation of a generation project in Washington state; and
- a $3 million decrease in pre-tax earnings of PPL Energy Supply's mechanical contractors, primarily due to the overall economic slowdown.

Other Operation and Maintenance

The increases in other operation and maintenance expenses were primarily due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Decrease in pension income	$ 10	$ 19
Additional expenses of new generating facilities that became operational in mid-2002	9	18
Increase in WPD expenses due to increases in foreign currency exchange rates, regulatory accounting adjustments, and resolution of purchase accounting contingencies in the second quarter of 2002 related to the Hyder acquisition	17	17
Outage costs associated with the turbine replacement at the Susquehanna station	16	16
Allocated trademark license fees from a PPL subsidiary	9	11
Accretion expense as a result of adopting SFAS 143, "Accounting for Asset Retirement Obligations." See Note 12.	4	9
Impairment charge on transmission rights	4	4

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Reduction in salaries and benefits as a result of the workforce reduction initiated in 2002	(5)	(10)
Decrease in the Clean Air Act contingency relating to generating facilities		(8)
Decrease in Brunner Island expenses from outage work completed in the Spring of 2002, as opposed to the normal fall outage	(8)	(8)
Other		(9)
	$ 56	$ 59

The decreases in pension income for the three and six months ended June 30, 2003, were attributable to PPL Energy Supply's participation in PPL's primary domestic pension plan and the U.K. pension plans of WPD. As a result of weak capital markets during 2002, PPL's domestic and U.K. pension plans experienced significant asset losses. The weakened market performance decreased economic forecasts, which resulted in PPL reducing its expected return on assets assumption for its pension plans. In addition, declining fixed income security yield rates resulted in PPL decreasing its discount rate assumption for its pension plans as of December 31, 2002. These events and assumption changes reduced the amount of pension income PPL will record in 2003. Through June 30, 2003, PPL Energy Supply recorded approximately $20 million of pension income and will record approximately $20 million of additional pension income in the second half of 2003. Future levels of income or expense will depend on ongoing market conditions and results.

Depreciation

Normal plant additions accounted for the increase in depreciation of $6 million for the six months ended June 30, 2003, compared with the same period in 2002. However, there were also a few significant transactions with offsetting impacts, as follows:

- WPD depreciation increased by $14 million. Of that amount, $6 million relates to depreciation on the write-up to fair value of assets acquired in the acquisition, $6 million resulted from increased foreign currency exchange rates, and the remaining $2 million reflects the increase in distribution assets.
- PPL Global's write-down of CEMAR resulted in a $4 million decrease in depreciation on those assets in 2003.
- Due to the adoption of SFAS 143, "Accounting for Asset Retirement Obligations," on January 1, 2003, PPL Susquehanna depreciation expense (which previously included nuclear decommissioning expense) decreased by about $10 million for the six months ended June 30, 2003, compared with the same period in 2002. There was a corresponding recording of accretion expense in 2003, which is part of operation expense.

Write-down of International Energy Projects

See Note 6 to the Financial Statements for additional information on a $6 million charge in the three months ended March 31, 2002 and a $94 million charge in the three months ended June 30, 2002 to reflect additional write-downs of PPL Global's investment in CEMAR.

Workforce Reduction

See Note 13 to the Financial Statements for information regarding the $40 million charge recorded in June 2002.

Other Income - net

See Note 9 to the Financial Statements for details of other income.

Interest Expense

The changes in interest expense were due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	**Six Months Ended**
Decreased long-term debt expense due to net long-term debt retirements		$ (8)
Decreased long-term debt expense from the deconsolidation of CEMAR	$ (8)	(17)
Write-off unamortized swap costs on WPD debt restructuring	11	11
Increase in short-term debt expense	2	6
Capitalized interest and other	4	8
	$ 9	$

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Income Taxes

Income taxes decreased by $4 million and $40 million for the three and six months ended June 30, 2003, compared to the same periods in 2002. The decreases were due to:

- higher pre-tax book income, resulting in $41 million and $7 million increases in income taxes for the three and six months ended June 30, 2003; offset by
- a reduction related to an impairment charge on PPL Energy Supply's investment in CEMAR resulting in a $33 million deferred income tax valuation allowance recorded in the second quarter of 2002; and
- differences in income recognition for tax purposes related to foreign affiliates resulting in $10 million and $11 million reductions in income taxes for the three and six months ended June 30, 2003.

Cumulative Effect of a Change in Accounting Principle

PPL Energy Supply adopted SFAS 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. SFAS 143 addresses the accounting for obligations associated with the retirement of tangible long-lived assets. It requires legal obligations associated with the retirement of long-lived assets to be recognized as a liability in the financial statements. Application of the new rules resulted in a cumulative effect of adoption that increased net income and equity by $63 million. See Note 12 to the Financial Statements for additional information.

PPL Energy Supply adopted SFAS 142, "Goodwill and Other Intangible Assets," on January 1, 2002. SFAS 142 requires an annual impairment test of goodwill and other intangible assets that are not subject to amortization. PPL Energy Supply conducted a transition impairment analysis in the first quarter of 2002 and recorded a transition goodwill impairment charge of $150 million. See Note 11 to the Financial Statements for additional information.

Financial Condition

Liquidity

At June 30, 2003, PPL Energy Supply had $207 million of cash and cash equivalents and $122 million of short-term debt. At December 31, 2002, PPL Energy Supply had $149 million in cash and cash equivalents and $928 million of short-term debt. The increase in cash position was primarily the net result of:

- cash provided by operating activities of $322 million,
- the net decrease of $428 million of notes receivables from affiliates,
- the issuance of $797 million of long-term debt, and
- $262 million from contributions from Member, offset by
- the net decrease of $819 million of short-term debt,
- the retirement of $53 million of long-term debt,
- $650 million of distributions to Member, and
- capital expenditures of $234 million.

In July 2003, PPL Energy Supply determined that, based on its strong current cash position and anticipated cash flows, it would not need to access the commercial paper markets through at least the end of 2003. PPL Energy Supply currently has no commercial paper outstanding. As a result, PPL Energy Supply requested Standard & Poor's Ratings Services (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch) to withdraw their ratings for the currently inactive commercial paper program, which they did effective as of July 9, 2003. Based on current cash position and availabilities under its respective revolving credit facilities, PPL Energy Supply does not expect this decision to limit its ability to fund its short-term liquidity needs.

Rating Agency Decisions - PPL Energy Supply

S&P, Moody's and Fitch recently reviewed the credit ratings on the debt of PPL Energy Supply. Based on their respective reviews, the rating agencies made certain ratings revisions which are described below.

Management does not expect these ratings decisions to impact PPL Energy Supply's ability to raise new long-term debt. These ratings decisions will have an immaterial impact on PPL Energy Supply's cost of maintaining its credit facilities and the cost of any new long-term debt.

The ratings of S&P, Moody's and Fitch are not a recommendation to buy, sell or hold any securities of PPL Energy Supply. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to its securities.

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S&P

In April 2003, S&P notified PPL Energy Supply that it affirmed the 'BBB' corporate credit rating for PPL Energy Supply. S&P indicated that PPL Energy Supply remains on negative outlook. S&P indicated that the negative outlook for PPL Energy Supply reflects its view of weak debt-protection measures due to low wholesale energy prices. S&P also affirmed the 'A-2' commercial paper rating of PPL Energy Supply.

Moody's

In May 2003, Moody's downgraded the credit ratings on PPL Energy Supply's senior unsecured notes to 'Baa2' from 'Baa1'. The Moody's ratings outlook was stable for PPL Energy Supply.

Moody's stated that its downgrade reflects its concerns about PPL Energy Supply's modest exposure to merchant generation risk, the continued weakness in the wholesale power market and the associated financial impact on PPL Energy Supply, and concerns regarding the amount of cash flow to be generated from PPL Energy Supply's non-regulated domestic operations and the free cash flow available from its regulated international assets. However, Moody's also indicated that the full requirements contract between PPL Electric and PPL EnergyPlus, which previously was approved by the PUC and which extends through December 2009, provides a predictable stream of cash flows to PPL Energy Supply during such time period. Moody's also noted that PPL Energy Supply's management has already implemented a number of initiatives to strengthen the company's current credit quality and reduce its debt levels, such as a sizeable reduction in planned capital expenditures, the cancellation of projects under development, workforce reductions and write-downs of some non-core investments.

PPL Energy Supply's short-term debt rating was not impacted by Moody's long-term debt review.

Fitch

Also in May 2003, Fitch notified PPL Energy Supply that it:

> affirmed both the 'BBB+' rating of PPL Energy Supply's senior unsecured debt, and the 'F2' rating of its commercial paper; and placed PPL Energy Supply on negative outlook.

Fitch indicated that the change in outlook for PPL Energy Supply results from the increase during 2002 in its generation asset portfolio that is dependent on merchant generation, continued weakness in U.S. merchant energy markets and exposure to international distribution assets primarily in Latin America and the U.K. However, Fitch noted that PPL Energy Supply derives significant earnings and cash flow from long-term supply contracts, including the full requirements contract between PPL Electric and PPL EnergyPlus, that on average account for about 70% of PPL Energy Supply's gross margin over the next five years.

Rating Agency Decisions - WPD

In February 2003, Moody's confirmed the ratings of WPDH Limited and WPD (South Wales) at 'Baa2' and 'Baa1,' and downgraded WPD LLP from 'Baa1' to 'Baa2' and SIUK Capital Trust I from 'Baa2' to 'Baa3.' The outlook on all ratings was stable. In March 2003, S&P assigned its 'BBB+' senior unsecured debt rating to the 200 million bonds issued by WPD (South West). At the same time the 'BBB+' and 'A-2' corporate credit ratings on SIUK PLC were withdrawn as a result of the acquisition of its debt by WPD LLP. S&P assigned its 'BBB' long-term and 'A-2' short-term corporate credit ratings to WPD LLP in line with the ratings on the rest of the WPD group.

Following a review of holding companies of U.K. regulated utilities, in July 2003 S&P downgraded the long-term ratings from 'BBB' to 'BBB-' and short-term ratings from 'A-2' to 'A-3' for both WPDH Limited and WPD LLP, and retained a negative outlook. At the same time, S&P reaffirmed the credit ratings for WPD (South West) and WPD (South Wales) at 'BBB+.' This is in line with S&P U.K.'s recently announced implementation of a new methodology related to U.K. electric distribution holding companies wherein electric distribution operating companies rated in the BBB category will have the parent holding company (WPDH Limited) notched down by two categories from the operating company rating level. WPD's management does not expect the placement of WPD on negative outlook to limit its ability to fund its short-term liquidity needs or access new long-term debt or to impact the cost of any new long-term debt.

Risk Management - Energy Marketing & Trading and Other

Market Risk

Commodity Price Risk

As of June 30, 2003, PPL Energy Supply estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its non-trading portfolio by approximately $200 million. However, the change in the value of the non-trading portfolio would have been substantially offset by an increase in the value of the underlying commodity, the electricity generated, because these contracts serve to reduce the market risk inherent in the generation of electricity. Additionally, the value of

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PPL Energy Supply's unsold generation would be improved. Because PPL Energy Supply's electricity portfolio is generally in a net sales position, the adverse movement in prices is usually an increase in prices. Conversely, because PPL Energy Supply's commodity fuels portfolio is generally in a net purchase position, the adverse movement in prices is usually a decrease in prices. If both of these scenarios happened, the implied margins for the unsold generation would increase.

PPL Energy Supply also executes energy contracts to take advantage of market opportunities. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in significant losses if prices do not move in the manner or direction anticipated. The margins from these trading activities are shown in the Statement of Income as "Net energy trading margins."

PPL Energy Supply's trading contracts mature at various times through 2005. The following chart sets forth PPL Energy Supply's net fair market value of trading contracts:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Fair value of contracts outstanding at the beginning of the period	$ (16)	$ 7	$ (6)	
Contracts realized or otherwise settled during the period	10	2	10	$ (1)
Fair value of new contracts at inception	(2)	(5)	(3)	(7)
Other changes in fair values	1	(3)	(8)	9
Fair value of contracts outstanding at the end of the period	$ (7)	$ 1	$ (7)	$ 1

During the three and six months ended June 30, 2003, PPL Energy Supply reversed net losses of approximately $10 million, and during the three and six months ended June 30, 2002, PPL Energy Supply reversed net gains/(losses) of approximately $(2) million and $1 million, related to contracts entered into prior to January 1 of the previous year. These amounts do not reflect intra-year contracts that were entered into and settled during the period.

"Other changes in fair values" represents changes in the market value of contracts outstanding at the end of the period.

As of June 30, 2003, the net unrealized gain on PPL Energy Supply's trading activities expected to be realized in earnings during the next three months is approximately $8 million.

The following chart segregates estimated fair values of PPL Energy Supply's trading portfolio at June 30, 2003 based on whether the fair values are determined by quoted market prices or other more subjective means.

	Fair Value of Contracts at Period-End Gains/(Losses)				
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Source of Fair Value					
Prices actively quoted	$ 3				$ 3
Prices provided by other external sources	(8)				(8)
Prices based on models and other valuation methods	(3)	$ 1			(2)
Fair value of contracts outstanding at the end of the period	$ (8)	$ 1			$ (7)

The "Prices actively quoted" category includes the fair value of exchange-traded natural gas futures contracts quoted on the New York Mercantile Exchange.

The "Prices provided by other external sources" category includes PPL Energy Supply's forward positions and options in natural gas and power and natural gas basis swaps at points for which over-the-counter (OTC) broker quotes are available. The fair value of electricity positions recorded above use the midpoint of the bid/ask spreads obtained through OTC brokers. On average, OTC quotes for forwards and swaps of natural gas and power extend one and two years into the future.

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The "Prices based on models and other valuation methods" category includes the value of transactions for which an internally developed price curve was constructed as a result of the long-dated nature of the transaction or the illiquidity of the market point, or the value of options not quoted by an exchange or OTC broker. Additionally, this category includes "strip" transactions whose prices are obtained from external sources and then modeled to monthly prices as appropriate. This level of modeling has been increasingly required due to the illiquidity of the energy markets.

As of June 30, 2003, PPL Energy Supply estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its trading portfolio by $7 million.

Interest Rate Risk

PPL Energy Supply and its subsidiaries have issued debt to finance their operations. PPL manages interest rate risk for PPL Energy Supply by using financial derivative products to adjust the mix of fixed and floating interest rates in its debt portfolio, adjusting the duration of its debt portfolio and locking in U.S. Treasury rates (and interest rate spreads over treasuries) in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of PPL Energy Supply's debt portfolio due to changes in the absolute level of interest rates.

At June 30, 2003, PPL Energy Supply's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was insignificant.

PPL Energy Supply is also exposed to changes in the fair value of its debt portfolio. At June 30, 2003, PPL Energy Supply estimated that its potential exposure to a change in the fair value of its debt portfolio, through a 10% adverse movement in interest rates, was $131 million.

PPL and PPL Energy Supply utilize various risk management instruments to reduce PPL Energy Supply's exposure to adverse interest rate movements for future anticipated financings. While PPL Energy Supply is exposed to changes in the fair value of these instruments, they are designed such that any economic loss in value should be offset by interest rate savings at the time the future anticipated financing is completed. At June 30, 2003, PPL Energy Supply estimated that its potential exposure to a change in the fair value of these instruments, through a 10% adverse movement in interest rates, was insignificant.

Foreign Currency Risk

PPL Energy Supply is exposed to foreign currency risk, primarily through investments in affiliates in Latin America and Europe. In addition, PPL Energy Supply may make purchases of equipment in currencies other than U.S. dollars.

PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk.

PPL holds contracts for the forward purchase of 26 million euros and 1 million to pay for certain equipment of a PPL Energy Supply subsidiary in 2003 and 2004. The estimated value of these forward purchases as of June 30, 2003, being the amount PPL would receive to terminate them, was $5 million.

PPL executed forward sale transactions for 25 million to hedge a portion of PPL Energy Supply's net investment in WPDH Limited. The estimated value of these agreements as of June 30, 2003 was insignificant.

To protect expected income in British pounds sterling, PPL entered into average rate options for 26 million and average rate forward sale agreements for 20 million. To protect expected income in Chilean pesos, PPL entered into average rate options for 4 billion Chilean pesos. At June 30, 2003, the market value of these positions, representing the amount PPL would pay to terminate them, was $1 million.

WPDH Limited executed cross-currency swaps totaling $1.3 billion to hedge the value of its U.S. dollar-denominated bonds. The estimated value of this position on June 30, 2003, being the amount PPL would pay to terminate them, was $29 million.

PPL executed a non-deliverable, forward purchase agreement for 3 billion Chilean Pesos to hedge the translation risk of a Chilean subsidiary's U.S. dollar receivable. The market value of this position at June 30, 2003 was insignificant.

Nuclear Decommissioning Fund - Securities Price Risk

In connection with certain Nuclear Regulatory Commission requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the Susquehanna station. As of June 30, 2003, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on PPL Energy Supply's Balance Sheet. The mix of securities is designed to provide returns to be used to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs.

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However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are exposed to changes in interest rates. PPL Susquehanna actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At June 30, 2003, a hypothetical 10% adverse movement in interest rates and a 10% decrease in equity prices would have resulted in an estimated $20 million reduction in the fair value of the trust assets.

PPL Electric's 1998 restructuring settlement agreement provides for the collection of authorized nuclear decommissioning costs through the CTC. Additionally, PPL Electric is permitted to seek recovery from customers of up to 96% of certain increases in these costs. Under the power supply agreements between PPL Electric and PPL EnergyPlus, these revenues are passed on to PPL EnergyPlus. Similarly, these revenues are passed on to PPL Susquehanna under a power supply agreement between PPL EnergyPlus and PPL Susquehanna. These revenues are used to fund the trusts.

Related Party Transactions

PPL Energy Supply is not aware of any material ownership interests or operating responsibility by senior management of PPL Energy Supply or its subsidiaries in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Energy Supply.

For additional information on related party transactions, see Note 8 to the Financial Statements.

Acquisitions and Development

From time-to-time, PPL Energy Supply and its subsidiaries are involved in negotiations with third parties regarding acquisitions, joint ventures and other arrangements which may or may not result in definitive agreements. See Note 6 to the Financial Statements for information regarding recent acquisitions and development activities.

At June 30, 2003, PPL Energy Supply had domestic generation projects under development which would provide 645 MW of additional generation.

PPL Global is continuously reexamining development projects based on market conditions and other factors to determine whether to proceed with these projects, sell them, cancel them, expand them, execute tolling agreements or pursue other opportunities.

Environmental Matters

See Note 7 to the Financial Statements for a discussion of environmental matters.

New Accounting Standards

FIN 46

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 clarifies that variable interest entities, as defined therein, that do not disperse risks among the parties involved should be consolidated by the entity that is determined to be the primary beneficiary. FIN 46 also requires certain disclosures to be made by the primary beneficiary and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after January 31, 2003. For variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003, FIN 46 must be adopted no later than the first fiscal year or interim period beginning after June 15, 2003. FIN 46 did not have an impact on PPL Energy Supply during the three or six months ended June 30, 2003. PPL Energy Supply is in the process of evaluating entities in which it holds a variable interest that was acquired before February 1, 2003. Except as discussed below, PPL Energy Supply is currently not aware of any variable interest entities that are not consolidated as of June 30, 2003 but which it must consolidate in accordance with FIN 46 effective July1, 2003. As it continues to evaluate the impact of applying FIN 46, PPL Energy Supply may identify additional entities that it would need to consolidate.

The lessors under the operating leases for the Sundance, University Park and Lower Mt. Bethel generation facilities are variable interest entities in which PPL Energy Supply is the primary beneficiary. Consequently, under FIN 46, PPL Energy Supply will be required to consolidate the financial statements of the lessors effective July 1, 2003. Upon initial consolidation, PPL Energy Supply will recognize $1.0 billion of additional assets and liabilities on its balance sheet and a charge of $21 million, after-tax, as a cumulative effect of a change in accounting principle. The additional assets consist principally of the generation facilities, and the additional liabilities consist principally of the lease financing. See Note 14 to the Financial Statements for a discussion of the leases.

Other

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See Note 14 to the Financial Statements for information on other new accounting standards adopted in 2003 or pending adoption.

Application of Critical Accounting Policies

PPL Energy Supply's financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations of PPL Energy Supply, and require estimates or other judgments of matters inherently uncertain: price risk management, pension and other postretirement benefits, asset impairment, leasing, loss accruals, and asset retirement obligations.

See Item 7, "Review of the Financial Condition and Results of Operations," in PPL Energy Supply's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for a discussion of each critical accounting policy, except for asset retirement obligations which is discussed below. PPL's senior management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with its Audit Committee. In addition, PPL's senior management reviewed the Form 10-K disclosures regarding the application of these critical accounting policies with the Audit Committee.

Asset Retirement Obligations

In 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which addresses the accounting for obligations associated with the retirement of tangible long-lived assets. SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized as a liability in the financial statements. The initial obligation should be measured at the estimated fair value. An equivalent amount should be recorded as an increase in the value of the capitalized asset and allocated to expense over the useful life of the asset. Until the obligation is settled, the liability should be increased, through the recognition of accretion expense in the income statement, for changes in the obligation due to the passage of time. SFAS 143 is effective for fiscal years beginning after June 15, 2002.

In determining asset retirement obligations, management must make significant judgments and estimates to calculate fair value. Fair value is developed through consideration of estimated retirement costs in today's dollars, inflated to the anticipated retirement date and then discounted back to the date the asset retirement obligation was incurred. Changes in assumptions and estimates included within the calculations of asset retirement obligations could result in significantly different results than those identified and recorded in the financial statements.

PPL Energy Supply adopted SFAS 143 effective January 1, 2003. Application of the new rules resulted in an increase in net property, plant and equipment of $32 million, reversal of previously recorded liabilities of $304 million, recognition of asset retirement obligations of $229 million, recognition of a deferred tax liability of $44 million and a cumulative effect of adoption that increased net income by $63 million. PPL Energy Supply's most significant assumptions surrounding asset retirement obligations are the forecasted retirement cost, discount rate and inflation rate. A variance in the forecasted retirement cost, discount rate or inflation rate could have a significant impact on the ARO liability and the cumulative effect gain.

The following chart reflects the sensitivities associated with a change in these assumptions upon initial adoption. Each sensitivity below reflects an evaluation of the change based solely on a change in that assumption only.

	Change in Assumption	Impact on Cumulative Effect	Impact on ARO Liability
Retirement Cost	10/(10)%	$(10)/$10	$21/$(21)
Discount Rate	0.25/(0.25)%	$10/$(11)	$(22)/$25
Inflation Rate	0.25/(0.25)%	$(12)/$11	$25/$(22)

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PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Financial Statements and Combined Notes to Condensed Consolidated Financial Statements included in Item 1 above, and with the section entitled "Review of the Financial Condition and Results of Operations" in PPL Electric's Annual Report to the SEC on Form 10-K for the year ended December31, 2002. Terms and abbreviations appearing here are explained in the glossary. Dollars are in millions, unless otherwise noted.

Results of Operations

The following discussion, that explains significant changes in principal items on the Statement of Income, compares the three and six months ended June 30, 2003, to the comparable periods in 2002.

The Statement of Income reflects the results of past operations and is not intended as any indication of future operating results. Future operating results will necessarily be affected by various and diverse factors and developments. Furthermore, because results for interim periods can be disproportionately influenced by various factors and developments and by seasonal variations, the results of operations for interim periods do not necessarily indicate results or trends for the year.

Earnings

The changes in net income from period to period were, in part, attributable to an unusual item in 2002 with a $19 million unfavorable earnings impact. Income from core operations, which excludes the impact of unusual items, should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL Electric believes that income from core operations, although a non-GAAP measure, is also useful and meaningful to investors because it provides them with PPL Electric's underlying earnings performance as another criterion in making their investment decisions. PPL Electric's management also uses income from core operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance. The table below reconciles income from core operations to net income, by eliminating the impact of unusual items.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Income from core operations	$	$ 11	$ 29	$ 31
Unusual item (net of tax):				
Workforce reduction (Note 13)		(19)		(19)
Net income (loss) - actual	$	$ (8)	$ 29	$ 12

The after-tax changes in core earnings were primarily due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Higher delivery revenues (net of CTC/ITC amortization and interest expense on transition bonds)		$ 14
Higher operating and maintenance expenses	$ (5)	(11)
Higher interest expense (excluding transition bond interest expense)	(2)	(5)
Higher depreciation expense	(2)	(2)
Other - net	(2)	2
	$ (11)	$ (2)

The period-to-period changes in earnings components are discussed in the balance of "Results of Operations."

In May 2003, PPL Electric announced that it expects to file a request for a delivery rate increase with the PUC in the spring of 2004. If approved, the new rates will go into effect in January 2005, when PPL Electric's distribution rate cap expires. PPL Electric has not yet determined the amount of the rate increase it will request, and cannot predict the amount of such increase that will ultimately be approved by the PUC.

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Operating Revenues

Retail Electric

The increase (decrease) in revenues from retail electric operations was attributable to the following:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Electric delivery	$ 3	$ 46
PLR electric generation supply	(7)	13
Other		(2)
	$ (4)	$ 57

The increase in operating revenues from retail electric operations for the six months ended June 30, 2003, compared with the same period in 2002, was primarily due to higher delivery revenues resulting from increased sales volumes of 3.4%. The increase in sales volume was due to colder winter weather in the first quarter of 2003. Also contributing to the increase were higher PLR supply revenues due to a 1% increase in customers' PLR rates.

Retail Electric to Affiliate

PPL Electric bills PPL Generation for power plant electricity usage, as well as usage in its offices and other facilities. As of April 2003, the power plants began self supplying their station use, and PPL Electric began billing PPL Generation the minimum bill for their station usage, although they continue to be billed for office and facility usage. This resulted in decreased retail electric revenues to affiliate for the three and six months ended June 30, 2003, compared with the same periods in 2002.

Wholesale Electric to Affiliate

PPL Electric has a contract to sell to PPL EnergyPlus the electricity that PPL Electric purchases under contracts with NUGs. With the termination in February 2002 of a NUG contract, PPL Electric purchased less NUG energy in 2003 and therefore had less electricity to sell to PPL EnergyPlus.

Energy Purchases from Affiliate

Energy purchases from affiliate decreased by $12 million for the three months ended June 30, 2003, compared with the same period in 2002. The decrease reflects lower purchases under the power supply contracts with PPL EnergyPlus needed to support PLR load, due to milder weather during the second quarter of 2003 as compared to the same period in 2002.

Higher prices in 2003, as compared to the same period in 2002, resulted in energy purchases from affiliate increasing by $6 million for the six months ended June 30, 2003. See Note 8 to the Financial Statements for a discussion of the power supply contracts.

Other Operation Expenses

The increases in other operation expenses were due to:

	June 30, 2003 vs. June 30, 2002	
	Three Months Ended	Six Months Ended
Decrease in pension income	$ 5	$ 9
Environmental accrual for a manufactured gas plant	2	2
Increases in expenses in responding to customers' service calls	1	2
Increase to property damage provision, based on an aging of those accounts	1	1
Increased electric contractor/additional material costs		1
Increased residential weatherization program expenses		1
Reduction in salaries and benefits as a result of the workforce reduction initiated in 2002	(3)	(6)
Other	1	3
	$ 7	$ 13

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The decreases in pension income for the three and six months ended June 30, 2003 were attributable to PPL Electric's participation in PPL's primary domestic pension plan. As a result of weak capital markets during 2002, PPL's domestic pension plans experienced significant asset losses. The weakened market performance decreased economic forecasts, which resulted in PPL reducing its expected return on assets assumption. In addition, declining fixed income security yield rates resulted in PPL's decreasing its discount rate assumption for its pension plans as of December 31, 2002. These events and assumption changes reduced the amount of pension income PPL will record in 2003. PPL Electric participates in PPL's primary domestic pension plan and is allocated approximately 46% of the obligations and costs of that plan. Through June 30, 2003, PPL Electric was allocated approximately $2 million of pension income and expects to be allocated an additional $2 million of pension income in the second half of 2003. Future levels of pension income or expense depend on ongoing market conditions and results.

Amortization of Recoverable Transition Costs

Amortization of recoverable transition costs and interest expense on the transition bonds offset ITC revenues, resulting in a minimal impact on earnings.

Maintenance Expenses

Maintenance expenses increased by $5 million for the six months ended June 30, 2003, compared with the same period in 2002. The increase was primarily due to $2 million of work performed to assure reliability of the transmission and distribution system and $2 million in lower rent allocations to other PPL affiliates in 2003.

Depreciation

Depreciation increased by $4 million for the six months ended June 30, 2003, compared with the same period in 2002, primarily due to plant and software additions, including the automated meter reading project.

Workforce Reduction

See Note 13 to the Financial Statements for information regarding the $33 million charge recorded in June 2002.

Income Taxes

Income taxes increased by $10 million and $14 million for the three and six months ended June 30, 2003, compared to the same periods in 2002, as a result of higher pre-tax book income.

Dividends and Distributions - Preferred Securities

Dividends and distributions on preferred securities decreased by $4 million and $9 million during the three and six months ended June 30, 2003, compared with the same periods in 2002, due to the retirement of preferred securities in 2002.

Financial Condition

Liquidity

At June 30, 2003, PPL Electric had $60 million of cash and cash equivalents and no short-term debt. At December 31, 2002, PPL Electric had $29 million of cash and cash equivalents and $15 million of short-term debt. The increase in cash position was primarily the net result of:

cash provided by operating activities of $233 million,
the issuance of $190 million of long-term debt, and
a $75 million capital contribution from PPL, offset by
the retirement of $291 million of long-term debt,
payment of $21 million of common and preferred dividends,
retirement of preferred stock of $10 million,
repayment of commercial paper of $15 million, and
capital expenditures of $112 million.

In July 2003, PPL Electric determined that, based on its strong current cash position and anticipated cash flows, it would not need to access the commercial paper markets through at least the end of 2003. PPL Electric currently has no commercial paper outstanding. As a result, PPL Electric requested Standard & Poor's Ratings Services (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch) to withdraw their ratings for the currently inactive commercial paper program, which they did effective as of July 9, 2003. Based on current cash position

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and availabilities under its respective revolving credit facilities, PPL Electric does not expect this decision to limit its ability to fund its short-term liquidity needs.

Rating Agency Decisions

S&P and Moody's recently reviewed the credit ratings on the debt and preferred securities of PPL Electric. Based on their respective reviews, the rating agencies made certain ratings revisions which are described below.

Management does not expect these ratings decisions to impact PPL Electric's ability to raise new long-term debt. These ratings decisions will have an immaterial impact on PPL Electric's cost of maintaining its credit facilities and the cost of any new long-term debt.

The ratings of S&P and Moody's are not a recommendation to buy, sell or hold any securities of PPL Electric. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to its securities.

S&P

In April 2003, S&P notified PPL Electric that it affirmed 'A-' ratings on PPL Electric's first mortgage bonds and senior secured bonds, and placed PPL Electric on negative outlook. S&P also affirmed the 'A-2' commercial paper rating of PPL Electric.

Moody's

In May 2003, Moody's downgraded the credit ratings on PPL Electric's first mortgage bonds and senior secured bonds to 'Baa1' from 'A3.' The ratings outlook was stable for PPL Electric. PPL Electric's short-term debt rating was not impacted by Moody's long-term debt review.

For additional information on PPL Electric's liquidity, see Item 7, "Review of the Financial Condition and Results of Operations," in PPL Electric's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002.

Risk Management

Market Risk

Commodity Price Risk - PLR Contracts

PPL Electric and PPL EnergyPlus have power supply agreements under which PPL EnergyPlus sells to PPL Electric (under a predetermined pricing arrangement) energy and capacity to fulfill PPL Electric's PLR obligation through 2009. As a result, PPL Electric has shifted any electric price risk relating to its PLR obligation to PPL EnergyPlus for 2002 through 2009. See Note 8 to the Financial Statements for information on the PLR contracts.

Interest Rate Risk

PPL Electric has issued debt to finance its operations, which increases its interest rate risk. At June 30, 2003, PPL Electric's potential annual exposure to increased interest expense, based on a 10% increase in interest rates, was $1 million.

PPL Electric is also exposed to changes in the fair value of its debt portfolio. At June 30, 2003, PPL Electric estimated that its potential exposure to a change in the fair value of its debt portfolio, through a 10% adverse movement in interest rates, was approximately $54 million.

Related Party Transactions

PPL Electric is not aware of any material ownership interests or operating responsibility by senior management of PPL Electric or its subsidiaries in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with PPL Electric.

For additional information on related party transactions, see Note 8 to the Financial Statements.

Environmental Matters

See Note 7 to the Financial Statements for a discussion of environmental matters.

New Accounting Standards

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See Note 14 to the Financial Statements for information on new accounting standards adopted in 2003 or pending adoption.

Application of Critical Accounting Policies

PPL Electric's financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations of PPL Electric, and require estimates or other judgments of matters inherently uncertain: pension and other postretirement benefits, and loss accruals. See Item 7, "Review of the Financial Condition and Results of Operations," in PPL Electric's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for a discussion of each critical accounting policy. PPL's senior management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with its Audit Committee. In addition, PPL's senior management reviewed the Form 10-K disclosures regarding the application of these critical accounting policies with the Audit Committee.

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PPL MONTANA, LLC AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of the results of operations and financial condition of PPL Montana is abbreviated as PPL Montana meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q. This discussion should be read in conjunction with the Financial Statements and Combined Notes to Condensed Consolidated Financial Statements included in Item 1 above, and with the section entitled "Review of the Financial Condition and Results of Operations" in PPL Montana's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002. Terms and abbreviations appearing here are explained in the glossary.

Results of Operations

The following discussion explains significant changes in principal items on the Statement of Income, comparing the six months ended June 30, 2003, to the comparable period in 2002.

The Statement of Income reflects the results of past operations and is not intended as any indication of future operating results. Future operating results will necessarily be affected by various and diverse factors and developments. Furthermore, because results for interim periods can be disproportionately influenced by various factors and developments and by seasonal variations, the results of operations for interim periods are not necessarily indicative of results or trends for the year.

Earnings

Net income increased by $16 million for the six months ended June 30, 2003, compared with the same period in 2002. The increase was primarily due to higher wholesale prices in the western U.S.

Operating Revenues

Operating revenues increased by $42 million for the six months ended June 30, 2003, compared with the same period in 2002. The increase was primarily due to an increase in wholesale energy prices from the prices experienced in 2002. The increase in power prices resulted in an increase in revenues of $35 million and an increase in volume sold resulted in an increase in revenues of $7 million.

Operating Expense

Operating expenses increased by $15 million during the six months ended June 30, 2003, compared with the same period in 2002. Operating expenses consist mainly of expenses for fuel, energy purchases, transmission tariffs, plant operations and maintenance, lease rental payments, and general and administrative expenses. The increase was primarily due to a $15 million increase in energy purchases due to an increase in power prices.

Generation increased by 229 million kWh during the six months ended June 30, 2003, compared with the same period in 2002. This increase was due to higher hydroelectric generation caused by improved water flows in the first half of 2003 as well as improved operational performance from the coal fired generation units.

Risk Management - Energy Marketing & Trading and Other

Market Risk

Commodity Price Risk

As of June 30, 2003, PPL Montana estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its non-trading portfolio by approximately $89 million. However, the change in the value of the non-trading portfolio would have been substantially offset by an increase in the value of the underlying commodity, the electricity generated, because these contracts serve to reduce the market risk inherent in the generation of electricity. Additionally, the value of PPL Montana's unsold generation would be improved. Because PPL Montana's electricity portfolio is generally in a net sales position, the adverse movement in prices is usually an increase in prices.

PPL Montana also executes energy contracts to take advantage of market opportunities. As a result, PPL Montana may at times create a net open position in its portfolio that could result in significant losses if prices do not move in the manner or direction anticipated. The margins from these trading activities are shown in the Statement of Income as "Net energy trading margins."

PPL Montana's trading contracts mature at various times through 2003. PPL Montana's net fair market value of trading contracts as of June 30, 2003 was insignificant.

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As of June 30, 2003, the net unrealized gain on PPL Montana's trading activities expected to be realized in earnings during the next three months is insignificant.

PPL Montana estimated that a 10% adverse movement in market prices across all geographic areas and time periods would have decreased the value of the commodity contracts in its trading portfolio by an insignificant amount at June 30, 2003.

Interest Rate Risk

PPL Montana may use borrowings to provide funds for its operations. PPL and PPL Energy Supply may utilize various financial derivative products and risk management techniques on behalf of PPL Montana to adjust the mix of fixed and floating interest rates in PPL Montana's debt portfolio and thereby reduce its exposure to adverse interest rate movements. PPL Montana had $19 million in borrowings outstanding as of June 30, 2003, and estimates its exposure to increased interest expense, based on a 10% increase in interest rates, to be insignificant.

New Accounting Standards

See Note 14 to the Financial Statements for information on new accounting standards adopted in 2003 or pending adoption.

Application of Critical Accounting Policies

PPL Montana's financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to the financial condition or results of operations of PPL Montana, and require estimates or other judgments of matters inherently uncertain: price risk management, pension and other postretirement benefits, leasing, and loss accruals.

See Item 7, "Review of the Financial Condition and Results of Operations," in PPL Montana's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002 for a discussion of each critical accounting policy. PPL's senior management has reviewed these critical accounting policies, and the estimates and assumptions regarding them, with its Audit Committee. In addition, PPL's senior management reviewed the Form 10-K disclosures regarding the application of these critical accounting policies with the Audit Committee.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management - Energy Marketing & Trading and Other" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The registrants' principal executive officers and principal financial officers, based on their evaluation of the registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), have concluded that, as of June 30, 2003, the registrants' disclosure controls and procedures are adequate and effective to ensure that material information relating to the registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period in which this quarterly report has been prepared.

(b) Change in internal control over financial reporting.

The registrants' principal executive officers and principal financial officers have concluded that there were no changes in the registrants' internal control over financial reporting during the registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrants' internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For additional information regarding various pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

Item 3 "Legal Proceedings" in PPL's, PPL Energy Supply's, PPL Electric's and PPL Montana's Annual Report to the SEC on Form 10-K for the year ended December 31, 2002; and

Note 7 of the registrants' "Combined Notes to Condensed Consolidated Financial Statements" in Part I of this report.

Item 4. Submission of Matters to a Vote of Security Holders

At PPL's Annual Meeting of Shareowners held on April 25, 2003, the shareowners:

(1) Elected the three nominees for the office of director. The vote for all nominees was 141,599,887. The votes for individual nominees were as follows:

	Number of Votes	
	For	Withhold Authority
John W. Conway	142,779,487	3,572,818
E. Allen Deaver	142,605,016	3,747,289
Susan M. Stalnecker	141,599,887	4,752,418

The vote to withhold authority for all nominees was 2,707,947.

(2) Approved the Incentive Compensation Plan for Key Employees. The vote was 92,763,409 in favor and 50,795,990 against, with 2,792,906 abstaining.

(3) Ratified the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ended December 31, 2003. The vote was 138,889,679 in favor and 5,776,371 against, with 1,686,255 abstaining.

(4) Approved a shareowner proposal that recommended that shareowners approve any future adoption of a shareowner rights plan. The vote was 66,990,502 in favor and 60,372,581 against, with 4,340,340 abstaining and 14,648,882 broker non-votes.

(5) Rejected a shareowner proposal that recommended that PPL index the exercise of its stock options to an industry peer group. The vote was 20,585,640 in favor and 106,530,430 against, with 4,587,353 abstaining and 14,648,882 broker non-votes.

(6) Rejected a shareowner proposal that recommended that PPL prohibit its audit firm from providing any management consulting services to PPL. The vote was 23,081,239 in favor and 104,048,039 against, with 4,574,145 abstaining and 14,648,882 broker non-votes.

At PPL Electric's Annual Meeting of Shareowners held on April 22, 2003, the shareowners:

(1) Elected all nine nominees for the office of director. The vote for all nominees was 78,029,863. The votes for individual nominees were as follows:

	Number of Votes for
John R. Biggar	78,029,863
Michael E. Bray	78,029,863
Paul T. Champagne	78,029,863
Dean A. Christiansen	78,029,863
Lawrence E. De Simone	78,029,863
Robert J. Grey	78,029,863
William F. Hecht	78,029,863
James H. Miller	78,029,863
Roger L. Petersen	78,029,863

The vote to withhold authority for all nominees was 0.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

*10(a) - Registration Rights Agreement, dated as of May 21, 2003, by PPL Energy Supply, LLC, as Issuer, PPL Corporation, as Guarantor, and Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Securities, Inc., as Representatives of the Initial Purchasers (Exhibit 4.2 to Registration Statement No. 333-106200)

*10(b) - Indenture, dated as of May 21, 2003, by PPL Energy Supply, LLC, as Issuer, PPL Corporation, as Guarantor and JPMorgan Chase Bank, as Trustee (Exhibit 4.3 to Registration Statement No. 333-106200)

10(c) - Seventy-first Supplemental Indenture, dated as of May 1, 2003, to Mortgage and Deed of Trust, dated as of October 1, 1945, between PPL Electric Utilities Corporation and Bankers Trust Company, as successor Trustee

10(d) - Supplemental Indenture No. 3, dated as of May 1, 2003, to Indenture, dated as of August 1, 2001, by PPL Electric Utilities Corporation and JPMorgan Chase Bank, as Trustee

10(e) - $300 million Three-Year Credit Agreement, dated as of June 24, 2003, among PPL Energy Supply, LLC and the banks named therein

10(f) - $100 million Three-Year Credit Agreement, dated as of June 24, 2003, among PPL Electric Utilities Corporation and the banks named therein

10(g) - $200 million 364-Day Credit Agreement, dated as of June 24, 2003, among PPL Electric Utilities Corporation and the banks named therein

10(h) Credit Agreement dated as of October 31, 2002, among PPL Montana, LLC and PPL Investment Corporation

Computation of Ratio of Earnings to Fixed Charges for the following companies:

12(a) - PPL Corporation and Subsidiaries

12(b) - PPL Energy Supply, LLC and Subsidiaries

12(c) - PPL Electric Utilities Corporation and Subsidiaries

12(d) - PPL Montana, LLC and Subsidiaries

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2003, filed by the following officers for the following companies:

31(a) - William F. Hecht for PPL Corporation

31(b) - John R. Biggar for PPL Corporation

31(c) - William F. Hecht for PPL Energy Supply, LLC

31(d) - James E. Abel for PPL Energy Supply, LLC

31(e) - Michael E. Bray for PPL Electric Utilities Corporation

31(f) - James E. Abel for PPL Electric Utilities Corporation

31(g) - James H. Miller for PPL Montana, LLC

31(h) - James E. Abel for PPL Montana, LLC

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2003, furnished by the following officers for the following companies:

32(a) - William F. Hecht for PPL Corporation

32(b) - John R. Biggar for PPL Corporation

32(c) - William F. Hecht for PPL Energy Supply, LLC

32(d) - James E. Abel for PPL Energy Supply, LLC

32(e) - Michael E. Bray for PPL Electric Utilities Corporation

32(f) - James E. Abel for PPL Electric Utilities Corporation

32(g) - James H. Miller for PPL Montana, LLC

32(h) - James E. Abel for PPL Montana, LLC

* Previously filed

(b) Reports on Form 8-K

Report dated April 29, 2003 - PPL

Item 9. Regulation FD Disclosure

Reported results for the quarter ended March 31, 2003.

Item 7. Financial Statements and Exhibits

Press release regarding PPL's results for the quarter ended March 31, 2003.

Report dated April 29, 2003 - PPL, PPL Energy Supply and PPL Electric

Item 9. Regulation FD Disclosure

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Announced that Moody's Investors Services notified PPL, PPL Energy Supply and PPL Electric that it was placing them on review for possible future downgrades in the credit ratings on their debt and preferred securities. Also, announced that Standard & Poor's notified PPL, PPL Energy Supply and PPL Electric that it was affirming some ratings, lowering the rating on PPL Capital Funding's senior unsecured debt and placing PPL Electric on negative outlook.

Report dated May 14, 2003 - PPL and PPL Energy Supply

Item 5. Other Events

Announced a proposed offering by PPL Energy Supply of $300 million of convertible senior notes, to be guaranteed by PPL and convertible into PPL common stock. Also, announced the pricing of $350 million of these convertible senior notes.

Item 7. Financial Statements and Exhibits

Press releases regarding the proposed offering of $300 million of convertible senior notes and the pricing of $350 million of these convertible senior notes.

Report dated June 19, 2003 - PPL, PPL Energy Supply and PPL Electric

Item 5. Other Events

Announced that the U.S. Department of Justice - Antitrust Division confirmed that it has closed its investigation regarding the PUC's request for a review of PPL EnergyPlus' wholesale marketing activities in the Pennsylvania-New Jersey-Maryland installed capacity market. Also, the Pennsylvania Attorney General completed its antitrust investigation and determined that PPL did not violate antitrust or other laws in its market activities.

Item 7. Financial Statements and Exhibits

Press release announcing results of antitrust investigations.

Report dated June 27, 2003 - PPL and PPL Energy Supply

Item 5. Other Events

Announced that the IRS has indicated that it has reason to question the scientific validity of certain test procedures and results that have been presented to it by taxpayers with interests in synfuel operations.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation
(Registrant)
PPL Energy Supply, LLC
(Registrant)
PPL Electric Utilities Corporation
(Registrant)
PPL Montana, LLC
(Registrant)

Date: August 12, 2003

/s/John R. Biggar
John R. Biggar
Executive Vice President and
Chief Financial Officer
(PPL Corporation)
(principal financial officer)

/s/James E. Abel
James E. Abel
Treasurer
(PPL Energy Supply, LLC)
(principal financial officer)

/s/Joseph J. McCabe
Joseph J. McCabe
Vice President and Controller
(PPL Electric Utilities Corporation)
(principal accounting officer)

/s/Charles S. Baker
Charles S. Baker
Controller
(PPL Montana, LLC)
(principal accounting officer)

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PPL ELECTRIC UTILITIES CORPORATION
(formerly PP&L, Inc. and Pennsylvania Power & Light Company)

TO

DEUTSCHE BANK TRUST COMPANY AMERICAS

(formerly Bankers Trust Company,
successor to Morgan Guaranty Trust Company of New York,
formerly Guaranty Trust Company of New York)

As Trustee under PPL Electric Utilities Corporation's
Mortgage and Deed of Trust,
Dated as of October1, 1945

Seventy-first Supplemental Indenture

Providing among other things for
First Mortgage Bonds, 4.30% Collateral Series due 2013

Dated as of May 1, 2003

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SEVENTY-FIRST SUPPLEMENTAL INDENTURE, dated as of the lst day of May, 2003 made and entered into by and between PPL ELECTRIC UTILITIES CORPORATION (formerly PP&L, Inc. and Pennsylvania Power & Light Company), a corporation of the Commonwealth of Pennsylvania, whose address is Two North Ninth Street, Allentown, Pennsylvania 18101 (hereinafter sometimes called the Company), and DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly Bankers Trust Company), a corporation of the State of New York, whose address is 60 Wall Street, New York, New York 10005 (hereinafter sometimes called the Trustee), as Trustee under the Mortgage and Deed of Trust, dated as of October1, 1945 (hereinafter called the Mortgage and, together with any indentures supplemental thereto, hereinafter called the Indenture), which Mortgage was executed and delivered by Pennsylvania Power & Light Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which said Mortgage is hereby made, this instrument (hereinafter called the Seventy-first Supplemental Indenture) being supplemental thereto.

WHEREAS, said Mortgage was or is to be recorded in various Counties in the Commonwealth of Pennsylvania, which Counties include or will include all Counties in which this Seventy-first Supplemental Indenture is to be recorded; and

WHEREAS, by amendment to its Articles of Incorporation filed in the Office of the Secretary of State of Pennsylvania on September12, 1997, the Company changed its name to PP&L, Inc.; and

WHEREAS, by an amendment to its Articles of Incorporation filed with the Office of the Secretary of State of Pennsylvania on February14, 2001, the Company changed its name to PPL Electric Utilities Corporation; and

WHEREAS, an instrument, dated August 5, 1994, was executed by the Company appointing Bankers Trust Company as Trustee in succession to said Morgan Guaranty Trust Company of New York (resigned) under the Indenture, and by Bankers Trust Company accepting said appointment, which instrument was or is to be recorded in various Counties in the Commonwealth of Pennsylvania; and

WHEREAS, by an amendment to its Articles of Incorporation filed in the office of the Secretary of State of New York, effective April 15, 2002, the Trustee changed its name to Deutsche Bank Trust Company Americas; and

WHEREAS, by the Mortgage the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Indenture and to make subject to the lien of the Indenture any property thereafter acquired and intended to be subject to the lien thereof; and

WHEREAS, the Company executed and delivered as supplements to the Mortgage, the following supplemental indentures:

Designation	**Dated as of**
First Supplemental Indenture	July 1, 1947
Second Supplemental Indenture	December 1, 1948
Third Supplemental Indenture	February 1, 1950
Fourth Supplemental Indenture	March 1, 1953
Fifth Supplemental Indenture	August 1, 1955
Sixth Supplemental Indenture	December 1, 1961
Seventh Supplemental Indenture	March 1, 1964
Eighth Supplemental Indenture	June 1, 1966
Ninth Supplemental Indenture	November 1, 1967
Tenth Supplemental Indenture	December 1, 1967
Eleventh Supplemental Indenture	January 1, 1969
Twelfth Supplemental Indenture	June 1, 1969
Thirteenth Supplemental Indenture	March 1, 1970
Fourteenth Supplemental Indenture	February 1, 1971
Fifteenth Supplemental Indenture	February 1, 1972
Sixteenth Supplemental Indenture	January 1, 1973
Seventeenth Supplemental Indenture	May 1, 1973
Eighteenth Supplemental Indenture	April 1, 1974
Nineteenth Supplemental Indenture	October 1, 1974
Twentieth Supplemental Indenture	May 1, 1975
Twenty-first Supplemental Indenture	November 1, 1975
Twenty-second Supplemental Indenture	December 1, 1976
Twenty-third Supplemental Indenture	December 1, 1977
Twenty-fourth Supplemental Indenture	April 1, 1979
Twenty-fifth Supplemental Indenture	April 1, 1980

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Twenty-sixth Supplemental Indenture	June 1, 1980
Twenty-seventh Supplemental Indenture	June 1, 1980
Twenty-eighth Supplemental Indenture	December 1, 1980
Twenty-ninth Supplemental Indenture	February 1, 1981
Thirtieth Supplemental Indenture	February 1, 1981
Thirty-first Supplemental Indenture	September 1, 1981
Thirty-second Supplemental Indenture	April 1, 1982
Thirty-third Supplemental Indenture	August 1, 1982
Thirty-fourth Supplemental Indenture	October 1, 1982
Thirty-fifth Supplemental Indenture	November 1, 1982
Thirty-sixth Supplemental Indenture	February 1, 1983
Thirty-seventh Supplemental Indenture	November 1, 1983
Thirty-eighth Supplemental Indenture	March 1, 1984
Thirty-ninth Supplemental Indenture	April 1, 1984
Fortieth Supplemental Indenture	August 15, 1984
Forty-first Supplemental Indenture	December 1, 1984
Forty-second Supplemental Indenture	June 15, 1985
Forty-third Supplemental Indenture	October 1, 1985
Forty-fourth Supplemental Indenture	January 1, 1986
Forty-fifth Supplemental Indenture	February 1, 1986
Forty-sixth Supplemental Indenture	April 1, 1986
Forty-seventh Supplemental Indenture	October 1, 1986
Forty-eighth Supplemental Indenture	March 1, 1988
Forty-ninth Supplemental Indenture	June 1, 1988
Fiftieth Supplemental Indenture	January 1, 1989
Fifty-first Supplemental Indenture	October 1, 1989
Fifty-second Supplemental Indenture	July 1, 1991
Fifty-third Supplemental Indenture	May 1, 1992
Fifty-fourth Supplemental Indenture	November 1, 1992
Fifty-fifth Supplemental Indenture	February 1, 1993
Fifty-sixth Supplemental Indenture	April 1, 1993
Fifty-seventh Supplemental Indenture	June 1, 1993
Fifty-eighth Supplemental Indenture	October 1, 1993
Fifty-ninth Supplemental Indenture	February 15, 1994
Sixtieth Supplemental Indenture	March 1, 1994
Sixty-first Supplemental Indenture	March 15, 1994
Sixty-second Supplemental Indenture	September 1, 1994
Sixty-third Supplemental Indenture	October 1, 1994
Sixty-fourth Supplemental Indenture	August 1, 1995
Sixty-fifth Supplemental Indenture	April 1, 1997
Sixty-sixth Supplemental Indenture	May 1, 1998
Sixty-seventh Supplemental Indenture	June 1, 1999
Sixty-eighth Supplemental Indenture	August 1, 2001
Sixty-ninth Supplemental Indenture	January 1, 2002
Seventieth Supplemental Indenture	February 1, 2003

which supplemental indentures were or are to be recorded in various Counties in the Commonwealth of Pennsylvania; and

WHEREAS, the Company executed and delivered its Supplemental Indenture, dated July 1, 1954, creating a security interest in certain personal property of the Company, pursuant to the provisions of the Pennsylvania Uniform Commercial Code, as a supplement to the Mortgage, which Supplemental Indenture was filed in the Office of the Secretary of the Commonwealth of Pennsylvania on July 1, 1954, and all subsequent supplemental indentures were so filed; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as supplemented, the following series of First Mortgage Bonds:

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Series	Principal Amount Issued	Principal Amount Outstanding
3% Series due 1975	$93,000,000	None
2-3/4% Series due 1977	20,000,000	None
3-1/4% Series due 1978	10,000,000	None
2-3/4% Series due 1980	37,000,000	None
3-1/2% Series due 1983	25,000,000	None
3-3/8% Series due 1985	25,000,000	None
4-5/8% Series due 1991	30,000,000	None
4-5/8% Series due 1994	30,000,000	None
5-5/8% Series due 1996	30,000,000	None
6-3/4% Series due 1997	30,000,000	None
6-1/2% Series due 1972	15,000,000	None
7% Series due 1999	40,000,000	None
8-1/8% Series due June 1, 1999	40,000,000	None
9% Series due 2000	50,000,000	None
7-1/4% Series due 2001	60,000,000	None
7-5/8% Series due 2002	75,000,000	None
7-1/2% Series due 2003	80,000,000	None
Pollution Control Series A	28,000,000	None
9-1/4% Series due 2004	80,000,000	None
10-1/8% Series due 1982	100,000,000	None
9-3/4% Series due 2005	125,000,000	None
9-3/4% Series due November 1, 2005	100,000,000	None
8-1/4% Series due 2006	150,000,000	None
8-1/2% Series due 2007	100,000,000	None
9-7/8% Series due 1983-1985	100,000,000	None
15-5/8% Series due 2010	100,000,000	None
11-3/4% Series due 1984	30,000,000	None
Pollution Control Series B	70,000,000	None
Pollution Control Series C	20,000,000	None
14% Series due December 1, 1990	125,000,000	None
15% Series due 1984-1986	50,000,000	None
14-3/4% Series A due 1986	30,000,000	None
14-3/4% Series B due 1986	20,000,000	None
16-1/2% Series due 1987-1991	$52,000,000	None
16-1/8% Series due 1992	100,000,000	None
16-1/2% Series due 1986-1990	92,500,000	None
13-1/4% Series due 2012	100,000,000	None
Pollution Control Series D	70,000,000	None
12-1/8% Series due 1989-1993	50,000,000	None
13-1/8% Series due 2013	125,000,000	None
Pollution Control Series E	37,750,000	None
13-1/2% Series due 1994	125,000,000	None
Pollution Control Series F	115,500,000	None
12-3/4% Series due 2014	125,000,000	None
Pollution Control Series G	55,000,000	None
12% Series due 2015	125,000,000	None
10-7/8% Series due 2016	125,000,000	None
9-5/8% Series due 1996	125,000,000	None
9% Series due 2016	125,000,000	None
9-1/2% Series due 2016	125,000,000	None
9-1/4% Series due 1998	125,000,000	None
9-5/8% Series due 1998	125,000,000	None
10% Series due 2019	125,000,000	None
9-1/4% Series due 2019	250,000,000	None
9-3/8% Series due 2021	150,000,000	None
7-3/4% Series due 2002	150,000,000	None
8-1/2% Series due 2022	150,000,000	None
Pollution Control Series H	90,000,000	None

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6-7/8% Series due 2003	100,000,000	None
7-7/8% Series due 2023	200,000,000	None
5-1/2% Series due 1998	150,000,000	None
6-1/2% Series due 2005	125,000,000	110,000,000
6% Series due 2000	125,000,000	None
6-3/4% Series due 2023	150,000,000	19,497,000
Pollution Control Series I	53,250,000	53,250,000
6.55% Series due 2006	150,000,000	146,000,000
7.30% Series due 2024	150,000,000	5,805,000
6-7/8% Series due 2004	150,000,000	24,767,000
7-3/8% Series due 2014	100,000,000	10,290,000
Pollution Control Series J	115,500,000	115,500,000
7.70% Series due 2009	200,000,000	325,000
Pollution Control Series K	55,000,000	55,000,000
Short-Term Series A	800,000,000	None
6 1/8% REset Put Securities Series due 2006	200,000,000	None
Short-Term Series B	600,000,000	None
5-7/8% Series due August 15, 2007	300,000,000	300,000,000
6-1/4% Series due August 15, 2009	500,000,000	500,000,000
3.125% Pollution Control Series due 2008	90,000,000	90,000,000

which bonds are also sometimes called bonds of the First through Seventy-eighth Series, respectively; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Indenture as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Indenture; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any future covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein or in any supplemental indenture or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the States in which any property at the time subject to the lien of the Indenture shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds and to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage; and

WHEREAS, the execution and delivery by the Company of this Seventy-first Supplemental Indenture, and the terms of the bonds of the Seventy-ninth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That PPL Electric Utilities Corporation, in consideration of the premises and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustee and in order further to secure the payment both of the principal of and interest and premium, if any, on the bonds from time to time issued under the Indenture, according to their tenor and effect and the performance of all the provisions of the Indenture (including any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto Deutsche Bank Trust Company Americas, as Trustee under the Indenture, and to its successor or successors in said trust, and to said Trustee and its successors and assigns forever, all property, real, personal and mixed, of the kind or nature specifically mentioned in the Mortgage, as heretofore supplemented, or of any other kind or nature, acquired by the Company after the date of the execution and delivery of the Seventieth Supplemental Indenture (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted and except any which may not lawfully be mortgaged or pledged under the Indenture), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing) all lands, power sites, flowage rights, water rights, water locations, water appropriations,

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ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture and chattels; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described;

TOGETHER with all and singular the tenements, hereditaments, prescriptions, servitudes, and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof;

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage and to the extent permitted by law, all the property, rights, and franchises acquired by the Company (by purchase, consolidation, merger, donation, construction, erection or in any other way) after the date hereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall be and are as fully granted and conveyed hereby and as fully embraced within the lien hereof and the lien of the Indenture, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby; and

IT IS HEREBY DECLARED by the Company that all the property, rights and franchises now owned or hereafter acquired by the Company have been, or are, or will be owned or acquired with the intention to use the same in carrying on the business or branches of business of the Company, and it is hereby declared that it is the intention of the Company that all thereof, except any herein or in the Mortgage, as heretofore supplemented, expressly excepted, shall (subject to the provisions of Section 87 of the Mortgage and to the extent permitted by law) be embraced within the lien of this Seventy-first Supplemental Indenture and the lien of the Indenture;

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Seventy-first Supplemental Indenture and from the lien and operation of the Indenture, viz : (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Indenture or covenanted so to be; (2) goods, wares, merchandise, equipment, apparatus, materials, or supplies held for the purpose of sale or other disposition in the usual course of business; fuel, oil and similar materials and supplies consumable in the operation of any of the properties of the Company; construction equipment acquired for temporary use; all aircraft, rolling stock, trolley coaches, buses, motor coaches, automobiles and other vehicles and materials and supplies held for the purposes of repairing or replacing (in whole or part) any of the same; all timber, minerals, mineral rights and royalties; (3) bills, notes and accounts receivable, judgments, demands and choses in action, and all contracts, leases and operating agreements not specifically pledged under the Indenture or covenanted so to be; the Company's contractual rights or other interest in or with respect to tires not owned by the Company; (4) the last day of the term of any lease or leasehold which may be or become subject to the lien of the Indenture; (5) electric energy, gas, steam, ice, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business and (6) any property released from the lien of the Mortgage pursuant to Sections 58, 59, 60, 62 or 63 of the Mortgage; provided, however, that the property and rights expressly excepted from the lien and operation of the Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof, as supplemented by the provisions of this Seventy-first Supplemental Indenture;

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto Deutsche Bank Trust Company Americas, as Trustee, and its successors and assigns forever;

IN TRUST NEVERTHELESS for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this Seventy-first Supplemental Indenture being supplemental to the Mortgage;

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the

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Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to the Trustee by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successors in said trust under the Indenture, as follows:

ARTICLE I.

Seventy-ninth Series of Bonds

SECTION 1.There shall be a series of bonds designated "First Mortgage Bonds, 4.30% Collateral Series due 2013" (herein sometimes referred to as the "Seventy-ninth Series"), each of which shall also bear the descriptive title First Mortgage Bonds, and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Seventy-ninth Series shall be limited to $100 million in aggregate principal amount, except as provided in Section 16 of the Mortgage, and shall be issued as fully registered bonds in denominations of One Thousand Dollars and in any multiple or multiples of One Thousand Dollars; each bond of the Seventy-ninth Series shall mature on June 1, 2013, shall bear interest at the rate of 4.30% per annum, payable semi-annually on June 1 and December 1 of each year; the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, and interest on each said bond to be also payable at the office of the Company in the City of Allentown, Pennsylvania, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the Seventy-ninth Series shall be dated as in Section 10 of the Mortgage provided.

The bonds of the Seventy-ninth Series shall be issued by the Company, registered in the name of and delivered to JPMorgan Chase Bank, as trustee (the "2001 Trustee") under an Indenture dated as of August 1, 2001 (the "2001 Indenture"), to provide for the payment when due (whether at maturity, by acceleration or otherwise) of the principal and interest of the Securities (as defined in the 2001 Indenture) to be issued from time to time under the 2001 Indenture.

The bonds of the Seventy-ninth Series shall not be transferable by the 2001 Trustee, except to a successor trustee under the 2001 Indenture. Bonds of the Seventy-ninth Series so transferable to a successor trustee under the 2001 Indenture may be transferred at the principal office of the Trustee in the Borough of Manhattan, The City of New York.

Any payment by the Company under the 2001 Indenture of the principal of or premium, if any, or interest, if any on the securities which shall been authenticated and delivered under the 2001 Indenture on the basis of the issuance and delivery to the 2001 Trustee of bonds of the Seventy-ninth Series (other than by the application of the proceeds of a payment in respect of such bonds) shall, to the extent hereof, be deemed to satisfy and discharge the obligation of the Company, if any, to make a payment of principal of, or premium, or interest on such bonds, as the case may be, which is then due.

The Trustee may conclusively presume that the obligation of the Company to pay the principal of or interest on the bonds of the Seventy-ninth Series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the 2001 Trustee, signed by an authorized officer thereof, stating that the principal of or interest on specified bonds of the Seventy-ninth Series has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment.

(I) Each holder of a bond of the Seventy-ninth Series consents that the bonds of the Seventy-ninth Series may be redeemable at the option of the Company or pursuant to the requirements of the Indenture in whole at any time, or in part from time to time, prior to maturity, without notice provided in Section 52 of the Mortgage, at the principal amount of the bonds to be redeemed, in each case, together with accrued interest to the date fixed for redemption by the Company in a notice delivered on or before the date fixed for redemption by the Company to the Trustee and to the holders of the bonds to be redeemed.

(II) The bonds of the Seventy-ninth Series shall also be redeemable, in whole at any time, or in part from time to time, prior to maturity, at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest to the date of payment of such principal amount, upon receipt by the Trustee of a written notice from the 2001 Trustee (i) delivered to the Trustee and the Company, (ii) signed by its President or any Vice President, (iii) stating that an Event of Default has occurred under the 2001 Indenture and is continuing and that, as a result, there then is due and payable a specified amount with respect to the Securities Outstanding under the 2001 Indenture, for the payment of which the 2001 Trustee has not received funds, and (iv) specifying the principal amount of the bonds of the Seventy-ninth Series to be redeemed. Delivery of such notice shall constitute a waiver by the 2001 Trustee of notice of redemption under the Indenture.

(III) At the option of the registered owner, any bonds of the Seventy-ninth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of

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bonds of the same series, interest rate, maturity and other terms of other authorized denominations.

Subject to the provisions of the third paragraph of this Section 1, Bonds of the Seventy-ninth Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York; provided that such transfer shall not result in any security being required to be registered under the Securities Act of 1933, as amended, and an opinion of counsel satisfactory to the Company to such effect shall have been provided to the Company.

The bonds of the Seventy-ninth Series shall not be redeemable by the application of cash deposited with the Trustee pursuant to the provisions of Section 64.

Upon any transfer or exchange of bonds of the Seventy-ninth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Seventy-ninth Series.

ARTICLE II.

Miscellaneous Provisions

SECTION 2.The Company reserves the right to make such amendments to the Mortgage, as supplemented, as shall be necessary in order to delete subsection (I) of Section 39 of the Mortgage, and each holder of bonds of the Seventy-ninth Series hereby consents to such deletion without any other or further action by any holder of bonds of the Seventy-ninth Series.

SECTION 3.The terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Seventy-first Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 4.Whenever in this Seventy-first Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Seventy-first Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 5.So long as any bonds of the Seventy-ninth Series and remain Outstanding, unless this provision shall have been waived in writing by the holders of a majority in aggregate principal amount of bonds of the Seventy-ninth Series Outstanding at the time of such consent, subdivision (c) of Section 65 of the Mortgage shall read as follows:

"(c) Failure to pay interest or premium, if any, upon or principal (whether at maturity as therein expressed or by declaration, or otherwise) of any Outstanding Qualified Lien Bonds or of any outstanding indebtedness secured by any mortgage or other lien (not included in the term Excepted Encumbrances) prior to the lien of this Indenture, existing upon any property of the Company which is subject to the lien and operation of this Indenture continued beyond the period of grace, if any, specified in such mortgage or Qualified Lien or other lien securing the same;"

SECTION 6.A breach of a specified covenant or agreement of the Company contained in this Seventy-first Supplemental Indenture shall become a Default under the Indenture upon the happening of the events provided in Section 65(g) of the Mortgage with respect to such a covenant or agreement.

SECTION 7.The Trustee hereby accepts the trusts herein declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Seventy-first Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVII of the Mortgage, as heretofore amended by said First through Seventieth Supplemental Indentures, shall apply to and form part of this Seventy-first Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Seventy-first Supplemental Indenture.

SECTION 8.Nothing in this Seventy-first Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Indenture, any right, remedy or claim under or by reason of this Seventy-first Supplemental Indenture or by any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Seventy-first Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the

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bonds and coupons Outstanding under the Indenture.

SECTION 9.This Seventy-first Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

PPL ELECTRIC UTILITIES CORPORATION does hereby constitute and appoint JAMES E. ABEL, Treasurer of PPL ELECTRIC UTILITIES CORPORATION, to be its attorney for it, and in its name and as and for its corporate act and deed to acknowledge this Seventy-first Supplemental Indenture before any person having authority by the laws of the Commonwealth of Pennsylvania to take such acknowledgment, to the intent that the same may be duly recorded, and DEUTSCHE BANK TRUST COMPANY AMERICAS does hereby constitute and appoint Susan Johnson, a Vice President of DEUTSCHE BANK TRUST COMPANY AMERICAS, to be its attorney for it, and in its name and as and for its corporate act and deed to acknowledge this Seventy-first Supplemental Indenture before any person having authority by the laws of the Commonwealth of Pennsylvania to take such acknowledgment, to the intent that the same may be duly recorded.

IN WITNESS WHEREOF, PPL ELECTRIC UTILITIES CORPORATION has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President, one of its Vice Presidents or its Treasurer, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, in the City of Allentown, Pennsylvania, and DEUTSCHE BANK TRUST COMPANY AMERICAS has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Principals, Vice Presidents, Trust Officers or Associates, and its corporate seal to be attested by one of its Vice Presidents, Assistant Vice Presidents, Trust Officers or Associates, in The City of New York, as of the day and year first above written.

PPL ELECTRIC UTILITIES CORPORATION
By: /s/James E. Abel
Name: James E. Abel
Title: Treasurer

Attest:

/s/ Diane M. Koch
Assistant Secretary

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DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Susan Johnson
Name: Susan Johnson
Title: Vice President

Attest:

/s/ Dorothy Robinson
Dorothy Robinson
Vice President

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COMMONWEALTH OF PENNSYLVANIA	)
	)ss.:
COUNTY OF LEHIGH	)

On this 22nd day of May, 2003, before me, a notary public, the undersigned, personally appeared JAMES E. ABEL, who acknowledged himself to be the Treasurer of PPL ELECTRIC UTILITIES CORPORATION, a corporation and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Francine A. Greenzweig
Notary Public

NOTARIAL SEAL
FRANCINE A. GREENZWEIG, Notary Public
City of Allentown, Lehigh County, PA
My Commission Expires Oct. 29, 2006

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STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On this 23rd day of May, 2003, before me, a notary public, the undersigned, personally appeared Susan Johnson, who acknowledged herself to be a Vice President of DEUTSCHE BANK TRUST COMPANY Americas, a corporation and that she, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

/s/ Annie Jaghatspanyan
Notary Public

Annie Jaghatspanyan
Notary Public, State of New York
No. 01JA6062022
Qualified in New York County
Commission Expires July 30, 2005

Deutsche Bank Trust Company Americas hereby certifies that its precise name and address as Trustee hereunder are:

DEUTSCHE BANK TRUST COMPANY AMERICAS

Corporate Trust and Agency Services
60 Wall Street, MS NYC60-2515
New York, New York 10005

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Susan Johnson
Name:Susan Johnson
Title:Vice President

Exhibit 10(d)

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PPL ELECTRIC UTILITIES CORPORATION

TO

JPMORGAN CHASE BANK,
(formerly known as The Chase Manhattan Bank)
Trustee

Supplemental Indenture No. 3
Dated as of May 1, 2003

Supplemental to the Indenture
dated as of August 1, 2001

Establishing Terms of

Senior Secured Bonds, 4.30% Series due 2013

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SUPPLEMENTAL INDENTURE NO. 3

SUPPLEMENTAL INDENTURE No. 3, dated as of the 1st day of May, 2003 made and entered into by and between PPL ELECTRIC UTILITIES CORPORATION, a corporation of the Commonwealth of Pennsylvania, whose address is Two North Ninth Street, Allentown, Pennsylvania 18101 (hereinafter sometimes called the "Company"), and JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank), a New York banking corporation, whose address is 4 New York Plaza, 15 thFloor, New York, New York 10004 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of August 1, 2001 (hereinafter called the "Original Indenture"), this Supplemental Indenture No. 3 being supplemental thereto. The Original Indenture and any and all indentures and instruments supplemental thereto are hereafter sometimes collectively called the "Indenture."

RECITALS OF THE COMPANY

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities.

The Company has heretofore executed and delivered to the Trustee Supplemental Indentures for the purposes recited therein and for the purpose of creating series of securities as set forth in Schedule A hereto.

Pursuant to Article Three of the Original Indenture, the Company has established a fourth series of Securities, such series of Securities to be hereinafter sometimes called "Securities of the Fourth Series."

As contemplated in Section 301 of the Original Indenture, the Company wishes to establish the designation and certain terms of the Securities of the Fourth Series. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 3 to establish the designation and certain terms of the Securities of the Fourth Series and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 3 a valid agreement of the Company, and to make the Securities of the Fourth Series valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 3 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders of the Securities of the Fourth Series, as follows:

ARTICLE ONE
Fourth Series Of Securities

SECTION 101. The Securities of the Fourth Series shall be designated Senior Secured Bonds, 4.30% Series due 2013, and shall have the terms provided therefor in this Article One of this Supplemental Indenture No. 3, shall be limited in aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture) to $100,000,000, and shall have such terms as are hereby established for such Securities of the Fourth Series as contemplated in Section 301 of the Original Indenture. The form or forms and additional terms of the Securities of the Fourth Series shall be established in an Officer's Certificate of the Company, as contemplated by Section 201 of the Original Indenture.

SECTION 102. Covenants.

So long as any Securities of the Fourth Series shall remain Outstanding, each of the following shall be an additional covenant of the Company under the Indenture:

(a)The Company shall not declare any dividends on its shares of common stock or commit to make any other distribution on its shares of common stock (other than dividends and distributions payable in shares of its common stock), or purchase or redeem any shares of its common stock, other than with the proceeds of additional common stock financing (each such payment or distribution or purchase, a "Restricted Payment"), if and for so long as the average of the Interest Coverage Ratios for the four most recently ended fiscal quarters immediately preceding the date of declaration of any such Restricted Payment falls below 1.5. The Company shall not declare any cash dividend on shares of its common stock, or otherwise commit to making any other Restricted Payment, unless such dividend or other Restricted Payment is payable within 120 days of the date of declaration or other commitment.

(b)If the Company receives a Dividend Notice from the Independent Administrator, the Company shall not make any Restricted Payment until such time as the Company has delivered to the Independent Administrator an Exceptions Opinion, a Materiality Certificate, or a Correction Notice (in each case, as such terms are defined in the Compliance Administration Agreement), as contemplated by Section 10(d) of the Compliance Administration Agreement.

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(c)If and for so long as the average of the Interest Coverage Ratios for the four consecutive fiscal quarters immediately preceding any date of determination falls below 1.5, the Company shall initiate a filing for rate relief with the Pennsylvania Public Utility Commission ("PUC") within 90 days, unless the Company is not eligible for such rate relief under applicable law, regulation or orders or policies of the PUC then in effect.

(d)The Company will not issue additional Securities (other than (i) Securities issued to refund Outstanding Securities, outstanding bonds issued under the PPL 1945 Mortgage, or any other Class A Bonds and (ii)Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 506 or 1306 of the Indenture), unless the Company shall have received Rating Agency Confirmations from each applicable Rating Agency, each to the effect that the issuance of such additional Securities will not result in the reduction or withdrawal of the ratings on the Outstanding Securities of the Fourth Series below the lower of (x) such Rating Agency's rating on such Outstanding Securities then in effect or (y) such Rating Agency's Threshold Rating.

(e)The Company shall not, subject to the requirements of applicable law, regulation and policies of applicable regulatory bodies, engage in any business, either directly or through subsidiaries of the Company, other than its electric transmission and distribution businesses and businesses related to or arising out of the electric transmission and distribution businesses.

(f)The Company will not consolidate with or merge with or into, or convey or otherwise transfer, or lease, as or substantially as an entirety, its Electric Utility Property to any Person, unless:

(i)the provisions of Section 1201 of the Indenture are complied with;

(ii)immediately after giving effect to such transaction, the Consolidated Net Worth of the Company or the Successor Company, as the case may be, is not less than that of the Company immediately prior to the transaction; and

(iii)the Company shall have received Rating Agency Confirmations from each applicable Rating Agency, each to the effect that the merger, consolidation or other transaction will not result in the reduction or withdrawal of the ratings on the Outstanding Securities of the Fourth Series below the lower of (x) such Rating Agency's rating on such Outstanding Securities then in effect or (y) such Rating Agency's Threshold Rating.

(g)The Company will not acquire tangible electric transmission and distribution assets of any other electric transmission and distribution company having a value in excess of 20% of the total assets of the Company and its consolidated subsidiaries as shown on the Company's most recent audited consolidated balance sheet unless the Company shall have received Rating Agency Confirmations from each applicable Rating Agency, each to the effect that the acquisition will not result in the reduction or withdrawal of the ratings on the Outstanding Securities of the Fourth Series below the lower of (x) such Rating Agency's rating on such Outstanding Securities then in effect or (y) such Rating Agency's Threshold Rating.

(h)After the date of the first authentication of Securities of the Fourth Series, the Company shall not issue additional Class A Bonds under the PPL 1945 Mortgage except for Class A Bonds (i) to replace mutilated, destroyed, lost or stolen Class A Bonds of the same series or to effect transfers, exchanges, or partial redemptions, payments or retirements of Class A Bonds; (ii) to be delivered to the Trustee under the Indenture; or (iii) to refund or refinance outstanding Class A Bonds.

(i)The Securities of the Fourth Series shall have the benefit of the covenant of the Company contained in Section 707 of the Indenture.

(j)The Company will comply in all material respects with Articles X and XI of its Amended and Restated Articles of Incorporation and Article IX of its Bylaws, in each case as such documents may be amended from time to time in accordance with the terms thereof.

(k)The Company will not solicit its affiliates to obtain, or accept from any of its affiliates, any guarantee by such affiliate of any obligation of the Company.

(l)The Company shall notify the Holders of the Securities of the Fourth Series of the discharge of the Lien of the Indenture pursuant to Section 1811 of the Original Indenture promptly after the recording of the instruments of discharge executed by the Trustee.

SECTION 103. Release of Mortgaged Property.

So long as any Securities of the Fourth Series shall remain Outstanding, any Officer's Certificate delivered pursuant to Section 1803(b) of the Original Indenture shall also state that (except in any case where a Governmental Authority has lawfully ordered the Company to divest itself of such property) such release is, in the judgment of the signers, desirable in the conduct of the business of the Company.

SECTION 104. Additional Condition to Release Date.

So long as any Securities of the Fourth Series shall remain Outstanding, it shall be a condition to the occurrence of the Release Date under Section 1811 of the Original Indenture, that the Company deliver to the Trustee Rating Agency Confirmations from each applicable Rating

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Agency, each to the effect that the discharge of the Lien of the Indenture will not result in the reduction or withdrawal of the ratings on the Outstanding Securities of the Fourth Series below the lower of (x) such Rating Agency's rating on such Outstanding Securities then in effect or (y) such Rating Agency's Threshold Rating.

SECTION 105. Events of Default.

So long as any Securities of the Fourth Series shall remain Outstanding, the occurrence and continuation of the following shall be an additional Event of Default under the Indenture: the Trustee shall receive a Noncompliance Notice from the Independent Administrator under the Compliance Administration Agreement, unless and until the Independent Administrator shall have informed the Trustee that such Noncompliance Notice is no longer in effect.

In the absence of actual receipt of a Noncompliance Notice as provided in this Section 105, nothing herein shall be deemed to charge the Trustee with knowledge of any failure by the Company or the Independent Administrator to comply with the Compliance Administration Agreement, or with any duty to inquire as to the Company's or the Independent Administrator's compliance therewith.

SECTION 106.Definitions. For purposes of this Article One,

" **Compliance Administration Agreement** " shall mean that Compliance Administration Agreement between the Company and Global Securitization Services, LLC, as Independent Administrator as such agreement shall be amended or supplemented from time to time.

" **Consolidated Net Worth** " shall mean, with respect to any Person, the excess of such Person's consolidated assets over its consolidated liabilities, determined in accordance with generally accepted accounting principles;

" **Dividend Notice** " shall mean a notice from the Independent Administrator as contemplated by Section 10(d) of the Compliance Administration Agreement.

" **Funds from Operation** " means for any period with respect to the Company and its consolidated subsidiaries, the aggregate amount of consolidated net income of the Company and its consolidated subsidiaries (x) *plus* deferred income taxes, depreciation and amortization expense, preferred dividends, extraordinary expense items, any non-recurring or non-cash charges to net income (whether or not an extraordinary item) and any expense associated with intangible transition charges, and (y) *minus* any deferred investment tax credit, any extraordinary revenue items and any income associated with intangible transition charges, all computed in accordance with generally accepted accounting principles in effect on the date of original issue of the Securities of the Fourth Series;

" **Gross Interest Expense** " means for any period, the interest expense on indebtedness of the Company and its consolidated subsidiaries minus any interest expense associated with intangible transition debt;

" **Independent Administrator** " shall mean, initially, Global Securitization Services, LLC, as Administrator under the Compliance Administration Agreement, and its successors in such capacity from time to time.

" **Interest Coverage Ratio** " means the ratio of (i) the sum of Funds from Operation plus Gross Interest Expense to (ii) Gross Interest Expense;

" **Noncompliance Notice** " shall mean a notice from the Independent Administrator as contemplated by Section 11(a) of the Compliance Administration Agreement.

" **Rating Agency** " shall mean any of Fitch, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P"), and, in each case, its respective successors and assigns, or absent a successor to any such Rating Agency, or if such entity shall cease to rate Securities of the Fourth Series, such other nationally recognized statistical rating organization as may be selected by the Company and designated a Rating Agency with respect to the Securities of the Fourth Series. Notwithstanding any provision of the Indenture, if any Rating Agency ceases to exist or to rate Securities of the Fourth Series, the Company may, but shall not be required to, so designate another nationally recognized statistical rating organization as a Rating Agency with respect to the Securities of the Fourth Series.

" **Rating Agency Confirmations** " shall mean written evidence of the ratings on the Securities of the Fourth Series of each of the three Rating Agencies; provided that if any of such Rating Agencies ceases to exist or to rate Securities of the Fourth Series, "Rating Agency Confirmations" shall mean the written evidence of the ratings on the Securities of the Fourth Series by any remaining Rating Agency or Rating Agencies.

" **Restricted Payment** " shall have the meaning set forth in Section 102; and

"Threshold Rating" shall mean, with respect to Securities of the Fourth Series, A- in the case of Fitch, A3 in the case of Moody's, and A- in the case of S&P, or, in each case, the equivalent rating if any such Rating Agency shall change its rating designations.

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SECTION 107. Satisfaction and Discharge. The Company hereby agrees that, if the Company shall make any deposit of money and/or Eligible Obligations with respect to any Securities of the Fourth Series, or any portion of the principal amount thereof, as contemplated by Section 801 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 801 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(a)an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of such Securities, shall retain the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 801), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Securities or portions thereof, all in accordance with and subject to the provisions of said Section 801; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(b)an Opinion of Counsel to the effect that the Holders of such Securities, or portions of the principal and amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

SECTION 108.Trustee to Hold Class A Bonds In New York. So long as any Securities of the Fourth Series remain Outstanding, the Trustee shall hold in the State of New York all Class A Bonds delivered to and to be held by it pursuant to Sections 1602 and 1701 of the Indenture; provided that the Trustee may hold such Class A Bonds in another jurisdiction if it receives an Opinion of Counsel to the effect that the perfection and priority of the security interest, if any, created by the last sentence of such Section 1701 will continue in such other jurisdiction and notifies the Company of such change in jurisdiction.

ARTICLE TWO
Miscellaneous Provisions

SECTION 201. This Supplemental Indenture No. 3 is a supplement to the Indenture. As supplemented by this Supplemental Indenture No 3, the Indenture is in all respects ratified, approved and confirmed, and the Indenture and this Supplemental Indenture No. 3 shall together constitute the Indenture.

SECTION 202. The recitals contained in this Supplemental Indenture No. 3 shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness and makes no representations as to the validity or sufficiency of this Supplemental Indenture No. 3.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 3 to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first written above.

PPL ELECTRIC UTILITIES CORPORATION
By: /s/James E. Abel
Name: James E. Abel
Title: Treasurer

Attest:

/s/ Diane M. Koch
Assistant Secretary

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JPMORGAN CHASE BANK

By: /s/ Alfia Monastra
Name: Alfia Monastra
Title: Vice President

Attest:

/s/ Sonja Egge
Sonja Egge
Assistant Vice President

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COMMONWEALTH OF PENNSYLVANIA	)
	)ss.:
COUNTY OF LEHIGH	)

On this 22nd day of May, 2003, before me, a notary public, the undersigned, personally appeared James E. Abel, who acknowledged himself to be the Treasurer of PPL ELECTRIC UTILITIES CORPORATION, a corporation of the Commonwealth of Pennsylvania and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.

/s/ Francine A. Greenzweig
Notary Public

NOTARIAL SEAL
FRANCINE A. GREENZWEIG, Notary Public
City of Allentown, Lehigh County, PA
My Commission Expires, October 29, 2006

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STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On this 23rd day of May, 2003, before me, a notary public, the undersigned, personally appeared Alfia Monastra, who acknowledged herself to be a Vice President of JPMORGAN CHASE BANK, a corporation and that she, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: /s/ James M. Foley
Notary Public

JAMES M. FOLEY NO. 01FO6348400
Notary Public, State of New York
Qualified in New York County
My Commission Expires Aug. 31, 2006

JPMorgan Chase Bank, hereby certifies that its precise name and address as Trustee hereunder are:

JPMorgan Chase Bank
Institutional Trust Services
4 New York Plaza, 15 th Floor
New York, New York 10004
Attn: International/Project Finance Group

JPMORGAN CHASE BANK

By: /s/ Sonja Egge
Assistant Vice President

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SCHEDULE A

Supplemental Indenture No.	Dated as of	Series	Series Designation	Principal Amount Authorized	Principal Amount Issued	Principal Amount Outstanding [1]
1	August 1, 2001	First	Senior Secured Bonds, 5 7/8% Series due 2007	$ 300,000,000	$ 300,000,000	$ 300,000,000
1	August 1, 2001	Second	Senior Secured bonds, 6 1/4% Series due 2009	$ 500,000,000	$ 500,000,000	$ 500,000,000
2	February 1, 2003	Third	Senior Secured Bonds, 3.125% Pollution Control Series due 2008	$ 90,000,000	$ 90,000,000	$ 90,000,000

[1] As of May 1, 2003.

Exhibit 10(e)

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$300,000,000

THREE-YEAR CREDIT AGREEMENT

dated as of June 24, 2003

among

PPL ENERGY SUPPLY, LLC,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent and Issuing Lender,

BARCLAYS BANK PLC

and

CITIBANK, N.A.,
as Co-Syndication Agents,

WACHOVIA SECURITIES, INC.

and

BARCLAYS CAPITAL,
as Co-Lead Arrangers,

and

JPMORGAN CHASE BANK

and

BANK ONE, N.A.,
as Co-Documentation Agents

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CREDIT AGREEMENT (this "Agreement") dated as of June 24, 2003 among PPL ENERGY SUPPLY, LLC, the LENDERS party hereto from time to time, WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent and Issuing Lender, BARCLAYS BANK PLC AND CITIBANK, N.A., as Co-Syndication Agents, WACHOVIA SECURITIES, INC. and BARCLAYS CAPITAL (the investment banking division of Barclays Bank PLC), as Co-Lead Arrangers, and JPMORGAN CHASE BANK and Bank One, N.A., as Co-Documentation Agents.

PPL ENERGY SUPPLY, LLC, a Delaware limited liability company (together with its successors, the "Borrower"), has requested and the Lenders (as hereinafter defined) have agreed to provide credit facilities to the Borrower in an aggregate principal amount of up to $300,000,000 for the purposes and on the terms and conditions set out in this Agreement.

ARTICLE 1
DEFINITIONS

Section 1.01 Definitions . All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Additional Letter of Credit " means any letter of credit issued under this Agreement by Wachovia Bank, National Association, as Issuing Lender, on or after the Closing Date.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wachovia Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliates " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Co-Syndication Agents, the Co-Lead Arrangers or the Co-Documentation Agents, and "Agents" means any two or more of them.

" Agreement " means this Credit Agreement, as amended, restated supplemented or modified from time to time.

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.06(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.06(b), the appropriate applicable percentage set forth below corresponding to the then current highest Borrower's Ratings; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Borrower's Ratings (S&P/Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees
Category A:	A-/A3 or higher	.150%	0%	.625%
Category B	BBB+/Baa1	.175%	0%	.750%
Category C:	BBB/Baa2	.200%	0%	.875%
Category D:	BBB-/Baa3	.275%	.125%	1.125%
Category E:	BB+/Ba1 or lower or unrated	.325%	.500%	1.500%

" Applicable Utilization Fee " means on any day the appropriate applicable percentage set forth below corresponding to (a) the percentage of the aggregate of the Lenders' Revolving Commitments outstanding represented by the aggregate Loans plus the aggregate Letter of Credit Liabilities outstanding on such day and (b) the then current highest Borrower Rating; provided , that, in the event a rating differential of more

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than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Ratings (S&P/Moody's)	Usage ≥ 33% of Total Commitments
Category A	A-/A3 or higher	.125%
Category B	BBB +/Baa1	.125%
Category C	BBB/Baa2	.250%
Category D	BBB -/Baa3	.250%
Category E	BB +/Ba1 or lower or unrated	.250%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Closing Date to but excluding the Revolving Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means a Loan in respect of which interest is computed on the basis of the Base Rate plus the Applicable Percentage, if any, with respect to Base Rate Loans.

" Borrower " is defined in the Recital.

" Borrower's Rating " means the senior unsecured long-term debt rating of the Borrower from Moody's or S&P.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further , that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

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" Closing Date " means the date, not later than June 24, 2003, on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

" Co-Documentation Agents " means JPMorgan Chase Bank and Bank One, N.A., in their capacity as co-documentation agents for the Lenders under this Agreement and under the other Loan Documents, and their respective successors in such capacity.

" Co-Lead Arrangers " means Wachovia Securities, Inc. and Barclays Capital (the investment banking division of Barclays Bank PLC), in their capacities as co-lead arrangers for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Co-Syndication Agents " means Barclays Bank PLC and Citibank, N.A., in their capacities as co-syndication agents for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Commitment " means, with respect to any Lender, the commitment of such Lender to make Revolving Loans under this Agreement as set forth in the Commitment Appendix and to purchase participations in Letters of Credit pursuant to Article III hereof.

" Commitment Appendix " means the Appendix attached under this Agreement identified as such.

" Commitment Fee " has the meaning set forth in Section 2.06(a).

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt of the Borrower, (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred stockholders of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding therefrom the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Statement No. 133 in connection with forward contracts, futures contracts or other derivatives or commodity hedging agreements for the future delivery of electricity or capacity), (C) up to an aggregate amount of $100,000,000 of Hybrid Preferred Securities and (D) up to an aggregate amount of $100,000,000 of Equity-Linked Securities, except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareholder equity attributable to assets securing Non-Recourse Debt.

" Consolidated Cash Interest Expense " means, for any period, the amount of Consolidated Interest Expense actually paid in cash.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a)Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and (b)Consolidated Debt of the Borrower shall exclude (i) up to an aggregate amount of $100,000,000 of Hybrid Preferred Securities and (ii) up to an aggregate amount of $100,000,000 of Equity-Linked Securities.

" Consolidated Funds From Operations " means, for any period (a) Consolidated Net Income for such period, plus (b) Consolidated Interest Expense, plus (c) the amount of each non-cash item added to net income in determining Consolidated Operating Cash Flow for such period (including, without limitation, any non-cash item of expense, charge, provision or loss, but excluding any amounts added in respect of changes in current asset accounts and current liability accounts), minus (d) the amount of each non-cash item subtracted from net income in determining Consolidated Operating Cash Flow for such period (including, without limitation, any non-cash item of revenue, gain or income, but excluding any amounts subtracted in respect of changes in current asset accounts and current liability accounts).

" Consolidated Interest Expense " means, for any period, the gross interest expense (including, without limitation, that attributable to Capital Leases Obligations or a Synthetic Lease) of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period. For purposes of the foregoing, gross interest expense shall be determined after giving effect to any net payments made or received by the Borrower with respect to Interest Rate Protection Agreements, but without giving effect to the write-off of expenses associated with the termination of Interest Rate Protection Agreements.

" Consolidated Net Income " means, for any period, the net income (or net loss) of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis for such period.

" Consolidated Operating Cash Flow " means, for any period, the Borrower's net cash provided (used in) operating activities, as determined in accordance with GAAP and reflected in the Borrower's consolidated statement of cash flows in the Borrower's consolidated financial statements delivered to each of the Lenders pursuant to Section 6.01, and any corresponding measure of net cash provided (used in) operating activities as the Borrower may provide in any future consolidated financial statements to be delivered to each of the Lenders pursuant to Section 6.01.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.07(b), a Lender which is not a Retiring Lender, and "Continuing

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Lenders" means any two or more of such Continuing Lenders.

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person with respect to deposits or advances of any kind, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) all Guarantees by such Person of Debt of others, (v) all Capital Lease Obligations and Synthetic Leases of such Person, (vi) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof) and (vii) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Disclosure Qualification " means that (i) no representation, warranty or covenant is made with respect to any information concerning the Agent, any Lender any other lender or collateral agent, any direct or indirect members of, or any Affiliates or agents or other representatives of any of the foregoing, (ii) no representation, warranty or covenant is made with respect to the terms or effects of or any Person's (other than the Borrower's) rights or obligations under any agreement or document and (iii) any representation, warranty or covenant that is stated to be subject to the Disclosure Qualification in any materials provided to Lenders is subject to the foregoing clauses (i) to (ii) and to the additional qualifications, assumptions and disclaimers set forth in such materials.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date this Agreement becomes effective in accordance with Section 9.08.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided , that such bank is acting through a branch or agency located and licensed in the United States; or (iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided, that upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries, whether vested or unvested, contingent or fixed, actual or potential, which arise under or relate to matters covered by Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not

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incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " means the $300,000,000 364-Day Revolving Credit Agreement dated as of June 25, 2002 among the Borrower, Wachovia Bank, National Association, as Administrative Agent and Issuing Lender, Citibank, N.A., as Syndication Agent, Wachovia Securities and Citigroup Global Markets, Inc. (successor to Salomon Smith Barney, Inc.), as Co-Lead Arrangers, Bank One, N.A., Barclays Bank PLC and JPMorgan Chase Bank, as Documentation Agents, and the lenders from time to time party thereto, as amended through the date hereof.

" Existing Debt " means the Debt outstanding on the Closing Date and listed on Schedule 6.14 hereto.

" Existing Letters of Credit " means the letters of credit issued before the Closing Date pursuant to the Existing Credit Agreement and listed in attached Schedule 3.01, and "Existing Letter of Credit" means any one of them.

" Existing Synthetic Lease Financing " means each of the following lease financings existing as of the date hereof, regardless of whether such financing constitutes a "Synthetic Lease" within the meaning of this Agreement: (i) the Lower Mount Bethel project and (ii) the lease financing involving PPL Large Scale Distributed Generation II, LLC.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the letter designated as such dated as of May 7, 2003 by the Administrative Agent and Wachovia Securities, as Co-Lead Arranger and Joint Book Manager, addressed to and acknowledged and agreed to by the Borrower.

" Financial Projections " means (a) any forward looking statement (within the meaning of the Securities Act of 1933 and the rules and regulations thereunder) and (b) any "prospective financial statement, financial forecast or financial projection" (as defined in guidelines published by the American Institute of Certified Public Accountants).

" Foreign Subsidiary " means a Subsidiary which is not formed under the laws of the United States or any territory thereof.

" Fronting Fee " has the meaning set forth in Section 2.06(b).

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

" Group of Loans " means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time or (ii) all Loans

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which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.14 or 2.17, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

" Guarantee " of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Hybrid Preferred Securities " means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, in each case similar to PPL Electric Utilities Corporation's existing Trust Preferred Securities (TOPrS), issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i)all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii)substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

" Indemnitee " has the meaning set forth in Section 9.03(b).

" Interest Period " means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided , that:

(i)any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii)any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month;

(iii)if any Interest Period includes a date on which a payment of principal of the Loans is required (based on circumstances existing at the first day of such Interest Period) to be made under Section 2.08 but does not end on such date, then (x) the principal amount (if any) of each Euro-Dollar Loan required to be repaid on such date shall have an Interest Period ending on such date and (y) the remainder (if any) of each such Euro-Dollar Loan shall have an Interest Period determined as set forth above; and

(iv)no Interest Period shall end after the Revolving Termination Date.

" Interest Rate Protection Agreements " means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

" Internal Revenue Code " means the Internal Revenue Code of 1986, as amended, or any successor statute.

" Issuing Lender " means (i) Wachovia Bank, National Association, in its capacity as an issuer of Letters of Credit under Section 3.02, and its successor or successors in such capacity and (ii) each Lender listed in Schedule 3.01 hereto as the issuer of an Existing Letter of Credit.

" Lender " means each bank or other lending institution listed in the Commitment Appendix as having a Revolving Commitment, each Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require and each Issuing Lender in such capacity.

" Lender Default " means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit which in either case it is obligated to make available under the terms and conditions of this Agreement or (ii) a Lender having notified the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

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" Letter of Credit " means an Existing Letter of Credit or an Additional Letter of Credit, and "Letters of Credit" means any combination of the foregoing.

" Letter of Credit Commitment " means the lesser of (i) $150,000,000 and (ii) the aggregate Revolving Commitment.

" Letter of Credit Fee " has the meaning set forth in Section 2.06(b).

" Letter of Credit Liabilities " means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) the quotient derived by dividing such Lender's Revolving Commitment by the aggregate of the Revolving Commitments of all Revolving Lenders.

" Letter of Credit Request " has the meaning set forth in Section 3.03.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a Base Rate Loan or a Euro-Dollar Loan, and "Loans" means any combination of the foregoing.

" Loan Documents " means this Agreement and the Revolving Notes, collectively.

" London Interbank Offered Rate " means, for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , if more than one rate is specified on Telerate page 3750, the applicable rate shall be the arithmetic means of all such rates. If for any reason such rate is not available, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period of time comparable to such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason the London interbank offered rate is not available on either Telerate page 3750 or Reuters Screen LIBO Page, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum at which deposits in Dollars are offered to Wachovia Bank, National Association in the London interbank market at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wachovia Bank, National Association to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

" Mandatory Letter of Credit Borrowing " has the meaning set forth on Section 3.09

" Margin Stock " means "margin stock" as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Revolving Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Revolving Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Revolving Notes) of the Borrower and/or one or more of its Restricted Subsidiaries in an a principal or face amount exceeding $40,000,000.

" Material Plan " means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $25,000,000.

" Moody's " means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Multiemployer Plan " means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

" New Lender " means with respect to any event described in Section 2.07(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

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" Non-Defaulting Lender " means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

" Non-Recourse Debt " shall mean Debt that is nonrecourse to the Borrower or any Restricted Subsidiary.

" Non-U.S. Lender " has the meaning set forth in Section 2.16(e).

" Notice of Borrowing " has the meaning set forth in Section 2.02.

" Notice of Conversion/Continuation " has the meaning set forth in Section 2.05(d)(ii).

" Obligations " means:

(i)all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Revolving Note issued pursuant to, this Agreement or any other Loan Document;

(ii)all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant this Agreement or any other Loan Document;

(iii)all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv)all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

" Other Taxes " has the meaning set forth in Section 2.16(b).

" Parent " means PPL Corporation, a Pennsylvania corporation, and its successors.

" Participant " has the meaning set forth in Section 9.06(b).

" PBGC " means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the date hereof, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wachovia Bank, National Association in Charlotte, North Carolina from time to time as its Prime Rate.

" Quarterly Date " means the last Business Day of each March, June, September and December.

" Refinanced Agreements " means the Existing Credit Agreement and all instruments, documents and agreements relating thereto, in all cases as in effect on the Closing Date.

" Register " has the meaning set forth in Section 9.06(e).

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" Regulation D " means Regulation D of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.07(b).

" Replacement Lender " has the meaning set forth in Section 2.07(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Revolving Commitments of all Non-Defaulting Lenders or, if the Revolving Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Restricted Subsidiary " means each Subsidiary listed on Schedule 5.12 and each other Subsidiary designated by the Borrower as a "Restricted Subsidiary" in writing to the Administrative Agent; provided , that, each Restricted Subsidiary shall be a direct Wholly-Owned Subsidiary of the Borrower or a direct Wholly-Owned Subsidiary of a Restricted Subsidiary.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.07(b).

" Revolving " means, when used with respect to (i) a Lender's Commitment, such Lender's Revolving Commitment, as such Revolving Commitment may be reduced from time to time pursuant to Sections 2.07, 2.08 or 9.06(c) or increased from time to time pursuant to Section 9.06(c), (ii) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, or a Mandatory Letter of Credit Borrowing, (iii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be, and (iv) a Revolving Note, a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's outstanding Letter of Credit Liabilities.

" Revolving Termination Date " means June 24, 2006 (or, if such day is not a Business Day, the next preceding Business Day) or such earlier date upon which the Revolving Commitments shall have been terminated in their entirety in accordance with this Agreement.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Special Purpose Subsidiary " means any Wholly-Owned Subsidiary (regardless of the form of organization) of the Borrower formed solely for the purpose of, and which engages in no other activities except those necessary for, effecting financings related to Synthetic Leases.

" Standby Letter of Credit " has the meaning set forth in Section 3.02.

" Subsidiary " means, any Corporation a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.16(a).

" Type ", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA,

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exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

" Wachovia Securities " means Wachovia Securities, Inc., and its successors and assigns.

" Wholly-Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) are at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01 Commitments to Lend . Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Revolving Commitment; provided , that, immediately after giving effect to each such Revolving Loan, the aggregate Revolving Outstandings of all Lenders shall not exceed the aggregate amount of the Revolving Commitments of all Lenders. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments) and shall be made from the several Lenders ratably in proportion to their respective Revolving Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.09, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02 Notice of Borrowings . The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a "Notice of Borrowing") not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i)the date of such Borrowing, which shall be a Business Day;

(ii)the aggregate amount of such Borrowing;

(iii)the initial Type of the Loans comprising such Borrowing; and

(iv)in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than 6 Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.03 Notice to Lenders; Funding of Loans .

(a) *Notice to Lenders* . Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) *Funding of Loans* . Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of Revolving Loans available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing.

(c) *Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders* . Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the

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Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.05, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) *Obligations of Lenders Several* . The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.04 Noteless Agreement; Evidence of Indebtedness.

(a)Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b)The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c)The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; provided , however , that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d)Any Lender may request that its Revolving Loans be evidenced by a Revolving Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Revolving Note payable to the order of such Lender. Thereafter, the Revolving Loans evidenced by such Revolving Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(b)) be represented by one or more Revolving Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(b), except to the extent that any such Lender or assignee subsequently returns any such Revolving Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.05 Interest Rates .

(a) I *nterest Rate Options* . The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) *Base Rate Loans* . Each Loan which is made as, or converted into, a Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage, if any, for Base Rate Loans for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) *Euro-Dollar Loans* . Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day plus the Applicable Utilization Fee for such day, if any; provided , that if any Euro-Dollar Loan or any portion thereof shall, as a result of clause (iii) of the definition of Interest Period, have an Interest Period of less than one month, such portion shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day plus (C) the Applicable Utilization Fee, if any, (or, if the circumstance described in Section 2.13 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

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(d)Method of Electing Interest Rates.

(i)Subject to Section 2.05(a), the Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default or Event of Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided , that in each case that the amount so converted shall be equal to $10,000,000 or any larger multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default or Event of Default is in existence on the date of continuation, to continue all or any portion of such Loans equal to $10,000,000 and any larger multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause (A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.17.

(ii)The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three Business Days before the date of the proposed conversion to, or continuation of, a Euro-Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) *Determination and Notice of Interest Rates* . The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.06 Fees .

(a) *Commitment Fees* . The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Revolving Commitment exceeds the sum of its Revolving Outstandings on such day, and shall be payable on the last day of each March, June, September and December and on the Revolving Termination Date.

(b) *Letter of Credit Fees* . The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day plus the Applicable Utilization Fee for such day, if any. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of .125% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the Revolving Termination Date upon which no Letters of Credit remain outstanding. In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) *Payments* . Except as otherwise provided in this Section 2.06, accrued fees under this Section 2.06 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.07 Adjustments of Commitments .

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(a) *Optional Termination or Reductions of Commitments (Pro-Rata)* . The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Revolving Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $5,000,000, the aggregate amount of the Revolving Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Revolving Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) *Optional Termination of Commitments (Non-Pro-Rata)* . If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.13, 2.14, 2.15 or 2.16, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.14 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a "Retiring Lender"), the Borrower shall have the right, if no Default or Event of Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a "Replacement Lender" and, collectively, the "Replacement Lenders") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.07(b) shall be effective on the tenth Business Day (the "Replacement Date") following the date of notice of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i)the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06(c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender(s) shall pay:

(A)to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B)to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii)the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder, and the Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, upon express written consent of a majority of the Continuing Lenders, the Borrower shall have the right to terminate the Revolving Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Letter of Credit Liabilities held by the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.11, 2.15, 2.16 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

Section2.08 Maturity of Loans; Mandatory Prepayments .

(a)Scheduled Repayments and Prepayments of Loans; Overline Repayments.

(i)The Revolving Loans shall mature on the Revolving Termination Date, and any Revolving Loans or Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.08(a)(ii), on such date.

(ii)If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Revolving Commitments, the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon), such date an aggregate principal amount of Loans equal to such excess. If the outstanding Revolving Loans have been repaid in full or the Revolving Termination Date shall have occurred and any Letter of Credit Liabilities remain outstanding, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing in a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent such amounts as are necessary so that, after giving effect to the repayment of Revolving Loans and the cash collateralization of Letter of Credit Liabilities pursuant to this subsection, the aggregate

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Revolving Outstandings do not exceed the aggregate amount of the Revolving Commitments. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.08(a)(ii).

(b)Applications of Prepayments and Reductions.

(i)Each prepayment of Loans pursuant to this Section 2.08 shall be applied ratably to the respective Loans of all of the Lenders.

(ii)Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii)Each payment of the Loans shall be applied to such Group or Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.09 Optional Prepayments and Repayments .

(a) *Prepayments of Loans* . The Borrower may (i) upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) *Notice to Lenders* . Upon receipt of a notice of prepayment pursuant to this Section 2.09(b), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.10 General Provisions as to Payments .

(a) *Payments by the Borrower* . The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) *Distributions by the Administrative Agent* . Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.11 Funding Losses . If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.17 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.11) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.05(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, the Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided , that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.12 Computation of Interest and Fees . Interest on Loans based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.13 Basis for Determining Interest Rate Inadequate, Unfair or Unavailable . If on or prior to the first day of any Interest Period

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for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Revolving Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.14 Illegality . If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.15 Increased Cost and Reduced Return .

(a) *Increased Costs* . If after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, its Revolving Notes, its obligation to make Euro-Dollar Loans or its obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Revolving Notes with respect thereto, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(b) *Capital Adequacy* . If any Lender shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(c) *Notices* . Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such

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amount, such Lender may use any reasonable averaging and attribution methods.

Section 2.16 Taxes .

(a) *Payments Net of Certain Taxes* . Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, and (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.16(a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) *Other Taxes* . In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Revolving Note or any other Loan Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement, any Revolving Note or any other Loan Document (collectively, "Other Taxes").

(c) *Indemnification* . The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.16(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.16(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) *Refunds or Credits* . If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.16, it shall within 15 days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided , however , that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) *Tax Forms and Certificates* . On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower, and at any time it changes its Applicable Lending Office, each Lender organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent: (i) two properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Lender or (ii) two properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States. In addition, each Non-U.S. Lender agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-8 BEN or W-8 ECI, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Non-U.S. Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) *Exclusions* . The Borrower shall not be required to indemnify any Non-U.S. Lender or Agent, or to pay any additional amount to any Non-U.S. Lender or Agent, pursuant to Section 2.16(a), (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of

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subsection (e) above.

(g) *Mitigation* . If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.16, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) *Confidentiality* . Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.17 Base Rate Loans Substituted for Affected Euro-Dollar Loans . If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.14 or (b) any Lender has demanded compensation under Section 2.15(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Euro-Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i)all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii)after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal that would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01 Existing Letters of Credit . On the Closing Date, each Issuing Lender that has issued an Existing Letter of Credit shall be deemed, without further action by any party to this Agreement, to have sold to each Lender having a Revolving Commitment, and each such Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Existing Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments.

Section 3.02 Additional Letters of Credit . The Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the 5th day prior to the Revolving Termination Date for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower that are acceptable to the Issuing Lender (each such letter of credit, a "Standby Letter of Credit" and, collectively, the "Standby Letters of Credit"); provided , that, immediately after each Letter of Credit is issued, (A) the aggregate amount of the Letter of Credit Liabilities shall not exceed the Letter of Credit Commitment and (B) the Revolving Outstandings shall not exceed the aggregate amount of the Revolving Commitments.

Section 3.03 Method of Issuance of Letters of Credit . The Borrower shall give the Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Standby Letters of Credit (which shall be a Domestic Business Day) (or such shorter period as may be agreed by the Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by the Issuing Lender, the Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year; provided , that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Revolving Termination Date.

Section 3.04 Conditions to Issuance of Additional Letters of Credit . The issuance by the Issuing Lender of each Additional Letter of Credit

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shall, in addition to the conditions precedent set forth in Article III, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to the Issuing Lender, (ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Lender shall have reasonably requested and (iii) the Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate amount of all Letter of Credit Liabilities will not exceed the Letter of Credit Commitment and (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Revolving Commitments. Notwithstanding any other provision of this Section 3.04, the Issuing Lender shall not be under any obligation to issue any Additional Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Additional Letter of Credit, or any requirement of law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Lender in good faith deems material to it.

Section 3.05 Purchase and Sale of Letter of Credit Participations . Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments (although the Fronting Fee payable under Section 2.06(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to Section 9.06(c), there shall be an automatic adjustment to the participations in all outstanding Letters of Credit and Letter of Credit Liabilities to reflect the adjusted Revolving Commitments of the assigning and assignee Lenders or of all Lenders having Revolving Commitments, as the case may be.

Section 3.06 Drawings under Letters of Credit . Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If the Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07 Reimbursement Obligations . The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which the Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided , that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to the Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08 Duties of Issuing Lenders to Lenders; Reliance . In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for the Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (c), (d) and (e) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in

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order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided , that this sentence shall not affect any rights the Borrower may have against the Issuing Lender or the Lenders that make such request.

Section 3.09 Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings . If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined by the proportion its Revolving Commitment bears to the aggregate Revolving Commitments) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided , however , that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of the Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10 Funds Received from the Borrower in Respect of Drawn Letters of Credit . Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11 Obligations in Respect of Letters of Credit Unconditional . The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a)any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b)any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c)the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d)the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or

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any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e)any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f)payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided , that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g)any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12 Indemnification in Respect of Letters of Credit . The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided , that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of the Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13 ISP98 . The rules of the "International Standby Practices 1998" (the "ISP98") as published by the ICC most recently at the time of issuance of any Standby Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01 Conditions to Closing . The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) *Effectiveness* . This Agreement shall have become effective in accordance with Section 9.08.

(b) *Revolving Notes* . On or prior to the Closing Date, the Administrative Agent shall have received a duly executed Revolving Note for the account of each Lender requesting delivery of a Revolving Note pursuant to Section 2.04.

(c) *Officers' Certificates* . The Administrative Agent shall have received a certificate dated the Closing Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President or the Treasurer of the Borrower stating that (A) on the Closing Date and after giving effect to the Loans and Letters of Credit being made or issued on the Closing Date, no Default or Event of Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Closing Date.

(d) *Proceedings* . On the Closing Date, the Administrative Agent shall have received (i) a copy of the Borrower's certificate of formation certified by the Secretary of State of the State of Delaware; (ii) a certificate of the Secretary of State of the State of Delaware, dated as of a recent date, as to the good standing of the Borrower; and (iii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Closing Date and certifying (A) that attached thereto is a true, correct and complete copy of the limited liability company agreement of the Borrower, (B) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (C) that attached thereto is a true, correct and complete copy of resolutions adopted by the managers of the Borrower authorizing the execution, delivery and performance of the Loan

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Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (D) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) *Opinions of Counsel* . On the Closing Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Closing Date, substantially in the form of Exhibit D-1 hereto and covering such additional matters incident to the transactions contemplated hereby as the Administrative Agent or the Required Lenders may reasonably request.

(f) *Repayment of Refinanced Agreements* . The Administrative Agent shall be satisfied that no later than as of the Closing Date, the commitments under the Refinanced Agreements shall be terminated, all loans outstanding under the Refinanced Agreements shall be repaid in full, together with accrued interest thereon (including, without limitation, any prepayment premium), all letters of credit issued thereunder shall be terminated or shall become Letters of Credit under this Agreement and all other amounts owing pursuant to the Refinanced Agreements shall be repaid in full.

(g) *Financial Statements* . The Administrative Agent and each Lender shall have received and be satisfied with the (i) the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal year ending December 31, 2002, audited by PricewaterhouseCoopers LLP, or other nationally recognized independent public accountants, and containing an opinion of such firm that such financial statements present fairly, in all material respects and in conformity with GAAP, the financial position and results of operations of the Borrower and its Consolidated Subsidiaries, and (ii) unaudited, consolidated, interim financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal quarter ending March 31, 2003.

(h) *Consents* . All necessary governmental (domestic or foreign), regulatory and third party approvals, if any, in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions.

(i) *Borrower's Structure* . The corporate and capital structure of the Borrower and its Subsidiaries, including, without limitation, the Borrower's direct or indirect ownership of the Restricted Subsidiaries, shall be satisfactory to the Administrative Agent in its reasonable discretion.

(j) *Payment of Fees* . All costs, fees and expenses due to the Administrative Agent, the Co-Lead Arrangers and the Lenders on or before the Closing Date shall have been paid.

(k) *Counsel Fees* . The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Mayer, Brown, Rowe & Maw described in Section 9.03 which are billed through the Closing Date.

(l) *Other Materials* . The Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as the Administrative Agent, any Issuing Lender or the Required Lenders may reasonably request, in each case in form and substance satisfactory to the Administrative Agent.

Section 4.02 Conditions to All Credit Events . The obligation of any Lender to make a Loan on the occasion of any Borrowing, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a)the fact that the Closing Date shall have occurred;

(b)receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02, or receipt by the Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(c)the fact that, immediately before and after giving effect to such Credit Event, no Default or Event of Default shall have occurred and be continuing;

(d)the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event (except for the representations in Section 5.12 and Section 5.18, which shall be deemed only to relate to the matters referred to therein on and as of the Closing Date); and

(e)since December 31, 2002, there shall have been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, which materially adversely affects the ability of the Borrower to perform any of its obligations under this Agreement or any other Loan Document.

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Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01 Status . The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the limited liability company authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02 Authority; No Conflict . The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary limited liability company action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its limited liability company agreement, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party.

Section 5.03 Legality; Etc . This Agreement and each other Loan Document (other than the Revolving Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Revolving Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04 Financial Condition .

(a) *Audited Financial Statements.* The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower as of such date and its consolidated results of operations and cash flows for such fiscal year.

(b) *Interim Financial Statements* . The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 2003 and the related unaudited consolidated statements of income and cash flows for the three months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower as of such date and its consolidated results of operations and cash flows for such three-month period (subject to normal year-end audit adjustments).

(c) *Material Adverse Change* . Since December 31, 2002 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents.

Section 5.05 Rights to Properties . The Borrower and its Restricted Subsidiaries have good and valid fee, leasehold, easement or other right, title or interest in or to all the properties necessary to the conduct of their business as conducted on the date hereof and as presently proposed to be conducted, except to the extent the failure to have such rights or interests would not have a Material Adverse Effect.

Section 5.06 Litigation . Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished in writing to the Administrative Agent, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which, if adversely determined, would materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.07 No Violation . No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulation U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.08 ERISA . Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions

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of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.09 Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Revolving Notes and the other Loan Documents to which it is a party, except such authorizations, consents and approvals as have been obtained prior to the Closing Date and are in full force and effect.

Section 5.10 Investment Company Act. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.11 Public Utility Holding Company Act. The Borrower is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.12 Restricted Subsidiaries, Etc. Set forth in Schedule 5.12 hereto is a complete and correct list as of the Closing Date of the Restricted Subsidiaries of the Borrower, together with, for each such Subsidiary, the jurisdiction of organization of such Subsidiary. Except as disclosed in Schedule 5.12 hereto, as of the Closing Date, (i) each such Subsidiary is a Wholly-Owned Subsidiary of the Borrower and (ii) each such Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all corporate or other organizational powers to carry in its businesses as now conducted.

Section 5.13 Tax Returns and Payments. The Borrower and each of its Restricted Subsidiaries has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or its Restricted Subsidiaries, as the case may be, shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.14 Compliance with Laws. To the knowledge of the Borrower or any of its Restricted Subsidiaries, the Borrower and each of its Restricted Subsidiaries is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Revolving Notes or any other Loan Document to which it is a party.

Section 5.15 No Default. No Default or Event of Default has occurred and is continuing.

Section 5.16 Environmental Matters.

(a)Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished to the Administrative Agent in writing, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could result from the matters referred to in clauses (a) through (c), inclusive, would not reasonably be expected to result in a Material Adverse Effect, to the Borrower's or any of its Subsidiaries' knowledge:

(i)no notice, notification, citation, summons, complaint or order has been issued, no complaint has been filed, no penalty has been assessed nor is any investigation or review pending or threatened by any governmental or other entity with respect to any (A) alleged violation by the Borrower or any of its Subsidiaries of any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii)no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii)no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

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(b)To the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c)For purposes of this Section 5.16, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of the Parent.

Section 5.17 Reportable Transactions . The Borrower does not intend to treat any of the transactions contemplated by this Agreement as a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower takes or determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Borrower so notifies the Administrative Agent, or if the Administrative Agent or any Lender determines that the any of the transactions contemplated by this Agreement constitutes a "reportable transaction," the Borrower acknowledges that each such Person may treat its extensions of credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Persons may maintain the lists and other records required by such Treasury Regulation.

Section 5.18 Guarantees . As of the Closing Date, except as set forth in Schedule 5.18 hereto, the Borrower has no Guarantees of any Debt of any Foreign Subsidiary of the Borrower other than such Debt not in excess of $25,000,000 in the aggregate.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Revolving Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01 Information . The Borrower will deliver or cause to be delivered to each of the Lenders:

(a) *Annual Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) *Quarterly Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) *Officer's Certificate* . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Sections 6.12 and 6.13 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) *Default* . Forthwith upon acquiring knowledge of the occurrence of any Default or Event of Default, a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) *Change in Borrower's Ratings* . Upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in either Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) *Securities Laws Filing* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) *ERISA Matters* . If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of

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ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) *Reportable Transactions* . Promptly after the Borrower has provided the Administrative Agent with notice of the Borrower's intention to treat the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form.

(i) *Other Information* . From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or any of its Subsidiaries as any Lender may reasonably request.

Section 6.02 Maintenance of Property; Insurance .

(a) *Maintenance of Properties* . The Borrower will keep, and will cause each of its Restricted Subsidiaries to keep, all property useful and necessary in their respective businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) *Insurance* . The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Restricted Subsidiaries operate.

Section 6.03 Conduct of Business and Maintenance of Existence . The Borrower will (i) continue, and will cause each of its Restricted Subsidiaries to continue, to engage only in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.08, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective limited liability company (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04 Compliance with Laws, Etc . The Borrower will comply, and will cause each of its Restricted Subsidiaries to comply, with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05 Books and Records . The Borrower (i) will keep, and will cause each of its Restricted Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided , that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender agree in writing to keep such matters confidential.

Section 6.06 Use of Proceeds . The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes, including as a commercial paper backstop, of the Borrower and its Subsidiaries. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Subsidiaries. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07 Restriction on Liens . The Borrower will not, nor will it permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrower or any such Restricted Subsidiary (including, without limitation, their Voting Stock), except:

(a)Liens for taxes, assessments or governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

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(b)Liens imposed by law, such as carriers', landlords', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 45 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(c)Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d)easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variances and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of real property;

(e)Liens existing on the Closing Date and described in Schedule 6.07 hereto;

(f)judgment Liens arising from judgments which secure payment of legal obligations that would not constitute a Default under Section 7.01;

(g)any vendor's Liens, purchase money Liens or any other Lien on any property or asset acquired by the Borrower or any of its Restricted Subsidiaries after the date hereof existing on any such property or asset at the time of acquisition thereof (and not created in anticipation thereof); provided , that, in any such case no such Lien shall extend to or cover any other asset of the Borrower or such Restricted Subsidiaries, as the case may be;

(h)Liens, deposits and/or similar arrangements to secure the performance of bids, tenders or contracts (other than contracts for borrowed money), public or statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business by the Borrower or any of its Restricted Subsidiaries, including Liens to secure obligations under agreements relating to the purchase and sale of any commodity (including power purchase and sale agreements, any commodity hedge or derivative regardless of whether any such transaction is a "financial" or "physical transaction");

(i)Liens on assets of the Borrower and its Restricted Subsidiaries arising out of obligations or duties to any municipality or public authority with respect to any franchise, grant, license, permit or certificate.

(j)rights reserved to or vested in any municipality or public authority to control or regulate any asset of the Borrower or any of its Restricted Subsidiaries or to use such asset in a manner which does not materially impair the use of such asset for the purposes for which it is held by the Borrower or any of its Restricted Subsidiaries;

(k)irregularities in or deficiencies of title to any asset which do not materially adversely affect the use of such property by the Borrower or any of its Restricted Subsidiaries in the normal course of its business;

(l)any Lien on any property or asset of any corporation or other entity existing at the time such corporation or entity is acquired, merged or consolidated or amalgamated with or into the Borrower or any of its Restricted Subsidiaries and not created in contemplation of such event;

(m)any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring, constructing or improving such asset; provided , that any such Lien attaches to such asset, solely to extent of the value of the obligation secured by such Lien, concurrently with or within 180 days after the acquisition, construction or improvement thereof:

(n)any Liens in connection with the issuance of tax-exempt industrial development or pollution control bonds or other similar bonds issued pursuant to Section 103(b) of the Internal Revenue Code of 1986, as amended, to finance all or any part of the purchase price of or the cost of constructing, equipping or improving property;

(o)rights of lessees arising under leases entered into by the Borrower or any of its Restricted Subsidiaries as lessor, in the ordinary course of business;

(p)any Liens on or reservations with respect to governmental and other licenses, permits, franchises, consents and allowances; any Liens on patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, choses in action and other intangible property and general intangibles including, but not limited to, computer software;

(q)any Liens on automobiles, buses, trucks and other similar vehicles and movable equipment; marine equipment; airplanes, helicopters and other flight equipment; and parts, accessories and supplies used in connection with any of the foregoing;

(r)any Liens on furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes;

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(s)Liens securing letters of credit entered into in the ordinary course of business;

(t)Liens granted on the capital stock of Subsidiaries that are not Restricted Subsidiaries for the purpose of securing the obligations of such Subsidiaries;

(u)Liens in addition to those permitted by clauses (a) through (u) on the property or assets of a Special Purpose Subsidiary arising in connection with any Existing Synthetic Lease Financing or the lease of such property or assets through one or more other Synthetic Lease financings;

(v)Liens by any Wholly-Owned Subsidiary of the Borrower or any Restricted Subsidiary for the benefit of the Borrower or any such Restricted Subsidiary;

(w)Liens on property which is the subject of a Capital Lease Obligation designating the Borrower or any of its Restricted Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Restricted Subsidiaries in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as a security; provided , that the aggregate fair market value of the obligations subject to such Liens shall not at any time exceed $500,000,000;

(x)Liens on property which is the subject of one or more leases designating the Borrower or any of its Restricted Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Restricted Subsidiaries in and to such property and in, to and under any such lease agreement, whether or not any such lease agreement is intended as a security;

(y)Liens arising out of the refinancing, extension, renewal or refunding of any Debt or other obligation secured by any Lien permitted by clauses (a) through (x) of this Section; provided , that such Debt or other obligation is not increased and is not secured by any additional assets;

(z)other Liens on assets or property of the Borrower or any of its Restricted Subsidiaries, other than Liens on the Voting Stock of the Borrower in its Restricted Subsidiaries, so long as the aggregate value of the obligations secured by such Liens does not exceed the greater of $250,000,000 or 15% of the total consolidated assets of the Borrower and its Consolidated Subsidiaries as of the most recent fiscal quarter of the Borrower for which financial statements are available.

Section 6.08 Merger or Consolidation . The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default or Event Default, (ii) the surviving or resulting person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the surviving or resulting person, as the case may be, has senior long-term debt ratings from Moody's and S&P as available (or if the ratings of Moody's and S&P are not available, of such other rating agency as shall be acceptable to the Administrative Agent) at least equal to each Borrower's Rating at the end of the fiscal quarter immediately preceding the effective date of such consolidation or merger. No Restricted Subsidiary will merge or consolidate with any other Person if such Restricted Subsidiary is not the surviving or resulting Person, unless such other Person is (a) the Borrower or a successor of the Borrower permitted hereunder or (b) any other Person which is a Wholly-Owned Restricted Subsidiary of the Borrower or a successor of the Borrower permitted hereunder.

Section 6.09 Asset Sales . Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not, and shall not permit any of its Subsidiaries to, consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided , however , that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower and its Subsidiaries; (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower or its Subsidiaries; (c)if the assets subject to any such Asset Sale are being transferred to a Wholly-Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within 12 months of such Asset Sale, invested or reinvested by the Borrower or any Subsidiary in a Permitted Business, (ii) are used by the Borrower or a Subsidiary to repay Debt of the Borrower or such Subsidiary, or (iii) are retained by the Borrower or its Subsidiaries; or (e) if, prior to any such Asset Sale, Moody's and S&P confirm the then current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.10 Transactions with Affiliates . Neither the Borrower nor any of its Restricted Subsidiaries will enter into or permit to exist any arrangement or contract with any of their respective Affiliates unless such arrangement or contract (i) has been approved by a Governmental Authority or (ii) is fair and equitable to the Borrower or its Restricted Subsidiaries, as the case may be, and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower or its Restricted Subsidiaries, as the case may be, with a Person which is not one of its Affiliates. In making any determination as to fairness, equity and prudence, effect shall be given to orders, rules or regulations or any administrative agency, regulatory authority or other governmental body having jurisdiction over the Borrower or its Subsidiaries.

Section 6.11 Restrictive Agreements . Except as set forth in Schedule 6.11, the Borrower will not permit any of its Restricted Subsidiaries to

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enter into or assume any agreement prohibiting or otherwise restricting the ability of any Restricted Subsidiary to pay dividends or other distributions on its respective equity and equity equivalents to the Borrower or any of its Restricted Subsidiaries.

Section 6.12 **Consolidated Debt to Consolidated Capitalization Ratio** . The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 65% at any time.

Section 6.13 **Cash Interest Coverage Ratio** . The Borrower's ratio of Consolidated Funds From Operations to Consolidated Cash Interest Expense shall not be less than 2.0 to 1.0 for the four most recently ended consecutive fiscal quarters of the Borrower (taken as a single accounting period).

Section 6.14 **Indebtedness** . The Borrower will not permit any of its Restricted Subsidiaries to incur, create, assume or permit to exist any Debt of such Restricted Subsidiaries except:

(a)Existing Debt and any extensions, renewals or refinancings thereof;

(b)Debt owing to the Borrower or a Wholly-Owned Restricted Subsidiary;

(c)any Debt incurred in respect of Existing Synthetic Lease Financings;

(d)Non-Recourse Debt; and

(e)other Debt, the aggregate principal amount of which does not exceed $500,000,000 at any time.

ARTICLE VII
DEFAULTS

Section 7.01 **Events of Default** . If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a)the Borrower shall fail to pay when due any principal of the Loans or shall fail to reimburse when due any drawing under any Letter of Credit; or

(b)the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for 5 days following the date such payment becomes due hereunder; or

(c)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(a), (b) or (c), clause (ii) of Section 6.05, and Sections 6.06, 6.08, 6.09, 6.12, 6.13 and 6.14; or

(d)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d) for 10 days after any such failure; or

(e)the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for 30 days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f)any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g)the Borrower or any Restricted Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h)the Borrower or any Restricted Subsidiary of the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i)an involuntary case or other proceeding shall be commenced against the Borrower or any Restricted Subsidiary seeking liquidation,

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reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Restricted Subsidiary under the Bankruptcy Code; or

(j)any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000; or

(k)the Borrower or any of its Restricted Subsidiaries shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower or any such Restricted Subsidiary that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l)a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans (together with accrued interest and accrued and unpaid fees thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower; provided , that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
THE AGENTS

Section 8.01 Appointment and Authorization . Each Lender hereby irrevocably designates and appoints the Administrative Agent of to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that neither the Co-Syndication Agents, the Co-Lead Arrangers nor the Co-Documentation Agents shall have any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02 Individual Capacity . The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Required Lenders", "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 8.03 Delegation of Duties . The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04 Reliance by the Administrative Agent . The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by

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the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05 Notice of Default . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided , that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06 Non-Reliance on the Agents and Other Lenders . Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Exculpatory Provisions . The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 8.08 Indemnification . The Lenders agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided , that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

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Section 8.09 Resignation; Successors . The Administrative Agent may resign as Administrative Agent upon 20 days' notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) and the consent of the Required Lenders (such approval or consent, as the case may be, not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to the rights, powers and duties of the retiring Administrative Agent, and the term "Administrative Agent" shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. After the retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10 Administrative Agent's Fees; Arranger Fee . The Borrower shall pay to the Administrative Agent for its own account and to Wachovia Securities and Barclays Capital (the investment banking division of Barclays Bank PLC), in their capacity as Co-Lead Arrangers, for their own account, fees in the amounts and at the times agreed upon between the Borrower, the Administrative Agent and Wachovia Securities, respectively, pursuant to the Fee Letter, and between the Borrower and Barclays Capital (the investment banking division of Barclays Bank PLC) pursuant to that certain letter agreement dated as of May 14, 2003.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices . Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

PPL Energy Supply, LLC
Two North Ninth Street
Allentown, PA 18101-1179
Attention: James E. Abel
Telephone: 610-774-5151
Facsimile: 610-774-5106

with a copy to:

PPL Energy Supply, LLC
Two North Ninth Street
Allentown, PA 18101-1179
Attention: Michael A. McGrail, Esq.
Telephone: 610-774-5644
Facsimile: 610-774-6726

if to the Administrative Agent:

Wachovia Bank, National Association
One Wachovia Center
301 South College Street - NC0760
Charlotte, North Carolina 28288
Attention: Mark Weir
Telephone: 704-383-6610
Facsimile: 704-374-4793

with a copy to:

Wachovia Bank, National Association
201 South College Street, 23 rd Floor
Charlotte, North Carolina 28288

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Attention: Syndications Agency Services
Telephone: 704-383-3721
Facsimile: 704-383-0288

with a copy to:

Mayer, Brown, Rowe & Maw
214 North Tryon Street, Suite 3800
Charlotte, North Carolina 28202
Attention: James R. Bryant III, Esq.
Telephone : 704-444-3558
Facsimile: 704-377-2033

Section 9.02 No Waivers; Non-Exclusive Remedies . No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Revolving Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03 Expenses; Indemnification .

(a) *Expenses* . The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Mayer, Brown, Rowe & Maw and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with such Event of Default and restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom; provided , that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Mayer, Brown, Rowe & Maw associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) *Indemnity in Respect of Loan Documents* . The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever, including, without limitation, the reasonable fees and disbursements of counsel, which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) *Indemnity in Respect of Environmental Liabilities* . The Borrower agrees to indemnify each Lender and hold each Lender harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Lender in respect of or in connection with any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements arising under or related to Environmental Laws that it might have by statute or otherwise against any Lender.

Section 9.04 Sharing of Set-Offs . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Revolving Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Revolving Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Revolving Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Revolving Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided , that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05 Amendments and Waivers . Any provision of this Agreement or the Revolving Notes may be amended or waived if, but only if,

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such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent or any Issuing Lenders are affected thereby, by the Administrative Agent or such Issuing Lender, as relevant); provided , that no such amendment or waiver shall, unless signed by all of the Lenders, (i) increase or decrease the Commitment of any Lender (except for a ratable decrease in the Commitments of all of the Lenders) or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan or (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Notes and Letter of Credit Liabilities, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section or any other provision of this Agreement.

Section 9.06 Successors and Assigns .

(a) *Successors and Assigns* . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.08 of this Agreement.

(b) *Participations* . Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a "Participant") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided , that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Revolving Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.08 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article 2 that is greater that the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) *Assignments Generally* . Any Lender may at any time assign to one or more Eligible Assignees (each, an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000 or any larger multiple of $1,000,000), of its rights and obligations under this Agreement and the Revolving Notes with respect to its Revolving Loans and, if still in existence, its Revolving Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld, the Administrative Agent and the Issuing Lenders, which consent shall not be unreasonably withheld; provided , that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower shall be required; provided , further , that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Revolving Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States or any state thereof, it shall deliver to the Borrower and the

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Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.16.

(d) *Assignments to Federal Reserve Banks* . Any Lender may at any time assign all or any portion of its rights under this Agreement and its Revolving Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) *Register* . The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this subsection 9.06(e), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders shall treat each Person in whose name a Loan and the Revolving Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Revolving Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Revolving Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Revolving Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available at the offices where kept by the Administrative Agent for inspection by the Borrower and any Lender at any reasonable time upon reasonable prior notice to the Administrative Agent. The Borrower may not replace any Lender pursuant to Section 2.07(b), unless, with respect to any Revolving Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07 Governing Law; Submission to Jurisdiction . This Agreement and each Revolving Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08 Counterparts; Integration; Effectiveness . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement and the other Loan Documents constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party).

Section 9.09 Generally Accepted Accounting Principles . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided , that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10 Usage . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a)All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b)The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c)References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise

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requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d)The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e)Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f)Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11 WAIVER OF JURY TRIAL . THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12 Confidentiality . Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided , that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority, (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and (ix) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee; provided , that notwithstanding anything herein to the contrary, each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender relating to such tax treatment and tax structure; provided further , that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall apply only to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans and transactions contemplated hereby. Notwithstanding the foregoing, any Agent, any Lender or Mayer, Brown, Rowe & Maw may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web in, each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL ENERGY SUPPLY, LLC
By:_____
Name:
Title:

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WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Issuing Lender
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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CITIBANK, N.A.,
as a Lender
By:_____
Name:
Title:

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BARCLAYS BANK PLC,
as a Lender
By:_____
Name:
Title:

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JPMORGAN CHASE BANK,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

BANK ONE, NA,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

MORGAN STANLEY BANK,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

MERRILL LYNCH BANK USA,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

UBS AG, CAYMAN ISLANDS BRANCH,
as a Lender
By:_____
Name:
Title:

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KEYBANK NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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WESTLB AG, NEW YORK BRANCH,
as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

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THE BANK OF NOVA SCOTIA,
as a Lender
By:_____
Name:
Title:

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KBC BANK N.V.,
as a Lender
By:_____
Name:
Title:

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$100,000,000
THREE-YEAR CREDIT AGREEMENT
dated as of June 24, 2003
among
PPL ELECTRIC UTILITIES CORPORATION,
THE LENDERS FROM TIME TO TIME PARTY HERETO,
WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent and Issuing Lender,
BARCLAYS BANK PLC

and

CITIBANK, N.A.,
as Co-Syndication Agents,
WACHOVIA SECURITIES, INC.
and
CITIGROUP GLOBAL MARKETS, INC.,
as Co-Lead Arrangers,
and
JPMORGAN CHASE BANK

and

BANK ONE, N.A.,
as Co-Documentation Agents

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CREDIT AGREEMENT (this "Agreement") dated as of June 24, 2003 among PPL ELECTRIC UTILITIES CORPORATION, the LENDERS party hereto from time to time, WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent and Issuing Lender, BARCLAYS BANK PLC and CITIBANK, N.A., as Co-Syndication Agents, WACHOVIA SECURITIES, INC. and CITIGROUP GLOBAL MARKETS, INC., as Co-Lead Arrangers, and JPMORGAN CHASE BANK and BANK ONE, N.A., as Co-Documentation Agents.

PPL ELECTRIC UTILITIES CORPORATION, a Pennsylvania corporation (together with its successors, the "Borrower"), has requested and the Lenders (as hereinafter defined) have agreed to provide credit facilities to the Borrower in an aggregate principal amount of up to $100,000,000 for the purposes and on the terms and conditions set out in this Agreement.

ARTICLE I
DEFINITIONS

Section 1.01 Definitions . All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Additional Letter of Credit " means any letter of credit issued under this Agreement by Wachovia Bank, National Association, as Issuing Lender, on or after the Closing Date.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wachovia Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliates " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Co-Syndication Agents, the Co-Lead Arrangers or the Co-Documentation Agents, and "Agents" means any two or more of them.

" Agreement " means this Credit Agreement, as amended, restated supplemented or modified from time to time.

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.06(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.06(b), the appropriate applicable percentage set forth below corresponding to the then current highest Borrower's Ratings; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Borrower's Ratings (S&P/Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees
Category A:	A/A2 or higher	.105%	0%	.400%
Category B	A-/A3	.150%	0%	.500%
Category C:	BBB+/Baa1	.175%	0%	.625%
Category D:	BBB/Baa2	.200%	0%	.875%
Category E:	BBB-/Baa3 or lower or unrated	.250%	.100%	1.125%

" Applicable Utilization Fee " means on any day the appropriate applicable percentage set forth below corresponding to (a) the percentage of the aggregate of the Lenders' Revolving Commitments outstanding represented by the aggregate Loans plus the aggregate Letter of Credit Liabilities outstanding on such day and (b) the then current highest Borrower Rating; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

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	Ratings (S&P/Moody's)	Usage 33% of Total Commitments
Category A	A/A2 or higher	.100%
Category B	A-/A3	.125%
Category C	BBB+/Baa1	.125%
Category D	BBB/Baa2	.125%
Category E	BBB-/Baa3 or lower or unrated	.125%

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Closing Date to but excluding the Revolving Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means a Loan in respect of which interest is computed on the basis of the Base Rate plus the Applicable Percentage, if any, with respect to Base Rate Loans.

" Borrower " is defined in the Recital.

" Borrower's Rating " means the senior secured long-term debt rating of the Borrower from Moody's or S&P.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further, that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Closing Date " means the date, not later than June 24, 2003, on which the Administrative Agent determines that the conditions specified in or

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pursuant to Section 4.01 have been satisfied.

" Co-Documentation Agents " means JPMorgan Chase Bank and Bank One, N.A., in their capacity as co-documentation agents for the Lenders under this Agreement and under the other Loan Documents, and their respective successors in such capacity.

" Co-Lead Arrangers " means Wachovia Securities, Inc. and Citigroup Global Markets, Inc., in their capacities as co-lead arrangers for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Co-Syndication Agents " means Barclays Bank PLC and Citibank, N.A., in their capacities as co-syndication agents for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Commitment " means, with respect to any Lender, the commitment of such Lender to make Revolving Loans under this Agreement as set forth in the Commitment Appendix and to purchase participations in Letters of Credit pursuant to Article III hereof.

" Commitment Appendix " means the Appendix attached under this Agreement identified as such.

" Commitment Fee " has the meaning set forth in Section 2.06(a).

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt of the Borrower, (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred stockholders of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding therefrom the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Statement No. 133 in connection with forward contracts, futures contracts or other derivatives or commodity hedging agreements for the future delivery of electricity or capacity, (C) up to an aggregate amount of $350,000,000 of Hybrid Preferred Securities and (D) up to an aggregate amount of $350,000,000 of Equity-Linked Securities, except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareholder equity attributable to assets securing Non-Recourse Debt.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and (b) Consolidated Debt of the Borrower shall exclude (i) up to an aggregate amount of $350,000,000 of Hybrid Preferred Securities and (ii) up to an aggregate amount of $350,000,000 of Equity-Linked Securities.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.07(b), a Lender which is not a Retiring Lender, and "Continuing Lenders" means any two or more of such Continuing Lenders.

" Conversion Date " means the date selected by the Borrower to convert the outstanding Revolving Loans into Term Loans pursuant to Section 2.07(d).

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person with respect to deposits or advances of any kind, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) all Guarantees by such Person of Debt of others, (v) all Capital Lease Obligations and Synthetic Leases of such Person, (vi) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof) and (vii) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

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" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date this Agreement becomes effective in accordance with Section 9.08.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided that such bank is acting through a branch or agency located and licensed in the United States; or (iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided, that upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries, whether vested or unvested, contingent or fixed, actual or potential, which arise under or relate to matters covered by Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " means the $400,000,000 364-Day Revolving Credit Agreement dated as of June 25, 2002 among the Borrower, Wachovia Bank, National Association, as Administrative Agent and Issuing Lender, Citibank, N.A., as Syndication Agent, Wachovia Securities and Citigroup Global Markets, Inc (successor to Salomon Smith Barney, Inc., as Co-Lead Arrangers, Bank One, N.A., Barclays Bank PLC and JPMorgan Chase Bank, as Documentation Agents, and the lenders from time to time party thereto, as amended through the date hereof.

" Existing Letters of Credit " means the letters of credit issued before the Closing Date pursuant to the Existing Credit Agreement and listed in

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attached Schedule 3.01, and "Existing Letter of Credit" means any one of them.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the letter designated as such dated as of May 7, 2003 by the Administrative Agent and Wachovia Securities, as Co-Lead Arranger and Joint Book Manager, addressed to and acknowledged and agreed to by the Borrower.

" Fronting Fee " has the meaning set forth in Section 2.06(b).

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

" Group of Loans " means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time or (ii) all Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.14 or 2.17, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

" Guarantee " of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Hybrid Preferred Securities " means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, in each case similar to PPL Electric Utilities Corporation's existing Trust Preferred Securities (TOPrS), issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

" Indemnitee " has the meaning set forth in Section 9.03(b).

" Interest Period " means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided , that:

(i)any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii)any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month;

(iii)if any Interest Period includes a date on which a payment of principal of the Loans is required (based on circumstances existing at the first day of such Interest Period) to be made under Section 2.08 but does not end on such date, then (x) the principal amount (if any) of each Euro-Dollar Loan required to be repaid on such date shall have an Interest Period ending on such date and (y) the remainder (if any) of each

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such Euro-Dollar Loan shall have an Interest Period determined as set forth above; and

(iv)no Interest Period shall end after the Revolving Termination Date.

" Interest Rate Protection Agreements " means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

" Internal Revenue Code " means the Internal Revenue Code of 1986, as amended, or any successor statute.

" Issuing Lender " means (i) Wachovia Bank, National Association, in its capacity as an issuer of Letters of Credit under Section 3.02, and its successor or successors in such capacity and (ii) each Lender listed in Schedule 3.01 hereto as the issuer of an Existing Letter of Credit.

" Lender " means each bank or other lending institution listed in the Commitment Appendix as having a Revolving Commitment, each Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require and each Issuing Lender in such capacity.

" Lender Default " means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit which in either case it is obligated to make available under the terms and conditions of this Agreement or (ii) a Lender having notified the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

" Letter of Credit " means an Existing Letter of Credit or an Additional Letter of Credit, and "Letters of Credit" means any combination of the foregoing.

" Letter of Credit Commitment " means the aggregate Revolving Commitment.

" Letter of Credit Fee " has the meaning set forth in Section 2.06(b).

" Letter of Credit Liabilities " means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) the quotient derived by dividing such Lender's Revolving Commitment by the aggregate of the Revolving Commitments of all Revolving Lenders.

" Letter of Credit Request " has the meaning set forth in Section 3.03.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a Base Rate Loan or a Euro-Dollar Loan, and "Loans" means any combination of the foregoing.

" Loan Documents " means this Agreement and the Revolving Notes, collectively.

" London Interbank Offered Rate " means, for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , if more than one rate is specified on Telerate page 3750, the applicable rate shall be the arithmetic means of all such rates. If for any reason such rate is not available, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period of time comparable to such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason the London interbank offered rate is not available on either Telerate page 3750 or Reuters Screen LIBO Page, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum at which deposits in Dollars are offered to Wachovia Bank, National Association in the London interbank market at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wachovia Bank, National Association to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

" Mandatory Letter of Credit Borrowing " has the meaning set forth on Section 3.09.

" Margin Stock " means "margin stock" as such term is defined in Regulation U.

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" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Revolving Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Revolving Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Revolving Notes) of the Borrower in a principal or face amount exceeding $50,000,000.

" Material Plan " means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $25,000,000.

" Moody's " means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Multiemployer Plan " means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

" New Lender " means with respect to any event described in Section 2.07(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

" Non-Defaulting Lender " means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

" Non-Recourse Debt " shall mean (a) Debt that is nonrecourse to the Borrower or any Subsidiary of the Borrower and (b) any transition bonds issued by PP&L Transition Bond Company LLC, a subsidiary of the Borrower, or any similar special purpose company organized for the purpose of issuing bonds payable from revenues associated with intangible transition property created under the PEGCCCA or other assets of PP&L Transition Bond Company LLC or any such other special purpose company, provided that (i) such bonds are nonrecourse to the Borrower or any of its Subsidiaries (other than PP&L Transition Bond Company LLC or any such other special purpose company) and (ii) the aggregate amount of such transition bonds shall not exceed $2,850,000,000.

" Non-U.S. Lender " has the meaning set forth in Section 2.16(e).

" Notice of Borrowing " has the meaning set forth in Section 2.02.

" Notice of Conversion/Continuation " has the meaning set forth in Section 2.05(d)(ii).

" Obligations " means:

(i)all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Revolving Note issued pursuant to, this Agreement or any other Loan Document;

(ii)all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant this Agreement or any other Loan Document;

(iii)all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv)all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

" Other Taxes " has the meaning set forth in Section 2.16(b).

" Participant " has the meaning set forth in Section 9.06(b).

" PBGC " means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

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" PEGCCCA " means the Pennsylvania Electricity Generation Customer Choice and Competition Act, and any successor statute, regulation or law.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the date hereof, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wachovia Bank, National Association in Charlotte, North Carolina from time to time as its Prime Rate.

" PUC " has the meaning set forth in Section 4.01(h).

" PUC Order " has the meaning set forth in Section 4.01(h).

" Quarterly Date " means the last Business Day of each March, June, September and December.

" Refinanced Agreements " means the Existing Credit Agreement and all instruments, documents and agreements relating thereto, in all cases as in effect on the Closing Date.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation D " means Regulation D of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.07(b).

" Replacement Lender " has the meaning set forth in Section 2.07(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Revolving Commitments of all Non-Defaulting Lenders or, if the Revolving Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.07(b).

" Revolving " means, when used with respect to (i) a Lender's Commitment, such Lender's Revolving Commitment, as such Revolving Commitment may be reduced from time to time pursuant to Sections 2.07, 2.08 or 9.06(c) or increased from time to time pursuant to Section 9.06(c), (ii) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, or a Mandatory Letter of Credit Borrowing, (iii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be, and (iv) a Revolving Note, a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's outstanding Letter of Credit Liabilities.

" Revolving Termination Date " means June 24, 2006 (or, if such day is not a Business Day, the next preceding Business Day) or such earlier

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date upon which the Revolving Commitments shall have been terminated in their entirety in accordance with this Agreement.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Standby Letter of Credit " has the meaning set forth in Section 3.02.

" Subsidiary " means, any Corporation a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.16(a).

" Type ", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

" Wachovia Securities " means Wachovia Securities, Inc., and its successors and assigns.

" Wholly-Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) are at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01 Commitments to Lend . Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Revolving Commitment; provided , that, immediately after giving effect to each such Revolving Loan, the aggregate Revolving Outstandings of all Lenders shall not exceed the aggregate amount of the Revolving Commitments of all Lenders. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments) and shall be made from the several Lenders ratably in proportion to their respective Revolving Commitments. Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.09, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02 Notice of Borrowings . The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a "Notice of Borrowing") not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i)the date of such Borrowing, which shall be a Business Day;

(ii)the aggregate amount of such Borrowing;

(iii)the initial Type of the Loans comprising such Borrowing; and

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(iv) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than 6 Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.03 Notice to Lenders; Funding of Loans .

(a) *Notice to Lenders* . Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) *Funding of Loans* . Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of Revolving Loans available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing.

(c) *Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders* . Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.05, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

(d) *Obligations of Lenders Several* . The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.04 Noteless Agreement; Evidence of Indebtedness .

(a)Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b)The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c)The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided , however , that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) *Any Lender may request that its Revolving Loans be evidenced by a Revolving Note* . In such event, the Borrower shall prepare, execute and deliver to such Lender a Revolving Note payable to the order of such Lender. Thereafter, the Revolving Loans evidenced by such Revolving Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(b)) be represented by one or more Revolving Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(b), except to the extent that any such Lender or assignee subsequently returns any such Revolving Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.05 Interest Rates .

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(a) *Interest Rate Options* . The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) *Base Rate Loans* . Each Loan which is made as, or converted into, a Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage, if any, for Base Rate Loans for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) *Euro-Dollar Loans* . Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day plus the Applicable Utilization Fee for such day, if any; provided , that if any Euro-Dollar Loan or any portion thereof shall, as a result of clause (iii) of the definition of Interest Period, have an Interest Period of less than one month, such portion shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day plus (C) the Applicable Utilization Fee, if any, (or, if the circumstance described in Section 2.13 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) *Method of Electing Interest Rates* .

(i)Subject to Section 2.05(a), the Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default or Event of Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided , that in each case that the amount so converted shall be equal to $10,000,000 or any larger multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default or Event of Default is in existence on the date of continuation, to continue all or any portion of such Loans equal to $10,000,000 and any larger multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate Loan converted to a Euro-Dollar Loan pursuant to clause (A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.17.

(ii)The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three Business Days before the date of the proposed conversion to, or continuation of, a Euro-Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) *Determination and Notice of Interest Rates* . The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.06 Fees .

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(a) *Commitment Fees* . The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Revolving Commitment exceeds the sum of its Revolving Outstandings on such day, and shall be payable on the last day of each March, June, September and December and on the Revolving Termination Date.

(b) *Letter of Credit Fees* . The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day plus the Applicable Utilization Fee for such day, if any. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of .125% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the Revolving Termination Date upon which no Letters of Credit remain outstanding. In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) *Payments* . Except as otherwise provided in this Section 2.06, accrued fees under this Section 2.06 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.07 Adjustments of Commitments .

(a) *Optional Termination or Reductions of Commitments (Pro-Rata)* . The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Revolving Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $5,000,000, the aggregate amount of the Revolving Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Revolving Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b) *Optional Termination of Commitments (Non-Pro-Rata)* . If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.13, 2.14, 2.15 or 2.16, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.14 or (iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) and (iii) being a "Retiring Lender"), the Borrower shall have the right, if no Default or Event of Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a "Replacement Lender" and, collectively, the "Replacement Lenders") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.07(b) shall be effective on the tenth Business Day (the "Replacement Date") following the date of notice of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i)the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06(c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender(s) shall pay:

(A)to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B)to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii)the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder, and the Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c)In lieu of the foregoing, upon express written consent of a majority of the Continuing Lenders, the Borrower shall have the right to terminate

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the Revolving Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Letter of Credit Liabilities held by the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.11, 2.15, 2.16 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

Section 2.08 Maturity of Loans; Mandatory Prepayments .

(a) *Scheduled Repayments and Prepayments of Loans; Overline Repayments* .

(i)The Revolving Loans shall mature on the Revolving Termination Date, and any Revolving Loans or Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.08(a)(ii), on such date.

(ii)If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Revolving Commitments, the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon), such date an aggregate principal amount of Loans equal to such excess. If the outstanding Revolving Loans have been repaid in full or the Revolving Termination Date shall have occurred and any Letter of Credit Liabilities remain outstanding, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing in a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent such amounts as are necessary so that, after giving effect to the repayment of Revolving Loans and the cash collateralization of Letter of Credit Liabilities pursuant to this subsection, the aggregate Revolving Outstandings do not exceed the aggregate amount of the Revolving Commitments. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.08(a)(ii).

(b) *Applications of Prepayments and Reductions* .

(i)Each prepayment of Loans pursuant to this Section 2.08 shall be applied ratably to the respective Loans of all of the Lenders.

(ii)Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii)Each payment of the Loans shall be applied to such Group or Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.09 Optional Prepayments and Repayments .

(a) *Prepayments of Loans* . The Borrower may (i) upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) *Notice to Lenders* . Upon receipt of a notice of prepayment pursuant to this Section 2.09(b), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.10 General Provisions as to Payments .

(a) *Payments by the Borrower* . The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

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(b) *Distributions by the Administrative Agent*. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.11 Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.17 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.11) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.05(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, the Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided, that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.12 Computation of Interest and Fees. Interest on Loans based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.13 Basis for Determining Interest Rate Inadequate, Unfair or Unavailable. If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Revolving Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.14 Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.15 Increased Cost and Reduced Return.

(a) *Increased Costs*. If after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, its Revolving Notes, its obligation to make Euro-Dollar Loans or its obligations hereunder in respect of Letters of Credit, and the result

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of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Revolving Notes with respect thereto, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(b) *Capital Adequacy* . If any Lender shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(c) *Notices* . Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 2.16 Taxes .

(a) *Payments Net of Certain Taxes* . Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located, or, in the case of each Lender, in which its Applicable Lending Office is located, and (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.16(a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) *Other Taxes* . In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Revolving Note or any other Loan Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement, any Revolving Note or any other Loan Document (collectively, "Other Taxes").

(c) *Indemnification* . The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.16(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.16(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) *Refunds or Credits* . If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.16, it shall within 15 days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other

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reduction); provided , however , that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) *Tax Forms and Certificates* . On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower, and at any time it changes its Applicable Lending Office, each Lender organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent: (i) two properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Lender or (ii) two properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States. In addition, each Non-U.S. Lender agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-8 BEN or W-8 ECI, or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Non-U.S. Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) *Exclusions* . The Borrower shall not be required to indemnify any Non-U.S. Lender or Agent, or to pay any additional amount to any Non-U.S. Lender or Agent, pursuant to Section 2.16(a), (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) *Mitigation* . If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.16, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) *Confidentiality* . Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.17 Base Rate Loans Substituted for Affected Euro-Dollar Loans . If (a) the obligation of any Lender to make or maintain, or to convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.14 or (b) any Lender has demanded compensation under Section 2.15(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Euro-Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i)all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii)after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal that would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01 Existing Letters of Credit . On the Closing Date, each Issuing Lender that has issued an Existing Letter of Credit shall be deemed, without further action by any party to this Agreement, to have sold to each Lender having a Revolving Commitment, and each such

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Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Existing Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments.

Section 3.02 **Additional Letters of Credit** . The Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the 5th day prior to the Revolving Termination Date for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower that are acceptable to the Issuing Lender (each such letter of credit, a "Standby Letter of Credit" and, collectively, the "Standby Letters of Credit"); provided , that, immediately after each Letter of Credit is issued, (A) the aggregate amount of the Letter of Credit Liabilities shall not exceed the Letter of Credit Commitment and (B) the Revolving Outstandings shall not exceed the aggregate amount of the Revolving Commitments.

Section 3.03 **Method of Issuance of Letters of Credit** . The Borrower shall give the Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Standby Letters of Credit (which shall be a Domestic Business Day) (or such shorter period as may be agreed by the Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by the Issuing Lender, the Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year; provided , that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Revolving Termination Date.

Section 3.04 **Conditions to Issuance of Additional Letters of Credit** . The issuance by the Issuing Lender of each Additional Letter of Credit shall, in addition to the conditions precedent set forth in Article III, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to the Issuing Lender, (ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Lender shall have reasonably requested and (iii) the Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate amount of all Letter of Credit Liabilities will not exceed the Letter of Credit Commitment and (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Revolving Commitments. Notwithstanding any other provision of this Section 3.04, the Issuing Lender shall not be under any obligation to issue any Additional Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Additional Letter of Credit, or any requirement of law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Lender in good faith deems material to it.

Section 3.05 **Purchase and Sale of Letter of Credit Participations** . Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments (although the Fronting Fee payable under Section 2.06(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to Section 9.06(c), there shall be an automatic adjustment to the participations in all outstanding Letters of Credit and Letter of Credit Liabilities to reflect the adjusted Revolving Commitments of the assigning and assignee Lenders or of all Lenders having Revolving Commitments, as the case may be.

Section 3.06 **Drawings under Letters of Credit** . Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If the Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07 **Reimbursement Obligations** . The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which the Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte,

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North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided , that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to the Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08 Duties of Issuing Lenders to Lenders; Reliance . In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for the Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (c), (d) and (e) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided , that this sentence shall not affect any rights the Borrower may have against the Issuing Lender or the Lenders that make such request.

Section 3.09 Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings . If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined by the proportion its Revolving Commitment bears to the aggregate Revolving Commitments) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided , however , that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of the Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the

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preceding sentence to have been made on the next succeeding Business Day.

Section 3.10 Funds Received from the Borrower in Respect of Drawn Letters of Credit . Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11 Obligations in Respect of Letters of Credit Unconditional . The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a)any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b)any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c)the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d)the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e)any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f)payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided , that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g)any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12 Indemnification in Respect of Letters of Credit . The Borrower hereby indemnifies and holds harmless each Lender (including each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided , that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of the Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13 ISP98 . The rules of the "International Standby Practices 1998" (the "ISP98") as published by the ICC most recently at the time of issuance of any Standby Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

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ARTICLE IV
CONDITIONS

Section 4.01 Conditions to Closing. The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) *Effectiveness*. This Agreement shall have become effective in accordance with Section 9.08.

(b) *Revolving Notes*. On or prior to the Closing Date, the Administrative Agent shall have received a duly executed Revolving Note for the account of each Lender requesting delivery of a Revolving Note pursuant to Section 2.04.

(c) *Officers' Certificates*. The Administrative Agent shall have received a certificate dated the Closing Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President or the Treasurer of the Borrower stating that (A) on the Closing Date and after giving effect to the Loans and Letters of Credit being made or issued on the Closing Date, no Default or Event of Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Closing Date.

(d) *Proceedings*. On the Closing Date, the Administrative Agent shall have received (i) a copy of the Borrower's certificate of incorporation certified by the Secretary of State of the Commonwealth of Pennsylvania; (ii) a certificate of the Secretary of State of the Commonwealth of Pennsylvania, dated as of a recent date, as to the good standing of the Borrower; and (iii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Closing Date and certifying (A) that attached thereto is a true, correct and complete copy of the articles of incorporation of the Borrower, (B) that attached thereto is a true, correct and complete copy of the by-laws of the Borrower, (C) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (D) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (E) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) *Opinions of Counsel*. On the Closing Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Closing Date, substantially in the form of Exhibit D-1 hereto and covering such additional matters incident to the transactions contemplated hereby as the Administrative Agent or the Required Lenders may reasonably request.

(f) *Repayment of Refinanced Agreements*. The Administrative Agent shall be satisfied that no later than as of the Closing Date, the commitments under the Refinanced Agreements shall be terminated, all loans outstanding under the Refinanced Agreements shall be repaid in full, together with accrued interest thereon (including, without limitation, any prepayment premium), all letters of credit issued thereunder shall be terminated or shall become Letters of Credit under this Agreement and all other amounts owing pursuant to the Refinanced Agreements shall be repaid in full.

(g) *Financial Statements*. The Administrative Agent and each Lender shall have received and be satisfied with the (i) the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal year ending December 31, 2002, audited by PricewaterhouseCoopers LLP, or other nationally recognized independent public accountants, and containing an opinion of such firm that such financial statements present fairly, in all material respects, the financial position and results of operations of the Borrower and its Consolidated Subsidiaries, prepared in conformity with GAAP, and (ii) unaudited, interim financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal quarter ending March 31, 2003.

(h) *Consents*. All necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the order ("PUC Order") of the Pennsylvania Public Utility Commission ("PUC") dated January 23, 2003 authorizing borrowings hereunder, in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions.

(i) *Borrower's Structure*. The corporate and capital structure of the Borrower and its Subsidiaries shall be satisfactory to the Administrative Agent in its reasonable discretion.

(j) *Payment of Fees*. All costs, fees and expenses due to the Administrative Agent, the Co-Lead Arrangers and the Lenders on or before the Closing Date shall have been paid.

(k) *Counsel Fees*. The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Mayer, Brown, Rowe & Maw described in Section 9.03 which are billed through the Closing Date.

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(l) *Other Materials* . The Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as the Administrative Agent, any Issuing Lender or the Required Lenders may reasonably request, in each case in form and substance satisfactory to the Administrative Agent.

Section 4.02 Conditions to All Credit Events . The obligation of any Lender to make a Loan on the occasion of any Borrowing, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a)the fact that the Closing Date shall have occurred;

(b)receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02, or receipt by the Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(c)the fact that, immediately before and after giving effect to such Credit Event, no Default or Event of Default shall have occurred and be continuing;

(d)the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event; and

(e)since December 31, 2002, there shall have been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, which materially adversely affects the ability of the Borrower to perform any of its obligations under this Agreement or any other Loan Document.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01 Status . The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate authority to make and perform this Agreement and each other Loan Document to which it is a party.

Section 5.02 Authority; No Conflict . The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary corporate action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its articles of incorporation or by-laws, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party.

Section 5.03 Legality; Etc . This Agreement and each other Loan Document (other than the Revolving Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Revolving Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04 Financial Condition .

(a) *Audited Financial Statements* . The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) *Interim Financial Statements* . The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 2003 and the related unaudited consolidated statements of income and cash flows for the three months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-month period (subject to normal year-end audit adjustments).

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(c) *Material Adverse Change* . Since December 31, 2002 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents.

Section 5.05 Litigation . Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished in writing to the Administrative Agent, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which, if adversely determined, would materially and adversely affect the ability of the Borrower to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.06 No Violation . No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulation U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.07 ERISA . Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan or made any amendment to any Material Plan, which has resulted or could result in the imposition of a lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.08 Governmental Approvals . No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Revolving Notes and the other Loan Documents to which it is a party, except such authorizations, consents and approvals, including, without limitation, the PUC Order, as have been obtained prior to the Closing Date and are in full force and effect.

Section 5.09 Investment Company Act . The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10 Public Utility Holding Company Act . The Borrower is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.11 Tax Returns and Payments . The Borrower has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.12 Compliance with Laws . To the knowledge of the Borrower, the Borrower is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Revolving Notes or any other Loan Document to which it is a party.

Section 5.13 No Default . No Default or Event of Default has occurred and is continuing.

Section 5.14 Environmental Matters .

(a)Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished to the Administrative Agent in writing, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could result from the matters referred to in clauses (a) through (c), inclusive, would not reasonably be expected to result in a Material Adverse Effect, to the Borrower's or any of its Subsidiaries' knowledge:

(i)no notice, notification, citation, summons, complaint or order has been issued, no complaint has been filed, no penalty has been assessed nor is any investigation or review pending or threatened by any governmental or other entity with respect to any (A) alleged violation by the Borrower or any of its Subsidiaries of any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any

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environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii)no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii)no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b)To the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c)For purposes of this Section 5.14, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation.

Section 5.15Reportable Transactions . The Borrower does not intend to treat any of the transactions contemplated by this Agreement as a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower takes or determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Borrower so notifies the Administrative Agent, or if the Administrative Agent or any Lender determines that the any of the transactions contemplated by this Agreement constitutes a "reportable transaction," the Borrower acknowledges that each such Person may treat its extensions of credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Persons may maintain the lists and other records required by such Treasury Regulation.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Revolving Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01 Information . The Borrower will deliver or cause to be delivered to each of the Lenders:

(a) *Annual Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) *Quarterly Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) *Officer's Certificate* . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.10 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) *Default* . Forthwith upon acquiring knowledge of the occurrence of any Default or Event of Default, a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) *Change in Borrower's Ratings* . Upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in either Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

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(f) *Securities Laws Filing* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) *ERISA Matters* . If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) *Reportable Transactions* . Promptly after the Borrower has provided the Administrative Agent with notice of the Borrower's intention to treat the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form.

(i) *Other Information* . From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or of any of its Subsidiaries as any Lender may reasonably request.

Section 6.02 Maintenance of Property; Insurance .

(a) *Maintenance of Properties* . The Borrower will keep all property useful and necessary in its businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable or where the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) *Insurance* . The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower operates.

Section 6.03 Conduct of Business and Maintenance of Existence . The Borrower will (i) continue to engage only in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.08, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04 Compliance with Laws, Etc . The Borrower will comply with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05 Books and Records . The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided, that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender shall agree in writing to keep such matters confidential.

Section 6.06 Use of Proceeds . The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes, including as a commercial paper backstop, of the Borrower and its Subsidiaries. The Borrower will request the issuance of Letters of

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Credit solely for general corporate purposes of the Borrower and its Subsidiaries. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07 **Merger or Consolidation** . The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default or Event Default, (ii) the surviving or resulting person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the surviving or resulting person, as the case may be, has senior long-term debt ratings from Moody's and S&P as available (or if the ratings of Moody's and S&P are not available, of such other rating agency as shall be acceptable to the Administrative Agent) at least equal to each Borrower's Rating at the end of the fiscal quarter immediately preceding the effective date of such consolidation or merger.

Section 6.08 **Asset Sales** . Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided , however , that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower; (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly-Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within 12 months of such Asset Sale, invested or reinvested by the Borrower in a Permitted Business, (ii) are used by the Borrower to repay Debt of the Borrower, or (iii) are retained by the Borrower; or (e) if, prior to any such Asset Sale, Moody's and S&P confirm the then current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.09 **Transactions with Affiliates** . The Borrower will not enter into or permit to exist any arrangement or contract with any of its Affiliates unless such arrangement or contract (i) has been approved by a Governmental Authority or (ii) is fair and equitable to the Borrower and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower with a Person which is not one of its Affiliates. In making any determination as to fairness, equity and prudence, effect shall be given to orders, rules or regulations of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Borrower or its Subsidiaries.

Section 6.10 **Consolidated Debt to Consolidated Capitalization Ratio** . The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 70% at any time.

ARTICLE VII
DEFAULTS

Section 7.01 **Events of Default** . If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a)the Borrower shall fail to pay when due any principal of the Loans or shall fail to reimburse when due any drawing under any Letter of Credit; or

(b)the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for 5 days following the date such payment becomes due hereunder; or

(c)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(a), (b) or (c), clause (ii) of Section 6.05 and Sections 6.06, 6.07, 6.08 and 6.10; or

(d)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d) for 10 days after any such failure; or

(e)the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) and (d) above) for 30 days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f)any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g)the Borrower shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect

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of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h)the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i)an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the Bankruptcy Code; or

(j)any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000; or

(k)the Borrower shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l)a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans (together with accrued interest and accrued and unpaid fees thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower; provided , that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
THE AGENTS

Section 8.01 Appointment and Authorization . Each Lender hereby irrevocably designates and appoints the Administrative Agent of to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that neither the Co-Syndication Agents, the Co-Lead Arrangers nor the Co-Documentation Agents shall have any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02 Individual Capacity . The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Required Lenders", "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

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Section 8.03 Delegation of Duties . The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04 Reliance by the Administrative Agent . The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05 Notice of Default . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided , that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06 Non-Reliance on the Agents and Other Lenders . Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Exculpatory Provisions . The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 8.08 Indemnification . The Lenders agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any

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other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided , that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09 Resignation; Successors . The Administrative Agent may resign as Administrative Agent upon 20 days' notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) and the consent of the Required Lenders (such approval or consent, as the case may be, not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to the rights, powers and duties of the retiring Administrative Agent, and the term "Administrative Agent" shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. After the retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10 Administrative Agent's Fees; Arranger Fee . The Borrower shall pay to the Administrative Agent for its own account and to Wachovia Securities and Citigroup Global Markets, Inc., in their capacity as Co-Lead Arrangers, for their own account, fees in the amounts and at the times agreed upon between the Borrower, the Administrative Agent and Wachovia Securities, respectively, pursuant to the Fee Letter, and between the Borrower and Citigroup Global Markets, Inc. pursuant to that certain letter agreement dated as of May 14, 2003.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices . Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Attention: James E. Abel
Telephone: 610-774-5151
Facsimile: 610-774-5106

with a copy to:

PPL Energy Supply, LLC
Two North Ninth Street
Allentown, PA 18101-1179
Attention: Michael A. McGrail, Esq.
Telephone: 610-774-5644
Facsimile: 610-774-6726

if to the Administrative Agent:

Wachovia Bank, National Association
One Wachovia Center
301 South College Street - NC0760
Charlotte, North Carolina 28288

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Attention: Mark Weir
Telephone: 704-383-6610
Facsimile: 704-374-4793

with a copy to:

Wachovia Bank, National Association
201 South College Street, 23rd Floor
Charlotte, North Carolina 28288
Attention: Syndications Agency Services
Telephone: 704-383-3721
Facsimile: 704-383-0288

with a copy to:

Mayer, Brown, Rowe & Maw
214 North Tryon Street, Suite 3800
Charlotte, North Carolina 28202
Attention: James R. Bryant III, Esq.
Telephone : 704-444-3558
Facsimile: 704-377-2033

Section 9.02 No Waivers; Non-Exclusive Remedies . No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Revolving Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03 Expenses; Indemnification .

(a) *Expenses* . The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Mayer, Brown, Rowe & Maw and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with such Event of Default and restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom; provided , that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Mayer, Brown, Rowe & Maw associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) *Indemnity in Respect of Loan Documents* . The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever, including, without limitation, the reasonable fees and disbursements of counsel, which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) *Indemnity in Respect of Environmental Liabilities* . The Borrower agrees to indemnify each Lender and hold each Lender harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Lender in respect of or in connection with any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements arising under or related to Environmental Laws that it might have by statute or otherwise against any Lender.

Section 9.04 Sharing of Set-Offs . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Revolving Note held by it and

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any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Revolving Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Revolving Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Revolving Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided , that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05 Amendments and Waivers . Any provision of this Agreement or the Revolving Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent or any Issuing Lenders are affected thereby, by the Administrative Agent or such Issuing Lender, as relevant); provided that no such amendment or waiver shall, unless signed by all of the Lenders, (i) increase or decrease the Commitment of any Lender (except for a ratable decrease in the Commitments of all of the Lenders) or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan or (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Notes and Letter of Credit Liabilities, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section or any other provision of this Agreement.

Section 9.06 Successors and Assigns .

(a) *Successors and Assigns* . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement.

(b) *Participations* . Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a "Participant") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided , that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Revolving Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article 2 that is greater that the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) *Assignments Generally* . Any Lender may at any time assign to one or more Eligible Assignees (each, an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000 or any larger multiple of $1,000,000), of its rights and obligations under this Agreement and the Revolving Notes with respect to its Revolving Loans and, if still in existence, its Revolving Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld, the Administrative Agent and the Issuing Lenders, which consent shall not be unreasonably withheld; provided , that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower

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shall be required; provided , further, that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Revolving Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States or any state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.16.

(d) *Assignments to Federal Reserve Banks* . Any Lender may at any time assign all or any portion of its rights under this Agreement and its Revolving Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) *Register* . The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this subsection 9.06(e), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders shall treat each Person in whose name a Loan and the Revolving Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Revolving Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Revolving Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Revolving Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available at the offices where kept by the Administrative Agent for inspection by the Borrower and any Lender at any reasonable time upon reasonable prior notice to the Administrative Agent. The Borrower may not replace any Lender pursuant to Section 2.07(b), unless, with respect to any Revolving Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07 Governing Law; Submission to Jurisdiction . This Agreement and each Revolving Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08 Counterparts; Integration; Effectiveness . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement and the other Loan Documents constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party).

Section 9.09 Generally Accepted Accounting Principles . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided , that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10 Usage . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

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(a)All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b)The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c)References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d)The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e)Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f)Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 9.11 WAIVER OF JURY TRIAL . THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12 Confidentiality . Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided , that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority, (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and (ix) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee; provided , that notwithstanding anything herein to the contrary, each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender relating to such tax treatment and tax structure; provided further, that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall apply only to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans and transactions contemplated hereby. Notwithstanding the foregoing, any Agent, any Lender or Mayer, Brown, Rowe & Maw may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL ELECTRIC UTILITIES CORPORATION
By: _
Name:
Title:

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WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Issuing Lender
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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CITIBANK, N.A.,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

BARCLAYS BANK PLC,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

JPMORGAN CHASE BANK,
as a Lender
By:_____
Name:
Title:

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BANK ONE, NA,
as a Lender
By:_____
Name:
Title:

Powered By EDGAR Online 2003. EDGAR Online, Inc.

MORGAN STANLEY BANK,
as a Lender
By:_____
Name:
Title:

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MERRILL LYNCH BANK USA,
as a Lender
By:_____
Name:
Title:

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UBS AG, CAYMAN ISLANDS BRANCH,
as a Lender
By:_____
Name:
Title:

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KEYBANK NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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WESTLB AG, NEW YORK BRANCH,
as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

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THE BANK OF NOVA SCOTIA,
as a Lender
By:_____
Name:
Title:

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KBC BANK N.V.,
as a Lender
By:_____
Name:
Title:

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MELLON BANK, N.A.,
as a Lender
By:_____
Name:
Title:

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THE BANK OF NEW YORK,
as a Lender
By:_____
Name:
Title:

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$200,000,000
364-DAY CREDIT AGREEMENT
dated as of June 24, 2003
among
PPL ELECTRIC UTILITIES CORPORATION,
THE LENDERS FROM TIME TO TIME PARTY HERETO,
WACHOVIA BANK, NATIONAL ASSOCIATION
as Administrative Agent and Issuing Lender,
BARCLAYS BANK PLC
and
CITIBANK, N.A.,
as Co-Syndication Agents,
WACHOVIA SECURITIES, INC.
and
CITIGROUP GLOBAL MARKETS, INC.,
as Co-Lead Arrangers,
and
JPMORGAN CHASE BANK

and

BANK ONE, N.A.,
as Co-Documentation Agents

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CREDIT AGREEMENT (this "Agreement") dated as of June 24, 2003 among PPL ELECTRIC UTILITIES CORPORATION, the LENDERS party hereto from time to time, WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent and Issuing Lender, BARCLAYS BANK PLC and CITIBANK, N.A., as Co-Syndication Agents, WACHOVIA SECURITIES, INC. and CITIGROUP GLOBAL MARKETS, INC., as Co-Lead Arrangers, and JPMORGAN CHASE BANK and BANK ONE, N.A., as Co-Documentation Agents.

PPL ELECTRIC UTILITIES CORPORATION, a Pennsylvania corporation (together with its successors, the "Borrower"), has requested and the Lenders (as hereinafter defined) have agreed to provide credit facilities to the Borrower in an aggregate principal amount of up to $200,000,000 for the purposes and on the terms and conditions set out in this Agreement.

ARTICLE I
DEFINITIONS

Section 1.01 Definitions . All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Additional Commitment Lender " has the meaning set forth in Section 2.07(c)(iii).

" Additional Letter of Credit " means any letter of credit issued under this Agreement by Wachovia Bank, National Association, as Issuing Lender, on or after the Closing Date.

" Adjusted London Interbank Offered Rate " means, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the nearest 1/100th of 1%) by dividing (i) the London Interbank Offered Rate for such Interest Period by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

" Administrative Agent " means Wachovia Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and its successor or successors in such capacity.

" Administrative Questionnaire " means, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

" Affiliates " means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agent " means the Administrative Agent, the Co-Syndication Agents, the Co-Lead Arrangers or the Co-Documentation Agents, and "Agents" means any two or more of them.

" Agreement " means this Credit Agreement, as amended, restated supplemented or modified from time to time.

" Applicable Lending Office " means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Base Rate Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Base Rate Loans or Euro-Dollar Loans, (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.06(a) or (iii) the applicable rate for the Letter of Credit Fee for any day for purposes of Section 2.06(b), the appropriate applicable percentage set forth below corresponding to the then current highest Borrower's Ratings; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Borrower's Ratings (S&P/Moody's)	Applicable Percentage for Commitment Fees	Applicable Percentage for Base Rate Loans	Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees
Category A:	A/A2 or higher	.080%	0%	.400%
Category B	A-/A3	.100%	0%	.500%
Category C:	BBB+/Baa1	.125%	0%	.625%
Category D:	BBB/Baa2	.150%	0%	.875%
Category E:	BBB-/Baa3 or lower or unrated	.200%	.100%	1.125%

; provided , further , that if the Borrower elects to convert the Loans to a Term Loan pursuant to Section 2.07(d), each percentage set forth above under "Applicable Percentage for Euro-Dollar Loans and Letter of Credit Fees" shall be increased by 25 basis points (.25%) from and

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after the Conversion Date.

" Applicable Utilization Fee " means on any day the appropriate applicable percentage set forth below corresponding to (a) the percentage of the aggregate of the Lenders' Revolving Commitments outstanding represented by the aggregate Loans plus the aggregate Letter of Credit Liabilities outstanding on such day and (b) the then current highest Borrower Rating; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Ratings (S&P/Moody's)	Usage ≥ 33% of Total Commitments
Category A	A/A2 or higher	.100%
Category B	A-/A3	.125%
Category C	BBB+/Baa1	.125%
Category D	BBB/Baa2	.125%
Category E	BBB-/Baa3 or lower or unrated	.125%

; provided , further , that if the Borrower elects to convert the outstanding Revolving Loans to a Term Loan pursuant to Section 2.07(d), the Applicable Utilization Fee in effect from time to time will be due and payable by the Borrower from and after the Conversion Date without regard to the percentage of the aggregate Lender's Revolving Commitments represented by the aggregate Loans outstanding from time to time.

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Assignee " has the meaning set forth in Section 9.06(c).

" Assignment and Assumption Agreement " means an Assignment and Assumption Agreement, substantially in the form of attached Exhibit C, under which an interest of a Lender hereunder is transferred to an Eligible Assignee pursuant to Section 9.06(c).

" Availability Period " means the period from and including the Closing Date to but excluding the Revolving Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

" Base Rate " means for any day a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

" Base Rate Borrowing " means a Borrowing comprised of Base Rate Loans.

" Base Rate Lending Office " means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Base Rate Lending Office) or such other office as such Lender may hereafter designate as its Base Rate Lending Office by notice to the Borrower and the Administrative Agent.

" Base Rate Loan " means a Loan in respect of which interest is computed on the basis of the Base Rate plus the Applicable Percentage, if any, with respect to Base Rate Loans.

" Borrower " is defined in the Recital.

" Borrower's Rating " means the senior secured long-term debt rating of the Borrower from Moody's or S&P.

" Borrowing " means a group of Loans of a single Type made by the Lenders on a single date and, in the case of a Euro-Dollar Borrowing, having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized by law to close; provided , that, when used in Article III with respect to any action taken by or with respect to any Issuing Lender, the term "Business Day" shall not include any day on which commercial banks are authorized by law to close in the jurisdiction where the office at which such Issuing Lender books any Letter of Credit is located; and provided , further, that when used with respect to any borrowing of, payment or prepayment of principal of or interest on, or the Interest Period for, a Euro-Dollar Loan, or a notice by the Borrower with respect to any such borrowing payment, prepayment or Interest Period, the term "Business Day" shall also mean that such day is a day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

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" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding shares of voting stock of PPL Corporation or its successors or (ii) the failure at any time of PPL Corporation or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Closing Date " means the date, not later than June 24, 2003, on which the Administrative Agent determines that the conditions specified in or pursuant to Section 4.01 have been satisfied.

" Co-Documentation Agents " means JPMorgan Chase Bank and Bank One, N.A., in their capacity as co-documentation agents for the Lenders under this Agreement and under the other Loan Documents, and their respective successors in such capacity.

" Co-Lead Arrangers " means Wachovia Securities, Inc. and Citigroup Global Markets, Inc., in their capacities as co-lead arrangers for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Co-Syndication Agents " means Barclays Bank PLC and Citibank, N.A., in their capacities as co-syndication agents for the Lenders hereunder and under the other Loan Documents, and their successors in such capacity.

" Commitment " means, with respect to any Lender, the commitment of such Lender to make Revolving Loans, or convert Revolving Loans into a Term Loan pursuant to Section 2.07(d), as the case may be, under this Agreement as set forth in the Commitment Appendix and to purchase participations in Letters of Credit pursuant to Article III hereof.

" Commitment Appendix " means the Appendix attached under this Agreement identified as such.

" Commitment Fee " has the meaning set forth in Section 2.06(a).

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt of the Borrower, (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred stockholders of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding therefrom the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Statement No. 133 in connection with forward contracts, futures contracts or other derivatives or commodity hedging agreements for the future delivery of electricity or capacity, (C) up to an aggregate amount of $350,000,000 of Hybrid Preferred Securities and (D) up to an aggregate amount of $350,000,000 of Equity-Linked Securities, except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareholder equity attributable to assets securing Non-Recourse Debt.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and (b) Consolidated Debt of the Borrower shall exclude (i) up to an aggregate amount of $350,000,000 of Hybrid Preferred Securities and (ii) up to an aggregate amount of $350,000,000 of Equity-Linked Securities.

" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Continuing Lender " means with respect to any event described in Section 2.07(b) or 2.07(c), a Lender which is neither a Retiring Lender nor a Non-extending Lender, respectively, and "Continuing Lenders" means any two or more of such Continuing Lenders.

" Conversion Date " means the date selected by the Borrower to convert the outstanding Revolving Loans into Term Loans pursuant to Section 2.07(d).

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the issuance, renewal or extension of a Letter of Credit.

" Current FERC Order " has the meaning set forth in Section 4.01(h).

" Current Revolving Termination Date " has the meaning set forth in Section 2.07(c)(i).

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" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person with respect to deposits or advances of any kind, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) all Guarantees by such Person of Debt of others, (v) all Capital Lease Obligations and Synthetic Leases of such Person, (vi) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof) and (vii) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Defaulting Lender " means at any time any Lender with respect to which a Lender Default is in effect at such time.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Effective Date " means the date this Agreement becomes effective in accordance with Section 9.08.

" Eligible Assignee " means (i) a Lender; (ii) a commercial bank organized under the laws of the United States and having a combined capital and surplus of at least $100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; provided , that such bank is acting through a branch or agency located and licensed in the United States; or (iv) an Affiliate of a Lender that is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended); provided, that upon and following the occurrence of an Event of Default, an Eligible Assignee shall mean any Person.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries, whether vested or unvested, contingent or fixed, actual or potential, which arise under or relate to matters covered by Environmental Laws.

" Equity-Linked Securities " means any securities of the Borrower or any of its Subsidiaries which are convertible into, or exchangeable for, equity securities of the Borrower, such Subsidiary or PPL Corporation, including any securities issued by any of such Persons which are pledged to secure any obligation of any holder to purchase equity securities of the Borrower, any of its Subsidiaries or PPL Corporation.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Euro-Dollar Lending Office " means, as to each Lender, its office, branch or Affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or Affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

" Euro-Dollar Borrowing " means a Borrowing comprised of Euro-Dollar Loans.

" Euro-Dollar Loan " means a Loan in respect of which interest is computed on the basis of the Adjusted London Interbank Offered Rate pursuant to the applicable Notice of Borrowing or Notice of Conversion/Continuation.

" Euro-Dollar Reserve Percentage " of any Lender for the Interest Period of any LIBOR Rate Loan means the reserve percentage applicable to

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such Lender during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) then applicable to such Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" (as defined in Regulation D). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

" Event of Default " has the meaning set forth in Section 7.01.

" Existing Credit Agreement " means the $400,000,000 364-Day Revolving Credit Agreement dated as of June 25, 2002 among the Borrower, Wachovia Bank, National Association, as Administrative Agent and Issuing Lender, Citibank, N.A., as Syndication Agent, Wachovia Securities and Citigroup Global Markets, Inc (successor to Salomon Smith Barney, Inc., as Co-Lead Arrangers, Bank One, N.A., Barclays Bank PLC and JPMorgan Chase Bank, as Documentation Agents, and the lenders from time to time party thereto, as amended through the date hereof.

" Existing Letters of Credit " means the letters of credit issued before the Closing Date pursuant to the Existing Credit Agreement and listed in attached Schedule 3.01, and "Existing Letter of Credit" means any one of them.

" Extension Letter " means a letter from the Borrower to the Administrative Agent requesting an extension of the Revolving Termination Date substantially in the form of Exhibit A-4 hereto.

" Federal Funds Rate " means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided , that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " means the letter designated as such dated as of May 7, 2003 by the Administrative Agent and Wachovia Securities, as Co-Lead Arranger and Joint Book Manager, addressed to and acknowledged and agreed to by the Borrower.

" FERC " has the meaning set forth in Section 4.01(h).

" Fronting Fee " has the meaning set forth in Section 2.06(b).

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

" Group of Loans " means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time or (ii) all Loans which are Euro-Dollar Loans of the same Type having the same Interest Period at such time; provided , that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Sections 2.14 or 2.17, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

" Guarantee " of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Hybrid Preferred Securities " means any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, in each case similar to PPL Electric Utilities Corporation's existing Trust Preferred Securities (TOPrS), issued by the Borrower, or any business trusts, limited liability companies, limited partnerships (or similar entities) (i) all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned Subsidiaries) at all times by the Borrower or any of its Subsidiaries, (ii) that have been formed for the purpose of issuing hybrid preferred securities and (iii) substantially all the assets of which

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consist of (A) subordinated debt of the Borrower or a Subsidiary of the Borrower, as the case may be, and (B) payments made from time to time on the subordinated debt.

" Indemnitee " has the meaning set forth in Section 9.03(b).

" Interest Period " means with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion/Continuation and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice; provided , that:

(i)any Interest Period which would otherwise end on a day which is not a Business Day shall, subject to clauses (iii) and (iv) below, be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii)any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Business Day of a calendar month;

(iii)if any Interest Period includes a date on which a payment of principal of the Loans is required (based on circumstances existing at the first day of such Interest Period) to be made under Section 2.08 but does not end on such date, then (x) the principal amount (if any) of each Euro-Dollar Loan required to be repaid on such date shall have an Interest Period ending on such date and (y) the remainder (if any) of each such Euro-Dollar Loan shall have an Interest Period determined as set forth above; and

(iv)no Interest Period shall end after the Revolving Termination Date or the Term Loan Maturity Date, as applicable.

" Interest Rate Protection Agreements " means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

" Internal Revenue Code " means the Internal Revenue Code of 1986, as amended, or any successor statute.

" Issuing Lender " means (i) Wachovia Bank, National Association, in its capacity as an issuer of Letters of Credit under Section 3.02, and its successor or successors in such capacity and (ii) each Lender listed in Schedule 3.01 hereto as the issuer of an Existing Letter of Credit.

" Lender " means each bank or other lending institution listed in the Commitment Appendix as having a Revolving Commitment, each Eligible Assignee that becomes a Lender pursuant to Section 9.06(c) and their respective successors and shall include, as the context may require and each Issuing Lender in such capacity.

" Lender Default " means (i) the failure (which has not been cured) of any Lender to make available any Loan or any reimbursement for a drawing under a Letter of Credit which in either case it is obligated to make available under the terms and conditions of this Agreement or (ii) a Lender having notified the Administrative Agent and the Borrower that such Lender does not intend to comply with its obligations under Article II following the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

" Letter of Credit " means an Existing Letter of Credit or an Additional Letter of Credit, and "Letters of Credit" means any combination of the foregoing.

" Letter of Credit Commitment " means the lesser of (i) $150,000,000 and (ii) the aggregate Revolving Commitment.

" Letter of Credit Fee " has the meaning set forth in Section 2.06(b).

" Letter of Credit Liabilities " means, for any Lender at any time, the product derived by multiplying (i) the sum, without duplication, of (A) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (B) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time by (ii) the quotient derived by dividing such Lender's Revolving Commitment by the aggregate of the Revolving Commitments of all Revolving Lenders.

" Letter of Credit Request " has the meaning set forth in Section 3.03.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a Base Rate Loan or a Euro-Dollar Loan, and "Loans" means any combination of the foregoing.

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" Loan Documents " means this Agreement and the Revolving Notes, collectively.

" London Interbank Offered Rate " means, for any Euro-Dollar Loan for any Interest Period, the interest rate for deposits in Dollars for a period of time comparable to such Interest Period which appears on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period; provided , however , if more than one rate is specified on Telerate page 3750, the applicable rate shall be the arithmetic means of all such rates. If for any reason such rate is not available, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period of time comparable to such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason the London interbank offered rate is not available on either Telerate page 3750 or Reuters Screen LIBO Page, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum at which deposits in Dollars are offered to Wachovia Bank, National Association in the London interbank market at approximately 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of Wachovia Bank, National Association to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

" Mandatory Letter of Credit Borrowing " has the meaning set forth on Section 3.09

" Margin Stock " means "margin stock" as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement, the Revolving Notes or the other Loan Documents or (iii) a material adverse effect on the validity or enforceability of this Agreement, the Revolving Notes or any of the other Loan Documents.

" Material Debt " means Debt (other than the Revolving Notes) of the Borrower in a principal or face amount exceeding $50,000,000.

" Material Plan " means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $25,000,000.

" Moody's " means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Multiemployer Plan " means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

" New FERC Order " has the meaning set forth in Section 4.01(h).

" New Lender " means with respect to any event described in Section 2.07(b), an Eligible Assignee which becomes a Lender hereunder as a result of such event, and "New Lenders" means any two or more of such New Lenders.

" Non-Defaulting Lender " means each Lender other than a Defaulting Lender, and "Non-Defaulting Lenders" means any two or more of such Lenders.

" Non-Extending Lender " has the meaning set forth in Section 2.07(c)(i).

" Non-Recourse Debt " shall mean (a) Debt that is nonrecourse to the Borrower or any Subsidiary of the Borrower and (b) any transition bonds issued by PP&L Transition Bond Company LLC, a subsidiary of the Borrower, or any similar special purpose company organized for the purpose of issuing bonds payable from revenues associated with intangible transition property created under the PEGCCCA or other assets of PP&L Transition Bond Company LLC or any such other special purpose company, provided , that (i) such bonds are nonrecourse to the Borrower or any of its Subsidiaries (other than PP&L Transition Bond Company LLC or any such other special purpose company) and (ii) the aggregate amount of such transition bonds shall not exceed $2,850,000,000.

" Non-U.S. Lender " has the meaning set forth in Section 2.16(e).

" Notice of Borrowing " has the meaning set forth in Section 2.02.

" Notice of Conversion/Continuation " has the meaning set forth in Section 2.05(d)(ii).

" Notice of Term Loan Conversion " has the meaning set forth in Section 2.07(d).

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" Obligations " means:

(i)all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable or Reimbursement Obligation under, or any Revolving Note issued pursuant to, this Agreement or any other Loan Document;

(ii)all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant this Agreement or any other Loan Document;

(iii)all expenses of the Agents as to which such Agents have a right to reimbursement under Section 9.03(a) hereof or under any other similar provision of any other Loan Document; and

(iv)all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 9.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

" Other Taxes " has the meaning set forth in Section 2.16(b).

" Participant " has the meaning set forth in Section 9.06(b).

" PBGC " means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

" PEGCCCA " means the Pennsylvania Electricity Generation Customer Choice and Competition Act, and any successor statute, regulation or law.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the date hereof, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Prime Rate " means the rate of interest publicly announced by Wachovia Bank, National Association in Charlotte, North Carolina from time to time as its Prime Rate.

" Quarterly Date " means the last Business Day of each March, June, September and December.

" Refinanced Agreements " means the Existing Credit Agreement and all instruments, documents and agreements relating thereto, in all cases as in effect on the Closing Date.

" Register " has the meaning set forth in Section 9.06(e).

" Regulation D " means Regulation D of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Regulation U " means Regulation U of the Board of Governors of the Federal Reserve System, as amended, or any successor regulation.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Issuing Lenders pursuant to Section 3.07 for amounts paid by the Issuing Lenders in respect of drawings under Letters of Credit, including any portion of any such obligation to which a Lender has become subrogated pursuant to Section 3.09.

" Replacement Date " has the meaning set forth in Section 2.07(b).

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" Replacement Lender " has the meaning set forth in Section 2.07(b).

" Required Lenders " means at any time Non-Defaulting Lenders having at least 51% of the aggregate amount of the Revolving Commitments of all Non-Defaulting Lenders or, if the Revolving Commitments shall have been terminated, having at least 51% of the aggregate amount of the Revolving Outstandings of the Non-Defaulting Lenders at such time.

" Retiring Lender " means a Lender that ceases to be a Lender hereunder pursuant to the operation of Section 2.07(b).

" Revolving " means, when used with respect to (i) a Lender's Commitment, such Lender's Revolving Commitment, as such Revolving Commitment may be reduced from time to time pursuant to Sections 2.07, 2.08 or 9.06(c) or increased from time to time pursuant to Section 9.06(c), (ii) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, or a Mandatory Letter of Credit Borrowing, (iii) a Loan, a Loan made under Section 2.01; provided , that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term "Revolving Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be, and (iv) a Revolving Note, a promissory note, substantially in the form of Exhibit B hereto, issued at the request of a Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans.

" Revolving Outstandings " means at any time, with respect to any Lender, the sum of (i) the aggregate principal amount of such Lender's outstanding Revolving Loans plus (ii) the aggregate amount of such Lender's outstanding Letter of Credit Liabilities.

" Revolving Termination Date " means the date 364 days from the date of this Agreement (or, if such day is not a Business Day, the next preceding Business Day) or such later date to which the Revolving Termination Date may from time to time be extended pursuant to Section 2.07(c) or such earlier date upon which the Revolving Commitments shall have been terminated in their entirety in accordance with this Agreement.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Administrative Agent may select.

" Standby Letter of Credit " has the meaning set forth in Section 3.02.

" Subsidiary " means, any Corporation a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.16(a).

" Term Loan " has the meaning set forth in Section 2.07(d).

" Term Loan Maturity Date " means the date 364 days after the Conversion Date.

" Type ", when used in respect of any Loan or Borrowing, shall refer to the rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

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" Wachovia Securities " means Wachovia Securities, Inc., and its successors and assigns.

" Wholly-Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the shares of Voting Stock of which (except directors' qualifying shares) are at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01 Commitments to Lend . Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that its Revolving Outstandings shall not exceed its Revolving Commitment; provided , that, immediately after giving effect to each such Revolving Loan, the aggregate Revolving Outstandings of all Lenders shall not exceed the aggregate amount of the Revolving Commitments of all Lenders. Each Revolving Borrowing (other than Mandatory Letter of Credit Borrowings) shall be in an aggregate principal amount of $10,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments) and shall be made from the several Lenders ratably in proportion to their respective Revolving Commitments. Within the foregoing limits and subject to Section 2.07(d), the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.09, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02 Notice of Borrowings . The Borrower shall give the Administrative Agent notice substantially in the form of Exhibit A-1 hereto (a "Notice of Borrowing") not later than (a) 11:30 A.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the third Business Day before each Euro-Dollar Borrowing, specifying:

(i)the date of such Borrowing, which shall be a Business Day;

(ii)the aggregate amount of such Borrowing;

(iii)the initial Type of the Loans comprising such Borrowing; and

(iv)in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Notwithstanding the foregoing, no more than 6 Groups of Euro-Dollar Loans shall be outstanding at any one time, and any Loans which would exceed such limitation shall be made as Base Rate Loans.

Section 2.03 Notice to Lenders; Funding of Loans .

(a) *Noti* ce to Lenders. Upon receipt of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of such Lender's ratable share (if any) of the Borrowing referred to in the Notice of Borrowing, and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b)Funding of Loans. Not later than (a) 1:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 12:00 Noon (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing, each Lender participating therein shall make available its share of such Borrowing, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent shall apply any funds so received in respect of Revolving Loans available to the Borrower at the Administrative Agent's address not later than (a) 3:00 P.M. (Charlotte, North Carolina time) on the date of each Base Rate Borrowing and (b) 2:00 P.M. (Charlotte, North Carolina time) on the date of each Euro-Dollar Borrowing.

(c)Funding By the Administrative Agent in Anticipation of Amounts Due from the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing (except in the case of a Base Rate Borrowing, in which case prior to the time of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.05, in the case of the Borrower, and (ii) the Federal Funds Rate, in the case of such Lender. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in such Borrowing for purposes of this Agreement.

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(d) *Obligations of Lenders Several* . The failure of any Lender to make a Loan required to be made by it as part of any Borrowing hereunder shall not relieve any other Lender of its obligation, if any, hereunder to make any Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such date of Borrowing.

Section 2.04 Noteless Agreement; Evidence of Indebtedness .

(a)Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b)The Administrative Agent shall also maintain accounts in which it will record (a) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (c) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c)The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d)Any Lender may request that its Revolving Loans be evidenced by a Revolving Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Revolving Note payable to the order of such Lender. Thereafter, the Revolving Loans evidenced by such Revolving Note and interest thereon shall at all times (including after any assignment pursuant to Section 9.06(b)) be represented by one or more Revolving Notes payable to the order of the payee named therein or any assignee pursuant to Section 9.06(b), except to the extent that any such Lender or assignee subsequently returns any such Revolving Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (a) and (b) above.

Section 2.05 Interest Rates .

(a) *Interest Rate Options* . The Loans shall, at the option of the Borrower and except as otherwise provided herein, be incurred and maintained as, or converted into, one or more Base Rate Loans or Euro-Dollar Loans.

(b) *Base Rate Loans* . Each Loan which is made as, or converted into, a Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made as, or converted into, a Base Rate Loan until it becomes due or is converted into a Loan of any other Type, at a rate per annum equal to the sum of the Base Rate for such day plus the Applicable Percentage, if any, for Base Rate Loans for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on the date such Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(c) *Euro-Dollar Loans* . Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Adjusted London Interbank Offered Rate for such Interest Period plus the Applicable Percentage for Euro-Dollar Loans for such day plus the Applicable Utilization Fee for such day, if any; provided , that if any Euro-Dollar Loan or any portion thereof shall, as a result of clause (iii) of the definition of Interest Period, have an Interest Period of less than one month, such portion shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for Euro-Dollar Loans for such day plus (C) the Applicable Utilization Fee, if any, (or, if the circumstance described in Section 2.13 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(d) *Method of Electing Interest Rates* .

(i)Subject to Section 2.05(a), the Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Borrowing. Thereafter, with respect to each Group of Loans, the Borrower shall have the option (A) to convert all or any part of (y) so long as no Default or Event of Default is in existence on the date of conversion, outstanding Base Rate Loans to Euro-Dollar Loans and (z) outstanding Euro-Dollar Loans to Base Rate Loans; provided , that in each case that the amount so converted shall be equal to $10,000,000 or any larger multiple of $1,000,000, or (B) upon the expiration of any Interest Period applicable to outstanding Euro-Dollar Loans, so long as no Default or Event of Default is in existence on the date of continuation, to continue all or any portion of such Loans equal to $10,000,000 and any larger multiple of $1,000,000 in excess of that amount as Euro-Dollar Loans. The Interest Period of any Base Rate

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Loan converted to a Euro-Dollar Loan pursuant to clause (A) above shall commence on the date of such conversion. The succeeding Interest Period of any Euro-Dollar Loan continued pursuant to clause (B) above shall commence on the last day of the Interest Period of the Loan so continued. Euro-Dollar Loans may only be converted on the last day of the then current Interest Period applicable thereto or on the date required pursuant to Section 2.17.

(ii)The Borrower shall deliver a written notice of each such conversion or continuation (a "Notice of Conversion/Continuation") to the Administrative Agent no later than (A) 12:00 Noon (Charlotte, North Carolina time) at least three Business Days before the date of the proposed conversion to, or continuation of, a Euro-Dollar Loan and (B) 11:30 A.M. (Charlotte, North Carolina time) on the day of a conversion to a Base Rate Loan. A written Notice of Conversion/Continuation shall be substantially in the form of Exhibit A-2 attached hereto and shall specify: (A) the Group of Loans (or portion thereof) to which such notice applies, (B) the proposed conversion/continuation date (which shall be a Business Day), (C) the aggregate amount of the Loans being converted/continued, (D) an election between the Base Rate and the Adjusted London Interbank Offered Rate and (E) in the case of a conversion to, or a continuation of, Euro-Dollar Loans, the requested Interest Period. Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent shall give each Lender prompt notice of the contents thereof and such Lender's pro rata share of all conversions and continuations requested therein. If no timely Notice of Conversion/Continuation is delivered by the Borrower as to any Euro-Dollar Loan, and such Loan is not repaid by the Borrower at the end of the applicable Interest Period, such Loan shall be converted automatically to a Base Rate Loan on the last day of the then applicable Interest Period.

(e) *Determination and Notice of Interest Rates* . The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any notice with respect to Euro-Dollar Loans shall, without the necessity of the Administrative Agent so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Administrative Agent shall give prompt notice to the Borrower and the Lenders of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.06 Fees .

(a) *Commitment Fees* . The Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the amount by which such Lender's Revolving Commitment exceeds the sum of its Revolving Outstandings on such day, and shall be payable on the last day of each March, June, September and December and on the Revolving Termination Date.

(b) *Letter of Credit Fees* . The Borrower shall pay to the Administrative Agent a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day plus the Applicable Utilization Fee for such day, if any. The Letter of Credit Fee shall accrue from and including the Effective Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day and shall be payable for the account of the Lenders ratably in proportion to their participations in such Letter(s) of Credit. In addition, the Borrower shall pay to each Issuing Lender a fee (the "Fronting Fee") in respect of each Letter of Credit issued by such Issuing Lender computed at the rate of .125% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the Revolving Termination Date upon which no Letters of Credit remain outstanding. In addition, the Borrower agrees to pay to each Issuing Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which such Issuing Lender is customarily charging for issuances of, payments under, or amendments to letters of credit issued by it.

(c) *Payments* . Except as otherwise provided in this Section 2.06, accrued fees under this Section 2.06 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.07 Adjustments of Commitments .

(a)Optional Termination or Reductions of Commitments (Pro-Rata). The Borrower may, upon at least three Business Days' notice to the Administrative Agent, (i) terminate the Revolving Commitments, if there are no Revolving Outstandings at such time or (ii) ratably reduce from time to time by an aggregate amount of $10,000,000 or any larger multiple of $5,000,000, the aggregate amount of the Revolving Commitments in excess of the aggregate Revolving Outstandings. Upon receipt of any such notice, the Administrative Agent shall promptly notify the Lenders. If the Revolving Commitments are terminated in their entirety, all accrued fees shall be payable on the effective date of such termination.

(b)Optional Termination of Commitments (Non-Pro-Rata). If (i) any Lender has demanded compensation or indemnification pursuant to Sections 2.13, 2.14, 2.15 or 2.16, (ii) the obligation of any Lender to make Euro-Dollar Loans has been suspended pursuant to Section 2.14 or

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(iii) any Lender is a Defaulting Lender (each such Lender described in clauses (i), (ii) or (iii) being a "Retiring Lender"), the Borrower shall have the right, if no Default then exists, to replace such Lender with one or more Eligible Assignees (which may be one or more of the Continuing Lenders) (each a "Replacement Lender" and, collectively, the "Replacement Lenders") reasonably acceptable to the Administrative Agent. The replacement of a Retiring Lender pursuant to this Section 2.07(b) shall be effective on the tenth Business Day (the "Replacement Date") following the date of notice of such replacement to the Retiring Lender and each Continuing Lender through the Administrative Agent, subject to the satisfaction of the following conditions:

(i)the Replacement Lender shall have satisfied the conditions to assignment and assumption set forth in Section 9.06(c) (with all fees payable pursuant to Section 9.06(c) to be paid by the Borrower) and, in connection therewith, the Replacement Lender(s) shall pay:

(A)to the Retiring Lender an amount equal in the aggregate to the sum of (x) the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Retiring Lender, (y) all unpaid drawings that have been funded by (and not reimbursed to) the Retiring Lender under Section 3.10, together with all accrued but unpaid interest with respect thereto and (z) all accrued but unpaid fees owing to the Retiring Lender pursuant to Section 2.07; and

(B)to the Issuing Lenders an amount equal to the aggregate amount owing by the Retiring Lender to the Issuing Lenders as reimbursement pursuant to Section 3.09, to the extent such amount was not theretofore funded by such Retiring Lender; and

(ii)the Borrower shall have paid to the Administrative Agent for the account of the Retiring Lender an amount equal to all obligations owing to the Retiring Lender by the Borrower pursuant to this Agreement and the other Loan Documents (other than those obligations of the Borrower referred to in clause (i)(A) above).

On the Replacement Date, each Replacement Lender that is a New Lender shall become a Lender hereunder, and the Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

In lieu of the foregoing, upon express written consent of a majority of the Continuing Lenders, the Borrower shall have the right to terminate the Revolving Commitment of a Retiring Lender in full. Upon payment by the Borrower to the Administrative Agent for the account of the Retiring Lender of an amount equal to the sum of (i) the aggregate principal amount of all Loans and Letter of Credit Liabilities held by the Retiring Lender and (ii) all accrued interest, fees and other amounts owing to the Retiring Lender hereunder, including, without limitation, all amounts payable by the Borrower to the Retiring Lender under Sections 2.11, 2.15, 2.16 or 9.03, such Retiring Lender shall cease to constitute a Lender hereunder; provided , that the provisions of this Agreement (including, without limitation, the provisions of Sections 2.11, 2.15, 2.16 and 9.03) shall continue to govern the rights and obligations of a Retiring Lender with respect to any Loans made, any Letters of Credit issued or any other actions taken by such Retiring Lender while it was a Lender.

(c)Optional Extensions of Commitments.

(i)The Borrower may, by sending an Extension Letter to the Administrative Agent (in which case the Administrative Agent shall promptly deliver a copy to each of the Lenders), not less than 30 days and not more than 60 days prior to the Revolving Termination Date then in effect (the "Current Revolving Termination Date"), request that the Lenders extend the Revolving Termination Date so that it will occur 364 days after the Current Revolving Termination Date. Each Lender, acting in its sole discretion, shall, by notice to the Administrative Agent given not less than 15 days and not more than 30 days prior to the Current Revolving Termination Date, advise the Administrative Agent in writing whether or not such Lender agrees to such extension (each Lender that so advises the Administrative Agent that it will not extend the Revolving Termination Date being referred to herein as a "Non-extending Lender"); provided , that any Lender that does not advise the Administrative Agent by the 15th day prior to the Current Revolving Termination Date shall be deemed to be a Non-extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to agree.

(ii) (A) If Lenders holding Revolving Commitments that aggregate at least 51% of the aggregate Commitments of the Lenders on or prior to the 15th day prior to the Current Revolving Termination Date shall not have agreed to extend the Revolving Termination Date, then the Current Revolving Termination Date shall not be so extended and the outstanding principal balance of all loans and other amounts payable hereunder shall be payable on the Current Revolving Termination Date. (B) If (and only if) Lenders holding Revolving Commitments that aggregate at least 51% of the aggregate Commitment of the Lenders on or prior to the 15th day prior to the Current Revolving Termination Date shall have agreed to extend the Revolving Termination Date, then the Revolving Termination Date applicable to the Lenders that are Continuing Lenders shall be the day that is 364 days after the Current Revolving Termination Date. In the event of such extension, the Commitment of each Non-extending Lender shall terminate on the Current Revolving Termination Date, all Loans and other amounts payable hereunder to such Non-extending Lenders shall become due and payable on the Current Revolving Termination Date and the aggregate Commitment of the Lenders hereunder shall be reduced by the aggregate Commitments of Non-extending Lenders so terminated on and after such Current Revolving Termination Date.

(iii)In the event that the conditions of clause (B) of paragraph (ii) above have been satisfied, the Borrower shall have the right on or before the

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Current Revolving Termination Date, at its own expense, to require any Non-extending Lender to transfer and assign without recourse or representation (except as to title and the absence of Liens created by it) (in accordance with and subject to the restrictions contained in 9.06(c)) all its interests, rights and obligations under this Agreement (including with respect to any Letter of Credit Liabilities) to one or more Eligible Assignees (which may include any Lender) (each, an "Additional Commitment Lender"), provided , that (x) such Additional Commitment Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (not to be unreasonably withheld), (y) such assignment shall become effective as of the Current Revolving Termination Date and (z) the Additional Commitment Lender shall pay to such Non-extending Lender in immediately available funds on the effective date of such assignment the principal of and interest accrued to the date of payment on the Loans made by such Non-extending Lender hereunder and all other amounts accrued for such Non-extending Lender's account or owed to it hereunder. Notwithstanding the foregoing, no extension of the Revolving Termination Date shall become effective unless, on the Current Revolving Termination Date, the conditions set forth in Section 4.02 shall be satisfied (with all references in such paragraphs to the making of a Loan or issuance of a Letter of Credit being deemed to be references to the extension of the Commitments on the Current Revolving Termination Date) and the Administrative Agent shall have received a certificate to that effect dated the Current Revolving Termination Date and executed by a responsible officer of the Borrower.

(d) *Optional Conversion to Term Loan* . At any time on or within 10 days of the Current Revolving Termination Date when Revolving Loans are outstanding, so long as no Letter of Credit Liabilities remain outstanding, at the Borrower's option upon written notice (a "Notice of Term Loan Conversion") to the Administrative Agent (who shall promptly notify each of the Lenders), the Borrower, may elect to convert the then outstanding aggregate principal amount of Revolving Loans hereunder to a term loan (the "Term Loan"). The Notice of Term Loan Conversion shall be substantially in the form of Exhibit A-5 attached hereto and shall (i) expressly state the date on which such conversion shall occur (such date being the "Conversion Date"), which date shall be a Business Day occurring on or before the Current Revolving Termination Date, (ii) be irrevocable once given and (iii) constitute a representation and warranty by the Borrower that the conditions contained in Section 4.02(c), (d), and (e) have been satisfied as of the date of such Notice of Term Loan Conversion and as of the Conversion Date prior to and after giving effect to any such conversion. From and after the Conversion Date, (i) the Borrower's option to borrow Loans hereunder shall terminate, (ii) the aggregate of all Revolving Commitments shall be reduced to zero, (iii) the outstanding principal balance of all Revolving Loans shall convert to a Term Loan which shall be due and payable on the earlier of (a) the Term Loan Maturity Date and (b) the date on which all Loans shall become due and payable under Article VII and (iv) all references in this Agreement to "Revolving Loans" and "Revolving Notes" shall be deemed to be references to such Revolving Loans and the related Revolving Notes as so converted into a Term Loan, in each case as the context requires.

Section 2.08 Maturity of Loans; Mandatory Prepayments .

(a)Scheduled Repayments and Prepayments of Loans; Overline Repayments.

(i)The Revolving Loans shall mature on the Revolving Termination Date or the Term Loan Maturity Date, as applicable, and any Revolving Loans or Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable or, in the case of Letters of Credit, cash collateralized pursuant to Section 2.08(a)(ii), on such date.

(ii)If on any date the aggregate Revolving Outstandings exceed the aggregate amount of the Revolving Commitments, the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon), such date an aggregate principal amount of Loans equal to such excess. If the outstanding Revolving Loans have been repaid in full or the Revolving Termination Date or the Term Loan Maturity Date, as applicable, shall have occurred and any Letter of Credit Liabilities remain outstanding, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing in a cash collateral account established and maintained (including the investments made pursuant thereto) by the Administrative Agent pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent such amounts as are necessary so that, after giving effect to the repayment of Revolving Loans and the cash collateralization of Letter of Credit Liabilities pursuant to this subsection, the aggregate Revolving Outstandings do not exceed the aggregate amount of the Revolving Commitments. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.08(a)(ii).

(b) *Applications of Prepayments and Reductions* .

(i)Each prepayment of Loans pursuant to this Section 2.08 shall be applied ratably to the respective Loans of all of the Lenders.

(ii)Each payment of principal of the Loans shall be made together with interest accrued on the amount repaid to the date of payment.

(iii)Each payment of the Loans shall be applied to such Group or Groups of Loans as the Borrower may designate (or, failing such designation, as determined by the Administrative Agent).

Section 2.09 Optional Prepayments and Repayments .

(a) *Prepayments of Loans* . The Borrower may (i) upon at least one Business Day's notice to the Administrative Agent, prepay any Base Rate Borrowing or (ii) upon at least three Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Borrowing, in each case in

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whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Borrowing.

(b) *Notice to Lenders* . Upon receipt of a notice of prepayment pursuant to this Section 2.09(b), the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's ratable share (if any) of such prepayment, and such notice shall not thereafter be revocable by the Borrower.

Section 2.10 General Provisions as to Payments .

(a) *Payments by the Borrower* . The Borrower shall make each payment of principal of and interest on the Loans and Letter of Credit Liabilities and fees hereunder (other than fees payable directly to the Issuing Lenders) not later than 12:00 Noon (Charlotte, North Carolina time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Charlotte, North Carolina, to the Administrative Agent at its address referred to in Section 9.01. The Administrative Agent will promptly distribute to each Lender its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of or interest on the Base Rate Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. Whenever any payment of principal of or interest on the Euro-Dollar Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) *Distributions by the Administrative Agent* . Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.11 Funding Losses . If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan pursuant to the terms and provisions of this Agreement (any conversion of a Euro-Dollar Loan to a Base Rate Loan pursuant to Section 2.17 being treated as a payment of such Euro-Dollar Loan on the date of conversion for purposes of this Section 2.11) on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.05(c), or if the Borrower fails to borrow, convert or prepay any Euro-Dollar Loan after notice has been given in accordance with the provisions of this Agreement, the Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (and by an existing Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow or prepay; provided , that such Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.12 Computation of Interest and Fees . Interest on Loans based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed. All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.13 Basis for Determining Interest Rate Inadequate, Unfair or Unavailable . If on or prior to the first day of any Interest Period for any Euro-Dollar Loan: (a) Lenders having 50% or more of the aggregate amount of the Revolving Commitments advise the Administrative Agent that the Adjusted London Interbank Offered Rate as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period; or (b) the Administrative Agent shall determine that no reasonable means exists for determining the Adjusted London Interbank Offered Rate, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended; and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of (or, if at the time the Borrower receives such notice the day is the date of, or the date immediately preceding, the date of such Euro-Dollar Borrowing, by 10:00 A.M. on the date of) any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 2.14 Illegality . If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Lender

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shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 2.15 Increased Cost and Reduced Return .

(a) *Increased Costs* . If after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance assessment or similar requirement against Letters of Credit issued or participated in by, assets of, deposits with or for the account of or credit extended by, any Lender (or its Applicable Lending Office) or shall impose on any Lender (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans, its Revolving Notes, its obligation to make Euro-Dollar Loans or its obligations hereunder in respect of Letters of Credit, and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Revolving Notes with respect thereto, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts, as determined by such Lender in good faith, as will compensate such Lender for such increased cost or reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(b) *Capital Adequacy* . If any Lender shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Lender (or any Person controlling such Lender) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or any Person controlling such Lender) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or any Person controlling such Lender) for such reduction, solely to the extent that any such additional amounts were incurred by the Lender within 90 days of such demand.

(c) *Notices* . Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, that will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 2.16 Taxes .

(a) *Payments Net of Certain Taxes* . Any and all payments by the Borrower to or for the account of any Lender or any Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income (including branch profits or similar taxes) of, and gross receipts, franchise or similar taxes imposed on, any Agent or any Lender by the jurisdiction (or subdivision thereof) under the laws of which such Lender or Agent is organized or in which its principal executive office is located, or in the case of each Lender, in which its Applicable Lending Office is located, and (ii) in the case of each Lender, any United States withholding tax imposed on such payments, but only to the extent that such Lender is subject to United States withholding tax at the time such Lender first becomes a party to this Agreement or changes its Applicable Lending Office (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or any Agent, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.16(a)) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant

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taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Administrative Agent, for delivery to such Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) *Other Taxes* . In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement, any Revolving Note or any other Loan Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement, any Revolving Note or any other Loan Document (collectively, "Other Taxes").

(c) *Indemnification* . The Borrower agrees to indemnify each Lender and each Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.16(c)), whether or not correctly or legally asserted, paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by each Lender or Agent seeking indemnification pursuant to this Section 2.16(c). This indemnification shall be paid within 15 days after such Lender or Agent (as the case may be) makes demand therefor.

(d) *Refunds or Credits* . If a Lender or Agent receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.16, it shall within 15 days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of such Lender or Agent (as the case may be) and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided , however , that the Borrower agrees to repay, upon the request of such Lender or Agent (as the case may be), the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender or Agent in the event such Lender or Agent is required to repay such refund or credit to such taxation authority.

(e) *Tax Forms and Certificates* . On or before the date it becomes a party to this Agreement, from time to time thereafter if reasonably requested by the Borrower, and at any time it changes its Applicable Lending Office, each Lender organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent: (i) two properly completed and duly executed copies of Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to the benefits under an income tax treaty to which the United States is a party which exempts the Lender from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Lender or (ii) two properly completed and duly executed copies of Internal Revenue Service Form W-8 ECI, or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable pursuant to this Agreement and the other Loan Documents is effectively connected with the conduct of a trade or business in the United States. In addition, each Non-U.S. Lender agrees that from time to time after the Closing Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete signed originals of Internal Revenue Service Form W-8 BEN or W-8 ECI or successor forms, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Non-U.S. Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any other Loan Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or certificate.

(f) *Exclusions* . The Borrower shall not be required to indemnify any Non-U.S. Lender or Agent, or to pay any additional amount to any Non-U.S. Lender or Agent, pursuant to Section 2.16(a), (b) or (c) in respect of Taxes or Other Taxes to the extent that the obligation to indemnify or pay for such additional amounts would not have arisen but for the failure of such Non-U.S. Lender to comply with the provisions of subsection (e) above.

(g) *Mitigation* . If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.16, then such Lender will use reasonable efforts (which shall include efforts to rebook the Revolving Loans held by such Lender to a new Applicable Lending Office, or through another branch or affiliate of such Lender) to change the jurisdiction of its Applicable Lending Office if, in the good faith judgment of such Lender, such efforts (i) will eliminate or, if it is not possible to eliminate, reduce to the greatest extent possible any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous, in the sole determination of such Lender, to such Lender. Any Lender claiming any indemnity payment or additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

(h) *Confidentiality* . Nothing contained in this Section shall require any Lender or any Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

Section 2.17 Base Rate Loans Substituted for Affected Euro-Dollar Loans . If (a) the obligation of any Lender to make or maintain, or to

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convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 2.14 or (b) any Lender has demanded compensation under Section 2.15(a) with respect to its Euro-Dollar Loans and, in any such case, the Borrower shall, by at least four Euro-Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(i)all Loans which would otherwise be made by such Lender as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders); and

(ii)after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal that would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

ARTICLE III
LETTERS OF CREDIT

Section 3.01 Existing Letters of Credit . On the Closing Date, each Issuing Lender that has issued an Existing Letter of Credit shall be deemed, without further action by any party to this Agreement, to have sold to each Lender having a Revolving Commitment, and each such Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Existing Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments.

Section 3.02 Additional Letters of Credit . The Issuing Lender agrees, on the terms and conditions set forth in this Agreement, to issue Letters of Credit from time to time before the 5th day prior to the Revolving Termination Date for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower that are acceptable to the Issuing Lender (each such letter of credit, a "Standby Letter of Credit" and, collectively, the "Standby Letters of Credit"); provided , that, immediately after each Letter of Credit is issued, (A) the aggregate amount of the Letter of Credit Liabilities shall not exceed the Letter of Credit Commitment and (B) the Revolving Outstandings shall not exceed the aggregate amount of the Revolving Commitments.

Section 3.03 Method of Issuance of Letters of Credit . The Borrower shall give the Issuing Lender notice substantially in the form of Exhibit A-3 to this Agreement (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 1:00 P.M. (Charlotte, North Carolina time) on the proposed date of the issuance or extension of Standby Letters of Credit (which shall be a Domestic Business Day) (or such shorter period as may be agreed by the Issuing Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by the Issuing Lender, the Issuing Lender shall timely give such notice of termination unless it has theretofore timely received a Letter of Credit Request and the other conditions to issuance of a Letter of Credit have theretofore been met with respect to such extension. No Letter of Credit shall have a term of more than one year; provided , that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Revolving Termination Date.

Section 3.04 Conditions to Issuance of Additional Letters of Credit . The issuance by the Issuing Lender of each Additional Letter of Credit shall, in addition to the conditions precedent set forth in Article III, be subject to the conditions precedent that (i) such Letter of Credit shall be satisfactory in form and substance to the Issuing Lender, (ii) the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Lender shall have reasonably requested and (iii) the Issuing Lender shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate amount of all Letter of Credit Liabilities will not exceed the Letter of Credit Commitment and (B) the aggregate Revolving Outstandings will not exceed the aggregate amount of the Revolving Commitments. Notwithstanding any other provision of this Section 3.04, the Issuing Lender shall not be under any obligation to issue any Additional Letter of Credit if: any order, judgment or decree of any governmental authority shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Additional Letter of Credit, or any requirement of law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or such Additional Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Additional Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Lender in good faith deems material to it.

Section 3.05 Purchase and Sale of Letter of Credit Participations . Upon the issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed,

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without further action by any party hereto, to have purchased from such Issuing Lender, without recourse or warranty, an undivided participation interest in such Letter of Credit and the related Letter of Credit Liabilities in the proportion its Revolving Commitment bears to the aggregate Revolving Commitments (although the Fronting Fee payable under Section 2.06(b) shall be payable directly to the Administrative Agent for the account of the applicable Issuing Lender, and the Lenders (other than such Issuing Lender) shall have no right to receive any portion of any such Fronting Fee) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Commitments pursuant to Section 9.06(c), there shall be an automatic adjustment to the participations in all outstanding Letters of Credit and Letter of Credit Liabilities to reflect the adjusted Revolving Commitments of the assigning and assignee Lenders or of all Lenders having Revolving Commitments, as the case may be.

Section 3.06 Drawings under Letters of Credit . Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable Issuing Lender shall determine in accordance with the terms of such Letter of Credit whether such drawing should be honored. If the Issuing Lender determines that any such drawing shall be honored, such Issuing Lender shall make available to such beneficiary in accordance with the terms of such Letter of Credit the amount of the drawing and shall notify the Borrower as to the amount to be paid as a result of such drawing and the payment date.

Section 3.07 Reimbursement Obligations . The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which the Issuing Lender may pay or incur relative to such drawing and interest on the amount drawn at the rate applicable to Base Rate Loans for each day from and including the date such amount is drawn to but excluding the date such reimbursement payment is due and payable. Such reimbursement payment shall be due and payable (i) at or before 1:00 P.M. (Charlotte, North Carolina time) on the date the Issuing Lender notifies the Borrower of such drawing, if such notice is given at or before 10:00 A.M. (Charlotte, North Carolina time) on such date or (ii) at or before 10:00 A.M. (Charlotte, North Carolina time) on the next succeeding Business Day; provided , that no payment otherwise required by this sentence to be made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on any day shall be overdue hereunder if arrangements for such payment satisfactory to the Issuing Lender, in its reasonable discretion, shall have been made by the Borrower at or before 1:00 P.M. (Charlotte, North Carolina time) on such day and such payment is actually made at or before 3:00 P.M. (Charlotte, North Carolina time) on such day. In addition, the Borrower agrees to pay to the Issuing Lender interest, payable on demand, on any and all amounts not paid by the Borrower to the Issuing Lender when due under this Section 3.07, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.07 shall be made to the Issuing Lender in Federal or other funds immediately available to it at its address referred to Section 9.01.

Section 3.08 Duties of Issuing Lenders to Lenders; Reliance . In determining whether to pay under any Letter of Credit, the relevant Issuing Lender shall not have any obligation relative to the Lenders participating in such Letter of Credit or the related Letter of Credit Liabilities other than to determine that any document or documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit shall not create for the Issuing Lender any resulting liability if taken or omitted in the absence of gross negligence or willful misconduct. Each Issuing Lender shall be entitled (but not obligated) to rely, and shall be fully protected in relying, on the representation and warranty by the Borrower set forth in the last sentence of Section 4.02 to establish whether the conditions specified in clauses (c), (d) and (e) of Section 4.02 are met in connection with any issuance or extension of a Letter of Credit. Each Issuing Lender shall be entitled to rely, and shall be fully protected in relying, upon advice and statements of legal counsel, independent accountants and other experts selected by such Issuing Lender and upon any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopier, telex or teletype message, statement, order or other document believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the beneficiary and the Borrower shall have notified such Issuing Lender that such documents do not comply with the terms and conditions of the Letter of Credit. Each Issuing Lender shall be fully justified in refusing to take any action requested of it under this Section in respect of any Letter of Credit unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take, or omitting or continuing to omit, any such action. Notwithstanding any other provision of this Section, each Issuing Lender shall in all cases be fully protected in acting, or in refraining from acting, under this Section in respect of any Letter of Credit in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant hereto shall be binding upon all Lenders and all future holders of participations in such Letter of Credit; provided , that this sentence shall not affect any rights the Borrower may have against the Issuing Lender or the Lenders that make such request.

Section 3.09 Obligations of Lenders to Reimburse Issuing Lender for Unpaid Drawings . If any Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to such Issuing Lender pursuant to Section 3.07, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (other than the relevant Issuing Lender), and each such Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of such Issuing Lender, such Lender's share of such payment (determined by the proportion its Revolving Commitment bears to the aggregate Revolving Commitments) in Dollars in Federal or other immediately available funds, the aggregate of such payments relating to each

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unreimbursed amount being referred to herein as a "Mandatory Letter of Credit Borrowing"; provided, however, that no Lender shall be obligated to pay to the Administrative Agent its pro rata share of such unreimbursed amount for any wrongful payment made by the relevant Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence by such Issuing Lender. If the Administrative Agent so notifies a Lender prior to 11:00 A.M. (Charlotte, North Carolina time) on any Business Day, such Lender shall make available to the Administrative Agent at its address referred to in Section 9.01 and for the account of the relevant Issuing Lender such Lender's pro rata share of the amount of such payment by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day following such Lender's receipt of notice from the Administrative Agent, together with interest on such amount for each day from and including the date of such drawing to but excluding the day such payment is due from such Lender at the Federal Funds Rate for such day (which funds the Administrative Agent shall promptly remit to such Issuing Lender). The failure of any Lender to make available to the Administrative Agent for the account of an Issuing Lender its pro rata share of any unreimbursed drawing under any Letter of Credit shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent for the account of such Issuing Lender its pro rata share of any payment made under any Letter of Credit on the date required, as specified above, but no such Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent for the account of the Issuing Lender such other Lender's pro rata share of any such payment. Upon payment in full of all amounts payable by a Lender under this Section 3.09, such Lender shall be subrogated to the rights of the Issuing Lender against the Borrower to the extent of such Lender's pro rata share of the related Letter of Credit Liabilities (including interest accrued thereon). If any Lender fails to pay any amount required to be paid by it pursuant to this Section 3.09 on the date on which such payment is due, interest shall accrue on such Lender's obligation to make such payment, for each day from and including the date such payment became due to but excluding the date such Lender makes such payment, whether before or after judgment, at a rate per annum equal to (i) for each day from the date such payment is due to the third succeeding Business Day, inclusive, the Federal Funds Rate for such day as determined by the relevant Issuing Lender and (ii) for each day thereafter, the sum of 2% plus the rate applicable to its Base Rate Loans for such day. Any payment made by any Lender after 3:00 P.M. (Charlotte, North Carolina time) on any Business Day shall be deemed for purposes of the preceding sentence to have been made on the next succeeding Business Day.

Section 3.10 Funds Received from the Borrower in Respect of Drawn Letters of Credit. Whenever an Issuing Lender receives a payment of a Reimbursement Obligation as to which the Administrative Agent has received for the account of such Issuing Lender any payments from the Lenders pursuant to Section 3.09 above, such Issuing Lender shall pay the amount of such payment to the Administrative Agent, and the Administrative Agent shall promptly pay to each Lender which has paid its pro rata share thereof, in Dollars in Federal or other immediately available funds, an amount equal to such Lender's pro rata share of the principal amount thereof and interest thereon for each day after relevant date of payment at the Federal Funds Rate.

Section 3.11 Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.07 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a)any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b)any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c)the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d)the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e)any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f)payment under a Letter of Credit against presentation to an Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided, that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g)any other act or omission to act or delay of any kind by any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Nothing in this Section 3.11 is intended to limit the right of the Borrower to make a claim against any Issuing Lender for damages as contemplated by the proviso to the first sentence of Section 3.12.

Section 3.12 Indemnification in Respect of Letters of Credit. The Borrower hereby indemnifies and holds harmless each Lender (including

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each Issuing Lender) and the Administrative Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Lender or the Administrative Agent may incur by reason of or in connection with the failure of any other Lender to fulfill or comply with its obligations to such Issuing Lender hereunder (but nothing herein contained shall affect any rights which the Borrower may have against such defaulting Lender), and none of the Lenders (including any Issuing Lender) nor the Administrative Agent, their respective affiliates nor any of their respective officers, directors, employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any of the circumstances enumerated in Section 3.11, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any error in interpretation of technical terms, (iii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, (iv) any consequences arising from causes beyond the control of such indemnitee, including without limitation, any government acts, or (v) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided , that the Borrower shall not be required to indemnify any Issuing Lender for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim against such Issuing Lender for direct (but not consequential) damages suffered by it, to the extent found by a court of competent jurisdiction in a final, non-appealable judgment or order to have been caused by (i) the willful misconduct or gross negligence of the Issuing Lender in determining whether a request presented under any Letter of Credit issued by it complied with the terms of such Letter of Credit or (ii) the Issuing Lender's failure to pay under any Letter of Credit issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 3.12 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

Section 3.13 ISP98 . The rules of the "International Standby Practices 1998" (the "ISP98") as published by the ICC most recently at the time of issuance of any Standby Letter of Credit shall apply to such Letter of Credit unless otherwise expressly provided in such Letter of Credit.

ARTICLE IV
CONDITIONS

Section 4.01 Conditions to Closing . The obligation of each Lender to make a Loan or issue a Letter of Credit on the occasion of the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) *Effectiveness* . This Agreement shall have become effective in accordance with Section 9.08.

(b) *Revolving Notes* . On or prior to the Closing Date, the Administrative Agent shall have received a duly executed Revolving Note for the account of each Lender requesting delivery of a Revolving Note pursuant to Section 2.04.

(c) *Officers' Certificates* . The Administrative Agent shall have received a certificate dated the Closing Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President or the Treasurer of the Borrower stating that (A) on the Closing Date and after giving effect to the Loans and Letters of Credit being made or issued on the Closing Date, no Default or Event of Default shall have occurred and be continuing and (B) the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Closing Date.

(d) *Proceedings* . On the Closing Date, the Administrative Agent shall have received (i) a copy of the Borrower's certificate of incorporation certified by the Secretary of State of the Commonwealth of Pennsylvania; (ii) a certificate of the Secretary of State of the Commonwealth of Pennsylvania, dated as of a recent date, as to the good standing of the Borrower; and (iii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Closing Date and certifying (A) that attached thereto is a true, correct and complete copy of the articles of incorporation of the Borrower, (B) that attached thereto is a true, correct and complete copy of the by-laws of the Borrower, (C) as to the absence of dissolution or liquidation proceedings by or against the Borrower, (D) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of the Borrower authorizing the execution, delivery and performance of the Loan Documents to which the Borrower is a party and each other document delivered in connection herewith or therewith and that such resolutions have not been amended and are in full force and effect on the date of such certificate and (E) as to the incumbency and specimen signatures of each officer of the Borrower executing the Loan Documents to which the Borrower is a party or any other document delivered in connection herewith or therewith.

(e) *Opinions of Counsel* . On the Closing Date, the Administrative Agent shall have received from counsel to the Borrower, opinions addressed to the Administrative Agent and each Lender, dated the Closing Date, substantially in the form of Exhibit D-1 hereto and covering such additional matters incident to the transactions contemplated hereby as the Administrative Agent or the Required Lenders may reasonably request.

(f) *Repayment of Refinanced Agreements* . The Administrative Agent shall be satisfied that no later than as of the Closing Date, the commitments under the Refinanced Agreements shall be terminated, all loans outstanding under the Refinanced Agreements shall be repaid in full, together with accrued interest thereon (including, without limitation, any prepayment premium), all letters of credit issued thereunder shall be terminated or shall become Letters of Credit under this Agreement and all other amounts owing pursuant to the Refinanced Agreements shall be repaid in full.

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(g) *Financial Statements* . The Administrative Agent and each Lender shall have received and be satisfied with the (i) the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal year ending December 31, 2002, audited by PricewaterhouseCoopers LLP, or other nationally recognized independent public accountants, and containing an opinion of such firm that such financial statements present fairly, in all material respects, the financial position and results of operations of the Borrower and its Consolidated Subsidiaries, prepared in conformity with GAAP, and (ii) unaudited, interim financial statements of the Borrower and its Consolidated Subsidiaries for the fiscal quarter ending March 31, 2003.

(h) *Consents* . All necessary governmental (domestic or foreign), regulatory and third party approvals, including, without limitation, the Letter Order (the "Current FERC Order") of the Federal Energy Regulatory Commission ("FERC") dated December 20, 2001 authorizing borrowings hereunder, in connection with the transactions contemplated by this Agreement and the other Loan Documents shall have been obtained and remain in full force and effect, in each case without any action being taken by any competent authority which could restrain or prevent such transaction or impose, in the reasonable judgment of the Administrative Agent, materially adverse conditions upon the consummation of such transactions; provided, that, borrowings hereunder have been authorized under the Current FERC Order, a copy of which has been delivered to the Administrative Agent and the Lenders, which expires on December 31, 2003, and one or more new orders (the "New FERC Order") of FERC will be required in order for the Borrower to continue to make borrowings and otherwise incur obligations hereunder after such date.

(i) *Borrower's Structure* . The corporate and capital structure of the Borrower and its Subsidiaries shall be satisfactory to the Administrative Agent in its reasonable discretion.

(j) *Payment of Fees* . All costs, fees and expenses due to the Administrative Agent, the Co-Lead Arrangers and the Lenders on or before the Closing Date shall have been paid.

(k) *Counsel Fees* . The Administrative Agent shall have received full payment from the Borrower of the fees and expenses of Mayer, Brown, Rowe & Maw described in Section 9.03 which are billed through the Closing Date.

(l) *Other Materials* . The Administrative Agent shall have received such other assurances, certificates, documents, consents or opinions as the Administrative Agent, any Issuing Lender or the Required Lenders may reasonably request, in each case in form and substance satisfactory to the Administrative Agent.

Section 4.02 Conditions to All Credit Events . The obligation of any Lender to make a Loan on the occasion of any Borrowing, and the obligation of any Issuing Lender to issue (or renew or extend the term of) any Letter of Credit, is subject to the satisfaction of the following conditions:

(a)the fact that the Closing Date shall have occurred;

(b)receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02, or receipt by the Issuing Lender of a Letter of Credit Request as required by Section 3.03;

(c)the fact that, immediately before and after giving effect to such Credit Event, no Default or Event of Default shall have occurred and be continuing;

(d)the fact that the representations and warranties of the Borrower contained in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Credit Event;

(e)since December 31, 2002, there shall have been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, which materially adversely affects the ability of the Borrower to perform any of its obligations under this Agreement or any other Loan Document; and

(f)with respect to a Borrowing or issuance of a Letter of Credit on or after December 31, 2003, the Borrower shall have obtained the New FERC Order.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01 Status . The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate authority to make and perform this Agreement and each other Loan Document to which it is a party.

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Section 5.02 Authority; No Conflict. The execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party have been duly authorized by all necessary corporate action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its articles of incorporation or by-laws, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party; provided, that, borrowings hereunder have been authorized under the Current FERC Order which expires on December 31, 2003, and a New FERC Order will be required in order for the Borrower to continue to make borrowings and otherwise incur obligations hereunder after such date.

Section 5.03 Legality; Etc. This Agreement and each other Loan Document (other than the Revolving Notes) to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, and the Revolving Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04 Financial Condition.

(a) *Audited Financial Statements*. The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2002 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP, copies of which have been delivered to each of the Administrative Agent and the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) *Interim Financial Statements*. The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 2003 and the related unaudited consolidated statements of income and cash flows for the three months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-month period (subject to normal year-end audit adjustments).

(c) *Material Adverse Change*. Since December 31, 2002 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents.

Section 5.05 Litigation. Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished in writing to the Administrative Agent, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which, if adversely determined, would materially and adversely affect the ability of Borrower to perform any of its obligations under this Agreement, the Revolving Notes or the other Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of this Agreement or the other Loan Documents to which it is a party.

Section 5.06 No Violation. No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulation U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.07 ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan or made any amendment to any Material Plan, which has resulted or could result in the imposition of a lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.08 Governmental Approvals. No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of this Agreement, the Revolving Notes and the other Loan Documents to which it is a party, except such authorizations, consents and approvals as have been obtained prior to the Closing Date and are in full force and effect, provided that borrowings hereunder have been authorized under the Current FERC Order, which expires on December 31, 2003, and the New FERC Order will be required in order for the Borrower to continue to make borrowings and otherwise incur obligations hereunder after such date.

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Section 5.09 **Investment Company Act** . The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10 **Public Utility Holding Company Act** . The Borrower is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.11 **Tax Returns and Payments** . The Borrower has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.12 **Compliance with Laws** . To the knowledge of the Borrower, the Borrower is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under this Agreement, the Revolving Notes or any other Loan Document to which it is a party.

Section 5.13 **No Default** . No Default or Event of Default has occurred and is continuing.

Section 5.14 **Environmental Matters** .

(a)Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2002 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished to the Administrative Agent in writing or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could result from the matters referred to in clauses (a) through (c), inclusive, would not reasonably be expected to result in a Material Adverse Effect, to the Borrower's or any of its Subsidiaries' knowledge:

(i)no notice, notification, citation, summons, complaint or order has been issued, no complaint has been filed, no penalty has been assessed nor is any investigation or review pending or threatened by any governmental or other entity with respect to any (A) alleged violation by the Borrower or any of its Subsidiaries of any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii)no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii)no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

(b)To the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

(c)For purposes of this Section 5.14, the terms "the Borrower" and "Subsidiary" shall include any business or business entity (including a corporation) which is a predecessor, in whole or in part, of the Borrower or any of its Subsidiaries from the time such business or business entity became a Subsidiary of PPL Corporation.

Section 5.15Reportable Transactions . The Borrower does not intend to treat any of the transactions contemplated by this Agreement as a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower takes or determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Borrower so notifies the Administrative Agent, or if the Administrative Agent or any Lender determines that the any of the transactions contemplated by this Agreement constitutes a "reportable transaction," the Borrower acknowledges that each such Person may treat its extensions of credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Persons may maintain the lists and other records required by such Treasury Regulation.

ARTICLE VI
COVENANTS

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The Borrower agrees that so long as any Lender has any Commitment hereunder or any amount payable hereunder or under any Revolving Note or other Loan Document remains unpaid or any Letter of Credit Liability remains outstanding:

Section 6.01 Information . The Borrower will deliver or cause to be delivered to each of the Lenders:

(a) *Annual Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) *Quarterly Financial Statements* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) *Officer's Certificate* . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Section 6.10 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) *Default* . Forthwith upon acquiring knowledge of the occurrence of any Default or Event of Default, a certificate of a vice president or the treasurer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) *Change in Borrower's Ratings* . Upon the chief executive officer, the president, any vice president or any senior financial officer of the Borrower obtaining knowledge of any change in either Borrower's Rating, a notice of such Borrower's Rating in effect after giving effect to such change.

(f) *Securities Laws Filing* . Promptly when available and in any event within 10 days after the date such information is required to be delivered to the SEC, a copy of any Form 10-K Report to the SEC and a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) *ERISA Matters* . If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) *Reportable Transactions* . Promptly after the Borrower has provided the Administrative Agent with notice of the Borrower's intention to treat the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form.

(i) *Other Information* . From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or of any of its Subsidiaries as any Lender may reasonably request.

Section 6.02 Maintenance of Property; Insurance .

(a) *Maintenance of Properties* . The Borrower will keep all property useful and necessary in its businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such

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properties is no longer economically desirable or where the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) *Insurance* . The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower operates.

Section 6.03 Conduct of Business and Maintenance of Existence . The Borrower will (i) continue to engage only in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.08, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04 Compliance with Laws, Etc . The Borrower will comply with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05 Books and Records . The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Administrative Agent and each of the Lenders to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided , that, the rights created in this Section 6.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Administrative Agent and any such Lender shall agree in writing to keep such matters confidential.

Section 6.06 Use of Proceeds . The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes, including as a commercial paper backstop, of the Borrower and its Subsidiaries. The Borrower will request the issuance of Letters of Credit solely for general corporate purposes of the Borrower and its Subsidiaries. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07 Merger or Consolidation . The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default or Event Default, (ii) the surviving or resulting person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the surviving or resulting person, as the case may be, has senior long-term debt ratings from Moody's and S&P as available (or if the ratings of Moody's and S&P are not available, of such other rating agency as shall be acceptable to the Administrative Agent) at least equal to each Borrower's Rating at the end of the fiscal quarter immediately preceding the effective date of such consolidation or merger.

Section 6.08 Asset Sales . Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided , however , that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower; (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower; (c) if the assets subject to any such Asset Sale are being transferred to a Wholly-Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within 12 months of such Asset Sale, invested or reinvested by the Borrower in a Permitted Business, (ii) are used by the Borrower to repay Debt of the Borrower, or (iii) are retained by the Borrower; or (e) if, prior to any such Asset Sale, Moody's and S&P confirm the then current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.09 Transactions with Affiliates . The Borrower will not enter into or permit to exist any arrangement or contract with any of its Affiliates unless such arrangement or contract (i) has been approved by a Governmental Authority or (ii) is fair and equitable to the Borrower and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower with a Person which is not one of its Affiliates. In making any determination as to fairness, equity and prudence, effect shall be given to orders, rules or regulations of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Borrower or its Subsidiaries.

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Section 6.10 Consolidated Debt to Consolidated Capitalization Ratio . The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 70% at any time.

ARTICLE VII
DEFAULTS

Section 7.01 Events of Default . If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a)the Borrower shall fail to pay when due any principal of the Loans or shall fail to reimburse when due any drawing under any Letter of Credit; or

(b)the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable hereunder or under any other Loan Document for 5 days following the date such payment becomes due hereunder; or

(d)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(a), (b) or (c), clause (ii) of Section 6.05 and Sections 6.06, 6.07, 6.08 and 6.10; or

(d)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d) for 10 days after any such failure; or

(e)the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document (other than those covered by clauses (a), (b), (c) and (d) above) for 30 days after written notice thereof has been given to the defaulting party by the Administrative Agent, or at the request of the Required Lenders; or

(f)any representation, warranty or certification made by the Borrower in this Agreement or any other Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g)the Borrower shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h)the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i)an involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the Bankruptcy Code; or

(j)any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000; or

(k)the Borrower shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l)a Change of Control shall have occurred;

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then, and in every such event, while such event is continuing, the Administrative Agent may (A) if requested by the Required Lenders, by notice to the Borrower terminate the Commitments, and the Commitments shall thereupon terminate, and (B) if requested by the Lenders holding more than 50% of the sum of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities at such time, by notice to the Borrower declare the Loans (together with accrued interest and accrued and unpaid fees thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower; provided , that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, the Commitments shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
THE AGENTS

Section 8.01 Appointment and Authorization . Each Lender hereby irrevocably designates and appoints the Administrative Agent of to act as specified herein and in the other Loan Documents and to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this Article VIII. Notwithstanding any provision to the contrary elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this Article VIII are solely for the benefit of the Administrative Agent and Lenders, and no other Person shall have any rights as a third party beneficiary of any of the provisions hereof. For the sake of clarity, the Lenders hereby agree that neither the Co-Syndication Agents, the Co-Lead Arrangers nor the Co-Documentation Agents shall have any duties or powers with respect to this Agreement or the other Loan Documents.

Section 8.02 Individual Capacity . The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Affiliates as though the Administrative Agent were not an Agent. With respect to the Loans made by it and all obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Required Lenders", "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 8.03 Delegation of Duties . The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 8.07.

Section 8.04 Reliance by the Administrative Agent . The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy or other electronic facsimile transmission, telex, telegram, cable, teletype, electronic transmission by modem, computer disk or any other message, statement, order or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders, or all of the Lenders, if applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or all of the Lenders, if applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

Section 8.05 Notice of Default . The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided , that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

Section 8.06 Non-Reliance on the Agents and Other Lenders . Each Lender expressly acknowledges that no Agent or officer, director, employee, agent, attorney-in-fact or affiliate of any Agent has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets,

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operations, property, financial and other condition, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other condition, prospects and creditworthiness of the Borrower. No Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other condition, prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Exculpatory Provisions . The Administrative Agent shall not, and no officers, directors, employees, agents, attorneys-in-fact or affiliates of the Administrative Agent, shall (i) be liable for any action lawfully taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document (except for its own gross negligence, willful misconduct or bad faith) or (ii) be responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its officers contained in this Agreement, in any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for any failure of the Borrower or any of its officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document or for any representations, warranties, recitals or statements made by any other Person herein or therein or made by any other Person in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

Section 8.08 Indemnification . The Lenders agree to indemnify the Administrative Agent, in its capacity as such, and hold the Administrative Agent, in its capacity as such, harmless ratably according to their respective Commitments from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the full payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Document, or any documents contemplated hereby or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower; provided , that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses or disbursements resulting from the gross negligence, willful misconduct or bad faith of the Administrative Agent. If any indemnity furnished to the Administrative Agent for any purpose shall, in the reasonable opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreement in this Section 8.08 shall survive the payment of all Loans, Letter of Credit Liabilities, fees and other obligations of the Borrower arising hereunder.

Section 8.09 Resignation; Successors . The Administrative Agent may resign as Administrative Agent upon 20 days' notice to the Lenders. Upon the resignation of the Administrative Agent, the Required Lenders shall appoint from among the Lenders a successor to the Administrative Agent, subject to prior approval by the Borrower (so long as no Event of Default exists) and the consent of the Required Lenders (such approval or consent, as the case may be, not to be unreasonably withheld), whereupon such successor Administrative Agent shall succeed to the rights, powers and duties of the retiring Administrative Agent, and the term "Administrative Agent" shall include such successor Administrative Agent effective upon its appointment, and the retiring Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any other Loan Document. After the retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement or any other Loan Document.

Section 8.10 Administrative Agent's Fees; Arranger Fee . The Borrower shall pay to the Administrative Agent for its own account and to Wachovia Securities and Citigroup Global Markets, Inc., in their capacity as Co-Lead Arrangers, for their own account, fees in the amounts and at the times agreed upon between the Borrower, the Administrative Agent and Wachovia Securities, respectively, pursuant to the Fee Letter, and between the Borrower and Citigroup Global Markets, Inc. pursuant to that certain letter agreement dated as of May 14, 2003.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices . Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and

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shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers, in the case of the Borrower and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Attention: James E. Abel
Telephone: 610-774-5151
Facsimile: 610-774-5106

with a copy to:

PPL Energy Supply, LLC
Two North Ninth Street
Allentown, PA 18101-1179
Attention: Michael A. McGrail, Esq.
Telephone: 610-774-5644
Facsimile: 610-774-6726

if to the Administrative Agent:

Wachovia Bank, National Association
One Wachovia Center
301 South College Street - NC0760
Charlotte, North Carolina 28288
Attention: Mark Weir
Telephone: 704-383-6610
Facsimile: 704-374-4793

with a copy to:

Wachovia Bank, National Association
201 South College Street, 23rd Floor
Charlotte, North Carolina 28288
Attention: Syndications Agency Services
Telephone: 704-383-3721
Facsimile: 704-383-0288

with a copy to:

Mayer, Brown, Rowe & Maw
214 North Tryon Street, Suite 3800
Charlotte, North Carolina 28202
Attention: James R. Bryant III, Esq.
Telephone : 704-444-3558
Facsimile: 704-377-2033

Section 9.02 No Waivers; Non-Exclusive Remedies . No failure by any Agent or any Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Revolving Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and in the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03 Expenses; Indemnification .

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(a) *Expenses* . The Borrower shall pay (i) all out-of-pocket expenses of the Agents, including legal fees and disbursements of Mayer, Brown, Rowe & Maw and any other local counsel retained by the Administrative Agent, in its reasonable discretion, in connection with the preparation, execution, delivery and administration of the Loan Documents, the syndication efforts of the Agents with respect thereto, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Agents and each Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with such Event of Default and restructuring, workout collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom; provided , that the Borrower shall not be liable for any legal fees or disbursements of any counsel for the Agents and the Lenders other than Mayer, Brown, Rowe & Maw associated with the preparation, execution and delivery of this Agreement and the closing documents contemplated hereby.

(b) *Indemnity in Respect of Loan Documents* . The Borrower agrees to indemnify the Agents and each Lender, their respective Affiliates and the respective directors, officers, trustees, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever, including, without limitation, the reasonable fees and disbursements of counsel, which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) *Indemnity in Respect of Environmental Liabilities* . The Borrower agrees to indemnify each Lender and hold each Lender harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Lender in respect of or in connection with any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements arising under or related to Environmental Laws that it might have by statute or otherwise against any Lender.

Section 9.04 Sharing of Set-Offs . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Loan made or Revolving Note held by it and any Letter of Credit Liabilities which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest due with respect to any Loan, Revolving Note and Letter of Credit Liabilities made or held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loan made or Revolving Notes and Letter of Credit Liabilities held by the other Lenders, and such other adjustments shall be made, in each case as may be required so that all such payments of principal and interest with respect to the Loan made or Revolving Notes and Letter of Credit Liabilities made or held by the Lenders shall be shared by the Lenders pro rata; provided , that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have for payment of indebtedness of the Borrower other than its indebtedness hereunder.

Section 9.05 Amendments and Waivers . Any provision of this Agreement or the Revolving Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent or any Issuing Lenders are affected thereby, by the Administrative Agent or such Issuing Lender, as relevant); provided , that no such amendment or waiver shall, unless signed by all of the Lenders, (i) increase or decrease the Commitment of any Lender (except for a ratable decrease in the Commitments of all of the Lenders) or subject any Lender to any additional obligation (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of mandatory reductions in the Commitments shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender as in effect at any time shall not constitute an increase in such Commitment), (ii) reduce the principal of or rate of interest on any Loan (except in connection with a waiver of applicability of any post-default increase in interest rates) or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder or for any scheduled reduction or termination of any Commitment or (except as expressly provided in Article III) expiration date of any Letter of Credit, (iv) postpone or change the date fixed for any scheduled payment of principal of any Loan or (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Notes and Letter of Credit Liabilities, or the number of Lenders, which shall be required for the Lenders or any of them to take any action under this Section or any other provision of this Agreement.

Section 9.06 Successors and Assigns .

(a) *Successors and Assigns* . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all of the Lenders, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement.

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(b) *Participations* . Any Lender may at any time grant to one or more banks or other financial institutions or special purpose funding vehicle (each a "Participant") participating interests in its Commitments and/or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Borrower and the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Lenders and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided , that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement which would (i) extend the Revolving Termination Date, reduce the rate or extend the time of payment of principal, interest or fees on any Loan or Letter of Credit Liability in which such Participant is participating (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan or Letter of Credit Liability shall be permitted without the consent of any Participant if the Participant's participation is not increased as a result thereof) or (ii) allow the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, without the consent of the Participant, except to the extent any such assignment results from the consummation of a merger or consolidation permitted pursuant to Section 6.07 of this Agreement. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article II with respect to its participating interest to the same extent as if it were a Lender, subject to the same limitations, and in no case shall any Participant be entitled to receive any amount payable pursuant to Article 2 that is greater that the amount the Lender granting such Participant's participating interest would have been entitled to receive had such Lender not sold such participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) *Assignments Generally* . Any Lender may at any time assign to one or more Eligible Assignees (each, an "Assignee") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000 or any larger multiple of $1,000,000), of its rights and obligations under this Agreement and the Revolving Notes with respect to its Revolving Loans and, if still in existence, its Revolving Commitment, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C attached hereto executed by such Assignee and such transferor, with (and subject to) the consent of the Borrower, which shall not be unreasonably withheld, the Administrative Agent and the Issuing Lenders, which consent shall not be unreasonably withheld; provided , that if an Assignee is an Affiliate of such transferor Lender or was a Lender immediately prior to such assignment, no such consent of the Borrower shall be required; provided , further , that if at the time of such assignment a Default or an Event of Default has occurred and is continuing, no such consent of the Borrower shall be required. Upon execution and delivery of such instrument and payment by such Assignee to such transferor of an amount equal to the purchase price agreed between such transferor and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption, and the transferor shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, a new Revolving Note is issued to the Assignee. In connection with any such assignment, the transferor shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States or any state thereof, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of any United States Taxes in accordance with Section 2.16.

(d) *Assignments to Federal Reserve Banks* . Any Lender may at any time assign all or any portion of its rights under this Agreement and its Revolving Note to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder.

(e) *Register* . The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this subsection 9.06(e), to (i) maintain a register (the "Register") on which the Administrative Agent will record the Commitments from time to time of each Lender, the Loans made by each Lender and each repayment in respect of the principal amount of the Loans of each Lender and to (ii) retain a copy of each Assignment and Assumption Agreement delivered to the Administrative Agent pursuant to this Section. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligation in respect of such Loans. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders shall treat each Person in whose name a Loan and the Revolving Note evidencing the same is registered as the owner thereof for all purposes of this Agreement, notwithstanding notice or any provision herein to the contrary. With respect to any Lender, the assignment or other transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made and any Revolving Note issued pursuant to this Agreement shall not be effective until such assignment or other transfer is recorded on the Register and, except to the extent provided in this subsection 9.06(e), otherwise complies with Section 9.06, and prior to such recordation all amounts owing to the transferring Lender with respect to such Commitments, Loans and Revolving Notes shall remain owing to the transferring Lender. The registration of assignment or other transfer of all or part of any Commitments, Loans and Revolving Notes for a Lender shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement and payment of the administrative fee referred to in Section 9.06(c). The Register shall be available at the offices where kept by the Administrative Agent for inspection by the Borrower and any Lender at any reasonable time upon reasonable prior notice to the Administrative

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Agent. The Borrower may not replace any Lender pursuant to Section 2.07(b), unless, with respect to any Revolving Notes held by such Lender, the requirements of subsection 9.06(c) and this subsection 9.06(e) have been satisfied.

Section 9.07 Governing Law; Submission to Jurisdiction . This Agreement and each Revolving Note shall be governed by and construed in accordance with the internal laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

Section 9.08 Counterparts; Integration; Effectiveness . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement and the other Loan Documents constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party).

Section 9.09 Generally Accepted Accounting Principles . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lenders; provided , that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 9.10 Usage . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a)All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b)The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c)References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d)The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e)Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f)Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the

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inaccuracy of such statement.

Section 9.11 **WAIVER OF JURY TRIAL** . THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12 **Confidentiality** . Each Lender agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices; provided , that nothing herein shall prevent any Lender from disclosing such information (i) to any other Lender or to any Agent, (ii) to any other Person if reasonably incidental to the administration of the Loans and Letter of Credit Liabilities, (iii) upon the order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority, (v) which had been publicly disclosed other than as a result of a disclosure by any Agent or any Lender prohibited by this Agreement, (vi) in connection with any litigation to which any Agent, any Lender or any of their respective Subsidiaries or Affiliates may be party, (vii) to the extent necessary in connection with the exercise of any remedy hereunder, (viii) to such Lender's or Agent's Affiliates and their respective directors, officers, employees and agents including legal counsel and independent auditors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential) and (ix) subject to provisions substantially similar to those contained in this Section, to any actual or proposed Participant or Assignee; provided , that notwithstanding anything herein to the contrary, each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender relating to such tax treatment and tax structure; provided , further , that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall apply only to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans and transactions contemplated hereby. Notwithstanding the foregoing, any Agent, any Lender or Mayer, Brown, Rowe & Maw may circulate promotional materials and place advertisements in financial and other newspapers and periodicals or on a home page or similar place for dissemination of information on the Internet or worldwide web, in each case, after the closing of the transactions contemplated by this Agreement in the form of a "tombstone" or other release limited to describing the names of the Borrower or its Affiliates, or any of them, and the amount, type and closing date of such transactions, all at their sole expense.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL ELECTRIC UTILITIES CORPORATION
By:_____
Name:
Title:

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WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Issuing Lender
By:_____
Name:
Title:
WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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CITIBANK, N.A.,
as a Lender
By:_____
Name:
Title:

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BARCLAYS BANK PLC,
as a Lender
By:_____
Name:
Title:

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JPMORGAN CHASE BANK,
as a Lender
By:_____
Name:
Title:

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BANK ONE, NA,
as a Lender
By:_____
Name:
Title:

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MORGAN STANLEY BANK,
as a Lender
By:_____
Name:
Title:

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MERRILL LYNCH BANK USA,
as a Lender
By:_____
Name:
Title:

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UBS AG, CAYMAN ISLANDS BRANCH,
as a Lender
By:_____
Name:
Title:

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KEYBANK NATIONAL ASSOCIATION,
as a Lender
By:_____
Name:
Title:

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WESTLB AG, NEW YORK BRANCH,
as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

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THE BANK OF NOVA SCOTIA,
as a Lender
By:_____
Name:
Title:

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KBC BANK N.V.,
as a Lender
By:_____
Name:
Title:

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MELLON BANK, N.A.,
as a Lender
By:_____
Name:
Title:

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THE BANK OF NEW YORK,
as a Lender
By:_____
Name:
Title:

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Exhibit D -	Forms of Opinion of Counsel for the Borrower

Exhibit 10(h)

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$100,000,000
CREDIT AGREEMENT
dated as of October 31, 2002
between
PPL INVESTMENT CORPORATION, as the Lender
and
PPL MONTANA, LLC, as the Borrower

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CREDIT AGREEMENT (this "Agreement") dated as of October 31, 2002 between PPL INVESTMENT CORPORATION, a Delaware corporation (the "Lender"), and PPL MONTANA, LLC, a Delaware limited liability company (the "Borrower").

The Borrower has requested the Lender, and the Lender has agreed, to provide a credit facility to the Borrower in an aggregate principal amount of up to $100,000,000 for the purpose and on the terms and conditions set out in this Agreement.

ARTICLE I
DEFINITIONS

Section 1.01 Definitions . All capitalized terms used in this Agreement which are not otherwise defined herein or therein shall have the respective meanings set forth below.

" Affiliates " means, with respect to any Person, any other Person who is directly or indirectly controlled by or under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of stock or its equivalent, by contract or otherwise.

" Agreement " means this Credit Agreement, as amended, restated, supplemented or modified from time to time.

" Applicable Percentage " means, for purposes of calculating (i) the applicable interest rate for any day for any Loans, or (ii) the applicable rate for the Commitment Fee for any day for purposes of Section 2.06(a), the appropriate applicable percentage set forth below corresponding to the then current highest Borrower's Ratings; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Borrower's Ratings (S&P/Moody's)	Applicable Percentage for Commitment Fee	Applicable Percentage for Loans
Category A:	A-/A3 or higher	.150%	.750%
Category B	BBB+/Baa1	.175%	.875%
Category C:	BBB/Baa2	.200%	1.125%
Category D:	BBB-/Baa3	.275%	1.500%
Category E:	BB+/Ba1 or lower or unrated	.325%	1.750%

; provided , further , that if the Borrower elects to convert the Loans to a Term Loan pursuant to Section 2.07(b), each percentage set forth above under "Applicable Percentage for Loans" shall increase by 25 basis points (.25%) from and after the Conversion Date.

" Applicable Utilization Fee " means on any day the appropriate applicable percentage set forth below corresponding to (a) the percentage of the Revolving Commitment outstanding represented by the aggregate Loans outstanding on such day and (b) the then current highest Borrower's Ratings; provided , that, in the event a rating differential of more than one level exists, the Borrower's Ratings shall be deemed to be one level above the lower of the two ratings:

	Ratings (S&P/Moody's)	Usage $\geq$ 33% of Revolving Commitment
Category A	A-/A3 or higher	.0875%
Category B	BBB +/Baa1	.100%
Category C	BBB/Baa2	.1125%
Category D	BBB -/Baa3	.1375%
Category E	BB +/Ba1 or lower or unrated	.1875%

; provided , further , that if the Borrower elects to convert the outstanding Revolving Loans to a Term Loan pursuant to Section 2.07(b), the Applicable Utilization Fee in effect from time to time will be due and payable by the Borrower from and after the Conversion Date without regard to the percentage of the Revolving Commitment represented by the aggregate Loans outstanding from time to time.

" Asset Sale " shall mean any sale of any assets, including by way of the sale by the Borrower or any of its Subsidiaries of equity interests in such Subsidiaries.

" Availability Period " means the period from and including the Closing Date to but excluding the Revolving Termination Date.

" Bankruptcy Code " means the Bankruptcy Reform Act of 1978, as amended, or any successor statute.

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" Borrower " is defined in the introductory paragraph of this Agreement.

" Borrower's Rating " means the senior unsecured long-term debt rating of the Borrower from Moody's or S&P.

" Borrowing " means one or more Loans made by the Lender on a single date and having a single Interest Period.

" Business Day " means any day except a Saturday, Sunday or other day on which commercial banks in Allentown, Pennsylvania and New York, New York are authorized by law to close.

" Capital Lease " means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet.

" Capital Lease Obligations " means, with respect to any Person, all obligations of such Person as lessee under Capital Leases, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

" Change of Control " means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the SEC under the Securities Exchange Act of 1934, as amended) of 25% or more of the outstanding Voting Stock of PPL Montana Holdings, LLC or its successors or (ii) the failure at any time of PPL Montana Holdings, LLC or its successors to own 80% or more of the outstanding shares of the Voting Stock in the Borrower.

" Closing Date " means the date hereof.

" Commitment " means the commitment of the Lender to make Revolving Loans under Section 2.01 of this Agreement and to convert Revolving Loans into a Term Loan pursuant to Section 2.07(b) of this Agreement.

" Commitment Fee " has the meaning set forth in Section 2.06(a).

" Consolidated Capitalization " shall mean the sum of, without duplication, (A) the Consolidated Debt of the Borrower, and (B) the consolidated shareowners' equity (determined in accordance with GAAP) of the common, preference and preferred stockholders of the Borrower and minority interests recorded on the Borrower's consolidated financial statements (excluding therefrom the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Statement No. 133 in connection with forward contracts, futures contracts or other derivatives or commodity hedging agreements for the future delivery of electricity or capacity), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non-Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareholder equity attributable to assets securing Non-Recourse Debt.

" Consolidated Cash Interest Expense " means, for any period, the amount of Consolidated Interest Expense actually paid in cash.

" Consolidated Debt " means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition Consolidated Debt of the Borrower shall exclude Non-Recourse Debt.

" Consolidated Funds From Operations " means, for any period (a) Consolidated Net Income for such period, plus (b) Consolidated Interest Expense, plus (c) the amount of each non-cash item added to net income in determining Consolidated Operating Cash Flow for such period (including, without limitation, any non-cash item of expense, charge, provision or loss, but excluding any amounts added in respect of changes in current asset accounts and current liability accounts), minus (d) the amount of each non-cash item subtracted from net income in determining Consolidated Operating Cash Flow for such period (including, without limitation, any non-cash item of revenue, gain or income, but excluding any amounts subtracted in respect of changes in current asset accounts and current liability accounts).

" Consolidated Interest Expense " means, for any period, the gross interest expense (including, without limitation, that attributable to Capital Leases Obligations or a Synthetic Lease) of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period. For purposes of the foregoing, gross interest expense shall be determined after giving effect to any net payments made or received by the Borrower with respect to Interest Rate Protection Agreements, but without giving effect to the write-off of expenses associated with the termination of Interest Rate Protection Agreements.

" Consolidated Net Income " means, for any period, the net income (or net loss) of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis for such period.

" Consolidated Operating Cash Flow " means, for any period, the Borrower's net cash provided (used in) operating activities, as determined in accordance with GAAP and reflected in the Borrower's consolidated statement of cash flows in the Borrower's consolidated financial statements delivered to the Lender pursuant to Section 5.04, and any corresponding measure of net cash provided (used in) operating activities as the Borrower may provide in any future consolidated financial statements to be delivered to the Lender pursuant to Section 5.04.

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" Consolidated Subsidiary " means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

" Conversion Date " means the date selected by the Borrower to convert the outstanding Revolving Loans into a Term Loan pursuant to Section 2.07(b).

" Corporation " means a corporation, association, company, joint stock company, limited liability company, partnership or business trust.

" Credit Event " means a Borrowing or the arranging for the issuance, renewal or extension of a Letter of Credit.

" Debt " of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person with respect to deposits or advances of any kind, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) all Guarantees by such Person of Debt of others, (v) all Capital Lease Obligations and Synthetic Leases of such Person, (vi) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof) and (vii) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances; provided , however , that "Debt" of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a "financial" or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

" Default " means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

" Dollars " and the sign "$" means lawful money of the United States of America.

" Environmental Laws " means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses or other written governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or Hazardous Substances or wastes.

" Environmental Liabilities " means all liabilities (including anticipated compliance costs) in connection with or relating to the business, assets, presently or previously owned, leased or operated property, activities (including, without limitation, off-site disposal) or operations of the Borrower or any of its Subsidiaries, whether vested or unvested, contingent or fixed, actual or potential, which arise under or relate to matters covered by Environmental Laws.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

" ERISA Group " means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code.

" Event of Default " has the meaning set forth in Section 7.01.

" Financial Projections " means (a) any forward looking statement (within the meaning of the Securities Act of 1933 and the rules and regulations thereunder) and (b) any "prospective financial statement, financial forecast or financial projection" (as defined in guidelines published by the American Institute of Certified Public Accountants).

" GAAP " means United States generally accepted accounting principles applied on a consistent basis.

" Governmental Authority " means any federal, state or local government, authority, agency, central bank, quasi-governmental authority, court or other body or entity, and any arbitrator with authority to bind a party at law.

" Guarantee " of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or

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to advance or supply funds for the purchase of) any security for payment of such Debt, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided , however , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Hazardous Substances " means any toxic, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

" Indemnitee " has the meaning set forth in Section 8.03(b).

" Interest Period " means, unless otherwise agreed to by the Borrower and the Lender, a period commencing on the first day of each calendar month and ending on the last day of such calendar month; provided , that no Interest Period shall end after the Revolving Termination Date or the Term Loan Maturity Date, as applicable.

" Interest Rate Protection Agreements " means any agreement providing for an interest rate swap, cap or collar, or any other financial agreement designed to protect against fluctuations in interest rates.

" Internal Revenue Code " means the Internal Revenue Code of 1986, as amended, or any successor statute.

" Issuing Lender " has the meaning set forth in Section 3.03.

" Lender " is defined in the introductory paragraph of this Agreement.

" Lender Default " means the failure (which has not been cured) of the Lender to make available any Loan or Letter of Credit which in either case it is obligated to make available under the terms and conditions of this Agreement.

" Lender's Credit Facilities " has the meaning set forth in Section 3.03.

" Letter of Credit " means any letter of credit issued on the Borrower's behalf pursuant to this Agreement.

" Letter of Credit Commitment " means the lesser of (i) $100,000,000 and (ii) the aggregate Revolving Commitment.

" Letter of Credit Fee " has the meaning set forth in Section 2.06(b).

" Letter of Credit Liabilities " means the sum, without duplication, of (i) the aggregate amount that is (or may thereafter become) available for drawing under all Letters of Credit outstanding at such time plus (ii) the aggregate unpaid amount of all Reimbursement Obligations outstanding at such time.

" Letter of Credit Request " has the meaning set forth in Section 3.02.

" Lien " means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance intended to confer or having the effect of conferring upon a creditor a preferential interest.

" Loan " means a loan made by the Lender to the Borrower pursuant to the terms of this Agreement.

" Loan Documents " means this Agreement and the Revolving Notes, collectively.

" London Interbank Offered Rate " means, for any Interest Period, the interest rate for deposits in Dollars for a one-month period which appears on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days before the first day of such Interest Period; provided , however , if more than one rate is specified on Telerate page 3750, the applicable rate shall be the arithmetic means of all such rates. If for any reason such rate is not available, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days before the first day of such Interest Period for a period of time comparable to such Interest Period; provided , however , that if more than one such rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If for any reason the London interbank offered rate is not available on either Telerate page 3750 or Reuters Screen LIBO Page, the term "London Interbank Offered Rate" means for any Interest Period, the rate per annum at which deposits in Dollars are offered to Wachovia Bank, National Association in the London interbank market at approximately 11:00 a.m. (London time) two Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Loan to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

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" Margin Stock " means "margin stock" as such term is defined in Regulation U.

" Material Adverse Effect " means (i) any material adverse effect upon the business, assets, financial condition or operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to perform its obligations under the Loan Documents or (iii) a material adverse effect on the validity or enforceability of the Loan Documents.

" Material Debt " means Debt (other than the Revolving Notes) of the Borrower and/or one or more of its Subsidiaries in a principal or face amount exceeding $40,000,000.

" Material Plan " means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $25,000,000.

" Moody's " means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Lender may select.

" Multiemployer Plan " means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

" Non-Recourse Debt " shall mean Debt that is nonrecourse to the Borrower or any Subsidiary.

" Notice of Borrowing " has the meaning set forth in Section 2.02.

" Notice of Term Loan Conversion " has the meaning set forth in Section 2.07(b).

" Obligations " means:

(i)all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Loan, fees payable under, or any Revolving Note issued pursuant to, this Agreement;

(ii)all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant this Agreement or any other Loan Document; and

(iii)all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 8.03 hereof or under any other similar provision of any other Loan Document;

together in each case with all renewals, modifications, consolidations or extensions thereof.

" Other Taxes " has the meaning set forth in Section 2.13(b).

" PBGC " means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

" Permitted Business " with respect to any Person means a business that is the same or similar to the business of the Borrower or any Subsidiary as of the date hereof, or any business reasonably related thereto.

" Person " means an individual, a corporation, a partnership, an association, a limited liability company, a trust or an unincorporated association or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

" Plan " means at any time an employee pension benefit plan (including a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

" Quarterly Date " means the last Business Day of each March, June, September and December.

" Reimbursement Obligations " means at any time all obligations of the Borrower to reimburse the Lender pursuant to Section 3.04 for amounts paid by the Lender to the Issuing Lenders in respect of drawings under Letters of Credit.

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" Revolving " means, when used with respect to (i) the Lender's Commitment, the Lender's Revolving Commitment, as such Revolving Commitment may be reduced from time to time pursuant to Sections 2.07 or 2.08, (ii) a Borrowing, a Borrowing made by the Borrower under Section 2.01, as identified in the Notice of Borrowing with respect thereto, (iii) a Loan, a Loan made under Section 2.01, and (iv) a Revolving Note, a promissory note, substantially in the form of Exhibit A hereto, issued at the request of the Lender evidencing the obligation of the Borrower to repay outstanding Revolving Loans.

" Revolving Outstandings " means at any time, the sum of (i) aggregate principal amount of the outstanding Revolving Loans plus (ii) the aggregate amount of outstanding Letter of Credit Liabilities.

" Revolving Termination Date " means December 31, 2005 (or, if such day is not a Business Day, the next preceding Business Day) or such earlier date upon which the Revolving Commitment shall have been terminated in its entirety in accordance with this Agreement.

" SEC " means the Securities and Exchange Commission.

" S&P " means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a New York corporation, and its successors or, absent any such successor, such nationally recognized statistical rating organization as the Borrower and the Lender may select.

" Special Purpose Subsidiary " means any Wholly-Owned Subsidiary (regardless of the form of organization) of the Borrower formed solely for the purpose of, and which engages in no other activities except those necessary for, effecting financings related to Synthetic Leases.

" Subsidiary " means, any Corporation a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Borrower or one or more other Subsidiaries of the Borrower.

" Synthetic Lease " means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

" Taxes " has the meaning set forth in Section 2.13(a).

" Term Loan " has the meaning set forth in Section 2.07(b).

" Term Loan Maturity Date " means the date 364 days after the Conversion Date.

" Unfunded Liabilities " means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

" United States " means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

" Voting Stock " means stock (or other interests) of a Corporation having ordinary voting power for the election of directors, managers or trustees thereof, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

" Wholly-Owned Subsidiary " means, with respect to any Person at any date, any Subsidiary of such Person all of the Voting Stock of which (except directors' qualifying shares) are at the time directly or indirectly owned by such Person.

ARTICLE II
THE CREDITS

Section 2.01 Commitment to Lend . The Lender agrees, on the terms and conditions set forth in this Agreement, to make Revolving Loans to the Borrower pursuant to this Section 2.01 from time to time during the Availability Period in amounts such that the Revolving Outstandings shall not exceed $100,000,000. Each Revolving Borrowing shall be in an aggregate principal amount of $100,000 or any larger multiple of $1,000 (except that any such Borrowing may be in the aggregate amount of the unused Revolving Commitments). Within the foregoing limits, the Borrower may borrow under this Section 2.01, repay, or, to the extent permitted by Section 2.09, prepay, Revolving Loans and reborrow under this Section 2.01.

Section 2.02 Notice of Borrowings . The Borrower shall give the Lender notice (a "Notice of Borrowing") specifying (i) the date of such Borrowing, which shall be a Business Day; and (ii) the aggregate amount of such Borrowing.

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Section 2.03 Irrevocability of Notice; Funding of Loans .

(a) *Irrevocability of Notice* . Upon the Lender's receipt of a Notice of Borrowing, such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) *Funding of Loans* . The Lender shall make available each Borrowing, in Federal or other funds immediately available in Billings, Montana, to the Borrower at its address referred to in Section 7.01 not later than 2:00 p.m. (Allentown, Pennsylvania time) on the date of each Borrowing.

Section 2.04 Noteless Agreement; Evidence of Indebtedness .

(a)The Lender shall maintain an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from each Loan made by the Lender from time to time, including (i) the amount of each Loan made hereunder and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to the Lender hereunder and (iii) the amount of any sum received by the Lender hereunder from the Borrower.

(b)The entries maintained in the accounts maintained pursuant to paragraph (a) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; provided , however , that the failure of the Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(c)The Lender may request that its Revolving Loans be evidenced by a Revolving Note. In such event, the Borrower shall prepare, execute and deliver to the Lender a Revolving Note payable to the order of the Lender. Thereafter, the Revolving Loans evidenced by such Revolving Note and interest thereon shall at all times be represented by one or more Revolving Notes payable to the order of the payee named therein (or any assignee), except to the extent that either the Lender or an assignee subsequently returns any such Revolving Note for cancellation and requests that such Loans once again be evidenced as described in paragraph (a) above.

Section 2.05 Interest Rates .

(a) *Interest Rates* . Each Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period plus the Applicable Percentage Loans for such day plus the Applicable Utilization Fee for such day, if any. Such interest shall be payable for each Interest Period on the twentieth (20 th) Business Day of the immediately following Interest Period. Any overdue principal of or interest on any Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the sum of (A) the London Interbank Offered Rate applicable to such Loan at the date such payment was due plus (B) the Applicable Percentage for such day plus (C) the Applicable Utilization Fee, if any.

(b) *Determination and Notice of Interest Rates* . The same interest rate shall apply to all outstanding Loans during an Interest Period. The Lender shall determine the interest rate applicable to all Loans during each Interest Period two Business Days before the first day of such Interest Period. The Lender shall give prompt notice to the Borrower of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error. Any such notice shall, without the necessity of the Lender so stating in such notice, be subject to adjustments in the Applicable Percentage applicable to such Loans after the beginning of the Interest Period applicable thereto. When during an Interest Period any event occurs that causes an adjustment in the Applicable Percentage applicable to Loans to which such Interest Period is applicable, the Lender shall give prompt notice to the Borrower of such event and the adjusted rate of interest so determined for such Loans, and its determination thereof shall be conclusive in the absence of manifest error.

Section 2.06 Fees .

(a) *Commitment Fee* . The Borrower shall pay to the Lender a fee (the "Commitment Fee") for each day at a rate per annum equal to the Applicable Percentage for the Commitment Fee for such day. The Commitment Fee shall accrue from and including the Closing Date to but excluding the last day of the Availability Period on the amount by which the Revolving Commitment exceeds the sum of its Revolving Outstandings on such day, and shall be payable on each Quarterly Date and on the Revolving Termination Date. Any Commitment Fee paid hereunder shall not be refundable under any circumstances.

(b) *Letter of Credit Fees* . The Borrower shall pay to the Lender a fee (the "Letter of Credit Fee") for each day at a rate per annum equal to the Applicable Percentage for the Letter of Credit Fee for such day plus the Applicable Utilization Fee for such day, if any. The Letter of Credit Fee shall accrue from and including the Closing Date to but excluding the last day of the Availability Period on the aggregate amount available for drawing under any Letters of Credit outstanding on such day. In addition, the Borrower shall pay to the Lender a fee (the "Fronting Fee") in respect of each Letter of Credit arranged for issuance by the Lender computed at the rate of .125% per annum on the average amount available for drawing under such Letter(s) of Credit. Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the Revolving Termination Date upon which no Letters of Credit remain outstanding. In addition, the Borrower agrees to pay to the Lender, upon each issuance of, payment under, and/or amendment of, a Letter of Credit, such amount as shall at the time of such issuance, payment or amendment be the administrative charges and expenses which the Lender pays to the applicable Issuing Lender in accordance with

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the Lender's Credit Facilities.

(c) *Payments*. Except as otherwise provided in this Section 2.06, accrued fees under this Section 2.06 in respect of Loans and Letter of Credit Liabilities shall be payable quarterly in arrears on each Quarterly Date, on the last day of the Availability Period and, if later, on the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety. Fees paid hereunder shall not be refundable under any circumstances.

Section 2.07 Adjustments of Commitments.

(a) *Optional Termination or Reductions of Commitments*. The Borrower may, upon at least three Business Days' notice to the Lender, (i) terminate the Revolving Commitment, if there are no Revolving Outstandings at such time or (ii) reduce from time to time by an aggregate amount of $5,000,000 or any larger multiple of $1,000,000, the amount by which the Revolving Commitment exceeds the Revolving Outstandings. If the Revolving Commitment is terminated in its entirety, all accrued fees shall be payable on the effective date of such termination.

(b) *Optional Conversion to Term Loan*. At any time on or within 10 days of the Revolving Termination Date when Revolving Loans are outstanding, at the Borrower's option upon written notice (a "Notice of Term Loan Conversion") to the Lender, the Borrower may elect to convert the then outstanding aggregate principal amount of Revolving Loans hereunder to a term loan (the "Term Loan"). The Notice of Term Loan Conversion shall (i) expressly state the date on which such conversion shall occur (such date being the "Conversion Date"), which date shall be a Business Day occurring on or before the Revolving Termination Date, (ii) be irrevocable once given and (iii) constitute a representation and warranty by the Borrower that the conditions contained in Section 5.01(b), (c) and (d) have been satisfied as of the date of such Notice of Term Loan Conversion and as of the Conversion Date, prior to and after giving effect to any such conversion. From and after the Conversion Date, (i) the Borrower's option to borrow Revolving Loans hereunder shall terminate, (ii) the Revolving Commitment shall be reduced to zero, (iii) the outstanding principal balance of all Revolving Loans shall convert to a Term Loan which shall be due and payable on the earlier of (a) the Term Loan Maturity Date and (b) the date on which all Loans shall become due and payable under Article VII and (iv) all references in this Agreement to "Revolving Loans" and "Revolving Notes" shall be deemed to be references to such Revolving Loans and the related Revolving Notes as so converted into a Term Loan, in each case as the context requires.

Section 2.08 Maturity of Loans; Mandatory Prepayments.

(a) *Scheduled Repayments and Prepayments of Loans; Overline Repayments*.

(i)The Revolving Loans shall mature on the Revolving Termination Date or the Term Loan Maturity Date, as applicable, and any Revolving Loans or Letter of Credit Liabilities then outstanding (together with accrued interest thereon and fees in respect thereof) shall be due and payable.

(ii)If on any date the Revolving Outstandings exceed the Revolving Commitment, the Borrower shall prepay, and there shall become due and payable (together with accrued interest thereon), such date an aggregate principal amount of Loans equal to such excess. If the outstanding Revolving Loans have been repaid in full or the Revolving Termination Date shall have occurred and any Letter of Credit Liabilities remain outstanding, the Borrower shall cash collateralize any Letter of Credit Liabilities by depositing in a cash collateral account established and maintained (including the investments made pursuant thereto) by the Lender pursuant to a cash collateral agreement in form and substance satisfactory to the Lender such amounts as are necessary so that, after giving effect to the repayment of Revolving Loans and the cash collateralization of Letter of Credit Liabilities pursuant to this subsection, the aggregate Revolving Outstandings do not exceed the aggregate amount of the Revolving Commitments. In determining Revolving Outstandings for purposes of this clause (ii), Letter of Credit Liabilities shall be reduced to the extent that they are cash collateralized as contemplated by this Section 2.08(a)(ii).

Section 2.09 Optional Prepayments and Repayments. The Borrower may prepay any Borrowing, in each case in whole or in part at any time, or from time to time.

Section 2.10 General Provisions as to Payments. The Borrower shall make each payment of principal of and interest on the Loans and fees hereunder not later than 5:00 p.m. (Allentown, Pennsylvania time) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Allentown, Pennsylvania, to the Lender at its address referred to in Section 8.01. Whenever any payment of principal of or interest on Loans shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.11 Funding Losses. If the Borrower makes any payment of principal with respect to any Loan pursuant to the terms and provisions of this Agreement on any day other than the last day of the Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.05(b), or if the Borrower fails to borrow, convert or prepay any Loan after notice has been given in accordance with the provisions of this Agreement, the Borrower shall reimburse the Lender within 15 days after demand for any resulting loss or expense incurred by it, including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of

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margin for the period after any such payment or failure to borrow or prepay; provided, that the Lender shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.12 Computation of Interest and Fees. All interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (excluding the first day but including the last day).

Section 2.13 Taxes.

(a) *Payments Net of Certain Taxes*. Any and all payments by the Borrower to the Lender or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges and withholdings and all liabilities with respect thereto, excluding: (i) taxes imposed on or measured by the net income of, and gross receipts, franchise or similar taxes imposed on, the Lender by the jurisdiction (or subdivision thereof) under the laws of which the Lender is organized or in which its principal executive office is located, and (ii) any United States withholding tax imposed on such payments (all such nonexcluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to the Lender, (i) the sum payable shall be increased as necessary so that after making all such required deductions (including deductions applicable to additional sums payable under this Section 2.13(a)) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Lender, the original or a certified copy of a receipt evidencing payment thereof.

(b) *Other Taxes*. In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to any Loan Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, any Loan Document (collectively, "Other Taxes").

(c) *Indemnification*. The Borrower agrees to indemnify the Lender for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.13(c)), whether or not correctly or legally asserted, paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto as certified in good faith to the Borrower by the Lender seeking indemnification pursuant to this Section 2.13(c). This indemnification shall be paid within 15 days after the Lender makes demand therefor.

(d) *Refunds or Credits*. If the Lender receives a refund, credit or other reduction from a taxation authority for any Taxes or Other Taxes for which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.13, it shall within 15 days from the date of such receipt pay over the amount of such refund, credit or other reduction to the Borrower (but only to the extent of indemnity payments made or additional amounts paid by the Borrower under this Section 2.13 with respect to the Taxes or Other Taxes giving rise to such refund, credit or other reduction), net of all reasonable out-of-pocket expenses of the Lender and without interest (other than interest paid by the relevant taxation authority with respect to such refund, credit or other reduction); provided, however, that the Borrower agrees to repay, upon the request of the Lender, the amount paid over to the Borrower (plus penalties, interest or other charges) to the Lender in the event the Lender is required to repay such refund or credit to such taxation authority.

ARTICLE III
LETTERS OF CREDIT

Section 3.01 Letters of Credit. The Lender agrees, on the terms and conditions set forth in this Agreement, to arrange for the issuance of Letters of Credit from time to time before the 5th day prior to the Revolving Termination Date for the account, and upon the request, of the Borrower and in support of such obligations of the Borrower that are acceptable to the Lender; provided, that, immediately after each Letter of Credit is issued, (A) the aggregate amount of the Letter of Credit Liabilities shall not exceed the Letter of Credit Commitment and (B) the Revolving Outstandings shall not exceed the Revolving Commitment.

Section 3.02 Method of Issuance of Letters of Credit. The Borrower shall give the Lender notice (a "Letter of Credit Request") of the requested issuance or extension of a Letter of Credit prior to 5:00 p.m. (Allentown, Pennsylvania time) on the Business Day immediately preceding the proposed date of the issuance or extension of Letters of Credit (or such shorter period as may be agreed by the Lender in any particular instance), specifying the date such Letter of Credit is to be issued or extended and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit and shall be subject to the same conditions as the original issuance of such Letter of Credit. No Letter of Credit shall have a term of more than one year; provided, that no Letter of Credit shall have a term extending or be so extendible beyond the fifth Business Day before the Revolving Termination Date.

Section 3.03 Conditions to Issuance of Additional Letters of Credit. Any Letters of Credit shall be issued by the lenders (the "Issuing Lenders") under Lender's credit facilities (the "Lender's Credit Facilities"), and in addition to any terms and conditions set forth in this Agreement, the issuance of any such Letters of Credit shall be subject to the terms and conditions of the Lender's Credit Facilities. Lender shall

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have no obligation to arrange for the issuance of any Letter of Credit hereunder or to maintain any Letter of Credit if it is unable for any reason to obtain such Letter of Credit from the Issuing Lenders under the Lender's Credit Facilities or if it is unable to maintain any such Letter of Credit in accordance with the Lender's Credit Facilities (including if any such facility is terminated). In addition, the Lender's obligation to arrange for the issuance by the Issuing Lenders of any Letter of Credit shall also be subject to the conditions precedent that (i) the Borrower shall have executed and delivered such instruments and agreements relating to such Letter of Credit as the Lender and the Issuing Lenders shall have reasonably requested and (ii) the Borrower shall have confirmed on the date of (and after giving effect to) such issuance that (A) the aggregate amount of all Letter of Credit Liabilities will not exceed the Letter of Credit Commitment and (B) the aggregate Revolving Outstandings will not exceed the Revolving Commitment.

Section 3.04 Reimbursement Obligations. The Borrower understands that the Lender is obligated under the Lender's Credit Facilities to irrevocably and unconditionally reimburse the applicable Issuing Lender for any amounts paid by such Issuing Lender upon any drawing under any Letter of Credit, together with any and all reasonable charges and expenses which the Issuing Lender may pay or incur relative to such drawing and certain interest amounts. The Borrower agrees to reimburse the Lender for any such amounts paid by the Lender to the applicable Issuing Lender at or before 5:00 p.m. (Allentown, Pennsylvania time) on the date the Lender reimburses the Issuing Lender. The Borrower shall also indemnify the Lender for any and all damages incurred by the Lender in connection with any Letter of Credit. In addition, the Borrower agrees to pay to the Lender interest, payable on demand, on any and all amounts not paid by the Borrower to the Lender when due under this Section 3.04, for each day from and including the date when such amount becomes due to but excluding the date such amount is paid in full, whether before or after judgment, at a rate per annum equal to the sum of 2% plus the rate applicable to Loans for such day. Each payment to be made by the Borrower pursuant to this Section 3.04 shall be made to the Lender in Federal or other funds immediately available to it at its address referred to Section 8.01.

Section 3.05 Obligations in Respect of Letters of Credit Unconditional. The obligations of the Borrower under Section 3.04 above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a)any lack of validity or enforceability of this Agreement or any Letter of Credit or any document related hereto or thereto;

(b)any amendment or waiver of or any consent to departure from all or any of the provisions of this Agreement or any Letter of Credit or any document related hereto or thereto;

(c)the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(d)the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), the Lender, any Issuing Lender or any other Person, whether in connection with this Agreement or any Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(e)any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f)payment under a Letter of Credit against presentation to the Issuing Lender of a draft or certificate that does not comply with the terms of such Letter of Credit; provided , that the relevant Issuing Lender's determination that documents presented under such Letter of Credit comply with the terms thereof shall not have constituted gross negligence or willful misconduct of such Issuing Lender; or

(g)any other act or omission to act or delay of any kind by the Lender or any Issuing Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (g), constitute a legal or equitable discharge of the Borrower's obligations hereunder.

ARTICLE IV
CONDITIONS TO CREDIT EVENTS

Section 4.01 Conditions to All Credit Events . The obligation of the Lender to make a Loan on the occasion of any Borrowing, and the obligation of the Lender to arrange for the issuance of any Letter of Credit, is subject to the satisfaction of the following conditions:

(a)receipt by the Lender of a Notice of Borrowing as required by Section 2.02 or a Letter of Credit Request as required by Section 3.02, as applicable;

(b)the fact that, immediately before and after giving effect to such Borrowing, no Default or Event of Default shall have occurred and be continuing;

(c)the fact that the representations and warranties of the Borrower contained in the Loan Documents shall be true and correct on and as of the

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date of such Credit Event;

(d)since December 31, 2001, there shall have been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, which materially adversely affects the ability of the Borrower to perform any of its obligations under the Loan Documents; and

(e)receipt by the Lender of such other assurances, certificates, documents, consents or opinions as the Lender may reasonably request, in each case in form and substance satisfactory to the Lender.

Each Credit Event under this Agreement shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in clauses (b), (c) and (d) of this Section.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01 Status . The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the limited liability company authority to make and perform each Loan Document.

Section 5.02 Authority; No Conflict . The execution, delivery and performance by the Borrower of each Loan Document have been duly authorized by all necessary limited liability company action and do not violate (i) any provision of law or regulation, or any decree, order, writ or judgment, (ii) any provision of its limited liability company agreement, or (iii) result in the breach of or constitute a default under any indenture or other agreement or instrument to which the Borrower is a party.

Section 5.03 Legality; Etc . Each Loan Document (other than the Revolving Notes) constitutes the legal, valid and binding obligation of the Borrower, and the Revolving Notes, when executed and delivered in accordance with this Agreement, will constitute legal, valid and binding obligations of the Borrower, in each case enforceable against the Borrower in accordance with their terms except to the extent limited by (a) bankruptcy, insolvency, fraudulent conveyance or reorganization laws or by other laws relating to or affecting the enforceability of creditors' rights generally and by general equitable principles which may limit the right to obtain equitable remedies regardless of whether enforcement is considered in a proceeding of law or equity or (b) any applicable public policy on enforceability of provisions relating to contribution and indemnification.

Section 5.04 Financial Condition .

(a) *Audited Financial Statements* . The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2001 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by an independent certified public accounting firm reasonably acceptable to Lender, copies of which have been delivered to the Lender, fairly present, in conformity with GAAP, the consolidated financial position of the Borrower as of such date and its consolidated results of operations and cash flows for such fiscal year.

(b) *Interim Financial Statements* . The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2002 and the related unaudited consolidated statements of income and cash flows for the three months then ended fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower as of such date and its consolidated results of operations and cash flows for such three-month period (subject to normal year-end audit adjustments).

(c) *Material Adverse Change* . Since December 31, 2001 there has been no change in the business, assets, financial condition or operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, that would materially and adversely affect the Borrower's ability to perform any of its obligations under the Loan Documents.

Section 5.05 Rights to Properties . The Borrower and its Subsidiaries have good and valid fee, leasehold, easement or other right, title or interest in or to all the properties necessary to the conduct of their business as conducted on the date hereof and as presently proposed to be conducted, except to the extent the failure to have such rights or interests would not have a Material Adverse Effect.

Section 5.06 Litigation . Except as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2001 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished in writing to the Lender, no litigation, arbitration or administrative proceeding against the Borrower is pending or, to the Borrower's knowledge, threatened, which, if adversely determined, would materially and adversely affect the ability of the Borrower to perform any of its obligations under the Loan Documents. There is no litigation, arbitration or administrative proceeding pending or, to the knowledge of the Borrower, threatened which questions the validity of the Loan Documents.

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Section 5.07 No Violation . No part of the proceeds of the borrowings by hereunder will be used, directly or indirectly by the Borrower for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for any other purpose which violates, or which conflicts with, the provisions of Regulation U or X of said Board of Governors. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such "margin stock".

Section 5.08 ERISA . Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Material Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Material Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Material Plan, (ii) failed to make any contribution or payment to any Material Plan, or made any amendment to any Material Plan, which has resulted or could result in the imposition of a lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any material liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.09 Governmental Approvals . No authorization, consent or approval from any Governmental Authority is required for the execution, delivery and performance by the Borrower of the Loan Documents, except such authorizations, consents and approvals as have been obtained prior to the Closing Date and are in full force and effect.

Section 5.10 Investment Company Act . The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.11Public Utility Holding Company Act . The Borrower is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.12 Tax Returns and Payments . The Borrower and each of its Subsidiaries has filed or caused to be filed all Federal, state, local and foreign income tax returns required to have been filed by it and has paid or caused to be paid all income taxes shown to be due on such returns except income taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or its Subsidiaries, as the case may be, shall have set aside on its books appropriate reserves with respect thereto in accordance with GAAP or that would not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Compliance with Laws . To the knowledge of the Borrower or any of its Subsidiaries, the Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance would not reasonably be expected to materially and adversely affect its ability to perform any of its obligations under the Loan Documents.

Section 5.14 No Default . No Default or Event of Default has occurred and is continuing.

Section 5.15 Environmental Matters .

(a)Except (i) as disclosed in or contemplated by the Borrower's Form 10-K Report to the SEC for the year ended December 31, 2001 or in any subsequent Form 10-Q or 8-K Report or otherwise furnished to the Lender in writing, or (ii) to the extent that the liabilities of the Borrower and its Subsidiaries, taken as a whole, that relate to or could result from the matters referred to in clauses (a) through (c), inclusive, would not reasonably be expected to result in a Material Adverse Effect, to the Borrower's or any of its Subsidiaries' knowledge:

(i)no notice, notification, citation, summons, complaint or order has been issued, no complaint has been filed, no penalty has been assessed nor is any investigation or review pending or threatened by any governmental or other entity with respect to any (A) alleged violation by the Borrower or any of its Subsidiaries of any Environmental Law, (B) alleged failure by the Borrower or any of its Subsidiaries to have any environmental permit, certificate, license, approval, registration or authorization required in connection with the conduct of its business or (C) generation, storage, treatment, disposal, transportation or release of Hazardous Substances;

(ii)no Hazardous Substance has been released (and no written notification of such release has been filed) (whether or not in a reportable or threshold planning quantity) at, on or under any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries; and

(iii)no property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries or any property to which the Borrower or any of its Subsidiaries has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances, is listed or, to the Borrower's or any of its Subsidiaries' knowledge, proposed for listing, on the National Priorities List promulgated pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), on CERCLIS (as defined in CERCLA) or on any similar federal, state or foreign list of sites requiring investigation or clean-up.

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(b)To the Borrower's or any of its Subsidiaries' knowledge, there are no Environmental Liabilities that have resulted or could reasonably be expected to result in a Material Adverse Effect.

ARTICLE VI
COVENANTS

The Borrower agrees that so long as the Lender has any Commitment hereunder or any amount payable hereunder or under any Revolving Note remains unpaid:

Section 6.01 Information . The Borrower will deliver or cause to be delivered to the Lender:

(a) *Annual Financial Statements* . Within 120 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year and accompanied by an opinion thereon by independent public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with GAAP applied on a consistent basis.

(b) *Quarterly Financial Statements* . Within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such fiscal quarter, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by any vice president, the treasurer or the controller of the Borrower.

(c) *Officer's Certificate* . Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief accounting officer of the Borrower, (i) setting forth in reasonable detail the calculations required to establish compliance with the requirements of Sections 6.12 and 6.13 on the date of such financial statements and (ii) stating whether there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(d) *Default* . Forthwith upon acquiring knowledge of the occurrence of any Default or Event of Default, a certificate of any vice president, the treasurer or the controller of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(e) *Change in Borrower's Ratings* . Upon the president, any vice president, the treasurer, assistant treasurer or controller of the Borrower obtaining knowledge of any change in Borrower's Rating, a notice of such Borrower's Rating after giving effect to such change.

(f) *Securities Laws Filing* . Within 120 days after the end of each fiscal year, a copy of any Form 10-K Report to the SEC and within 60 days after the end of each of the first three quarters in each fiscal year, a copy of any Form 10-Q Report to the SEC, and promptly upon the filing thereof, any other filings with the SEC.

(g) *ERISA Matters* . If and when any member of the ERISA Group: (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives, with respect to any Material Plan that is a Multiemployer Plan, notice of any complete or partial withdrawal liability under Title IV of ERISA, or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Material Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code with respect to a Material Plan, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA; or (vii) fails to make any payment or contribution to any Plan or makes any amendment to any Plan which has resulted or could result in the imposition of a lien or the posting of a bond or other security, a copy of such notice, a certificate of the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(h) *Other Information* . From time to time such additional financial or other information regarding the financial condition, results of operations, properties, assets or business of the Borrower or of any of its Subsidiaries as the Lender may reasonably request.

Section 6.02 Maintenance of Property; Insurance .

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(a) *Maintenance of Properties* . The Borrower will keep, and will cause each of its Subsidiaries to keep, all property useful and necessary in their respective businesses in good working order and condition, subject to ordinary wear and tear, unless the Borrower determines in good faith that the continued maintenance of any of such properties is no longer economically desirable and so long as the failure to so maintain such properties would not reasonably be expected to have a Material Adverse Effect.

(b) *Insurance* . The Borrower will maintain, or cause to be maintained, insurance with financially sound (determined in the reasonable judgment of the Borrower) and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries operate.

Section 6.03 Conduct of Business and Maintenance of Existence . The Borrower will (i) continue, and will cause each of its Subsidiaries to continue, to engage only in businesses of the same general type as now conducted by the Borrower and its Subsidiaries and businesses related thereto or arising out of such businesses, except to the extent that the failure to maintain any existing business would not have a Material Adverse Effect and (ii) except as otherwise permitted in Section 6.08, preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective limited liability company (or other entity) existence and their respective rights, privileges and franchises necessary or material to the normal conduct of business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.04 Compliance with Laws, Etc . The Borrower will comply, and will cause each of its Subsidiaries to comply, with all applicable laws, regulations and orders of any Governmental Authority, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, compliance with all applicable ERISA and Environmental Laws and the requirements of any permits issued under such Environmental Laws), except to the extent (a) such compliance is being contested in good faith by appropriate proceedings or (b) non-compliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.05 Books and Records . The Borrower (i) will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in conformity with GAAP and (ii) will permit representatives of the Lender to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, any employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired; provided , that, the rights created in this Section 5.05 to "visit", "inspect", "discuss" and copy shall not extend to any matters which the Borrower deems, in good faith, to be confidential, unless the Lender agrees in writing to keep such matters confidential.

Section 6.06 Use of Proceeds . The proceeds of the Loans made under this Agreement will be used by the Borrower for general corporate purposes. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock within the meaning of Regulation U.

Section 6.07 Restriction on Liens . The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrower or any such Subsidiary (including, without limitation, their Voting Stock), except:

(a)Liens for taxes, assessments or governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(b)Liens imposed by law, such as carriers', landlords', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 45 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(c)Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d)easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variances and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of real property;

(e)judgment Liens arising from judgments which secure payment of legal obligations that would not constitute a Default under Section 7.01;

(f)any vendor's Liens, purchase money Liens or any other Lien on any property or asset acquired by the Borrower or any of its Subsidiaries after the date hereof existing on any such property or asset at the time of acquisition thereof (and not created in anticipation thereof); provided , that, in any such case no such Lien shall extend to or cover any other asset of the Borrower or such Subsidiaries, as the case may be;

(g)Liens, deposits and/or similar arrangements to secure the performance of bids, tenders or contracts (other than contracts for borrowed money), public or statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business by the Borrower or any of its Subsidiaries, including Liens to secure obligations under agreements relating to the

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purchase and sale of any commodity (including power purchase and sale agreements, any commodity hedge or derivative regardless of whether any such transaction is a "financial" or "physical transaction");

(h)Liens on assets of the Borrower and its Subsidiaries arising out of obligations or duties to any municipality or public authority with respect to any franchise, grant, license, permit or certificate.

(i)rights reserved to or vested in any municipality or public authority to control or regulate any asset of the Borrower or any of its Subsidiaries or to use such asset in a manner which does not materially impair the use of such asset for the purposes for which it is held by the Borrower or any of its Subsidiaries;

(j)irregularities in or deficiencies of title to any asset which do not materially adversely affect the use of such property by the Borrower or any of its Subsidiaries in the normal course of its business;

(k)any Lien on any property or asset of any corporation or other entity existing at the time such corporation or entity is acquired, merged or consolidated or amalgamated with or into the Borrower or any of its Subsidiaries and not created in contemplation of such event;

(l)any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring, constructing or improving such asset; provided , that any such Lien attaches to such asset, solely to extent of the value of the obligation secured by such Lien, concurrently with or within 180 days after the acquisition, construction or improvement thereof:

(m)any Liens in connection with the issuance of tax-exempt industrial development or pollution control bonds or other similar bonds issued pursuant to Section 103(b) of the Internal Revenue Code of 1986, as amended, to finance all or any part of the purchase price of or the cost of constructing, equipping or improving property;

(n)rights of lessees arising under leases entered into by the Borrower or any of its Subsidiaries as lessor, in the ordinary course of business;

(o)any Liens on or reservations with respect to governmental and other licenses, permits, franchises, consents and allowances; any Liens on patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, choses in action and other intangible property and general intangibles including, but not limited to, computer software;

(p)any Liens on automobiles, buses, trucks and other similar vehicles and movable equipment; marine equipment; airplanes, helicopters and other flight equipment; and parts, accessories and supplies used in connection with any of the foregoing;

(q)any Liens on furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes;

(r)Liens securing letters of credit entered into in the ordinary course of business;

(s)Liens in addition to those permitted by clauses (a) through (s) on the property or assets of a Special Purpose Subsidiary arising in connection with the lease of such property or assets through one or more other Synthetic Lease financings;

(t)Liens by any Subsidiary of the Borrower for the benefit of the Borrower or any other Subsidiary;

(u)Liens on property which is the subject of a Capital Lease Obligation designating the Borrower or any of its Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Subsidiaries in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as a security; provided , that the aggregate fair market value of the obligations subject to such Liens shall not at any time exceed $500,000,000;

(v)Liens on property which is the subject of one or more leases designating the Borrower or any of its Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Subsidiaries in and to such property and in, to and under any such lease agreement, whether or not any such lease agreement is intended as a security;

(w)Liens arising out of the refinancing, extension, renewal or refunding of any Debt or other obligation secured by any Lien permitted by clauses (a) through (w) of this Section; provided , that such Debt or other obligation is not increased and is not secured by any additional assets; and

(x)other Liens on assets or property of the Borrower or any of its Subsidiaries, other than Liens on the Voting Stock of the Borrower in its Subsidiaries, so long as the aggregate value of the obligations secured by such Liens does not exceed the greater of $250,000,000 or 15% of the total consolidated assets of the Borrower and its Consolidated Subsidiaries as of the most recent fiscal quarter of the Borrower for which financial statements are available.

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Section 6.08 Merger or Consolidation . The Borrower will not merge with or into or consolidate with or into any other corporation or entity, unless (i) immediately after giving effect thereto, no event shall occur and be continuing which constitutes a Default or Event Default, (ii) the surviving or resulting person, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Borrower under this Agreement, (iii) substantially all of the consolidated assets and consolidated revenues of the surviving or resulting person, as the case may be, are anticipated to come from the utility or energy businesses and (iv) the surviving or resulting person, as the case may be, has senior long-term debt ratings from Moody's and S&P as available (or if the ratings of Moody's and S&P are not available, of such other rating agency as shall be acceptable to the Lender) at least equal to each Borrower's Rating at the end of the fiscal quarter immediately preceding the effective date of such consolidation or merger. No Subsidiary will merge or consolidate with any other Person if such Subsidiary is not the surviving or resulting Person, unless such other Person is (a) the Borrower or a successor of the Borrower permitted hereunder or (b) any other Person which is a Wholly-Owned Subsidiary of the Borrower or a successor of the Borrower permitted hereunder.

Section 6.09 Asset Sales . Except for the sale of assets required to be sold to conform with governmental requirements, the Borrower shall not, and shall not permit any of its Subsidiaries to, consummate any Asset Sale, if the aggregate net book value of all such Asset Sales consummated during the four calendar quarters immediately preceding any date of determination would exceed 25% of the total assets of the Borrower and its Consolidated Subsidiaries as of the beginning of the Borrower's most recently ended full fiscal quarter; provided , however , that any such Asset Sale will be disregarded for purposes of the 25% limitation specified above: (a) if any such Asset Sale is in the ordinary course of business of the Borrower and its Subsidiaries; (b) if the assets subject to any such Asset Sale are worn out or are no longer useful or necessary in connection with the operation of the businesses of the Borrower or its Subsidiaries; (c)if the assets subject to any such Asset Sale are being transferred to a Wholly-Owned Subsidiary of the Borrower; (d) if the proceeds from any such Asset Sale (i) are, within 12 months of such Asset Sale, invested or reinvested by the Borrower or any Subsidiary in a Permitted Business, (ii) are used by the Borrower or a Subsidiary to repay Debt of the Borrower or such Subsidiary, or (iii) are retained by the Borrower or its Subsidiaries; or (e) if, prior to any such Asset Sale, Moody's and S&P confirm the then current Borrower Ratings after giving effect to any such Asset Sale.

Section 6.10 Transactions with Affiliates . Neither the Borrower nor any of its Subsidiaries will enter into or permit to exist any arrangement or contract with any of their respective Affiliates unless such arrangement or contract (i) has been approved by a Governmental Authority or (ii) is fair and equitable to the Borrower or its Subsidiaries, as the case may be, and is an arrangement or contract of the kind which would be entered into by a prudent Person in the position of the Borrower or its Subsidiaries, as the case may be, with a Person which is not one of its Affiliates. In making any determination as to fairness, equity and prudence, effect shall be given to orders, rules or regulations or any administrative agency, regulatory authority or other governmental body having jurisdiction over the Borrower or its Subsidiaries.

Section 6.11 Restrictive Agreements . Except as set forth in Schedule 6.11 hereto, the Borrower will not permit any of its Subsidiaries to enter into or assume any agreement prohibiting or otherwise restricting the ability of any Subsidiary to pay dividends or other distributions on its respective equity and equity equivalents to the Borrower or any of its Subsidiaries.

Section 6.12 Consolidated Debt to Consolidated Capitalization Ratio . The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 65% at any time.

Section 6.13 Cash Interest Coverage Ratio . The Borrower's ratio of Consolidated Funds From Operations to Consolidated Cash Interest Expense shall not be less than 2.0 to 1.0 for the four most recently ended consecutive fiscal quarters of the Borrower (taken as a single accounting period).

Section 6.14 Indebtedness . The Borrower will not permit any of its Subsidiaries to incur, create, assume or permit to exist any Debt of such Subsidiaries except:

(a)Debt owing to the Borrower or another Subsidiary;

(b)Non-Recourse Debt; and

(c)other Debt, the aggregate principal amount of which does not exceed $500,000,000 at any time.

ARTICLE VII
DEFAULTS

Section 7.01 Events of Default . If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a)the Borrower shall fail to pay when due any principal of the Loans or any Reimbursement Obligations; or

(b)the Borrower shall fail to pay when due any interest on the Loans and Reimbursement Obligations, any fee or any other amount payable under any Loan Document for 5 days following the date such payment becomes due hereunder; or

(c)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(a), (b) or (c), clause (ii) of Sections 6.05,

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and Sections 6.06, 6.08, 6.09, 6.12, 6.13 and 6.14; or

(d)the Borrower shall fail to observe or perform any covenant or agreement contained in Section 6.01(d) for 10 days after any such failure; or

(e)the Borrower shall fail to observe or perform any covenant or agreement contained in any Loan Document (other than those covered by clauses (a), (b), (c) or (d) above) for 30 days after written notice thereof has been given to the defaulting party by the Lender; or

(f)any representation, warranty or certification made by the Borrower in any Loan Document or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(g)the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Debt beyond any period of grace provided with respect thereto, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Material Debt beyond any period of grace provided with respect thereto if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Debt or a trustee on its or their behalf to cause, such Debt to become due prior to its stated maturity; or

(h)the Borrower or any Subsidiary of the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(i)an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the Bankruptcy Code; or

(j)any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000; or

(k)the Borrower or any of its Subsidiaries shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $20,000,000, entered against the Borrower or any such Subsidiary that is not stayed on appeal or otherwise being appropriately contested in good faith; or

(l)a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Lender may (A) by notice to the Borrower terminate the Commitment, and the Commitment shall thereupon terminate, and (B) by notice to the Borrower declare the Loans (together with accrued interest and accrued and unpaid fees thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower; provided , that, in the case of any Default or any Event of Default specified in clause 7.01(h) or 7.01(i) above with respect to the Borrower, without any notice to the Borrower or any other act by the Lender, the Commitment shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Notices . Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the Business Day following the day on which the same has been delivered prepaid (or on an invoice basis) to a reputable national overnight air courier service or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers set forth below, or at such other address as such party may specify by

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written notice to the other party hereto:

if to the Lender:

PPL Investment Corporation
3993 Howard Hughes Parkway, Suite 250
Las Vegas, Nevada 89109
Attention: Christopher J. Monigle
Telephone: 702-866-2202
Facsimile: 702-866-2244

if to the Borrower:

PPL Montana, LLC
303 North Broadway, Suite 400
Billings, Montana 59101
Attention: General Counsel
Telephone: 406-620-6903
Facsimile: 406-869-5149

with a copy to:

PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Attention: Treasury Department
Telephone: 610-774-5151
Facsimile: 610-774-5106

Section 8.02 No Waivers; Non-Exclusive Remedies . No failure by the Lender to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under any Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.03 Expenses; Indemnification .

(a) *Expenses* . The Borrower shall pay (i) all out-of-pocket expenses of the Lender, including reasonable attorneys' fees, in connection with the preparation, execution, delivery and administration of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Lender, including (without duplication) the fees and disbursements of outside counsel, in connection with such Event of Default and restructuring, workout, collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) *Indemnity in Respect of Loan Documents* . The Borrower agrees to indemnify the Lender, its Affiliates and the respective directors, officers, trustees, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever, including, without limitation, the reasonable fees and disbursements of counsel, which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Loan Documents or any actual or proposed use of proceeds of Loans hereunder; provided , that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or order.

(c) *Indemnity in Respect of Environmental Liabilities* . The Borrower agrees to indemnify the Lender and hold the Lender harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses or disbursements of any kind whatsoever (including, without limitation, reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and reasonable fees and disbursements of counsel) which may at any time (including, without limitation, at any time following the payment of the obligations of the Borrower hereunder) be imposed on, incurred by or asserted against the Lender in respect of or in connection with any and all Environmental Liabilities. Without limiting the generality of the foregoing, the Borrower hereby waives all rights of contribution or any other rights of recovery with respect to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs and expenses and disbursements arising under or related to Environmental Laws that it might have by statute or otherwise against the Lender.

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Section 8.04 **Amendments and Waivers** . Any provision of this Agreement or the Revolving Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Lender.

Section 8.05 **Successors and Assigns** . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8.06 **Governing Law** . This Agreement and each Revolving Note shall be governed by and construed in accordance with the internal laws of the State of New York.

Section 8.07 **Counterparts; Integration; Effectiveness** . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement and the Revolving Notes constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

Section 8.08 **Generally Accepted Accounting Principles** . Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries most recently delivered to the Lender; provided , that, if the Borrower notifies the Lender that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Lender notifies the Borrower that it wishes to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Lender.

Section 8.09 **Usage** . The following rules of construction and usage shall be applicable to this Agreement and to any instrument or agreement that is governed by or referred to in this Agreement.

(a)All terms defined in this Agreement shall have the defined meanings when used in any instrument governed hereby or referred to herein and in any certificate or other document made or delivered pursuant hereto or thereto unless otherwise defined therein.

(b)The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement or in any instrument or agreement governed here shall be construed to refer to this Agreement or such instrument or agreement, as applicable, in its entirety and not to any particular provision or subdivision hereof or thereof.

(c)References in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, this Agreement unless the context otherwise requires; references in any instrument or agreement governed by or referred to in this Agreement to "Article", "Section", "Exhibit", "Schedule" or another subdivision or attachment shall be construed to refer to an article, section or other subdivision of, or an exhibit, schedule or other attachment to, such instrument or agreement unless the context otherwise requires.

(d)The definitions contained in this Agreement shall apply equally to the singular and plural forms of such terms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The word "will" shall be construed to have the same meaning as the word "shall". The term "including" shall be construed to have the same meaning as the phrase "including without limitation".

(e)Unless the context otherwise requires, any definition of or reference to any agreement, instrument, statute or document contained in this Agreement or in any agreement or instrument that is governed by or referred to in this Agreement shall be construed (i) as referring to such agreement, instrument, statute or document as the same may be amended, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, supplements or modifications set forth in this Agreement or in any agreement or instrument governed by or referred to in this Agreement), including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and (ii) to include (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. Any reference to any Person shall be construed to include such Person's successors and permitted assigns.

(f)Unless the context otherwise requires, whenever any statement is qualified by "to the best knowledge of" or "known to" (or a similar phrase) any Person that is not a natural person, it is intended to indicate that the senior management of such Person has conducted a commercially reasonable inquiry and investigation prior to making such statement and no member of the senior management of such Person (including managers, in the case of limited liability companies, and general partners, in the case of partnerships) has current actual knowledge of the inaccuracy of such statement.

Section 8.10 **WAIVER OF JURY TRIAL** . THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS

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CONTEMPLATED HEREBY.

[*signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

PPL INVESTMENT CORPORATION, as the Lender
By: /s/ John R. Yardley
Name: John R. Yardley
Title: Vice President
PPL MONTANA, LLC, as the Borrower
By: /s/ Russell R. Clelland
Name: Russell R. Clelland
Title: Assistant Treasurer

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SCHEDULE 6.11

Restrictive Agreements

There are restrictions on the payment of dividends and similar distributions arising in connection with the pass-through certificates, lessor notes and other lease obligations relating to PPL Montana's leases relating to the Colstrip facility.

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Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Millions of Dollars)

	12 Months Ended June 30, 2003	2002	2001	12 Months Ended December 31, 2000	1999	1998
Fixed charges, as defined:						
Interest on long-term debt	**$ 446**	$ 486	$ 351	$ 323	$ 233	$ 203
Interest on short-term debt and other interest	**63**	71	44	64	47	33
Amortization of debt discount, expense and premium - net	**39**	25	17	5	4	2
Interest on capital lease obligations						
Charged to expense				4	9	8
Capitalized					1	2
Estimated interest component of operating rentals	**55**	39	36	25	20	18
Preferred stock dividends and preferred securities distributions of subsidiaries on a pre-tax basis	**69**	79	64	31	30	31
Total fixed charges	**$ 672**	$ 700	$ 512	$ 452	$ 344	$ 297
Earnings, as defined:						
Net income (a)	**$ 555**	$ 436	$ 167	$ 491	$ 492	$ 379
Preferred security dividend requirements	**58**	67	52	26	26	25
Less undistributed income (loss) of equity method investments	**(10)**	(23)	20	74	56	3
	623	526	199	443	462	401
Add:						
Income taxes	**214**	210	261	294	174	259
Amortization of capitalized interest on capital leases				2	2	2
Total fixed charges as above (excluding capitalized interest, capitalized interest on capital lease obligations and preferred stock dividends of subsidiaries on a pre-tax basis)	**589**	600	419	405	307	257
Total earnings	**$ 1,426**	$ 1,336	$ 879	$ 1,144	$ 945	$ 919
Ratio of earnings to fixed charges	**2.1**	1.9	1.7	2.5	2.7	3.1
Ratio of earnings to combined fixed charges and preferred stock dividends (b)	**2.1**	1.9	1.7	2.5	2.7	3.1

(a) Net income excludes extraordinary items, minority interest and the cumulative effect of a change in accounting principle.

(b) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

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Exhibit 12(b)

PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	12 Months Ended June 30, 2003	12 Months Ended December 31, 2002	2001	2000	1999 (b)	1998 (b)
Fixed charges, as defined:						
Interest on long-term debt	**$ 153**	$ 169	$ 36	$ 54	$ 20	$ 11
Interest on short-term debt and other interest	**47**	52	33	75	32	14
Amortization of debt discount, expense and premium - net	**23**	9	2	11	1	
Estimated interest component of operating rentals	**39**	23	19	9		
Preferred securities distributions of subsidiaries on a pre-tax basis	**13**	12				
Total fixed charges	**$ 275**	$ 265	$ 90	$ 149	$ 53	$ 25
Earnings, as defined:						
Net income (loss) (a)	**$ 407**	$ 507	$ 168	$ 246	$ (20)	$ 12
Preferred security dividend requirement	**9**	9				
Less undistributed income (loss) of equity method investments	**(10)**	(22)	20	74	56	3
	426	538	148	172	(76)	9
Add:						
Income taxes (benefit)	**226**	266	274	125	(29)	(6)
Total fixed charges as above (excluding capitalized interest and preferred stock dividends of subsidiaries on a pre-tax basis)	**250**	234	66	135	52	24
Total earnings	**$ 902**	$ 1,038	$ 488	$ 432	$ (53)	$ 27
Ratio of earnings to fixed charges	**3.3**	3.9	5.4	2.9	(1.0)	1.1
Deficiency					$ 106	

(a) Net income (loss) excludes minority interest and the cumulative effect of a change in accounting principle.

(b) Due to the corporate realignment on July 1, 2000, data in 2000 and subsequent years are not comparable to prior years. See Note 19 in PPL Energy Supply's Form 10-K for the year ended December 31, 2002 for additional information.

Exhibit 12(c)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	12 Months Ended June 30, 2003	12 Months Ended December 31, 2002	2001	2000	1999 (b)	1998 (b)
Fixed charges, as defined:						
Interest on long-term debt	**$ 207**	$ 209	$ 220	$ 223	$ 205	$ 188

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Interest on short-term debt and other interest	**3**	3	4	16	12	14
Amortization of debt discount, expense and premium - net	**8**	7	6	4	3	2
Interest on capital lease obligations						
Charged to expense				4	9	8
Capitalized					1	2
Estimated interest component of operating rentals	**7**	7	8	14	19	18
Preferred securities distributions of subsidiaries on a pre-tax basis	**3**	13	23	23	23	23
Total fixed charges	**$ 228**	$ 239	$ 261	$ 284	$ 272	$ 255
Earnings, as defined:						
Net income (a)	**$ 56**	$ 39	$ 114	$ 250	$ 444	$ 361
Preferred security dividend requirements	**7**	16	26	26	37	48
	63	55	140	276	481	409
Add:						
Income taxes	**31**	18	65	171	151	273
Amortization of capitalized interest on capital leases				2	2	2
Total fixed charges as above (excluding capitalized interest, capitalized interest on capital lease obligations and preferred stock dividends of subsidiaries on a pre-tax basis)	**220**	225	238	257	243	222
Total earnings	**$ 314**	$ 298	$ 443	$ 706	$ 877	$ 906
Ratio of earnings to fixed charges	**1.4**	1.2	1.7	2.5	3.2	3.6

(a) Net income excludes extraordinary items and the cumulative effect of a change in accounting principle.
(b) Due to the corporate realignment on July 1, 2000, data in 2000 and subsequent years are not comparable to prior years. See Note 19 in PPL Electric's Form 10-K for the year ended December 31, 2002 for additional information.

Exhibit 12(d)

PPL MONTANA, LLC AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	12 Months Ended June 30, 2003	**12 Months Ended December 31, 2002**	**2001**	**2000**
Fixed charges, as defined:				
Interest expense on credit facility	**$ 1**	$ 2	$ 2	$ 18
Amortization of debt expenses			1	3
Amortization of wholesale energy commitments	**4**	4	6	7
Estimated interest component of operating rentals	**15**	15	15	6
Total fixed charges	**$ 20**	$ 21	$ 24	$ 34
Earnings, as defined:				
Net income	**$ 62**	$ 47	$ 103	$ 86
Add:				
Income taxes	**45**	35	68	57
Total fixed charges as above	**20**	21	24	34

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Total earnings	**$ 127**	$ 103	$ 195	$ 177
Ratio of earnings to fixed charges	**6.4**	4.9	8.1	5.2

Exhibit 31(a)

CERTIFICATION

I, WILLIAM F. HECHT, the principal executive officer of PPL Corporation (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/William F. Hecht
William F. Hecht
Chairman, President and Chief Executive Officer
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, JOHN R. BIGGAR, the principal financial officer of PPL Corporation (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/John R. Biggar
John R. Biggar
Executive Vice President and Chief Financial Officer
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, WILLIAM F. HECHT, the principal executive officer of PPL Energy Supply, LLC (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/William F. Hecht
William F. Hecht
President
PPL Energy Supply, LLC

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Exhibit 31(d)

CERTIFICATION

I, JAMES E. ABEL, the principal financial officer of PPL Energy Supply, LLC (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/James E. Abel
James E. Abel
Treasurer
PPL Energy Supply, LLC

Exhibit 31(e)

CERTIFICATION

I, MICHAEL E. BRAY, the principal executive officer of PPL Electric Utilities Corporation (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/Michael E. Bray
Michael E. Bray
President
PPL Electric Utilities Corporation

Exhibit 31(f)

CERTIFICATION

I, JAMES E. ABEL, the principal financial officer of PPL Electric Utilities Corporation (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/James E. Abel
James E. Abel
Treasurer
PPL Electric Utilities Corporation

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Exhibit 31(g)

CERTIFICATION

I, JAMES H. MILLER, the principal executive officer of PPL Montana, LLC (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/James H. Miller
James H. Miller
President
PPL Montana, LLC

Exhibit 31(h)

CERTIFICATION

I, JAMES E. ABEL, the principal financial officer of PPL Montana, LLC (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the quarter ended June 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/James E. Abel
James E. Abel
Treasurer
PPL Montana, LLC

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/William F. Hecht
William F. Hecht
Chairman, President and
Chief Executive Officer
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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Date: August 12, 2003

/s/ John R. Biggar
John R. Biggar
Executive Vice President and
Chief Financial Officer
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Energy Supply, LLC (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/William F. Hecht
William F. Hecht
President
PPL Energy Supply, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Energy Supply, LLC (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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Date: August 12, 2003 /s/James E. Abel
James E. Abel
Treasurer
PPL Energy Supply, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003 /s/Michael E. Bray
Michael E. Bray
President
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(f)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003 /s/James E. Abel
James E. Abel
Treasurer
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and

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furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(g)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL MONTANA, LLC'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Montana, LLC (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal executive officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/James H. Miller
James H. Miller
President
PPL Montana, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(h)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL MONTANA, LLC'S 10-Q FOR THE QUARTER ENDED JUNE 30, 2003

In connection with the quarterly report on Form 10-Q of PPL Montana, LLC (the "Company") for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), I, the principal financial officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/James E. Abel
James E. Abel
Treasurer
PPL Montana, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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End of Filing

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