

UTILITY FUELS, INC.

P.O. Box 1700
Houston, Texas 77001

RECEIVED
JUN 21 9 37 AM '78
I.C.C. BR.
FEE OPERATION BR.

June 20, 1978

9449

RECORDATION NO. _____ Filed & Recorded

JUN 21 1978 9 10 AM

INTERSTATE COMMERCE COMMISSION

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Homme:

Enclosed, for recording in compliance with the provisions of Section 20(c) of the Interstate Commerce Act, are the original and two counterparts each of the Security Agreement dated as of June 15, 1978 between Utility Fuels, Inc., 611 Walker Avenue, Houston, Texas 77002 (Borrower), and United States Trust Company of New York, 130 John Street, New York, New York 10038, (Secured Party) as Trustee for the Note Purchasers listed in Annex I attached hereto, said Security Agreement securing \$65,000,000 secured notes due June 15, 1988 of Utility Fuels, Inc., guaranteed by Houston Industries Incorporated, 611 Walker Avenue, Houston, Texas 77002, (Guarantor).

Among the collateral covered by the Security Agreement are 1,150 105-Ton, 4,200 cu. ft., Youngstown Bathtub Gondola Coal Cars, (AAR Mechanical Designation - GT). Four hundred fifty of said cars have been delivered and the road numbers of said delivered cars are as follows:

Road Numbers
(Both Inclusive)

- UFI 1001 To
- UFI 1110 Inclusive
- UFI 2001 To
- UFI 2110 Inclusive
- UFI 3001 To
- UFI 3110 Inclusive
- UFI 4001 To
- UFI 4110 Inclusive
- UFI 5001 To
- UFI 5010 Inclusive

8-172A050

JUN 21 1978

Date
Fee \$ 50

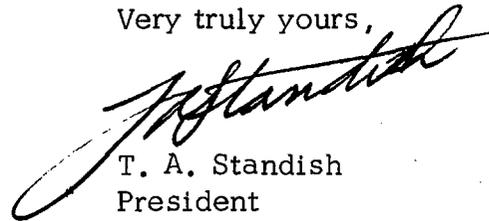
ICC Washington, D. C.

Countypad - Singer Walker

Mr. H. G. Homme, Jr.
June 20, 1978
Page 2

The Security Agreement is intended to cover all 1,150 said cars and road numbers for the undelivered cars will be supplied from time to time after said cars are delivered to Utility Fuels, Inc.

Very truly yours,

A handwritten signature in cursive script, appearing to read "T. A. Standish", written in black ink. The signature is fluid and extends across several lines of text.

T. A. Standish
President

TAS:cs

Encls.

ANNEX I

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
CITIBANK, N.A., as Trustee.....	\$6,000,000	

In the case of all payments
on account of the Notes:

By check directly mailed
or delivered to:

Citibank, N.A.
P.O. Box 1530
Grand Central Station
New York, New York 10017

In the case of all other
communications:

Direct Placement Department, T.M.G.
Citibank, N.A.
One Citicorp Center
153 East 53rd Street
New York, New York 10043

BOARD OF PENSION COMMISSIONERS
OF THE CITY OF LOS ANGELES,
NSG FUND.....\$3,000,000

In the case of all payments
on account of the Notes:

By check directly mailed
or delivered to:

Board of Pension Commissioners
City of Los Angeles, NSG Fund
111 East First Street
Room 501 City Hall South
Los Angeles, California 90012
Attention: Mr. M. Lewis Thompson

In the case of all other
communications:

Board of Pension Commissioners
City of Los Angeles, NSG Fund
111 East First Street
Room 501 City Hall South
Los Angeles, California 90012
Attention: Mr. M. Lewis Thompson

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
BOARD OF ADMINISTRATION OF THE CITY EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF LOS ANGELES.....	\$3,000,000	

In the case of all payments
on account of the Notes:

Board of Administration of
the City Employees Retirement
System of The City of
Los Angeles
111 East First Street
Room 505 City Hall South
Los Angeles, California 90012
Attention: Mr. Earl Anshultz

In the case of all other
communications:

Board of Administration of
the City Employees Retirement
System of The City of
Los Angeles
111 East First Street
Room 505 City Hall South
Los Angeles, California 90012

MORGAN GUARANTY TRUST COMPANY OF NEW YORK AS TRUSTEE OF VARIOUS TRUSTS AND AS AGENT FOR VARIOUS INSTITUTIONAL INVESTORS.....	\$5,750,000
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In the case of all payments on
account of the Notes other than
Notes registered in the Name of
Pace & Co. and Father Flanagan's
Boy's Home Foundation Fund:

By bank wire transfer of
immediately available funds
for credit not later than
10:00 A.M. New York time to:

IN THE NAME OF THE NOMINEE c/o
MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
23 Wall Street
New York, New York 10015
Attention: Custody Service

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

Morgan Guaranty Trust Company
of New York as Trustee of
Various Trusts and as Agent
for Various Institutional
Investors
P. O. Box 1389
Church Street Station
New York, New York 10008
Attention: Trust Investment
Division

In the case of all payments on
account of the Notes registered
in the name of Pace & Co.:

By bank wire transfer of immediately
available funds for credit not
later than 10:00 A.M. Pittsburgh
Time to:

Pace & Co. c/o
Mellon Bank, N.A.
Mellon Square
Pittsburgh, Pennsylvania 15230
Attn: Ms. Norma Bell

In the case of all other communications:

Morgan Guaranty Trust Company of
New York as Trustee of Various Trusts
and as Agent for Various Institutional
Investors
P.O. Box 1389
Church Street Station
New York, New York 10008
Attention: Trust & Investment Division

FATHER FLANAGAN'S BOY'S HOME
FOUNDATION FUND
U.S. National Bank of Omaha
Omaha, Nebraska

In the case of all other communications:

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

Morgan Guaranty Trust Company
of New York as Trustee of
Various Trusts and as Agent
for Various Institutional
Investors
P. O. Box 1389
Church Street Station
New York, New York 10008
Attention: Trust Investment
Division

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Agent for an
institutional investor,
Schmidt & Co. Account No. 288.....\$5,000,000

In the case of all payments
on account of the Notes:

By check payable to the
order of:

Morgan Guaranty Trust Company
of New York,
Account No. 288, United States
Steel and Carnegie Pension
Fund, Inc.
Attention: Custody Collection
Section

Such check should be delivered
to the following address:

Morgan Guaranty Trust Company
P.O. Box 1479, Church Street
Station
New York, New York 10001
A reference to the Debentures
shall be included with the
payment

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

United States Steel and
Carnegie Pension Fund, Inc.
767 Fifth Avenue
New York, New York 10022
Attention: Librarian

OCCIDENTAL LIFE INSURANCE COMPANY OF CALIFORNIA.....	\$1,000,000	\$2,000,000
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In the case of all payments on account of the Notes:

By bank wire or interbank transfer of immediately available funds not later than 10:00 A.M. Los Angeles
Time to:

Bank of America
Occidental Center Branch
Los Angeles, California 90015
A/C Occidental Life Insurance
Company of California
Account No. 306-4-504

In the case of all other communications:

Occidental Life Insurance
Company of California
Occidental Center
P. O. Box 2101 Terminal Annex
Los Angeles, California 90051
Attention: Securites Division

TRANSAMERICA LIFE INSURANCE AND ANNUITY COMPANY.....		\$2,000,000
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In the case of all payments on account of the Notes:

By bank wire or interbank transfer of immediately available funds not later than 10:00 A.M. Los Angeles
Time to:

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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Bank of America
 Occidental Center Branch
 Los Angeles, California 90015
 A/C Transamerica Life Insurance
 and Annuity Company
 Account No. 306-6-220

In the case of all other
 communications:

Transamerica Life Insurance and
 Annuity Company
 Occidental Center
 P. O. Box 60033
 Los Angeles, California 90060
 Attention: Occidental's Securities
 Division

THE MINNESOTA MUTUAL LIFE
 INSURANCE COMPANY.....\$3,000,000

In the case of all payments
 on account of the Notes:

By wire transfer of
 immediately available
 funds for credit not
 later than 10 A.M.
 Minneapolis Time to:

The Federal reserve Bank
 of Minneapolis
 For the account of
 The First National Bank of
 St. Paul Minnesota
 For the credit of
 The Minnesota Mutual Life
 Insurance Company
 Account No. 10-006-00
 (with sufficient information
 to identify the source and
 application of such funds)

In the case of all other
 communications:

Name and Address	First Closing	Second Closing
The Minnesota Mutual Life Insurance Company 345 Cedar Street St. Paul, Minnesota 55101 Attn: Investment Department		

THE VARIABLE ANNUITY LIFE
 INSURANCE COMPANY.....\$3,000,000

In the case of all payments
 on account of the Notes:

By check directly mailed or
 delivered to:

The Variable Annuity Life
 Insurance Company
 P.O. Box 3855
 Houston, Texas 77001
 Attention: T.D. Whiteford,
 Vice President

In the case of all other
 communications:

The Variable Annuity Life
 Insurance Company
 P.O. Box 3855
 Houston, Texas 77001
 Attention: T. D. Whiteford,
 Vice President

THE WESTERN SAVING FUND
 SOCIETY OF PHILADELPHIA..... \$3,000,000

In the case of all payments
 on account of the Notes:

By check directly mailed,
wired or delivered to:

The Philadelphia National Bank
 Fifth and Market Streets
 Philadelphia, Pennsylvania 19106
 For the account of
 The Western Saving Fund
 Society of Philadelphia
 Account No. 900-00-90

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

The Western Saving Fund
 Society of Philadelphia
 Broad and Chestnut Street
 Philadelphia, Pennsylvania 19107
 Attention: Ann M. Propper
 Senior Vice President,
Private Placement Department

PROVIDENT LIFE AND ACCIDENT INSURANCE CO.....	\$2,500,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Provident Life And Accident Insurance Co.
 Fountain Square
 Chattanooga, Tennessee 37402
 Attention: Securities Department
 Ms. David Fussell
 Assistant Vice President

In the case of all other communications:

Provident Life And Accident Insurance Co.
 Fountain Square
 Chattanooga, Tennessee 37402
 Attention: Securities Department
 Ms. David Fussell
 Assistant Vice President

THE CAPITAL LIFE INSURANCE COMPANY....	\$2,000,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

The Capital Life Insurance Company
 1600 Sherman Street
 Denver, Colorado 80203
 Attn: Mr. H.W. Stephenson
 Controller-Investments

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

The Capital Life Insurance Company
 1600 Sherman Street
 Denver, Colorado 80203
 Attn: Mr. H.W. Stephenson
 Controller-Investments

BOARD OF ADMINISTRATION OF THE
 WATER AND POWER EMPLOYEES
 RETIREMENT PLAN.....\$2,000,000

In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Board of Administration of
 the Water and Power Employee
 Retirement Plan
 P. O. Box 111 (Room 315)
 Los Angeles, California 90051

In the case of all other communications:

Board of Administration of
 the Water and Power Employee
 Retirement Plan
 P. O. Box 111 (Room 315)
 Los Angeles, California 90051

RAINIER NATIONAL BANK.....\$2,000,000

In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Rainier National Bank
 P.O.Box 3917
 Seattle, Washington 98124
 Attn: Mr. Hans Berkenhoff
 Investment Officer

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all other communications:

Rainier National Bank
P.O.Box 3917
Seattle, Washington 98124
Attn: Mr. Hans Berkenhoff
Investment Officer

POUGHKEEPSIE SAVINGS BANK	\$1,000,000	\$1,000,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Poughkeepsie Savings Bank
21 Market Street
Poughkeepsie, New York 12602
Attn: Dr. Maurice E. Kinkade
Vice President

In the case of all other communications:

Poughkeepsie Savings Bank
21 Market Street
Poughkeepsie, New York 12602
Attn: Dr. Maurice E. Kinkade
Vice President

CENTRAL SAVINGS BANK	\$1,500,000	\$ 500,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Central Savings Bank
2100 Broadway
New York, New York 10023
Attn: Mr. George J. Ennis
Vice President

In the case of all other communications:

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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Central Savings Bank
 2100 Broadway
 New York, New York 10023
 Attn: Mr. George J. Ennis
 Vice President

FIRST NATIONAL BANK OF AKRON.....\$1,500,000

In the case of all payments
 on account of the Notes:

By wire transfer of immediately
 available funds for credit not
 later than 10 A.M. Akron time to
 Federal Reserve Bank of Cleveland
 For account of First National Bank
 of Akron Trust Department

In the case of all other
 communications:

First National Bank of Akron
 106 S. Main Street
 Akron, Ohio 44308
 Attn: Mr. Frederick Dodson
 Trust Officer

FIFTH THIRD BANK.....\$1,500,000

In the case of all payments
 on account of the Notes:

By check directly mailed
 or delivered to:

Fifth Third Bank
 P.O. Box 478
 Cincinnati, Ohio 45201
 Attn: Mr. Arthur Katz, Jr.
 Trust Investment Officer

In the case of all other
 communications:

Fifth Third Bank
 P.O. Box 478
 Cincinnati, Ohio 45201
 Attn: Mr. Arthur Katz, Jr.
 Trust Investment Officer

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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NATIONAL LIFE INSURANCE COMPANY.....\$1,500,000

In the case of all payments
on account of the Notes:

By wire transfer of immediately
available funds for credit not
later than 10:00 A.M. New York
time to:

One Chase Manhattan Plaza
New York, New York 10015
A/C National Life Insurance Company
Acct. No. 901-4-01 7752

In the case of all other
communications:

National Life Insurance Company
National Life Drive
Montpelier, Vermont 05602
Attn: Private Placements

WESTERN NATIONAL LIFE INSURANCE
COMPANY.....\$1,000,000

In the case of all payments
on account of the Notes:

By check directly mailed
or delivered to:

Western National Life Insurance Co.
Box 871
Amarillo, Texas 79167
Attn: Mr. J. M. Henderson.
Investment Analyst

In the case of all other
communications:

Western National Life Insurance Co.
Box 871
Amarillo, Texas 79167
Attn: Mr. J. M. Henderson.
Investment Analyst

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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FIRST NATIONAL BANK OF CINCINNATI, ACTING IN VARIOUS FIDUCIARY CAPACITIES.....	\$1,000,000
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In the case of all payments
on account of the Notes:

By wire transfer of immediately
available funds for credit not
later than 10:00 A.M. Cincinnati
Time to:

First National Bank of Cincinnati
Cincinnati, Ohio 45201
Attn: Mr. Charles W. Stephens
Trust Investment Officer
(with sufficient information to
identify the source and
application of such funds)

In the case of all other
communications:

First National Bank of Cincinnati,
Acting in Various Fiduciary Capacities
P.O. Box 1118
Cincinnati, Ohio 45201
Attn: Mr. Charles W. Stephens
Trust Investment Officer

WASHINGTON NATIONAL INSURANCE COMPANY.....	\$1,000,000
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In the case of all payments
on account of the Notes:

By check directly mailed
or delivered to:

WNIC & Co.
c/o Trust Department
State National Bank
P. O. Box 1670
Evanston, Illinois 60204

In the case of all other
communications:

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
Washington National Insurance Company 1630 Chicago Avenue Evanston, Illinois 60201 Attn: Securities Division Mr. Bruce Dunn Senior Investment Officer		

SECURITY MUTUAL LIFE INSURANCE CO. OF NEW YORK.....	\$ 750,000	\$ 250,000
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In the case of all payments on account of the Notes:

By wire transfer of immediately available funds for credit not later than 10 A.M. New York Time to:

Security Mutual Life Insurance Co.
 of New York
Account No. 7-0225-0
 c/o Trust Operations
 Marine Midland Bank
 140 Broadway
 New York, New York 10015
 (with sufficient information to identify the source and application of such funds)

In the case of all other communications:

Security Mutual Life Insurance Co.
 of New York
 Courthouse Square
 Binghamton, New York 13902
 Attn: Mr. Thomas R. Wunder
 Vice President and Treasurer

GENERAL REASSURANCE CORPORATION.....	\$1,000,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

AGNEW & Company
 c/o Putnam Trust Company
 P.O. Box 989
 Greenwich, Connecticut 06830
 A/C General Reassurance Corporation

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
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In the case of all notices in respect
of payment on account of the Notes:

AGNEW & Company
c/o Putnam Trust Company
P.O. Box 989
Greenwich, Connecticut 06830

In the case of all other
communications:

General Reassurance Corporation
430 Park Avenue
New York, New York 10022
Attn: Mr. Jerry S. Wilbourn
Vice President

ROCHESTER SAVINGS BANK.....\$1,000,000

In the case of all payments
on account of the Notes:

By check directly mailed
or delivered to:

Rochester Savings Bank
40 Franklin Street
Rochester, New York 14604
Attn: Mr. Fred W. Armbruster
Vice President,
Treasurer and
Investment Officer

In the case of all other
communications:

Rochester Savings Bank
40 Franklin Street
Rochester, New York 14604
Attn: Mr. Fred W. Armbruster
Vice President,
Treasurer and
Investment Officer

SECURITY PACIFIC NATIONAL BANK.....\$1,000,000

In the case of all payments
on account of the Notes:

9

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
By wire transfer of immediately available funds for credit not later than 10:00 A.M. Los Angeles Time to: Security Pacific National Bank TTE for Penn 01-6-13500-0 Income Collection HE 14 P.O. Box 3577 - Terminal Annex Los Angeles, California 90051 (with sufficient information to identify the source and application of such funds) In the case of all other communications: Pacific Investment Management Company Attention: Fixed Income Department P.O. Box 9000 Newport Beach, California 92663		
PRESBYTERIAN MINISTERS' FUND.....		\$1,000,000
In the case of all payments on account of the Notes: By check directly mailed or delivered to: Presbyterian Ministers' Fund The Alison Building Rittenhouse Square Philadelphia, Pennsylvania 19103 Attn: Mr. Nicholas M. Saitto Financial Vice President and Treasurer In the case of all other communications: Presbyterian Ministers' Fund The Alison Building Rittenhouse Square Philadelphia, Pennsylvania 19103 Attn: Mr. Nicholas M. Saitto Financial Vice President and Treasurer		

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
REPUBLIC NATIONAL LIFE INSURANCE COMPANY.....		\$1,000,000

In the case of all payments
on account of the Notes:

By check directly mailed or
delivered to:

Republic National Life Insurance
Company
P.O. Box 226210
Dallas, Texas 75266
Attn: Securities Department

In the case of all other
communications:

Republic National Life Insurance
Company
P.O. Box 226210
Dallas, Texas 75266
Attn: Securities Department

MECHANICS EXCHANGE SAVINGS BANK.....\$1,000,000

In the case of all payments
on account of the Notes:

By check directly mailed or
delivered to:

Mechanics Exchange Savings Bank
111 Washington Avenue
Albany, New York 12210
Attn: Mr. Robert H. Meyer
Vice President

In the case of all other
communications:

Mechanics Exchange Savings Bank
111 Washington Avenue
Albany, New York 12210
Attn: Mr. Robert H. Meyer
Vice President

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
BENEFIT TRUST LIFE INSURANCE COMPANY.....	\$ 250,000	\$ 250,000

In the case of all payments on account of the Notes:

By bank wire transfer of immediately available funds for credit not later than 10:00 A.M. Chicago
Time to:

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690
For credit to Benefit Trust Life Insurance Company
Account No. 183-166-3

In the case of all other communications:

Benefit Trust Life Insurance Company
1771 W. Howard Street
Chicago, Illinois 60626
Attention: Mr. Murray Patterson
Senior Vice President

SOUTHERN LIFE AND HEALTH INSURANCE CO.....		\$ 500,000
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In the case of all payments on account of the Notes:

By check directly mailed or delivered to:

Southern Life and Health Insurance Co.
P.O. Box 671
Birmingham, Alabama 35201
Attn: Accounting Department

In the case of all other communications:

Southern Life and Health Insurance Co.
P.O. Box 671
Birmingham, Alabama 35201
Attn: Mr. James Tatum
Investment Officer

<u>Name and Address</u>	<u>First Closing</u>	<u>Second Closing</u>
UNITED HOME LIFE INSURANCE COMPANY		\$ 250,000

In the case of all payments
on account of the Notes:

By check directly mailed or
delivered to:

United Home Life Insurance Company
1000 North Madison Avenue
Greenwood, Indiana 46142
Attention: Mr. Michael Schoettla
Vice President Finance

In the case of all other
communications:

United Home Life Insurance Company
1000 North Madison Avenue
Greenwood, Indiana 46142
Attention: Mr. Michael Schoettla
Vice President Finance

\$49,750,000

\$15,250,000

Interstate Commerce Commission

Washington, D.C. 20423

6/21/78

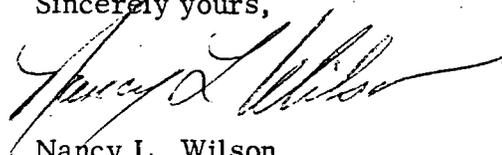
OFFICE OF THE SECRETARY

**T.A. Stanish, President
Utility Fuels, Inc.
P.O.Box 1700
Houston, Texas 77001**

Dear **Sir**:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **6/21/78** at **9:40am** and assigned recordation number(s) **9449**

Sincerely yours,



Nancy L. Wilson
Acting Secretary

Enclosure(s)

TO

RECORDATION NO. 9449 Filed & Recorded

NOTE PURCHASE AGREEMENT

JUN 21 1978 - 9 40 AM

~~MINISTATE~~ COMMERCE COMMISSION SECURITY AGREEMENT

This Security Agreement, made and entered into as of the 15th day of June, 1978, by and between Utility Fuels, Inc., a Texas corporation, 611 Walker Avenue, Houston, Texas 77002 (Debtor) and United States Trust Company of New York, 130 John Street, New York, New York 10038, (Secured Party) as Trustee for the Note Purchasers referred to below.

The Debtor proposes to borrow from the Note Purchasers an aggregate principal amount of \$65,000,000 pursuant to certain Note Purchase Agreements dated as of June 1, 1978 among the Debtor, the Guarantor and each of the Note Purchasers, respectively. As a condition precedent to the obligation of the Note Purchasers to purchase the Notes to be purchased by them under their respective Note Purchase Agreements, the Debtor is required to execute and deliver an agreement in the form of this Agreement and to grant the security interest granted hereby. Accordingly, in consideration for the purchase of the Notes by the Note Purchasers and for other valuable considerations, the receipt whereof is hereby acknowledged, the Debtor hereby agrees with the Secured Party as follows:

§ 1. Certain Definitions. When used in this Agreement, the following terms shall have the respective meanings set forth below:

- (a) Debtor - Utility Fuels, Inc. a Texas corporation.
- (b) Collateral - The term "Collateral" shall have the meaning given thereto in Section 2 of this Agreement.
- (c) Event of Default - An event specified in §4 hereof.
- (d) Guarantor - Houston Industries Incorporated, a Texas corporation.
- (e) Majority of Noteholders - The holders of at least 51% of the aggregate principal amount of (i) Notes at the time outstanding plus (ii) commitments to purchase Notes under the Note Purchase Agreements.
- (f) Notes - The Debtor's 9% Secured Notes Due June 15, 1988 in the aggregate principal amount of \$65,000,000.
- (g) Note Purchase Agreements - The several Note Purchase Agreements dated as of June 1, 1978 by and among the Debtor, the Guarantor and each of the Note Purchasers relating to the issuance, sale and delivery of the Notes.
- (h) Note Purchasers - The several Note Purchasers executing the Note Purchase Agreements.
- (i) Secured Party - United States Trust Company of New York, as Trustee for the Note Purchasers pursuant to this Agreement.

§2. Security. As security for the payment and performance when due (by acceleration or otherwise) of the principal of and interest on the Notes and all other obligations of the Debtor under the Note Purchase Agreements, the Notes and this Agreement, the Debtor hereby mortgages, sells, grants, assigns, transfers and sets

over to the Secured Party, and grants to the Secured Party a general and continuing lien on, and security interest in, all and singular the following described properties, rights and interests, and all of the estate, right, title and interest of the Debtor therein, whether now owned or hereafter acquired (all of which properties, rights and interests hereby mortgaged, sold, granted, assigned, transferred and set over or intended so to be are hereinafter collectively referred to as the "Collateral"), that is to say:

I

The 450 railroad coal cars described in Schedule I hereto, together with the additional 700 railroad coal cars to be delivered pursuant to the Purchase Orders attached as Schedule II hereto, and any other railroad coal cars substituted therefor in accordance with the terms hereof (collectively, the "Cars").

II

All accessories, equipment, parts and appurtenances appertaining or attached to any of the Cars, whether now owned or hereafter acquired, and all substitutions, renewals and replacement of and additions, improvements, accessions and accumulations to any and all of the Cars, including all additions thereto which

are now or shall hereafter be incorporated therein, together with all the rents, issues, income and profits thereof.

III

The coal handling equipment described in Schedule III hereto, and any other equipment substituted therefor in accordance with the terms hereof (the "Equipment").

IV

All accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals and replacement of and improvements to any and all of the Equipment, including all additions thereto which are now or shall hereafter be incorporated therein, together with all the rents, issues, income and profits thereof.

TO HAVE AND TO HOLD said Collateral unto the Secured Party, its successors and assigns, forever, for the uses and purposes herein set forth; provided, however, that if the Debtor performs the covenants herein and in the Note Purchase Agreements and the Notes contained, and pays to the Note Purchasers the principal of and interest on the Notes hereby secured when due,

then this Agreement shall be and become satisfied and of no further force and effect; otherwise, this Agreement shall remain in full force and effect.

§ 3. Representations, Warranties and Covenants.

Debtor represents, warrants and covenants:

(a) The Debtor's principal place of business is as hereinabove shown and so long as there shall be any security interest in the Collateral in favor of the Secured Party, the Debtor's principal place of business shall be in the State of Texas. Debtor will promptly provide written notice, as provided in the Note Purchase Agreements, to the Secured Party and the Note Purchasers in the event of any change of address from that as hereinabove set forth, which change of address shall, consistent with the first sentence of this subparagraph, be in the State of Texas.

(b) The Collateral consisting of coal handling equipment shall at all times be located at W. A. Parish Generating Station, Fort Bend County, Texas. The Collateral consisting of railroad coal cars may leave the State of Texas but in no event will the railroad coal cars ever leave the continental United States of America (i.e., the contiguous 48 States).

(c) Except for the security interest hereby granted, the Debtor has, or on physical delivery from the manufacturer thereof will have, full legal, record and beneficial title and ownership to the Collateral free from any lien, security interest, encumbrance, claim or equity and the Debtor will, at the Debtor's cost and expense, defend any action which may affect adversely the Secured Party's security interest in, or the Debtor's title to, the Collateral.

(d) The Debtor will (i) deliver to the Secured Party such supplemental security instruments containing further descriptions of properties (including replacements and additions to the Collateral) mortgaged or intended to be mortgaged hereby as may in the Debtor counsel's opinion be necessary or advisable to give the Secured Party a valid and enforceable lien upon such properties, and (ii) cause at all times to be kept recorded and filed this Agreement, any and all supplemental security instruments of mortgage, conveyance, transfer, assignment or further assurance, any required financing and continuation statements and all other required papers in such manner and in such places as may in the opinion of such counsel be required by law in order fully to perfect, preserve and protect the lien of this

Agreement as a conveyance and assignment in trust of personal property. The Debtor will pay or cause to be paid all taxes, fees and other charges in connection with such recording and/or filing. The Debtor will furnish to the Secured Party:

(A) Promptly after the execution and delivery of this Agreement, and of each supplemental security instrument, an opinion of counsel stating that in the opinion of such counsel this Agreement, such supplemental security instruments, any required financing statements and all other required papers have been properly recorded and/or filed so as to perfect, preserve and protect the lien of this Agreement, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to perfect, preserve and protect such lien; and

(B) On or before May 1 of each year when Notes are outstanding, an opinion of counsel (1) stating either (x) that in the opinion of such counsel all supplemental security instruments referred to in clause (i) of the first sentence of this § 3(d) have

been executed and delivered, and reciting the details of such action, or (y) that in the opinion of such counsel no supplemental security instruments referred to in clause (i) of the first sentence of this § 3(d) is required or advisable to give the Secured Party a valid and enforceable lien upon the properties referred to in such clause (i), and (2) stating either (x) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of this Agreement, each supplemental security instrument, and required financing and continuation statements and all other required papers as is necessary so as to perfect, preserve and protect the lien of this Agreement, and reciting the details of such action, or (y) that in the opinion of such counsel no such action is necessary to perfect, preserve and protect such lien.

In rendering the opinion of counsel required by subsection (A) or (B) above counsel may state that as to the law of any applicable jurisdiction in which such counsel are not members of the Bar, such counsel have relied upon an opinion of local counsel in such jurisdiction, provided

that a signed copy of such opinion of local counsel, addressed to the Secured Party, is attached to the opinion of counsel.

The Debtor will, upon reasonable request, execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purposes of this Agreement, especially to make subject to the lien hereof any property agreed to be subjected hereto, or intended so to be, to transfer to any new trustee or trustees the Collateral held in trust hereunder and to confirm the lien of this Agreement with respect to any of the Notes.

(e) The Collateral will not be sold, contracted to be sold, assigned, transferred, leased, encumbered, or otherwise disposed of or made subject to a security agreement or security interest of any kind whatsoever until this Agreement and all obligations secured hereby have been fully satisfied, provided, however, that Debtor may from time to time lease the railroad coal cars in accordance with standard industry practices as long as any such lease is specifically made subject and subordinate to this Agreement.

(f) The Collateral will not be misused or abused, wasted or allowed to deteriorate in any manner whatsoever from its intended use, except for ordinary wear and tear. In the event of any damage, loss or casualty to or destruction of any part of the Collateral, the Debtor shall give prompt notice thereof to the Secured Party, specifying the nature and extent of such damage, loss, casualty or destruction; provided, however, that the Debtor shall have no obligation to deliver such notice if in the good faith judgment of the Debtor the damage to the Collateral will not cost in excess of \$100,000 to repair and if such damage does not materially adversely affect the economic value of the Collateral. In the event any insurance proceeds are received by the Debtor with respect to any such damage, casualty, loss or destruction (including the imputed proceeds of self-insurance), any such insurance proceeds shall be applied by the Debtor, upon receipt thereof, at the Debtor's option, to (i) the repair or replacement, as the case may be, of such damaged, lost or destroyed Collateral, or (ii) the prepayment of Notes (in addition to any prepayment required on such day by the terms of the Notes) on the later of December 15, 1979 or the next succeeding June 15 or December 15 occurring 60 days after such damage, casualty, loss or destruction in an aggregate

principal amount equal to the amount of such proceeds of insurance. The Debtor shall notify the Secured Party in writing within 30 days of any such damage, casualty, loss or destruction to the Collateral of its election pursuant to the immediately preceding sentence. The Collateral will not be used in violation of any statute, rule, regulation or order of any Federal, state or local government or governmental or public body, agency or instrumentality or industry standard, including, without limitation, the interchange rules of the Association of American Railroads.

(g) The Debtor will, if in the opinion of Debtor's counsel such action is advisable to protect the lien of this Agreement or the Collateral, cause to be fastened to each railroad coal car and to the coal handling equipment in a reasonably prominent location an indestructible nameplate that bears the following legend:

"United States Trust Company of New York, as Trustee, holds a security interest in this piece of equipment."

(h) The Debtor will pay promptly, when due, all taxes and assessments now existing or hereafter levied or assessed against the Collateral or any part thereof,

except that Debtor shall have the right to contest in good faith any such tax or assessment by appropriate proceedings. In the event Debtor shall fail to keep the Collateral in good repair and condition, or to pay promptly when due all taxes and assessments, as aforesaid, then the Secured Party may, at its option, but without being required to do so, make such repairs or pay such taxes and assessments and any sum which may be so paid by the Secured Party, including the costs, expenses and attorney's fees, shall bear interest from the dates of such payments at ten (10%) per cent per annum and shall be paid by Debtor to Secured Party, upon demand, at the principal office of Citibank, N.A. in New York, New York and shall be a part of the indebtedness hereby secured and recoverable as such in all respects.

§ 4. Events of Default; Remedies. Debtor shall be in default under this Agreement upon the happening and continuation of any of the following events or conditions:

(a) An Event of Default (as such term is defined in the Note Purchase Agreements) under the Note Purchase Agreements shall have occurred and be continuing;

(b) Debtor shall default in the punctual performance of any of the obligations, covenants, terms or agreements contained herein and such default is not cured within five days; or

(c) If any warranty or representation made herein by Debtor proves to have been false in any material respect when so made.

Upon the occurrence and continuation of an Event of Default, the Secured Party, without waiving and in addition to any rights and remedies of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted), shall have the right, at its option, to require Debtor to assemble the Cars and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to all parties, and the right to take immediate possession of any and all of the Collateral and for this purpose shall have the right to enter upon the premises where said Collateral may be located and remove the same or may leave the same where it is then located, and sell the Collateral or such part thereof as the Secured Party may elect (without exhausting the power to sell the remainder or any part thereof as herein provided or at public or private sale as provided in the Uniform Commercial Code) after sending reasonable notice

to Debtor and to such other person or persons legally entitled thereto under the applicable Uniform Commercial Code; the Collateral to be sold may be sold as an entirety or in such parcels as the Secured Party may elect and it shall not be necessary for the Secured Party to have actual possession of the Collateral or to have it present when the sale is made, but full and perfect title shall pass wheresoever said Collateral may then be, and the Secured Party selling said Collateral shall deliver to the purchaser thereof a Bill of Sale or Transfer therefor, binding Debtor to warrant and forever defend the title to such Collateral, and out of the proceeds of the sale pay the reasonable expenses of retaking, holding, preparing for sale, selling and the like, reasonable attorney's fees and legal expenses so incurred by the Secured Party, and the balance remaining shall thereupon be applied toward the payment of the amount then owing on the indebtedness hereby secured, including principal, interest and attorney's fees as provided herein and in the Notes, rendering the balance, if any, and surplus, if any, to the person or persons legally entitled thereto under the provisions of the applicable Uniform Commercial Code, but if there be any deficiency (provided, however, that in calculating such deficiency, the expenses incurred, if any, in connection with the removal of the Equipment shall not be considered), Debtor shall remain liable therefor. The Secured Party shall have the right to purchase at any public sale.

The recitals in the Bill of Sale or Transfer to the purchaser at such sale shall be prima facie evidence of the truth of the ~~matters therein stated~~ and all prerequisites to said sale required hereunder and under the provisions of the applicable Uniform Commercial Code shall be presumed to have been performed.

The Secured Party, in addition to the rights and remedies granted in the preceding paragraph, may use, operate, repair, lease, manage and control all or any party of the Collateral (other than the Equipment), and perform or cause to be performed all responsibilities, duties and obligations of the Company in respect of all or any thereof, it being understood that the Secured Party shall have no obligation to do so.

The Secured Party, in addition to the rights and remedies provided for in the preceding paragraph, shall have all the rights and remedies of a secured party under the provisions of the Uniform Commercial Code of the State of Texas and the Secured Party shall be entitled to avail itself of all such other rights and remedies as may now or hereafter exist at law or in equity for the collection of said indebtedness and the enforcement of the covenants herein and the foreclosure of the security interest created hereby and the resort to any remedy provided hereunder or provided by the Uniform Commercial Code, or by any other Federal or Texas law, shall not prevent the concurrent or

subsequent employment of any other appropriate remedy or remedies.

The requirement of reasonable notice to Debtor of the time and place of any public sale of the Collateral or of the time after which any private sale, or any other intended disposition thereof is to be made, shall be met if such notice is mailed, postage prepaid, to Debtor at the address of Debtor designated at the beginning of this Agreement, at least five days before the date of any public sale or at least five days before the time after which any private sale or other disposition is to be made.

The security interest herein granted shall not be affected by nor affect any other security taken for the indebtedness hereby secured, or any part thereof; and any extensions may be made of the indebtedness and this security interest and any releases may be executed of the Collateral, or any part thereof, herein conveyed without affecting the priority of this security interest or the validity thereof with reference to any third person, and the holder of said indebtedness shall not be limited by any election of remedies if he chooses to foreclose this security interest by suit. The right to sell under the terms hereof shall also exist cumulative with said suit; and one method so resorted to shall not bar the other,

but both may be exercised at the same or different times, nor shall one be a defense to the other.

Anything in the foregoing to the contrary notwithstanding, it is understood and agreed that the Debtor is granting to the Secured Party only such rights and remedies with respect to the Collateral as it is permitted to grant under applicable law.

§ 5. Concerning the Secured Party. (a) The Secured Party accepts the trusts created hereby and agrees to perform the same and act hereunder as trustee for the Note Purchasers, but only upon the terms of this Agreement. The Secured Party undertakes, prior to an Event of Default, and after the curing or waiver of any Event of Default, to perform such duties and only such duties as are specifically set forth herein or in written instructions from a Majority of Noteholders. If the Secured Party shall have knowledge of an Event of Default, the Secured Party shall give prompt written notice of such Event of Default to the Note Purchasers by first class postage prepaid mail unless such Event of Default shall have been remedied before the giving of such notice. Subject to the terms of paragraph (c) of this § 5, the Secured Party shall take such action with respect to such Event of Default as the Secured Party shall be instructed in writing by a Majority of Noteholders. If the Secured Party shall not have received instructions

as above provided within 20 days after mailing notice of such Event of Default to the Note Purchasers, the Secured Party may, until it shall have received such instructions, take such action or refrain from taking such action (but shall be under no duty to take or refrain from taking any action) with respect to such Event of Default as it shall deem advisable and in the best interest of the Note Purchasers. For all purposes of this Agreement, in the absence of actual knowledge, the Secured Party shall not be deemed to have knowledge of the occurrence of any Event of Default unless notified thereof by any of the Note Purchasers or by the Debtor or the Guarantor. The Secured Party shall not be answerable or accountable under any circumstances except for its own wilful misconduct or gross negligence.

(b) Except to the extent that the Secured Party may otherwise elect in writing from time to time, the Secured Party shall not be responsible or liable in any manner or to any extent for the performance of any of the responsibilities, duties or obligations of the Debtor with respect to any of the Collateral.

(c) The Secured Party shall not be required to take any action under paragraph (a) of this § 5 unless the Secured Party shall have been indemnified by the Note Purchasers in manner and form reasonably satisfactory to the

Secured Party against any liability, cost or expense (including reasonable counsel fees and disbursements) that may be incurred in connection with such action. The Secured Party shall not be required to take any action under paragraph (a) of this § 5, nor shall any other provisions of this Agreement be deemed to impose a duty on the Secured Party to take any action, if the Secured Party shall have been advised by counsel that such action is contrary to the terms of this Agreement or is otherwise contrary to law.

(d) Moneys received by the Secured Party hereunder need not be segregated in any manner except to the extent required by law, and may be deposited with the Secured Party under such general conditions, as may be prescribed by law, in the general banking department of the Secured Party, and the Secured Party shall not be liable for any interest thereon.

(e) The Secured Party shall not incur any liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, telegram, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed or sent by the proper party or parties.

The Secured Party may accept a copy of a resolution of the Board of Directors of the Debtor or the Guarantor, certified by the Secretary or an Assistant Secretary of the Debtor or the Guarantor, as the case may be, as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board of Directors and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Secured Party may for all purposes hereof rely on a certificate, signed by the Chairman of the Board or the President or any Vice President of the Debtor or the Guarantor, as to such fact or matter, and such certificate shall constitute full protection to the Secured Party for any action taken or omitted to be taken by it in good faith in reliance thereon. In the administration of the trusts hereunder, the Secured Party may execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents or attorneys and may advise with counsel, accountants and other skilled persons to be selected and employed by it, and the Secured Party shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

(f) The Secured Party shall receive reasonable compensation for its services hereunder, which shall not be limited by any provision of law with respect to the trustee of any express trust.

§ 6. Secured Party Appointed Attorney-in-Fact.

The Secured Party is hereby irrevocably appointed the Attorney-in-Fact of the Debtor for the purposes of carrying out the provisions of this Agreement and taking any action and executing any instrument or document (including, without limitation, the endorsement of checks, drafts or other orders for the payment of money), which the Secured Party may deem necessary or advisable to accomplish the purposes hereof.

§ 7. Appointment of Co-Trustees, Separate Trustees. (a) At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Collateral may at the time be located and subject to the prior receipt of all necessary governmental approvals and consents, the Secured Party shall have the power to appoint one or more persons approved by a Majority of Noteholders either to act as co-trustee or co-trustees, jointly with the Secured Party, of all or any part of the Collateral, or to act as

separate trustee or trustees of any property constituting part thereof, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in the capacity as aforesaid, any property, title, right or power deemed necessary or desirable, subject to the remaining provisions of this § 7.

(b) Every separate trustee or co-trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(i) The rights, powers duties and obligations hereby conferred or imposed upon the Secured Party shall be conferred or imposed upon and exercised or performed by the Secured Party, or by the Secured Party and such separate trustee or separate trustees or co-trustee or co-trustees jointly, as shall be provided in the instrument appointing such separate trustee or separate trustees or co-trustee or co-trustees, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Secured Party shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and

obligations shall be exercised and performed by such separate trustee or separate trustees or co-trustee or co-trustees.

(ii) The Secured Party at any time, by an instrument in writing executed by it, may accept the resignation of or remove any separate trustee or co-trustee appointed under this § 7. A successor to any separate trustee or co-trustee so resigned or removed may be appointed in the manner provided in this § 7.

(iii) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(iv) No power given hereby to any such separate trustee or co-trustee shall be separately exercised hereunder by such separate trustee or co-trustee except with the consent in writing of the Secured Party, anything herein contained to the contrary notwithstanding.

(c) Upon the acceptance in writing of such appointment by any such separate trustee or co-trustee, it shall be vested with the estates or property specified in the instrument of appointment jointly with the Secured

Party (except insofar as local law makes it necessary for any such separate trustee to act alone) subject to all the terms of this Agreement. Every such acceptance shall be filed with the Secured Party. Any separate trustee or co-trustee may, at any time by an instrument in writing, constitute the Secured Party his or its agent and attorney-in-fact with full power and authority to do all acts and things and to exercise all discretion on his or its behalf and in its or his name. In case any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all the estates, property, rights, powers, trusts, duties and obligations of said separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Secured Party without the appointment of a new trustee as successor to such separate trustee or co-trustee.

(d) Any and all exculpatory provisions, immunities and indemnities in favor of the Secured Party under this Agreement or under any other agreement or instrument described or referred to herein shall inure to the benefit of the Secured Party in its capacity as such and in favor of any co-trustees and separate trustees appointed pursuant to this § 7.

§ 8. Successor Trustees. (a) The Secured Party or any successor thereto may resign at any time, without cause, by giving at least 30 days' prior written notice to the Debtor, the Guarantor and the Note Purchasers. Any such resignation shall become effective upon the acceptance of appointment by the successor secured party under paragraph (b) of this § 8. In addition, a Majority of Noteholders may, without cause, by an instrument in writing delivered to the Secured Party or such successor secured party, as the case may be, and the Debtor and the Guarantor, remove the Secured Party or any successor secured party with respect to the duties to be performed by it hereunder for the benefit of the Note Purchasers, such removal to be effective upon the acceptance of appointment by the successor secured party under paragraph (b) of this § 8. In the case of the resignation or removal of the Secured Party or any successor secured party, the Majority of Noteholders may, by an instrument signed by them, appoint a successor secured party hereunder for the benefit of the Note Purchasers, provided that such appointment has been approved in advance by the Debtor. If a successor secured party shall not have accepted its appointment under paragraph (b) of this § 8 within 30 days after such written notice of such resignation or such

delivery of the notice relating to such removal, the Secured Party, the Debtor or any Noteholder may apply to any court of competent jurisdiction to appoint a successor secured party to act until such time, if any, as a successor secured party shall have accepted its appointment as above provided. Any successor secured party so appointed by such court shall immediately and without further act be superseded by any successor secured party appointed by a Majority of Noteholders as above provided within one year from the date of the appointment by such court. Upon the appointment of any successor secured party hereunder the predecessor Secured Party will use its best efforts to complete, execute and deliver to the successor secured party such documents as are necessary to effectuate the transfer of the trusts established hereunder into the name of the successor secured party.

(b) Any successor secured party, whether appointed by a Majority of Noteholders or by a court, shall execute and deliver to the predecessor Secured Party an instrument accepting such appointment, and thereupon such successor secured party, without further act shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Secured Party in the

trusts hereunder with like effect as if originally named Secured Party herein; but nevertheless, upon the written request of such successor secured party, such predecessor Secured Party shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, rights, powers and trusts of such predecessor Secured Party, and such predecessor Secured Party shall duly assign, transfer, deliver and pay over to such successor Secured Party all moneys or other property then held by such predecessor Secured Party upon the trusts herein expressed.

(c) Any successor secured party, however appointed, shall be a bank or trust company having its principal place of business in the United States of America and having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Secured Party hereunder upon reasonable or customary terms.

(d) Any corporation into which the Secured Party may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Secured Party shall be a party, or any corporation to which all

or substantially all the corporate trust business of the Secured Party may be transferred, shall, subject to the terms of paragraph (c) of this § 8, be Secured Party under this Agreement without further act.

§ 9. Miscellaneous. (a) This Agreement shall be construed under and in accordance with the Texas Uniform Commercial Code and other applicable laws of the State of Texas. All terms used herein which are defined in the Uniform Commercial Code of Texas shall have the same meaning as in said Code.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns including all future holders of any Notes.

(c) No failure on the part of the Secured Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other right or further exercise thereof or the exercise of any right.

(d) This Agreement or any of the provisions hereof may not be changed, waived, released or discharged except by a written instrument duly executed by the party against whom such modification is to be charged.

(e) All notices, consents and other communications hereunder shall be in writing and shall be delivered or mailed by registered mail, postage prepaid, addressed (i) if to the Debtor at its address first above written, or to such other address as shall have been furnished to the Secured Party by the Debtor in writing; or (ii) if to the Secured Party at or to such other address as shall have been furnished to the Debtor by the Secured Party in writing.

(f) Section headings have been inserted for convenience and shall not affect the construction or interpretation of this Agreement. The terms "herein", "hereof", "hereunder" or words of similar import refer to this Agreement and mean the entire instrument.

(g) This Agreement may be executed in one or more counterparts, all of which shall be deemed to be originals and shall together constitute the same instrument.

did not exist and was not included herein.

IN WITNESS WHEREOF, the parties have hereunto
set their hands on the date first above written.

UTILITY FUELS, INC.

By

J. H. ...

[SEAL]

Attest:

J. R. Johnston

UNITED STATES TRUST COMPANY
OF NEW YORK, as Trustee

By

...
Assistant Vice President

[SEAL]

Attest:

Thomas B. Zajewski
Assistant Secretary

STATE OF TEXAS)
 : SS.:
COUNTY OF HARRIS)

On this *20th* day of June, 1978, before me personally appeared *T.A. STANDISH*, to me personally known, who being by me duly sworn, says that he is the *PRESIDENT* of Utility Fuels, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Claudene Spencer

Notary Public

CLAUDENE SPENCER

My commission expires:
3/31/79



STATE OF NEW YORK)
 : SS.:
COUNTY OF NEW YORK)

On this *19th* day of June, 1978, before me personally appeared *GEORGE BOSWELL*, to me personally known, who being by me duly sworn, says that he is ^{AN} ~~the~~ *ASST. VICE PRESIDENT* of United States Trust Company of New York, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Christine C. Collins

Notary Public

CHRISTINE C. COLLINS
Notary Public, State of New York
No. 31-4624735
Qualified in New York County
Certificate filed in New York County
Commission Expires March 30, 1980

My commission expires:
March 30, 1980

Schedule I
to
Security Agreement

<u>Number of Units</u>	<u>Description</u>	<u>Road Numbers (Both Inclusive)</u>
450	105-Ton, 4,200 cu.ft., Youngstown Bathtub Gondola Coal Car	UFIX 1001 To UFIX 1110 Inclusive UFIX 2001 To UFIX 2110 Inclusive UFIX 3001 To UFIX 3110 Inclusive UFIX 4001 To UFIX 4110 Inclusive UFIX 5001 To UFIX 5010 Inclusive

Houston Lighting & Power Company

P.O. BOX 1700, HOUSTON, TEXAS 77001

(VNO) DATE (DTE) June 15, 1977 ORDER No. L-67705

Berwick Forge & Fabricating
A Division of Whittaker Corp.
P.O. Box 188
Berwick, Pennsylvania 18603



Houston Lighting & Power Company
Houston Lighting & Power Company
P.O. Box 1700
Houston, Texas 77001

Page 1 of 6

(WB)

SHIP SO AS TO BE RECEIVED BY (DD/M/YY)	EXPEDITE DATE (XDTET)	FOR H. L. & P. CO. USE ONLY		
F. O. B.	P.O.T. Berwick, Pennsylvania	CHARGE TO (GLA/CA)	ER 2400, PS 9P, FCA 312	
ROUTING	(POB)	INTENDED USE (IUSE)	Coal Procurement	
TERMS OF PAYMENT	See Below	REQ. NO. (RPDI)	REQ. DATE (RUTE)	REQUESTED BY (Sample)
		413209	3-25-77	Mr. Menger
		TOP	RQOP	ORU
			PTY	INSO
				COST CENTER CODE
				918/EE 2330

ACCOUNTS PAYABLE DEPARTMENT FILE COPY

CB/in

QUANTITY (QTY)	Unit of Purchase (COP)	DESCRIPTION	CLASS-BIN (CB)	UNIT PRICE (OUP)
		Furnish all labor, equipment, tools, supervision, etc., to build 1,150 each, 4,200 cu. ft., 105 ton Youngstown Bathtub gondola coal cars all in accordance with Specification 413209 (General Terms and Conditions) and Youngstown Steel Door Company Specification TBC-1001 dated 3-7-77 with changes listed below: The following changes are to be made to Youngstown Steel Door Company Specification TBC-1001 dated 3-7-77: Paragraph 2.01 - Change item 3 to delete words "and filler metal". Paragraph 2.06 - Change that portion that now reads . . . are to be 4 in. by . . . to read . . . are to be 5 in. by . . . Paragraph 2.18 - delete second sentence requiring top braces. Paragraph 3.18 - Houston Lighting and Power Company will advise at a later date whether magnetic particle testing will be required. Paragraph 3.19 - Houston Lighting and Power Company will advise at a later date whether interior painting of the cars will be required. Purchaser has obtained a warranty of design from Youngstown Steel Door Company which requires that the cars purchased hereunder be constructed in accordance with designs submitted by Youngstown Steel Door Company. It is the understanding and intent of Purchaser that the		

SELLER'S INVOICE No.	DATE APPROVED	OUR INVOICE No.	REMARKS	\$ AMOUNT OF INVOICE

HOUSTON LIGHTING & POWER COMPANY
PURCHASE ORDER CONTINUATION SHEET

PAGE 2 OF 6

Berwick Forge & Fabricating

ORDER NO. L-67705

DATE June 15, 1977

① QUANTITY (QTY)	② Unit of Purchase (UOP)	DESCRIPTION	③ CLASS-BIN (CB)	④ UNIT PRICE (UP)
		<p>specifications and requirements of this Purchase Order are in accordance with those designs and that Seller will inform Purchaser promptly of any deviation from designs submitted by Youngstown Steel Door Company.</p> <p><u>Pricing</u></p> <p>I. Base price (F.O.T. Berwick, Pennsylvania) subject to Labor Escalation beginning April 1, 1977, and Material Escalation beginning January 1, 1977</p> <p>The base price above is based on the specialty prices listed in Berwick Forge Specialty List C-76-0614-3 revised December 9, 1976. (attached), steel prices based on United States Steel Corp. and Bethlehem Steel Corp. published price lists dated June 30, 1976, and on weld rod at an average price of \$0.45 lb.</p> <p>II. Adjustments to base price for changes to bid specification</p> <p>(1) Bolster tie plate to be 5/8" thick versus 7/16" thick Add: \$23.75 per car</p> <p>(2) Body side bearings for resilient truck side bearings to be 5" wide versus 4" wide Add: \$10.00 per car</p> <p>(3) ASF T-11 trucks with dual rate springs versus standard car truck stabilizer and dual rate springs Add: \$44.70 per car</p> <p>(4) Change in length of top side plate Deduct: \$8.69 per car</p> <p>(5) Change in safety appliances to conform to Youngstown Steel Door Company Drawings 77054458 and 77054459 Deduct: \$8.00 per car</p> <p>Total adjustment to base price : : . Add:</p> <p>III. Revised base price:</p>		<p>\$26,319.90 per car</p> <p>\$ 61.76 per car</p> <p>\$26,381.66 per car</p>

Berwick Forge & Fabricating

ORDER NO. L-67705

DATE June 15, 1977

① QUANTITY (QTY)	② LINE OF PURCHASE ITEM	③ DESCRIPTION	④ CLASS-BIN (CB)	⑤ UNIT PRICE (CUP)
		IV. Adjustments to revised base price for labor increases		
		<p>The revised base price will be adjusted on the first day of each quarter beginning April 1, 1977, to compensate Berwick for labor cost increases. The incremental amounts of the accumulative adjustments are listed below and are not subject to further change:</p> <p style="padding-left: 40px;">Second Quarter - 1977 Add: \$44.00 per car Third Quarter - 1977 Add: \$262.00 per car Fourth Quarter - 1977 Add: \$44.00 per car First Quarter - 1978 Add: \$44.00 per car Second Quarter - 1978 Add: \$44.00 per car</p> <p>Shipments made after June 30, 1973, will be subject to further labor adjustments based on Berwick's new labor contract effective July 1, 1973. Such adjustments will be substantiated to purchaser's satisfaction.</p>		
		V. Adjustments to revised base price for material increases		
		<p>The Revised base price is subject to escalation for changes in material costs after January 1, 1977. Any increases in material costs after January 1, 1977, must be substantiated to purchaser's satisfaction by audit of Seller's purchase orders and invoices from Seller's suppliers.</p>		
		VI. Purchaser Option		
		<p>Purchaser retains the option to specify coating inside of car with Mobil epoxy paint system Add: \$521.50 per car</p>		
		VII. Prices for spare parts		
		<p>The following prices are applicable to spare car parts to be ordered by supplement to this purchase order when quantity has been determined. These prices are subject to adjustment for changes in material costs after June 2, 1977. Any increases must be substantiated to Purchaser's satisfaction by audit of Seller's purchase orders and invoices from Seller's suppliers.</p>		

DATE June 15, 1977

① QUANTITY (QTY)	② Unit of Purchase (COP)	DESCRIPTION	③ CLASS-BIN (CB)	④ UNIT PRICE (CUP)
		Side assemblies complete, not painted		\$ 2,505.00 each
		End assemblies complete, not painted		\$ 565.00 each
		Underframe assemblies, A or B end, not including coupler, coupler yoke or draft gear		\$ 2,154.00 each
		Bolster bottom cover plate, not painted		\$ 27.00 each
		Side post, not painted		\$ 33.00 each
		Intermediate stiffener, not painted		\$ 20.15 each
		Side sill assembly section, 11 ft. long, not painted		\$ 131.00 each
		3/4" diameter straight ladder treads, not painted		\$ 2.50 each
		Sill steps, not painted		\$ 16.00 each
<p>In paragraph 3 of the General Conditions specification 413209 it is understood that the minimum quantity on this order shall be 1,000 cars, and the maximum quantity that can be ordered at the above price is 1,300 cars.</p> <p>Purchaser shall be entitled to change the total number of cars purchased under this order by giving Seller written notice of the change not less than six months prior to the delivery date for the cars affected. Purchaser shall be entitled to purchase not less than 1,000 nor more than 1,300 cars at the unit prices specified herein. In the event that Purchaser, by notices pursuant to this clause, reduces the total number of cars purchased under this Order to less than 1,000 cars, Purchaser shall pay to Seller the sum of the following:</p> <ol style="list-style-type: none"> 1. Five percent (5%) of the base car selling price prescribed in this Order times the difference between the total number of cars purchased hereunder and 1,000 cars, plus 2. The actual cost to Seller of materials purchased, prior to receipt by Seller of a notice of reduction in total quantity, for use in the cars not purchased, less the reasonable resale value of such materials, plus 3. The reasonable value of any labor performed on the cars not purchased prior to receipt by Seller of 				

HOUSTON LIGHTING & POWER COMPANY
PURCHASE ORDER CONTINUATION SHEET

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Berwick Forge & Fabricating

ORDER NO. L-67705

DATE June 15, 1977

QUANTITY (QTY)	Unit of Purchase (UOP)	DESCRIPTION	CLASS-BIN (CB)	UNIT PRICE (UP)
		<p>notice of reduction in total quantity.</p> <p>The provisions of this paragraph shall apply to a change in the total quantity of cars purchased hereunder in lieu of the provisions of paragraph 7 of the provision for General Terms and Conditions (Spec. 413209), Cancellation, but in the event of cancellation of the total order by Purchaser, the provisions of paragraph 7 of the provision for General Terms and Conditions (Spec. 413209) shall govern.</p> <p>It is the intent of Houston Lighting and Power Company to purchase some spare parts for these cars from Berwick Forge and Fabricating. A supplement will be issued at a later date for spare parts. Seller shall promptly furnish the information which is requested in paragraph 11 of the General Conditions, specification 413209.</p> <p>Drawing 77-54066 referred to in specification TEC-1001 dated 3-7-77 has been previously furnished.</p> <p>Paragraph 8 on the reverse of Purchase Order is deleted in its entirety. Paragraph 5 specification 413209 is substituted therefore.</p> <p><u>TERMS OF PAYMENT</u></p> <p>Net, no later than 10 days after receipt of 100 cars F.O.T., receipt of invoice by H.L.&P., receipt of certificate of acceptance.</p> <p>The following procedures are to be submitted by Berwick Forge for approval by HL&P Co. prior to start of fabrication of cars:</p> <ol style="list-style-type: none"> 1. Welding procedures 2. Inspection and testing procedures <ol style="list-style-type: none"> a. N.D.E. b. Paint and coatings c. Dimensional d. Special testing procedures 3. Weld rod control procedures 4. Painting procedures <ol style="list-style-type: none"> a. Surface preparation b. Application c. Curing d. Repairing 5. Subsuppliers control procedures 6. Material control procedures 		

HOUSTON LIGHTING & POWER COMPANY
PURCHASE ORDER CONTINUATION SHEET

Berwick Forge & Fabricating

ORDER NO. L-67705

DATE June 15, 1977

① QUANTITY (QTY)	② CLASSIFICATION (LCP)	DESCRIPTION	③ CLASS-BIN (CB)	④ UNIT PRICE (CUP)
		<p>Specialties should be in accordance with Berwick Forge Specialty List C-76-0614-3, Revised, dated December 9, 1977, and to be as modified and approved by Houston Lighting & Power Company.</p> <p>It is understood that features not developed to final or complete conclusion are to be reviewed and approved by HLP Company.</p> <p>This purchase order is issued to cover our letter of intent dated 12-27-76.</p>		