FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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COGENTRIX ENERGY INC

CIK:**917711**| IRS No.: **561853081** | State of Incorp.:**NC** | Fiscal Year End: **1231**
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended
September 30, 2001

Commission File Number: **33-74254**

COGENTRIX ENERGY, INC.
(Exact name of registrant as specified in its charter)

North Carolina	**56-1853081**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9405 Arrowpoint Boulevard **Charlotte, North Carolina**	**28273-8110**
(Address of principal executive offices)	(Zipcode)

(704) 525-3800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has 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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
[√] Yes [ ] No

On November 19, 2001, there were 282,000 shares of common stock, no par value, issued and outstanding.

COGENTRIX ENERGY, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q/A

Signatures

Cogentrix Energy, Inc. is filing this amendment to its report on Form 10-Q for the fiscal quarter ended September 30, 2001 for the sole purpose of filing Exhibit 10.4 thereto with information restored that had been redacted from Exhibit 10.4 pursuant to a request for confidential treatment.

COGENTRIX ENERGY, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

September 30, 2001 and December 31, 2000

(Dollars in thousands)

	September 30, 2001	December 31, 2000
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 224,947	$ 131,834
Restricted cash	41,152	10,269
Accounts receivable	68,700	68,460
Inventories	19,557	15,050
Net assets held for sale	-	53,747
Other current assets	4,125	3,284

Total current assets	358,481	282,644
NET INVESTMENT IN LEASES	499,313	499,774
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $304,775 and $301,825, respectively	505,841	399,832
LAND AND IMPROVEMENTS	9,200	7,053
CONSTRUCTION IN PROGRESS	1,193,886	607,334
DEFERRED FINANCING COSTS, net of accumulated amortization of $35,646 and $24,393, respectively	67,567	63,823
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	346,811	346,794
PROJECT DEVELOPMENT COSTS AND TURBINE DEPOSITS	76,547	59,223
OTHER ASSETS	43,152	40,747
	$ 3,100,798	$ 2,307,224

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current portion of long-term debt	$ 127,721	$ 69,483
Accounts payable	22,504	26,458
Accrued compensation	15,031	10,104
Accrued interest payable	21,693	10,336
Accrued dividends payable	-	10,309
Accrued construction in progress	62,966	71,201
Other accrued liabilities	13,134	18,221

Total current liabilities	263,049	216,112
LONG-TERM DEBT	2,350,463	1,726,915
DEFERRED INCOME TAXES	135,624	105,915
MINORITY INTERESTS	95,602	74,249
OTHER LONG-TERM LIABILITIES	29,673	21,355
	2,874,411	2,144,546
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 300,000 shares authorized; 282,000 shares issued and outstanding	130	130
Accumulated other comprehensive loss	(4,627)	(1,152)
Accumulated earnings	230,884	163,700
	226,387	162,678
	$ 3,100,798	$ 2,307,224

COGENTRIX ENERGY, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months and Nine Months Ended September 30, 2001 and 2000

(Dollars in thousands, except share and earnings per common share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
OPERATING REVENUES:				
Electric	$ 85,143	$ 95,725	$ 250,095	$ 255,693
Steam	6,935	6,226	22,321	20,715
Lease	11,172	11,188	33,433	33,573
Service	14,029	14,156	43,850	40,757
Income from unconsolidated investment in power projects, net of premium amortization	8,953	8,338	26,339	34,905
Gain on sales of project interests, net of transaction costs and other	9,047	18,432	73,166	26,259
	135,279	154,065	449,204	411,902
OPERATING EXPENSES:				
Fuel	29,670	29,290	90,814	83,036
Cost of service	12,831	14,085	43,259	42,284
Operations and maintenance	19,983	24,095	58,995	60,223
General, administrative and development expenses	15,194	9,374	42,346	29,178
Depreciation and amortization	9,866	14,150	29,093	36,118
	87,544	90,994	264,507	250,839

OPERATING INCOME	47,735	63,071	184,697	161,063
OTHER INCOME (EXPENSE):				
Interest expense	(21,823)	(27,126)	(72,618)	(74,048)
Investment income and other, net	2,741	(3,171)	8,078	1,029
INCOME BEFORE MINORITY INTERESTS IN INCOME AND PROVISION FOR INCOME TAXES	28,653	32,774	120,157	88,044
MINORITY INTERESTS IN INCOME	(3,157)	(2,225)	(10,379)	(8,050)
INCOME BEFORE PROVISION FOR INCOME TAXES	25,496	30,549	109,778	79,994
PROVISION FOR INCOME TAXES	(9,893)	(12,110)	(42,594)	(31,276)
NET INCOME	$ 15,603	$ 18,439	$ 67,184	$ 48,718
EARNINGS PER COMMON SHARE	$ 55.33	$ 65.39	$ 238.24	$ 172.76
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	282,000	282,000	282,000	282,000

COGENTRIX ENERGY, INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2001 and 2000

(Dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 67,184	$ 48,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of project interests and other	(65,922)	-
Depreciation and amortization	29,093	36,118
Deferred income taxes	31,775	22,859
Impairment of note receivable	-	6,102
Minority interests in income of joint ventures, net of dividends	5,632	1,417
Equity in net income of unconsolidated affiliates	(23,935)	(32,721)
Dividends received from unconsolidated affiliates	23,918	21,398
Minimum lease payments received	33,894	33,885
Amortization of unearned lease income	(33,433)	(33,573)
(Increase) decrease in accounts receivable	7,274	(7,983)
Increase in inventories	(4,507)	(1,970)
Increase (decrease) in accounts payable	(3,954)	3,704
Increase in accrued liabilities	10,409	1,359
(Increase) decrease in other, net	(1,162)	4,802
Net cash flows provided by operating activities	76,266	104,115

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of project interests	112,300	-
Property, plant and equipment additions	(3,799)	(1,550)
Construction in progress, project development costs and turbine deposits	(731,677)	(334,342)
Investments in unconsolidated affiliates	-	(1,669)
Decrease (increase) in restricted cash	(30,883)	4,731
Net cash flows used in investing activities	(654,059)	(332,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable and long-term debt	759,691	458,088
Repayments of notes payable and long-term debt	(78,495)	(110,928)
Additional investments from minority interests	16,823	-
Increase in deferred financing costs	(14,997)	(25,001)
(Increase) decrease in note receivable	(1,807)	1,000
Common stock dividends paid	(10,309)	(8,683)
Net cash flows provided by financing activities	670,906	314,476
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,113	85,761
CASH AND CASH EQUIVALENTS, beginning of period	131,834	80,344
CASH AND CASH EQUIVALENTS, end of period	$ 224,947	$ 166,105

1. Principles of Consolidation and Basis of Presentation

The accompanying consolidated condensed financial statements include the accounts of Cogentrix Energy, Inc. ("Cogentrix Energy") and its subsidiary companies (collectively, the "Company"). Wholly-owned and majority-owned subsidiaries, including 50%-owned entities in which the Company has effective control through its designation as the managing member or managing partner of these projects, are consolidated. Less-than-majority-owned subsidiaries are accounted for using the equity method. Investments in unconsolidated affiliates in which the Company has less than a 20% interest and does not exercise significant influence over operating and financial policies are accounted for under the cost method. All material intercompany transactions and balances among Cogentrix Energy, its subsidiary companies and its consolidated joint ventures have been eliminated in the accompanying consolidated condensed financial statements.

Information presented as of September 30, 2001 and for the three months and nine months ended September 30, 2001 and 2000 is unaudited. In the opinion of management, however, such information reflects all adjustments, which consist of normal recurring adjustments necessary to present fairly the financial position of the Company as of September 30, 2001, the results of operations for the three months and nine months ended September 30, 2001 and 2000 and cash flows for the nine months ended September 30, 2001 and 2000. The results of operations for these interim periods are not necessarily indicative of results which may be expected for any other interim period or for the fiscal year as a whole.

The accompanying unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although management believes that the disclosures made are adequate to make the information presented not misleading. These unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's most recent report on Form 10-K for the year ended December 31, 2000, which the Company filed with the Commission on April 2, 2001.

2. New Accounting Pronouncements

On January 1, 2001, the Company adopted the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133." SFAS No. 133, as amended, requires the fair value of derivative instruments to be recorded on the balance sheet as an asset or liability. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholder's equity (as a component of other comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flow. The fair value of the Company's derivatives is determined by reference to market values from various third party sources. The adoption of SFAS No. 133 did not have a material effect on the consolidated financial statements of the Company. The impact of SFAS No. 133 on the consolidated condensed financial statements is based on the interpretive guidance issued thus far by the FASB. However, the FASB continues to issue guidance that could affect the Company's application of SFAS No. 133 and require adjustments to the amounts and disclosures in the consolidated financial statements.

The Company uses derivative instruments to manage the risk that changes in interest rates will affect the amount of future interest payments. The Company primarily engages in interest rate swap agreements, under which the Company agrees to pay fixed rates of interest. These contracts are considered hedges against fluctuations in future cash flows associated with changes in interest rates. Accordingly, the interest rate swaps were recorded in the accompanying consolidated balance sheet at their fair values, with the related gains or losses recorded as an adjustment to other comprehensive loss. As of September 30, 2001, the Company had recorded approximately $3.5 million, net of deferred taxes, in net deferred losses related to its interest rate swaps in other comprehensive loss. The Company currently has interest rate swaps that mature from 2002 through 2006.

In June 2001, the FASB issued SFAS No.142, "Goodwill and Other Intangible Assets," which supersedes Accounting Principles Board Opinion No. 17, "Intangible Assets." SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition, and addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. SFAS No. 142 eliminates the requirement to amortize goodwill and other intangible assets that have indefinite useful lives, instead requiring the assets to be tested at least annually for impairment based on the specific guidance in SFAS No. 142. The Company will adopt the provisions of SFAS No. 142 effective January 1, 2002, as required, and apply the provisions of SFAS No. 142 to all goodwill and other intangible assets recognized in the consolidated financial statements. SFAS No. 142 requires a transition impairment test of goodwill and other intangibles in conjunction with the initial application. Any resulting impairment loss will be reflected as a change in accounting principle. As of September 30, 2001, the Company had unamortized goodwill and unamortized net purchase price premium in unconsolidated power projects totaling $154.6 million which will be subject to the transition provisions of SFAS No. 142. Amortization expense related to these items was $6.6 million and $4.8 million for the year ended December 31, 2000, and the nine months ended September 30, 2001, respectively. Management has not yet determined the impact adoption of SFAS No. 142 will have on the consolidated financial statements, but does not expect SFAS No. 142 to have a material impact on the carrying value of these intangible assets.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires companies to record a liability relating to the retirement and removal of assets used in their business. The liability is discounted to its present value, and the related asset value is increased by the amount of the resulting liability. Over the life of the asset, the liability will be accreted to its future value and eventually extinguished when the asset is taken out of service. The provisions of this statement are effective for fiscal years beginning after June 15, 2002. We are currently evaluating the effects of this pronouncement.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The standard also expanded the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of this statement are effective for fiscal years beginning after December 15, 2001. We are currently evaluating the effects of this pronouncement.

3. Sales of Project Interests

During February 2001, Ouachita Holdings, Inc. ("Ouachita Holdings"), an indirect, wholly-owned subsidiary of Cogentrix Energy and sole member of Ouachita Power, LLC ("Ouachita Power") sold a 50% membership interest in Ouachita Power to MEP-I, LLC ("MEP-I"), an indirect subsidiary of General Electric Capital Corporation ("GECC"). Ouachita Power is constructing an approximate 816-megawatt, combined-cycle, natural gas-fired electric generating facility located near the city of Sterlington, Louisiana. In exchange for the membership interest, Ouachita Holdings received $48.3 million in cash and was relieved of $56.3 million of its original equity contribution commitment to Ouachita Power. This equity commitment was previously supported by a letter of credit under Cogentrix Energy's corporate credit facility. The Company retains a 50% membership interest in Ouachita Power and will continue to manage and operate the facility as managing member. As part of the purchase of the 50% membership interest, MEP-I assumed a proportional share of the net liabilities of Ouachita Power and the Company recorded a gain of approximately $49.9 million, net of transaction costs related to this sale.

During March 2001, the Company sold its entire 51.4% interest in an electric generating facility in Batesville, Mississippi to NRG Energy, Inc. In exchange, the Company received $64.0 million and assigned its responsibility for the operation and maintenance of the Batesville facility to an indirect subsidiary of NRG Energy, Inc. The Company recorded a gain of approximately $8.5 million, net of transaction costs related to this sale.

4. Southaven, Mississippi Facility

During May 2001, Southaven Power, LLC ("Southaven Power") entered into a credit agreement with a bank, as agent for a group of lending banks, which provides up to $393.5 million in borrowings, a $10.0 million debt service reserve letter of credit and credit support letters of credit up to $60.0 million (the "Credit Agreement"). Southaven Power is owned 100% by an indirect, wholly-owned project subsidiary of Cogentrix Energy. Proceeds from the credit agreement will be used to construct an approximate 810-megawatt, combined-cycle, natural gas-fired generating facility located in Southaven, Mississippi. The Company has committed to provide an equity contribution to the project subsidiary of approximately $98.4 million upon the earliest to occur of (a) an event of default under the Credit Agreement, (b) the incurrence of construction costs after all project financing has been expended or (c) commencement of commercial operations. This equity contribution commitment is supported by a letter of credit, which is provided under Cogentrix Energy's corporate credit facility. The Company expects the Southaven facility, which the Company will operate, to begin operation in 2003. Electricity generated by the Southaven facility will be sold under a 20-year conversion services agreement with PG&E Energy Trading-Power, LP ("Energy Trading"). In addition, Energy Trading will supply fuel to the Southaven facility. An affiliate of Energy Trading, PG&E National Energy Group, Inc. ("NEG") has guaranteed Energy Trading's obligations under the conversion services agreement up to $250.0 million.

During the construction period, Energy Trading has committed to provide up to $73.8 million in subordinated loans to Southaven Power upon an Energy Trading event of default under the conversion services agreement. The aggregate commitments provided by the banks under the Credit Agreement will be reduced to $319.7 million in conjunction with Energy Trading providing the subordinated loans. An indirect, wholly-owned subsidiary of Cogentrix Energy has also committed during commercial operations to provide a contingent equity contribution to Southaven Power up to $17.7 million upon the occurrence of certain conditions including an event of default by Energy Trading or NEG under the conversion services agreement. This contingent equity contribution commitment has been guaranteed by Cogentrix Energy.

The Credit Agreement has a term equal to the construction period plus four years and accrues interest at the applicable LIBOR rate plus an applicable margin ranging from 1.50% to 1.875%.

5. Caledonia, Mississippi Facility

During July 2001, Caledonia Generating, LLC ("Caledonia Generating") entered into a loan and reimbursement agreement with GECC which provides up to $500.0 million in borrowings and up to $60.0 million in credit support letters of credit (the "Loan Agreement"). Caledonia Generating is owned 100% by a wholly-owned project subsidiary of Cogentrix Energy. Proceeds from the Loan Agreement will be used to construct an approximate 810-megawatt, combined-cycle, natural gas-fired generating facility located near Caledonia, Mississippi. The Company has committed to provide an equity contribution to the project subsidiary of $55.6 million upon the earliest to occur of (a) an event of default under the Loan Agreement, (b) the incurrence of construction costs after all project financing has been expended or (c) commencement of commercial operations. This equity contribution commitment is supported by an equity contribution guarantee by Cogentrix Energy. The Company expects the Caledonia facility, which the

Company will operate, to begin operations in 2003. Electricity generated by the Caledonia facility will be sold under a 25-year conversion services agreement with Energy Trading. In addition, Energy Trading will supply fuel to the Caledonia facility. An affiliate of Energy Trading, NEG, has guaranteed Energy Trading's obligations under the conversion services agreement up to $250.0 million.

The Loan Agreement will have a term equal to the construction period plus four years and accrues interest at the applicable LIBOR rate plus an applicable margin ranging from 2.50% to 4.00%.

In conjunction with entering into the Loan Agreement, Caledonia Generating and its sole member, Cogentrix Caledonia Holdings I, Inc. ("Cogentrix Caledonia"), entered into a membership interest purchase agreement with MEP-III, LLC ("MEP-III"), an indirect wholly-owned subsidiary of GECC, whereby MEP-III has committed, subject to certain conditions, to acquire a 50% membership interest in Caledonia Generating at or around the commercial operations date. In exchange for the membership interest, MEP-III will contribute approximately $55.6 million to Caledonia Generating and pay Cogentrix Caledonia a purchase price to be determined based on Caledonia Generating's project economics at the commercial operations date. The Company retains a 50% membership interest in Caledonia Generating and will continue to manage and operate the facility as managing member.

6. Rathdrum, Idaho Facility

During September 2001, the Company completed construction and commenced commercial operations on Rathdrum Power, LLC ("Rathdrum Power"), a 270-megawatt, combined-cycle, natural gas-fired generating facility located in Rathdrum, Idaho. Rathdrum Power is owned 51% by Cogentrix of Rathdrum, Inc. ("Cogentrix of Rathdrum"), a wholly-owned project subsidiary of Cogentrix Energy and 49% by Avista Rathdrum, LLC ("Avista Rathdrum"). In connection with the acquisition of its member's interest, Avista Rathdrum paid Cogentrix of Rathdrum approximately $7.5 million upon the commercial operations date.

7. Claims and Litigation

One of the Company's indirect, wholly-owned subsidiaries is party to certain product liability claims related to the sale of coal combustion by-products for use in various construction projects. Management cannot currently estimate the range of possible loss, if any, the Company will ultimately bear as a result of these claims. However, management believes - based on its knowledge of the facts and legal theories applicable to these claims, after consultations with various counsel retained to represent the subsidiary in the defense of such claims, and considering all claims resolved to date - that the ultimate resolution of these claims should not have a material adverse effect on its consolidated financial position or results of operations or on Cogentrix Energy's ability to generate sufficient cash flow to service its outstanding debt.

In addition to the litigation described above, the Company experiences other routine litigation in the normal course of business. The Company's management is of the opinion that none of this routine litigation will have a material adverse impact on its consolidated financial position or results of operations.

8. Reclassifications

Certain amounts included in the accompanying consolidated condensed financial statements for the periods ended September 30, 2000 and as of December 31, 2000, have been reclassified from their original presentation to conform with the presentation as of and for the periods ended September 30, 2001.

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Condensed Financial Statements.

The information called for by this item is hereby incorporated herein by reference to pages 3 through 9 of this report.

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

In addition to discussing and analyzing our recent historical financial results and condition, the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes statements concerning certain trends and other forward-looking information affecting or relating to us which are intended to qualify for the protections afforded "Forward-Looking Statements" under the Private Securities Litigation Reform Act of 1995, Public Law 104-67. The forward-looking statements made herein are inherently subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements.

General

Cogentrix Energy, Inc. is an independent power producer that through its direct and indirect subsidiaries acquires, develops, owns and operates electric generating plants, principally in the United States. We derive most of our revenue from the sale of electricity, but we also produce and sell steam. We sell the electricity we generate to regulated electric utilities and power marketers, primarily under long-term power purchase agreements or long-term conversion services agreements. We sell the steam we produce to industrial customers with manufacturing or other facilities located near our electric generating plants. We were one of the early participants in the market for electric power generated by independent power producers that developed as a result of energy legislation the United States Congress enacted in 1978. We believe we are one of the larger independent power producers in the United States based on our total project megawatts in operation.

We currently own - entirely or in part - a total of 24 electric generating facilities in the United States and one in the Dominican Republic. Our 25 plants are designed to operate at a total production capability of approximately 5,294 megawatts. After taking into account our partial interests in the 19 plants that are not wholly-owned by us, that range from 1.6% to approximately 74.2%, our net ownership interests in the total production capability of our 25 electric generating facilities is approximately 2,896 megawatts. We currently operate 12 of our facilities, ten of which we developed and constructed.

We also have ownership interests in and will operate three facilities currently under construction in Louisiana and Mississippi. Once these facilities begin operation, we will have ownership interests in a total of 27 domestic - and one international - electric generating facilities that are designed with a total production capability of approximately 7,730 megawatts. Our net equity interest in the total production capability of those 28 facilities will be approximately 4,924 megawatts.

Unless the context requires otherwise, references in this report to "we," "us," "our," or "Cogentrix" refer to Cogentrix Energy, Inc. and its subsidiaries, including subsidiaries that hold investments in other corporations or partnerships whose financial results are not consolidated with ours. The term "Cogentrix Energy" refers only to Cogentrix Energy, Inc., which is a development and management company that conducts its business primarily through subsidiaries. Cogentrix Energy's subsidiaries that are engaged in the development, ownership or operation of cogeneration facilities are sometimes referred to individually as a "project subsidiary" and collectively as Cogentrix Energy's "project subsidiaries." The unconsolidated affiliates of Cogentrix Energy that are engaged in the ownership and operation of electric generating facilities and in which we have less than a majority interest are sometimes referred to individually as a "project affiliate" or collectively as "project affiliates".

Results of Operations - Three Months and Nine Months Ended September 30, 2001 and 2000

	Three Months Ended September 30,	Nine Months Ended September 30,

	2001		2000		2001		2000	
Total operating revenues	$135,279	100%	$154,065	100%	$449,204	100%	$411,902	100%
Operating Costs	62,484	46%	67,470	44%	193,068	43%	185,543	45%
General, administrative and development	15,194	11%	9,374	6%	42,346	9%	29,178	7%
Depreciation and amortization	9,866	7%	14,150	9%	29,093	6%	36,118	9%
	-							
Operating Income	$ 47,735	35%	$ 63,071	41%	$184,697	41%	$161,063	39%

Three Months Ended September 30, 2001 as Compared to Three Months Ended September 30, 2000

Operating Revenues

Total operating revenues decreased 12.2% to $135.3 million for the three months ended September 30, 2001 as compared to $154.1 million for the three months ended September 30, 2000 as a result of the following:

- Electric revenue decreased approximately $10.6 million as a result of the termination of the power purchase agreements at three of our facilities during the second half of 2000 and the sale, in March 2001, of our ownership in the Batesville facility which commenced commercial operations in the third quarter of 2000. The decrease in electric revenue was partially offset by an increase in megawatt hours sold to the purchasing utilities at most of our electric generating facilities.

- Gain on sales of project interests, net of transaction costs and other decreased approximately $9.4 million as a result of the sale and termination of our power purchase agreement at our Ringgold, Pennsylvania facility in the third quarter of 2000 on which we recorded other operating income of approximately $13.1 million, net of transaction costs. This was offset by $7.5 million of gain on sale of project interests related to a payment received from our partner in the Rathdrum, Idaho facility.

Operating Expenses

Total operating expenses decreased 7.4% to $62.5 million for the three months ended September 30, 2001 as compared to $67.5 million for the three months ended September 30, 2000 as a result of the following:

- Operations and maintenance costs decreased $4.1 million primarily because we did not have an ownership interest in the Batesville facility in the third quarter of 2001. We sold our ownership interest in this facility, which commenced commercial operations in August 2000, in March 2001.

- Cost of services decreased $1.3 million as a result of a decrease in the variable energy rate charged to the purchasing utilities as a result of a decrease in natural gas prices at the Cottage Grove and Whitewater facilities. This decrease was partially offset by an increase in megawatt hours sold to the purchasing utilities by these facilities.

General, Administrative and Development Expenses

General, administrative and development expenses increased 61.7% to $15.2 million for the three months ended September 30, 2001 as compared to $9.4 million for the three months ended September 30, 2000. This increase was primarily due to an increase in incentive compensation expense related to our increased profitability and the attainment of certain performance targets and an increase in compensation expense related to an increase in the number of corporate employees.

Interest Expense

Interest expense decreased 19.6% to $21.8 million for the three months ended September 30, 2001 as compared to $27.1 million for the three months ended September 30, 2000. The decrease in interest expense is primarily related to a reduction in interest expense at several of our project subsidiaries due to scheduled repayments and early retirements of outstanding project financing debt and decreases in variable interest rates. The decrease in interest expense was offset by the issuance of an additional $100.0 million of Cogentrix Energy's registered, unsecured 8.75% senior notes due 2008 during September 2000.

Nine Months Ended September 30, 2001 as Compared to Nine Months Ended September 30, 2000

Operating Revenues

Total operating revenues increased 9.1% to $449.2 million for the nine months ended September 30, 2001 as compared to $411.9 million for the nine months ended September 30, 2000 as a result of the following:

- Electric revenue decreased approximately $5.8 million as a result of a decrease in electric revenue at three of our facilities as the result of the termination of the power purchase agreements at three of our facilities during the second half of 2000. The decrease in electric revenue was partially offset by an increase in megawatt hours sold to the purchasing utilities at most of our electric generating facilities and the recognition of incremental electric revenue generated from the Batesville facility, which commenced commercial operation in August 2000 (see Liquidity and Capital Resources - Other Significant Events, below).

- Service revenue increased approximately $3.1 million as a result of an increase in the variable energy rate charged to the purchasing utilities at our Cottage Grove and Whitewater facilities. The increase in the variable energy rate was a direct result of overall higher natural gas prices during the nine months ended September 30, 2001 as compared to the corresponding period in 2000. The increase in the variable energy rate was partially offset by a decrease in megawatt hours sold to the purchasing utilities at these facilities.

- Income from unconsolidated investments in power projects decreased approximately $8.6 million primarily as a result of a planned outage and a fuel plan modification at the Northampton facility, an unscheduled outage at the Morgantown facility, losses at the Cedar Bay facility and an increase in maintenance expenses at four facilities. These decreases were partially offset by increased earnings at the Birchwood facility.

- Gain on sales of project interests, net of transaction costs and other, increased approximately $46.9 million primarily as a result of the sale of a 50% interest in our Ouachita facility on which we recorded revenue of approximately $49.9 million, net of transaction costs, the sale of our entire interest in the Batesville facility on which we recorded revenue of approximately $8.5 million, net of transaction costs and $7.5 million of gain on sale of project interests related to a payment received from our partner in the Rathdrum, Idaho facility. These increases were partially offset by the recognition of $13.1 million in 2000 from the termination of the power purchase agreement at our Ringgold, Pennsylvania facility.

Operating Expenses

Total operating expenses increased 4.1% to $193.1 million for the nine months ended September 30, 2001 as compared to $185.5 million for the nine months ended September 30, 2000 as a result of the following:

- Fuel expense increased approximately $7.8 million as a result of an increase in megawatt hours sold to the purchasing utilities by most of our electric generating facilities. The increase was partially offset by a decrease in fuel expense at three of our facilities as a result of the termination of their power purchase agreements during the second half of 2000.

General, Administrative and Development Expenses

General, administrative and development expenses increased 44.9% to $42.3 million for the nine months ended September 30, 2001 as compared to $29.2 million for the nine months ended September 30, 2000. This increase is primarily due to an increase in incentive compensation expense related to our increased profitability and the attainment of certain performance targets and an increase in compensation expense related to an increase in the number of corporate employees.

Interest Expense

Interest expense decreased 1.9% to $72.6 million for the nine months ended September 30, 2001 as compared to $74.0 million for the nine months ended September 30, 2000. The increase in interest expense is primarily related to reductions in variable interest rates and scheduled repayments and early retirements of outstanding project financing debt at several of our project subsidiaries. The decrease in interest expense was offset by the issuance of an additional $100.0 million of Cogentrix Energy's registered, unsecured 8.75% senior notes due 2008 in September 2000.

Liquidity and Capital Resources

Consolidated Information

The primary components of cash flows from operations for the nine months ended September 30, 2001, were as follows (dollars in millions):

Net income	$67.2
Gain on sales of project interests	(65.9)
Deferred income taxes	31.8
Depreciation and amortization	29.1

Total cash flows from operations of $78.0 million, proceeds from borrowings of $759.7 million, additional investments from minority interests of $16.8 million and proceeds from sales of project interests of $112.3 million were primarily used to (dollars in millions):

Purchase property, plant and equipment and to fund project development costs and turbine deposits	$735.5
Repay project financing borrowings and long-term debt	78.5
Pay dividends	10.3
Pay deferred financing costs	15.0
Fund escrow	30.9

The ability of our project subsidiaries and project affiliates to pay dividends and management fees periodically to Cogentrix Energy is subject to limitations imposed by various financing documents. These limitations generally require that: (1) debt service payments be current, (2) debt service coverage ratios be met, (3) all debt service and other reserve accounts be funded at required levels and (4) there be no default or event of default under the relevant financing documents. There are also additional limitations that are adapted to the particular characteristics of each project subsidiary and project affiliate. Management does not believe that these restrictions or limitations will adversely affect Cogentrix Energy's ability to meet its debt obligations.

Credit Facilities

We maintain a corporate credit facility with available commitments of $250.0 million. The credit facility matures in October 2003 and is unsecured. The corporate credit facility provides direct advances to, or the issuance of letters of credit for, our benefit in an amount up to $250.0 million. Currently, we have used approximately $215.8 million of the credit available primarily for letters of credit issued in connection with projects we have under construction. The balance of the commitments under the corporate credit facility is available, subject to any limitations imposed by its covenants included in the indentures under which we have issued our senior debt, to be drawn upon by us to repay other outstanding indebtedness or for general corporate purposes, including equity investments in new projects or acquisitions of existing electric generating facilities or those under development.

Two of our wholly-owned subsidiaries, Cogentrix Eastern America, Inc. and Cogentrix Mid-America, Inc. ("Mid-America"), formed to hold interests in electric generating facilities acquired in 1999 and 1998, maintain credit agreements with banks to provide for $60.0 million and $25.0 million of revolving credit, respectively. Both credit facilities provide for credit in the form of direct advances, and the Mid-America facility provides for issuances of letters of credit. Including the credit facilities described above, and the revolving credit facility at one of our project subsidiaries, we maintain revolving credit that is non-recourse to Cogentrix Energy, with aggregate commitments of $111.0 million. As of September 30, 2001, we had approximately $36.0 million available under these facilities. The aggregate commitments on these facilities will decrease to $105.4 million by December 31, 2001.

Other Significant Events

During May 2001, one of our project subsidiaries entered into a credit agreement with a bank, as agent for a group of lending banks, which provides up to $395.3 million in borrowings, a $10.0 million debt service reserve letter of credit and credit support letters of credit up to $60.0 million. Proceeds from the credit agreement will be used to construct an approximate 810-megawatt, combined-cycle, natural gas-fired generating facility located in Southaven, Mississippi. We have committed to provide an equity contribution to the project subsidiary of approximately $98.4 million upon the earliest to occur of (a) an event of default under the project subsidiary's financing agreement, (b) the incurrence on construction costs after all project financing has been expended or (c) commencement of commercial operations. This equity contribution commitment is supported by a letter of credit, which is provided under our corporate credit facility. We have also committed to provide a contingent equity contribution to the project subsidiary of up to approximately $17.7 million. This contingent equity contribution commitment is supported by a guarantee from Cogentrix Energy and must be contributed upon the occurrence of certain conditions including an event of default by the purchaser or guarantor under the project subsidiary's conversion services agreement. We expect the Southaven facility, which we will operate, to begin operation in 2003.

During July 2001, one of our project subsidiaries entered into a credit agreement with a financial institution which provides up to $500.0 million in borrowings and up to $60.0 million in credit support letters of credit. Proceeds from this credit agreement will be used to construct an approximate 810-megawatt, combined-cycle, natural gas-fired generating facility located near Caledonia, Mississippi. We have committed to provide an equity contribution to the project subsidiary of approximately $55.6 million upon the earliest to occur of (a) an event of default under the credit agreement, (b) the incurrence of construction costs after all project financing has been expended or (c) commencement of commercial operations. This equity contribution commitment is supported by an equity contribution guarantee by Cogentrix Energy. We expect the Caledonia facility, which we will operate, to begin operations in 2003.

During February 2001, we sold a 50% membership interest in our Ouachita Parish, Louisiana facility currently under construction. In exchange, we received $48.3 million in cash and were relieved of our original equity commitment up to approximately $56.3 million that had been supported by a letter of credit issued under our corporate credit facility. We have retained a 50% ownership of this facility and will operate this facility upon commercial operations. As part of the purchase of the 50% membership interest, MEP-I, LLC assumed a proportionate share of the net liabilities of Ouachita Power, and we recorded a gain of approximately $49.9 million, net of transaction costs related to this sale.

During March 2001, we sold our entire 51.4% interest in the Batesville facility to NRG Energy, Inc. for $64.0 million in cash. In connection with the sale, we also assigned our responsibility for the operation and maintenance of the Batesville facility to an indirect subsidiary of NRG Energy, Inc. The Company recorded a gain of approximately $8.5 million, net of transaction costs related to this sale.

During March 2001, we redeemed $20.0 million of our unsecured senior notes due 2004 as required by the terms of the indenture under which these notes were issued. Eighty million dollars of these notes remain outstanding. We are required to redeem an additional $20.0 million of these notes in March 2002.

We currently have commitments with a turbine supplier to purchase a specified number of turbines with specified delivery dates. We made approximately $60.0 million in non-refundable deposits related to these commitments during the first nine months of 2001. We expect to make additional progress payments of $26.1 million in 2001, which would be reimbursed from proceeds of financings we anticipate closing for future projects.

For the fiscal year ended December 31, 2000, our board of directors declared a dividend on our outstanding common stock of $10.3 million. The dividend was paid in March 2001. The board of directors' policy, which is subject to change at any time, provides for a dividend payout ratio of no more than 20% of our net income for the immediately preceding fiscal year. In addition, under the terms of the indentures for our two issues of senior notes and our corporate credit facility, our ability to pay dividends and make other distributions to our shareholders is restricted.

The Company is presently evaluating, with the assistance of investment bankers, strategic alternatives in order to maximize shareholder value. Such alternatives may include a sale of all or a portion of the Company's stock or assets. There can be no assurance that any strategic transaction will be agreed upon or effected.

Impact of Energy Price Changes, Interest Rates and Inflation

Energy prices are influenced by changes in supply and demand, as well as general economic conditions, and therefore tend to fluctuate significantly. We protect against the risk of changes in the market price for electricity by entering into contracts with fuel suppliers, utilities or power marketers that reduce or eliminate our exposure to this risk by establishing future prices and quantities for the electricity produced independent of the short-term market. Through various hedging mechanisms, we have attempted to mitigate the impact of changes on the results of operations of most of our projects. The hedging mechanism against increased fuel and transportation costs for most of our currently operating facilities is to provide contractually for matching increases in the energy payments our project subsidiaries receive from the utility purchasing the electricity generated by the facility.

Under the power sales agreements for certain of our facilities, energy payments are indexed, subject to certain caps, to reflect the purchasing utility's solid fuel cost of producing electricity or provide periodic, scheduled increases in energy prices that are designed to match periodic, scheduled increases in fuel and transportation costs that are included in the fuel supply and transportation contracts for the facilities.

Our other facilities have tolling arrangements in place to minimize the impact of fluctuating fuel prices. Under these tolling arrangements, each customer is typically obligated to supply and pay for fuel necessary to generate the electrical output expected to be dispatched by the customer.

Changes in interest rates could have a significant impact on our results of operations because they affect the cost of capital needed to construct projects as well as interest expense of existing project financing debt. As with fuel price escalation risk, we attempt to hedge against the risk of fluctuations in interest rates by arranging either fixed-rate financing or variable-rate financing with interest rate swaps or caps on a portion of our indebtedness.

Although hedged to a significant extent, our financial results will likely be affected to some degree by fluctuations in energy prices, interest rates and inflation. The effectiveness of the hedging techniques implemented by us is dependent, in part, on each counterparty's ability to perform in accordance with the provisions of the relevant contracts. We have sought to reduce this risk by entering into contracts with creditworthy organizations.

Other Financial Ratio Data

Set forth below are other financial data and ratios for the periods indicated (in thousands, except ratio data):

	Twelve Months Ended September 30, 2001
Parent EBITDA	$175,264
Parent fixed Charges	$42,522
Parent EBITDA / Parent Fixed Charges	4.12

Parent EBITDA represents cash flow to Cogentrix Energy prior to debt service and income taxes of Cogentrix Energy. Parent Fixed Charges include cash payments made by Cogentrix Energy related to outstanding indebtedness of Cogentrix Energy and the cost of funds associated with Cogentrix Energy's guarantees of some of its subsidiaries' indebtedness. Parent EBITDA is not presented here as a measure of operating results. Our management believes Parent EBITDA is a useful measure of Cogentrix Energy's ability to service debt. Parent EBITDA should not be construed as an alternative either (a) to operating income (determined in accordance with accounting principles generally accepted in the United States) or (b) to cash flows from operating activities (determined in accordance with accounting principles generally accepted in the United States).

Interest Rate Sensitivity

We routinely enter into derivative financial instruments and other financial instruments to hedge our risk against interest rate fluctuations. During June 2001, one of our project subsidiaries entered into two swap agreements covering, in aggregate, $40.0 million of project debt. The agreements call for our project subsidiary to pay a fixed-rate of interest during the term of the agreement which expires in June 2006. As of September 30, 2001, there have been no other significant changes in the portfolio of instruments as disclosed in our report on Form 10-K for the year ended December 31, 2000 filed with the Commission on April 2, 2001.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

One of our indirect, wholly-owned subsidiaries is party to certain product liability claims related to the sale of coal combustion by-products for use in various construction projects. Management cannot currently estimate the range of possible loss, if any, we will ultimately bear as a result of these claims. However, our management believes - based on its knowledge of the facts and legal theories applicable to these claims, after consultations with various counsel retained to represent the subsidiary in the defense of such claims, and considering all claims resolved to date - that the ultimate resolution of these claims should not have a material adverse effect on our consolidated financial position or results of operations or on Cogentrix Energy's ability to generate sufficient cash flow to service its outstanding debt.

In addition to the litigation described above, we experience other routine litigation in the normal course of business. Our management is of the opinion that none of this routine litigation will have a material adverse impact on our consolidated financial position or results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description of Exhibit
3.1	Articles of Incorporation of Cogentrix Energy, Inc. (3.1) (1)

3.2	Amended and Restated Bylaws of Cogentrix Energy, Inc., as amended. (3.2) (5)
4.1	Indenture, dated as of March 15, 1994, between Cogentrix Energy, Inc. and First Union National Bank of North Carolina, as Trustee, including form of 8.10% 2004 Senior Note (4.1) (2)
4.2	Indenture, dated as of October 20, 1998, between Cogentrix Energy, Inc. and First Union National Bank, as Trustee, including form of 8.75% Senior Note (4.2) (3)
4.3	First Supplemental Indenture, dated as of October 20, 1998, between Cogentrix Energy, Inc. and First Union National Bank, as Trustee (4.3) (3)
4.6	Amendment No. 1 to the First Supplemental Indenture, dated as of November 25, 1998, between Cogentrix Energy, Inc. and First Union National Bank, as Trustee (4.6) (4)
10.1	Form of Profit-Sharing Plan (I) - Amendment Agreement dated as of August 16, 2001.
10.2	Form of Profit-Sharing Plan (II) - Amendment Agreement dated as of August 16, 2001.
10.3	Amendment to Employment Agreement, dated as of May 1, 1997 and amended on September 21, 2001, between Mark F. Miller and Cogentrix Energy, Inc.
10.4	Cogentrix Energy, Inc. Variable Transaction Bonus Program, dated as of September 1, 2001
10.5	Cogentrix Energy, Inc. Select Management Committee Members Transaction Bonus Program, dated as of September 1, 2001.

Reports on Form 8-K
No reports on Form 8-K were filed during the quarter covered by this report.

(1)	Incorporated by reference to Registration Statement on Form S-1 (File No. 33-74254) filed January 19, 1994. The number designating the exhibit on the exhibit index to such previously-filed report is enclosed in parentheses at the end of the description of the exhibit above.
(2)	Incorporated by reference to the Form 10-K (File No. 33-74254) filed September 28, 1994. The number designating the exhibit on the exhibit index to such previously-filed report is enclosed in parentheses at the end of the description of the exhibit above.

(3) Incorporated by reference to the Registration Statement on Form S-4 (File No. 33-67171) filed November 12, 1998. The number designating the exhibit on the exhibit index to such previously-filed report is enclosed in parentheses at the end of the description of the exhibit above.

(4) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 33-67171) filed January 27, 1999. The number designating the exhibit on the exhibit index to such previously-filed report is enclosed in parentheses at the end of the description of the exhibit above.

(5) Incorporated by reference to the Form 10-K (File No. 33-74254) filed March 30, 1998. The number designating the exhibit on the exhibit index to such previously-filed report is enclosed in parentheses at the end of the description of the exhibit above.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COGENTRIX ENERGY, INC.

(Registrant)

January 15, 2003

s/Thomas F. Schwartz
Thomas F. Schwartz
Group Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (this "Agreement") is made and entered into as of the 16th day of August, 2001, by and between COGENTRIX ENERGY, INC., a North Carolina corporation (the "Employer"), and ________________________________ (the "Employee").

Statement of Purpose

The Employer and the Employee are parties to a Profit-Sharing Plan Agreement dated as of _______________ _____, __________ covering the Employee's participation in the Cogentrix Profit-Sharing Plan (the "Plan Participation Agreement"). The Employer and the Employee desire to amend the Plan Participation Agreement in certain respects, and this Agreement sets forth such amendments.

NOW, THEREFORE, in consideration of the foregoing Statement of Purpose and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Paragraph 2. of Section III of the Plan Participation Agreement is hereby amended by deleting said paragraph in its entirety and by substituting in lieu thereof the following new paragraph:

"2. Severance Benefits. In the event of an Employment Termination of Employee (other than termination for Willful Misconduct), Employer shall be obligated to pay and Employee shall be entitled to receive a severance benefit (in addition to any Annual Distribution which Employee would receive under Section II.1. above for the then-current Plan Year) equal to the percentage of the highest Annual Distribution to which Employee was or is entitled in accordance with Section II above for any of the three full Plan Years preceding the Employment Termination:

Length of Full-time Employment Completed at Time of Employment Termination	Severance Benefit (Stated as % of Highest Annual Distribution for the three full preceding Plan Years)
3 years or less	25%
4 years	50%
5 years	75%
6 years	100%
7 years	125%
8 years	150%
9 years	175%
10 years or more	200%

Employer may, in its sole discretion, elect to pay the severance benefits under this Section III.2. in installments, the first of which shall be equal to twenty-five percent (25%) of the severance benefit due, payable within thirty (30) days of the date of Employment Termination, with the remaining seventy-five percent (75%) due and payable in twenty

(20) consecutive equal monthly installments, without interest, commencing on the date sixty (60) days following the date of Employment Termination."

2. Except as expressly amended hereby, the Plan Participation Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COGENTRIX ENERGY, INC.

By:___________________________________

David J. Lewis
Chairman and Chief Executive Officer

____

____

AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (this "Agreement") is made and entered into as of the 16th day of August, 2001, by and between COGENTRIX ENERGY, INC., a North Carolina corporation (the "Employer"), and ________________________ (the "Employee").

Statement of Purpose

The Employer and the Employee are parties to a Profit-Sharing Plan Agreement dated as of ________________ _______, __________ covering the Employee's participation in the Cogentrix Profit-Sharing Plan (the "Plan Participation Agreement"). The Employer and the Employee desire to amend the Plan Participation Agreement in certain respects, and this Agreement sets forth such amendments.

NOW, THEREFORE, in consideration of the foregoing Statement of Purpose and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Paragraph 2. of Section III of the Plan Participation Agreement is hereby amended by deleting said paragraph in its entirety and by substituting in lieu thereof the following new paragraph:

"2. Severance Benefits. In the event of an Employment Termination of Employee, except for a voluntary termination by Employee without "Good Cause" (as such term is defined in the Cogentrix Corporate Severance Benefits Plan) or an involuntary termination for Willful Misconduct, Employer shall be obligated to pay and Employee shall be entitled to receive a severance benefit (in addition to any Annual Distribution which Employee would receive under Section II.1. above for the then-current Plan Year) equal to the percentage of the highest Annual Distribution to which Employee was or is entitled in accordance with Section II above for any of the three full Plan Years preceding the Employment Termination:

Length of Full-time Employment Completed at Time of Employment Termination	Severance Benefit (Stated as % of Highest Annual Distribution for the three full preceding Plan Years)
3 years or less	25%
4 years	50%
5 years	75%
6 years	100%
7 years	125%
8 years	150%

9 years	175%
10 years or more	200%

Employer may, in its sole discretion, elect to pay the severance benefits under this Section III.2. in installments, the first of which shall be equal to twenty-five percent (25%) of the severance benefit due, payable within thirty (30) days of the date of Employment Termination, with the remaining seventy-five percent (75%) due and payable in twenty (20) consecutive equal monthly installments, without interest, commencing on the date sixty (60) days following the date of Employment Termination.

In the event of an Employment Termination due to a voluntary termination by Employee without "Good Cause" (as such term is defined in the Cogentrix Corporate Severance Benefits Plan) or an involuntary termination for Willful Misconduct, Employee is not entitled to any severance benefit."

2. Except as expressly amended hereby, the Plan Participation Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COGENTRIX ENERGY, INC.

By:________________________________

David J. Lewis
Chairman and Chief Executive Officer

____

____

AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (this "Agreement") is made and entered into as of the 21st day of September, 2001, by and between COGENTRIX ENERGY, INC., a North Carolina corporation (the "Company"), and MARK F. MILLER, a resident of Cornelius, North Carolina (the "Employee").

Statement of Purpose

The Company and the Employee are parties to an Amended and Restated Employment Agreement dated as of May 1, 1997, and amended on August 14, 2000 and February 16, 2001, covering the terms and conditions of the Employee's employment with the Company (as amended, the "Employment Agreement"). The Company and the Employee desire to amend the Employment Agreement in certain respects, and this Agreement sets forth such amendments.

NOW, THEREFORE, in consideration of the Statement of Purpose and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Section 4.6(g) of the Employment Agreement is hereby amended by deleting said Section 4.6(g) in its entirety and by substituting in lieu thereof the following new Section 4.6(g):

"(g) "Severance Term" means: (i) with respect to a termination of the Employee's employment by the Company other than for "cause" prior to the occurrence of a Change of Control, the remainder of the Term as if the Employee's employment had not been terminated; (ii) with respect to a termination of the Employee's employment by the Employee for good reason prior to the occurrence of a Change of Control, the longer of (A) five (5) years or (B) the remainder of the Term as if the Employee's employment had not been terminated; and (iii) with respect to a termination of the Employee's employment by the Company other than for "cause" or by the Employee for good reason, in either case after the occurrence of a Change of Control, the longer of (A) five (5) years or (B) the remainder of the Term as of the date such Change of Control occurred."

2. Except as expressly amended hereby, the Employment Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COGENTRIX ENERGY, INC.

By: ___________________________________
David J. Lewis,
Chairman and Chief Executive Officer

Mark F. Miller

COGENTRIX ENERGY, INC.
VARIABLE TRANSACTION BONUS PROGRAM

ARTICLE I
ESTABLISHMENT OF PROGRAM

As of the Effective Date, the Company hereby establishes the Cogentrix Energy, Inc. Variable Transaction Bonus Program, as set forth in this document.

ARTICLE II
DEFINITIONS

As used herein, the following words and phrases shall have meanings set forth below (unless the context clearly indicates otherwise):

2.1 "Affiliate" shall mean an entity directly or indirectly controlled, controlling or under common control with the Company

2.2 "Base Salary" shall mean the amount a Participant is entitled to receive from the Company in cash as wages or salary on an annualized basis in consideration for his or her services, (i) including any such amounts which have been deferred and (ii) excluding all other elements of compensation such as, without limitation, any bonus, commissions, overtime, health benefits, perquisites and incentive compensation.

2.3 "Beneficiary" shall mean:

(a) with respect to a Participant who was married at the time of death, his or her surviving spouse; and

(b) with respect to a Participant who was not married at the time of death, the legal representative of the Participant's estate under the laws of the state of the Participant's domicile at the time of death.

2.4 "Board" shall mean the Board of Directors of the Company.

2.5 "Cause" shall mean, with respect to a Participant's termination of employment, (i) the willful and repeated failure of the Participant to perform substantially the Participant's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness); (ii) the Participant's conviction of, or plea of guilty or nolo contendere to, a felony which is materially and demonstrably injurious to the Company; or (iii) the

Participant's willful engagement in gross misconduct in violation of Company policy.

2.6 "Company" shall mean Cogentrix Energy, Inc. and any successor thereto.

2.7 "Disability" shall mean, with respect to a Participant's termination of employment, a disability entitling the Participant to long-term disability benefits under the applicable long-term disability plan of the Company.

2.8 "Effective Date" shall mean September 1, 2001.

2.9 "Employee" shall mean any employee (exempt or non-exempt) of the Company.

2.10 "Good Reason" shall mean, with respect to any Participant, the occurrence of any of the following events after a Transaction:

(a) a reduction in the Participant's Base Salary below the Required Base Salary;

(b) a reduction in the annual performance bonus opportunity or the opportunity under any subsequent annual performance bonus plan available to the Participant from the Participant's annual bonus opportunity immediately prior to the Transaction;

(c) the occurrence of a material breach of the Profit-Sharing Plan by the Company following a Transaction;

(d) a reduction in the aggregate level of employee benefits offered to the Participant in comparison to the employee benefit programs and arrangements enjoyed by the Participant immediately prior to the Transaction; or

(e) a change at the request of the Company in the Participant's principal work location to a work location that is more than 50 miles from the location where the Participant was based prior to the Transaction.

2.11 "Lewis Group" shall mean George T. Lewis, Jr., his spouse, their lineal descendants and the spouses of such lineal descendants, and any trust established by or for the benefit of any one or more of the foregoing.

2.12 "Management Committee" shall mean the Management Committee of the Company.

2.13 "Participant" shall mean an Employee who meets the eligibility requirements of Section 3.1.

2.14 "Payment Date" shall mean the date 180 days immediately following the Transaction Date.

2.15 "Potential Transaction Date" shall mean the date on which the Board first becomes aware of the general terms of a specific proposed transaction or event which, if completed, would constitute a Transaction.

2.16 "Program" shall mean the Cogentrix Energy, Inc. Variable Transaction Bonus Program.

2.17 "Required Base Salary" shall mean, with respect to any Participant, the higher of (i) the Participant's Base Salary as in effect immediately prior to the Transaction and (ii) the Participant's highest Base Salary in effect at any time thereafter.

2.18 "Special Committee" shall mean the Special Compensation Committee created by the Board on July 17, 2001, to address change-in-control compensation matters, the members of which shall remain in office for such time as may be necessary to complete the orderly administration of the Program in accordance with its terms with respect to Section 4.3.

If, following the Transaction Date, any individual ceases to be a member of the Special Committee for any reason, the remaining members of the Special Committee may nominate and elect an individual to serve as a member of the Special Committee; provided, however, that, if the number of members of the Special Committee falls below three, the remaining members shall be required to nominate and elect such a number of individuals to serve as members of the Special Committee to increase the number of members to at least three.

2.19 "Transaction" shall mean the first to occur of any of the following events:

(a) the direct or indirect acquisition by any person, corporation, entity or group of the beneficial ownership of 50% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions; provided, however, that the following acquisitions shall not constitute a Transaction:

(i) an acquisition from the Comp4any;

(ii) an acquisition by the Company;

(iii) an acquisition by an employee benefit plan or related trust sponsored or maintained by the Company or an Affiliate; or

(iv) an acquisition by one or more members of the Lewis Group.

(b) the consummation of a merger, consolidation or similar transaction to which the Company is a party which results in 50% or more of the issued and outstanding securities of the resulting company becoming beneficially owned by a person, corporation, entity or group other than the persons, corporations, entities, or groups having beneficial ownership of the Company immediately prior to such merger, consolidation or similar transaction; or

(c) a sale, exchange or transfer by the Company of 50% or more of its assets to any person, corporation, entity or group other than an Affiliate.

2.20 "Transaction Bonus" shall mean the payments provided in accordance with Section 4.3 of the Program.

2.21 "Transaction Date" shall mean the date on which a Transaction occurs.

2.22 "Transaction Value" shall mean:

(a) for an event constituting a Transaction under Section 2.19(a), the total dollar value on the Transaction Date of the consideration to be paid with respect to such acquisition of issued and outstanding stock of the Company;

(b) for an event constituting a Transaction under Section 2.19(b), the total dollar value on the Transaction Date of the consideration to be paid with respect to such transaction; or

(c) for an event constituting a Transaction under Section 2.19(c), the total dollar value on the Transaction Date of the consideration to be paid with respect to such sale, exchange, or transfer of the Company's assets.

2.23 "Transaction Difference Value" shall mean an amount equal to the Transaction Value less $1,000,000,000.

2.24 "Variable Bonus Pool" shall mean an amount equal to:

(a) if the Transaction Value is less than or equal to $1,000,000,000; zero;

(b) if the Transaction Value is equal to $1,100,000,000; 0.6% of the Transaction Difference Value;

(c) if the Transaction Value is equal to $1,200,000,000; 0.7% of the Transaction Difference Value;

(d) if the Transaction Value is equal to $1,300,000,000; 0.8% of the Transaction Difference Value;

(e) if the Transaction Value is equal to $1,400,000,000; 0.9% of the Transaction Difference Value

(f) if the Transaction Value is equal to $1,500,000,000; 1.0% of the Transaction Difference Value;

(g) if the Transaction Value is equal to $1,600,000,000; 1.2% of the Transaction Difference Value;

(h) if the Transaction Value is equal to $1,700,000,000; 1.4% of the Transaction Difference Value;

(i) if the Transaction Value is equal to $1,800,000,000; 1.6% of the Transaction Difference Value;

(j) if the Transaction Value is equal to $1,900,000,000; 1.8% of the Transaction Difference Value; or

(k) if the Transaction Value is greater than or equal to $2,000,000,000; 2.0% of the Transaction Difference Value.

For a Transaction Value that falls between two of the amounts identified above, the applicable percentage of the Transaction Difference Value for purposes of establishing the amount of the Variable Bonus Pool shall be derived by a straight-line interpolation (rounded to the nearest one-thousandth of one percent) between the respective percentage values for the two Transaction Values referred to above.

ARTICLE III
ELIGIBILITY

3.1 Participation. An Employee shall be a Participant in the Program, if:

(a) the Employee is a participant in the Cogentrix Energy, Inc. Non-Management Transaction Bonus Program; or

(b) the Employee is a member of the Management Committee, but not a shareholder of the Company on the Effective Date.

3.2 Duration of Participation. A Participant who is entitled to payment of a Transaction Bonus under Section 4.1 shall remain a Participant in the Program until the full amount of his or her Transaction Bonus payable under the Program has been paid.

ARTICLE IV
TRANSACTION BONUSES

4.1 Events Which Trigger a Transaction Bonus.

(a) Continuous Employment. A Participant shall be entitled to receive from the Company a Transaction Bonus, as determined and payable in accordance with Section 4.3, if the Participant continued to be an Employee from the Transaction Date to the Payment Date.

(b) Certain Employment Terminations. A Participant whose employment with the Company terminated at any time during the period beginning on the earlier of the Potential Transaction Date or the Transaction Date and ending on the Payment Date shall be entitled to receive from the Company a Transaction Bonus, as determined and payable in accordance with Section 4.3, if the Participant's termination of employment was:

(i) initiated by the Company other than for Cause;

(ii) initiated by the Participant for Good Reason; or

(iii) due to the Participant's death or Disability.

4.2 Allocation of Transaction Bonuses. Transaction Bonuses shall be allocated as follows:

(a) 50% of the Variable Bonus Pool shall be allocated to fund the payment of Transaction Bonuses for Participants who are members of the Management Committee; and

(b) 50% of the Variable Bonus Pool shall be allocated to fund the payment of Transaction Bonuses for any Participants.

4.3 Amount and Payment of Transaction Bonuses. If a Participant is entitled to a Transaction Bonus as provided in Section 4.1, the Company shall pay such Participant (or in the event of the Participant's death, his or her Beneficiary) an amount, which could equal zero, of the Variable Bonus Pool to be determined by the Special Committee (after consideration of the recommendation of the Management Committee in the case of Transaction Bonuses for Participants who are not members of the Management Committee) no later than the Transaction Date and subject to Section 4.2; provided, however, that the Special Committee shall retain the right to increase each Participant's amount of the Variable Bonus Pool until the earlier of a termination of employment entitling the Participant to a Transaction Bonus under Section 4.1(b) or the Payment Date. Any amounts added to the Program pursuant to Section 4.2(c) of the Cogentrix Energy, Inc. Non-Management Committee Transaction Bonus Program or Section 4.2 of the Cogentrix Energy, Inc. Select Management Committee Members Transaction Bonus Program, or any amounts forfeited by a Participant due to terminations other than those entitling the Participant to a Transaction Bonus under Section 4.1(b) of this Program, shall be allocated to the Participants by the Special Committee in its discretion.

The Participant's Transaction Bonus shall be paid in a lump sum in cash no later than ten days after his or her Payment Date or, in the case of a termination of employment entitling the Participant to a Transaction Bonus under Section 4.1(b), the later of the Transaction Date or the date of the Participant's termination of employment; provided, however, that the Special Committee may delay payment of a Transaction Bonus to correspond on a proportionate basis with the payment schedule of the consideration paid in a Transaction to the extent such consideration is paid following a Transaction Date or the Special Committee may estimate such amounts with payment made no later than ten days after the earlier of the Payment Date or the Participant's date of termination of employment.

4.4 Other Benefits Payable. The Transaction Bonus provided pursuant to Section 4.1 above shall be provided in addition to, and not in lieu of, all other accrued or vested or earned but deferred compensation, rights, options or other benefits which may be owed to a Participant by the Company.

4.5 Payment Obligations Absolute. Upon the Transaction Date, the obligations of the Company to pay the Transaction Bonus described in Section 4.3 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any of its subsidiaries may have against any Participant.

ARTICLE V
SUCCESSOR TO COMPANY

This Program shall bind any successor of the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Program if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Program, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Program, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Program, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Program.

ARTICLE VI
DURATION, AMENDMENT AND TERMINATION

6.1 Duration. Subject to Section 6.2 below, this Program shall continue in full force and effect and shall not terminate or expire until after all Participants who become entitled to any payments hereunder shall have received such payments in full.

6.2 Amendment and Termination. The Program may be terminated or amended with respect to any persons who are not yet Participants in the Program in any respect at any time or with respect to any Participant who has not yet become entitled to any payment hereunder, provided that such termination or amendment occurs prior to the Transaction Date, by resolution adopted by a majority of the Board.

6.3 Form of Amendment. The form of any amendment or termination of the Program shall be a written instrument signed by a duly authorized officer or officers of the Company, certifying that the amendment or termination has been approved by the Board. An amendment of the Program in accordance with the terms hereof shall automatically effect a corresponding amendment to all Participants' rights and benefits hereunder. A termination of the Program in accordance with the terms hereof shall automatically effect a termination of all Participants' rights and benefits hereunder.

ARTICLE VII
MISCELLANEOUS

7.1 Legal Fees and Expenses. If a Participant institutes any legal action in seeking to obtain or enforce, or is required to defend in any legal action the validity or enforceability of, any right or benefit provided by this Program, the Company shall reimburse the Participant for all reasonable costs and expenses relating to such legal action, including reasonable attorney's fees and expenses incurred by such Participant, provided that such legal action results in either (a) a settlement requiring the Company to make a payment to the Participant or (b) a judgment or order in whole or in part in favor of the Participant, regardless of whether such judgment or order is subsequently reversed on appeal or in a collateral proceeding. In no event shall the Participant be required to reimburse the Company for any of the costs and expenses relating to such legal action. The Company's obligations under this Section 7.1 shall survive the termination of this Program.

7.2 Employment Status. This Program does not constitute a contract of employment or impose on the Company any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies or those of its subsidiaries' regarding termination of employment.

7.3 Validity and Severability. The invalidity or unenforceability of any provision of the Program shall not affect the validity or enforceability of any other provision of the Program, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.4 Governing Law. The validity, interpretation, construction and performance of the Program shall in all respects be governed by the laws of North Carolina, without reference to principles of conflict of law.

7.5 Named Fiduciary; Administration. The Company is the named fiduciary of the Program, with full authority to control and manage the operation and administration of the Program, acting through the Board.

7.6 Claims Procedure. If an Employee or former Employee makes a written request alleging a right to receive benefits under the Program or alleging a right to receive an adjustment in benefits being paid under the Program, the Company shall treat it as a claim for benefits. All claims for Transaction Bonuses under the Program shall be sent to the Human Resources Department of the Company and must be received within 30 days after the Payment Date or the date of termination of employment, as applicable. If the Company determines that any individual who has claimed a right to receive a Transaction Bonus under the Program is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within 30 days of the written request, unless the Company determines additional time, not exceeding 45 days, is needed. The notice shall make specific reference to the pertinent Program provisions on which the denial is based, and describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may, within 90 days thereafter, submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall, within 30 days thereafter, review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within 30 days of the written request for review, unless the Company determines additional time, not exceeding 30 days, is needed, and so notifies the Participant. If the Company fails to respond to a claim filed in accordance with the foregoing within 30 days or any such extended period, the Company shall be deemed to have denied the claim.

7.7 Unfunded Program Status. This Program is intended to be an unfunded plan. All payments pursuant to the Program shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Program. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Program.

7.8 Tax Withholding. Any payment provided for hereunder shall be paid net of any applicable tax withholding required under federal, state, local or foreign law.

7.9 Nonalienation of Benefits. Except as otherwise specifically provided herein, amounts payable under the Program shall not be subject to any manner of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any liability which is for alimony of other payments for the support of a spouse or former spouse, or for any other relative of a Participant, prior to actually being received by the person entitled to payment under the terms of the Program. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, garnish, execute or levy upon, otherwise dispose of any right to amounts payable hereunder, shall be null and void.

7.10 Facility of Payment.

(a) If a Participant is declared an incompetent, and a conservator, guardian, or other person legally charged with his or her care has been appointed, any Transaction Bonus to which such individual is entitled may be paid or provided to such conservator, guardian, or other person legally charged with his or her care;

(b) If a Participant is incompetent, the Company may (i) require the appointment of a conservator or guardian, (ii) distribute amounts to his or her spouse, with respect to a Participant who is married, or to such other relative of an unmarried Participant for the benefit of such Participant, or (iii) distribute such amounts directly to or for the benefit of such Participant; provided however, that a conservator, guardian, or other person charged with his or her care has not been appointed.

7.11 Indemnification of Special Committee. No member or agent of the Special Committee shall be personally liable for any action, determination, or interpretation made with respect to the Program, and each member of the Special Committee shall be held harmless, defended, and indemnified by the Company to the fullest extent permitted by law.

7.12 Plan Expenses. The Company shall be responsible for the payment of all fees and expenses associated with the administration of the Program.

7.13 Gender and Number. Except when the context indicates to the contrary, when used herein masculine terms shall be deemed to include the feminine, and plural the singular.

7.14 Headings. The headings of Articles and Sections are included solely for convenience of reference, and are not to be used in the interpretation of the provisions of the Program.

COGENTRIX ENERGY, INC.
SELECT MANAGEMENT COMMITTEE MEMBERS TRANSACTION BONUS PROGRAM

ARTICLE I
ESTABLISHMENT OF PROGRAM

As of the Effective Date, the Company hereby establishes the Cogentrix Energy, Inc. Select Management Committee Members Transaction Bonus Program, as set forth in this document.

ARTICLE II
DEFINITIONS

As used herein, the following words and phrases shall have meanings set forth below (unless the context clearly indicates otherwise):

2.1 "Affiliate" shall mean an entity directly or indirectly controlled, controlling or under common control with the Company.

2.2 "Base Salary" shall mean the amount a Participant is entitled to receive from the Company in cash as wages or salary on an annualized basis in consideration for his or her services, (i) including any such amounts which have been deferred and (ii) excluding all other elements of compensation such as, without limitation, any bonus, commissions, overtime, health benefits, perquisites and incentive compensation.

2.3 "Beneficiary" shall mean:

(a) with respect to a Participant who was married at the time of death, his or her surviving spouse; and

(b) with respect to a Participant who was not married at the time of death, the legal representative of the Participant's estate under the laws of the state of the Participant's domicile at the time of death.

2.4 "Board" shall mean the Board of Directors of the Company.

2.5 "Cause" shall mean, with respect to a Participant's termination of employment, (i) the willful and repeated failure of the Participant to perform substantially the Participant's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness); (ii) the Participant's conviction of, or plea of guilty or nolo contendere to, a felony which is materially and demonstrably injurious to the Company; or (iii) the Participant's willful engagement in gross misconduct in violation of Company policy.

2.6 "Company" shall mean Cogentrix Energy, Inc. and any successor thereto.

2.7 "Disability" shall mean, with respect to a Participant's termination of employment, a disability entitling the Participant to long-term disability benefits under the applicable long-term disability plan of the Company.

2.8 "Effective Date" shall mean September 1, 2001.

2.9 "Employee" shall mean any employee (exempt or non-exempt) of the Company.

2.10 "Employment Agreement" shall mean:

(a) with respect to Dennis W. Alexander, Esquire, the Executive Employment Agreement Between Cogentrix, Inc. And Dennis W. Alexander, Esquire, effective as of January 1, 1994, as amended on February 16, 2001 and September ____, 2001;

(b) with respect to Thomas F. Schwartz, the Executive Employment Agreement Between Cogentrix Energy, Inc. And Thomas F. Schwartz, effective as of February 16, 2001, as amended on September ____, 2001; and

(c) with respect to Bruno R. Dunn, the Executive Employment Agreement Between Cogentrix Energy, Inc. And Bruno R. Dunn, effective as of February 16, 2001, as amended on September ____, 2001.

2.11 "Good Reason" shall mean, with respect to any Participant, the occurrence of any of the following events after a Transaction:

(a) a reduction in the Participant's Base Salary below the Required Base Salary;

(b) a reduction in the annual performance bonus opportunity or the opportunity under any subsequent annual performance bonus plan available to the Participant from the Participant's annual bonus opportunity immediately prior to the Transaction;

(c) the occurrence of a material breach of the Profit-Sharing Plan by the Company following a Transaction;

(d) a reduction in the aggregate level of employee benefits offered to the Participant in comparison to the employee benefit programs and arrangements enjoyed by the Participant immediately prior to the Transaction; or

(e) a change at the request of the Company in the Participant's principal work location to a work location that is more than 50 miles from the location where the Participant was based prior to the Transaction.

2.12 "Lewis Group" shall mean George T. Lewis, Jr., his spouse, their lineal descendants and the spouses of such lineal descendants, and any trust established by or for the benefit of any one or more of the foregoing.

2.13 "Participant" shall mean an Employee who meets the eligibility requirements of Section 3.1.

2.14 "Payment Date" shall mean the date 180 days immediately following the Transaction Date.

2.15 "Potential Transaction Date" shall mean the date on which the Board first becomes aware of the general terms of a specific proposed transaction or event which, if completed, would constitute a Transaction.

2.16 "Program" shall mean the Cogentrix Energy, Inc. Select Management Committee Members Transaction Bonus Program.

2.17 "Required Base Salary" shall mean, with respect to any Participant, the higher of (i) the Participant's Base Salary as in effect immediately prior to the Transaction and (ii) the Participant's highest Base Salary in effect at any time thereafter.

2.18 "Special Committee" shall mean the Special Compensation Committee created by the Board on July 17, 2001, to address change-in-control compensation matters.

2.19 "Total Compensation" shall mean the sum of the Participant's total compensation earned in the calendar year immediately preceding the calendar year of the Transaction Date, including, without limitation, Base Salary; amounts under the Company's annual performance bonus plan and the Cogentrix Energy, Inc. Incentive Bonus Plan; distributions under the Cogentrix Energy, Inc. Profit-Sharing Plan; the actual cost to the Participant to procure and maintain benefits that are substantially equivalent to the Participant's medical, dental, prescription drug, life insurance, and long-term disability benefits; the Company matching contribution to the Cogentrix Energy, Inc. Section 401(k) Plan and the Cogentrix Energy, Inc. Supplemental Retirement Savings Plan; and the amount of fees received for service on the Board with respect to the Participant.

2.20 "Transaction" shall mean the first to occur of any of the following events:

(a) the direct or indirect acquisition by any person, corporation, entity or group of the beneficial ownership of 50% or more of the issued and outstanding stock of the Company in a single transaction or series of transactions; provided, however, that the following acquisitions shall not constitute a Transaction:

(i) an acquisition from the Company;

(ii) an acquisition by the Company;

(iii) an acquisition by an employee benefit plan or related trust sponsored or maintained by the Company or an Affiliate; or

(iv) an acquisition by one or more members of the Lewis Group.

(b) the consummation of a merger, consolidation or similar transaction to which the Company is a party which results in 50% or more of the issued and outstanding securities of the resulting company becoming beneficially owned by a person, corporation, entity or group other than the persons, corporations, entities, or groups having beneficial ownership of the Company immediately prior to such merger, consolidation or similar transaction; or

(c) a sale, exchange or transfer by the Company of 50% or more of its assets to any person, corporation, entity or group other than an Affiliate.

2.21 "Transaction Bonus" shall mean the payments provided in accordance with Section 4.2 of the Program.

2.22 "Transaction Date" shall mean the date on which a Transaction occurs.

ARTICLE III
ELIGIBILITY

3.1 Participation. The following Employees shall be Participants in the Program:

(a) Dennis W. Alexander, Esq.;

(b) Thomas F. Schwartz; and

(c) Bruno R. Dunn.

3.2 Duration of Participation. A Participant who is entitled to payment of a Transaction Bonus under Section

4.1 shall remain a Participant in the Program until the full amount of his or her Transaction Bonus payable under the Program has been paid.

ARTICLE IV
TRANSACTION BONUSES

4.1 Events Which Trigger a Transaction Bonus.

(a) Continuous Employment. A Participant shall be entitled to receive from the Company a Transaction Bonus, as determined and payable in accordance with Section 4.2, if the Participant continued to be an Employee from the Transaction Date to the Payment Date.

(b) Certain Employment Terminations. A Participant whose employment with the Company terminated at any time during the period beginning on the earlier of the Potential Transaction Date or the Transaction Date and ending on the Payment Date shall be entitled to receive from the Company a Transaction Bonus, as determined and payable in accordance with Section 4.2, if the Participant's termination of employment was:

(i) initiated by the Company other than for Cause;

(ii) initiated by the Participant for Good Reason; or

(iii) due to the Participant's death or Disability.

4.2 Amount and Payment of Transaction Bonuses. If a Participant is entitled to a Transaction Bonus as provided in Section 4.1, the Company shall pay such Participant (or in the event of the Participant's death, his or her Beneficiary), an amount which, when added to severance amounts received by the Participant under the Employment Agreement or, if the Participant has not received severance amounts under the Employment Agreement, then such severance amount (as determined by the Special Committee no later than the Transaction Date) that the Participant would have been entitled to receive in accordance with the Employment Agreement had the Participant's employment with the Company terminated, equals three times the Participant's Total Compensation for Dennis W. Alexander, Esq. and Thomas F. Schwartz and two times the Participant's Total Compensation for Bruno R. Dunn; provided, however, that such amount shall not be less than one times the Participant's Total Compensation. Any payment under this Section 4.2 shall be independent of, and in addition to, any amounts due and payable to the Participant under the performance bonus plan, the Cogentrix Energy, Inc. Incentive Bonus Plan, the Cogentrix Energy, Inc. Profit-Sharing Plan, and the Employment Agreement.

To the extent that a Participant is not entitled to a Transaction Bonus under Section 4.1, an amount equal to the amount of a Transaction Bonus under this Section 4.2, which the Participant would have received had the Participant been entitled to such payment under Section 4.1, shall be added to the amount payable under the Cogentrix Energy, Inc.

Variable Transaction Bonus Program and allocated according to the terms of such program.

The Participant's Transaction Bonus shall be paid in a lump sum in cash no later than ten days after his or her Payment Date or, in the case of a termination of employment entitling the Participant to a Transaction Bonus under Section 4.1(b), the later of the Transaction Date or the date of the Participant's termination of employment.

4.3 Other Benefits Payable. The Transaction Bonus provided pursuant to Section 4.1 above shall be provided in addition to, and not in lieu of, all other accrued or vested or earned but deferred compensation, rights, options or other benefits which may be owed to a Participant by the Company.

4.1 Payment Obligations Absolute. Upon the Transaction Date, the obligations of the Company to pay the Transaction Bonus described in Section 4.2 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any of its subsidiaries may have against any Participant.

ARTICLE V
SUCCESSOR TO COMPANY

This Program shall bind any successor of the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Program if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Program, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Program, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Program, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Program.

ARTICLE VI
DURATION, AMENDMENT AND TERMINATION

6.1 Duration. Subject to Section 6.2 below, this Program shall continue in full force and effect and shall not terminate or expire until after all Participants who become entitled to any payments hereunder shall have received such payments in full.

6.2 Amendment and Termination. The Program may be terminated or amended with respect to any persons who are not yet Participants in the Program in any respect at any time or with respect to any Participant who has not yet become entitled to any payment hereunder, provided that such termination or amendment occurs prior to the Transaction Date, by resolution adopted by a majority of the Board.

6.3 Form of Amendment. The form of any amendment or termination of the Program shall be a written instrument signed by a duly authorized officer or officers of the Company, certifying that the amendment or termination has been approved by the Board. An amendment of the Program in accordance with the terms hereof shall automatically effect a corresponding amendment to all Participants' rights and benefits hereunder. A termination of the Program in accordance with the terms hereof shall automatically effect a termination of all Participants' rights and benefits hereunder.

ARTICLE VII
MISCELLANEOUS

7.1 Legal Fees and Expenses. If a Participant institutes any legal action in seeking to obtain or enforce, or is required to defend in any legal action the validity or enforceability of, any right or benefit provided by this Program, the Company shall reimburse the Participant for all reasonable costs and expenses relating to such legal action, including reasonable attorney's fees and expenses incurred by such Participant, provided that such legal action results in either (a) a settlement requiring the Company to make a payment to the Participant or (b) a judgment or order in whole or in part in favor of the Participant, regardless of whether such judgment or order is subsequently reversed on appeal or in a collateral proceeding. In no event shall the Participant be required to reimburse the Company for any of the costs and expenses relating to such legal action. The Company's obligations under this Section 7.1 shall survive the termination of this Program.

7.2 Employment Status. This Program does not constitute a contract of employment or impose on the Company any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies or those of its subsidiaries' regarding termination of employment.

7.3 Validity and Severability. The invalidity or unenforceability of any provision of the Program shall not affect the validity or enforceability of any other provision of the Program, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.4 Governing Law. The validity, interpretation, construction and performance of the Program shall in all respects be governed by the laws of North Carolina, without reference to principles of conflict of law.

7.5 Named Fiduciary; Administration. The Company is the named fiduciary of the Program, with full authority to control and manage the operation and administration of the Program, acting through the Board.

7.6 Claims Procedure. If an Employee or former Employee makes a written request alleging a right to receive benefits under the Program or alleging a right to receive an adjustment in benefits being paid under the Program, the Company shall treat it as a claim for benefits. All claims for Transaction Bonuses under the Program shall be sent to the Human Resources Department of the Company and must be received within 30 days after the Payment Date or the date of termination of employment, as applicable. If the Company determines that any individual who has claimed a right to receive a Transaction Bonus under the Program is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within 30 days of the written request, unless the Company determines additional time, not exceeding 45 days, is needed. The notice shall make specific reference to the pertinent Program provisions on which the denial is based, and describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may, within 90 days thereafter, submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall, within 30 days thereafter, review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within 30 days of the written request for review, unless the Company determines additional time, not exceeding 30 days, is needed, and so notifies the Participant. If the Company fails to respond to a claim filed in accordance with the foregoing within 30 days or any such extended period, the Company shall be deemed to have denied the claim.

7.7 Unfunded Program Status. This Program is intended to be an unfunded plan. All payments pursuant to the Program shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Program. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Program.

7.8 Tax Withholding. Any payment provided for hereunder shall be paid net of any applicable tax withholding required under federal, state, local or foreign law.

7.9 Nonalienation of Benefits. Except as otherwise specifically provided herein, amounts payable under the Program shall not be subject to any manner of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any liability which is for alimony of other payments for the support of a spouse or former spouse, or for any other relative of a Participant, prior to actually being received by the person entitled to payment under the terms of the Program. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, garnish, execute or levy upon, otherwise dispose of any right to amounts payable hereunder, shall be null and void.

7.10 Facility of Payment.

(a) If a Participant is declared an incompetent, and a conservator, guardian, or other person legally charged with his or her care has been appointed, any Transaction Bonus to which such individual is entitled may be paid or provided to such conservator, guardian, or other person legally charged with his or her care;

(b) If a Participant is incompetent, the Company may (i) require the appointment of a conservator or guardian, (ii) distribute amounts to his or her spouse, with respect to a Participant who is married, or to such other relative of an unmarried Participant for the benefit of such Participant, or (iii) distribute such amounts directly to or for the benefit of such Participant; provided however, that a conservator, guardian, or other person charged with his or her care has not been appointed.

7.11 Indemnification of Special Committee. No member or agent of the Special Committee shall be personally liable for any action, determination, or interpretation made with respect to the Program, and each member of the Special Committee shall be held harmless, defended, and indemnified by the Company to the fullest extent permitted by law.

7.12 Plan Expenses. The Company shall be responsible for the payment of all fees and expenses associated with the administration of the Program.

7.13 Gender and Number. Except when the context indicates to the contrary, when used herein masculine terms shall be deemed to include the feminine, and plural the singular.

7.14 Headings. The headings of Articles and Sections are included solely for convenience of reference, and are not to be used in the interpretation of the provisions of the Program.