UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 1-13265
RELIANT ENERGY RESOURCES CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0511406
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1111 LOUISIANA HOUSTON, TEXAS 77002	(713) 207-3000
(Address and zip code of principal executive offices)	(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NorAm Financing I 6 1/4% Convertible Trust Originated Preferred Securities	New York Stock Exchange
6% Convertible Subordinated Debentures due 2012	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

RELIANT ENERGY RESOURCES CORP. MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM 10-K WITH THE REDUCED DISCLOSURE FORMAT.

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 shorter 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates: None

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "will," "forecast," "goal," "objective," "projection," or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following list identifies some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements:

- state, federal and international legislative and regulatory developments and changes in, or application of environmental, siting and other laws and regulations to which we are subject;
- timing of the implementation of our parent company's business separation plan, including the receipt of necessary approvals from the Securities and Exchange Commission (SEC) and an extension relating to a private letter ruling from the Internal Revenue Service (IRS);
- the effects of competition, including the extent and timing of the entry of additional competitors in our markets;
- industrial, commercial and residential growth in our service territories;
- our pursuit of potential business strategies, including acquisitions or dispositions of assets;
- state, federal and other rate regulations in the United States;
- the timing and extent of changes in commodity prices, particularly natural gas;
- weather variations and other natural phenomena;
- political, legal and economic conditions and developments in the United States;
- financial market conditions and the results of our financing efforts;
- any direct or indirect effect on our business resulting from the September 11, 2001 terrorist attacks or any similar incidents or responses to such incidents; and
- other factors we discuss in this Form 10-K, including those outlined in "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors Affecting Our Future Earnings."

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

PART I

ITEM 1. BUSINESS.

OUR BUSINESS

GENERAL

Reliant Energy Resources Corp., a Delaware corporation, was incorporated in 1996. In this Form 10-K, we refer to Reliant Energy Resources Corp. as "RERC Corp." and to RERC Corp. and its subsidiaries as "we" or "us," unless the context clearly indicates otherwise. RERC Corp. is a wholly owned subsidiary of Reliant Energy, Incorporated, a diversified international energy company and electric utility holding company. In this Form 10-K, we refer to Reliant Energy, Incorporated as "Reliant Energy," unless the context clearly indicates otherwise. The executive offices of RERC Corp. are located at 1111 Louisiana, Houston, TX 77002 (telephone number 713-207-3000).

We conduct our operations primarily in the natural gas industry. We conduct our operations through our Natural Gas Distribution, Pipelines and Gathering and Other Operations business segments.

For information about the revenues, operating income, assets and other financial information relating to our business segments, please read "Management's Narrative Analysis of the Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries" in Item 7 of this Form 10-K and Note 13 to our consolidated financial statements, which, together with the notes related to those statements, we refer to in this Form 10-K as our "consolidated financial statements."

STATUS OF BUSINESS SEPARATION

Reliant Energy filed its initial business separation plan with the Public Utility Commission of Texas (Texas Utility Commission) in January 2000 and filed amended plans in April 2000 and August 2000. In December 2000, the Texas Utility Commission approved Reliant Energy's amended business separation plan (Business Separation Plan) providing for the separation of Reliant Energy's generation, transmission and distribution, and retail operations into three different companies and for the separation of Reliant Energy's regulated and unregulated businesses into two unaffiliated publicly traded companies. In December 2000, Reliant Energy transferred a significant portion of its unregulated businesses to Reliant Resources, Inc. (Reliant Resources) which, at the time, was a wholly owned subsidiary. In addition, in a merger, RERC transferred the businesses conducted by Reliant Energy Services, Inc., which was a wholly owned subsidiary of RERC's, to Reliant Resources in December 2000. Reliant Resources conducted an initial public offering of approximately 20% of its common stock in May 2001. In December 2001, Reliant Energy's shareholders approved an agreement and plan of merger by which the following will occur (which we refer to as the Restructuring):

- CenterPoint Energy, Inc. (CenterPoint Energy), currently a wholly owned subsidiary of Reliant Energy, will become the holding company for Reliant Energy and its subsidiaries;
- Reliant Energy and its subsidiaries will become subsidiaries of CenterPoint Energy; and
- each share of Reliant Energy common stock will be converted into one share of CenterPoint Energy common stock.

After the Restructuring, Reliant Energy plans, subject to further corporate approvals, market and other conditions, to complete the separation of its regulated and unregulated businesses by distributing the shares of common stock of Reliant Resources that CenterPoint Energy will then own to its shareholders (Distribution). Reliant Energy's goal is to complete the Restructuring and subsequent Distribution as quickly as possible after all the necessary conditions are fulfilled, including receipt of an order from the SEC granting the required approvals under the Public Utility Holding Company Act of 1935 (1935 Act) and an extension from the IRS for a private letter ruling Reliant Energy has obtained regarding the tax-free treatment of the Distribution. Although receipt or timing of regulatory approvals cannot be assured, Reliant Energy believes it meets the standards for such approvals. Reliant Energy currently expects to complete the Restructuring and Distribution in the summer of 2002.

RERC Corp. Restructuring

Following the Restructuring, CenterPoint Energy will be a utility holding company under the 1935 Act and as such will be required to register under the 1935 Act unless it qualifies for an exemption. In order to enable CenterPoint Energy to comply with the requirements in the exemption in Section 3(a)(1) of the 1935 Act, Reliant Energy plans to divide the gas distribution businesses conducted by RERC Corp.'s three unincorporated divisions, Reliant Energy Entex (Entex), Reliant Energy Arkla (Arkla) and Reliant Energy Minnegasco (Minnegasco), among three separate business entities. For more information regarding Reliant Energy's application under the 1935 Act and regulation under

the 1935 Act, please read "Regulation -- Public Utility Holding Company Act of 1935" in Item 1 of this Form 10-K. The entity that will hold the Entex assets will also hold RERC Corp.'s natural gas pipelines and gathering businesses. For more information regarding RERC Corp.'s divisions and their operations, please read "Natural Gas Distribution" and "Pipelines and Gathering" in Item 1 of this Form 10-K. In addition to regulatory approvals Reliant Energy has obtained, this restructuring will require approval of the public service commissions of Louisiana, Oklahoma and Arkansas.

For additional information regarding the Restructuring, the Distribution and the RERC Corp. separation described above, please read Note 2 to our consolidated financial statements.

NATURAL GAS DISTRIBUTION

Our Natural Gas Distribution business segment consists of intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas and some non-rate regulated retail gas marketing operations.

We conduct intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers through three unincorporated divisions of RERC Corp.: Arkla, Entex and Minnegasco. These operations are regulated as gas utility operations in the jurisdictions served by these divisions.

- Arkla. Arkla provides natural gas distribution services in over 245 communities in Arkansas, Louisiana, Oklahoma and Texas. The largest metropolitan areas served by Arkla are Little Rock, Arkansas and Shreveport, Louisiana. In 2001, approximately 65% of Arkla's total throughput was attributable to retail sales of gas and approximately 35% was attributable to transportation services.

- Entex. Entex provides natural gas distribution services in over 500 communities in Louisiana, Mississippi and Texas. The largest metropolitan area served by Entex is Houston, Texas. In 2001, approximately 97% of Entex's total throughput was attributable to retail sales of gas and approximately 3% was attributable to transportation services.

- Minnegasco. Minnegasco provides natural gas distribution services in over 240 communities in Minnesota. The largest metropolitan area served by Minnegasco is Minneapolis, Minnesota. In 2001, approximately 97% of Minnegasco's total throughput was attributable to retail sales of gas and approximately 3% was attributable to transportation services.

The demand for intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers is seasonal. In 2001, approximately 62% of our Natural Gas Distribution business segment's total throughput occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during those periods. For information about the plan to separate the operations of Arkla, Entex and Minnegasco among different business entities, please read "Our Business -- RERC Corp. Restructuring" above.

COMMERCIAL AND INDUSTRIAL MARKETING SALES

Our Natural Gas Distribution business segment's commercial and industrial marketing sales group provides comprehensive natural gas products and services to commercial and industrial customers in the region from Southern Texas to the panhandle of Florida, as well as in the Midwestern United States. In 2001, approximately 96% of total throughput was attributable to the sale of natural gas and approximately 4% was attributable to transportation services. Typical customer contract terms for natural gas sales range from one day to three years. Our commercial and industrial marketing sales groups' operations may be affected by seasonal weather changes and the relative price of natural gas. In 2000, the commercial and industrial marketing sales group exited all retail gas markets in non-strategic areas of the Northeast and Mid-Atlantic, allowing us to focus resources and efforts in our core geographical areas of the Gulf South and Midwest.

SUPPLY AND TRANSPORTATION

Arkla. In 2001, Arkla purchased approximately 53% of its natural gas supply from Reliant Energy Services, 29% pursuant to third-party contracts, with terms varying from three months to one year, and 18% on the spot market. Arkla's major third-party natural gas suppliers in 2001 included Oneok Gas Marketing Company, Tenaska Marketing Ventures, Marathon Oil Company and BP Energy Company. Arkla transports substantially all of its natural gas supplies under contracts with our pipeline subsidiaries.

Entex. In 2001, Entex purchased virtually all of its natural gas supply pursuant to term contracts, with terms varying from one to five years. Entex's major third-party natural gas suppliers in 2001 included AEP Houston Pipeline, Kinder Morgan Texas Pipeline, L.P., Gulf Energy Marketing, Island Fuel Trading and Koch Energy

Trading. Entex transports its natural gas supplies on both interstate and intrastate pipelines under long-term contracts with terms varying from one to five years.

Minnegasco. In 2001, Minnegasco purchased approximately 74% of its natural gas supply pursuant to term contracts, with terms varying from one to ten years, with more than 20 different suppliers. Minnegasco purchased the remaining 26% on the daily or spot market. Most of the natural gas volumes under long-term contracts are committed under terms providing for delivery during the winter heating season, which extends from November through March. Minnegasco purchased approximately 67% of its natural gas requirements from four suppliers in 2001: Tenaska Marketing Ventures, Reliant Energy Services, Pan-Alberta Gas Ltd., and TransCanada Gas Services Inc. Minnegasco transports its natural gas supplies on various interstate pipelines under long-term contracts with terms varying from one to five years.

For additional information regarding our ability to pass through changes in natural gas prices to our customers, please read "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors Affecting Our Future Earnings -- Competitive and Other Factors Affecting RERC Operations -- Natural Gas Distribution" in Item 7 of this Form 10-K.

Arkla and Minnegasco use various leased or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather. Minnegasco also supplements contracted supplies and storage from time to time with stored liquefied natural gas and propane-air plant production.

Minnegasco owns and operates a 7.0 billion cubic feet (Bcf) underground storage facility, having a working capacity of 2.1 Bcf available for use during a normal heating season and a maximum daily withdrawal rate of 50 million cubic feet (MMcf) per day. Minnegasco also owns ten propane-air plants with a total capacity of 191 MMcf per day and on-site storage facilities for 11 million gallons of propane (1.0 Bcf gas equivalent). Minnegasco owns a liquefied natural gas facility with a 12 million-gallon liquefied natural gas storage tank (1.0 Bcf gas equivalent) with a send-out capability of 72 MMcf per day.

Although available natural gas supplies have exceeded demand for several years, currently supply and demand appear to be more balanced. Our Natural Gas Distribution business segment has sufficient supplies and pipeline capacity under contract to meet its firm customer requirements. However, from time to time, it is possible for limited service disruptions to occur due to weather conditions, transportation constraints and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time or prices may increase rapidly in response to temporary supply constraints or other factors.

ASSETS

As of December 31, 2001, we owned approximately 61,000 linear miles of gas distribution mains, varying in size from one-half inch to 24 inches in diameter. Generally, in each of the cities, towns and rural areas served by our Natural Gas Distribution business segment, we own the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which we receive gas from our suppliers are owned, operated and maintained by others, and our distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on the land owned by suppliers.

COMPETITION

Please read "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors Affecting Our Future Earnings -- Competitive and Other Factors Affecting RERC Operations -- Natural Gas Distribution" in Item 7 of this Form 10-K, which section is incorporated herein by reference.

PIPELINES AND GATHERING

Our Pipelines and Gathering business segment operates two interstate natural gas pipelines as well as gas gathering and pipeline services. Our pipeline operations are primarily conducted by two wholly owned interstate pipeline subsidiaries of RERC Corp., Reliant Energy Gas Transmission Company (REGT) and Mississippi River Transmission Corporation (MRT). Our gathering and pipeline services operations are conducted by a wholly owned gas gathering subsidiary, Reliant Energy Field Services, Inc. (REFS), and a wholly owned pipeline services subsidiary, Reliant Energy Pipeline Services, Inc. (REPS).

Through REFS, we provide natural gas gathering and related services, including related liquids extraction and other well operating services. As of December 31, 2001, REFS operated approximately 4,300 miles of gathering pipelines, which collect natural gas from more than 300 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas. Through REPS, we provide pipeline project management and facility operation services to affiliates and third parties.

In 2001, approximately 25% of our Pipelines and Gathering business segment's total operating revenue was attributable to services provided by REGT to Arkla, and approximately 10% of its total operating revenue was attributable to services provided by MRT to Laclede Gas Company (Laclede), an unaffiliated distribution company that provides natural gas utility service to the greater St. Louis metropolitan area in Illinois and Missouri. An additional 20% of our Pipelines and Gathering business segment's operating revenues was attributable to the transportation of gas marketed by Reliant Energy Services. Our Pipelines and Gathering business segment provides service to Arkla and Laclede under several long-term firm storage and transportation agreements. REGT and Arkla have entered into various contracts for firm transportation in Arkla's major service areas that are currently scheduled to expire in 2005. In February 2002, MRT negotiated an agreement to extend its existing service relationship with Laclede for a five-year period subject to acceptance by the Federal Energy Regulatory Commission (FERC).

The business and operations of our Pipelines and Gathering business segment may be affected by seasonal changes in the demand for natural gas, the relative price of natural gas in the Midcontinent and Gulf Coast natural gas supply regions and, to a lesser extent, general economic conditions.

ASSETS

We own and operate approximately 8,100 miles of gas transmission lines. We also own and operate six natural gas storage fields with a combined daily deliverability of approximately 1.2 Bcf per day and a combined working gas capacity of approximately 55.8 Bcf. REGT also owns a 10% interest, with Gulf South Pipeline Company, LP, in the Bistineau storage facility with 68.8 Bcf of working gas capacity and 1.1 Bcf per day of deliverability. REGT's storage capacity in the Bistineau facility is 18 Bcf (8 Bcf of working gas) with 100 MMcf per day of deliverability. Most of our storage operations are in north Louisiana and Oklahoma. We also own and operate approximately 4,300 miles of gathering pipelines that collect gas from more than 300 separate systems located in major producing fields in Arkansas, Louisiana, Oklahoma and Texas.

COMPETITION

Please read "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors affecting Our Future Earnings -- Competitive and Other Factors Affecting RERC Operations -- Pipelines and Gathering" in Item 7 of this Form 10-K, which section is incorporated herein by reference.

OTHER OPERATIONS

In 2001, Other Operations included unallocated corporate costs and inter-segment eliminations.

REGULATION

We are subject to regulation by various federal, state, local and foreign governmental agencies, including the regulations described below.

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Current Status. Although RERC Corp. is a gas utility company as defined under the 1935 Act, it is not a holding company within the meaning of the 1935 Act. RERC Corp. is currently subject to regulation under the 1935 Act with respect to certain acquisitions of voting securities of other domestic public utility companies and utility holding companies.

Section 33(a)(1) of the 1935 Act exempts foreign utility company affiliates of RERC Corp. from regulation as a "public utility company," thereby permitting RERC Corp. to invest in foreign utility companies without becoming subject to registration under the 1935 Act as a registered holding company and without approval by the SEC. The exemption, however, is subject to the SEC having received certification from each state commission having jurisdiction over the retail rates of any electric or gas utility company affiliated with RERC Corp. that such commission has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise its authority. The state regulatory commissions exercising jurisdiction over RERC Corp. (Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas) have provided a certification to the SEC subject, however, to the right of such commissions to revise or withdraw their certifications as to any future acquisitions of a foreign utility company. The state regulatory commissions of Arkansas and Minnesota have imposed limitations on the amount of investments that can be made by utility companies (including RERC Corp.) in foreign utility companies and, in some cases, foreign electric wholesale generating companies. These limitations are based upon a utility company's consolidated net worth, retained earnings, and debt and stockholders' equity. We currently do not plan to make any further investments in foreign utility companies.

Subject to some limited exceptions, Section 33(f)(1) of the 1935 Act prohibits us, as a public utility company, from issuing any security for the purpose of financing the acquisition, ownership or operation of a foreign utility company, or assuming any obligation or liability in respect of any security of a foreign utility company.

Impact on the Restructuring. SEC approval is required for CenterPoint Energy to acquire Reliant Energy and its subsidiary companies. As a result of the Restructuring, CenterPoint Energy will be a holding company within the meaning of the 1935 Act and, as such, required to register under the 1935 Act unless it is able to qualify for exemption. Section 3(a)(1) of the 1935 Act provides an exemption for a holding company if it and each of its material public utility subsidiary companies carry on their utility operations substantially and predominantly in a single state in which they are all organized. While Reliant Energy believes that CenterPoint Energy will ultimately be in compliance with the requirements for exemption under Section 3(a)(1), RERC Corp. initially will be a material subsidiary with significant out-of-state utility operations. As described in Reliant Energy's application to the SEC, Reliant Energy plans to bring CenterPoint Energy into full compliance with the standards of Section 3(a)(1) by separating the Entex, Arkla and Minnegasco operations of RERC Corp. into separate business entities. One entity that will hold the Entex assets will also held RERC Corp.'s natural gas pipelines and gathering business. Reliant Energy is in the process of obtaining the necessary state approvals for the RERC Corp. separation. Upon completion of the Separation, Reliant Energy believes that CenterPoint Energy will be entitled to an exemption under Section 3(a)(1) of the 1935 Act.

In the interim, CenterPoint Energy must either obtain a temporary exemption from registration or else register under the 1935 Act until the separation of RERC Corp. is completed. Reliant Energy has previously submitted a request for a temporary exemption for CenterPoint Energy but believes that the new holding company could also register and obtain the necessary authority under the 1935 Act to operate during this interim period consistent with its business plan. If CenterPoint Energy becomes a registered public utility holding company, we will be subject to regulation and additional restrictions as a "subsidiary company" under the 1935 Act.

Following the Distribution, Reliant Resources and its subsidiaries would not be subject to the provisions of the 1935 Act either as subsidiaries or affiliates of CenterPoint Energy.

Proposals to Repeal the 1935 Act. In recent years, several bills have been introduced in Congress that would repeal the 1935 Act. Repeal or significant modification to the 1935 Act could have a significant impact on us and the electric and gas utility industries. At this time, however, we are not able to predict the outcome of any bills to repeal the 1935 Act or the outlook for additional legislation in 2002.

FEDERAL ENERGY REGULATORY COMMISSION

Natural Gas. The transportation and sale for resale of natural gas in interstate commerce is subject to regulation by the FERC under the Natural Gas Act and the Natural Gas Policy Act of 1978, as amended. The FERC has jurisdiction over, among other things, the construction of pipeline and related facilities used in the transportation and storage of natural gas in interstate commerce, including the extension, expansion or abandonment of these facilities. The rates charged by interstate pipelines for interstate transportation and storage services are also regulated by the FERC.

REGT and MRT periodically file applications with the FERC for changes in their generally available maximum rates and charges designed to allow them to recover their costs of providing service to customers (to the extent allowed by prevailing market conditions), including a reasonable rate of return. These rates are normally allowed to become effective after a suspension period, and in some cases are subject to refund under applicable law, until such time as the FERC issues an order on the allowable level of rates. REGT currently is operating under such rates approved by the FERC that took effect in February 1995. MRT currently is operating under such rates that took effect in October 2001, pursuant to a rate case settlement approved by the FERC on January 16, 2002.

On February 9, 2000, the FERC issued Order No. 637, which introduces several measures to increase competition for interstate pipeline transportation services. Order No. 637 authorizes interstate pipelines to propose term-differentiated and peak/off-peak rates, and requires pipelines, including MRT and REGT, to make tariff filings to expand pipeline service options for customers. REGT and MRT made Order No. 637 compliance filings in 2000. On March 29, 2002, the FERC issued an order accepting, subject to certain modifications, a settlement agreement that would resolve REGT's Order No. 637 proceeding. On November 21, 2001, MRT filed with the FERC for approval of a settlement intended to resolve the MRT Order No. 637 compliance proceeding. The settlement was uncontested. No action on the settlement has yet been taken by the FERC.

On May 31, 2001, the FERC issued an order on rehearing establishing hearing procedures to evaluate MRT's request for authority to recover 4 Bcf of undercollected lost and unaccounted for gas over a 3-year period. A settlement resolving all issues in this case, among other things, was filed with the FERC on November 5, 2001. The FERC approved the settlement on January 16, 2002.

STATE AND LOCAL REGULATIONS

Natural Gas Distribution. In almost all communities in which our Natural Gas Distribution business segment provides service, RERC operates under franchises, certificates or licenses obtained from state and local authorities. The terms of the franchises, with various expiration dates, typically range from 10 to 30 years. None of our Natural Gas Distribution business segment's material franchises expire before 2005. We expect to be able to renew expiring franchises. In most cases, franchises to provide natural gas utility services are not exclusive.

Substantially all of our Natural Gas Distribution business segment's retail sales are subject to traditional cost-of-service regulation at rates regulated by the relevant state public service commissions and, in Texas, by the Texas Railroad Commission and municipalities we serve. For additional information regarding our ability to recover increased costs of natural gas from our customers, please read "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors Affecting Our Future Earnings -- Factors Affecting the Results of RERC Operations -- Natural Gas Distribution" in Item 7 of this Form 10-K.

On November 21, 2001, Arkla filed a rate case (Docket 01-243-U) with the Arkansas Public Service Commission seeking an increase in rates for its Arkansas customers of approximately $47 million on an annual

basis. Arkla's last rate increase was authorized in 1995. In the rate filing, Arkla maintains that its rate base has grown by $183 million, and its operating expenses have increased from $93 million to $106 million on an annual basis and, therefore, Arkla's current rates for service to Arkansas customers do not provide a reasonable opportunity for Arkla to cover its operating costs and earn a fair return on its investment. A decision in the case is expected by the fourth quarter of 2002.

ENVIRONMENTAL MATTERS

GENERAL ENVIRONMENTAL ISSUES

We are subject to numerous federal, state and local requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including the discharge of pollutants into water, and soil, the proper handling of solid, hazardous, and toxic materials and waste, noise, and safety and health standards applicable to the workplace. In order to comply with these requirements, we will spend substantial amounts from time to time to construct, modify and retrofit equipment, and to clean up or decommission disposal or fuel storage areas and other locations as necessary.

Our facilities are subject to state and federal laws and regulations governing the discharge of pollutants into the air and waterways. In many cases we must obtain permits or other governmental authorizations that prescribe the parameters for discharges from our facilities. There are ongoing efforts to modify standards relating to both the discharge of pollutants into streams and waterways and to air quality. These efforts may result in more restrictive regulations and permit terms applicable to our facilities in the future.

We anticipate investing up to $6 million in capital and other special project expenditures between 2002 and 2006 for environmental compliance. If we do not comply with environmental requirements that apply to our operations, regulatory agencies could seek to impose on us civil, administrative and/or criminal liabilities as well as seek to curtail our operations. Under some statutes, private parties could also seek to impose civil fines or liabilities for property damage, personal injury and possibly other costs. For additional information regarding environmental expenditures, please read "Management's Narrative Analysis of the Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors affecting Our Future Earnings -- Environmental Expenditures" in Item 7 of this Form 10-K and Note 10(c) to our consolidated financial statements.

LIABILITY FOR PREEXISTING CONDITIONS AND REMEDIATION

Manufactured Gas Plant Sites. RERC and its predecessors operated a manufactured gas plant adjacent until 1960 to the Mississippi River in Minnesota formerly known as Minneapolis Gas Works. RERC has substantially completed remediation of the main site other than ongoing water monitoring and treatment. The manufactured gas was stored in separate holders. RERC is negotiating cleanup of one such holder. There are six other former manufactured gas plant sites in the Minnesota service territory. Remediation has been completed on one site. Of the remaining five sites, RERC believes that two were neither owned nor operated by RERC. RERC believes it has no liability with respect to the sites we neither owned nor operated.

At December 31, 2000 and 2001, RERC had accrued $18 million and $23 million, respectively, for remediation of the Minnesota sites. At December 31, 2001, the estimated range of possible remediation costs was $11 million to $49 million. The cost estimates of the Minneapolis Gas Works site are based on studies of that site. The remediation costs for the other sites are based on industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites remediated, the participation of other potentially responsible parties, if any, and the remediation methods used.

Issues relating to the identification and remediation of manufactured gas plants are common in the natural gas distribution industry. RERC has received notices from the United States Environmental Protection Agency and others regarding its status as a potentially responsible party for other sites. Based on current information, RERC has not been able to quantify a range of environmental expenditures for potential remediation expenditures with respect to other manufactured gas plant sites.

Hydrocarbon Contamination. In August 2001, a number of Louisiana residents who live near the Wilcox Aquifer filed suit against RERC Corp., Reliant Energy Pipeline Services, Inc., other Reliant Energy entities and third parties (Docket No. 460, 916-Div. "B"), in the 1st Judicial District Court, Caddo Parish, Louisiana. The suit alleges that we and the other defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer, which lies beneath property owned or leased by the defendants and is the sole or primary drinking water aquifer in the area. The quantity of monetary damages sought is unspecified. For additional information regarding this suit and the remediation of the site, please read Note 10(c) to our consolidated financial statements.

Other Minnesota Matters. At December 31, 2000 and 2001, RERC had recorded accruals of $4 million and $5 million, respectively, for other environmental matters in Minnesota for which remediation may be required. At December 31, 2001, the estimated range of possible remediation costs was $4 million to $8 million.

MERCURY CONTAMINATION

Like similar companies, our pipeline and natural gas distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area around the meters with elemental mercury. We have found this type of contamination in the past, and we have conducted remediation at sites found to be contaminated. Although we are not aware of additional specific sites, it is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs cannot be known at this time, based on our experience and that of others in the natural gas industry to date and on the current regulations regarding remediation of these sites, we believe that the cost of any remediation of these sites will not be material to our financial position, results of operations or cash flows. For additional information regarding environmental expenditures associated with mercury contamination, please read "Management's Narrative Analysis of Results of Operations of Reliant Energy Resources Corp. and its Consolidated Subsidiaries -- Certain Factors Affecting our Future Earnings -- Environmental Expenditures -- Water, Mercury and Other Expenditures" in Item 7 of this Form 10-K.

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, owners and operators of facilities from which there has been a release or threatened release of hazardous substances, together with those who have transported or arranged for the disposal of those substances, are liable for:

- The costs of responding to that release or threatened release, and
- The restoration of natural resources damaged by any such release.

We are not aware of any liabilities under CERCLA that would have a material adverse effect on us, our financial position, results of operations or cash flows.

EMPLOYEES

As of December 31, 2001, we had 5,564 full-time employees. The following table sets forth the number of our employees by business segment as of December 31, 2001:

SEGMENT	NUMBER
Natural Gas Distribution	4,943
Pipelines and Gathering	614
Other Operations	7
Total	5,564

As of December 31, 2001, 1,542 employees in the Natural Gas Distribution Segment were represented by unions or other collective bargaining groups.

ITEM 2. PROPERTIES.

CHARACTER OF OWNERSHIP

We own our principal properties in fee. Also, most gas mains are located, pursuant to easements and other rights, on public roads or on land owned by others.

NATURAL GAS DISTRIBUTION

For information regarding the properties of our Natural Gas Distribution business segment, please read "Natural Gas Distribution" in Item 1 of this Form 10-K, which information is incorporated herein by reference.

PIPELINES AND GATHERING

For information regarding the properties of our Pipelines and Gathering business segment, please read "Pipelines and Gathering" in Item 1 of this Form 10-K, which information is incorporated herein by reference.

OTHER OPERATIONS

For information regarding the properties of our Other Operations business segment, please read "Other Operations" in Item 1 of this Form 10-K, which information is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

For a description of certain legal and regulatory proceedings affecting us, see Notes 10(c) and 10(d) to our consolidated financial statements, which notes are incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The information called for by Item 4 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

All of the 1,000 outstanding shares of RERC Corp.'s common stock are held by Reliant Energy.

ITEM 6. SELECTED FINANCIAL DATA.

The information called for by Item 6 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

ITEM 7. MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS OF RELIANT ENERGY RESOURCES CORP. AND ITS CONSOLIDATED SUBSIDIARIES.

The following narrative and analysis should be read in combination with our consolidated financial statements and notes contained in Item 8 of this Form 10-K.

Because Reliant Energy Resources Corp. (RERC Corp.) is a wholly owned subsidiary of Reliant Energy, Incorporated (Reliant Energy) our determination of reportable segments considers the strategic operating units under which Reliant Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. We have identified the following reportable segments: Natural Gas Distribution, Pipelines and Gathering and Other Operations. Prior to 2001, we also conducted business in the Wholesale Energy and European Energy segments. Wholesale Energy included wholesale energy trading, marketing, power origination and risk management services in North America but excluded the operations of Reliant Energy Power Generation, Inc., an indirect wholly owned subsidiary of Reliant Energy. European Energy included the energy trading and marketing operations initiated in the fourth quarter of 1999 in the Netherlands and other countries in Europe but excluded Reliant Energy Power Generation Benelux N.V.(REPGB), a Dutch power company.

Reliant Energy is in the process of separating its regulated and unregulated businesses into two publicly traded companies. In December 2000, Reliant Energy transferred a significant portion of its unregulated businesses to Reliant Resources, Inc. (Reliant Resources), which, at the time, was a wholly owned subsidiary. Reliant Resources conducted an initial public offering (Offering) of approximately 20% of its common stock in May 2001. In December 2001, Reliant Energy's shareholders approved an agreement and plan of merger by which, subject to regulatory approvals, the following will occur (which we refer to herein as the Restructuring):

- CenterPoint Energy will become the holding company for the Reliant Energy group of companies;
- Reliant Energy and its subsidiaries will become subsidiaries of CenterPoint Energy; and
- each share of Reliant Energy common stock will be converted into one share of CenterPoint Energy common stock.

After the Restructuring, Reliant Energy plans, subject to further corporate approvals, market and other conditions, to complete the separation of its regulated and unregulated businesses by distributing the shares of common stock of Reliant Resources that Reliant Energy owns to its shareholders (which we refer to herein as the Distribution). Reliant Energy's goal is to complete the Restructuring and subsequent Distribution as quickly as possible after all the necessary conditions are fulfilled, including receipt of an order from the Securities and Exchange Commission (SEC) granting the required approvals under the Public Utility Holding Company Act of 1935 (1935 Act) and an extension from the IRS of a private letter ruling that Reliant Energy has obtained regarding the tax-free treatment of the Distribution. Reliant Energy currently expects to complete the Restructuring and Distribution in the summer of 2002.

On December 31, 2000, RERC Corp. transferred all of the outstanding capital stock of Reliant Energy Services International, Inc. (RESI), Arkla Finance Corporation (Arkla Finance) and Reliant Energy Europe Trading &

Marketing, Inc. (RE Europe Trading), all of which were wholly owned subsidiaries of RERC Corp., to Reliant Resources (collectively, Stock Transfer). Both RERC Corp. and Reliant Resources are wholly owned subsidiaries of Reliant Energy. As a result of the Stock Transfer, RESI, Arkla Finance and RE Europe Trading each became a wholly owned subsidiary of Reliant Resources.

Also, on December 31, 2000, a wholly owned subsidiary of Reliant Resources merged with and into Reliant Energy Services, Inc. (Reliant Energy Services), a wholly owned subsidiary of RERC Corp., with Reliant Energy Services as the surviving corporation (Merger). As a result of the Merger, Reliant Energy Services became a wholly owned subsidiary of Reliant Resources. As consideration for the Stock Transfer and the Merger, Reliant Resources paid $94 million to RERC Corp.

Reliant Energy Services, together with RESI and RE Europe Trading, conducted the Wholesale Energy segment's trading, marketing, power origination and risk management business and operations of Reliant Energy. Arkla Finance is a company that holds an investment in marketable equity securities.

The Stock Transfer and the Merger are part of Reliant Energy's previously announced restructuring. We are reporting the results of RE Europe Trading as discontinued operations for all periods presented in our consolidated financial statements in accordance with Accounting Principles Board Opinion No. 30 (APB Opinion No. 30). For additional information regarding the operating results of the entities transferred to Reliant Resources, please read Note 14 to our consolidated financial statements.

RERC Corp. meets the conditions specified in General Instruction I (1)(a) and (b) to Form 10-K and is thereby permitted to use the reduced disclosure format for wholly owned subsidiaries of reporting companies specified therein. Accordingly, RERC Corp. has omitted from this Form 10-K the information called for by Item 4 (Submission of Matters to a Vote of Security Holders), Item 10 (Directors and Executive Officers of the Registrant), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management) and Item 13 (Certain Relationships and Related Party Transactions) of Form 10-K. In lieu of the information called for by Item 6 (Selected Financial Data) and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Form 10-K, RERC Corp. has included the following Management's Narrative Analysis of the Results of Operations to explain material changes in the amount of revenue and expense items between 1999, 2000 and 2001.

CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by seasonal fluctuations in the demand for natural gas and price movements of energy commodities. Our results of operations are also affected by, among other things, the actions of various federal and state governmental authorities having jurisdiction over rates we charge, competition in our various business operations, debt service costs and income tax expense.

The following table sets forth selected financial and operating data for the years ended December 31, 1999, 2000 and 2001, followed by a discussion of significant variances in period-to-period results:

SELECTED FINANCIAL RESULTS

YEAR ENDED DECEMBER 31,	1999	2000	2001
	(IN MILLIONS)		
Operating Revenues	$ 10,532	$ 22,659	$ 5,044
Operating Expenses	(10,231)	(22,327)	(4,778)
Operating Income	301	332	266
Interest Expense	(119)	(143)	(155)
Other Income, net	11	2	14
Income Tax Expense	(89)	(93)	(58)
Income from Continuing Operations	104	98	67
Loss from Discontinued Operations, net of tax	(4)	(24)	--
Net Income	$ 100	$ 74	$ 67

2001 Compared to 2000. Our net income for 2001 was $67 million compared to net income of $74 million in 2000. The $7 million decrease was primarily due to:

- the absence of Reliant Energy Services trading and marketing results in 2001, as a result of the Merger on December 31, 2000 as discussed above;
- an increase in our Natural Gas Distribution segment's bad debt expense, benefits expenses and changes in estimates of unbilled revenues and recoverability of deferred gas accounts and other items; and
- an increase in third-party interest primarily resulting from higher levels of long-term debt during 2001.

The above items were partially offset by the following:

- increased operating margins (revenues less natural gas costs) in our Natural Gas Distribution segment;
- an after-tax impairment loss of $17 million on marketable equity securities classified as "available for sale" incurred during 2000 by our Other Operations segment; and
- increased start-up costs of our European trading and marketing operations in 2000 included in loss from discontinued operations.

Operating income decreased in 2001 by $66 million, or 20%, from 2000. The decrease was primarily due to the transfer of Reliant Energy Services to Reliant Resources pursuant to the Merger discussed above. This decrease was partially offset by increased customer growth and usage and reduced operating expenses due to exiting certain non-rate regulated retail gas markets outside of our established areas during 2000 in our Natural Gas Distribution segment.

Our operating revenues for 2001 were $5.0 billion compared to $22.7 billion for 2000. The $17.7 billion, or 78%, decrease was primarily due to the absence of RESI trading and marketing results as a result of the Merger, as discussed above, partially offset by an increase in revenues related to our Natural Gas

Distribution and Pipelines and Gathering segments resulting from an increase in the cost of natural gas and, to a lesser extent, the effect of colder weather on the operations of our Natural Gas Distribution segment in the first quarter of 2001.

Our operating expenses for 2001 were $4.8 billion compared to $22.3 billion in 2000. The $17.5 billion, or 78%, decrease was primarily due to the same reasons causing the decreases in revenues discussed above.

Our effective tax rate in 2001 was 46.4% compared to 48.7% in 2000. This decrease was primarily due to a decrease in state income taxes.

2000 Compared to 1999. Our net income for 2000 was $74 million compared to net income of $100 million in 1999. The $26 million decrease in net income was primarily due to:

- a decline in operating income of our Natural Gas Distribution segment;
- an after-tax impairment loss of $17 million on marketable equity securities classified as "available-for-sale" incurred in 2000 by our Other Operations segment;
- increased third-party interest expense primarily resulting from higher levels of short-term borrowings and long-term debt during 2000 compared to 1999; and
- increased start-up costs of our European trading and marketing operations in 2000 included in loss from discontinued operations.

The above items were partially offset by improved operating results from our Wholesale Energy segment's trading and marketing operations in North America, increased operating income from our Pipelines and Gathering segment, increased interest income earned on margin deposits on energy trading activities and interest income related to a tax refund in 2000.

During 2000, we incurred a pre-tax impairment loss of $27 million on marketable equity securities classified as "available-for-sale" by our Other Operations segment. Management's determination to recognize this impairment resulted from a combination of events occurring in 2000 related to this investment. These events affecting the investment included changes occurring in the investment's senior management, announcement of significant restructuring charges and related downsizing for the entity, reduced earnings estimates for this entity by brokerage analysts and the bankruptcy of a competitor of the investment in the first quarter of 2000. These events, coupled with the stock market value of our investment in these securities continuing to be below our cost basis, caused management to believe the decline in fair value to be other than temporary. This investment is held by Arkla Finance which was transferred to Reliant Resources effective December 31, 2000.

Operating income increased in 2000 by $31 million, or 10%, from 1999. The increase was primarily due to significantly improved operating margins (revenues less natural gas and purchased power expenses) from our Wholesale Energy segment's trading and marketing activity in the western U.S. market (primarily California and Nevada), increased operating margins (revenues less natural gas expenses) from our Natural Gas Distribution segment and increased gathering and processing revenues from our Pipelines and Gathering segment. These items were partially offset by increased operating expenses, including:

- costs incurred in connection with non-rate regulated retail natural gas business activities outside our established market areas, which have been discontinued;
- additional provisions against receivable balances resulting from the implementation of a new billing system for Reliant Energy Arkla;
- increased costs associated with higher staffing levels to support increased sales and expanded trading and marketing efforts;
- increased depreciation expenses of our Natural Gas Distribution segment; and
- increased employee benefit costs.

Our operating revenues for 2000 were $22.7 billion compared to $10.5 billion for 1999. The $12.2 billion, or 116%, increase was primarily due to the increase in our Wholesale Energy segment's trading and marketing revenues from increased trading volumes for power and natural gas, as well as higher sale prices for these commodities.

Our operating expenses for 2000 were $22.3 billion compared to $10.2 billion in 1999. The $12.1 billion, or 118%, increase was primarily due to an increase in volumes and cost of purchased power and natural gas, as discussed above. Other operating expenses also increased due to the increase in expenses discussed above.

Our effective tax rate in 2000 was 48.7% compared to 46.1% in 1999. This increase was primarily due to an increase in state income taxes in 2000 as compared to 1999.

We are reporting the results of RE Europe Trading as discontinued operations for all periods presented in our consolidated financial statements in accordance with APB Opinion No. 30. For additional information, please read Note 14 to our consolidated financial statements. Our European Energy segment was created in the fourth quarter of 1999 with the acquisition of REPGB by a subsidiary of Reliant Energy. Beginning in the second half of 2000, our European Energy segment's trading and marketing operations began participating in the emerging wholesale energy trading and marketing industry in Northwest Europe. Losses from discontinued operations in 1999 and 2000 are primarily related to start-up costs for our European trading and marketing operations. For additional information regarding the operating results of the other entities transferred to Reliant Resources, please read Note 14 to our consolidated financial statements.

CERTAIN FACTORS AFFECTING OUR FUTURE EARNINGS

Our past earnings are not necessarily indicative of our future earnings and results of operations. The magnitude of our future earnings and results of our operations will depend on numerous factors including:

- state, federal and international legislative and regulatory developments and changes in or application of environmental and other laws and regulations to which we are subject and changes in or application of laws or regulations applicable to other aspects of our business;
- the timing of the implementation of our parent company's Business Separation Plan;
- the effects of competition, including the extent and timing of the entry of additional competitors in our markets;
- liquidity concerns in our markets;
- industrial, commercial and residential growth in our service territories;
- our pursuit of potential business strategies, including acquisitions or dispositions;
- state, federal and other rate regulations in the United States;
- the timing and extent of changes in interest rates and commodity prices, particularly natural gas;
- weather variations and other natural phenomena;
- our ability to cost-effectively finance and refinance;
- financial market conditions, our access to capital and the results of our financing efforts;
- the credit worthiness or bankruptcy or other financial distress of our trading, marketing and risk management services counterparties;
- actions by rating agencies with respect to us or our competitors;

- acts of terrorism or war;

- the availability and price of insurance; and

- political, legal, regulatory and economic conditions and developments in the United States.

In order to adapt to the increasingly competitive environment in our industry, we continue to evaluate a wide array of potential business strategies, including business combinations or acquisitions involving other utility or non-utility businesses or properties and dispositions of currently owned businesses.

FACTORS AFFECTING THE RESULTS OF RERC OPERATIONS

Natural Gas Distribution. Our Natural Gas Distribution business segment competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other gas distributors and marketers also compete directly with our Natural Gas Distribution business segment for gas sales to end-users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass our Natural Gas Distribution business segment's facilities and market, sell and/or transport natural gas directly to commercial and industrial customers.

Generally, the regulations of the states in which our Natural Gas Distribution business segment operates allow us to pass through changes in the costs of natural gas to our customers through purchased gas adjustment provisions in rates. There is, however, an inherent timing difference between our purchases of natural gas and the ultimate recovery of these costs. Consequently, we may incur additional "carrying" costs as a result of this timing difference and the resulting, temporary under-recovery of our purchased gas costs. To a large extent, these additional carrying costs are not recovered from our customers.

On November 21, 2001, Arkla filed a rate case (Docket 01-243-U) with the Arkansas Public Service Commission seeking an increase in rates for its Arkansas customers of approximately $47 million on an annual basis. Arkla's last rate increase was authorized in 1995. In the rate filing, Arkla maintains that its rate base has grown by $183 million, and its operating expenses have increased from $93 million to $106 million on an annual basis and, therefore, Arkla's current rates for service to Arkansas customers do not provide a reasonable opportunity for Arkla to cover its operating costs and earn a fair return on its investment. A decision in the case is expected in the fall of 2002.

Pipelines and Gathering. Our Pipelines and Gathering business segment competes with other interstate and intrastate pipelines in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service, and flexibility and reliability of service. Our Pipelines and Gathering business segment competes indirectly with other forms of energy available to its customers, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability of energy and pipeline capacity, the level of business activity, conservation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in areas we serve and the level of competition for transportation and storage services. Since FERC Order No. 636, REGT's and MRT's commodity sales activity has been minimal. Commodity transactions are usually related to system management activity which we have been able to manage with little exposure. We have not been nor do we anticipate being negatively impacted by higher price levels and the tightening of supply experienced in the fourth quarter of 2000 and the first quarter of 2001. In addition, competition for our gathering operations is impacted by commodity pricing levels in its markets because these prices influence the level of drilling activity in those markets.

Natural Gas Pipeline Company of America has proposed, and is soliciting customers for a 30" pipeline paralleling MRT's East Line in Illinois to a point 17 miles east of St. Louis Metro, with a proposed in-service date of June 2002. This service would represent an alternative to that provided by MRT. MRT has renewed or is engaged in negotiations to renew service agreements under multi-year terms, including service and potential expansion needs along MRT's existing East Line in Illinois. Our Pipelines and Gathering business segment derives approximately 14% of its revenues from Laclede Gas Company, which has an annual evergreen term provision. In February 2002, MRT negotiated an agreement to extend its existing service relationship with Laclede for a five year period subject

to acceptance by the FERC. However, the Pipeline and Gathering business segment's financial results could be materially adversely affected after this five year period if Laclede decides to engage another pipeline for the transportation services currently provided by the Pipeline and Gathering business segment.

FLUCTUATIONS IN COMMODITY PRICES AND DERIVATIVE INSTRUMENTS

For information regarding our exposure to risk as a result of fluctuations in commodity prices and derivative instruments, please read "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of this Form 10-K.

ENVIRONMENTAL EXPENDITURES

We are subject to numerous environmental laws and regulations, which require us to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment. Our facilities are subject to state and federal laws and regulations governing the discharge of pollutants into the air and waterways. In many cases we must obtain permits or other governmental authorizations that prescribe the parameters for discharges from our facilities. There are ongoing efforts to modify standards relating to both the discharge of pollutants into streams and waterways and to air quality. These efforts may result in more restrictive regulations and permit terms applicable to our facilities in the future. For additional information regarding environmental contingencies, please read Note 10(c) to our consolidated financial statements.

Site Remediation Expenditures. From time to time we have received notices from regulatory authorities or others regarding our status as a potentially responsible party in connection with sites found to require remediation due to the presence of environmental contaminants. Based on currently available information, we believe that remediation costs will not materially affect our financial position, results of operations or cash flows. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to our estimates. For information about specific sites that are the subject of remediation claims, please read Note 10(c) to our consolidated financial statements.

Mercury and Other Expenditures. With regard to mercury remediation and other environmental matters, such as the disposal of solid wastes, our expenditures have not been, and are not expected to be material, based on our experiences and that of others in our industries. Please read "Business -- Environmental Matters -- Mercury Contamination" in Item 1 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

IMPACT OF CHANGES IN INTEREST RATES AND ENERGY COMMODITY PRICES

RERC is exposed to various market risks. These risks arise from transactions entered into in the normal course of business and are inherent in RERC's consolidated financial statements. Most of the revenues and income from our business activities are impacted by market risks. Categories of market risk include exposure to commodity prices through non-trading activities and interest rates. A description of each market risk is set forth below:

- Commodity price risk results from exposures to changes in spot prices, forward prices and price volatilities of commodities, such as natural gas and other energy commodities risk.

- Interest rate risk primarily results from exposures to changes in the level of borrowings and changes in interest rates.

Management has established comprehensive risk management policies to monitor and manage these market risks. We seek to manage these risk exposures through the implementation of our risk management policies and framework. We seek to manage our exposures through the use of derivative financial instruments and derivative

commodity instrument contracts. During the normal course of business, we review our hedging strategies and determine the hedging approach we deem appropriate based upon the circumstances of each situation.

Derivative instruments such as futures, forward contracts, swaps or options, derive their value from underlying assets, indices, reference rates or a combination of these factors. These derivative instruments include negotiated contracts, which are referred to as over-the-counter derivatives, and instruments that are listed and traded on an exchange.

Derivative transactions are entered into in our non-trading operations to manage and hedge certain exposures, such as exposure to changes in gas prices. We believe that the associated market risk of these instruments can best be understood relative to the underlying assets or risk being hedged.

INTEREST RATE RISK

We have issued long-term debt, RERC obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely our junior subordinated debentures (Trust Preferred Securities), bank facilities, and some lease obligations which subject us to the risk of loss associated with movements in market interest rates.

At December 31, 2000 and 2001, we had issued fixed-rate debt and Trust Preferred Securities aggregating $1.5 billion and $1.9 billion, respectively, in principal amount and having a fair value of $1.5 billion and $1.9 billion, respectively. These instruments are fixed-rate and, therefore, do not expose us to the risk of loss in earnings due to changes in market interest rates (please read Notes 6 and 7 to our consolidated financial statements). However, the fair value of these instruments would increase by approximately $59 million if interest rates were to decline by 10% from their levels at December 31, 2001. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

Our floating-rate obligations aggregated $0.6 billion and $0.3 billion at December 31, 2000 and 2001, respectively, (please read Note 6 to our consolidated financial statements), inclusive of (a) amounts borrowed under our short-term credit facilities (including the issuance of commercial paper supported by these facilities), (b) borrowings underlying a receivables facility and (c) amounts subject to a master leasing agreement under which lease payments vary depending on short-term interest rates. These floating-rate obligations expose us to the risk of increased interest and lease expense in the event of increases in short-term interest rates. If the floating rates were to increase by 10% from December 31, 2001 levels, our consolidated interest expense and expense under operating leases would increase by an immaterial amount.

As discussed in Note 6(b) to our consolidated financial statements, RERC Corp.'s $500 million aggregate principal amount of 6 3/8% Term Enhanced Remarketable Securities (TERM Notes) include an embedded option to remarket the securities. The option is expected to be exercised in the event that the ten-year Treasury rate in 2003 is below 5.66%. At December 31, 2001, we could terminate the option at a cost of $21 million. A decrease of 10% in the December 31, 2001 level of interest rates would increase the cost of termination of the option by approximately $16 million.

COMMODITY PRICE RISK

Non-Trading Activities

To reduce our commodity price risk from market fluctuations in the revenues derived from the sale of natural gas and related transportation, we enter into forward contracts, swaps and options (Non-Trading Energy Derivatives) in order to hedge some expected purchases of natural gas and sales of natural gas (a portion of which are firm commitments at the inception of the hedge). Non-trading Energy Derivatives are also utilized to fix the price of compressor fuel or other future operational gas requirements and to protect natural gas distribution earnings against unseasonably warm weather during peak gas heating months, although usage to date for this purpose has not been material.

Derivative instruments, which we use as economic hedges, create exposure to commodity prices, which we use to offset the commodity exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to

hedge, is described below. We measure the commodity risk of our Non-trading Energy Derivatives using a sensitivity analysis. The sensitivity analysis performed on our Non-trading Energy Derivatives measures the potential loss in earnings based on a hypothetical 10% movement in energy prices. An increase of 10% in the market prices of energy commodities from their December 31, 2001 levels would have decreased the fair value of our Non-trading Energy Derivatives by $14 million.

The above analysis of the Non-trading Energy Derivatives utilized for hedging purposes does not include the favorable impact that the same hypothetical price movement would have on our physical purchases and sales of natural gas to which the hedges relate. Furthermore, the Non-trading Energy Derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of Non-trading Energy Derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above would be offset by a favorable impact on the underlying hedged physical transactions, assuming:

- the Non-trading Energy Derivatives are not closed out in advance of their expected term;
- the Non-trading Energy Derivatives continue to function effectively as hedges of the underlying risk; and
- as applicable, anticipated underlying transactions settle as expected.

If any of the above-mentioned assumptions ceases to be true, a loss on the derivative instruments may occur, or the options might be worthless as determined by the prevailing market value on their termination or maturity date, whichever comes first. Non-trading Energy Derivatives intended as hedges, and which are effective as hedges, may still have some percentage which is not effective. The change in value of the Non-trading Energy Derivatives which represents the ineffective component of the hedges, is recorded in our results of operations. During 2001, we recognized a $3.6 million loss as a result of the discontinuance of a cash flow hedge because it was no longer probable that the forecasted transaction would occur due to credit problems of the customer.

Reliant Energy has established a Risk Oversight Committee comprised of corporate and business segment officers that oversees all commodity price, and credit risk activities, including Reliant Energy's trading, marketing, risk management services and hedging activities. The committee's duties are to establish Reliant Energy's commodity risk policies, allocate risk capital, approve trading of new products and commodities, monitor risk positions and ensure compliance with Reliant Energy's risk management policies and procedures and trading limits established by Reliant Energy's board of directors.

Reliant Energy's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

STATEMENTS OF CONSOLIDATED INCOME
(THOUSANDS OF DOLLARS)

YEAR ENDED DECEMBER 31,	1999	2000	2001
REVENUES	$ 10,531,849	$ 22,658,903	$ 5,044,419
EXPENSES: Natural gas and purchased power	9,303,246	21,241,121	3,781,200
Operation and maintenance	625,392	758,824	657,515
Depreciation and amortization	198,664	214,259	207,203
Taxes other than income taxes	103,192	112,951	132,560
	10,230,494	22,327,155	4,778,478
OPERATING INCOME	301,355	331,748	265,941
OTHER INCOME (EXPENSE): Interest expense	(119,500)	(142,861)	(154,965)
Distribution on trust preferred securities	(357)	(29)	(28)
Other, net	11,154	2,642	14,583
	(108,703)	(140,248)	(140,410)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	192,652	191,500	125,531
Income Tax Expense	88,781	93,272	58,287
INCOME FROM CONTINUING OPERATIONS	103,871	98,228	67,244
Loss from Discontinued Operations	(3,670)	(23,861)	--
NET INCOME	$ 100,201	$ 74,367	$ 67,244

See Notes to RERC's Consolidated Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(THOUSANDS OF DOLLARS)

YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Net income	$ 100,201	$ 74,367	$ 67,244
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments from discontinued operations, (net of tax of $16 and $1,340 in 1999 and 2000)	30	(2,490)	--
Unrealized loss on available-for-sale securities (net of tax of $373 and $1,492 in 1999 and 2000)	(1,224)	(2,264)	--
Reclassification adjustment for impairment loss on available-for-sale securities realized in net income (net of tax of $9,276)	--	17,228	--
Additional minimum non-qualified pension liability adjustment (net of tax of $6,068 and $4,703 in 2000 and 2001)	(9,747)	8,279	--
Cumulative effect of adoption of SFAS No. 133	--	--	38,092
Net deferred loss from cash flow hedges	--	--	(11,826)
Reclassification of net deferred gains from cash flow hedges realized in net income	--	--	(61,449)
Other comprehensive (loss) income	(1,194)	2,727	(26,904)
Comprehensive Income	$ 99,007	$ 77,094	$ 40,340

See Notes to RERC's Consolidated Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

DECEMBER 31,	2000	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,576	$ 16,425
Accounts receivable, principally customers, net	794,904	479,279
Unbilled revenue	550,183	188,425
Accounts and notes receivable - affiliated companies, net	--	39,393
Inventory	116,101	144,469
Non-trading derivative assets	--	6,996
Prepayments and other current assets	45,926	24,104
Total current assets	1,529,690	899,091
PROPERTY, PLANT AND EQUIPMENT, NET	3,029,357	3,158,885
OTHER ASSETS:		
Goodwill, net	1,787,015	1,740,510
Prepaid pension asset	141,882	94,022
Non-trading derivative assets	--	2,234
Other	87,821	94,221
Total other assets	2,016,718	1,930,987
TOTAL ASSETS	$ 6,575,765	$ 5,988,963
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 635,000	$ 345,527
Current portion of long-term debt	146,252	--
Accounts payable, principally trade	704,524	267,649
Accounts and notes payable -- affiliated companies, net	134,707	--
Taxes accrued	69,877	53,693
Interest accrued	35,725	44,795
Customer deposits	33,357	52,089
Non-trading derivative liabilities	--	59,075
Other	96,375	95,180
Total current liabilities	1,855,817	918,008
OTHER LIABILITIES:		
Accumulated deferred income taxes, net	583,857	555,387
Non-trading derivative liabilities	--	9,826
Payable under capacity lease agreement	12,524	--
Benefit obligations	175,144	177,559
Notes payable -- affiliated companies, net	21,718	27,311
Other	132,329	152,696
Total other liabilities	925,572	922,779
LONG-TERM DEBT	1,392,798	1,927,039
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
RERC OBLIGATED MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF RERC	608	555
STOCKHOLDER'S EQUITY	2,400,970	2,220,582
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 6,575,765	$ 5,988,963

See Notes to RERC's Consolidated Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

STATEMENTS OF CONSOLIDATED CASH FLOWS
(THOUSANDS OF DOLLARS)

YEAR ENDED DECEMBER 31,	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES: Net income	$ 100,201	$ 74,367	$ 67,244
Adjustments to reconcile net income to net cash provided by (used in) operating activities: Depreciation and amortization	198,664	214,259	207,203
Deferred income taxes	58,055	29,123	30,320
Impairment of marketable equity securities	--	26,504	--
Changes in other assets and liabilities: Accounts and notes receivable, net	(303,644)	(1,984,240)	634,116
Accounts receivable/payable, affiliates	(5,065)	15,016	17,497
Inventory	79,776	(16,539)	(22,048)
Accounts payable	205,344	1,789,841	(436,875)
Fuel cost recovery	(16,940)	34,383	8,292
Interest and taxes accrued	(15,381)	58,237	(7,114)
Margin deposits on energy trading activities	(59,468)	(206,480)	--
Federal tax refund	--	26,278	--
Other current assets	(17,635)	(118,836)	83,230
Other current liabilities	(35,489)	4,242	17,537
Other assets	14,708	47,831	(28,694)
Other liabilities	(51,416)	(41,396)	(9,673)
Net cash provided by (used in) operating activities	151,710	(47,410)	561,035
CASH FLOWS FROM INVESTING ACTIVITIES: Capital expenditures	(288,138)	(290,565)	(263,257)
Other, net	(13,905)	31,475	(54,165)
Net cash used in investing activities	(302,043)	(259,090)	(317,422)
CASH FLOWS FROM FINANCING ACTIVITIES: Payments of long-term debt	(255,293)	(221,500)	(155,569)
Proceeds from long-term debt	--	325,000	544,632
Increase (decrease) in short-term borrowings, net	234,584	100,416	(289,473)
Increase (decrease) in notes with affiliates, net	242,135	53,924	(186,004)
Dividends	--	--	(400,000)
Capital contribution from Reliant Energy	--	--	241,352
Other, net	(17,542)	(8,891)	(4,702)
Net cash provided by (used in) financing activities	203,884	248,949	(249,764)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,551	(57,551)	(6,151)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,576	80,127	22,576
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 80,127	$ 22,576	$ 16,425
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash Payments: Interest (net of amounts capitalized)	$ 142,399	$ 138,365	$ 148,303
Income taxes	85,415	62,144	116,272

See Notes to RERC's Consolidated Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

STATEMENTS OF CONSOLIDATED STOCKHOLDER'S EQUITY
(THOUSANDS OF DOLLARS)

	ACCUMULATED COMMON STOCK OTHER TOTAL				
	PAID IN RETAINED COMPREHENSIVE STOCKHOLDER'S				
	SHARES AMOUNT CAPITAL EARNINGS INCOME (LOSS) EQUITY				
Balance at December 31, 1998	1,000	$ 1	$ 2,463,831	$ 114,671	$ (16,004)	$ 2,562,499
Net income				100,201		100,201
Other comprehensive loss, net of tax: Foreign currency translation adjustments from discontinued operations					30	30
Unrealized loss on available-for-sale securities					(1,224)	(1,224)
Balance at December 31, 1999	1,000	1	2,463,831	214,872	(17,198)	2,661,506
Net income				74,367		74,367
Other comprehensive income, net of tax: Foreign currency translation adjustments from discontinued operations					(2,490)	(2,490)
Unrealized loss on available-for-sale securities					(2,264)	(2,264)
Reclassification adjustment for impairment loss on available-for-sale securities realized in net income					17,228	17,228
Additional minimum non-qualified pension liability adjustment					(9,747)	(9,747)
Transfer of subsidiaries to Reliant Resources, Inc.				(53,115)	(289,239)	4,724	(337,630)
Balance at December 31, 2000	1,000	1	2,410,716	--	(9,747)	2,400,970
Net income				67,244		67,244
Dividend to parent				(334,593)	(65,407)	(400,000)
Transfer of benefits to parent					(62,080)	(62,080)
Contributions from parent					241,352	241,352
Other comprehensive loss, net of tax: Cumulative effect of adoption of SFAS No. 133						38,092	38,092
Net deferred loss from cash flow hedges						(11,826)	(11,826)
Reclassification of net deferred							

gains from cash flow hedges realized in net income ..... (61,449) (61,449) Additional minimum non-qualified pension liability adjustment ..... 8,279 8,279 ---------- ---------- ---------- ---------- ---- ---------- Balance at December 31, 2001 ..... 1,000 $ 1 $ 2,255,395 $ 1,837 $ (36,651) $ 2,220,582 ========== ========== ========== ========== ========== ==========

See Notes to RERC's Consolidated Financial Statements

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BACKGROUND AND BASIS OF PRESENTATION

Reliant Energy Resources Corp. (RERC Corp.), together with its subsidiaries (collectively, RERC), distributes natural gas, transports natural gas through its interstate pipelines and provides natural gas gathering and pipeline services. Prior to 2001, RERC provided energy services including wholesale energy trading, marketing, power origination and risk management services in North America and Western Europe. RERC Corp. is a Delaware corporation and a wholly owned subsidiary of Reliant Energy, Incorporated (Reliant Energy).

RERC's natural gas distribution operations (Natural Gas Distribution) are conducted by three unincorporated divisions (Reliant Energy Entex (Entex), Reliant Energy Minnegasco (Minnegasco) and Reliant Energy Arkla (Arkla)) and other non-rate regulated retail gas marketing operations. RERC's pipelines and gathering operations (Pipelines and Gathering) are primarily conducted by two wholly owned pipeline subsidiaries, Reliant Energy Gas Transmission Company (REGT) and Mississippi River Transmission Corporation (MRT) and a wholly owned gas gathering subsidiary, Reliant Energy Field Services, Inc. (REFS). RERC's principal operations are located in Arkansas, Louisiana, Minnesota, Mississippi, Missouri, Oklahoma and Texas.

RERC's wholesale energy trading, marketing, power origination and risk management activities in North America were conducted primarily by Reliant Energy Services, Inc. (Reliant Energy Services), a wholly owned subsidiary of RERC prior to January 1, 2001. RERC's European energy trading and marketing activities were conducted by Reliant Energy Europe Trading & Marketing, Inc. (RE Europe Trading), a wholly owned subsidiary of RERC Corp. prior to January 1, 2001. See Note 2 regarding Reliant Energy's separation plan.

(2) RELIANT ENERGY'S SEPARATION PLAN

Reliant Energy is in the process of separating its regulated and unregulated businesses into two publicly traded companies. In December 2000, Reliant Energy transferred a significant portion of its unregulated businesses to Reliant Resources, Inc. (Reliant Resources), which, at the time, was a wholly owned subsidiary. Reliant Resources conducted an initial public offering of approximately 20% of its common stock in May 2001. In December 2001, Reliant Energy's shareholders approved an agreement and plan of merger by which the following will occur (which we refer to as the Restructuring):

- CenterPoint Energy, Inc. (CenterPoint Energy), currently a wholly owned subsidiary of Reliant Energy, will become the holding company for Reliant Energy and its subsidiaries;
- Reliant Energy and its subsidiaries will become subsidiaries of CenterPoint Energy; and
- each share of Reliant Energy common stock will be converted into one share of CenterPoint Energy common stock.

After the Restructuring, Reliant Energy plans, subject to further corporate approvals, market and other conditions, to complete the separation of its regulated and unregulated businesses by distributing its remaining equity interest in the common stock of Reliant Resources to its shareholders (Distribution). Reliant Energy's goal is to complete the Restructuring and subsequent Distribution as quickly as possible after all the necessary conditions are fulfilled, including receipt of an order from the Securities and Exchange Commission (SEC) granting the required approvals under the Public Utility Holding Company Act of 1935 (1935 Act) and an extension from the IRS of a private letter ruling that Reliant Energy has obtained regarding the tax-free treatment of the Distribution. Although receipt or timing of regulatory approvals cannot be assured, Reliant Energy believes it meets the standards for such approvals. RERC currently expects Reliant Energy to complete the Restructuring and Distribution in the summer of 2002.

RERC Corp. Restructuring

Following the Restructuring, CenterPoint Energy will be a utility holding company under the 1935 Act and as such will be required to register under the 1935 Act unless it qualifies for an exemption. In order to enable CenterPoint Energy to comply with the requirements in the exemption in Section 3(a)(1) of the 1935 Act, Reliant Energy plans to divide the gas distribution businesses conducted by RERC Corp.'s three unincorporated divisions, Entex, Arkla and Minnegasco, among three separate business entities. The entity that will hold the Entex assets will also hold RERC Corp.'s natural gas pipelines and gathering businesses. In addition to regulatory approvals Reliant Energy has obtained, this restructuring will require approval of the public service commissions of Louisiana, Oklahoma and Arkansas.

On December 31, 2000, RERC Corp. transferred all of the outstanding stock of Reliant Energy Services

International, Inc. (RESI), Arkla Finance Corporation (Arkla Finance) and RE Europe Trading, all wholly owned subsidiaries of RERC Corp., to Reliant Resources (collectively, the Stock Transfer). Both RERC Corp. and Reliant Resources are subsidiaries of Reliant Energy. As a result of the Stock Transfer, RESI, Arkla Finance and RE Europe Trading each became a wholly owned subsidiary of Reliant Resources.

Also, on December 31, 2000, a wholly owned subsidiary of Reliant Resources merged with and into Reliant Energy Services, Inc. (Reliant Energy Services), a wholly owned subsidiary of RERC Corp., with Reliant Energy Services as the surviving corporation (Merger). As a result of the Merger, Reliant Energy Services became a wholly owned subsidiary of Reliant Resources. As consideration for the Merger, Reliant Resources paid $94 million to RERC Corp.

Prior to January 1, 2001, Reliant Energy Services, RESI and RE Europe Trading conducted the trading, marketing, power origination and risk management business and operations of RERC. Arkla Finance is a company that holds an investment in marketable equity securities. The Stock Transfer and the Merger are part of Reliant Energy's previously announced restructuring.

RERC is reporting the results of RE Europe Trading as discontinued operations for all periods presented in RERC's consolidated financial statements in accordance with Accounting Principles Board (APB) Opinion No. 30 (APB Opinion No. 30).

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reclassifications and Use of Estimates.

Some amounts from the previous years have been reclassified to conform to the 2001 presentation of financial statements. These reclassifications do not affect earnings.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Market Risk and Uncertainties.

RERC is subject to the risk associated with price movements of energy commodities and, historically, the credit risk associated with RERC's risk management activities. For additional information regarding these risks, see Note 5. RERC is also subject to risks relating to the supply and prices of natural gas, seasonal weather patterns, technological obsolescence and regulatory environment in the United States.

(c) Principles of Consolidation.

The accounts of RERC and its wholly owned and majority owned subsidiaries are included in RERC's consolidated financial statements. All significant intercompany transactions and balances are eliminated in consolidation. Other investments, excluding marketable securities, are carried at cost.

(d) Revenues.

RERC records natural gas sales and services under the accrual method and these revenues are generally recognized upon delivery. Natural gas sales and services not billed by month-end are accrued based upon estimated purchased gas volumes, estimated lost and unaccounted for gas and tariffed rates in effect. Pipelines and Gathering records revenues as transportation services are provided. RERC's energy trading and marketing operations were accounted for under mark-to-market accounting, as discussed in Note 5.

(e) Long-lived Assets and Intangibles.

RERC records property, plant and equipment at historical cost. RERC expenses all repair and maintenance costs as incurred. The cost of utility plant and equipment retirements is charged to accumulated depreciation. Property, plant and equipment includes the following:

DECEMBER 31,		ESTIMATED USEFUL LIVES (YEARS)	2000	2001
			(IN MILLIONS)	
Natural gas distribution				
		5-50	$ 1,809	$ 2,002
Pipelines and gathering				
		5-75	1,582	1,627
Other property				
		3-20	38	56
Total				
			3,429	3,685
Accumulated depreciation				
			(400)	(526)
Property, plant and equipment, net			$ 3,029	$ 3,159

RERC records goodwill for the excess of the purchase price over the fair value assigned to the net assets of an acquisition. Goodwill is generally amortized on a straight-line basis over 40 years. RERC had $170 million and $219 million accumulated goodwill amortization at December 31, 2000 and 2001, respectively. RERC's goodwill is primarily related to Reliant Energy's merger with RERC Corp. in 1997. The acquisition of RERC by Reliant Energy was recorded under the purchase method of accounting. The purchase price was pushed down to RERC.

RERC periodically evaluates long-lived assets, including property, plant and equipment, goodwill and specifically identifiable intangibles, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets, as compared to the carrying value of the assets. To date, no impairment has been indicated. RERC adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) on January 1, 2002. RERC is in the process of determining the effect of adoption of SFAS No. 142 on its consolidated financial statements. For additional information related to SFAS No. 142, see Note 3(p).

(f) Regulatory Assets.

RERC applies the accounting policies established in SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71) to the accounts of the utility operations of Natural Gas Distribution and MRT. As of December 31, 2000 and 2001, RERC had recorded $5 million and $3 million, respectively, of net regulatory assets.

If, as a result of changes in regulation or competition, RERC's ability to recover these assets and liabilities would not be assured, then pursuant to SFAS No. 101, "Regulated Enterprises Accounting for the Discontinuation of Application of SFAS No. 71" (SFAS No. 101) and SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS No. 121), RERC would be required to write off or write down these regulatory assets and liabilities. In addition, RERC would be required to determine any impairment to the carrying costs of plant and inventory assets.

(g) Depreciation and Amortization Expense.

Depreciation is computed using the straight-line method based on economic lives or a regulatory mandated method. Other amortization expense includes amortization of regulatory assets and other intangibles.

The following table presents depreciation, goodwill amortization and other amortization expense for 1999, 2000 and 2001.

YEAR ENDED DECEMBER 31,		
1999	2000	2001
	(IN MILLIONS)	
Depreciation expense	$ 143	$ 153	$ 146
Goodwill amortization expense	53	54	49
Other amortization expense	3	7	12
Total depreciation and amortization	$ 199	$ 214	$ 207

(h) Capitalization of Interest.

Interest and allowance for funds used during construction (AFUDC) related to debt for subsidiaries that apply SFAS No. 71 are capitalized as a component of projects under construction and will be amortized over the assets' estimated useful lives. During 1999, 2000 and 2001, RERC capitalized interest and AFUDC related to debt of $1.9 million, $2.0 million and $0.2 million, respectively.

(i) Income Taxes.

RERC is included in the consolidated income tax returns of Reliant Energy. RERC calculates its income tax provision on a separate return basis under a tax sharing agreement with Reliant Energy. RERC uses the liability method of accounting for deferred income taxes and measures deferred income taxes for all significant income tax temporary differences. Investment tax credits were deferred and are being amortized over the estimated lives of the related property. Current federal and certain state income taxes are payable to or receivable from Reliant Energy. For additional information regarding income taxes, see Note 9.

(j) Accounts Receivable and Allowance for Doubtful Accounts.

Accounts and notes receivable, principally customers, net, are net of an allowance for doubtful accounts of $33 million at December 31, 2000 and 2001. The provisions for doubtful accounts in RERC's Statements of Consolidated Income for 1999, 2000 and 2001 were $16 million, $32 million and $46 million, respectively.

(k) Inventory.

Inventory consists principally of materials and supplies, natural gas and heating oil and is valued at the lower of average cost or market. Inventory includes the following components:

DECEMBER 31,	
2000	2001
(IN MILLIONS)	
Materials and supplies	$ 33	$ 33
Natural gas	83	111
Total inventory	$ 116	$ 144

(l) Investment in Other Debt and Equity Securities.

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115), RERC reports "available-for-sale" securities at estimated fair value in RERC's Consolidated Balance Sheets and any unrealized gain or loss, net of tax, as a separate component of stockholder's equity and accumulated other comprehensive income (loss).

During 2000, pursuant to SFAS No. 115, RERC incurred a pre-tax impairment

loss on marketable equity securities classified as "available-for-sale" equal to $27 million of cumulative unrealized losses which was recorded in other income (expense) in RERC's Statements of Consolidated Income. Management's determination to recognize this impairment resulted from a combination of events occurring in 2000 related to this investment. Such events affecting the investment included changes occurring in the investment's senior management, announcement of

significant restructuring charges and related downsizing for the entity, reduced earnings estimates for this entity by brokerage analysts and the bankruptcy of a competitor of the investment in the first quarter of 2000. These events, coupled with the stock market value of RERC's investment in these securities continuing to be below RERC's cost basis, caused management to believe the decline in fair value of these "available-for-sale" securities to be other than temporary. On December 31, 2000, RERC transferred all of the outstanding capital stock of Arkla Finance, which holds this investment, to Reliant Resources as described in Note 2. As of December 31, 2000 and 2001, RERC held no "available-for-sale" securities.

(m) Environmental Costs.

RERC expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. RERC expenses amounts that relate to an existing condition caused by past operations and that do not have future economic benefit. RERC records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated. Subject to SFAS No. 71, a corresponding regulatory asset is recorded in anticipation of recovery through the rate making process by subsidiaries that apply SFAS No. 71 in some circumstances.

(n) Foreign Currency Adjustments.

RERC considered the local currency the functional currency of RE Europe Trading prior to its transfer as described in Note 2. Foreign subsidiaries' assets and liabilities were translated into U.S. dollars using the exchange rate at the balance sheet date. Revenues, expenses, gains and losses were translated using the weighted average exchange rate for each year prevailing during the periods reported. Cumulative adjustments resulting from translation were recorded in stockholder's equity in other comprehensive income (loss).

(o) Statements of Consolidated Cash Flows.

For purposes of reporting cash flows, RERC considers cash equivalents to be short-term, highly liquid investments with maturities of three months or less from the date of purchase.

(p) Changes in Accounting Principles and New Accounting Pronouncements.

Staff Accounting Bulletin No. 101, "Revenue Recognition" (SAB No. 101), was issued by the SEC on December 3, 1999. SAB No. 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The consolidated financial statements reflect the accounting guidance provided in SAB No. 101.

For a discussion of the effect of the adoption of SFAS No. 133 on RERC's consolidated financial statements, see Note 5.

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 "Business Combinations" (SFAS No. 141) and SFAS No. 142. SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and broadens the criteria for recording intangible assets separate from goodwill. Recorded goodwill and intangibles will be evaluated against these new criteria and may result in certain intangibles being transferred to goodwill, or alternatively, amounts initially recorded as goodwill may be separately identified and recognized apart from goodwill. SFAS No. 142 provides for a nonamortization approach, whereby goodwill and certain intangibles with indefinite lives will not be amortized into results of operations, but instead will be reviewed periodically for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles with indefinite lives is more than its fair value. RERC adopted the provisions of each statement which apply to goodwill and intangible assets acquired prior to June 30, 2001 on January 1, 2002. The adoption of SFAS No. 141 did not have a material impact on RERC's historical results of operations or financial position. On January 1, 2002, RERC discontinued amortizing goodwill into the results of operations pursuant to SFAS No. 142. RERC recognized $49 million of goodwill amortization expense in the Statements of Consolidated Income during 2001. RERC is in the process of determining further effects of adoption of SFAS No. 142 on its consolidated financial statements. RERC anticipates finalizing its review of goodwill and certain intangible assets during 2002.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 requires the fair value of a liability for an asset retirement legal obligation to be recognized in the period in which it is incurred. When the liability is initially recorded, associated costs are capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002, with earlier adoption encouraged. SFAS No. 143 requires entities to record a cumulative effect of a change in accounting principle in the income statement in the period of adoption. RERC plans to adopt SFAS No. 143 on January 1, 2003 and is in the process of determining the effect of adoption on its consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. SFAS No. 144 supercedes SFAS No. 121 and APB Opinion No. 30, while retaining many of the requirements of these two statements. Under SFAS No. 144, assets held for sale that are a component of an entity will be included in discontinued operations if the operations and cash flows will be or have been eliminated from the ongoing operations of the entity and the entity will not have any significant continuing involvement in the operations prospectively. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with early adoption encouraged. SFAS No. 144 is not expected to materially change the methods used by RERC to measure impairment losses on long-lived assets, but may result in additional future dispositions being reported as discontinued operations than was previously permitted. RERC adopted SFAS No. 144 on January 1, 2002.

(4) RELATED PARTY TRANSACTIONS

From time to time, RERC has advanced to or borrowed money from Reliant Energy or its subsidiaries. As of December 31, 2000, included in accounts and notes payable-affiliated companies, RERC had net short-term borrowings of $59 million and net accounts payable of $76 million. As of December 31, 2001, included in accounts and notes receivable-affiliated companies, RERC had net short-term receivables of $132 million, partially offset by net accounts payable of $93 million. As of December 31, 2000 and 2001, RERC had net long term borrowings, included in notes payable-affiliated companies, totaling $22 million and $27 million, respectively. Net interest income on these borrowings was $6 million, $3 million and $5 million in 1999, 2000 and 2001, respectively.

In 1999 and 2000, Reliant Energy Services supplied natural gas to, purchased electricity for resale from, and provided marketing and risk management services to unregulated power plants in deregulated markets acquired or operated by Reliant Energy Power Generation, Inc., an indirect wholly owned subsidiary of Reliant Energy, or its subsidiaries. In 2001, RERC supplied natural gas to Reliant Energy Services, now a subsidiary of Reliant Resources (see Note 2). During 1999, 2000 and 2001, the sales and services to Reliant Energy and its affiliates totaled $197 million, $816 million and $181 million, respectively. Purchases from Reliant Energy and its affiliates were $118 million, $391 million and $639 million in 1999, 2000 and 2001, respectively.

Reliant Energy provides some corporate services to RERC including various corporate support services (including accounting, finance, investor relations, planning, legal, communications, governmental and regulatory affairs and human resources), information technology services and other shared services (such as corporate security, facilities management, accounts receivable, accounts payable, payroll, office support services, customer care services and purchasing and logistics). The costs of services have been directly charged or allocated to RERC using methods that management believes are reasonable. These methods include negotiated usage rates, dedicated asset assignment, and proportionate corporate formulas based on assets, operating expenses and employees. These charges and allocations are not necessarily indicative of what would have been incurred had RERC been a separate entity. Amounts charged and allocated to RERC for these services were $34 million, $32 million and $31 million for 1999, 2000 and 2001, respectively, and are included primarily in operation and maintenance expenses. Some

subsidiaries of RERC have entered into office rental agreements with Reliant Energy. In 1999, 2000 and 2001, RERC paid $2 million, $3 million and $2 million, respectively, of rent expense to Reliant Energy.

In February 2001, RERC Corp. paid a dividend to Reliant Energy from the proceeds of a debt offering as discussed in Note 6(b). In May 2001, Reliant Energy made a $236 million capital contribution to RERC Corp. and RERC Corp. subsequently invested the $236 million with a financing subsidiary of Reliant Energy, which is not a subsidiary of RERC.

(5) DERIVATIVE INSTRUMENTS

Effective January 1, 2001, RERC adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended (SFAS No. 133), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. This statement requires that derivatives be recognized at fair value in the balance sheet and that changes in fair value be recognized either currently in earnings or deferred as a component of other comprehensive income, depending on the intended use of the derivative instrument as hedging (a) the exposure to changes in the fair value of an asset or liability (Fair Value Hedge) or (b) the exposure to variability in expected future cash flows (Cash Flow Hedge) or (c) the foreign currency exposure of a net investment in a foreign operation. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period it occurs.

Adoption of SFAS No. 133 on January 1, 2001 resulted in a cumulative after-tax increase in accumulated other comprehensive income of $38 million. The adoption also increased current assets, long-term assets, current liabilities and long-term liabilities by approximately $88 million, $5 million, $53 million and $2 million, respectively, in RERC's Consolidated Balance Sheet. During the year ended December 31, 2001, $34 million of the initial after-tax transition adjustment recognized in other comprehensive income was recognized in net income.

During the third quarter of 2001, the FASB cleared an issue related to application of the normal purchases and normal sales exception to contracts that combine forward and purchased option contracts. The effective date of this guidance is April 1, 2002, and RERC is currently assessing the impact of this cleared issue and does not believe it will have a material impact on RERC's consolidated financial statements.

RERC is exposed to various market risks. These risks are inherent in RERC's consolidated financial statements and arise from transactions entered into in the normal course of business. RERC utilizes derivative financial instruments such as physical forward contracts, swaps and options (Energy Derivatives) to mitigate the impact of changes and cash flows of its natural gas on its operating results and cash flows.

(a) Non-Trading Activities.

Cash Flow Hedges. To reduce the risk from market fluctuations in revenues and the resulting cash flows derived from the sale of natural gas, RERC may enter into Energy Derivatives in order to hedge certain expected purchases and sales of natural gas (Non-trading Energy Derivatives). In 2001 these transactions were entered into with Reliant Energy Services, an affiliated company (See Note 2). The Non-trading Energy Derivative portfolios are managed to complement the physical transaction portfolio, reducing overall risks within authorized limits.

RERC applies hedge accounting for its Non-trading Energy Derivatives utilized in non-trading activities only if there is a high correlation between price movements in the derivative and the item designated as being hedged. This correlation, a measure of hedge effectiveness, is measured both at the inception of the hedge and on an ongoing basis, with an acceptable level of correlation of at least 80% to 120% for hedge designation. If and when correlation ceases to exist at an acceptable level, hedge accounting ceases and mark-to-market accounting is applied. During 2001, the amount of hedge ineffectiveness recognized in earnings from derivatives that are designated and qualify as Cash Flow Hedges was immaterial. No component of the derivative instruments' loss was excluded from the assessment of effectiveness. If it becomes probable that an anticipated transaction will not occur, RERC realizes in net income the deferred gains and losses recognized in accumulated other comprehensive loss. During the year ended December 31, 2001, there was a $3.6 million deferred loss recognized in earnings as a result of the discontinuance of cash flow hedges because it was no longer probable that the forecasted transaction would occur due to credit problems of a customer. Once the anticipated transaction occurs, the accumulated deferred gain or loss

recognized in accumulated other comprehensive loss is reclassified and included in RERC's Statements of Consolidated Income under the caption "Natural Gas and Purchased Power." Cash flows resulting from these transactions in Non-trading Energy Derivatives are included in the Statements of Consolidated Cash Flows in the same category as the item being hedged. As of December 31, 2001, RERC's current non-trading derivative assets and liabilities and corresponding amounts in accumulated other comprehensive gain or loss were expected to be reclassified into net income during the next twelve months.

The maximum length of time RERC is hedging its exposure to the variability in future cash flows for forecasted transactions on existing financial instruments is primarily two years with a limited amount of exposure up to three years. RERC's policy is not to exceed five years in hedging its exposure.

(b) Energy Trading, Marketing and Price Risk Management Activities.

During 2000 and in prior years, RERC offered energy, price risk management services through a subsidiary, Reliant Energy Services. In December 2000, Reliant Energy Services was transferred to an affiliated company. Reliant Energy Services offered energy price risk management services primarily related to natural gas, electric power and other energy related commodities. Reliant Energy Services provided these services by utilizing a variety of derivative financial instruments, including (a) fixed and variable-priced physical forward contracts, (b) fixed and variable-priced swap agreements, (c) options traded in the over-the-counter financial markets and (d) exchange-traded energy futures and option contracts (Trading Derivatives). Fixed-price swap agreements require payments to, or receipts of payments from, counterparties based on the differential between a fixed and variable price for the commodity. Variable-price swap agreements require payments to, or receipts of payments from, counterparties based on the differential between industry pricing publications or exchange quotations.

RERC applied mark-to-market accounting for all of its energy trading, marketing and price risk management operations. Accordingly, these Trading Derivatives were recorded at fair value with realized and unrealized gains (losses) recorded as a component of revenues prior to the Merger. There were no recognized, unrealized balances (energy trading, marketing and price risk management assets/liabilities) as of December 31, 2000 and 2001.

(c) Credit Risks.

In addition to the risk associated with price movements, credit risk is also inherent in RERC's non-trading derivative activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. RERC enters into financial transactions to hedge purchases and sales with Reliant Energy Services as the counterparty since December 2000. Reliant Energy Services, an affiliated company, enters into financial transactions with unaffiliated parties to complete the hedge transaction and assumes the risk of loss from unaffiliated parties. As of December 31, 2001, the counterparty for all of RERC's non-trading derivative assets and liabilities was Reliant Energy Services.

(d) Trading and Non-trading - General Policy.

Reliant Energy has established a Risk Oversight Committee comprised of corporate and business segment officers that oversees all commodity price and credit risk activities, including Reliant Energy's trading, marketing, risk management services and hedging activities. The committee's duties are to establish Reliant Energy's commodity risk policies, allocate risk capital within limits established by Reliant Energy's board of directors, approve trading of new products and commodities, monitor risk positions and ensure compliance with Reliant Energy's risk management policies and procedures and trading limits established by Reliant Energy's board of directors.

Reliant Energy's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

(6) LONG-TERM DEBT AND SHORT-TERM BORROWINGS

DECEMBER 31, 2000		DECEMBER 31, 2001	
LONG-TERM	CURRENT(1)	LONG-TERM	CURRENT(1)
		(IN MILLIONS)	
		Short-term borrowings:	
		Receivables facility	$ 350
$	$ 346	Commercial paper	285
		Total short-term borrowings	635
346			
		Long-term debt(2):	
		Convertible debentures 6.0% due 2012	$ 93
$ 82			
		Debentures 6.38% to 8.90% due 2003 to 2011	1,285
		Notes payable 8.77% to 9.23% paid 2001	146
		Unamortized discount and premium	15
12			
		Total long-term debt	1,393
146	1,927		
		Total borrowings	$ 1,393
$ 781	$ 1,927	$ 346	

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(1) Includes amounts due within one year of the date.

(2) Included in long term debt is additional unamortized premium related to fair value adjustments of long-term debt of $12 million and $9 million at December 31, 2000 and 2001, respectively. These fair value adjustments resulted from Reliant Energy's acquisition of RERC and are being amortized over the remaining term of the related long-term debt.

(a) Short-term Borrowings.

In 2001, RERC met its short-term financing needs primarily through a trade receivables facility (Receivables Facility) and the issuance of commercial paper in addition to advances from subsidiaries of Reliant Energy. RERC has a $350 million revolving credit facility (RERC Credit Facility) that expires in 2003. The RERC Credit Facility is used to support RERC's issuance of up to $350 million of commercial paper and includes a $65 million sub-facility under which letters of credit may be obtained. Borrowings under the RERC Credit Facility are unsecured and bear interest at a rate based upon either the London interbank offered rate (LIBOR) plus a margin, a base rate or a rate determined through a bidding process. As of December 31, 2000, RERC had $285 million of commercial paper outstanding with a weighted average interest rate of 8.38%. As of December 31, 2001, RERC had no commercial paper outstanding. Letters of credit outstanding under the sub-facility aggregated $65 million and $2.5 million as of December 31, 2000 and 2001, respectively.

Under the Receivables Facility, which expires in August 2002, RERC sells, with limited recourse, an undivided interest (limited to a maximum of $350 million as of December 31, 2000 and 2001) in a designated pool of accounts receivable. The amount advanced under the Receivables Facility was $350 million and $346 million at December 31, 2000 and 2001, respectively. The weighted average interest rate was approximately 6.58% and 2.03% at December 31, 2000 and December 31, 2001, respectively. Fees and interest expense for 1999, 2000 and 2001 aggregated $19 million, $24 million and $15 million, respectively. The size of the receivables facility was increased from $300 million to $350 million in August 1999. For information on the reduction in the size of the facility in 2002, see Note 15.

(b) Long-term Debt.

Consolidated maturities of long-term debt and sinking fund requirements, which are $7 million per year, for RERC are $-0- in 2002, $502 million in 2003, $7 million in 2004, $332 million in 2005 and $152 million in 2006. The 2002 and 2003 amounts are net of accumulated sinking fund payments.

At December 31, 2000 and 2001, RERC Corp. had issued and outstanding $98 million and $86 million, respectively, aggregate principal amount ($93 million and $82 million, respectively, carrying amount) of its 6% Convertible Subordinated Debentures due 2012 (Subordinated Debentures). The holders of the Subordinated Debentures receive interest quarterly and have the right at any time on or before the maturity date thereof to convert each Subordinated Debenture into 0.65 shares of Reliant Energy common stock and $14.24 in cash. At Restructuring, each Subordinated Debenture is convertible into 0.65 shares of CenterPoint Energy stock and $14.24 in cash. At Distribution, each Subordinated Debenture is convertible into an increased number of CenterPoint Energy shares based on a formula in the indenture governing the Subordinated Debentures, and $14.24 in cash. During 2001, RERC Corp. purchased $11 million aggregate principal amount of its Subordinated Debentures.

RERC Corp.'s $500 million aggregate principal amount of 6 3/8% Term Enhanced ReMarketable Securities (TERM Notes) provide an investment bank with a call option, which gives it the right to have the TERM Notes redeemed from the investors on November 1, 2003 and then remarketed if it chooses to exercise the option. The TERM Notes are unsecured obligations of RERC Corp. which bear interest at an annual rate of 6 3/8% through November 1, 2003. On November 1, 2003, the holders of the TERM Notes are required to tender their notes at 100% of their principal amount. The portion of the proceeds attributable to the call option premium will be amortized over the stated term of the securities. If the option is not exercised by the investment bank, RERC Corp. will repurchase the TERM Notes at 100% of their principal amount on November 1, 2003. If the option is exercised, the TERM Notes will be remarketed on a date, selected by RERC Corp., within the 52-week period beginning November 1, 2003. During this period and prior to remarketing, the TERM Notes will bear interest at rates, adjusted weekly, based on an index selected by RERC Corp. If the TERM Notes are remarketed, the final maturity date of the TERM Notes will be November 1, 2013, subject to adjustment, and the effective interest rate on the remarketed TERM Notes will be 5.66% plus RERC Corp.'s applicable credit spread at the time of such remarketing.

In February 2001, RERC Corp. issued $550 million of unsecured notes that bear interest at 7.75% per year and mature in February 2011. Net proceeds to RERC Corp. were $545 million. RERC Corp. used the net proceeds from the sale of the notes to pay a $400 million dividend to Reliant Energy, and for general corporate purposes. Reliant Energy used the $400 million proceeds from the dividend for general corporate purposes, including the repayment of short-term borrowings.

(c) Restrictions on Debt.

RERC Corp.'s facilities contain various business and financial covenants requiring RERC Corp. to, among other things, maintain leverage (as defined in the credit facilities), below specified ratios. These covenants are not anticipated to materially restrict RERC Corp. from borrowing funds or obtaining letters of credit under these facilities. As of December 31, 2001, RERC Corp. was in compliance with these debt covenants.

(7) TRUST PREFERRED SECURITIES

In June 1996, a Delaware statutory business trust created by RERC Corp. (RERC Trust) issued $173 million aggregate amount of convertible preferred securities to the public. RERC Corp. accounts for RERC Trust as a wholly owned consolidated subsidiary. RERC Trust used the proceeds of the offering to purchase convertible junior subordinated debentures issued by RERC Corp. having an interest rate and maturity date that correspond to the distribution rate and mandatory redemption date of the convertible preferred securities. The convertible junior subordinated debentures represent RERC Trust's sole assets and its entire operations. RERC Corp. considers its obligation under the Amended and Restated Declaration of Trust, Indenture and Guaranty Agreement relating to the convertible preferred securities, taken together, to constitute a full and unconditional guarantee by RERC Corp. of RERC Trust's obligations with respect to the convertible preferred securities.

The convertible preferred securities are mandatorily redeemable upon the repayment of the convertible junior subordinated debentures at their stated maturity or earlier redemption. Each convertible preferred security is convertible at the option of the holder into $33.62 of cash and 1.55 shares of Reliant Energy common stock. At Restructuring, each convertible preferred security is convertible into 1.55 shares of CenterPoint Energy common stock and $33.62 in cash. At Distribution, each convertible preferred security is convertible into an increased number of shares of CenterPoint Energy common stock based on a formula in the indenture governing the junior subordinated debentures and $33.62 in cash. During 2000 and 2001, convertible preferred securities of $0.3 million and $0.04 million, respectively, were converted. As of December 31, 2000 and 2001, $0.4 million liquidation amount of convertible preferred securities were outstanding. The securities, and their underlying convertible junior subordinated debentures, bear interest at 6.25% and mature in June 2026. Subject to some limitations, RERC Corp. has the option of deferring payments of interest on the convertible junior subordinated debentures. During any deferral or event of default, RERC Corp. may not pay dividends on its common stock to Reliant Energy. As of December 31, 2001, no interest payments on the convertible junior subordinated debentures had been deferred.

(8) STOCK-BASED INCENTIVE COMPENSATION PLANS AND EMPLOYEE BENEFIT PLANS

(a) Incentive Compensation Plans.

RERC participates in Reliant Energy's Long-Term Incentive Compensation Plans (LICP) and other incentive compensation plans that provide for the issuance of stock-based incentives, including performance-based shares, performance-based units, restricted shares, stock options and stock appreciation rights, to key employees of RERC, including officers. Stock-based incentive expense information presented herein represents RERC's portion of the overall plans. As of December 31, 2001, 138 current and 7 former employees of RERC participate in the plans.

Performance-based shares, performance-based units and restricted shares are granted to employees without cost to the participants. The performance shares and units vest three years after the grant date based upon the performance of Reliant Energy and its subsidiaries over a three-year cycle except as discussed below. The restricted shares vest to the participants at various times ranging from immediate vesting to vesting at the end of a three-year period. Upon vesting, the shares are issued to the plans' participants. During 1999 and 2000, RERC recorded compensation expense of $1 million and $4 million, respectively, related to performance-based shares and restricted share grants. During 2001, the amounts recorded for compensation expense were immaterial.

Assuming the Distribution occurs during calendar year 2002, Reliant Energy's compensation committee will authorize the conversion of outstanding Reliant Energy performance-based shares for the performance cycle ending December 31, 2002 to a number of time-based restricted shares of Reliant Energy's common stock equal to the number of performance-based shares that would have vested if the performance objectives for the performance cycle were achieved at the maximum level. These time-based restricted shares will vest if the participant holding the shares remains employed with RERC or its affiliates through December 31, 2002. At Distribution, holders of these time-based restricted shares will receive shares of Reliant Resources common stock in the same manner as other holders of Reliant Energy common stock, but these shares of common stock will be subject to the same time-based vesting schedule as well as the terms and conditions of the plan under which the original performance-based shares were granted. Thus, following the Distribution, employees who held performance-based shares under the LICP for the performance cycle ending December 31, 2002 will hold time-based restricted shares of Reliant Energy common stock and time-based restricted shares of Reliant Resources common stock which will vest following continuous employment through December 31, 2002.

Reliant Energy stock options generally become exercisable in one-third increments on each of the first through third anniversaries of the grant date. The exercise price is the average of the high and low sales price of the common stock on the New York Stock Exchange on the grant date. RERC applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB Opinion No. 25), and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for these fixed stock options.

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), RERC applies the guidance contained in APB Opinion No. 25 and discloses the required pro forma effect on net income of the fair value based method of accounting for stock compensation. The weighted average fair values at date of grant for Reliant Energy options granted to RERC employees during 1999, 2000 and 2001 were $3.13, $5.07 and $9.25, respectively, and were estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

1999	2000	2001
Expected life in years	5	5
Interest rate	5.10%	6.57%	4.87%
Volatility	21.23%	24.00%	31.91%
Expected common stock dividend	$ 1.50	$ 1.50	$ 1.50

Pro forma information for 1999, 2000 and 2001 is provided to take into account the amortization of stock-based compensation to expense on a straight line basis over the vesting period. Had compensation costs been determined as prescribed by SFAS No. 123, RERC's net income would have been reduced by $1 million in 1999, and $2 million in 2000 and 2001, respectively.

(b) Pension.

RERC employees participate in Reliant Energy's pension plan which is a noncontributory defined benefit plan covering substantially all employees in the United States and certain employees in foreign countries. The benefit accrual is in the form of a cash balance credit of 4% of annual pay. Prior to 1999, the pension plan accrued benefits based on years of service, final average pay and covered compensation. As a result, certain employees participating in the plan as of December 31, 1998 are eligible for transition benefits through 2008.

Reliant Energy's funding policy is to review amounts annually in accordance with applicable regulations in order to achieve adequate funding of projected benefit obligations. The assets of the pension plan consist principally of common stocks and interest-bearing obligations. Included in such assets are RERC's proportionate share of 4.5 million shares of Reliant Energy common stock contributed from Reliant Energy treasury stock during 2001. As of December 31, 2001, the fair value of Reliant Energy common stock was 8.7% of plan assets. The net periodic pension benefits, prepaid pension costs and benefit obligation of RERC have been determined based on the employees of RERC and their respective compensation levels.

Net pension cost for RERC includes the following components:

YEAR ENDED DECEMBER 31,	1999	2000	2001
	(IN MILLIONS)		
Service cost -- benefits earned during the period	$ 15	$ 12	$ 16
Interest cost on projected benefit obligation	35	33	36
Expected return on plan assets	(61)	(62)	(51)
Net amortization	(2)	(4)	--
Net pension (benefit) cost	$ (13)	$ (21)	$ 1

Reconciliations of RERC's beginning and ending balances of its retirement plan benefit obligation, plan assets and funded status for 2000 and 2001 are set forth below:

YEAR ENDED DECEMBER 31,		
	2000	2001
(IN MILLIONS) CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, beginning of year	$ 447	$ 499
Service cost	12	16
Interest cost	33	36
Benefits paid	(41)	(40)
Transfer to affiliate	(1)	--
Transfer of obligation to non-qualified plan	(10)	--
Actuarial loss	59	41
Benefit obligation, end of year	$ 499	$ 552
CHANGE IN PLAN ASSETS		
Plan assets, beginning of year	$ 620	$ 598
Employer contribution	--	39
Benefits paid	(41)	(40)
Transfer to affiliate	(1)	
Actual investment gain (loss)	(86)	(1)
	20	(11)
Plan assets, end of year	$ 598	$ 500
RECONCILIATION OF FUNDED STATUS		
Funded status	$ 99	$ (52)
Unrecognized prior service cost	(45)	(35)
Unrecognized actuarial loss	88	181
Net amount recognized at end of year	$ 142	$ 94
ACTUARIAL ASSUMPTIONS		
Discount rate	7.5%	7.25%
Rate of increase in compensation levels	3.5-5.5%	3.5-5.5%
Expected long-term rate of return on assets	10.0%	9.5%

(1) Since RERC participates in Reliant Energy's defined benefit plan, RERC's pension assets are allocated proportional to RERC's obligation in the plan. Therefore, the investment gain (loss) may fluctuate due to the change in obligations as well as investment performance.

RERC employees participate in Reliant Energy's non-qualified pension plans which allowed participants to retain the benefits to which they would have been entitled under its noncontributory pension plans except for the federally mandated limits on these benefits or on the level of salary on which these benefits may be calculated. The expense associated with these non-qualified plans was $1 million, $13 million and $5 million in 1999, 2000 and 2001, respectively. The accrued benefit liability for the nonqualified pension plan was $49 million and $40 million at December 31, 2000 and December 31, 2001, respectively. In addition, these accrued benefit liabilities include the recognition of minimum liability adjustments of $19 million as of December 31, 2000 and $3 million as of December 31, 2001, which are reported as a component of comprehensive income, net of income tax effects.

RERC's prepaid pension asset is presented in the Consolidated Balance Sheets under the caption Other Assets - Prepaid Pension Asset.

(c) Savings Plan.

Employees of RERC participate in Reliant Energy's savings plans, which qualify as cash or deferred arrangements under Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code). Under Reliant Energy's plans, participating employees may contribute a portion of their compensation, pre-tax or after-tax, generally up to a maximum of 16% of compensation. The Company matches 75% to 125% (based on certain performance goals achieved) of the first 6% of each employee's compensation contributed, with most matching contributions subject to a vesting schedule. Substantially all of Reliant Energy's match is invested in Reliant Energy

common stock. Given the concentration of the investments in Reliant Energy's common stock, the savings plan and its participants have vulnerability to volatility of Reliant Energy's common stock. Reliant Energy allocates to RERC the savings plan benefit expense related to the employees of RERC.

Savings plan benefit expense related to RERC was $10 million, $18 million and $12 million in 1999, 2000 and 2001, respectively.

(d) Postretirement Benefits.

RERC employees participate in Reliant Energy's plans which provide certain healthcare and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans. Under plan amendments effective in early 1999, health care benefits for future retirees were changed to limit employer contributions for medical coverage. Such benefit costs are accrued over the active service period of employees.

Reliant Energy is required to fund a portion of its obligations in accordance with rate orders. All other obligations are funded on a pay-as-you-go basis.

The net postretirement benefit cost includes the following components:

YEAR ENDED DECEMBER 31,			
	1999	2000	2001
	(IN MILLIONS)		
Service cost -- benefits earned during the period	$ 2	$ 2	$ 2
Interest cost on projected benefit obligation	9	9	9
Expected return on plan assets	(1)	(1)	(1)
Net amortization	2	1	2
Net postretirement benefit cost	$ 12	$ 11	$ 12

Following are reconciliations of RERC's beginning and ending balances of its postretirement benefit plans benefit obligation, plan assets and funded status for 2000 and 2001.

YEAR ENDED DECEMBER 31,		
	2000	2001
- (IN MILLIONS) CHANGE IN BENEFIT OBLIGATION Benefit obligation, beginning of year	$ 116	$ 130
Service cost	2	2
Interest cost	9	9
Benefits paid	(10)	(12)
Participant contributions	1	2
Plan amendments	3	--
Actuarial (gain) loss	9	--
Benefit obligation, end of year	$ 130	$ 131
CHANGE IN PLAN ASSETS Plan assets, beginning of year	$ 9	$ 12
Benefits paid	(10)	(12)
Employer contributions	11	17
Participant contributions	1	2
Actual investment return	1	(1)
Plan assets, end of year	$ 12	$ 18
RECONCILIATION OF FUNDED STATUS Funded status	$ (118)	$ (113)
Unrecognized prior service cost	27	21
Unrecognized actuarial gain	(12)	(10)
Net amount recognized at end of year	$ (103)	$ (102)
ACTUARIAL ASSUMPTIONS Discount rate	7.5%	7.25%
Expected long-term rate of return on assets	10.0%	9.5%
Health care cost trend rates -- Under 65	8.0%	7.5%
Health care cost trend rates -- 65 and over	9.0%	8.5%

The assumed health care rates gradually decline to 5.5% for both medical categories by 2010. The actuarial gains and losses are due to changes in actuarial assumptions.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of December 31, 2001 would increase by approximately 3.5%. The annual effect of the 1% increase on the total of the service and interest costs would be an increase of approximately 2.9%. If the health care cost trend rate assumptions were decreased by 1%, the accumulated postretirement benefit obligation as of December 31, 2001 would decrease by approximately 3.6%. The annual effect of the 1% decrease on the total of the service and interest costs would be a decrease of 3.0%.

RERC's postretirement obligation is presented as a liability in the Consolidated Balance Sheet under the caption Benefit Obligations.

(e) Postemployment Benefits.

Net postemployment benefit costs for former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement (primarily health care and life insurance benefits for participants in the long-term disability plan), were $11 million, $1 million and $3 million in 1999, 2000 and 2001, respectively.

RERC's postemployment obligation is presented as a liability in the Consolidated Balance Sheet under the caption Benefit Obligations.

(f) Other Non-qualified Plans.

RERC participates in Reliant Energy's deferred compensation plans which permit eligible participants to elect each year to defer a percentage of up to 100% of that year's salary and that year's annual bonus. In general, employees who attain the age of 60 during employment and participate in Reliant Energy's deferred compensation plans may elect to have their deferred compensation amounts repaid in (a) 15 equal annual installments commencing at the later of age 65 or termination of employment or (b) a lump-sum distribution following termination of employment. Interest generally accrues on deferrals at a rate equal to the average Moody's Long-Term Corporate Bond Index plus 2%, determined annually until termination when the rate is fixed at the greater of the rate in effect at age 64 or at age 65. During 1999, 2000 and 2001, RERC recorded interest expense related to its deferred compensation obligation of $1 million each year. The discounted deferred compensation obligation recorded by RERC was $10 million and $14 million as of December 31, 2000 and 2001, respectively.

RERC's obligations under other non-qualified plans are presented as a liability in the Consolidated Balance Sheets under the caption Benefit Obligations.

(g) Other Employee Matters.

As of December 31, 2001, approximately 28% of RERC's employees were subject to collective bargaining arrangements, of which contracts covering 9% of RERC's employees will expire prior to December 31, 2002.

(h) Transfer of Benefit Assets and Liabilities.

During the three months ended March 31, 2001, RERC Corp. had net distributions to Reliant Energy related to various benefit assets and obligations, net of deferred taxes, of $62 million.

(9) INCOME TAXES

The components of income from continuing operations before taxes are as follows:

YEAR ENDED DECEMBER 31,		
1999	2000	2001
(IN MILLIONS)		
United States	$ 193	$ 177	$ 126
Foreign	15	15	12
Income from continuing operations before income taxes	$ 208	$ 192	$ 138

RERC's current and deferred components of income tax expense are as follows:

YEAR ENDED DECEMBER 31,		
	1999	2000	2001
	(IN MILLIONS)		
Current			
Federal	$ 27	$ 52	$ 31
State	4	9	(3)
Foreign	3		
Total current	34	61	28
Deferred			
Federal	53	24	29
State	5	1	1
Foreign	4		
Total deferred	62	25	30
Income tax expense	$ 96	$ 86	$ 58

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

YEAR ENDED DECEMBER 31,			
	1999	2000	2001
	(IN MILLIONS)		
Income from continuing operations before income taxes	$ 193	$ 192	$ 126
Federal statutory rate	35%	35%	35%
Income tax expense at statutory rate	68	67	44
Increase (decrease) in tax resulting from: State income taxes, net of valuation allowances and federal income tax benefit(1)	5	6	(1)
Goodwill amortization	18	18	16
Other, net	(2)	2	(1)
Total	21	26	14
Income tax expense	$ 93	$ 58	$ 89
Effective Rate	46.1%	48.7%	46.4%

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(1) Calculation of the accrual for state income taxes at the end of each year requires that RERC estimate the manner in which its income for that year will be allocated and/or apportioned among the various states in which it conducts business, where states have widely differing tax rules and rates. These allocation/apportionment factors change from year to year and the amount of taxes ultimately payable may differ from that estimated as a part of the accrual process. For these reasons, the amount of state income tax expense may vary significantly from year to year, even in the absence of significant changes to state income tax valuation allowances or changes in individual state income tax rates.

Following were RERC's tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases:

DECEMBER 31,	2000	2001
	(IN MILLIONS)	
Deferred tax assets: Current: Non-trading derivative liabilities, net	$ --	$ 19
Allowance for doubtful accounts	17	15
Total current deferred tax assets	17	34
Non-current: Employee benefits	45	70
Operating loss carryforwards	63	28
Alternative minimum tax and other credit carryforwards	25	-
- Non-trading derivative liabilities, net	--	2
Other	37	43
Valuation allowance	(48)	(15)
Total non-current deferred tax assets	122	128
Total deferred tax assets	139	162
Deferred tax liabilities: Non-current: Depreciation	574	584
Deferred gas costs	58	28
Deferred state income taxes	69	69
Other	22	36
Total deferred tax liabilities	723	717
Accumulated deferred income taxes, net	$ 584	$ 555

Tax Attribute Carryforwards. At December 31, 2001, RERC had $7 million and $388 million of federal and state tax net operating loss carryforwards, respectively. The loss carryforwards are available to offset future respective federal and state taxable income through the year 2021.

The valuation allowance reflects a net increase of $29 million in 2000 and a net decrease of $33 million in 2001. These net changes resulted from a reassessment of RERC's future ability to use state tax net operating loss carryforwards.

Tax Refund Case. In December 2000, RERC received a refund from the IRS of $32 million in taxes and interest following an audit of its tax returns and refund claims for the 1979 through 1993 tax years. Interest of $26 million related to the period prior to the acquisition of RERC by Reliant Energy was recorded as a reduction of goodwill. The income statement effect of $4 million (after-tax) was recorded in RERC's Statement of Consolidated Income in 2000. All of RERC Corp.'s consolidated federal income tax returns for tax years ending on or prior to the date of Reliant Energy's acquisition of RERC have been audited and settled.

(10) COMMITMENTS AND CONTINGENCIES

(a) Capital and Environmental Commitments.

RERC has various commitments for capital and environmental expenditures. RERC anticipates investing up to $6 million in capital and other special project expenditures between 2002 and 2006 for environmental compliance.

(b) Lease Commitments.

The following table sets forth information concerning RERC's obligations under non-cancelable long-term operating leases principally consisting of rental agreements for building space, data processing equipment and vehicles, including major work equipment (in millions):

2002	$ 14
2003	12
2004	7
2005	6
2006	5
2007 and beyond	66
Total	$ 110

Total rental expense for all operating leases was $33 million, $33 million and $32 million in 1999, 2000 and 2001, respectively.

(b) Transportation Agreement.

Prior to the merger of a subsidiary of Reliant Energy and RERC Corp., a predecessor of Reliant Energy Services entered into a transportation agreement (ANR Agreement) with ANR Pipeline Company (ANR) that contemplated a transfer to ANR of an interest in some of RERC's pipelines and related assets. The interest represented capacity of 250 million cubic feet (Mmcf)/day. Under the ANR Agreement, an ANR affiliate advanced $125 million to RERC. Subsequently, the parties restructured the ANR Agreement and RERC refunded in 1993 and 1995, $34 million and $50 million, respectively, to ANR. RERC has agreed to reimburse Reliant Energy Services for any transportation payments made under the ANR agreement and for the refund of the $41 million. In RERC's Consolidated Balance Sheet, RERC has recorded a long-term notes payable to Reliant Energy Services of $31 million and a deferred obligation to ANR of $10 million as of December 31, 2001.

(c) Environmental Matters.

Hydrocarbon Contamination. On August 24, 2001, 37 plaintiffs filed suit against Reliant Energy Gas Transmission Company, Inc., Reliant Energy Pipeline Services, Inc., RERC, Reliant Energy Services, Inc., and other Reliant Energy entities and third parties (Docket No. 460, 916-Div. "B"), in the 1st Judicial District Court, Caddo Parish,

Louisiana. The petition has now been supplemented five times. As of March 11, 2002, there were 628 plaintiffs, a majority of whom are Louisiana residents who live near the Wilcox Aquifer. In addition to the Reliant Energy entities, the plaintiffs have sued the State of Louisiana through its Department of Environmental Quality, several individuals, some of whom are present employees of the State of Louisiana, the Bayou South Gas Gathering Company, L.L.C., Martin Timber Company, Inc., and several trusts.

The suit alleges that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer which lies beneath property owned or leased by the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Haughton, Bossier Parish, Louisiana known as the "Sligo Facility." This facility was purportedly used for gathering natural gas from surrounding wells, separating gasoline and hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution. This site was originally leased and operated by predecessors of Reliant Energy Gas Transmission Company in the late 1940s and was operated until Arkansas Louisiana Gas Company ceased operations of the plant in the late 1970s.

Beginning about 1985, the predecessors of certain Reliant Energy defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they own or lease. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. The plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, unspecified alleged personal injuries, alleged fear of cancer, alleged property damage or dimunition of value of their property, and in addition seek damages for trespass, punitive, and exemplary damages. The quantity of monetary damages sought is unspecified. As of December 31, 2001, RERC is unable to estimate the monetary damages, if any, that the plaintiffs may be awarded in this matter.

Manufactured Gas Plant Sites. RERC and its predecessors operated a manufactured gas plant (MGP) until 1960 adjacent to the Mississippi River in Minnesota formerly known as Minneapolis Gas Works (MGW). RERC has substantially completed remediation of the main site other than ongoing water monitoring and treatment. The manufactured gas was stored in separate holders. RERC is negotiating cleanup of one such holder. There are six other former MGP sites in the Minnesota service territory. Remediation has been completed on one site. Of the remaining five sites, RERC believes that two were neither owned nor operated by RERC. RERC believes it has no liability with respect to the sites it neither owned nor operated.

At December 31, 2000 and 2001, RERC had accrued $18 million and $23 million, respectively, for remediation of the Minnesota sites. At December 31, 2001, the estimated range of possible remediation costs was $11 million to $49 million. The cost estimates of the MGW site are based on studies of that site. The remediation costs for the other sites are based on industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used.

Issues relating to the identification and remediation of MGPs are common in the natural gas distribution industry. RERC has received notices from the United States Environmental Protection Agency and others regarding its status as a PRP for other sites. Based on current information, RERC has not been able to quantify a range of environmental expenditures for potential remediation expenditures with respect to other MGP sites.

Other Minnesota Matters. At December 31, 2000 and 2001, RERC had recorded accruals of $4 million and $5 million, respectively for other environmental matters in Minnesota for which remediation may be required. At December 31, 2001, the estimated range of possible remediation costs was $4 million to $8 million.

Mercury Contamination. RERC's pipeline and distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area with elemental mercury. This type of contamination has been found by RERC at some sites in the past, and RERC has conducted remediation at sites found to be contaminated. Although RERC is not aware of additional specific sites, it is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs cannot be known at this time, based on experience by RERC and that of others in the natural gas industry to date and on the current regulations regarding remediation

of these sites, RERC believes that the costs of any remediation of these sites will not be material to RERC's financial position, results of operations or cash flows.

Potentially Responsible Party Notifications. From time to time RERC has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. Considering the information currently known about such sites and the involvement of RERC in activities at these sites, RERC does not believe that these matters will have a material adverse effect on RERC's financial position, results of operations or cash flows.

(d) Other Legal Matters.

California Wholesale Market. Reliant Energy, Reliant Energy Services, Inc. (a wholly owned subsidiary of Reliant Resources), Reliant Energy Power Generation, Inc. (a wholly owned subsidiary of Reliant Resources) and several other subsidiaries of Reliant Resources, as well as three officers of some of these companies, have been named as defendants in class action lawsuits and other lawsuits filed against a number of companies that own generation plants in California and other sellers of electricity in California markets. RERC had also been named as a defendant in one of these actions. Plaintiffs have voluntarily dismissed Reliant Energy from two of the three class actions in which it was named as a defendant. Plaintiffs have also voluntarily dismissed RERC from the one action in which it was named as a defendant.

Natural Gas Measurement Lawsuits. In 1997, a suit was filed under the Federal False Claim Act against RERC, REGT and REFS alleging mismeasurement of natural gas produced from federal and Indian lands. The suit seeks undisclosed damages, along with statutory penalties, interest, costs, and fees. The complaint is part of a larger series of complaints filed against 77 natural gas pipelines and their subsidiaries and affiliates. An earlier single action making substantially similar allegations against the pipelines was dismissed by the U.S. District Court for the District of Columbia on grounds of improper joinder and lack of jurisdiction. As a result, the various individual complaints were filed in numerous courts throughout the country. This case was consolidated, together with the other similar False Claim Act cases filed and transferred to the District of Wyoming. Motions to dismiss were denied. The defendants intend to vigorously contest this case.

In addition, RERC, REGT, REFS and MRT have been named as defendants in a class action filed in May 1999 against approximately 245 pipeline companies and their affiliates. The plaintiffs in the case purport to represent a class of natural gas producers and fee royalty owners who allege that they have been subject to systematic gas mismeasurement by the defendants, including certain Reliant Energy entities, for more than 25 years. The plaintiffs seek compensatory damages, along with statutory penalties, treble damages, interest, costs and fees. The action is currently pending in state court in Stevens County, Kansas. Plaintiffs initially sued Reliant Energy Services, but that company was dismissed without prejudice on June 8, 2001. Other Reliant Energy entities that were misnamed or duplicative have also been dismissed. MRT and REFS have filed motions to dismiss for lack of personal jurisdiction and are currently responding to discovery on personal jurisdiction. All four Reliant Energy defendants have joined in a motion to dismiss.

The defendants plan to raise significant affirmative defenses based on the terms of the applicable contacts, as well as on the broad waivers and releases in take or pay settlements that were granted by the producer-sellers of natural gas who are putative class members.

Other. RERC is a party to other litigation (other than that specifically noted) which arises in the normal course of business. Management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management believes that the effects, if any, from the disposition of these matters will not have a material adverse effect on RERC's financial position, results of operations or cash flows.

(11) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, investments in debt and equity securities classified as "available-for-sale" and "trading" in accordance with SFAS No. 115, and short-term borrowings are estimated to be equivalent to carrying amounts and have been excluded from the table below. The fair values of non-trading derivative assets and liabilities are recognized in the Consolidated Balance Sheets at December 31, 2001 (see Note 5). Therefore, these financial instruments are stated at fair value and are excluded from the table below. The fair values of non-trading derivative assets and liabilities as of December 31, 2000 have been determined using quoted market prices for the same or similar instruments when available or other estimation techniques.

DECEMBER 31, 2000		
	CARRYING AMOUNT	FAIR VALUE
	(IN MILLIONS)	
Financial assets: Energy derivatives -- non-trading	$ --	$ 93
Financial liabilities: Long-term debt (excluding capital leases)	1,539	1,543
Trust preferred securities		
Energy derivatives -- non-trading	1	1
	--	34

DECEMBER 31, 2001		
	CARRYING AMOUNT	FAIR VALUE
	(IN MILLIONS)	
Financial liabilities:		
Long-term debt (excluding capital leases)	1,927	1,948
Trust preferred securities		
	1	1

(12) UNAUDITED QUARTERLY INFORMATION

Summarized quarterly financial data is as follows:

YEAR ENDED DECEMBER 31, 2000			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
	(IN MILLIONS)		
Operating revenues	$ 3,093	$ 4,013	$ 7,263
Operating income	155	16	9
Income (loss) from continuing operations	59	(9)	(19)
Loss from discontinued operations, net of tax	(4)	(4)	(8)
Net income (loss)	55	(13)	(27)

YEAR ENDED DECEMBER 31, 2001			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
	(IN MILLIONS)		
Operating revenues	$ 2,423	$ 960	$ 669
Operating income (loss)	174	(16)	5
Net income (loss)	103		

.....
80 (34) (27) 48

(13) REPORTABLE SEGMENTS

Because RERC Corp. is a wholly owned subsidiary of Reliant Energy, RERC's determination of reportable segments considers the strategic operating units under which Reliant Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that some executive benefit costs have not been allocated to segments. RERC evaluates performance based on operating income, excluding some corporate costs not allocated to the segments. RERC accounts for intersegment sales as if the sales were to third parties, that is, at current market prices.

RERC's financial reporting segments include the following: Natural Gas Distribution, Pipelines and Gathering, Wholesale Energy and Other Operations. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation for, residential, commercial and industrial customers, and some non-rate regulated retail gas marketing operations. Pipelines and Gathering includes the interstate natural gas pipeline operations and natural gas gathering and pipeline services. Reliant Energy Services was previously reported within the Wholesale Energy segment. Other Operations includes unallocated general corporate expenses and non-operating investments. During 2000, Reliant Energy transferred RERC's non-rate regulated retail gas marketing from Other Operations to Natural Gas Distribution and RERC's natural gas gathering business from Wholesale Energy to Pipelines and Gathering. On December 31, 2000, RERC Corp. transferred all of the outstanding stock of RESI, Arkla Finance and RE Europe Trading, all wholly owned subsidiaries of RERC Corp., to Reliant Resources. Also, on December 31, 2000, a wholly owned subsidiary of Reliant Resources merged with and into Reliant Energy Services, a wholly owned subsidiary of RERC Corp., with Reliant Energy Services as the surviving corporation. As a result of the Merger, Reliant Energy Services became a wholly owned subsidiary of Reliant Resources. Reportable segments from previous years have been restated to conform to the 2001 presentation. All of RERC's long-lived assets are in the United States.

Financial data for business segments and products and services are as follows:

	NATURAL GAS DISTRIBUTION	PIPELINES AND GATHERING	NON-AFFILIATES	WHOLESALE ENERGY	OTHER OPERATIONS	RECONCILING ELIMINATIONS	RERC CONSOLIDATED
			(IN MILLIONS)				
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999:							
Revenues from external customers	$ 2,735	$ 151	$ 7,441	$ 8	$ --	$ 197	$ 10,532
Intersegment revenues							
	46	180	264	--	(490)	--	--
Depreciation and amortization	137	53	6	3	--	--	199
Operating income (loss)	159	131	27	(16)	--	--	301
Total assets	3,683	2,486	2,821	404	(1,841)	--	7,553
Expenditures for additions to long-lived assets	206	79	3	--	--	--	288
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2000:							
Revenues from external customers	4,445	177	17,220	1	--	816	22,659
Intersegment revenues							
	34	202	578	--	(814)	--	--
Depreciation and amortization	145	55	11	3	--	--	214
Operating income (loss)	121	137	86	(12)	--	--	332
Total assets							

.....
4,518 2,358 -- 448
(748) -- 6,576
Expenditures for additions to long-lived assets
..... 195
61 27 8 -- -- 291 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2001: Revenues from external customers ...
4,638 225 -- -- -- 181
5,044 Intersegment revenues
..... 5 108 -
- -- (113) -- --
Depreciation and amortization .....
147 58 -- 2 -- -- 207
Operating income (loss) .....
130 137 -- (1) -- --
266 Total assets
.....
3,732 2,361 -- 495
(599) -- 5,989
Expenditures for additions to long-lived assets
..... 209
54 -- -- -- -- 263

YEAR ENDED DECEMBER 31,			
	1999	2000	2001
	(IN MILLIONS)		
RECONCILIATION OF OPERATING INCOME TO NET INCOME:			
Operating income	$ 301	$ 332	$ 266
Interest expense	(119)	(143)	(155)
Other, net	11	2	14
Income taxes	(89)	(93)	(58)
Loss from discontinued operations	(4)	(24)	--
Net income	$ 100	$ 74	$ 67
REVENUES BY PRODUCTS AND SERVICES:			
Retail gas sales	$ 2,735	$ 4,358	$ 4,645
Wholesale energy and energy related sales	7,638	18,031	--
Gas transport	152	182	307
Energy products and services	7	88	92
Total	$ 10,532	$ 22,659	$ 5,044
REVENUES BY GEOGRAPHIC AREAS U.S	$ 10,415	$ 21,609	$ 5,044
Canada	117	1,050	--
Total	$ 10,532	$ 22,659	$ 5,044

(14) DISCONTINUED OPERATIONS

As discussed in Note 2, on December 31, 2000, RERC transferred all of the outstanding stock of RE Europe Trading to Reliant Resources. As a result of the transfer, RERC is reporting the results of RE Europe Trading as discontinued operations for all periods presented in RERC's consolidated financial statements in accordance with APB Opinion No. 30. The undistributed earnings of foreign subsidiaries, under existing tax law, will not be subject to U.S. income tax until distributed. As the RE Europe Trading operations were transferred to a related party, provisions for U.S. taxes have not been accrued as the undistributed earnings have been and are intended to be permanently reinvested. Below is a table of the operating results of RE Europe Trading for the years ended December 31, 1999 and 2000.

YEAR ENDED DECEMBER 31,		
	1999	2000
	(IN MILLIONS)	
Revenues	$ --	$ 37
Operating expenses	4	61
Operating loss	(4)	(24)
Net loss	(4)	(24)

In addition to RE Europe Trading, RERC transferred its interests in RESI, Arkla Finance and Reliant Energy Services to Reliant Resources as described in Note 2. The transfer of these operations did not result in the disposal of a segment of business as defined under APB No. 30. Revenues for these operations were $8 billion and $19 billion for 1999 and 2000, respectively. Operations of RESI, Arkla Finance and Reliant Energy Services had net income of $24 million and $28 million in 1999 and 2000, respectively.

(15) SUBSEQUENT EVENTS

In January 2002, RERC reduced its trade receivables facility from $350 million to $150 million. Borrowings under the receivables facility aggregating $196 million were repaid in January 2002 with proceeds from the issuance of commercial paper under RERC's $350 million revolving credit facility and from the liquidation of short-term investments.

During the first quarter of 2002, RERC purchased $6.6 million of its 6% Convertible Subordinated Debentures due 2012 at a weighted average price of 95.4%.

INDEPENDENT AUDITORS' REPORT

Reliant Energy Resources Corp.:

We have audited the accompanying consolidated balance sheets of Reliant Energy Resources Corp. and its subsidiaries (RERC) as of December 31, 2000 and 2001, and the related statements of consolidated income, consolidated comprehensive income, consolidated stockholder's equity and consolidated cash flows for each of the three years in the period ended December 31, 2001. Our audits also included RERC's financial statement schedule listed in Item 14(a)(2). These financial statements and the financial statement schedule are the responsibility of RERC's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of RERC at December 31, 2000 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 5 to the financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

DELOITTE & TOUCHE LLP

Houston, Texas
March 28, 2002

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

The information called for by Item 10 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 11. EXECUTIVE COMPENSATION.

The information called for by Item 11 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information called for by Item 12 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by Item 13 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly Owned Subsidiaries).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements:

I, III, IV and V.

(a)(3) Exhibits

See Index of Exhibits on page 51.

(b) Reports on Form 8-K.

None.

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

SCHEDULE II -- RESERVES
FOR THE THREE YEARS ENDED DECEMBER 31, 2001
(THOUSANDS OF DOLLARS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS FROM RESERVES
DESCRIPTION				
Year Ended December 31, 2001:				
Accumulated provisions: Uncollectible accounts receivable	$ 32,524	$ 43,419	--	$ 42,896
Reserves for inventory	399	72	--	348
Reserves for severance	11,028	244	--	10,832
Deferred tax asset valuation allowance	47,677	(32,678)	--	14,999
Year Ended December 31, 2000:				
Accumulated provisions: Uncollectible accounts receivable	25,287	32,119	(7,803)	17,079
Reserves deducted from trading and marketing assets	11,511	54,621	(66,132)	--
Reserves for inventory	90	372	--	63
Reserves for severance	11,666	3,822	--	4,460
Deferred tax asset valuation allowance	19,139	28,538	--	--
	47,677			
Year Ended December 31, 1999:				
Accumulated provisions: Uncollectible accounts receivable	21,566	16,296	--	12,575
Reserves deducted from trading and marketing assets	25,287			
	6,464	5,047	--	--
Reserves for inventory	11,511			
Reserves for severance	69	72	--	51
Deferred tax asset valuation allowance	90			
	32,812	--	--	21,146
	11,666			
	8,591	10,548	--	--
	19,139			

(1) Charged to Other Accounts in 2000 relates to reserves that were transferred to Reliant Resources, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Houston, the State of Texas, on the 15th day of April, 2002.

RELIANT ENERGY RESOURCES CORP.
(Registrant)

By: /s/ R. STEVE LETBETTER

R. Steve Letbetter,
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 15, 2002.

SIGNATURE	TITLE
/s/ R. STEVE LETBETTER	Chairman, President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)	(R. Steve Letbetter)
/s/ MARY P. RICCIARDELLO	Senior Vice President
(Principal Accounting Officer)	(Mary P. Ricciardello)
/s/ STEPHEN W. NAEVE	Sole Director
(Stephen W. Naeve)	

RELIANT ENERGY RESOURCES CORP.

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2001

INDEX OF EXHIBITS

Exhibits not incorporated by reference to a prior filing are designated by a cross (+); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

REPORT OR SEC FILE OR REGISTRATION STATEMENT NUMBER	EXHIBIT NUMBER	DESCRIPTION	EXHIBIT REFERENCE
1-7629	2(a)(1)	Agreement and Plan of Merger among the Company, HL&P, HI Merger, Inc. and NorAm dated August 11, 1996	HI's Form 8-K dated August 11, 1996
1-7629	2(a)(2)	Amendment to Agreement and Plan of Merger among the Company, HL&P, HI Merger, Inc. and NorAm dated August 11, 1996	Registration Statement on Form 333-11329
1-7629	2(b)	Agreement and Plan of Merger dated December 29, 2000 merging Reliant Resources Merger Sub, Inc. with and into Reliant Energy Services, Inc.	Registration Statement on Form 333-54526
1-3187	3(a)(1)	Certificate of Incorporation of RERC Corp.	Form 10-K for the year ended December 31, 1997
1-3187	3(a)(2)		

-					
Certificate of Merger merging Form 10-K for the year ended 1-3187 3(a) (2) former NorAm Energy Corp. with and December 31, 1997 into HI Merger, Inc. dated August 6, 1997 3(a) (3) - Certificate of Amendment changing Form 10-K for the year ended 1-3187 3(a)(3) the name to Reliant Energy December 31, 1998 Resources Corp. 3(b) - Bylaws of RERC Corp. Form 10-K for the year ended 1-3187 3(b) December 31, 1997 4(a)(1) - Indenture, dated as of December 1, NorAm's Form 10-K for the year 1-13265 4.14 1986, between NorAm and Citibank, ended December 31, 1986 N.A., as Trustee 4(a)(2) - First Supplemental Indenture to Form 10-K for the year ended 1-3187 4(a)(2) Exhibit 4(a) (1) dated as of December 31, 1997 September 30, 1988 4(a)(3) - Second Supplemental Indenture to Form 10-K for the year ended 1-3187 4(a)(3) Exhibit 4(a) (1) dated as of December 31, 1997 November 15, 1989 4(a)(4) - Third Supplemental Indenture to Form 10-K for the year ended 1-3187 4(a)(4) Exhibit 4(a)					

(1) dated as of August				
December 31, 1997	6, 1997			
4(b)(1) - Indenture, dated as of March 31,	NorAm's Registration Statement 33-14586	4.20	1987, between NorAm and Chase on	Form S-3
Manhattan Bank, N.A., as Trustee, authorizing	6% Convertible Subordinated Debentures due 2012			
4(b)(2) - Supplemental Indenture to Exhibit	Form 10-K for the year ended	1-3187	4(b)(2)	4(b)(1) dated as of August 6, 1997
December 31, 1997				

4(c)(1)	-	Indenture, dated as of April 15, 1990, between NorAm and Citibank, N.A., as Trustee	NorAm's Registration Statement on Form S-3	33-23375	4.1
4(c)(2)	-	Supplemental Indenture to Exhibit 4(c)(1) dated as of August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	4(c)(2)
4(d)(1)	-	Form of Indenture between NorAm and The Bank of New York as Trustee	NorAm's Registration Statement on Form S-3	33-64001	4.8
4(d)(2)	-	Form of First Supplemental Indenture to Exhibit 4(d)(1)	NorAm's Form 8-K dated June 10, 1996	1-13265	4.01
4(d)(3)	-	Second Supplemental Indenture to Exhibit 4(d)(1) dated as of August 6, 1997	Form 10-K for the year ended December 31, 1997	1-3187	4(d)(3)
4(e)	-	Indenture, dated as of December 1, 1997, between RERC Corp. and Chase Bank of Texas, National Association	Registration Statement on Form S-3	333-41017	4.1
4(f)(1)	-	Indenture, dated as of February 1, 1998, between RERC Corp. and Chase Bank of Texas, National Association, as Trustee	Form 8-K dated February 5, 1998	1-13265	4.1
4(f)(2)	-	Supplemental Indenture No. 1, dated as of February 1, 1998, providing for the issuance of RERC Corp.'s 6 1/2% Debentures due February 1, 2008	Form 8-K dated February 5, 1998	1-13265	4.2
4(f)(3)	-	Supplemental Indenture No. 2, dated as of November 1, 1998, providing for the issuance of RERC Corp.'s 6 3/8% Term Enhanced ReMarketable Securities	Form 8-K dated November 9, 1998	1-13265	4.1
4(f)(4)	-	Supplemental Indenture No. 3, dated as of July 1, 2000, providing for the issuance of RERC Corp.'s 8.125% Notes due 2005	Registration Statement on Form S-4	333-49162	4.2
4(f)(5)	-	Supplemental Indenture No. 4, dated as of February 15, 2001, providing for the issuance of RERC Corp.'s 7.75% Notes due 2011	Form 8-K dated February 21, 2001	1-13265	4.1
+4(g)(1)	-	Revolving Credit Agreement among NorAm Energy Corp. and the Banks party thereto and Citibank, N.A., as Agent dated as of March 31, 1998			
+4(g)(2)	-	Amendment Agreement dated as of March 23, 1999 among RERC Corp., the lenders parties thereto, The Bank of Nova Scotia, as Issuing Bank and Citibank, N.A., as Agent			
+4(g)(3)	-	Second Amendment Agreement and Consent dated as of August 22, 2000 among RERC Corp., the lenders party thereto, The Bank of Nova Scotia, as Issuing Bank, and Citibank, N.A., as Agent			
+4(g)(4)	-	Third Amendment Agreement and Consent, dated as of July 13, 2001, among RERC Corp., the lenders party thereto, The Bank of Nova Scotia, as Issuing Bank, and Citibank, N.A., as Agent			

There have not been filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of securities do not exceed 10% of the total assets of RERC. RERC hereby agrees to furnish a copy of any such instrument to the SEC upon request.

REPORT OR SEC FILE OR EXHIBIT

REGISTRATION STATEMENT NUMBER	EXHIBIT NUMBER	DESCRIPTION	REFERENCE
	10(a)	Service Agreement by and between NorAm's Form 10-K for the year 1-	
13265	10.20	Mississippi River Transmission ended December 31, 1989	
		Corporation and Laclede Gas Company dated August 22,	
1989	+12	Computation of Ratios of Earnings to Fixed Charges	
	+23	Consent of Deloitte & Touche LLP	

EXHIBIT 4(g)(1)

REVOLVING CREDIT AGREEMENT

AMONG

NORAM ENERGY CORP.

as Borrower

AND

THE BANKS PARTY HERETO

as Banks

AND

CITIBANK, N.A.,

as Agent

Co-Agents:

BARCLAYS BANK PLC
THE FIRST NATIONAL BANK OF CHICAGO
NATIONSBANK, OF TEXAS, N.A.

Dated as of March 31, 1998

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REVOLVING CREDIT AGREEMENT

Dated as of March 31, 1998

This Revolving Credit Agreement, dated as of March 31, 1998, is made and entered into among NorAm Energy Corp., a Delaware corporation ("Borrower"), the Banks (as herein defined) and Citibank, N.A., as administrative and documentation agent (hereinafter in such capacity, together with any successors thereto in such capacity, the "Agent"). In consideration of the mutual agreements, representations and warranties herein set forth, and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Revolving Credit Agreement (as amended, supplemented or otherwise modified from time to time, this "Agreement"), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ABR Loan" means a Committed Loan that bears interest at the Alternate Base Rate as provided in Section 4.04(a).

"Affiliate" of any Person means any other Person that, directly or indirectly, Controls or is Controlled by or is under common Control with such first Person.

"Agent" has the meaning specified in the introduction to this Agreement.

"Alternate Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibanks base rate; and

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1% per annum, plus, (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if

any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) 1/2 of 1% per annum above the Federal Funds Effective Rate in effect from time to time.

"Applicable Facility Fee Rate" means the rate per annum set forth in Schedule II for the relevant Ratings Level applicable from time to time. The Applicable Facility Fee Rate shall change when and as the Ratings Level changes.

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of an ABR Loan, a Swing Loan or a Fixed Rate Loan or such Bank's LIBOR Lending Office in the case of a LIBOR Rate Loan.

"Applicable Margin" means, as to any Committed LIBOR Rate Loan, the rate per annum set forth in Schedule II for the relevant Ratings Level applicable from time to time. The Applicable Margin for any Committed LIBOR Rate Loan shall change when and as the applicable Ratings Level changes.

"Arranger" means Citicorp Securities, Inc.

"Banks" means the lenders listed on the signature pages hereof and each Purchasing Bank that becomes a party hereto pursuant to Section 11.06(c).

"Bank Affiliate" has the meaning specified in Section 11.06(c).

"Board" means the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrowed Money" of any Person means any Indebtedness of such Person for or in respect of money borrowed or raised by whatever means (including acceptances, deposits and lease obligations under Capital Leases); provided, however, that Borrowed Money shall not include (a) any guarantees that may be incurred by endorsement of negotiable instruments for deposit or collection in the ordinary course of business or similar transactions, (b) any obligations or guarantees of performance of obligations under a franchise, performance bonds, franchise bonds, obligations to reimburse drawings under letters of credit issued in accordance with the terms of any safe harbor lease or franchise or in lieu of performance or franchise bonds or other obligations that do not represent money borrowed or raised, which reimbursement obligations in each case shall be payable in full within ten (10) Business Days after the date upon which such obligation arises, (c) trade payables or (d) customer advance payments and deposits arising in the ordinary course of such Person's business.

"Borrower" has the meaning specified in the introduction to this Agreement.

"Borrowing" means either a Committed Borrowing, a Swing Borrowing or a CAF Borrowing.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, that when used in connection with a LIBOR Rate Loan, the term "Business Day" shall also exclude any day on which commercial banks are not open for dealings in Dollar deposits in the London interbank market.

"CAF Borrowing" means a borrowing consisting of a CAF Loan under Section 3.01 made on the same day by the Bank or Banks whose Competitive Bid or Bids have been accepted pursuant to Section 3.02(d).

"CAF Facility" has the meaning specified in Section 3.01.

"CAF LIBOR Rate Loan" means any CAF Loan that bears interest at the LIBOR Rate plus or minus the relevant CAF Margin.

"CAF Loan Assignee" has the meaning specified in Section 11.06(d).

"CAF Loan Assignment and Acceptance" means an assignment and acceptance executed in connection with the assignment of any CAF Loan to a CAF Loan Assignee in

the manner set forth in Section 11.06(d). Each CAF Loan Assignment and Acceptance to be registered in the Register shall set forth (a) the full name of such CAF Loan Assignee; (b) such CAF Loan Assignee's address for notices and its lending office address (in each case to include telephone, telex and facsimile transmission numbers); and (c) payment instructions for all payments to such CAF Loan Assignee, and must contain an agreement by such CAF Loan Assignee to comply with the provisions of Sections 11.06(d), 11.06(g) and 11.06(h) to the same extent as any Bank.

"CAF Loan" means a Loan made to Borrower pursuant to Section 3.01 by a Bank in response to a Competitive Bid Request.

"CAF Margin" means, as to any Competitive Bid relating to a CAF LIBOR Rate Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBOR Rate in order to determine the interest rate acceptable to such Bank with respect to such CAF LIBOR Rate Loan.

"CAF Rate" means, as to any Competitive Bid made by a Bank pursuant to Section 3.02(b), (i) in the case of a CAF LIBOR Rate Loan, the CAF Margin added to or subtracted from, as the case may be, the LIBOR Rate, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest, in each case, offered by such Bank.

"Capital Lease" means a lease that, in accordance with GAAP, would be recorded as a capital lease on the balance sheet of the lessee.

"Citibank" means Citibank, N.A., a national banking association.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

"Commitment" means, with respect to each Bank, the obligation of such Bank to make Committed Loans in an aggregate principal amount at any one time outstanding not to exceed the amount set forth under such Bank's name on Schedule I attached hereto under the caption "Commitment," as such amount may be changed from time to time pursuant to Sections 4.03 and 11.06, and "Commitments" means the Commitment of all of the Banks.

"Committed Borrowing" means a borrowing consisting of a Loan under Section 2.01 (a) in each case of the same Type and having in the case of Committed LIBOR Rate Loans the same Interest Period, made on the same day by the Banks.

"Committed LIBOR Rate Loan" means any Committed Loan that bears interest at the LIBOR Rate plus the Applicable Margin.

"Committed Loan Assignment and Acceptance" has the meaning specified in Section 11.06(c).

"Committed Loans" has the meaning specified in Section 2.01(a).

"Commonly Controlled Entity" means an entity, whether or not incorporated, that is under common control with Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes Borrower and that is treated as a single employer under Section 414 of the Code.

"Competitive Bid" has the meaning specified in Section 3.02(b).

"Competitive Bid Confirmation" has the meaning specified in Section 3.02(d).

"Competitive Bid Request" has the meaning specified in Section 3.02(a).

"Consolidated Capitalization" means the sum of (a) Consolidated Shareholders' Equity, (b) Consolidated Indebtedness for Borrowed Money and (c) without duplication, any Mandatory Payment Preferred Stock.

"Consolidated Indebtedness" means, as of any date of determination, the sum of (i) the total Indebtedness as shown on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries, determined without duplication of any Guarantee of Indebtedness of Borrower by any of its Consolidated Subsidiaries or of any Guarantee of Indebtedness of any such Consolidated Subsidiary by Borrower or any other Consolidated Subsidiary of Borrower, and any Mandatory Payment Preferred Stock, less (ii) such amount of Indebtedness attributable to amounts then outstanding under receivables facilities or arrangements to the extent that such amount would not have been shown as Indebtedness on a balance sheet prepared in accordance with GAAP prior to January 1, 1997, less (iii) with respect to any Indexed Debt Securities that are Fully Hedged and the liabilities in respect of which as shown on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries have increased from the amount of liabilities in respect thereof at the time of their issuance by reason of an increase in the price of the Indexed Asset relating thereto, the excess of (a) the aggregate amount of liabilities in respect of such Indexed Debt Securities at the time of determination over (b) the initial amount of liabilities in respect of such Indexed Debt Securities at the time of their issuance, provided that at the time of determination such increase in the price of the Indexed Asset relating to such Indexed Debt Securities has not been recorded on such consolidated balance sheet.

"Consolidated Net Tangible Assets" means the total amount of assets of the Company and its Subsidiaries less, without duplication, (a) total current liabilities (excluding Indebtedness for Borrowed Money due within 12 months); (b) all reserves for depreciation and other asset valuation reserves, but, excluding reserves for deferred federal income taxes arising from accelerated amortization or otherwise; (c) all intangible assets such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset; and (d) all appropriate adjustments on account of minority interests of other persons holding common stock of any Subsidiary; all as reflected in the Company's audited consolidated balance sheet most recently delivered pursuant hereto prior to the date of a determination of Consolidated Net Tangible Assets hereunder.

"Consolidated Shareholders' Equity" means, as of any date of determination, the total assets of Borrower and its Consolidated Subsidiaries less all liabilities of Borrower and its Consolidated Subsidiaries. (As used in this definition, "liabilities" means all obligations that, in accordance with GAAP consistently applied, would be classified on a balance sheet as liabilities, including, without limitation, (a) Indebtedness; (b) deferred liabilities; and (c) Indebtedness of Borrower or any of its Consolidated Subsidiaries that is expressly subordinated in right and priority of payment to other liabilities of Borrower or such Consolidated Subsidiaries, but in any case excluding as at such date of determination any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary).

"Consolidated Subsidiary" means, at any date, any Subsidiary or any other Person, the accounts of which under GAAP would be consolidated with those of Borrower in its consolidated financial statements as of such date.

"Controlled" means, with respect to any Person, the ability of another Person (whether directly or indirectly and whether by the ownership of voting securities, contract or otherwise) to appoint and/or remove the majority of the members of the board of directors or other governing body of that Person (and "Control" and "Controls" shall be similarly construed).

"Default" means any event that, with the lapse of time or giving of notice, or both, or any other condition, would constitute an Event of Default.

"Default Rate" means with respect to any overdue amount owed by Borrower hereunder, a rate per annum equal to (a) in the case of overdue principal with respect to any Loan, the sum of the interest rate in effect at such time with respect to such Loan under Section 4.04 plus 2%; provided, that in the case of overdue principal with respect to any Committed LIBOR Rate Loan, after the end of the Interest Period with respect to such Loan, the Default Rate shall equal the rate set forth in clause (b) below and (b) in the case of

overdue interest with respect to any Loan, Facility Fees or other amounts payable by Borrower hereunder, the sum of the Alternate Base Rate in effect at such time plus 2%.

"Dollars" and the symbol "$" mean the lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" on Schedule I attached hereto, or such other office of such Bank as such Bank may from time to time specify to Borrower and the Agent.

"Effective Date" has the meaning specified in Section 11.06(a).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" has the meaning specified in Section 9.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Facility Fee" has the meaning specified in Section 4.02(a).

"Federal Funds Effective Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fixed Rate Loan" means any CAF Loan made by a Bank pursuant to Section 3.02 based upon a fixed percentage rate per annum offered by such Bank, expressed as a decimal (to no more than four decimal places), and accepted by Borrower.

"Fully Hedged" means, with respect to any Indexed Debt Securities, that Borrower or any Consolidated Subsidiary of Borrower either (i) owns or has in effect rights providing substantially the economic effect, in such context, of owning, a sufficient amount of the Indexed Asset relating thereto to satisfy completely its obligations at maturity of the Indexed Debt Securities or (ii) has in effect a hedging arrangement sufficient to enable it to satisfy completely its obligations at maturity of the Indexed Debt Securities.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee" means, as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any principal of any Indebtedness for Borrowed Money (the "primary obligations") of any other third Person in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or (iii) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof. The amount of any Guarantee of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by Borrower in good faith (and "guaranteed" and "guarantor" shall be construed accordingly).

"Highest Lawful Rate" means, with respect to each Bank, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received with respect to any Loan or on other amounts, if any, due to such Bank pursuant to this Agreement or any other Loan Document under applicable law. The term "applicable law" as used in this definition means, with respect to each Bank, that law in effect from time to time that permits the charging and collection by such Bank of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated including, without limitation, the laws of each State that may be held to be applicable, and of the United States of America, if applicable.

"HII" means Houston Industries Incorporated, a Texas corporation.

"Hybrid Preferred Securities" means preferred stock issued by any Hybrid Preferred Securities Subsidiary.

"Hybrid Preferred Securities Subsidiary" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more Wholly-Owned Subsidiaries) at all times by Borrower, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of the Junior Subordinated Debt and payments made from time to time on the Junior Subordinated Debt.

"Indebtedness" of any Person means the sum of (a) all items (other than capital stock, capital surplus and retained earnings) that, in accordance with GAAP consistently applied, would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date on which the Indebtedness is to be determined and (b) the amount of all Guarantees by such Person; provided, however, that Indebtedness of a Person shall not include any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary or any Guarantee by Borrower of payments with respect to any Hybrid Preferred Securities.

"Indenture" means the Indenture between the Borrower (successor in interest to Arkla, Inc.) and Citibank, as trustee, dated December 1, 1986, as supplemented by the First Supplemental Indenture dated as of September 30, 1988 and by the Second Supplemental Indenture dated as of November 15, 1989 (copies of all of which have been made available by Borrower to each Bank), irrespective of whether such Indenture or either of such Supplemental Indentures is at any time amended, terminated, waived, defeased or otherwise modified or is otherwise no longer in effect.

"Indexed Asset" means, with respect to any Indexed Debt Security, (i) any security or commodity that is deliverable upon maturity of such Indexed Debt Security to satisfy the obligations under such Indexed Debt Security at maturity or (ii) any security, commodity or index relating to one or more securities or commodities used to determine or measure the obligations under such Indexed Debt Security at maturity thereof.

"Indexed Debt Securities" means any security issued by Borrower or any Consolidated Subsidiary of Borrower that (a) in accordance with GAAP, is shown on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries as Indebtedness or a liability and (b) the obligations at maturity of which may be satisfied completely by the delivery of, or the amount of such obligations are determined by reference to, (1) an equity security issued by an issuer other than Borrower or any such Consolidated Subsidiary or (2) an underlying index, commodity or security.

"Insolvency" means, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA (and "Insolvent" shall be construed accordingly).

"Interest Period" means, for each Committed LIBOR Rate Loan comprising part of the same Committed Borrowing, the period commencing on the date of such Committed LIBOR Rate Loan or the date of the conversion of any Committed Loan into such Committed LIBOR Rate Loan, as the case may be, and ending on the last day of the period selected by Borrower pursuant to Section 2.02 or 4.07, as the case may be, and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by Borrower pursuant to Section 4.07. The duration of each such Interest Period shall be one, two, three, six or, with the consent of all the Banks, twelve months, as Borrower may select by notice pursuant to Section 2.02(a) or 4.07 hereof; provided, however, that:

(i) any Interest Period that would otherwise extend beyond the Termination Date shall end on the Termination Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Investment" of any Person means any investment so classified under GAAP, and, whether or not so classified, includes (a) any direct or indirect loan, advance or extension of credit made by it to any other Person, whether by means of purchase of debt or equity securities, loan, advance, Guarantee or otherwise; (b) any capital contribution to any other Person; and (c) any ownership or similar interest in any other Person.

"Junior Subordinated Debt" means subordinated debt of Borrower or any Subsidiary of Borrower (i) that is issued at par to a Hybrid Preferred Securities Subsidiary in connection with the issuance of Hybrid Preferred Securities, (ii) the payment of the principal of which and interest on which is subordinated (with certain exceptions) to the prior payment in full in cash or its equivalent of all senior indebtedness of the obligor thereunder and (iii) that has an original tenor no earlier than 30 years from the issuance thereof.

"LIBOR Lending Office" means, with respect to any Bank, the office of such Bank specified as its "LIBOR Lending Office" on Schedule I attached hereto (or, if no such office

is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to Borrower and the Agent.

"LIBOR Rate" means (a) for any Interest Period for each Committed LIBOR Loan rate comprising part of the same Committed Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of the Reference Bank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Reference Bank's Committed LIBOR Rate Loan comprising part of such Borrowing and for a period equal to such Interest Period and (b) with respect to any CAF LIBOR Rate Loan of a specified maturity requested pursuant to a Competitive Bid Request, an interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of the Reference Bank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the date of borrowing of such CAF LIBOR Rate Loan in an amount substantially equal to the principal amount of such CAF LIBOR Rate Loan and with a maturity comparable to the maturity applicable to such CAF LIBOR Rate Loan.

"LIBOR Rate Loan" means a Loan that bears interest at the LIBOR Rate as provided in Section 4.04(b).

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, charge, security interest, encumbrance or lien of any kind whatsoever (including any Capital Lease).

"Loan" means a Committed Loan, a Swing Loan or a CAF Loan.

"Loan Documents" means this Agreement, any Notes issued hereunder and any document or instrument executed in connection with the foregoing.

"MAE Representation Date" means (i) during the period from the date hereof through and including the date the initial Borrowing hereunder is made, September 30, 1997, and (ii) at all times after the date the initial Borrowing hereunder is made, the date of the then most recent financial statements delivered to the Banks pursuant to Section 7.01(m) or to the Agent pursuant to Section 8.01 (a).

"Majority Banks" means, at any time, Banks having at least 51% of the aggregate Commitments or, if the Commitments have been terminated, 51% of the aggregate Commitments in effect immediately prior to such termination.

"Mandatory Payment Preferred Stock" means any preference or preferred stock of Borrower or of any Consolidated Subsidiary (in each case other than any issued to Borrower or its Subsidiaries and other than Hybrid Preferred Securities or Junior Subordinated Debt) that is subject to mandatory redemption, sinking fund or retirement provisions; provide that any amounts subject to any mandatory redemption, sinking fund or retirement provisions due and payable prior to the Termination Date or within one year following the Termination Date will not be considered Mandatory Payment Preferred Stock.

"Margin Stock" means any margin stock (as defined in Regulation U), any margin stock (as defined in Regulation G) and any margin security (as defined in Regulation T).

"Material Adverse Effect" means any material adverse effect on the ability of Borrower to perform on a timely basis its obligations under this Agreement or any other Loan Document to which it is a party.

"Money Fund" means the Person, accounts or series of accounts in or through which the cash management practices and operations of HII and its Consolidated Subsidiaries are consolidated from time to time for purposes of conducting certain investing and/or borrowing activities for HII and various of such Subsidiaries, consisting primarily of a combination of (i) intercompany advances and related intercompany obligations to repay such advances, (ii) short-term investments and (iii) borrowings from third parties. As of the Effective Date, the Money Fund is operated by Houston Industries FinanceCo GP.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"MRT" means Mississippi River Transmission Corporation, a Delaware corporation.

"Multiemployer Plan" means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NGT" means NorAm Gas Transmission Company, a Delaware corporation.

"Note" or "Notes" means any promissory note or notes issued pursuant to Section 11.06(i) hereof.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Interest Conversion/Continuation" has the meaning specified in Section 4.07(a).

"Notice of Swing Loan" has the meaning specified in Section 2.02(e).

"Other Taxes" has the meaning specified in Section 5.03(b).

"Participant" has the meaning specified in Section 11.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

"Permitted Liens" means (a) Liens permitted by paragraphs (a) through (s) of Section 1007 of the Indenture (which paragraphs are set forth on Schedule 1.01); and (b) mortgage Liens securing Indebtedness in an aggregate amount which, together with all other Indebtedness of the Company or a Restricted Subsidiary secured by a mortgage Lien permitted by this clause (b) (not including Indebtedness permitted to be secured under clause (a) above) and the Value of all Sale and Leaseback Transactions in existence at such time (other than any Sale and Leaseback Transaction which, if such Sale and Leaseback Transaction had been a Lien, would have been permitted by paragraph (k) of Section 1007 of the Indenture), does not at the time of incurrence of such Indebtedness exceed 5% of the Consolidated Net Tangible Assets.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, government (or any political subdivision or agency thereof) or any other entity of whatever nature.

"Plan" means, at a particular time, any employee benefit plan that is covered by ERISA and in respect of which Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Principal Property" means any natural gas distribution property, natural gas pipeline or gas processing plant located in the United States, except any such property that in the opinion of the Board of Directors of Borrower is not of material importance to the total business conducted by the Company and its Consolidated Subsidiaries. "Principal Property" shall not include any oil or gas property or the production or proceeds of production from an oil or gas producing property or the production or any proceeds of production of gas processing plants or oil or gas or petroleum products in any pipeline or storage field.

"Pro Rata Percentage" means, with respect to any Bank, a fraction (expressed as a percentage), the numerator of which is the amount of such Bank's Commitment and the denominator of which is the Commitments of all of the Banks.

"Property" means any interest or right in any kind of property or asset, whether real, personal or mixed, owned or leased, tangible or intangible and whether now held or hereafter acquired.

"Purchasing Banks" has the meaning specified in Section 11.06(c).

"Ratings Level" means the ratings level applicable from time to time as set forth on Schedule II, which is based on the ratings of the Borrower's senior unsecured long-term debt by S&P or Moody's in accordance with Section 1.05 hereof.

"Reference Bank" means Citibank or any successor thereto pursuant to Section 4.04(g).

"Register" has the meaning specified in Section 11.06(e) hereof.

"Regulation G," "Regulation T" and "Regulation U" means Regulation G, T and U, respectively, of the Board or any other regulation hereafter promulgated by the Board to replace the prior Regulation G, T or U, as the case may be, and having substantially the same function.

"Reorganization" means, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty-day notice period is waived under PBGC Reg. Section 4043.

"Responsible Officer" means the chief financial officer, the chief accounting officer, an assistant treasurer, the treasurer or the comptroller of Borrower or any other officer of Borrower whose primary duties are similar to the duties of any of the previously listed officers.

"Restricted Subsidiary" means any Subsidiary of the Borrower which owns a Principal Property.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. on the date hereof, or any successor to its debt ratings business.

"Sale and Leaseback Transaction" means any arrangement with any Person providing for the leasing to the Borrower or any Restricted Subsidiary of any Principal Property (except for temporary leases for a term, including any renewal thereof of not more than three years and except for leases between the Borrower and a Restricted Subsidiary or between Restricted Subsidiaries), which Principal Property has been or is to be sold or transferred by the Borrower or any Restricted Subsidiary to such Person.

"SEC" means the Securities and Exchange Commission.

"Secured Indebtedness" means, with respect to any Person, all Indebtedness secured (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured) by any Lien on any Property (including, without limitation, accounts and contract rights) owned by such Person or any of its Subsidiaries, even though such Person has not assumed or become liable for the payment of such Indebtedness.

"Significant Subsidiary" has the meaning specified in Rule 405 under the Securities Act of 1933, as amended through the Effective Date; provided, however, that no Subsidiary shall be deemed to be a Significant Subsidiary for purposes of this Agreement solely on the basis of its losses. Unless otherwise specifically provided, each reference herein to a Significant Subsidiary shall mean a Significant Subsidiary of the Borrower.

"Single Employer Plan" means any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Subsidiary" means, as to any Person, a corporation, partnership or other entity of which more than 50% of the outstanding shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly through one or more Subsidiaries of such Person, by such Person.

"Swing Borrowing" means any Swing Loan.

"Swing Line Bank" means Citibank.

"Swing Line Commitment" has the meaning specified in Section 2.01(b).

"Swing Line Facility" has the meaning specified in Section 2.01(b).

"Swing Loan" means an advance made by the Swing Line Bank pursuant to Section 2.01(b).

"Taxes" has the meaning specified in Section 5.03(a).

"Termination Date" means March 31, 2003 or any earlier date on which (a) the Commitments have been cancelled or terminated in accordance with this Agreement or (b) all unpaid principal amounts of the Loans hereunder have been declared due and payable in accordance with this Agreement.

"Tranche" means the collective reference to Committed LIBOR Rate Loans, the Interest Period with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Transferee" has the meaning specified in Section 11.06(g).

"Transfer Effective Date" has the meaning specified in Section 11.06(c).

"Triggering Event" has the meaning specified in Section 5.07(b).

"Type" refers to the determination of whether a Loan is an ABR Loan or a Committed LIBOR Rate Loan (or a Committed Borrowing comprised of such Loans).

"Unrated" means no senior unsecured long-term debt of the Borrower is rated by S&P and no senior unsecured long-term debt of the Borrower is rated by Moody's.

"Value" means, with respect to a Sale and Leaseback Transaction, as of any particular time, the amount equal to the greater of (1) the net proceeds from the sale or transfer of the property leased pursuant to such Sale and Leaseback Transaction or (2) the fair value, in the opinion of the Board of Directors, of such property at the time of entering into such Sale and Leaseback Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

"Wholly-Owned" means, with respect to any Subsidiary of any Person, a Subsidiary, all the outstanding capital stock (other than directors' qualifying shares required by law) or other ownership interest of which are at the time owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person, or both.

SECTION 1.02. Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

SECTION 1.03. Accounting Terms. Unless otherwise specified in this Agreement, all accounting terms used herein shall be construed in accordance with GAAP as in effect from time to time.

SECTION 1.04. Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

SECTION 1.05. Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Majority Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of the Borrower, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Baal and other such debt of the Borrower Baa2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Baa2 by Moody's.

ARTICLE II

AMOUNTS AND TERMS OF THE COMMITTED LOANS AND SWING LOANS

SECTION 2.01. The Committed Loans and Swing Loans. (a) Each Bank severally agrees, on the terms and subject to the conditions hereinafter set forth, to make revolving credit Loans (the "Committed Loans") to Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate principal amount not to exceed at any time outstanding an amount equal to such Bank's Commitment minus such Bank's Pro Rata Percentage of the sum of (1) the aggregate principal amount of the Swing Loans then outstanding plus (2) the aggregate principal amount of all CAF Loans then outstanding; provided that no Committed Loan shall be made as a Committed LIBOR Rate Loan after the day that is one month prior to the Termination Date; and provided, further, that in no event shall the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans outstanding at any time exceed

the lesser of (i) $350,000,000 and (ii) the aggregate amount of the Commitments at such time. Each Committed Borrowing by Borrower shall be in an aggregate principal amount of $10,000,000 (in the case of Committed LIBOR Rate Loans) or $5,000,000 (in the case of ABR Loans), or an integral multiple of $1,000,000 in excess thereof, and shall consist of Loans of the same Type made on the same day by the Banks ratably according to their respective Pro Rata Percentages. Within the limits of the Commitments and this Section 2.01(a), Borrower may borrow, prepay pursuant to Section 5.05 and reborrow under this Section 2.01(a). The principal amount outstanding on the Committed Loans shall mature and, together with accrued and unpaid interest thereon, shall be due and payable on the Termination Date. The Borrower shall give a Notice of Borrowing each time it desires that a Committed Loan be made. Each such Notice of Borrowing shall provide that the Borrower requests that Committed Loans be made ratably by the Banks in accordance with their respective Pro Rata Percentages. The Borrower may give multiple Notices of Borrowing on the same day.

(b) The Swing Line Bank agrees, on the terms and conditions hereinafter set forth, to make Swing Loans to the Borrower from time to time on any Business Day from the Effective Date until the Termination Date (or, if earlier, the date the Swing Line Commitment is terminated or cancelled) in an aggregate principal amount which shall not exceed at any time outstanding the amount set opposite the Swing Line Bank's name on the signature pages hereof under the caption "Swing Line Commitment", as such amount may be reduced pursuant to Section 4.03(b) (such amount, as it may have been so reduced, being the Swing Line Bank's "Swing Line Commitment" and the loan facility provided by this Section 2.01(b) being the "Swing Line Facility"); and, provided further that no Swing Loan shall be made if, following the making of such Swing Loan, the aggregate principal amount of Committed Loans, CAF Loans and Swing Loans would exceed the aggregate amount of the Commitments of the Banks. No Swing Loan shall be used for the purpose of funding the payment of principal of any other Swing Loan. Each Swing Loan shall be in an amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and shall bear interest as provided in Section 4.04(a) or, if relevant, Section 4.04(e). The terms and conditions of the Swing Line Commitment and the Swing Loans (other than terms and conditions relating to the interest rate, tenor or term of any such Swing Loan) may be modified from the terms and conditions provided herein upon mutual agreement of Borrower and the Swing Line Bank. Within the limits of the Swing Line Facility and within the limits referred to in this Section, the Borrower may borrow under this Section 2.01(b), repay pursuant to Section 5.02(d) or prepay pursuant to Section 5.05 and reborrow under this Section 2.01(b).

SECTION 2.02. Making the Loans. (a) Each Committed Borrowing under Section 2.01 shall be made on Borrower's oral or written notice given by Borrower to the Agent (i) not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Committed Borrowing in the case of a Committed LIBOR Rate Loan and (ii) not later than 11:00 A.M. (New York City time) on the first Business Day prior to the date of the proposed Committed Borrowing in the case of an ABR Loan. With respect to any oral notice of borrowing given by Borrower, Borrower shall promptly thereafter confirm such notice in writing. Each written

notice of borrowing and each confirmation of an oral notice of borrowing shall be in substantially the form of Exhibit 2.02(a) hereto ("Notice of Borrowing"). Each Notice of Borrowing shall be signed by Borrower and shall specify therein the requested (i) date of such Committed Borrowing, (ii) Type of Loans comprising such Committed Borrowing, (iii) aggregate amount of such Committed Borrowing and (iv) with respect to any Committed LIBOR Rate Loan, the Interest Period for each such Loan (which shall be the same for all Loans comprising such Committed Borrowing). The Agent shall promptly deliver a copy of each Notice of Borrowing to each Bank, but in any event the Agent will endeavor to deliver such copy no later than 11:30 A.M. (New York City time) on the relevant borrowing date. Each Bank shall, before 12:00 Noon (New York City time) on the date of such Committed Borrowing, make available to the Agent at its address referred to in Section 11.02, in immediately available funds, such Bank's applicable Pro Rata Percentage of such Committed Borrowing. The Agent shall, no later than 1:00 P.M. (New York City time), make such funds available to Borrower at the Agent's aforesaid address. Each Notice of Borrowing shall be irrevocable and binding on Borrower.

(b) Unless the Agent shall have received notice from a Bank prior to the date of any Committed Borrowing that such Bank will not make available to the Agent such Bank's applicable Pro Rata Percentage of such Committed Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Committed Borrowing in accordance with Section 2.02(a) and the Agent may, in reliance upon such assumption, make available to Borrower on such date a corresponding amount. If such amount is made available to the Agent on a date after such date of Committed Borrowing, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Bank's applicable Pro Rata Percentage of such Committed Borrowing, times (iii) a fraction, the numerator of which is the number of days that elapse from such date of Committed Borrowing to the date on which such Bank's applicable Pro Rata Percentage of such Committed Borrowing shall have become immediately available to the Agent and the denominator of which is 360. A certificate of the Agent submitted to any Bank with respect to any amounts owing under this Section 2.02(b) shall be conclusive in the absence of manifest error. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Banks Loan as part of such Committed Borrowing for purposes of this Agreement. If such Bank's applicable Pro Rata Percentage of such Committed Borrowing is not in fact made available to the Agent by such Bank within three (3) Business Days of such date of Committed Borrowing, the Agent shall be entitled to recover such amount with interest thereon at the rate per annum, equal to (i) the Alternate Base Rate (in the case of ABR Loans) or (ii) the Federal Funds Effective Rate (in the case of Committed LIBOR Rate Loans), on demand, from Borrower.

(c) The failure of any Bank to make the Loan to be made by it as part of any Committed Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on the date of such Committed Borrowing, but no Bank shall be responsible for the failure

of any other Bank to make the Loan to be made by such other Bank on the date of any Committed Borrowing.

(d) Notwithstanding any other provision of this Agreement, at no time shall there be more than twelve Committed Borrowings outstanding at any time (for purposes of this Section 2.02(d), all ABR Loans shall count as one Committed Borrowing).

(e) Each Swing Loan shall be made on notice, given not later than 2:00 P.M. (New York City time), or such later time as agreed to by the Borrower and the Swing Line Bank, on the date of the proposed Swing Loan, by Borrower to the Swing Line Bank and the Agent. Each such notice of a Swing Loan (a "Notice of Swing Loan") shall be by telephone, confirmed immediately in writing, or telecopier, specifying therein the requested (i) date of such Swing Loan, (ii) amount of such Swing Loan and (iii) maturity of such Swing Loan (which maturity shall be no later than the earlier of the Termination Date and the tenth day after the requested date of such Swing Loan). Each written Notice of Swing Loan and each written confirmation of a telephonic Notice of Swing Loan shall be in substantially the form of Exhibit 2.02(e). The Swing Line Bank will make the amount of each Swing Loan available to the Agent at the Agents address referred to in Section 11.02 in same day funds (and the Agent shall promptly make such funds available to Borrower at such address) or make such amount available to Borrower as agreed between the Swing Line Bank and Borrower. Notwithstanding anything herein to the contrary, the Swing Line Bank may suspend its obligation to make Swing Loans so long as the senior unsecured long-term debt of any Bank is rated below BBB- by S&P or below Baa3 by Moody's or if any Bank fails to comply with Section 2.04.

SECTION 2.03. Minimum Tranches. All Borrowings, prepayments, conversions and continuations of Committed Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Tranche of Committed LIBOR Rate Loans shall be equal to $10,000,000 or an integral multiple of $1,000,000 in excess thereof.

SECTION 2.04. Participation in Swing Loans. Upon written demand by the Swing Line Bank, with a copy of such demand to the Agent, each other Bank shall purchase from the Swing Line Bank, a participating interest in each Swing Loan in an amount equal to such other Bank's Pro Rata Percentage of each Swing Loan as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Agent for the account of the Swing Line Bank, by delivery to the Agent at its address referred to in Section 11.02, in same day funds; an amount equal to the portion of the outstanding principal amount of and interest on the Swing Loans to be purchased by such other Bank. Promptly after receipt of such funds from the purchasing Banks, the Agent shall transfer such funds to the Swing Line Bank. The Borrower hereby agrees to each such purchase. Each Bank agrees to purchase its Pro Rata Percentage of each Swing Loan on (A) the Business Day on which demand therefor is made by the Swing Line Bank, provided

notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (B) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any sale by the Swing Line Bank to any other Bank of a participating interest in any Swing Loan pursuant to this Section 2.04, the Swing Line Bank represents and warrants to such other Bank that the Swing Line Bank is the legal and beneficial owner of such interest being sold by it, free and clear of any liens, but makes no other representation or warranty. The Swing Line Bank shall have no responsibility or liability to any other Bank with respect to the Swing Loans, any participation sold, this Agreement or any party hereto, and no Bank shall have any recourse against the Swing Line Bank with respect to the Swing loans, any participation sold, this Agreement or any party hereto, except that the Swing Line Bank shall pay to each Bank that purchases a participation in a Swing Loan pursuant to this Section 2.04 such Bank's ratable share of the payments, if any, actually received by the Swing Line Bank on such Swing Loan. Any sale of a participating interest pursuant to this Section 2.04 may, at the Swing Line Bank's option, be evidenced by a participation agreement or other document in substantially the same form as any participation agreement or other document customarily used by the Swing Line Bank to evidence its sale of a participating interest in a loan. If and to the extent that any Bank shall not have so made the amount required by this Section 2.04 available to the Agent, such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Swing Line Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for the account of the Swing Line Bank.

ARTICLE III

AMOUNTS AND TERMS OF THE CAF LOANS

SECTION 3.01. The CAF Loans. From time to time on any Business Day during the period from the Effective Date until the Termination Date, Borrower may request CAF Loans from the Banks in amounts such that the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans outstanding at any time shall not exceed the aggregate amount of the Commitments at such time (the "CAF Facility"). Under the terms and conditions set forth below, Borrower may borrow, repay pursuant to Section 3.02(h) and reborrow under this Section 3.01.

SECTION 3.02. Competitive Bid Procedure. (a) In order to request a CAF Loan, Borrower shall deliver to the Agent a written notice in the form of Exhibit 3.02-A, attached hereto (a "Competitive Bid Request"), to be received by the Agent (i) in the case of each CAF LIBOR Rate Loan, not later than 3:00 P.M. (New York City time), five (5) Business Days before the borrowing date specified for such CAF LIBOR Rate Loan and (ii) in the case of each Fixed Rate Loan, not later than 11:00 A.M. (New York City time), two (2) Business Days before the borrowing date specified for such Fixed Rate Loan. Each Competitive Bid Request shall in each case refer to this Agreement and specify (i) the date of Borrowing of such CAF Loans (which shall be a Business

Day), (ii) the aggregate principal amount thereof, (iii) whether the CAF Loans then being requested are to be CAF LIBOR Rate Loans or Fixed Rate Loans, (iv) the maturity date for each CAF Loan requested to be made and (v) the interest payment dates for each CAF Loan requested to be made. The Agent shall promptly notify each Bank by telex or facsimile transmission of the contents of each Competitive Bid Request received by it. Each Competitive Bid Request may solicit bids for CAF Loans in an aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof and for not more than three alternative maturity dates for such CAF Loans. The maturity date for each CAF Loan shall be not less than seven (7) days nor more than two hundred seventy (270) days after the applicable date of CAF Borrowing (and in any event shall not extend beyond the Termination Date). On each date on which the Borrower delivers to the Agent a Competitive Bid Request, Borrower agrees to pay to the Agent, solely for the account of the Agent, a non-refundable fee in the amount of $3,500.

(b) Each Bank may, in its sole discretion, irrevocably offer to make one or more CAF Loans to Borrower responsive to each Competitive Bid Request from Borrower. Any such irrevocable offer by a Bank must be received by the Agent, in the form of Exhibit 3.02-B hereto (a "Competitive Bid"), (i) in the case of each CAF LIBOR Rate Loan, not later than 10:30 A.M. (New York City time), four (4) Business Days before the borrowing date specified for such CAF LIBOR Rate Loan and (ii) in the case of each Fixed Rate Loan, not later than 9:30 A.M. (New York City time) on the borrowing date specified for such Fixed Rate Loan. Competitive Bids that do not conform substantially to the format of Exhibit 3.02-B may be rejected by the Agent after conferring with, and upon the instruction of, Borrower, and the Agent shall notify the Bank of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and (i) specify the maximum principal amount of CAF Loans for each maturity date (which shall be in an aggregate principal amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof and which may equal, but not exceed, the principal amount requested for such maturity date by Borrower) and the aggregate maximum principal amount of CAF Loans for all maturity dates (which amount, with respect to any Bank, may exceed such Bank's Commitment) that the Bank is willing to make to Borrower; and (ii) specify the CAF Rate at which the Bank is prepared to make each such CAF Loan. A Competitive Bid submitted by a Bank pursuant to this Section 3.02(b) shall be irrevocable.

(c) The Agent shall (i) in the case of each CAF LIBOR Rate Loan, not later than 11:00 A.M. (New York City time) three (3) Business Days before the borrowing date specified for such CAF LIBOR Rate Loan and (ii) in the case of each Fixed Rate Loan, not later than 10:00 A.M. (New York City time) on the borrowing date specified for such Fixed Rate Loan, notify Borrower in writing of all the Competitive Bids made (arranging each such bid in ascending interest rate order), and the CAF Rate or Rates and the maximum principal amount of each CAF Loan in respect of which a Competitive Bid was made, and the identity of the Bank that made each bid. The Agent shall send a copy of all Competitive Bids to Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 3.02.

(d) Borrower may in its sole and absolute discretion, subject only to the provisions of this Section 3.02(d), accept or reject any Competitive Bid referred to in Section 3.02(c); provided, however, that the aggregate amount of Borrower's Competitive Bids so accepted by Borrower may not exceed the lesser of (i) the principal amount of the CAF Borrowing requested by Borrower or (ii) the amount of the Commitments less the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans made to Borrower and outstanding at such time after giving effect to the application of the proceeds of such CAF Borrowing on the borrowing date therefor. Borrower shall notify the Agent in writing whether and to what extent it has decided to accept or reject any or all of the bids referred to in Section 3.02(c) by delivering to the Agent a written notice in the form of Exhibit 3.02-C hereto (a "Competitive Bid Confirmation"), (i) in the case of each CAF LIBOR Rate Loan, not later than 1:00 P.M. (New York City time), three (3) Business Days before the borrowing date specified for such CAF LIBOR Rate Loan and (ii) in the case of each Fixed Rate Loan, not later than 11:00 A.M. (New York City time) on the borrowing date specified for such Fixed Rate Loan, which Competitive Bid Confirmation shall specify the principal amount of CAF Loans for each relevant maturity date to be made by each such bidding Bank (which amount for each such maturity date shall be equal to or less than the maximum amount for such maturity date specified in the Competitive Bid of such Bank, and for all maturity dates included in such Competitive Bid shall be equal to or less than the aggregate maximum amount specified in such Competitive Bid for all such maturity dates); provided, however, that (A) the failure by Borrower to so deliver a Competitive Bid Confirmation shall be deemed to be a rejection of all the bids referred to in Section 3.02(c); (B) Borrower shall not accept a bid made at a particular CAF Rate for a particular maturity if Borrower has decided to reject a bid made at a lower CAF Rate for such maturity; (C) if Borrower shall accept bids made at a particular CAF Rate for a particular maturity but shall be restricted by other conditions hereof from borrowing the maximum principal amount of CAF Loans in respect of which bids at such CAF Rate have been made, then Borrower shall accept a pro rata portion of each bid made at such CAF Rate based as nearly as possible on the respective maximum principal amounts of CAF Loans offered to be made by the relevant Banks pursuant to such bids; and (D) no bid shall be accepted for a CAF Loan by any Bank unless such CAF Loan is in an aggregate principal amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof. Notwithstanding the foregoing, if it is necessary for Borrower to accept a pro rata allocation of the bids made in response to a Competitive Bid Request (whether pursuant to the events specified in clause (C) above or otherwise) and the available principal amount of CAF Loans to be allocated among the Banks is not sufficient to enable CAF Loans to be allocated to each Bank in an aggregate principal amount not less than $5,000,000 or in integral multiples of $1,000,000 in excess thereof, then the Borrower shall, subject to clause (D) above, select the Banks to be allocated such CAF Loans and shall round allocations up or down to the next higher or lower multiple of $1,000,000 as it shall deem appropriate; provided that the allocations among the Banks to be allocated such CAF Loans shall be made pro rata based as nearly as possible on the respective maximum principal amounts of CAF Loans offered to be made by such Banks. The Competitive Bid Confirmation given by Borrower pursuant to this Section 3.02(d) shall be irrevocable.

(e) Upon receipt by the Agent from the Reference Bank of the LIBOR Rate applicable to any CAF LIBOR Rate Loan to be made by any Bank pursuant to a Competitive Bid that has been accepted by Borrower pursuant to Section 3.02, the Agent shall notify such Bank of the applicable LIBOR Rate.

(f) If the Agent shall at any time elect to submit a Competitive Bid in its capacity as a Bank, it shall submit such bid directly to Borrower by (i) in the case of a CAF LIBOR Rate Loan, not later than 10:15 A.M. (New York City time), and (ii) in the case of a Fixed Rate Loan, not later than 9:15 A.M. (New York City time), in each case, on the Business Day on which the other Banks are required to submit their bids to the Agent pursuant to Section 3.02(b) above.

(g) If Borrower accepts pursuant to Section 3.02(d) one or more of the offers made by any Bank or Banks, the Agent shall promptly notify each Bank that has made such an offer of the aggregate amount of such CAF Loans to be made on such borrowing date for each maturity date and of the acceptance or rejection of any offers to make such CAF Loans made by such Bank. Each Bank that is to make a CAF Loan shall, before 12:00 Noon (New York City time) on the borrowing date specified in the Competitive Bid Request applicable thereto, make available to the Agent at its office set forth in Section 11.02 the amount of CAF Loans to be made by such Bank, in immediately available funds. The Agent shall, no later than 1:00 P.M. (New York City time) on such borrowing date, make such funds available to Borrower at the Agents aforesaid address. As soon as practicable after each borrowing date, the Agent shall notify each Bank of the aggregate amount of CAF Loans advanced on such borrowing date and the respective maturity dates thereof.

(h) Borrower shall repay to the Agent for the account of each Bank that has made a CAF Loan (or the CAF Loan Assignee in respect thereof, as the case may be) on the maturity date of each CAF Loan (such maturity date being that specified by Borrower for repayment of such CAF Loan in the related Competitive Bid Request) the then unpaid principal amount of such CAF Loan. Borrower shall not have the right to prepay any principal amount of any CAF Loan.

(i) All notices required by this Section 3.02 shall be made in accordance with Section 11.02 hereof; provided, however, that each request or notice required to be made under Section 3.02(a) or 3.02(d) by Borrower may be made by the giving of telephone notice to the Agent that is promptly confirmed by delivery of a notice in writing (in substantially the form of Exhibit 3.02-A or Exhibit 3.02-C as the case may be) to the Agent.

ARTICLE IV

PROVISIONS RELATING TO ALL LOANS

SECTION 4.01. The Loans. (a) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of Borrower to such Bank resulting from each Committed Loan, each Swing Loan and each CAF Loan of such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement.

(b) The Agent shall maintain the Register pursuant to subsection 11.06(e) and a subaccount therein for each Bank, in which shall be recorded (i) the amount of each Committed Loan, Swing Loan and CAF Loan made by the Banks through the Agent hereunder, the type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from Borrower to each Bank hereunder and (iii) both the amount of any sum received by the Agent hereunder from Borrower and each Bank's share thereof.

(c) The entries made in the Register and the accounts of each Bank maintained pursuant to subsection 4.01(a) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of Borrower therein recorded; provided, however, that the failure of any Bank or the Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of Borrower to repay (with applicable interest) the Loans actually made to Borrower in accordance with the terms of this Agreement.

SECTION 4.02. Fees. (a) Borrower agrees to pay to the Agent for the account of each Bank a facility fee (the "Facility Fee") on the average daily amount of such Bank's Commitment (whether used or unused), from the date hereof in the case of each Bank listed on the signature pages hereof and from the effective date specified in the Committed Loan Assignment and Acceptance pursuant to which it became a Bank in the case of each other Bank until the Termination Date, payable in arrears beginning on June 30, 1998 and continuing quarterly thereafter on the last day of each March, June, September and December during the term of this Agreement, and on the Termination Date, at a rate per annum equal to the Applicable Facility Fee Rate in effect from time to time.

(b) The Facility Fees payable under Section 4.02(a) and the fees payable under Section 4.02(c) shall be calculated by the Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period for which such fee is payable.

(c) Borrower agrees to pay to the Agent for the account of each Bank a usage fee at a rate of 1/8% per annum on the aggregate outstanding principal amount of all Loans owed to such

Bank (other than CAF Loans) at all times during which the aggregate outstanding principal amount of all Loans (other than CAF Loans) exceeds 50% of the Commitments of the Banks, payable quarterly in arrears on the last day of each March, June, September and December hereafter, commencing March 31, 1998, and on the Termination Date.

(d) Borrower shall pay to the Agent for its own account, the fees in the amounts and on the dates agreed to in writing by Borrower and the Agent from time to time.

SECTION 4.03. Termination or Reduction of the Commitments. (a) Borrower shall have the right, upon at least three (3) Business Days' irrevocable notice to the Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the Commitments, provided that (a) each partial reduction shall be in the aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof, (b) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 5.05 hereof by Borrower on the effective date thereof, the aggregate principal amount of Loans made to Borrower and then outstanding would exceed the Commitments then in effect, and (c) no such termination or reduction shall be permitted if, after giving effect thereto, the Swing Line Commitment would exceed the Commitments then in effect. Any termination or reduction of any of the Commitments shall be permanent.

(b) Borrower shall have the right, upon at least three (3) Business Days' irrevocable notice to the Agent and the Swing Line Bank, to terminate in whole or permanently reduce ratably in part the unused portion of the Swing Line Commitment, provided that (a) each partial reduction shall be in the aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof and (b) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 5.05 hereof by Borrower on the effective date thereof, the aggregate principal amount of Swing Loans made to Borrower and then outstanding would exceed the Swing Line Commitment then in effect. Any termination or reduction of the Swing Line Commitment shall be permanent.

SECTION 4.04. Interest. Borrower shall pay interest on the unpaid principal amount of each Loan made by each Bank from the date of such Loan until such principal amount shall be paid in full, at the times and at the rates per annum set forth below:

(a) Each ABR Loan and each Swing Loan shall bear interest at a rate per annum equal at all times to the lesser of (i) the Alternate Base Rate and (ii) the Highest Lawful Rate, payable quarterly in arrears on the last day of each March, June, September and December, commencing on March 31, 1998 and on the Termination Date. Additionally, accrued interest on each ABR Loan shall be payable when such ABR Loan is converted pursuant to Section 4.07, and accrued interest on each Swing Loan shall be payable on each date on which principal of such Swing Loan is paid.

(b) Each LIBOR Rate Loan shall bear interest at a rate per annum equal at all times to (i) in the case of each Committed LIBOR Rate Loan, the lesser of (A) the sum of the LIBOR Rate for the applicable Interest Period for such Loan plus the Applicable Margin in effect from time to time and (B) the Highest Lawful Rate, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, quarterly on each day that is at the end of each three month period within such Interest Period, and on the Termination Date and (ii) in the case of each CAF LIBOR Rate Loan, the lesser of (A) the sum of the LIBOR Rate applicable to such Loan plus or minus, as the case may be, the CAF Margin specified by the Bank making such Loan with respect to such Loan in its Competitive Bid submitted pursuant to Section 3.02(b) and (B) the Highest Lawful Rate, payable on the date or dates specified in the relevant Competitive Bid Request.

(c) Each Fixed Rate Loan shall bear interest at a rate per annum equal at all times to the lesser of (i) the fixed rate of interest offered by the Bank making such Loan and accepted by Borrower pursuant to Section 3.02 and (ii) the Highest Lawful Rate, payable on the date or dates specified in the relevant Competitive Bid Request.

(d) Interest payable under Sections 4.04(a) and 4.04(e) (to the extent that the calculation of the Default Rate thereunder is based on the Alternate Base Rate) shall be calculated by the Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period in which such interest is payable. Interest payable under Sections 4.04(b), (c) and (e) (to the extent that the calculation of the Default Rate is based on either the LIBOR Rate or the rate set forth in Section 4.04(c)) shall be calculated by the Agent on the basis of a 360-day year for the actual days (including the first day and excluding the last day) occurring in the period for which such interest is payable.

(e) Notwithstanding the foregoing, if all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon, or (iii) any Facility Fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest, payable from time to time on demand, at a rate per annum equal to the lesser of (A) the Highest Lawful Rate and (B) the Default Rate, in each case from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(f) Each determination of an interest rate by the Agent pursuant to any provisions of this Agreement shall be conclusive and binding on Borrower and the Banks in the absence of manifest error. The Agent shall, at the request of Borrower, deliver to Borrower a statement showing in reasonable detail the quotations used by the Agent in determining LIBOR Rates.

(g) The Reference Bank shall use its best efforts to finish quotations of rates to the Agent as contemplated hereby. If the Reference Bank shall be unable or shall otherwise fail to supply such rates to the Agent upon its request, (i) the Agent (after consultation with Borrower and

the Banks) shall, by notice to Borrower and Banks, designate another Bank as the Reference Bank, and upon such designation, such Bank that is unable or fails to supply such rates shall cease to be the Reference Bank; and (ii) until the new Reference Bank is so designated no LIBOR Rate Loans shall be made and no Loans shall be continued as or converted into Committed LIBOR Rate Loans. If the Reference Bank shall for any reason no longer have a Commitment, Swing Line Commitment or any Loans, the Agent (after consultation with Borrower and the Banks) shall, by notice to Borrower and the Banks, designate another Bank as the Reference Bank, and upon such designation such Bank that no longer has a Commitment, Swing Line Commitment or any Loans shall cease to be the Reference Bank.

SECTION 4.05. Reserve Requirements. (a) Borrower agrees to pay to each Bank that requests compensation under this Section 4.05 in accordance with the provisions set forth in Section 5.07(b), so long as such Bank shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board (or, so long as such Bank shall be required by the Board or by any other Governmental Authority to maintain reserves against any other category of liabilities that includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank that includes any LIBOR Rate Loans), an additional amount (determined by such Bank and notified to Borrower pursuant to the provisions set forth in Section 5.07(b)) representing such Bank's calculation or, if an accurate calculation is impracticable, reasonable estimate (using such method of allocation to such Loans of Borrower as such Bank shall determine in accordance with Section 5.07(a)) of the actual costs, if any, incurred by such Bank during the relevant Interest Period or during the period a CAF LIBOR Rate Loan made by such Bank was outstanding, as the case may be, as a result of the applicability of the foregoing reserves to such Committed LIBOR Rate Loans or CAF LIBOR Rate Loans, which amount in any event shall not exceed the product of the following for each day of such Interest Period or each day during the period such CAF LIBOR Rate Loan was outstanding, as the case may be:

(i) the principal amount of the relevant Committed LIBOR Rate Loans or CAF LIBOR Rate Loans made by such Bank outstanding on such day; and

(ii) the difference between (A) a fraction, the numerator of which is the LIBOR Rate (expressed as a decimal) applicable to such Committed LIBOR Rate Loan or CAF LIBOR Rate Loan, as the case may be (expressed as a decimal), and the denominator of which is one minus the maximum rate (expressed as a decimal) at which such reserve requirements are imposed by the Board or other Governmental Authority on such date, minus (B) such numerator; and

(iii) a fraction, the numerator of which is one and the denominator of which is 360.

(b) The agreements in this Section 4.05 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 4.06. Interest Rate Determination and Protection. (a) The rate of interest for each Committed LIBOR Rate Loan shall be determined by the Agent two (2) Business Days before the first day of each Interest Period applicable to such Loan. The Agent shall give prompt notice to Borrower and the Banks of the applicable interest rate determined by the Agent for purposes of Section 4.04(b) hereof.

(b) If, with respect to any Committed LIBOR Rate Loans, prior to the first day of an Interest Period (i) the Agent shall have determined (which determination shall be conclusive and binding upon Borrower) that, by reason of circumstances affecting the London interbank market, adequate and reasonable means do not exist for ascertaining the LIBOR Rate for such Interest Period or (ii) the Agent shall have received notice from the Majority Banks that the LIBOR Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Banks (as determined in good faith and certified by such Banks) of making or maintaining their affected Committed LIBOR Rate Loans during such Interest Period or that Dollar deposits for the relevant amounts and Interest Period for the respective Committed LIBOR Rate Loans are not available to them in the London interbank market, the Agent shall give telecopy or telephonic notice thereof to Borrower and the Banks as soon as practicable thereafter. If such notice is given, (A) any Committed LIBOR Rate Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, (B) any Committed Loans that were to have been converted on the first day of such Interest Period to Committed LIBOR Rate Loans shall be continued as ABR Loans and (C) any outstanding Committed LIBOR Rate Loans shall be converted, on the first day of such Interest Period, to ABR Loans. Until such notice has been withdrawn by the Agent, no further Committed LIBOR Rate Loans shall be made or continued as such, nor shall Borrower have the right to convert Committed Loans to Committed LIBOR Rate Loans.

SECTION 4.07. Voluntary Interest Conversion or Continuation of Committed Loans. (a) Borrower may on any Business Day, upon its irrevocable oral or written notice of interest conversion/continuation given by it to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed interest conversion or continuation in the case of conversion into or continuation as a Committed LIBOR Rate Loan, (i) convert Committed Loans of one Type into Committed Loans of another Type; (ii) convert Committed LIBOR Rate Loans for a specified Interest Period into Committed LIBOR Rate Loans for a different Interest Period; or (iii) continue Committed LIBOR Rate Loans for a specified Interest Period as Committed LIBOR Rate Loans for the same Interest Period; provided, however, that (A) any conversion of any Committed LIBOR Rate Loans into Committed LIBOR Rate Loans for a different Interest Period, or into ABR Loans, or any continuation of Committed LIBOR Rate Loans for the same Interest Period shall be made on, and only on, the last day of an Interest Period for such Committed LIBOR Rate Loans; (B) no Committed Loan may be converted into or continued as a

Committed LIBOR Rate Loan by Borrower so long as an Event of Default has occurred and is continuing; (C) no Committed Loan may be converted into or continued as a Committed LIBOR Rate Loan after the date that is one month prior to the Termination Date, (D) no Committed Loan may be converted into or continued as a Committed LIBOR Rate Loan if, after giving effect thereto, Section 2.03 would be contravened, and (E) each conversion and each continuation shall treat all Loans comprising a particular Committed Borrowing alike, with the result that at all times (except as contemplated by Section 4.09(a)) each Committed Borrowing will consist of a Loan of the same Type, having (in the case of Committed LIBOR Rate Loans) the same Interest Period and originally made on the same day by the Banks. With respect to any oral notice of interest conversion/ continuation given by Borrower under this Section 4.07(a), Borrower shall promptly thereafter confirm such notice in writing. Each written notice of interest conversion/continuation given by Borrower under this Section 4.07(a) and each confirmation of an oral notice of interest conversion/ continuation given by Borrower under this Section 4.07(a) shall be in substantially the form of Exhibit 4.07 hereto ("Notice of Interest Conversion/Continuation"). Each such Notice of Interest Conversion/Continuation shall specify therein the requested (x) date of such interest conversion or continuation; (y) the Committed Loans to be converted or continued; and (z) if such interest conversion or continuation is into Committed LIBOR Rate Loans, the duration of the Interest Period for each such Committed LIBOR Rate Loan. The Agent shall promptly deliver a copy of each Notice of Interest Conversion/Continuation to each Bank. Each Notice of Interest Conversion/Continuation shall be irrevocable and binding on Borrower. Inasmuch as a conversion or continuation pursuant to this Section 4.07(a) does not require any Bank to advance additional amounts, the Borrower shall not be required to satisfy the conditions in Section 6.02 as a condition to giving a Notice of Interest Conversion/Continuation.

(b) If Borrower shall fail to deliver to the Agent a Notice of Interest Conversion/Continuation in accordance with Section 4.07(a) hereof, or to select the duration of any Interest Period for the principal amount outstanding under any Committed LIBOR Rate Loan by 11:00 A.M. (New York City time) on the third Business Day prior to the last day of the Interest Period applicable to such Loan in accordance with Section 4.07(a), the Agent will forthwith so notify Borrower and the Banks (provided that the failure to give such notice shall not affect the conversion referred to below) and such Committed Loans will automatically, on the last day of the then existing interest Period therefor, convert into ABR Loans.

SECTION 4.08. Funding Losses Relating to LIBOR Rate Loans. (a) Borrower agrees, without duplication of any other provision under this Agreement, to indemnify each Bank and to hold each Bank harmless from any loss or expense that such Bank may sustain or incur as a consequence of (i) default by Borrower in payment when due of the principal amount of or interest on any LIBOR Rate Loan, (ii) default by Borrower in making a borrowing of, conversion into or continuation of LIBOR Rate Loans after Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (iii) default by Borrower in making any prepayment after Borrower has given a notice thereof in accordance with the provisions of this

Agreement or (iv) the making of a prepayment of LIBOR Rate Loans or the conversion of Committed LIBOR Rate Loans into ABR Loans, on a day that is not the last day of an Interest Period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. The calculation of all amounts payable to a Bank under this Section 4.08(a) shall be made pursuant to the method described in Section 5.07(a), but in no event shall such amounts exceed the amounts that would have been payable assuming such Bank had actually funded its relevant LIBOR Rate Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of such LIBOR Rate Loan and having a maturity comparable to (A) with respect to any Committed LIBOR Rate Loan, the relevant Interest Period and (B) with respect to any CAF LIBOR Rate Loan, the maturity set forth in the Competitive Bid applicable thereto; provided, that each Bank may find each of its LIBOR Rate Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 4.08(a).

(b) The agreements in this Section 4.08 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 4.09. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if any Bank shall notify the Agent that the introduction of or any change in or in the interpretation or application of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank or its LIBOR Lending Office to perform its obligations hereunder to make LIBOR Rate Loans or to find or maintain LIBOR Rate Loans hereunder, (i) the obligation of such Bank to make, or to convert Committed Loans into, or to continue Committed LIBOR Rate Loans as, LIBOR Rate Loans shall be suspended until the Agent shall notify Borrower that the circumstances causing such suspension no longer exist; (ii) Borrower shall, at its option, either prepay in full all Committed LIBOR Rate Loans of such Bank then outstanding, or convert all such Loans to ABR Loans, on the respective last days of the then current Interest Periods with respect to such Loans (or within such earlier period as required by law), accompanied, in the case of any prepayments, by interest accrued thereon (and, in the case of any such conversion, the Borrower shall pay accrued interest thereon at the time of such conversion and such converted Loans will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such conversion); (iii) Borrower shall, with respect to each CAF LIBOR Rate Loan of such Bank, take such action as such Bank shall reasonably request; (iv) any request by Borrower for a Borrowing comprised of Committed LIBOR Rate Loans shall, as to such Bank, be deemed a request for an ABR Loan to be made on the same day as the Committed LIBOR Rate Loans of the other Banks and such ABR Loan shall be considered as part of such Borrowing; and (v) all payments and prepayments of principal that would otherwise have been applied to repay the LIBOR Rate Loans that would have been made by such Bank or the converted LIBOR Rate Loans shall instead be applied to repay the ABR Loans made by such Bank in lieu of such LIBOR Rate Loans or resulting from the conversion of such LIBOR Rate Loans and

shall be made at the time that payments on the Committed LIBOR Rate Loans of the other Banks are made. Each Bank agrees that it will use reasonable efforts to designate a different Applicable Lending Office for the LIBOR Rate Loans due to it affected by this Section 4.09, if such designation will avoid the illegality described in this Section 4.09 so long as such designation will not be disadvantageous to such Bank as determined by such Bank in its sole discretion acting in good faith.

(b) For purposes of this Section 4.09, a notice to Borrower (with a copy to the Agent) by any Bank pursuant to paragraph (a) above shall be effective on the date of receipt thereof by Borrower.

ARTICLE V

INCREASED COSTS, TAXES, PAYMENTS AND PREPAYMENTS

SECTION 5.01. Increased Costs; Capital Adequacy. (a) If after the date of this Agreement the adoption of or any change in any law or regulation or in the interpretation or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date of this Agreement:

(i) shall subject any Bank to any tax of any kind whatsoever with respect to this Agreement, any Note or any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Bank in respect thereof (except for (A) Taxes covered by Section 5.03, (B) net income taxes and franchise taxes imposed on such Bank as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and such Bank other than a connection arising solely from such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Loans and (C) changes in the rate of tax on the overall net income of such Bank);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Bank that is not otherwise included in the determination of the LIBOR Rate hereunder (except for amounts covered by Section 4.05 or any other Section hereof); or

(iii) shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the actual cost to such Bank of making, converting into, continuing or maintaining LIBOR Rate Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, Borrower shall promptly pay such Bank, upon its demand in the manner set forth in Section 5.07(b), any additional amounts, computed by such Bank in accordance with Section 5.07(a), necessary to compensate such Bank for such actual increased cost or reduced amount receivable that is attributable to Loans or Commitments (to the extent that such Bank has not already been compensated or reimbursed for such amounts pursuant to any other provision of this Agreement). If any Bank becomes entitled to claim any additional amounts pursuant to this Section 5.0 1 (a) from Borrower and elects to do so, it shall promptly notify Borrower, through the Agent, of the event by reason of which it has become so entitled in the manner set forth in Section 5.07(b).

(b) If any Bank determines in good faith that the introduction of or any change in or in the interpretation or application of any law or regulation regarding capital adequacy after the date of this Agreement or compliance by such Bank or any corporation controlling such Bank with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) made or issued after the date of this Agreement does or shall have the effect, as a result of such Bank's obligations under this Agreement, of reducing the rate of return on such Bank's or such corporation's capital to a level below that which such Bank or such corporation could have achieved but for such change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy), Borrower shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank in the manner set forth in Section 5.07(b), additional amounts, computed by such Bank in accordance with Section 5.07(a), sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such reduction in rate of return is allocable to the existence of such Banks obligations hereunder.

(c) The agreements contained in this Section 5.01 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 5.02. Payments and Computations. (a) All Committed Loans shall be due and payable on March 31, 2003 or such earlier date as they may become due pursuant hereto. Borrower shall make each payment (including each prepayment) hereunder and under the Loans, whether on account of principal, interest, fees or otherwise, without setoff, counterclaim or other deduction, not later than 12:00 Noon (New York City time) on the day when due, in Dollars to the Agent at its address referred to in Section 11.02 in immediately available funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, usage fees under Section 4.02(c) or Facility Fees (to the extent received by the Agent) ratably to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank (to the extent received by the Agent) to such

Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement.

(b) Whenever any payment hereunder or under the Loans shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of LIBOR Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(c) Unless the Agent shall have received notice from Borrower prior to the date on which any payment is due to the Banks hereunder that Borrower will not make such payment in full, the Agent may assume that Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent Borrower shall not have so made such payment in full to the Agent, each Bank shall pay to the Agent on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent at the Federal Funds Effective Rate.

(d) The Borrower shall repay to the Agent for the account of the Swing Line Bank the outstanding principal amount of each Swing Loan made by it on the maturity date specified in the applicable Notice of Swing Loan (which maturity shall be no later than the earlier of the tenth day after the requested date of such Swing Loan and the Termination Date).

SECTION 5.03. Taxes. (a) Except with respect to withholdings of United States taxes as provided in Section 5.03(d), any and all payments by Borrower hereunder or under the Loans shall be made, in accordance with Section 5.02, free and clear of and without deduction or withholding for or on account of any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, net income taxes and franchise taxes imposed on it as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Agent or such Bank, as the case may be, other than a connection arising solely from the Agent or such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Loans (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). Except with respect to withholdings of United States taxes as provided in Section 5.03(d), if Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Loans to any Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.03) such Bank or the Agent (as the case may be) receives an amount equal to the sum

it would have received had no such deductions been made; (ii) Borrower shall make such deductions; and (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If requested by any Bank, Borrower shall confirm that all applicable Taxes, if any, imposed on it by virtue of the transactions under this Agreement have been properly and legally paid by it to the appropriate taxing authorities by sending either (A) official tax receipts or notarized copies of such receipts to such Bank within thirty (30) days after payment of any applicable tax or (B) a certificate executed by a Responsible Officer of Borrower confirming that such Taxes have been paid, together with evidence of such payment.

(b) In addition, Borrower agrees to pay, in the manner set forth in Section 5.07(b), any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Loans or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any Note or the Loans and for which such Bank or the Agent (as the case may be) has not been otherwise reimbursed by Borrower under this Agreement (hereinafter referred to as "Other Taxes").

(c) Borrower will indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.03) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, including, without limitation or duplication, any incremental taxes, interest or penalties that may become payable by the Agent or any Bank as a result of any failure by Borrower to pay any Taxes or Other Taxes when due to the appropriate taxing authority or to remit to any Bank the receipts or other evidence of payment of Taxes or Other Taxes.

(d) Each Bank and each CAF Loan Assignee registered in the Register that is organized under the laws of any jurisdiction other than the United States of America or a state thereof agrees that it will deliver to Borrower and the Agent (i) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form. Each such Bank and each such CAF Loan Assignee also agrees to deliver to Borrower and the Agent two further copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to Borrower, and such extensions or renewals thereof as may reasonably be requested by Borrower or the Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Bank or such CAF Loan Assignee from duly completing and delivering any such form with respect to it and such Bank or such CAF Loan Assignee so advises Borrower and the Agent. Each such Bank and each such CAF Loan Assignee shall certify (A) in the case of a Form 1001 or 4224,

that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes and (B) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. In the event that any such Bank or CAF Loan Assignee fails to deliver any forms required under this Section 5.03(d), Borrower's obligation to pay additional amounts under this Section 5.03 to such Bank or CAF Loan Assignee shall be reduced to the amount that it would have been obligated to pay had such forms been provided.

(e) The agreements in this Section 5.03 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder. Nothing contained in this Section 5.03 shall require Borrower to pay any amount to any Bank or the Agent in addition to that for which it has already reimbursed any Bank or the Agent under any other provision of this Agreement.

SECTION 5.04. Sharing of Payments, Etc. If any Bank (a "benefited Bank") shall at any time receive any payment (other than pursuant to Section 4.05, 4.08, 5.01 or 5.03) of all or part of its Committed Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, pursuant to events or proceedings of the nature referred to in Section 9.01 (g) or 9.01(h), or otherwise), in a greater proportion than any such payment to or collateral received by any other Bank, if any, in respect of such other Bank's Committed Loans, or interest thereon, such benefited Bank shall purchase for cash from the other Banks a participating interest in such portion of each such other Bank's Committed Loans or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 5.04 or Section 2.04 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of Borrower in the amount of such participation.

SECTION 5.05. Voluntary Prepayments. Subject to Section 4.08, Borrower may, upon notice delivered to the Agent not later than 11:00 A.M. (New York City time) three (3) Business Days (or, in the case of a prepayment of ABR Loans or Swing Loans, one (1) Business Day) prior to the date of prepayment stating the aggregate principal amount of the prepayment and the Committed Loans or Swing Loans, as the case may be, to be prepaid, prepay the outstanding principal amounts of such Committed Loans comprising part of the same Committed Borrowing in whole or ratably in part or Swing Loans in whole or in part, as the case may be, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that all such prepayments shall be made without premium or penalty thereon; and provided further that losses incurred by any Bank under Section 4.08 shall be payable with respect to each such

prepayment in the manner set forth in Section 4.08. Such notice shall be irrevocable, and the payment amount specified in such notice shall be due and payable on the prepayment date described in such notice, together with accrued and unpaid interest on the amount prepaid. Partial prepayments with respect to any Tranche of Committed LIBOR Rate Loans shall be in an aggregate principal amount equal to the lesser of (a) $10,000,000 or an integral multiple of $1,000,000 in excess thereof or (b) the aggregate principal amount of such Tranche of Committed LIBOR Rate Loans then outstanding, as the case may be; provided, that, no partial prepayment of any Tranche of Committed LIBOR Rate Loans may be made if, after giving effect thereto, Section 2.03 would be contravened. Partial prepayments with respect to the ABR Loans and Swing Loans shall be made in an aggregate principal amount equal to the lesser of (i) $5,000,000 or an integral multiple of $1,000,000 in excess thereof or (ii) the aggregate principal amount of ABR Loans or Swing Loans then outstanding, as the case may be; provided, that, no partial prepayment of ABR Loans may be made if, after giving effect thereto, any Committed Borrowing would have an outstanding principal amount less than $5,000,000.

SECTION 5.06. Mitigation of Losses and Costs. Any Bank claiming reimbursement from Borrower under Sections 4.05, 4.08, 5.01 and 5.03 hereof shall use reasonable efforts (including, without limitation, if requested by Borrower, reasonable efforts to designate a different Applicable Lending Office of such Bank) to mitigate the amount of such losses, costs, expenses and liabilities, if such efforts can be made and such mitigation can be accomplished without such Bank suffering (a) any economic disadvantage for which such Bank does not receive full indemnity from Borrower under this Agreement or (b) any legal or regulatory disadvantage.

SECTION 5.07. Determination and Notice of Additional Costs and Other Amounts. (a) In determining the amount of any claim for reimbursement or compensation under Sections 4.05, 4.08 and 5.01, each Bank may use any reasonable averaging, attribution and allocation methods consistent with such methods customarily employed by such Bank in similar situations.

(b) Each Bank or, with respect to compensation claimed by the Agent pursuant to Section 5.03, the Agent, as the case may be, will (i) use best efforts to notify Borrower through the Agent (in the case of each Bank) of any event occurring after the date of this Agreement promptly after the occurrence thereof and (ii) notify Borrower through the Agent (in the case of each Bank) promptly after such Bank or the Agent, as the case may be, becomes aware of any event occurring after the date of this Agreement, in either case if such event (for purposes of this Section 5.07(b), a "Triggering Event") will entitle such Bank or the Agent, as the case may be, to compensation pursuant to Section 4.05, 4.08, 5.01 or 5.03, as the case may be, and such Bank or the Agent, as the case may be, elects to request compensation pursuant to Section 4.05, 4.08, 5.01 or 5.03, as the case may be, in respect of such event. Each such notification of a Triggering Event shall be accompanied by a certificate of such Bank or the Agent, as the case may be, (1) setting forth in reasonable detail such amount or amounts as shall be necessary to compensate such Bank or the Agent, as the case may be, as specified in Section 4.05, 4.08, 5.01 or 5.03, as the case may be, and

(2) in the case of compensation claimed pursuant to Section 5.01 (a), stating that such Bank or the Agent is generally requesting similar compensation (to the extent it is legally entitled to do so) from its similarly situated customers, which certificate shall be conclusive absent manifest error. Borrower shall pay to such Bank or to the Agent for its own account, as the case may be, the amount shown as due on any such certificate within ten (10) Business Days after its receipt of the same, but in no event will the Borrower be required to pay any portion of such compensation incurred more than 180 days prior to such notification, unless such Bank or the Agent, as the case may be, neither had actual knowledge of, nor should have known of, the circumstances entitling it to such compensation.

ARTICLE VI

CONDITIONS OF LENDING

SECTION 6.01. Conditions Precedent to Initial Loans. The obligation of each Bank to make its initial Loan to Borrower is subject to the conditions precedent that (a) the Agent shall have received on or before the day of the initial Borrowing the documents, instruments and opinions set forth in subsections (i) through (vi) below, in form and substance satisfactory to the Agent and the Banks and in sufficient copies for each Bank and (b) the conditions set forth in subsections (vii) through (ix) below shall have been satisfied:

(i) This Agreement, duly executed by Borrower and each Bank.

(ii) A certificate dated as of the Effective Date of the Assistant Secretary of Borrower certifying (A) the names and true signatures of the officers of Borrower authorized to sign each Loan Document to which Borrower is a party and the notices and other documents to be delivered by Borrower pursuant to any such Loan Document; (B) the Bylaws and Certificate of Incorporation of Borrower as in effect on the date of such certification; (C) the resolutions of the Board of Directors of Borrower approving and authorizing the execution, delivery and performance by Borrower of this Agreement and authorizing the borrowings and other transactions contemplated hereunder; and (D) that attached thereto is a true and correct copy of the Indenture;

(iii) A certificate dated as of the Effective Date of a Responsible Officer of Borrower certifying that the representations and warranties of the Borrower contained in Section 7.01 are true and correct in all material respects and no Default or Event of Default exists and certifying the rating on the Effective Date of the senior unsecured long-term debt of Borrower by S&P (which shall be no lower than BBB) and by Moody's (which shall be no lower than Baal).

(iv) Certificates dated on or about the Effective Date of the Secretary of State of the State of Delaware as to the existence and good standing of Borrower.

(v) A favorable opinion of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P., counsel for Borrower, substantially in the form of Exhibit 6.01(v)(i) hereto, and a favorable opinion of in-house counsel of the Borrower, substantially in the form of Exhibit 6.01(v)(ii) hereto.

(vi) Such other customary supporting documents as the Agent or the Banks, through the Agent, may reasonably request.

(vii) All governmental and third-party approvals necessary in connection with the execution, delivery and performance by Borrower of this Agreement shall have been obtained and be in full force and effect.

(viii) Except as disclosed on Schedule 6.01(viii) attached hereto, Borrower shall, as of the Effective Date, own, directly or indirectly through one or more of its Subsidiaries, all of the outstanding capital stock of each Significant Subsidiary of Borrower, free and clear of any Liens.

(ix) The Credit Agreement dated as of December 11, 1995 among the Borrower, Citibank, as agent, and various banks providing a $400,000,000 revolving credit facility shall have been terminated and all principal, interest and other amounts owed in connection therewith shall have been paid in full. Each Bank that is a "Bank" under such Credit Agreement hereby waives the requirement of notice of termination set forth in Section 2.04 of such Credit Agreement.

SECTION 6.02. Conditions Precedent to Each Borrowing. The obligation of each Bank to make a Loan to Borrower (including, without limitation, the initial Loan) shall be subject to the further conditions precedent that (a) on or prior to the date of such Loan, the Agent shall have received from Borrower a Notice of Borrowing, Notice of Swing Loan or a Competitive Bid Confirmation, as the case may be, in accordance with the terms of this Agreement and (b) on the date of such Loan, the following statements shall be true and correct (and each of the giving of any applicable Notice of Borrowing, Notice of Swing Loan or Competitive Bid Confirmation, as the case may be, and the acceptance by Borrower of the proceeds of such Loan, shall constitute a representation and warranty by Borrower that on the date of such Loan such statements are true and correct):

(i) The representations and warranties of Borrower contained in Section 7.01 of this Agreement are true and correct in all material respects on and as of the date of such Loan (except for (1) those representations or warranties or parts thereof that, by their terms, expressly relate solely to a specific date, in which case such representations and warranties

shall be true and correct in all material respects as of such specific date; and (2) if such Loan is not a part of the initial Borrowing hereunder and if at the time of such Loan (I) all senior unsecured long-term debt of the Borrower is rated BBB or higher by S&P or is rated Baa2 or higher by Moody's, (II) the Borrower is not Unrated and (III) either (x) all senior unsecured long-term debt of the Borrower is rated BBB+ or higher by S&P and is rated Baal or higher by Moody's or (y) the Borrower is not on credit watch with negative implications with S&P or Moody's (and no similar comment has been made by S&P or Moody's regarding a potential downgrade of any of the Borrower's debt ratings), the representation and warranty set forth in clause (i) of Section 7.01(j)), before and after giving effect to such Loan and to any other Loans to be made on such date, and to the application of the proceeds from such Loan and such other Loans, as though made on and as of such date;

(ii) Borrower shall be in compliance with and shall have performed all agreements and covenants made by it under this Agreement; and

(iii) No Default or Event of Default shall have occurred and be continuing or would result from such Loan or any other Loan to be made on such date.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

SECTION 7.01. Representations and Warranties of Borrower. Borrower represents and warrants as follows:

(a) Corporate Status of Borrower. Borrower (i) is validly organized and existing as a corporation and in good standing under the laws of the State of Delaware; (ii) is duly authorized or qualified to do business in and is in good standing in each other jurisdiction in which the conduct of its business or the ownership or leasing of its Property requires it to be so authorized or qualified to do business, except where the failure to be so duly authorized or qualified or in good standing, individually or in the aggregate, would not have a Material Adverse Effect on Borrower; and (iii) has the corporate power and authority to conduct its business, as presently conducted.

(b) Corporate Status of Subsidiaries of Borrower. Each Subsidiary of Borrower (i) is validly organized and existing as a corporation and in good standing under the laws of the jurisdiction of its incorporation and is duly authorized or qualified to do business in and is in good standing in each other jurisdiction in which the conduct of its business or the ownership or leasing of its Property requires it to be so authorized or qualified to do business, except where the failure to be so validly organized and existing or duly authorized or qualified or in good standing, individually or in the aggregate, would not have a Material Adverse Effect and (ii) has the corporate power and

authority to conduct its business, as presently conducted, except where the failure to have such corporate power and authority, individually or in the aggregate, would not have a Material Adverse Effect.

(c) Corporate Powers. Borrower has the corporate power to execute, deliver and perform and comply with its obligations under this Agreement, any Notes and the other Loan Documents to which it is a party. This Agreement has been, and each other Loan Document to which Borrower is a party will be, duly executed and delivered on behalf of Borrower.

(d) Authorization; No Conflict, Etc. The borrowings by Borrower contemplated by this Agreement, the execution and delivery by Borrower of this Agreement and the other Loan Documents to which it is a party and the performance by Borrower of its obligations hereunder and thereunder have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not (i) violate any law, any order to which Borrower or any Subsidiary of Borrower is subject of any court or other Governmental Authority, or the certificate of incorporation or bylaws (each as amended from time to time) of Borrower or any Subsidiary of Borrower; (ii) violate, conflict with, result in a breach of or constitute (with due notice or lapse of time or both, or any other condition) a default under, any indenture, loan agreement or other agreement to which Borrower or any Subsidiary of Borrower is a party or by which Borrower or any Subsidiary of Borrower, or any of their respective Property, is bound (except for such violations, conflicts, breaches or defaults that, individually or in the aggregate, do not have or would not have a Material Adverse Effect); or (iii) result in, or require, the creation or imposition of any Lien not permitted hereby upon any of the Properties of Borrower or any Significant Subsidiary.

(e) Approvals and Consents. No authorization or approval or action by, and no notice to or filing with, any Governmental Authority or other third party is required for the due execution, delivery and performance by Borrower of this Agreement and the other Loan Documents to which it is a party.

(f) Obligations Binding. This Agreement and the other Loan Documents to which Borrower is a party are the legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms (assuming due and valid authorization, execution and delivery of this Agreement by any party other than Borrower), except as such enforceability may be (i) limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and (ii) subject to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(g) Use of Proceeds; Margin Stop. Neither the Borrower nor any Subsidiary of the Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock. Following the application of the proceeds of each Loan, not more than 25% of the

value of the assets of the Borrower will consist of Margin Stock and not more than 25% of the value of the assets of the Borrower and its Subsidiaries will consist of Margin Stock.

(h) Title to Properties. Each of Borrower and any Subsidiary of Borrower has good title to the Properties reflected in the financial statements referred to in Section 7.01 (m) and in any financial statements delivered pursuant to Section 8.01(a), except for such Properties that have been disposed of subsequent to the dates of the balance sheets included in such financial statements and that are no longer used or useful in the conduct of the business of Borrower or any Subsidiary of Borrower or that have been disposed of in the ordinary course of their respective business. As of the date hereof, the Borrower is the record and beneficial owner of all of the outstanding capital stock of MRT and NGT, and there are no outstanding options, warrants or other rights to acquire any capital stock of MRT or NGT.

(i) Investment Company Act; PUHC Act of 1935. Neither Borrower nor any Subsidiary of Borrower is (i) an "investment company" as defined in, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended, or (ii) subject to regulation under the Public Utility Holding Company Act of 1935, as amended, except Section 9(a)(2) thereof relating to the acquisition of securities of other public utility companies or public utility holding companies.

(j) Material Adverse Change. Since the MAE Representation Date, there has been no change (i) in the consolidated financial position of the Borrower or any Consolidated Subsidiary that would have a Material Adverse Effect or (ii) in the results of operations, business or prospects of Borrower or any Consolidated Subsidiary that would have a Material Adverse Effect.

(k) Litigation. There is no litigation, action, suit or other legal or governmental proceeding pending or, to the best knowledge of Borrower, threatened, at law or in equity, or before or by any arbitrator or Governmental Authority, (i) relating to the transactions under this Agreement or (ii) in which there is a reasonable possibility of an adverse decision that is likely to have a Material Adverse Effect.

(l) ERISA. Neither Borrower nor any Significant Subsidiary has incurred any material liability or deficiency arising out of or in connection with (i) any Reportable Event or "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) with respect to any Plan that has occurred during the five-year period immediately preceding the date on which this representation is made or deemed made, (ii) any failure of a Plan to comply with the applicable provisions of ERISA and the Code, (iii) any termination of a Single Employer Plan, (iv) any complete or partial withdrawal by Borrower or any Commonly Controlled Entity from any Multiemployer Plan or (v) any Lien in favor of the PBGC or any Plan that has arisen during the five-year period referred to in clause (i) above. In addition, no Multiemployer Plan is in Reorganization or is Insolvent, where such Reorganization or Insolvency, individually or when

aggregated with the events described in the first sentence of this Section 7.01(l), is likely to result in a material liability or deficiency of Borrower or any Significant Subsidiary. As used in this Section 7.01(l), any liability or deficiency shall be deemed not to be "material" so long as the sum of all liabilities and deficiencies referred to in this Section 7.01(l) at any one time outstanding, individually and in the aggregate, is less than $25,000,000.

(m) Financial Statements. The audited financial statements of Borrower as of and for the year ended December 31, 1996 and the unaudited financial statements of Borrower as of and for the nine months ended September 30, 1997, copies of which have been delivered to the Banks, present fairly the financial condition and results of operations of Borrower as of such dates and for the year and nine months, respectively, then ended, in conformity with GAAP and, except as otherwise stated therein, consistently applied.

(n) Accuracy of Information. None of the documents or written information (including financial statements, but excluding financial projections and forecasts) provided by Borrower to the Banks in connection with or pursuant to this Agreement contains as of the date thereof or will contain as of the date thereof any untrue statement of a material fact or omits or will omit to state as of the date thereof a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial projections and forecasts furnished to the Banks by Borrower with respect to the transactions contemplated under this Agreement were prepared in good faith and on the basis of information and assumptions that Borrower believed to be reasonable as of the date of such information.

(o) No Violation. Borrower is not in violation of any order, writ, injunction or decree of any court or any order, regulation or demand of any Governmental Authority that, individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect.

ARTICLE VIII

AFFIRMATIVE AND NEGATIVE COVENANTS

SECTION 8.01. Affirmative Covenants of Borrower. Borrower covenants that, so long as any Loan remains unpaid or any other amount is owing by Borrower hereunder or under any other Loan Documents to which it is a party or any Bank shall have any Commitment or Swing Line Commitment outstanding to Borrower under this Agreement, Borrower will:

(a) Delivery of Financial Statements. Deliver to the Agent for distribution to the Banks sufficient copies for each of the Banks of the following:

(i) as soon as practicable and in any event within 100 days after the end of each fiscal year of Borrower, an audited consolidated balance sheet of Borrower and the Consolidated Subsidiaries of Borrower as of the end of such fiscal year and the related audited statements of consolidated income, retained earnings and cash flows for such year prepared in conformity with GAAP consistently applied, setting forth in comparative form the figures for the previous fiscal year, together with a report thereon by independent certified public accountants of nationally recognized standing selected by Borrower (which requirement may be satisfied by delivering Borrower's annual report on Form 10-K with respect to such fiscal year as filed with the SEC);

(ii) as soon as practicable and in any event within 55 days after the end of each of the first three quarters of each fiscal year of Borrower, unaudited consolidated financial statements of Borrower and the Consolidated Subsidiaries of Borrower consisting of at least a consolidated balance sheet as at the close of such quarter and statements of consolidated income, retained earnings and cash flows for such quarter and for the period from the beginning of such fiscal year to the close of such quarter (which requirement may be satisfied by delivering Borrower's quarterly report on Form 10-Q with respect to such fiscal quarter as filed with the SEC) and accompanied by a certificate of a Responsible Officer of Borrower to the effect that such unaudited financial statements present fairly the consolidated financial condition and results of operations of Borrower and the Consolidated Subsidiaries of Borrower as of such date and for such quarter and for such period and have been prepared in conformity with GAAP in a manner consistent with the financial statements referred to in paragraph (a)(i) above;

(iii) with each set of statements to be delivered above, a certificate in a form satisfactory to the Agent, signed by a Responsible Officer of Borrower confirming compliance with Section 8.02(a) and setting out in reasonable detail the calculations necessary to demonstrate such compliance as at the date of the most recent balance sheet included in such financial statements and stating that no Default or Event of Default has occurred and is continuing or, if there is any Default or Event of Default, describing it and the steps, if any, being taken to cure it; and

(iv) (A) within 10 days of the filing thereof, copies of all periodic reports (other than (x) reports on Form 11-K or any successor form and (y) current reports on Form 8-K that contain no information other than exhibits filed therewith) under the Exchange Act (in each case other than exhibits thereto and documents incorporated by reference therein)) filed by Borrower with the SEC; (B) promptly, and in any event within seven (7) days after a Responsible Officer of Borrower becomes aware of the occurrence thereof, written notice of (w) any change in, or

withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's or either S&P or Moody's putting the Borrower on credit watch with negative implications (or making any similar comment regarding a potential downgrade of any of the Borrower's debt ratings), (x) any Event of Default or any Default, (y) the institution of any litigation, action, suit or other legal or governmental proceeding involving Borrower or any Subsidiary of Borrower as to which there is a reasonable possibility of an adverse decision that is likely to have a Material Adverse Effect or any final adverse determination in any litigation, action, suit or other legal or governmental proceeding involving Borrower or any Subsidiary of Borrower that would have a Material Adverse Effect, or (z) the incurrence by Borrower or any Significant Subsidiary of a material liability or deficiency, or the existence of a reasonable possibility of incurring a material liability or deficiency, arising out of or in connection with (1) any Reportable Event with respect to any Plan, (2) the failure to make any required contribution to a Plan, (3) the creation of any Lien in favor of the PBGC or a Plan, (4) any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (5) the institution of proceedings or the taking of any other action by the PBGC or Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; provided, that as used in this clause (z), any liability or deficiency shall be deemed not to be "material" so long as the sum of all liabilities and deficiencies referred to in this clause (z) at any one time outstanding, individually and in the aggregate, is less than $20,000,000; and (C) such other information relating to Borrower or its business, properties, condition, Subsidiaries or operations as the Agent (or any Bank through the Agent) may reasonably request.

(b) Use of Proceeds. Use the proceeds of each Loan in accordance with Section 8.02(d) and only for general corporate purposes of Borrower, including, without limitation, support for commercial paper issued by Borrower and advances and loans to Affiliates of Borrower.

(c) Existences Laws. And will cause each Subsidiary of Borrower to, do or cause to be done all things necessary (i) to preserve, renew and keep in fall force and effect its corporate existence and all rights, licenses, permits and franchises and (ii) to comply with all laws and regulations applicable to it, in each case where the failure to do so, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; provided that the Borrower agrees to maintain its existence at all times irrespective of whether failure to do so could reasonably be expected to have a Material Adverse Effect.

(d) Maintenance of Business Line. Maintain Borrower's fundamental business of being a local gas distribution company and an owner and operator of natural gas pipeline systems.

(e) Access. And will cause each Significant Subsidiary to, at any reasonable time and from time to time, permit up to six representatives of the Banks designated by the Majority Banks, or representatives of the Agent, on not less than five Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, Borrower and each Significant Subsidiary and to discuss the general business affairs of Borrower and each Significant Subsidiary with their respective officers and independent certified public accountants; subject, however, in all cases to the imposition of such conditions as Borrower and each Significant Subsidiary shall deem necessary based on reasonable considerations of safety and security. Notwithstanding the foregoing, none of the conditions precedent to the exercise of the right of access described in the preceding sentence that relate to notice requirements or limitations on the Persons permitted to exercise such right shall apply at any time when a Default or an Event of Default shall have occurred and be continuing.

(f) Insurance. And will cause each Significant Subsidiary to, maintain insurance with responsible and reputable insurance companies or associations, or to the extent that Borrower or such Significant Subsidiary deems it prudent to do so, through its own program of self-insurance, in such amounts and covering such risks as is usually carried by companies engaged in similar businesses, of comparable size and financial strength and with comparable risks.

(g) Payment of Taxes, Etc. And will cause each Significant Subsidiary to, pay and discharge, before the same shall become delinquent, all taxes, assessments, charges, levies and other liabilities, where the failure to so pay and discharge, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, except so long as the same shall be contested diligently in good faith.

(h) Books and Records. And will cause each Significant Subsidiary to, maintain adequate books and records in accordance with sound business practices and GAAP.

SECTION 8.02. Negative Covenants of Borrower. Borrower covenants that, so long as any Loan remains unpaid or any other amount is owing to Borrower hereunder or under any other Loan Document to which it is a party or any Bank shall have any Commitment or Swing Line Commitment outstanding to Borrower under this Agreement, Borrower will not:

(a) Financial Ratio. Permit the ratio of Consolidated Indebtedness for Borrowed Money to Consolidated Capitalization to exceed .55 to 1.0.

(b) Restrictions on Liens. And will not permit any Restricted Subsidiary to, pledge, mortgage or hypothecate, or permit to exist, except in favor of Borrower or any Restricted Subsidiary, any Lien upon, any Principal Property at any time owned by Borrower or a Restricted Subsidiary, to secure any Indebtedness; provided, however, that this restriction shall not apply to or prevent the creation or existence of any Permitted Lien.

(c) Consolidation, Merger or Disposal of Assets. And will not permit any Significant Subsidiary to, (i) consolidate with, or merge into or amalgamate with or into, any other Person; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (iii) convey, sell, transfer, lease or otherwise dispose of all or substantially all of its Properties to any Person; provided, however, that nothing contained in this Section 8.02(c) shall prohibit (A) a merger in which Borrower is the surviving entity thereof; (B) mergers involving Significant Subsidiaries in which Borrower or, if the Borrower is not a party to such merger, a Wholly-Owned Significant Subsidiary is the surviving entity; (C) the liquidation, winding up or dissolution of a Significant Subsidiary if all of the Properties of such Significant Subsidiary are conveyed, transferred or distributed to Borrower or a Wholly-Owned Significant Subsidiary; (D) the conveyance, sale, transfer, lease or other disposal of all or substantially all (or any lesser portion) of the Properties of any Significant Subsidiary to Borrower or a Wholly-Owned Significant Subsidiary; or (E) the conveyance, sale, transfer, lease or other disposal of all or substantially all (or any lesser portion) of the Properties of any Significant Subsidiary to any Subsidiary of Borrower or Affiliate of Borrower if, in each such case, such Subsidiary or Affiliate is owned 50% or more by Borrower and if, in each such case, either (1) both (x) the aggregate book value (determined in accordance with GAAP) of all properties conveyed, sold, transferred, leased or otherwise disposed of pursuant to this clause (E) does not exceed $500,000,000 and (y) the aggregate equity value (being aggregate book value determined in accordance with GAAP minus all related liabilities transferred) of all properties conveyed, sold, transferred, leased or otherwise disposed of pursuant to this clause (E) does not exceed $200,000,000, or (2) at the time of such conveyance, sale, transfer, lease or other disposition, both (x) the senior unsecured long-term debt of the Borrower is rated BBB or higher by S&P and Baa2 or higher by Moody's and (y) the Borrower has provided written evidence to the Agent from S&P and Moody's that such conveyance, sale, transfer, lease or other disposal will not result in a reduction of the Borrower's senior long-term unsecured debt ratings by S&P or Moody's or in the Borrower being put on credit watch with negative implications or similar status; provided that, in each case covered by this Section 8.02(c), immediately before and after giving effect to any such merger, dissolution or liquidation, or conveyance, sale, transfer, lease or other disposition, no Event of Default or Default shall have occurred and be continuing.

(d) Use of Proceeds; Regulation U. Use of the proceeds of any Loan (i) to purchase or carry, within the meaning of Regulation U, any Margin Stock, (ii) to participate in any tender offer for the securities of any Person, unless such tender offer has been approved by the board of directors, general partners or other governing body of such Person, (iii) for any purpose that would violate or result in a violation of any law or regulation or (iv) for any purpose other than general corporate purposes of the Borrower as contemplated by Section 8.01(b). Borrower will not, and will not permit any of its Subsidiaries to engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying, within the meaning of Regulation U, any Margin Stock. Borrower will not use the proceeds of any Swing Loan to fund the payment of principal of any other Swing Loan.

(e) Subsidiary Debt. Permit any Significant Subsidiary to be a party to, guarantee, assume, create, incur, issue or otherwise be liable in any manner in connection with or suffer to exist, any Indebtedness or preferred stock other than (i) Indebtedness and preferred stock which does not exceed at any time outstanding an aggregate amount for all Significant Subsidiaries of $100,000,000 (for purposes of this clause (i), the amount of Indebtedness will be the outstanding principal amount thereof, and the amount of any preferred stock will be the greater of the par value thereof or the consideration received in the issuance thereof), (ii) assumed Indebtedness and preferred stock of any Person that becomes a Subsidiary after the date hereof, if such Indebtedness or preferred stock is in existence at the time such Person becomes a Subsidiary and was not created in contemplation thereof and no other Subsidiary is liable therefor, (iii) Indebtedness owed to and held by, and preferred stock held by, the Borrower or any Wholly-Owned Subsidiary of the Borrower, (iv) Indebtedness that is non-recourse to all Significant Subsidiaries, (v) borrowings by Significant Subsidiaries from the Money Fund, and (vi) Indebtedness existing on the date hereof, any refinancing thereof in an amount not greater than the outstanding amount thereof at the time of such refinancing and any preferred stock existing on the date hereof.

(f) Restrictions on Dividends, Intercompany Loans, or Investments. And will not permit any Significant Subsidiary to, create or otherwise cause or permit to exist or become effective any explicit and direct restriction (other than this Agreement) on the ability of any Significant Subsidiary to (i) pay dividends or make any other distributions on its capital stock or pay any Indebtedness owed to the Borrower or any Subsidiary of the Borrower, (ii) make any loans or advances to or investments in the Borrower or any Subsidiary of the Borrower, or (iii) transfer any of its property or assets to the Borrower or any Subsidiary of the Borrower.

(g) Affiliate Transaction. And will not permit any Subsidiary of Borrower to, make, directly or indirectly, (i) any transfer, sale, lease or other disposition of any Property to any Affiliate of Borrower or any Subsidiary of Borrower or any purchase or acquisition of any Property from any such Affiliate; or (ii) any other arrangement or transaction directly or indirectly with or for the benefit of any such Affiliate (including without limitation, guaranties and assumptions of obligations of any such Affiliate); provided, that (A) Borrower and any such Subsidiary may enter into any arrangement or other transaction with any such Affiliate if the monetary or business consideration arising therefrom would be substantially at least as advantageous to Borrower or such Subsidiary as the monetary or business consideration which would be obtained in a comparable arm's length transaction with a Person not an Affiliate of Borrower or any Subsidiary of Borrower; (B) Borrower and any Subsidiary of Borrower may become liable in connection with guaranties of the obligations of any such Affiliate in the ordinary course of business, other than guaranties of Indebtedness for Borrowed Money; (C) Borrower may make purchases of receivables of any kind from Subsidiaries of Borrower on terms that any of them deem acceptable; (D) intercompany borrowings between Borrower and any Subsidiary of Borrower may be on terms that they deem acceptable, except that loans to HII shall be subject to section 8.02(i); (E) Borrower may enter into any arrangement or other transaction with any Wholly-Owned Subsidiary of Borrower, and any

Wholly-Owned Subsidiary of Borrower may enter into any arrangement or other transaction with Borrower or any other Wholly-Owned Subsidiary of Borrower, in each case under this clause (E) only if such arrangements and other transactions do not involve any Person other than Borrower and Wholly-Owned Subsidiaries of Borrower; and (F) Borrower may enter into arrangements or other transactions permitted by Section 8.02(c)(E).

(h) Payments on Preferred Stock. And will not permit any Subsidiary of Borrower to, make or agree to make any payment or other distribution on or in connection with, or purchase, redeem or otherwise acquire or agree to do so, or convert or exchange or agree to convert or exchange, in whole or in part, any capital stock or other equity interest of Borrower or any Subsidiary of Borrower, in whole or in part (including, without limitation, dividends), in each case if prior to and immediately after giving effect thereto, any Default or Event of Default exists or would occur.

(i) HII Loans. And will not permit any Subsidiary of Borrower to, make any loan or advance to HII or any Subsidiary of HII (other than Borrower or any Subsidiary of Borrower), unless (i) such loan or advance is not subordinated, (ii) no Event of Default exists at the time such loan or advance is made and none would result therefrom, (iii) the recipient of such loan or advance is not in default under any material agreement evidencing or relating to any Indebtedness, and (iv) no event or circumstance of the type referred to in Section 9.01(g) or 9.01(h) has occurred with respect to such recipient.

(j) Additional Mortgage Bonds. Issue any additional mortgage bonds under the Indenture of Mortgage and Deed of Trust of Borrower dated as of September 1, 1953, as supplemented, or the Indenture of Mortgage and Deed of Trust of Entex, Inc. dated as of June 30, 1970, as supplemented, assumed by Borrower upon the merger of Entex, Inc. with and into the Borrower on February 2, 1988 (together the "Mortgage Indentures") or have outstanding mortgage bonds under the Mortgage Indentures in excess of the aggregate principal amount thereof outstanding on September 30, 1988 or extend the stated maturities or sinking fund redemption dates (beyond their original stated dates) of outstanding mortgage bonds under the Mortgage Indentures; provided, that Borrower may issue mortgage bonds under the Mortgage Indentures upon registration of transfer or exchange of mortgage bonds under the Mortgage Indentures or in replacement of mutilated, destroyed, lost or stolen mortgage bonds or in respect of the unredeemed portion of any series of mortgage bonds under the Mortgage Indentures partially called for redemption, in each case as provided in the Mortgage Indentures.

ARTICLE IX

EVENTS OF DEFAULT

SECTION 9.01. Events of Default. The occurrence of any of the following events with respect to Borrower shall constitute an "Event of Default":

(a) Non-Payment of Principal, Interest and Facility Fee. Borrower fails to pay, in the manner provided in this Agreement, (i) any principal payable by it hereunder when due or (ii) any interest, fee or other amount payable by it under any Loan Document within five (5) Business Days after its due date; or

(b) Change of Control. For any reason, (i) HII fails to own, directly or indirectly, at least 50% of the economic interest in Borrower or (ii) HII fails to own, directly or indirectly, at least 50% of the outstanding shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of Borrower or (iii) the Borrower fails to own, directly or indirectly, at least 50% of the economic interest in MRT or (iv) the Borrower fails to own, directly or indirectly, at least 50% of the economic interest in NGT or (v) the Borrower fails to own at least 50% of the outstanding shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of MRT or (vi) the Borrower fails to own at least 50% of the outstanding shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of NGT; or

(c) Breach of Representation or Warranty. Any representation or warranty by Borrower in Section 7.01 or in any certificate, document or instrument delivered under this Agreement shall have been incorrect in any material respect when made or when deemed hereunder to have been made; or

(d) Breach of Certain Covenants. Borrower fails to perform or comply with any one or more of its obligations under Section 8.01(a)(iv)(B)(x) or Section 8.02; or

(e) Breach of Other Obligations. Borrower does not perform or comply with any one or more of its other obligations under this Agreement (other than those set forth in this Section 9.01) and such failure to perform or comply shall not have been remedied within 30 days after the earlier of notice thereof to it by the Agent or the Majority Banks or discovery thereof by a Responsible Officer of Borrower; or

(f) Other Indebtedness. The maturity of any Indebtedness for Borrowed Money or Secured Indebtedness of Borrower or any Significant Subsidiary is accelerated or Borrower or any Significant Subsidiary fails to pay when due (either at stated maturity or by acceleration or otherwise but subject to applicable grace periods) any principal or interest in respect of any Indebtedness for Borrowed Money or Secured Indebtedness of Borrower (other than Indebtedness of Borrower under this Agreement) or any Significant Subsidiary if the aggregate principal amount of all such Indebtedness which is accelerated or for which such failure to pay shall have occurred and be continuing exceeds $30,000,000; or

(g) Involuntary Bankruptcy, Etc. (i) There shall be commenced against Borrower or any Significant Subsidiary any case, proceeding or other action (A) seeking a decree or order for relief in respect of Borrower or any Significant Subsidiary under any applicable domestic or foreign bankruptcy, insolvency, reorganization or other similar law, (B) seeking a decree or order adjudging Borrower or any Significant Subsidiary a bankrupt or insolvent, (C) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or similar relief of or in respect of Borrower or any Significant Subsidiary or the debts of Borrower or any Significant Subsidiary under any applicable domestic or foreign law or (D) seeking the appointment of a custodian, receiver, conservator, liquidator, assignee, trustee, sequestrator or other similar official of Borrower or any Significant Subsidiary or of any substantial part of the Properties of Borrower or any Significant Subsidiary, or the liquidation of the affairs of Borrower or any Significant Subsidiary, and such petition is not dismissed within 60 days or (ii) a decree, order or other judgment is entered in respect of any remedies, reliefs or other matters for which any petition referred to in (i) above is presented or (iii) there shall be commenced against Borrower or any Significant Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the assets of Borrower or any Significant Subsidiary that results in the entry of an order for any such relief that shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or

(h) Voluntary Bankruptcy, Etc. (i) The commencement by Borrower or any Significant Subsidiary of a voluntary case, proceeding or other action under any applicable domestic or foreign bankruptcy, insolvency, reorganization or other similar law (A) seeking to have an order of relief entered with respect to Borrower or any Significant Subsidiary, (B) seeking to be adjudicated a bankrupt or insolvent, (C) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief with respect to Borrower or any Significant Subsidiary or the debts of Borrower or any Significant Subsidiary under any applicable domestic or foreign law or (D) seeking the appointment of or the taking possession by a custodian, receiver, conservator, liquidator, assignee, trustee, sequestrator or similar official of Borrower or of any substantial part of the Properties of Borrower or any Significant Subsidiary; or (ii) the making by Borrower or any Significant Subsidiary of a general assignment for the benefit of creditors; or (iii) Borrower or any Significant Subsidiary shall take any action in furtherance of, or indicating its

consent to, approval of, or acquiescence in, any of the acts described in clause (i) or (ii) above or in Section 9.01(g); or (iv) the admission by Borrower or any Significant Subsidiary in writing of its inability to pay its debts generally as they become due or the failure by Borrower or any Significant Subsidiary generally to pay its debts as such debts become due; or

(i) Enforcement Proceedings. A final judgment or decree for the payment of money which, together with all other such judgments or decrees against Borrower or any of its Significant Subsidiaries then outstanding and unsatisfied, exceeds $30,000,000 in aggregate amount shall be rendered against Borrower or any Significant Subsidiary and the same shall remain undischarged for a period of 60 days, during which the execution thereon shall not effectively be stayed, released, bonded or vacated; or

(j) ERISA Events. (i) Borrower or any Significant Subsidiary shall incur any liability arising out of (A) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (B) the occurrence of any "accumulated funding deficiency" (as defined in Section 302 of ERISA) by a Plan, whether or not waived, or any Lien in favor of the PBGC or a Plan on the assets of Borrower or any Commonly Controlled Entity, (C) the occurrence of a Reportable Event with respect to, or the commencement of proceedings under Section 4042 of ERISA to have a trustee appointed, or the appointment of a trustee under Section 4042 of ERISA, to administer or to terminate any Single Employer Plan, which Reportable Event, commencement of proceedings or appointment of a trustee is likely to result in the termination of such Plan for purposes of Title IV of ERISA, (D) the termination of any Single Employer Plan for purposes of Title IV of ERISA, (E) withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (F) the occurrence of any other event or condition with respect to a Plan, and any of such items (A) through (F) above results in or is likely to result in a material liability or deficiency of Borrower or any Significant Subsidiary; provided, however, that for purposes of this Section 9.01(j), any liability or deficiency of Borrower or any Significant Subsidiary shall be deemed not to be material so long as the sum of all liabilities or deficiencies referred to in this Section 9.01(j) at any one time outstanding, individually and in the aggregate, is less than $20,000,000, or (ii) the occurrence of any one or more of the events specified in clauses (A) through (F) above if, individually or in the aggregate, such event or events would have a Material Adverse Effect; or

(k) Any event or circumstance of the type referred to in Section 9.01(g) or 9.01(h) occurs with respect to HII if, at the time of such event or circumstance or any time thereafter during the pendency of such event or circumstance, the writedown to zero of all amounts advanced to HII or any of its Subsidiaries by Borrower or any of its Subsidiaries (other than amounts advanced to Borrower and any of its Subsidiaries) would result in a Default or an Event of Default.

SECTION 9.02. Cancellation/Acceleration. If at any time and for any reason (whether within or beyond the control of any party to this Agreement):

(a) any of the Events of Default specified in Section 9.01(g) or 9.01(h) occurs with respect to Borrower, then automatically:

(i) the Commitments, the Swing Line Commitment and the CAF Facility shall immediately be cancelled; and

(ii) all Loans made to Borrower, all unpaid accrued interest or fees and any other sum payable by Borrower under this Agreement shall become immediately due and payable; or

(b) any other Event of Default specified in Section 9.01 occurs (1) the Swing Line Bank may, while such Event of Default is continuing, by notice to Borrower, cancel the Swing Line Commitment (whereupon the Swing Line Commitment shall be deemed to be immediately cancelled) and/or declare all Swing Loans and all unpaid accrued interest thereon to be immediately due and payable (whereupon all Swing Loans and all such interest shall be immediately due and payable), and (2) the Agent, if it has been instructed to do so by the Majority Banks while such Event of Default is continuing, by notice to Borrower:

(i) shall declare that the Commitments, the Swing Line Commitment and the CAF Facility shall immediately be cancelled (whereupon the Commitments, the Swing Line Commitment and the CAF Facility shall be deemed to be immediately cancelled); and/or

(ii) shall declare that all Loans made to Borrower, all unpaid accrued interest or fees and any other sum payable by Borrower under this Agreement shall become immediately due and payable (whereupon all Loans, all such interest, all such fees and all other sums payable by Borrower under this Agreement shall be immediately due and payable); or

(iii) shall declare that all Loans made to Borrower, all unpaid accrued interest or fees and any other sum payable by Borrower under this Agreement shall become due and payable at any time thereafter immediately on demand by the Agent (acting on the instructions of the Majority Banks) (and upon any such demand all Loans, all such interest, all such fees and all other sums payable by Borrower under this Agreement shall be immediately due and payable).

Except as expressly provided above in this Section 9.02, presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of any kind whatsoever are hereby expressly waived by Borrower.

ARTICLE X

THE AGENT

SECTION 10.01. Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes or payment obligations hereunder), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by Borrower pursuant to the terms of this Agreement. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

SECTION 10.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Note or any loan account in the Register as the owner thereof for all purposes until the Agent receives and accepts a written notice of assignment or transfer thereof; (ii) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or

conditions of any of Loan Documents or any other instrument or document on the part of Borrower or any Subsidiary or to inspect the Property (including the books and records) of Borrower or any Subsidiary; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (vi) shall incur no liability under or in respect of any of the Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Agent has received notice from a Bank or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default".

SECTION 10.03. Citibank and Affiliates. With respect to its Commitment, the Loans owed to it and the Notes issued to it, Citibank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, Borrower, any Subsidiary and any Person who may do business with or own securities of Borrower or any Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Banks.

SECTION 10.04. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

SECTION 10.05. INDEMNIFICATION. THE BANKS AGREE TO INDEMNIFY THE AGENT (TO THE EXTENT NOT REIMBURSED BY BORROWER), RATABLY ACCORDING TO THE RESPECTIVE PRINCIPAL AMOUNTS OF THE COMMITTED LOANS THEN HELD BY EACH OF THEM (OR IF NO COMMITTED LOANS ARE AT THE TIME OUTSTANDING OR IF ANY COMMITTED LOANS ARE HELD BY PERSONS WHICH ARE NOT BANKS, RATABLY ACCORDING TO EITHER (A) THE RESPECTIVE AMOUNTS OF THEIR COMMITMENTS, OR (B) IF NO COMMITMENTS ARE AT THE TIME OUTSTANDING, THE RESPECTIVE AMOUNTS OF THE COMMITMENTS IMMEDIATELY PRIOR TO THE TIME THE

COMMITMENTS CEASED TO BE OUTSTANDING), FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE AGENT IN ANY WAY RELATING TO OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT HERETO OR IN CONNECTION HEREWITH, OR ANY ACTION TAKEN OR OMITTED BY THE AGENT UNDER ANY OF THE LOAN DOCUMENTS OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT HERETO OR IN CONNECTION HEREWITH, PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. WITHOUT LIMITATION OF THE FOREGOING, EACH BANK AGREES TO REIMBURSE THE AGENT PROMPTLY UPON DEMAND FOR ITS RATABLE SHARE OF ANY OUT-OF-POCKET EXPENSES (INCLUDING COUNSEL FEES) INCURRED BY THE AGENT IN CONNECTION WITH THE PREPARATION, EXECUTION, DELIVERY, ADMINISTRATION, MODIFICATION, AMENDMENT OR ENFORCEMENT (WHETHER THROUGH NEGOTIATIONS, LEGAL PROCEEDINGS OR OTHERWISE) OF, OR LEGAL ADVICE IN RESPECT OF RIGHTS OR RESPONSIBILITIES UNDER, ANY OF THE LOAN DOCUMENTS OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT HERETO OR IN CONNECTION HEREWITH TO THE EXTENT THAT THE AGENT IS NOT REIMBURSED FOR SUCH EXPENSES BY BORROWER, PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH EXPENSES RESULTING FROM THE AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. IN THE EVENT THAT THE AGENT RECEIVES REIMBURSEMENT FOR SUCH EXPENSES FROM BORROWER AT ANY TIME SUBSEQUENT TO THE AGENT'S RECEIPT OF THE INDEMNIFICATION REQUIRED BY THE PRECEDING SENTENCE FROM ANY BANK, THE AGENT SHALL PROMPTLY REFUND TO SUCH BANK ITS RATABLE SHARE OF SUCH REIMBURSED AMOUNT. THIS INDEMNIFICATION INCLUDES THE ORDINARY NEGLIGENCE OF THE BANKS.

SECTION 10.06. Successor Agent. The Agent may resign as Agent upon 30 days' written notice thereof to the Banks and Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by Borrower (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Majority Banks (and, if not a Bank, approved by Borrower), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a

combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Amendments and Waivers. Neither this Agreement, any Note, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except pursuant to an instrument or instruments in writing executed in accordance with the provisions of this Section 11.01. The Majority Banks may, from time to time, (a) enter into with Borrower written amendments, supplements or modifications hereto and to any Notes and the other Loan Documents for the purpose of adding or changing any provisions to this Agreement or any Notes or the other Loan Documents or changing in any manner the rights of the Banks or of Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Banks (and the Agent, with respect to Article X) may specify in such instrument, any of the requirements of this Agreement or any Notes or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend the scheduled date of maturity of any Note or Loan, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Banks Commitment or Swing Loan Commitment, in each case without the consent of each Bank affected thereby, (ii) amend, modify or waive any provision of this Section or reduce the percentage specified in the definition of Majority Banks, or consent to the assignment or transfer by Borrower of any of its respective rights and obligations under this Agreement and the other Loan Documents, in each case without the written consent of all the Banks, (iii) amend, modify or waive any provision of Article X, or otherwise affect any right or duty of the Agent, without the written consent of the Agent, or (iv) amend, modify or waive any provision pertaining to the Swing Line Bank or the Swing Loans, or otherwise affect any right or duty of the Swing Line Bank, without the written consent of the Swing Line Bank. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon Borrower, the Banks, the Agent and all future holders of the amounts payable hereunder. In the case of any waiver, Borrower, the Banks and the Agent shall be restored to their former position and rights hereunder and under any outstanding Notes and any Loan Documents, and any Default or Event of Default

waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

SECTION 11.02. Notices. Unless otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of Borrower and the Agent, and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the amounts payable hereunder:

Borrower:	1111 Louisiana Houston, Texas 77002
Attention:	Linda Geiger Assistant Treasurer
Telecopy:	(713) 207-3301
With a copy to:	Marc Kilbride Treasurer
Telecopy:	(713) 207-3301
The Agent:	2 Penn's Way, Suite 200 New Castle, Delaware 19720
Attention:	Jennifer Klemaszewski
Telecopy:	(302) 894-6120
With a copy to:	Citicorp Securities, Inc. 1200 Smith, Suite 2000 Houston, Texas 77002
Attention:	David B. Gorte, Vice President
Telecopy:	(713) 654-2849

provided that any notice, request or demand to or upon the Agent or the Banks pursuant to Sections 2.02, 3.02, 4.03, 4.07, 5.02 and 5.05 shall not be effective until received. References herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 11.06(e) shall not include the address to which copies of notices to the Agent are to be sent. An oral notice received by the Agent or a Bank shall be effective if the Agent or Bank, as the case may be, believes in good faith that it was given by an authorized representative of the Borrower or

the Agent, as the case may be, and acts pursuant thereto, notwithstanding the absence of written confirmation or any contradictory provision thereof.

SECTION 11.03. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 11.04. Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement.

SECTION 11.05. Payment of Expenses and Taxes; INDEMNIFICATION. Borrower agrees (a) to pay or reimburse the Agent, the Arranger and each Affiliate of the Agent for all of their respective reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, execution, delivery, syndication and administration of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of Bracewell & Patterson, L.L.P., special counsel to the Agent (but excluding the fees or expenses of any other counsel), (b) to pay or reimburse each Bank and the Agent for all its costs and expenses incurred, during the continuance of any Event of Default, in connection with the enforcement or preservation of any rights under this Agreement, any Notes, the other Loan Documents and any such other documents, including, without limitation, the reasonable fees and disbursements of counsel incurred during the continuance of any Event of Default and (c) without duplication of any other provision contained in this Agreement or any Notes, to pay, indemnify, and hold each Bank and the Agent harmless from, any and all recording and filing fees, if any, and any and all liabilities (for which each Bank has not been otherwise reimbursed under this Agreement) with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, any Notes, the other Loan Documents and any such other documents; and THE BORROWER FURTHER AGREES, WITHOUT DUPLICATION OF ANY OTHER PROVISION CONTAINED IN THIS AGREEMENT OR ANY NOTES, TO PAY, INDEMNIFY, AND HOLD EACH BANK, THE ARRANGER, THE CO-AGENTS AND THE

AGENT AND THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND ADVISORS (EACH AN "INDEMNIFIED PARTY") HARMLESS FROM AND AGAINST, ANY AND ALL OTHER LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, REASONABLE LEGAL FEES AND DISBURSEMENTS OF COUNSEL) WHICH MAY BE IMPOSED BY, INCURRED BY, OR ASSERTED AGAINST THE INDEMNIFIED PARTIES IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT, ANY NOTES, THE OTHER LOAN DOCUMENTS AND ANY SUCH OTHER DOCUMENTS, INCLUDING THE EXECUTION, DELIVERY, ENFORCEMENT, PERFORMANCE AND ADMINISTRATION THEREOF (ALL THE FOREGOING IN THIS CLAUSE (D), COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"); PROVIDED, THAT BORROWER SHALL HAVE NO OBLIGATION HEREUNDER TO ANY INDEMNIFIED PARTY WITH RESPECT TO INDEMNIFIED LIABILITIES ARISING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY; AND PROVIDED FURTHER, THAT IT IS THE INTENTION OF BORROWER TO INDEMNIFY THE AGENT AND THE BANKS AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE. The agreements in this Section 11.05 shall survive repayment of the Loans and all other amounts payable hereunder.

SECTION 11.06. Effectiveness; Successors and Assigns; Participations; Assignments. (a) This Agreement shall become effective on March 31, 1998 (the "Effective Date") and thereafter shall be binding upon and inure to the benefit of Borrower, the Banks, the Agent, all future holders of the Loans and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions (a "Participant") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank hereunder and under the other Loan Documents. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Loan Documents and except with respect to the matters set forth in Section 11.01, the amendment of which requires the consent of all of the Banks, the participation agreement between the selling Bank and the Participant may not restrict such Bank's voting rights hereunder. Borrower agrees that each Participant, to the extent provided in its participation, shall be entitled to the benefits of

Sections 4.05, 4.08, 5.01 and 5.03 with respect to its participation in the Commitments and the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the selling Bank would have been entitled to receive in respect of the amount of the participation sold by such selling Bank to such Participant had no such sale occurred. Except as expressly provided in this Section 11.06(b), no Participant shall be a third-party beneficiary of or have any rights under this Agreement or under any of the other Loan Documents.

(c) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Affiliate of such Bank that is a bank (a "Bank Affiliate" of such Bank) and, with the consent of Borrower and the Agent (which in each case shall not be unreasonably withheld), to one or more additional banks or other Persons (any such Bank Affiliate, additional bank or other Person purchasing pursuant to this Section 11.06(c) being a "Purchasing Bank") all or any part of its rights and obligations under this Agreement pursuant to a Committed Loan Assignment and Acceptance ("Committed Loan Assignment and Acceptance"), substantially in the form of Exhibit 11.06(c) executed by such Purchasing Bank, the Swing Line Bank and such transferor Bank (and, in the case of a Purchasing Bank that is not a Bank Affiliate of such transferor Bank, by Borrower and the Agent) and delivered to the Agent for its acceptance and recording in the Register; provided, that each such sale shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of the Commitment of such Bank; provided further that each such sale shall be subject to the consent of the Swing Line Bank (which in each case shall not be unreasonably withheld); provided further, that the amount of the Commitment assigned in connection with any such sale shall be not less than 2.5% of the aggregate Commitments of the Banks, unless such sale is of the entire interest of the transferor Bank, and the transferor Bank (if it retains any Commitment) shall have a Commitment of not less than 51% of (a) the total amount of such Bank's Commitment as of the date on which such Bank first had a Commitment hereunder less (b) the amount of permanent reductions (other than reductions as a result of sales pursuant to this Section 11.06) after such date in the amount of such Commitment; provided further, that in the case of a sale to a Bank Affiliate of such transferor Bank, Borrower shall not be responsible to such Bank Affiliate for any additional cost resulting from such sale which is foreseeable at the time of such sale. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Committed Loan Assignment and Acceptance (the "Transfer Effective Date"), (i) the Purchasing Bank thereunder shall be a party hereto and, to the extent provided in such Committed Loan Assignment and Acceptance, have the rights and obligations of a Bank hereunder with the Commitments as set forth therein and (ii) the transferor Bank thereunder shall, to the extent provided in such Committed Loan Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of a Committed Loan Assignment and Acceptance covering all or the remaining portion of a transferor Bank's rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Such

Committed Loan Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the resulting adjustment of Pro Rata Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement and the Loans. On or prior to the Transfer Effective Date determined pursuant to such Committed Loan Assignment and Acceptance, (i) appropriate entries shall be made in the accounts of the transferor Bank and the Register evidencing such assignment and releasing Borrower from any and all obligations to the transferor Bank in respect of the assigned Loan or Loans and (ii) appropriate entries evidencing the assigned Loan or Loans shall be made in the accounts of the Purchasing Bank and Register as required by Section 4.01 hereof. In the event that any Notes have been issued in respect of the assigned Loan or Loans, such Notes shall be marked "cancelled" and surrendered by the transferor Bank to the Agent for return to Borrower.

(d) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time assign to one or more banks or other financial institutions (a "CAF Loan Assignee") any CAF Loan owing to such Bank, pursuant to a CAF Loan Assignment and Acceptance executed by the assignor Bank and the CAF Loan Assignee. Upon such execution, from and after the date of such CAF Loan Assignment and Acceptance, the CAF Loan Assignee shall, to the extent of the assignment provided for in such CAF Loan Assignment and Acceptance, be deemed to have the same rights and benefits of payment and enforcement with respect to such CAF Loan and the same obligation to share and rights of setoff pursuant to Sections 5.04 and 11.07 as it would have had if it were a Bank hereunder; provided that unless such CAF Loan Assignment and Acceptance shall otherwise specify and a copy of such CAF Loan Assignment and Acceptance shall have been delivered to the Agent for its acceptance and recording in the Register in accordance with Section 11.06(e), the assignor thereunder shall act as collection agent for the CAF Loan Assignee thereunder, and the Agent shall pay all amounts received from Borrower that are allocable to the assigned CAF Loan directly to such assignor without any further liability to such CAF Loan Assignee; provided further, that if the CAF Loan Assignee is a Bank Affiliate of the assignor Bank, Borrower shall not be responsible to such Bank Affiliate for any additional cost resulting from such assignment which is foreseeable at the time of such assignment. A CAF Loan Assignee under a CAF Loan Assignment and Acceptance shall not, by virtue of such CAF Loan Assignment and Acceptance, become a party to this Agreement or have any rights to consent to or refrain from consenting to any amendment, supplement, waiver or other modification of any provision of this Agreement or any related document; provided that (i) the assignor under such CAF Loan Assignment and Acceptance and such CAF Loan Assignee may, in their discretion, agree between themselves upon the manner in which such assignor will exercise its rights under this Agreement and any related document and (ii) if a copy of such CAF Loan Assignment and Acceptance shall have been delivered to the Agent for its acceptance and recording in the Register in accordance with Section 11.06(e), neither the principal amount of, the interest rate on, nor the

maturity date of any CAF Loan assigned to the CAF Loan Assignee thereunder will be reduced or postponed, as the case may be, without the written consent of such CAF Loan Assignee. If a CAF Loan Assignee has caused a CAF Loan Assignment and Acceptance to be recorded in the Register in accordance with Section 11.06(e), such CAF Loan Assignee may thereafter, in the ordinary course of its business and in accordance with applicable law, assign such individual CAF Loan to any Bank, to any Affiliate or Subsidiary of such CAF Loan Assignee or to any other financial institution that has total assets in excess of $1,000,000,000 and that in the ordinary course of its business extends credit of the type evidenced by such Individual CAF Loan, and the foregoing provisions of this Section 11.06(d) shall apply, mutatis mutandis, to any such assignment by a CAF Loan Assignee. Except in accordance with the preceding sentence, CAF Loans may not be further assigned by a CAF Loan Assignee, subject to any legal or regulatory requirement that the CAF Loan Assignee's assets must remain under its control.

(e) The Agent shall maintain at its address referred to in Section 11.02 a copy of each CAF Loan Assignment and Acceptance and each Committed Loan Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of (i) the names and addresses of the Banks and the Commitments of, and principal amount of the Loans owing to, each Bank from time to time and (ii) with respect to each CAF Loan Assignment and Acceptance delivered to the Agent, the name and address of the CAF Loan Assignee and the principal amount of each CAF Loan owing to such CAF Loan Assignee. To the extent permitted by applicable law, the entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, the Agent and the Banks may (and, in the case of any Loan or other obligation hereunder not evidenced by a Note, shall) treat, each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by Borrower or any Bank or any CAF Loan Assignee at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of a Committed Loan Assignment and Acceptance executed by a transferor Bank, the Swing Line Bank and Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank Affiliate of such transferor Bank, by Borrower and the Agent) together with payment to the Agent, for its sole account, of a registration and processing fee of $3,000 (which fee shall not be for the account of Borrower), the Agent shall promptly accept such Committed Loan Assignment and Acceptance on the Transfer Effective Date determined pursuant thereto, record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and Borrower. Upon its receipt of a CAF Loan Assignment and Acceptance executed by an assignor Bank and a CAF Loan Assignee, together with payment to the

Agent of a registration and processing fee of $500 (which fee shall not be for the account of Borrower), the Agent shall promptly accept such CAF Loan Assignment and Acceptance, record the information contained therein in the Register and give notice of such acceptance and recordation to the assignor Bank, the CAF Loan Assignee and Borrower. The Borrower shall not be responsible for any legal or other expenses in connection with the preparation and execution of any Committed Loan Assignment and Acceptance or CAF Loan Assignment and Acceptance.

(g) Each Bank agrees to exercise its best efforts to keep, and to cause any third party recipient of the information described in this Section 11.06(g) to keep, any information delivered or made available by Borrower to it (including any information obtained pursuant to Section 8.01) that is clearly indicated to be confidential information, confidential from anyone other than Persons employed or retained by such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the transactions contemplated hereunder; provided that nothing herein shall prevent any Bank from disclosing such information (i) to any other Bank or any Affiliate of any Bank, (ii) pursuant to subpoena or upon the order of any court or administrative agency, (iii) upon the request or demand of any Governmental Authority having jurisdiction over such Bank, (iv) if such information has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which either the Agent, any Bank, Borrower or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to such Bank's legal counsel, independent auditors and other professional advisors, (viii) to any actual or proposed Participant, Purchasing Bank or CAF Loan Assignee (each, a "Transferee") that has agreed in writing to be bound by the provisions of this Section 11.06(g), or (ix) as may be required by law. Unless prohibited from doing so by applicable law, each Bank will use its best efforts to notify Borrower of any information that it is required or requested to deliver pursuant to clause (ii) of this Section 11.06(g) and, if Borrower is not a party to any such litigation, clause (v) of this Section 11.06(g), prior to such Bank's delivery of such information.

(h) If, pursuant to this Section, any interest in this Agreement or any Loan is transferred to any Transferee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Agent, Borrower or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank (and, in the case of any Purchasing Bank or CAF Loan Assignee registered in the Register, the Agent and Borrower) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (iii) to agree (for the benefit of the transferor

Bank, the Agent and Borrower) to provide the transferor Bank (and, in the case of any Purchasing Bank or CAF Loan Assignee registered in the Register, the Agent and Borrower) a new Form 4224 or Form 1001 upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(i) Nothing herein shall prohibit any Bank from pledging or assigning all or any portion of its Loans to any Federal Reserve Bank in accordance with applicable law. In order to facilitate such pledge or assignment, Borrower hereby agrees that, upon request of any Bank at any time and from time to time after Borrower has made its initial Borrowing hereunder, Borrower shall provide to such Bank, at Borrower's own expense, a promissory note, substantially in the form of Exhibit 11.06(i)(a), 11.06(i)(b) or 11.06(i)(c) as the case may be, evidencing the Committed Loans, Swing Loans or CAF Loans, as the case may be, owing to such Bank.

SECTION 11.07. Setoff. In addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, without prior notice to Borrower, any such notice being expressly waived by Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by Borrower hereunder or under the Loans (whether at the stated maturity, by acceleration or otherwise) to setoff and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of Borrower. Each Bank agrees promptly to notify Borrower and the Agent after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 11.08. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 11.09. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 11.10. Integration. This Agreement and the other Loan Documents represent the agreement of Borrower, the Agent and the Banks with respect to the subject matter

hereof, and there are no promises, undertakings, representations or warranties by the Agent or any Bank relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 11.11. GOVERNING LAW. (a) THIS AGREEMENT AND ANY NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND ANY NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) Notwithstanding anything in Section 11.11(a) to the contrary, nothing in this Agreement or in any Note or any other Loan Documents shall be deemed to constitute a waiver of any rights which any Bank may have under applicable federal law relating to the amount of interest which any Bank may contract for, take, receive or charge in respect of any Loans, including any right to take, receive, reserve and charge interest at the rate allowed by the laws of the state where such Bank is located. To the extent that Texas law is applicable to the determination of the Highest Lawful Rate, the Banks and Borrower agree that (i) if Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, is applicable to such determination, the indicated rated ceiling computed from time to time pursuant to Section (a) of such Article shall apply, provided that, to the extent permitted by such Article, the Agent may from time to time by notice to Borrower revise the election of such interest rate ceiling as such ceiling affects the then current or future balances of the Loans; and (ii) the provisions of Chapter 15 of Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, shall not apply to this Agreement or any Note issued hereunder.

SECTION 11.12. Submission to Jurisdiction; Waivers. Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, in each case located in the county of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Borrower at its address set forth in Section 11.02 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent permitted by applicable law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 11.12 any special, exemplary, punitive or consequential damages.

SECTION 11.13. Acknowledgments. Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement, any Notes and the other Loan Documents;

(b) neither the Agent nor any Bank has any fiduciary relationship with or duty to Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agent and the Banks, on one hand, and Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture exists among the Banks or among Borrower and the Banks.

SECTION 11.14. Limitation on Agreements. All agreements between Borrower, the Agent or any Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made in respect of an amount due under any Loan Document or otherwise, shall the amount paid, or agreed to be paid, to the Agent or any Bank for the use, forbearance, or detention of the money to be loaned under this Agreement, any Notes or any other Loan Document or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Agent or any Bank shall ever receive interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing on account of such Bank's Loans or the amounts owing on other obligations

of Borrower to such Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of such Loans and such amounts, such excess shall be refunded to Borrower. All sums paid or agreed to be paid to the Agent or any Bank for the use, forbearance or detention of the indebtedness of Borrower to the Agent or any Bank shall, to the fullest extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. Notwithstanding anything to the contrary contained in any Loan Document, it is understood and agreed that if at any time the rate of interest that accrues on the outstanding principal balance of any Loan shall exceed the Highest Lawful Rate, the rate of interest that accrues on the outstanding principal balance of any Loan owed to any Bank shall be limited to the Highest Lawful Rate, but any subsequent reductions in the rate of interest that accrues on the outstanding principal balance of any Loan owed to such Bank shall not reduce the rate of interest that accrues on the outstanding principal balance of such Loan below the Highest Lawful Rate until the total amount of interest accrued on the outstanding principal balance of the Loans owed to such Bank equals the amount of interest that would have accrued if such interest rate had at all times been in effect. The terms and provisions of this Section 11.14 shall control and supersede every other provision of all Loan Documents.

SECTION 11.15. Removal of Bank. Notwithstanding anything herein to the contrary, Borrower may at any time, for valid business reasons (as determined by it in its sole discretion), remove any Bank upon 15 Business Days' written notice to such Bank and the Agent (the contents of which notice shall be promptly communicated by the Agent to each other Bank), such removal to be effective at the expiration of such 15-day notice period; provided, however, that no Bank may be removed hereunder at a time when a Default or an Event of Default shall have occurred and be continuing. Each notice by Borrower under this Section 11.15 shall constitute a representation by Borrower that the removal described in such notice is permitted under this Section 11.15. Concurrently with such removal, Borrower shall pay to such removed Bank all amounts owing to such Bank hereunder and under any Notes in immediately available funds. Upon full and final payment hereunder of all amounts owing to such removed Bank, such Bank shall make appropriate entries in its accounts evidencing payment of all its Loans hereunder and releasing Borrower from all obligations owing to the removed Bank in respect of the Loans hereunder and surrender to the Agent for return to Borrower any Notes of Borrower then held by it. Effective immediately upon such full and final payment, such removed Bank will not be considered to be a "Bank" for purposes of this Agreement except for the purposes of any provision hereof that by its terms survives the termination of this Agreement and the payment of the amounts payable hereunder. Effective immediately upon such removal, the Commitment and Swing Line Commitment (if any) of such removed Bank shall immediately terminate. Such removal will not, however, affect the Commitment of any other Bank hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers or agents thereunto duly authorized, as of the date first above written.

BORROWER:

NORAM ENERGY CORP.

By: /s/ Marc Kilbride

Name: Marc Kilbride

Title: Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ Mark Stanfield Packard

Authorized Officer

Swing Line Commitment:

$100,000,000

BANKS:

CITIBANK, N.A.

By: /s/ Mark Stanfield Packard

Authorized Officer

BARCLAYS BANK PLC

By: /s/ Sydney G. Dennis

Authorized Officer

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Madeleine N. Pember

Authorized Officer

NATIONSBANK OF TEXAS, N.A.

By: /s/ (illegible)

Authorized Officer

THE BANK OF NEW YORK

By: /s/ Nathan S. Howard

Authorized Officer

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By: /s/ (illegible)

Authorized Officer

THE CHASE MANHATTAN BANK

By: /s/ (illegible)

Authorized Officer

CREDIT SUISSE FIRST BOSTON

By: /s/ J. Moran /s/ S. Karro

J. Moran	S. Karro
Director	Associate

DEPOSIT GUARANTY NATIONAL BANK

By: /s/ Herbert J. Doughty

Authorized Officer

FLEET NATIONAL BANK

By: /s/ (illegible)

Authorized Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ Jimmy Simien

Authorized Officer

UNION BANK OF SWITZERLAND,
HOUSTON AGENCY

By: /s/ Andrew N. Taylor

Authorized Officer

By: /s/ Robert L. Wells

Authorized Officer

THE BANK OF NOVA SCOTIA

By: /s/ F. C. H. Ashby

Authorized Officer

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ (illegible)

Authorized Officer

By: /s/ (illegible)

Authorized Officer

MELLON BANK, N.A.

By: /s/ Brad S. Miller

Authorized Officer

EXHIBIT 2.02(a)

FORM OF NOTICE OF BORROWING

_____ , _____

Citibank, N.A., as Agent for the
Banks parties to the Credit
Agreement referred to below
2 Penn's Way, Suite 200
New Castle, Delaware 19720

Attention: _____

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of March 31, 1998 (the "Credit Agreement") among NorAm Energy Corp., a Delaware corporation, the Banks named therein, and Citibank, N.A., as Agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby gives you notice pursuant to Section 2.02(a) of the Credit Agreement that it requests a Committed Borrowing (a "Committed Loan Borrowing") under the Credit Agreement, and in that connection sets forth below the terms on which such Committed Loan Borrowing is requested to be made.

(A) Borrowing Date of Committed Loan Borrowing (which is a Business Day) _____

(B) Principal Amount of Committed Loan Borrowing(1) _____

(C) Interest rate basis(2) _____

(D) Interest Period and the last day thereof(3) _____

By each of the delivery of this Notice of Borrowing and the acceptance of any or all of the Loans made by the Banks in response to this request, the undersigned shall be deemed to have represented and warranted that the conditions to lending applicable to the undersigned and specified

- --------
(1) Not less than (a) $5,000,000 for ABR Loans and (b) $ 10,000,000 for Committed LIBOR Rate Loans, and in integral multiples of $1,000,000 in excess thereof.

(2) Committed LIBOR Rate Loan or ABR Loan.

(3) Which shall have a duration in the case of a Committed LIBOR Rate Loan, of one, two, three or six months, or with the approval of all of the Banks, twelve months and shall end not later than the Termination Date.

in Article VI of the Credit Agreement have been satisfied with respect to the Committed Loan Borrowing requested hereby. The undersigned requests that the Committed Loan Borrowing requested hereby consist of Committed Loans made ratably by the Banks in accordance with their respective Pro Rata Percentages.

Very truly yours,

NORAM ENERGY CORP.

By: ----------

Name: ----------

Title: ----------

EXHIBIT 2.02(e)

FORM OF NOTICE OF SWING LOAN

_____ , ____

Citibank, N.A., as Swing Line
Bank under the Credit
Agreement referred to below
2 Penn's Way, Suite 200
New Castle, Delaware 19720

Attention: _____

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement dated as of March 31, 1998 (the "Credit Agreement") among NorAm Energy Corp., a Delaware corporation, the Banks named therein, and Citibank, N.A., as Agent (the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby gives you notice pursuant to Section 2.02(e) of the Credit Agreement that it requests a Swing Loan ("Proposed Swing Loan") under the Credit Agreement, and in that connection sets forth below the terms on which such Proposed Swing Loan is requested to be made.

(A) Borrowing Date of Proposed Swing Loan (which is a Business Day) _____

(B) Principal Amount of Proposed Swing Loan(4) _____

By each of the delivery of this Notice of Swing Loan and the acceptance of any Loan made in response to this request, the undersigned shall be deemed to have represented and warranted that the conditions to lending applicable to the undersigned and specified in Article VI of the Credit Agreement have been satisfied with respect to the Proposed Swing Loan requested hereby.

Very truly yours,

NORAM ENERGY CORP.

By: ----------

Name: ----------

Title: ----------

- ------------

(4) $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

EXHIBIT 3.02-A

[FORM OF COMPETITIVE BID REQUEST]

_____ , ____

Citibank, N.A., as Agent
2 Penn's Way, Suite 200
New Castle, Delaware 19720

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of March 31, 1998 among NorAm Energy Corp., a Delaware corporation, the Banks named therein and Citibank, N.A., as Agent for such Banks (the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined.

This is a Competitive Bid Request pursuant to Section 3.02 of the Credit Agreement requesting quotes for the following CAF Loans:

Aggregate Principal Amount	$	$	$
CAF Loan Date			
Type of CAF Loan*			
Maturity Date**			
Interest Payment Dates			

Very truly yours,

NORAM ENERGY CORP.

By: _____

Title: _____

- --------------

* Fixed Rate Loan or CAF LIBOR Rate Loan.

** A period of at least 7 days and no longer than 270 days.

Note: Pursuant to the Credit Agreement, a Competitive Bid Request may be transmitted in writing, by telex or by facsimile transmission, or by telephone, immediately confirmed by telex or facsimile transmission. In any case, a Competitive Bid Request shall contain the information specified in the second paragraph of this form.

EXHIBIT 3.02-B

[FORM OF COMPETITIVE BID]

_____ , ____

Citibank, N.A., as Agent
2 Penn's Way, Suite 200
New Castle, Delaware 19720

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of March 31, 1998 among NorAm Energy Corp., a Delaware corporation (the "Company"), the Banks named therein, and Citibank, N.A., as Agent (as the same may be amended, supplemented or otherwise modified, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined.

In accordance with Section 3.02 of the Credit Agreement, the undersigned Bank offers to make CAF Loans thereunder in the following amounts with the following maturity dates:

CAF Loan Date: _____, 19____

Aggregate Maximum Amount: $_____

Maturity Date 1:	Maturity Date 2:	Maturity Date 3:
Maximum Amount $_____	Maximum Amount $_____	Maximum Amount $_____
Rate* Amount $_____	Rate* Amount $_____	Rate* Amount $_____
Rate* Amount $_____	Rate* Amount $_____	Rate* Amount $_____

The undersigned hereby confirms that it is prepared to extend credit to the Company upon acceptance by the Company of this bid in accordance with Section 3.02(d) of the Credit Agreement.

Very truly yours,

[NAME OF BIDDING BANK]

By:

Name:
Title:
Telephone No.:
Fax:

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* In the case of CAF Loans which are CAF LIBOR Rate Loans, insert CAF Margin. In the case of CAF Loans which are Fixed Rate Loans, insert fixed rate bid.

EXHIBIT 3.02-C

[FORM OF COMPETITIVE BID CONFIRMATION]

_____ , ____

Citibank, N.A., as Agent
2 Penn's Way, Suite 200
New Castle, Delaware 19720

Ladies and Gentlemen:

Reference is made to the Revolving Credit Agreement, dated as of March 31, 1998 among NorAm Energy Corp., a Delaware corporation, the Banks named therein, and Citibank, N.A., as Agent (the "Agent") (as the same may be amended, supplemented or otherwise modified, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined.

In accordance with Section 3.02 of the Credit Agreement, the undersigned accepts and confirms the offers by the Bank(s) to make CAF Loans to the undersigned on _____, ____ [CAF Loan Date] under said Section 3.02 in the (respective) amount(s) set forth on the attached list of CAF Loans offered.

By delivery of this Competitive Bid Confirmation and the acceptance of any or all of the CAF Loans offered by the Banks in response to this Competitive Bid Confirmation, the undersigned shall be deemed to have represented and warranted that the applicable conditions to lending specified in Article VI of the Credit Agreement have been satisfied with respect to such CAF Loans.

Very truly yours,

NORAM ENERGY CORP.

By:

Title:

[Borrower to attach CAF Loan offer list prepared by Agent with accepted amount entered by Borrower to the right of each CAF Loan offer].

EXHIBIT 4.07

NOTICE OF INTEREST CONVERSION/CONTINUATION

TO: Citibank, N.A., in its capacity as Agent (the "Agent") under that certain Revolving Credit Agreement dated as of March 31, 1998 (as the same may from time to time be amended, supplemented or otherwise modified, the "Credit Agreement"; terms defined therein being used herein as so defined) entered into by and among NorAm Energy Corp., a Delaware corporation (the "Borrower"), the Banks and the Agent.

Pursuant to Section 4.07 of the Credit Agreement, this Notice of Interest Conversion/ Continuation (the "Notice") represents the Borrower's election to [insert one or more of the following]:

1. Convert $_____ in aggregate principal amount of Committed LIBOR Rate Loans with a current Interest Period ending on _____, to ABR Loans on _____.

2. Convert $_____ in aggregate principal amount of ABR Loans to Committed LIBOR Rate Loans on _____. The initial Interest Period for such Committed LIBOR Rate Loans is requested to be a _____ (__) month period.

3. Convert $_____ in aggregate principal amount of Committed LIBOR Rate Loans with a current Interest Period ending on _____, to Committed LIBOR Rate Loans on _____. The Interest Period for such Committed LIBOR Rate Loans is requested to be a _____ (__) month period.

4. Continue $_____ in aggregate principal amount of Committed LIBOR Rate Loans with a current Interest Period ending on _____ as Committed LIBOR Rate Loans. The Interest Period for such Committed LIBOR Rate Loans is requested to be a _____ (__) month period.

5. The Borrower hereby certifies that no Event of Default has occurred and is continuing.

6. The specific Committed Loans to be converted or continued pursuant to this Notice are as follows: [identify, separately for each of the foregoing paragraphs 1, 2, 3 and 4, the specific Committed Loans to which each such paragraph is to apply.]

Dated:

NORAM ENERGY CORP.

By:

Name:

Title:

The undersigned Banks hereby consent to the Borrower's request for a twelve (12) month Interest Period for the Committed LIBOR Rate Loans made by the Banks to the Borrower specified in Paragraph [2] [3] [4] above.

Dated:

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

EXHIBIT 6.01(v)(a)

[OPINION OF LIDDELL, SAPP, ZIVLEY, HILL & LABOON, L.L.P.]

March 30, 1998

To each of the Banks party to the Revolving Credit Agreement referred to below

Re: Revolving Credit Agreement among NorAm Energy Corp., Citibank, N.A. and various banks

Ladies and Gentlemen:

We have acted as counsel to NorAm Energy Corp., a Delaware corporation (the "Borrower"), in connection with that certain Revolving Credit Agreement dated as of March 30, 1998 (the "Credit Agreement") among the Borrower, the banks party thereto as "Banks," and Citibank, N.A. as Agent. This opinion is furnished to you pursuant to Section 6.01(v) of the Credit Agreement. Capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

In connection with the opinions hereinafter expressed, we have examined signed counterparts of the Credit Agreement. In addition, we have examined the originals, or copies certified or otherwise identified, of (i) the articles or certificate of incorporation and bylaws, as amended or restated to the date hereof, of the Borrower and each Significant Subsidiary, (ii) certain corporate records of the Borrower as furnished to us by the Borrower, (iii) certificates of public officials and of representatives of the Borrower, (iv) statutes and (v) other instruments and documents, as a basis for the opinions hereinafter expressed.

In our examination of all agreements and other instruments and documents in connection with the opinions expressed herein, we have assumed, without independent investigation, (i) the due execution and delivery pursuant to due authorization on behalf of the parties thereto, other than the Borrower, of the Credit Agreement, (ii) the genuineness of all signatures, other than the signatures of officers and agents of the Borrower and (iii) the authenticity of all documents submitted to us as

originals and the conformity to authentic original documents of all copies submitted to us as certified, conformed or photostatic copies.

Based upon the foregoing and subject to the assumptions, limitations and qualifications hereinafter stated, we are of the opinion that:

1. The Borrower is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and the State of Texas.

2. To the best of our knowledge, the Borrower does not conduct any business or own or lease any Property in such a manner or to such an extent as would require it to be authorized or qualified to do business in any jurisdiction in which it is not qualified to do business except where the failure to be so duly authorized or qualified to do business, individually or in the aggregate, would not have a Material Adverse Effect on the Borrower.

3. The Borrower has all requisite corporate power and authority to conduct its business as presently conducted and to execute and deliver, and to perform its obligations and borrow under, the Credit Agreement.

4. The execution, delivery and performance by the Borrower of the Credit Agreement have been duly authorized by all requisite corporate action on the part of the Borrower, and the Credit Agreement has been duly executed and delivered by or on behalf of the Borrower.

5. To the best of our knowledge, the execution, delivery and performance by the Borrower of the Credit Agreement do not and will not, (i) violate the articles or certificate of incorporation or bylaws of the Borrower or any Significant Subsidiary, (ii) violate any order of any Texas, New York, Delaware or United States federal court or other agency of government having jurisdiction over the Borrower or any Significant Subsidiary, (iii) violate any provision of any existing Texas, Delaware, New York or United States federal law (including without limitation, Regulation G, T, U and X) applicable to the Borrower or any Significant Subsidiary, (iv) conflict with, result in a breach of or constitute (with due notice or lapse of time or both or any other condition) a default under any indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party and that evidences Indebtedness for Borrowed Money of the Borrower or any Significant Subsidiary, except for such conflicts, breaches or defaults that do not have or would not have a Material Adverse Effect on the Borrower, or (v) result in the creation or imposition of any material Lien upon any of the Properties of the Borrower or any Significant Subsidiary.

6. The Credit Agreement is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

7. If, notwithstanding the provisions of the Credit Agreement selecting the laws of the State of New York as the governing law for the Credit Agreement, the Credit Agreement were held

by a court to be governed by the laws of the State of Texas, the Credit Agreement would, under the laws of the State of Texas, constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms.

8. To the best of our knowledge, there is no action, suit or proceeding pending or threatened, at law or in equity, or before or by any Texas, Delaware, New York or United States federal court or any Texas, Delaware, New York or United States federal government agency, body or official, (i) relating to the transactions provided for in the Credit Agreement or (ii) in which there is a reasonable probability of an adverse decision that is likely to have a Material Adverse Effect on the Borrower.

9. To the best of our knowledge, no authorization or approval of, or action by, and no notice to or filing with, any Texas, Delaware, New York or United States federal governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Credit Agreement.

10. Neither the Borrower nor any Significant Subsidiary is an "investment company" within the meaning of, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

The opinions set forth above are subject to the following additional assumptions, limitations and qualifications:

(A) The opinions set forth above that are stated "to the best of our knowledge" are based upon reasonable inquiries of an officer or representative of the Borrower, but are given without any other independent investigation.

(B) The opinion set forth in Paragraph 1 above as to the good standing of the Borrower is based solely on a review of certificates of public officials of the State of Texas and Delaware.

(C) The opinions as to enforceability set forth in Paragraphs 6 and 7 above are subject to the qualifications that (i) the enforceability of the Credit Agreement may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws in effect from time to time affecting the rights of creditors generally and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (ii) the enforceability of the indemnity provisions contained in the Credit Agreement may be limited by considerations of public policy or to the extent claims therefor arise under any applicable securities laws, and the opinion set forth in Paragraph 6 above is also subject to the qualification that the enforceability of the Credit Agreement may be limited by the judicial imposition of an implied covenant of good faith.

(D) For the purposes of rendering the opinions expressed in Paragraph 7 above, we have assumed that (i) the Agent and the Banks will at all times (including, without limitation, in

connection with any prepayment of any part of the Loans) comply strictly with the provisions of Section 11.14 of the Credit Agreement, (ii) all fees and charges, including, but not limited to, commitment fees and attorneys' fees, that under applicable laws might constitute interest on the Loans and that may be collected in connection with the Loans are as set forth in the Credit Agreement and are, or will be, for services actually rendered, (iii) that Borrower has not been requested by the Agent and the Banks, as a condition to the extension of the credit described in the Credit Agreement, to guarantee, assume or otherwise become liable in any way in respect of, or to secure in any respect, any indebtedness of any other person to the Agent and the Banks, or to agree to do so and (iv) that there are not, nor shall there be, any compensating balances, deposits or other funds frozen, pledged or hypothecated as security for or otherwise required in connection with the indebtedness incurred pursuant to the Credit Agreement, which balances, deposits or other sums have been acquired with loan proceeds.

(E) We express no opinion with respect to the availability or enforceability of the following provisions set forth in the Credit Agreement: (i) any provisions of the Credit Agreement purporting to establish any evidentiary standard or to waive either illegality as a defense to the performance of contract obligations or any other defense to such performance that cannot, as a matter of law, be effectively waived, (ii) any provision of the Credit Agreement purporting to waive objection to venue, or (iii) any severability provisions set forth in the Credit Agreement.

(F) The opinions as to Significant Subsidiaries set forth in Paragraphs 5 and 10 above are based upon the list of Significant Subsidiaries attached hereto as Attachment 1 which list was provided to us by the Borrower.

(G) We have not been called upon to, and accordingly do not, express any opinion as to the various state and federal laws regulating banks or the conduct of their business that may relate to the Credit Agreement and the transactions provided for therein.

(H) The opinion set forth in Paragraph 6 above, insofar as it relates to the enforceability of New York choice of law provisions set forth in the Credit Agreement, is subject to the discussion set forth below.

While the matter is not entirely free from doubt, under Texas choice of law principles in a properly presented case, a Texas court (or a federal court applying Texas conflict of law rules) should recognize and give effect to the governing law provisions in the Credit Agreement, except for matters of procedure.

As a factual basis for the conclusion expressed in the preceding paragraph, we have assumed that the chief executive office of the Agent is located in the State of New York and that the parties have not conspired to evade Texas usury laws. No facts have come to our attention that are inconsistent with these assumptions.

We are qualified to practice law in the States of Texas and New York, and we do not hold ourselves out as experts on, or express any opinion herein concerning, the laws of any jurisdiction other than the existing laws of the State of Texas and the State of New York, the General Corporation Law of the State of Delaware and the existing applicable federal laws of the United States. This opinion is being furnished to each of the Banks, the Agent and Bracewell & Patterson, L.L.P., as counsel for the Agent, solely for their use. This opinion speaks as of the date hereof, and we disclaim any obligation to update this opinion.

Very truly yours,

Attachment I
to Opinion

Significant Subsidiaries

Mississippi River Transmission Corporation

NorAm Energy Management, Inc.

NorAm Field Services Corp.

NorAm Gas Transmission Company

EXHIBIT 6.01(v)(b)

[IN-HOUSE COUNSEL OPINION]

March 30, 1998

To each of the Banks party to the Revolving Credit Agreement referred to below

Re: Revolving Credit Agreement among NorAm Energy Corp., Citibank, N.A. and various banks

Ladies and Gentlemen:

As assistant corporate secretary of NorAm Energy Corp., a Delaware corporation (the "Borrower"), I am furnishing this opinion to you in connection with that certain Revolving Credit Agreement dated as of March 30, 1998 (the "Credit Agreement") among the Borrower, the banks party thereto as "Banks," and Citibank, N.A. as Agent. Capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

In connection with the opinions hereinafter expressed, I have examined, either personally or through other attorneys under my supervision, direction and control, signed counterparts of the Credit Agreement and the originals, or copies certified or otherwise identified, of (i) the certificate of incorporation and bylaws, as amended or restated to the date hereof, of the Borrower and each Significant Subsidiary, (ii) certain corporate records of the Borrower, (iii) certificates of public officials, (iv) statutes and (v) other instruments and documents, as a basis for the opinions hereinafter expressed.

In my examination of all agreements and other instruments and documents in connection with the opinions expressed herein, I have assumed, without independent investigation, (i) the due execution and delivery pursuant to due authorization on behalf of the parties thereto, other than the Borrower, of the Credit Agreement, (ii) the genuineness of all signatures, other than the signatures of officers and agents of the Borrower and (iii) the authenticity of all documents submitted to me as

originals and the conformity to authentic original documents of all copies submitted to me as certified, conformed or photostatic copies.

Based upon the foregoing and subject to the assumptions, limitations and qualifications hereinafter stated, I am of the opinion that:

1. The Borrower is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and the State of Texas.

2. The Borrower does not conduct any business or own or lease any Property in such a manner or to such an extent as would require it to be authorized or qualified to do business in any jurisdiction in which it is not qualified to do business, except where the failure to be so authorized or qualified would not, individually or in the aggregate, have a Material Adverse Effect on the Borrower.

3. The Borrower has all requisite corporate power and authority to conduct its business as presently conducted and to execute and deliver, and to perform its obligations and borrow under, the Credit Agreement.

4. The execution, delivery and performance by the Borrower of the Credit Agreement have been duly authorized by all requisite corporate action on the part of the Borrower, and the Credit Agreement has been duly executed and delivered by or on behalf of the Borrower.

5. The execution, delivery and performance by the Borrower of the Credit Agreement do not and will not, (i) violate the articles or certificate of incorporation or bylaws of the Borrower or any Significant Subsidiary, (ii) violate any order of any Texas, New York, Delaware or United States federal court or other agency of government having jurisdiction over the Borrower or any Significant Subsidiary, (iii) violate any provision of any existing Texas, Delaware, New York or United States federal law (including without limitation, Regulation G, T, U and X) applicable to the Borrower or any Significant Subsidiary, (iv) conflict with, result in a breach of or constitute (with due notice or lapse of time or both or any other condition) a default under any indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party and that evidences Indebtedness for Borrowed Money of the Borrower or any Significant Subsidiary, except for such conflicts, breaches or defaults that do not have or would not have a Material Adverse Effect on the Borrower, or (v) result in the creation or imposition of any material Lien upon any of the Properties of the Borrower or any Significant Subsidiary.

6. There is no action, suit or proceeding pending or, to the best of my knowledge, threatened, at law or in equity, or before or by any Texas, Delaware, New York or United States federal court or any Texas, Delaware, New York or United States federal government agency, body or official, (i) relating to the transactions provided for in the Credit Agreement or (ii) in which there is a reasonable probability of an adverse decision that is likely to have a Material Adverse Effect on the Borrower.

7. No authorization or approval of, or action by, and no notice to or filing with, any Texas, Delaware, New York or United States federal governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Credit Agreement.

8. Neither the Borrower nor any Significant Subsidiary is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, except Section 9(a)(2) thereof relating to the acquisition of securities of other public utility companies or public utility holding companies.

The opinions set forth above are subject to the following additional assumptions, limitations and qualifications:

(A) The opinion set forth in Paragraph 1 above as to the good standing of the Borrower is based solely on a review of certificates of public officials of the State of Texas and Delaware.

(B) The opinions as to Significant Subsidiaries set forth in Paragraphs 5 and 8 above are based upon the list of Significant Subsidiaries attached hereto as Attachment 1.

(C) I have not been called upon to, and accordingly do not, express any opinion as to the various state and federal laws regulating banks or the conduct of their business that may relate to the Credit Agreement and the transactions provided for therein.

I am qualified to practice law in the State of Texas, and I do not hold myself out as an expert on, or express any opinion herein concerning, the laws of any jurisdiction other than the existing laws of the State of Texas, the existing General Corporation Law of the State of Delaware and the existing applicable federal laws of the United States. This opinion is being furnished to each of the Banks, the Agent and Bracewell & Patterson, L.L.P., as counsel for the Agent, solely for their use. This opinion speaks as of the date hereof, and I disclaim any obligation to update this opinion.

Very truly yours,

Rufus Scott
Attorney at Law

Attachment I
to Opinion

Significant Subsidiaries

Mississippi River Transmission Corporation

NorAm Energy Management, Inc.

NorAm Field Services Corp.

NorAm Gas Transmission Company

EXHIBIT 11.06(c)

COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE (the "Assignment and Acceptance"), dated as of the date set forth in Item 1 of Schedule I hereto, among the Transferor Bank set forth in Item 2 of Schedule I hereto (the "Transferor Bank"), each Purchasing Bank set forth in Item 3 of Schedule I hereto (each, a "Purchasing Bank"), and Citibank, N.A., as agent for the Banks under the Credit Agreement described below (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, this Assignment and Acceptance is being executed and delivered in accordance with Section 11.06(c) of the Revolving Credit Agreement, dated as of March 31, 1998 among NorAm Energy Corp., a Delaware corporation (the "Borrower"), the Transferor Bank and the other Banks party thereto, and the Agent (as from time to time further amended, supplemented or otherwise modified in accordance with the terms thereof, the "Credit Agreement"; terms defined therein being used herein as therein defined);

WHEREAS, each Purchasing Bank (if it is not already a Bank party to the Credit Agreement) wishes to become a Bank party to the Credit Agreement; and

WHEREAS, the Transferor Bank is selling and assigning to each Purchasing Bank, rights, obligations and commitments under the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Upon receipt by the Agent of five counterparts of this Assignment and Acceptance, to each of which is attached a fully completed Schedule I and Schedule II, and each of which has been executed by the Transferor Bank, each Purchasing Bank (and any other person required by the Credit Agreement to execute this Assignment and Acceptance), the Agent will transmit to the Borrower, the Transferor Bank and each Purchasing Bank a Transfer Effective Notice, substantially in the form of Schedule III to this Assignment and Acceptance (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Assignment and Acceptance shall become effective (the "Transfer Effective Date"), which date shall be the fifth Business Day following the date of such Transfer Effective Notice or such other date as may be specified therein. From and after the Transfer Effective Date, each Purchasing Bank shall be a Bank party to the Credit Agreement for all purposes thereof.

2. At or before 12:00 Noon, local time of the Transferor Bank, on the Transfer Effective Date, each Purchasing Bank shall pay to the Transferor Bank, in immediately available funds, an amount equal to the purchase price, as agreed between the Transferor Bank and such Purchasing Bank (the "Purchase Price"), of the portion being purchased by such Purchasing Bank (such Purchasing Bank's "Purchased Percentage") of the outstanding Committed Loans, the outstanding participations purchased by the Transferor Bank pursuant to Section 2.04 or 5.04 of the Credit Agreement and the other amounts owing to the Transferor Bank under the Credit Agreement. Effective upon receipt by the Transferor Bank of the Purchase Price from a Purchasing Bank, the Transferor Bank hereby irrevocably sells, assigns and transfers to such Purchasing Bank, without recourse, representation or warranty, and each Purchasing Bank hereby irrevocably purchases, takes and assumes from the Transferor Bank, such Purchasing Bank's Purchased Percentage of the Commitments of the Transferor Bank and of the outstanding Committed Loans, such outstanding participations and the other amounts owing to the Transferor Bank under the Credit Agreement, together with all instruments, documents and collateral security pertaining thereto.

3. The Transferor Bank has made arrangements with each Purchasing Bank with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by the Transferor Bank to such Purchasing Bank of any fees heretofore received by the Transferor Bank pursuant to the Credit Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by such Purchasing Bank to the Transferor Bank of fees or interest received by such Purchasing Bank pursuant to the Credit Agreement from and after the Transfer Effective Date.

4. (a) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of the Transferor Bank pursuant to the Credit Agreement shall, instead, be payable to or for the account of the Transferor Bank and the Purchasing Banks, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance.

(b) All interest, fees and other amounts that would otherwise accrue for the account of the Transferor Bank from and after the Transfer Effective Date pursuant to the Credit Agreement shall, instead, accrue for the account of, and be payable to, the Transferor Bank and the Purchasing Banks, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by any Purchasing Bank, the Transferor Bank and each Purchasing Bank will make appropriate arrangements for payment by the Transferor Bank to such Purchasing Bank of such amount upon receipt thereof from the relevant Borrower.

5. Concurrently with the execution and delivery hereof, the Transferor Bank will provide to each Purchasing Bank (if it is not already a Bank party to the Credit Agreement) conformed copies of all documents delivered on the Effective Date in satisfaction of the conditions precedent set forth in the Credit Agreement.

6. Each of the parties to this Assignment and Acceptance agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment and Acceptance.

7. By executing and delivering this Assignment and Acceptance, the Transferor Bank and each Purchasing Bank confirm to and agree with each other and the Agent and the Banks as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, the Transferor Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (ii) the Transferor Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Agreement or any other instrument or document furnished pursuant hereto; (iii) each Purchasing Bank confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.01(m), the financial statements delivered pursuant to Section 8.01(a), if any, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iv) each Purchasing Bank will, independently and without reliance upon the Agent, the Transferor Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (v) each Purchasing Bank appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article X of the Credit Agreement; and (v) each Purchasing Bank agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

8. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of Sections 11.06 (g) and 11.06(h) of the Credit Agreement.

9. Schedule II hereto sets forth the revised Commitments and Pro Rata Percentages of the Transferor Bank and each Purchasing Bank as well as administrative information with respect to each Purchasing Bank.

10. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective duly authorized officers or agents on Schedule I hereto as of the date set forth in Item 1 or Schedule I hereto.

SCHEDULE I TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

COMPLETION OF INFORMATION
SIGNATURES FOR ASSIGNMENT
AND ACCEPTANCE

Re: Revolving Credit Agreement, dated as of March 31, 1998, with NorAm Energy Corp.

Item 1	(Date of Assignment and Acceptance):	[Insert date of Assignment and Acceptance]
Item 2	(Transferor Bank):	[Insert name of Transferor Bank]
Item 3	(Purchasing Bank[s]):	[Insert name[s] of Purchasing Bank[s]]
Item 4	(Signatures of Parties to Assignment and Acceptance):	

_____, as
Transferor Bank

By_____
Title:

_____, as a
Purchasing Bank

By_____
Title:

_____, as a
Purchasing Bank

By_____
Title:

CONSENTED TO AND ACKNOWLEDGED:

CITIBANK, N.A., as Agent

By _____
Title:

NORAM ENERGY CORP.

By _____
Title:

[Consents required only to the extent specified in the Credit Agreement]

ACCEPTED FOR RECORDATION IN REGISTER:

CITIBANK, N.A., as Agent

By _____
Title:

SCHEDULE II TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS

[Name of Transferor Bank]	Revised Commitment:	$_____
	Revised Pro Rata Percentage:	$_____
[Name of Purchasing Bank]	New Commitment:	$_____
	New Pro Rata Percentage:	$_____

Address for Notices:

[Address]
Attention: _____
Telex:_____
Answerback:_____
Telephone:_____
Telecopier:_____

LIBOR Lending Office:

_____

_____

_____

Domestic Lending Office:

_____

_____

_____

SCHEDULE III TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

[Form of Transfer Effective Notice]

To: NorAm Energy Corp., [Transferor Bank and each Purchasing Bank]

The undersigned, as Agent [delegate of the Agent performing administrative functions of the Agent] under the Revolving Credit Agreement, dated as of March 31, 1998, among NorAm Energy Corp., the Banks parties thereto and Citibank, N.A., as Agent, acknowledges receipt of five executed counterparts of a completed Assignment and Acceptance, as described in Schedule I hereto. [Note: attach copy of Schedule I from Assignment and Acceptance.] Terms defined in such Assignment and Acceptance are used herein as therein defined.

1. Pursuant to such Assignment and Acceptance, you are advised that the Transfer Effective Date will be _____.

2. Pursuant to such Assignment and Acceptance, each Purchasing Bank is required to pay its Purchase Price to the Transferor Bank at or before 12:00 Noon on the Transfer Effective Date in immediately available funds.

Very truly yours,

CITIBANK, N.A., as Agent

By

Title:

EXHIBIT 11.06(i)(a)

[FORM OF COMMITTED LOAN NOTE]

$_____ REVOLVING CREDIT NOTE _____, ____

FOR VALUE RECEIVED, the undersigned, NorAm Energy Corp., a Delaware corporation (the "Company"), hereby unconditionally promises to pay to the order of _____ (the "Bank") at the office of Citibank, N.A. located at 2 Penn's Way, New Castle, Delaware 19720, in lawful money of the United States of America and in immediately available funds, the principal amount of the lesser of (a) _____ DOLLARS ($_____) or (b) the aggregate unpaid principal amount of all Committed Loans made by the Bank to the Company pursuant to Section 2.01 of the Revolving Credit Agreement dated as of March 31, 1998 among the Company, Citibank, N.A., as Agent, the Bank and the other banks that are or may become parties thereto (as the same may from time to time be amended, supplemented or otherwise modified, the "Credit Agreement"; terms defined therein being used herein as so defined), which sum shall be due and payable on such date or dates as determined in accordance with the Credit Agreement. The final maturity date of this Revolving Credit Note is the Termination Date.

The Company further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time from the date hereof at the rates and on the dates specified in Section 4.04 of the Credit Agreement until such principal amount is paid in full. Interest on any principal amount hereof which is not paid when due (whether at the stated maturity thereof, by acceleration or otherwise) shall bear interest at the rate provided in Section 4.04 of the Credit Agreement until such past due principal is paid in full.

The holder of this Revolving Credit Note is authorized to record the date, Type and amount of each Committed Loan made by the Bank pursuant to Section 2.01 of the Credit Agreement, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof, and, in the case of Committed LIBOR Rate Loans, the length of each Interest Period with respect thereto, on the schedule annexed hereto and made a part hereof and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided that the failure of the Bank to make such recordation or any error in such recordation shall not limit or otherwise affect the obligations of the Company hereunder or under the Credit Agreement.

This Revolving Credit Note is one of the Notes referred to in the Credit Agreement and is entitled to the benefits thereof, is subject to optional prepayment in whole or in part as provided therein and is subject to the terms and conditions thereof.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts remaining unpaid on this Revolving Credit Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Revolving Credit Note, whether maker, principal, surety or guarantor, waive notice of dishonor, notice of acceleration, notice of intent to accelerate the maturity hereof, presentment, demand, protest and notice of protest and all other notices of any kind.

THIS REVOLVING CREDIT NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

NORAM ENERGY CORP.

By: ----------

Title: ----------

SCHEDULE OF COMMITTED LOANS

Date of Loan	Amount of Loan	Type of Loan	Interest Period	Date of Conversion/ Continuation	Date of Prepayment or Payment	Amount of Prepayment or Payment
----	----	----	------	------------	----------	----------

EXHIBIT 11.06(i)(b)

[FORM OF SWING LOAN NOTE]

PROMISSORY NOTE

$_____ _____, ____

FOR VALUE RECEIVED, the undersigned, NorAm Energy Corp., a Delaware corporation (the "Company"), hereby unconditionally promises to pay to the order of Citibank, N.A. (the "Bank") at the Bank's office located at 2 Penn's Way, New Castle, Delaware 19720, in lawful money of the United States of America and in immediately available funds, the principal amount of (a) _____ DOLLARS ($_____), or, if less, (b) the aggregate unpaid principal amount of each Swing Loan which is made by the Bank to the Company pursuant to Section 2.01(b) of the Revolving Credit Agreement dated as of March 31, 1998, among the Company, the Bank, the other banks that are or may become parties thereto and Citibank, N.A., as Agent (as the same may from time to time be amended, supplemented or otherwise modified, the "Credit Agreement"; terms defined therein being used herein as so defined).

The principal amount of each Swing Loan evidenced hereby shall be payable on the maturity date therefor set forth on the schedule annexed hereto (or, if earlier, the Termination Date) and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof (the "Grid"). The Company further agrees to pay interest in like money at such office on the unpaid principal amount of each Swing Loan evidenced hereby, at the rate per annum determined in accordance with Section 4.04 of the Credit Agreement until such principal amount is paid in full. Interest on any principal amount hereof which is not paid when due (whether at the stated maturity thereof, by acceleration or otherwise) shall bear interest at the rate provided in Section 4.04 of the Credit Agreement until such past due principal is paid in full.

The holder of this Note is authorized to endorse on the Grid the date, amount and maturity date in respect of each Swing Loan made pursuant to Section 2.01(b) of the Credit Agreement, and each payment of principal with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed; provided, however, that the failure to make any such endorsement or any error in such endorsement shall not affect the obligations of the Company in respect of such Swing Loan.

This Note is one of the Notes referred to in the Credit Agreement, and is entitled to the benefits thereof.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety or guarantor, waive notice of dishonor, notice of acceleration, notice of intent to accelerate the maturity hereof, presentment, demand, protest and notice of protest and all other notices of any kind.

Terms defined in the Credit Agreement are used herein with their defined meanings unless otherwise defined herein. This Note shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

NORAM ENERGY CORP.

By: ----------

Title: ----------

SCHEDULE OF SWING LOANS

Date of Loan	Amount of Loan	Maturity Date	Payment Date	Authorization

EXHIBIT 11.06(i)(c)

[FORM OF GRID CAF LOAN NOTE]

PROMISSORY NOTE

$_____ _____, ____

FOR VALUE RECEIVED, the undersigned, NorAm Energy Corp., a Delaware corporation (the "Company"), hereby unconditionally promises to pay to the order of _____ (the "Bank") at the office of Citibank, N.A. located at 2 Penn's Way, New Castle, Delaware 19720 in lawful money of the United States of America and in immediately available funds, the principal amount of (a) _____ DOLLARS ($_____), or, if less, (b) the aggregate unpaid principal amount of each CAF Loan which is made by the Bank to the Company pursuant to Section 3.02 of the Revolving Credit Agreement dated as of March 31, 1998, among the Company, the Bank, the other banks that are or may become parties thereto and Citibank, N.A., as Agent (as the same may from time to time be amended, supplemented or otherwise modified, the "Credit Agreement"; terms defined therein being used herein as so defined).

The principal amount of each CAF Loan evidenced hereby shall be payable on the maturity date therefor set forth on the schedule annexed hereto (or, if earlier, the Termination Date) and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof (the "Grid"). The Company further agrees to pay interest in like money at such office on the unpaid principal amount of each CAF Loan evidenced hereby, at the rate per annum determined in accordance with Section 4.04 of the Credit Agreement and as may be set forth in respect of such CAF Loan on the Grid, calculated on the basis of a year of 360 days and actual days elapsed from the date of such CAF Loan until the due date thereof (whether at the stated maturity, by acceleration or otherwise) and thereafter at the rates determined in accordance with Section 4.04 of the Credit Agreement. Interest on each CAF Loan evidenced hereby shall be payable on the date or dates determined in accordance with Section 4.04 of the Credit Agreement and as may be set forth in respect of such CAF Loan on the Grid. CAF Loans evidenced by this Note may not be prepaid. The final maturity date of this Note is no later than the Termination Date.

The holder of this Note is authorized to endorse on the Grid the date, amount, interest rate, interest payment dates and maturity date in respect of each CAF Loan made pursuant to Section 3.02 of the Credit Agreement, and each payment of principal with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed;

provided, however, that the failure to make any such endorsement or any error in such endorsement shall not affect the obligations of the Company in respect of such CAF Loan.

This Note is one of the Notes referred to in the Credit Agreement, and is entitled to the benefits thereof.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety or guarantor, waive notice of dishonor, notice of acceleration, notice of intent to accelerate the maturity hereof, presentment, demand, protest and notice of protest and all other notices of any kind.

Terms defined in the Credit Agreement are used herein with their defined meanings unless otherwise defined herein. This Note shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

NORAM ENERGY CORP.

By: ----------

Title: ----------

SCHEDULE OF CAF LOANS

Date of Loan	Amount of Loan	Interest Rate	Interest Payment Dates	Maturity Date	Payment Date	Authorization

Schedule I

COMMITMENTS

Bank	Commitment	Domestic Lending Office and address for notices	LIBOR Lending Office (if different than Domestic Lending Office)
Citibank, N.A.	$37,000,000	399 Park Avenue New York, NY 10043 Attn: Sandip Sen Fax: 212/793-6130	399 Park Avenue New York, NY 10043 Attn: Sandip Sen Fax: 212/793-6130
Barclays Bank PLC	$30,000,000	222 Broadway, 11th Floor New York, NY 10038 Attn: Jonathan Berman Fax: 212/412-7585	222 Broadway, 11th Floor New York, NY 10038 Attn: Jonathan Berman Fax: 212/412-7585
The First National Bank of Chicago	$30,000,000	One First National Plaza Suite 0363 Chicago, IL 60670-0363 Attn: Michael J. Johnson Fax: 312/732-3055	One First National Plaza Suite 0363 Chicago, IL 60670-0363 Attn: Michael J. Johnson Fax: 312/732-3055
NationsBank of Texas, N.A.	$30,000,000	901 Main Street 64th Floor Dallas, TX 75202-3714 Attn: Curtis Anderson Fax: 214/508-3943	901 Main Street 64th Floor Dallas, TX 75202-3714 Attn: Curtis Anderson Fax: 214/508-3943
The Bank of New York	$21,000,000	One Wall Street 19th Floor New York, NY 10286 Attn: Nathan S. Howard Fax: 212/635-7923	One Wall Street 19th Floor New York, NY 10286 Attn: Nathan S. Howard Fax: 212/635-7923
The Bank of Tokyo-Mitsubishi, Ltd., Houston Agency	$21,000,000	1100 Louisiana, Suite 2800 Houston, TX 77002 Attn: David Denbina Fax: 713/658-0116	1100 Louisiana, Suite 2800 Houston, TX 77002 Attn: David Denbina Fax: 713/658-0116
The Chase Manhattan Bank	$21,000,000	One Chase Manhattan Plaza New York, NY 10081 Attn: Jaimin Patel Fax: 212/552-0079	One Chase Manhattan Plaza New York, NY 10081 Attn: Jaimin Patel Fax: 212/552-0079

Credit Suisse	$21,000,000	11 Madison Avenue 19th Floor New York, NY 10010 Attn: James Moran Fax: 212/325-8350	11 Madison Avenue 19th Floor New York, NY 10010 Attn: James Moran Fax: 212/325-8350
Deposit Guaranty National Bank	$21,000,000	333 Texas Street Shreveport, LA 71101 Attn: Herb Doughty Fax: 318/429-1059	333 Texas Street Shreveport, LA 71101 Attn: Herb Doughty Fax: 318/429-1059
Fleet National Bank	$21,000,000	One Federal Street Mail Stop: MA of 320 Boston, MA 02110 Attn: Robert Lanigan Fax: 617/346-0580	One Federal Street Mail Stop: MA of 320 Boston, MA 02110 Attn: Robert Lanigan Fax: 617/346-0580
Toronto Dominion (Texas), Inc.	$21,000,000	909 Fannin, Suite 1700 Houston, TX 77010 Attn: Jimmy Simien Fax: 713/951-9921	909 Fannin, Suite 1700 Houston, TX 77010 Attn: Jimmy Simien Fax: 713/951-9921
Union Bank of Switzerland, Houston Agency	$21,000,000	299 Park Avenue 44th Floor New York, NY 10171-0026 Attn: Mike Donohue, Jr. Fax: 212/821-3878	299 Park Avenue 44th Floor New York, NY 10171-0026 Attn: Mike Donohue, Jr. Fax: 212/821-3878
The Bank of Nova Scotia	$20,000,000	1100 Louisiana, Suite 3000 Houston, TX 77002 Attn: Mark Ammerman Fax: 713/752-2425	1100 Louisiana, Suite 3000 Houston, TX 77002 Attn: Mark Ammerman Fax: 713/752-2425
Westdeutsche Landesbank Girozentrale, New York	$20,000,000	1211 Avenue of the Americas 23rd Floor New York, NY 10036 Attn: Richard Newman Fax: 212/852-6307	1211 Avenue of the Americas 23rd Floor New York, NY 10036 Attn: Richard Newman Fax: 212/852-6307
Mellon Bank, N.A.	$15,000,000	One Mellon Bank Center Room 4425 Pittsburgh, PA 15258-0001 Attn: Brad S. Miller Fax: 412/236-1840	One Mellon Bank Center Room 4425 Pittsburgh, PA 15258-0001 Attn: Brad S. Miller Fax: 412/236-1840
	$350,000,000		

SCHEDULE II
PRICING GRID
(In Basis Points Per Annum)

RATINGS LEVEL	RATINGS OF THE SENIOR UNSECURED LONG-TERM DEBT OF THE BORROWER(5)	APPLICABLE MARGIN	APPLICABLE FACILITY FEE RATE
Level I	AA- or Aa3 or higher	15.0	7.0
Level II	A+/A/A- or A1/A2/A3	17.0	9.0
Level III	BBB+ or Baa1	19.0	11.0
Level IV	BBB or Baa2	23.5	13.0
Level V	BBB- or Baa3	28.5	15.0
Level VI	BB+/BB/BB- or Ba1 Ba2/Ba3	50.0	20.0
Level VII	Either of the following circumstances apply: (i) the senior unsecured long-term debt of the Borrower is not rated by S&P and is not rated by Moody's, or (ii) none of Ratings Levels I through VI is applicable.	100.00	50.0

- ----------
5 The higher of the Moody's and S&P ratings shall apply.

(a) liens granted pursuant to the Company's Indenture of Mortgage and Deed of Trust dated as of September 1, 1953, as supplemented;

(b) undetermined or inchoate liens and charges incidental to construction, maintenance, development or operation;

(c) the lien of taxes and assessments for the then current year,

(d) the lien of taxes and assessments not at the time delinquent;

(e) the lien of specified taxes and assessments which are delinquent but the validity of which is being contested at the time by the Company or such Restricted Subsidiary in good faith and by appropriate proceedings;

(f) the lien reserved in leases for rent and for compliance with the terms of the lease in the case of leasehold estates;

(g) any obligations or duties, affecting the property of the Company or such Restricted Subsidiary, to any municipality or public authority with respect to any franchise, grant, license, permit or similar arrangement;

(h) the liens of any judgments or attachments in an aggregate amount not in excess of $2,000,000, or the lien of any judgment or attachment the execution or enforcement of which has been stayed or which has been appealed and secured, if necessary, by the filing of an appeal bond;

(i) any lien on any property held or used by the Company or a Restricted Subsidiary in connection with the exploration for, development of or production of oil, gas, natural gas (including liquefied gas and storage gas), other hydrocarbons, helium, coal, metals, minerals, steam, timber, geothermal or other natural resources or synthetic fuels, such properties to include, but not be limited to, the Company's or a Restricted Subsidiary's interest in any minimal fee interests, oil, gas or other mineral leases, royalty, overriding royalty or net profits interests, production payments and other similar interests, wellhead production equipment, tanks, field gathering lines, leasehold or field separation and processing facilities, compression facilities and other similar personal property and fixtures;

(j) any lien on oil, gas, natural gas (including liquefied gas and storage gas), and other hydrocarbons, helium, coal, metals, minerals, steam, timber, geothermal or other natural resources or synthetic fuels produced or recovered from any property, an interest in which is owned or leased by the Company or a Restricted Subsidiary;

(k) liens upon any property heretofore or hereafter acquired, constructed or improved, created at the time of acquisition or within one year thereafter to secure all or a portion of the purchase price thereof or the cost of such construction or improvement, or existing thereon at the date of acquisition, whether or not assumed by the Company or a Restricted Subsidiary, provided that every such lien shall apply only to the property so acquired or constructed and fixed improvements thereon;

(l) any extension, renewal or refunding, in whole or in part, of any mortgage, pledge, lien or encumbrance permitted by subparagraph (j) above, if limited to the same property or any portion thereof subject to, and securing not more than the amount secured by, the mortgage, pledge, lien or encumbrance extended, renewed or refunded;

(m) liens upon any property heretofore or hereafter acquired by any corporation that is or becomes a Restricted Subsidiary after the date hereof ("Acquired Entity"), provided that every such lien (1) shall either (A) exist prior to the time the Acquired Entity becomes a Restricted Subsidiary or (B) be created at the time the Acquired Entity becomes a Restricted Subsidiary or within one year thereafter to secure all or a portion of the acquisition price thereof and (2) shall only apply to those properties owned by the Acquired Entity at the time it becomes a Restricted Subsidiary or thereafter acquired by it from sources other than the Company or any other Restricted Subsidiary;

(n) the pledge of current assets, in the ordinary course of business, to secure current liabilities;

(o) mechanics' or materialmen's liens, any liens or charges arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance, good faith deposits in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure duties or public or statutory obligations, deposits to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or similar charges;

(p) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time in connection with the financing of the acquisition or construction of property to be used in the business of the Company or a Restricted Subsidiary or as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Company or a Restricted Subsidiary to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(q) any lien of or upon any office equipment, data processing equipment (including, without limitation, computer and computer peripheral equipment), or transportation equipment (including, without limitation, motor vehicles, tractors, trailers, marine vessels, barges, towboats, rolling stock and aircraft);

(r) any lien created or assumed by the Company or a Restricted Subsidiary in connection with the issuance of debt securities the interest on which is excludable from gross income of the holder of such security pursuant to the Internal Revenue Code, as amended, for the purpose of financing, in whole or in part, the acquisition or construction of property to be used by the Company or a Restricted Subsidiary; or

(s) the pledge or assignment of accounts receivable, or the pledge or assignment of conditional sales contracts or chattel mortgages and evidences of indebtedness secured thereby, received in connection with the sale by the Company or such Restricted Subsidiary or others of goods or merchandise to customers of the Company or such Restricted Subsidiary.

AMENDMENT AGREEMENT

This Amendment Agreement dated as of March 23, 1999 ("Amendment") is among Reliant Energy Resources Corp., a Delaware corporation (formerly known as NorAm Energy Corp., a Delaware corporation) ("Borrower"), the lenders parties hereto ("Banks"), The Bank of Nova Scotia, as Issuing Bank, and Citibank, N.A., as agent ("Agent") under the Revolving Credit Agreement dated as of March 31, 1998 among the Borrower, the Agent and the Banks ("Agreement"). In consideration of the mutual covenants contained herein, the Borrower, the Agent and the Banks agree as set forth herein.

1. Amendments to the Agreement. The Agreement is hereby amended as follows:

1.1 Section 1.01. The definitions of Committed Borrowing, Committed Loans and Loan Documents set forth in Section 1.01 of the Agreement are hereby amended to read as follows:

"Committed Borrowing" means (i) a borrowing consisting of a Loan under Section 2.01(a) in each case of the same Type and having in the case of Committed LIBOR Rate Loans the same Interest Period, made on the same day by the Banks, and (ii) each borrowing made under Section 12.02(b) in respect of a payment made under a Letter of Credit consisting of those Loans deemed made under Section 12.02(b) in respect of such payment.

"Committed Loans" means Loans made under Section 2.01(a) or Section 12.02(b).

"Loan Documents" means this Agreement, any Notes issued hereunder, any Letters of Credit and any document or instrument executed in connection with the foregoing.

Section 1.01 of the Agreement is hereby further amended by adding the following new definitions in appropriate alphabetical order:

"Applicable L/C Usage Rate" means the rate per annum set forth in Schedule II for the relevant Ratings Level applicable from time to time. The Applicable L/C Usage Rate shall change when and as the applicable Ratings Level changes.

"Applicable L/C Base Rate" means the rate per annum set forth in Schedule II for the relevant Ratings Level applicable from time to time. The Applicable L/C Base Rate shall change when and as the applicable Ratings Level changes.

"Available Amount" of any Letter of Credit means the maximum amount available to be drawn under such Letter of Credit (after giving effect to any step up provision or other mechanism for increases, if any, and assuming compliance with all conditions to drawing).

"Issuing Bank" means The Bank of Nova Scotia.

"L/C Cash Collateral Account" means the cash collateral account to be established and maintained by the Agent pursuant hereto, over which the Agent shall have sole dominion and control, upon such terms as may be satisfactory to the Agent.

"Letter of Credit" has the meaning specified in Section 12.01.

"Letter of Credit Liabilities" means the maximum aggregate amount of all undrawn portions of Letters of Credit (after giving effect to any step up provision or other mechanism for increases, if any, and assuming compliance with all conditions to drawing) plus the aggregate amount of all drawings under Letters of Credit which have not been reimbursed.

"Letters of Credit Request" has the meaning specified in Section 12.02.

1.2 Section 2.01. The first sentence of Section 2.01(a) of the Agreement is hereby amended (i) by deleting therefrom the parenthetical phrase "(the "Committed Loans")" and (ii) by replacing clauses (1) and (2) of such sentence with the following:

(1) the aggregate principal amount of the Swing Loans then outstanding plus (2) the aggregate principal amount of all CAF Loans then outstanding plus (3) the aggregate Letter of Credit Liabilities at such time

The second proviso to the first sentence of Section 2.01(a) of the Agreement is hereby amended to read as follows:

provided, further, that in no event shall the sum of the aggregate Letter of Credit Liabilities plus the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans outstanding at any time exceed the lesser of (i) $350,000,000 and (ii) the aggregate amount of the Commitments at such time.

The second sentence of Section 2.01(a) of the Agreement is hereby amended to add the following proviso immediately before the period at the end of such sentence:

; provided that Committed Borrowings consisting of ABR Loans contemplated by Section 12.02(b) need not be in an integral multiple of $1,000,000 nor in a minimum amount of $5,000,000.

The proviso to the first sentence of Section 2.01(b) of the Agreement is hereby amended to read as follows:

provided that no Swing Loan shall be made if, following the making of such Swing Loan, the sum of the aggregate Letter of Credit Liabilities plus the aggregate principal amount of Committed Loans, CAF Loans and Swing Loans would exceed the aggregate amount of the Commitments.

1.3 Section 3.01. The first sentence of Section 3.01 of the Agreement is hereby amended to read as follows:

From time to time on any Business Day during the period from the Effective Date until the Termination Date, Borrower may request CAF Loans from the Banks in amounts such that the sum of the aggregate Letter of Credit Liabilities plus the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans outstanding at any time shall not exceed the aggregate amount of the Commitments at such time (the "CAF Facility").

1.4 Section 3.02. Clause (ii) of the first sentence of Section 3.02(d) is hereby amended to read as follows:

(ii) the amount of the Commitments less the sum of (A) the aggregate Letter of Credit Liabilities plus (B) the aggregate principal amount of Committed Loans, Swing Loans and CAF Loans outstanding at such time after giving effect to the application of the proceeds of such CAF Borrowing on the borrowing date therefor.

1.5 Section 4.02. Section 4.02(c) of the Agreement is hereby amended to read as follows:

(c) Borrower agrees to pay to the Agent for the account of each Bank a usage fee at a rate of 1/8% per annum on the sum of (i) such Bank's Pro Rata Percentage of the aggregate Letter of Credit Liabilities plus (ii) the aggregate outstanding principal amount of all Loans owed to such Bank (other than CAF Loans), at all times during which the sum of the aggregate Letter of Credit Liabilities plus the aggregate outstanding principal amount of all Loans (other than CAF Loans) exceeds 50% of the Commitments of the Banks, payable quarterly in arrears on the last day of each March, June, September and December hereafter, commencing March 31, 1998, and on the Termination Date.

1.6 Section 4.03. Clause (b) of the proviso to the first sentence of Section 4.03(a) of the Agreement is hereby amended to read as follows:

(b) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 5.05 hereof by Borrower on the effective date thereof, the sum of the aggregate Letter of Credit Liabilities plus the aggregate principal amount of Loans made to Borrower and then outstanding would exceed the Commitments then in effect, and

1.7 Section 5.02. Section 5.02(a) of the Agreement is hereby amended to read as follows:

(a) All Committed Loans shall be due and payable on March 31, 2003 or such earlier date as they may become due pursuant hereto. Borrower shall make each payment (including each prepayment) hereunder and under the Loans, whether on account of principal, interest, fees, commissions or otherwise, without setoff, counterclaim or other deduction, not later than 12:00 Noon (New York City time) on the day when due, in Dollars to the Agent (other

than amounts payable directly to the Issuing Bank under Section 12.04(b)) at its address referred to in Section 11.02 in immediately available funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, usage fees under Section 4.02(c), commissions under Section 12.04(a) or Facility Fees (to the extent received by the Agent) ratably to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank or the Issuing Bank (to the extent received by the Agent) to such Bank for the account of its Applicable Lending Office or the Issuing Bank, as the case may be, in each case to be applied in accordance with the terms of this Agreement.

1.8 Section 5.03. Section 5.03(b) of the Agreement is hereby amended by adding ", any Letter of Credit" after "any Note" in such Section 5.03(b).

1.9 Section 5.04. Section 5.04 of the Agreement is hereby amended by adding ", Section 12.06" immediately after "this Section 5.04" in the last sentence thereof.

1.10 Section 6.02. The phrase "before and after giving effect to such Loan and to any other Loans to be made on such date," in paragraph (i) of Section 6.02 of the Agreement is hereby amended to read as follows:

before and after giving effect to such Loan and to any other Loans to be made and Letters of Credit to be issued, increased or extended on such date,

Paragraph (iii) of such Section 6.02 is hereby amended to read as follows:

(iii) No Default or Event of Default shall have occurred and be continuing or would result from such Loan or any other Loan to be made or Letter of Credit to be issued, increased or extended on such date.

1.11 New Section 6.03. The Agreement is hereby amended by adding the following new Section 6.03 immediately after Section 6.02 of the Agreement:

SECTION 6.03. Conditions Precedent to Letters of Credit. The obligation of the Issuing Bank to issue, increase or extend any Letter of Credit (including, without limitation, the initial Letter of Credit) shall be subject to the further conditions precedent that (a) on or prior to the date of such Letter of Credit, the Issuing Bank shall have received from Borrower a Letter of Credit Request in accordance with the terms of this Agreement and (b) on the date of issuance, increase or extension of such Letter of Credit, the following statements shall be true and correct (and each of the giving of any Letter of Credit Request, and the issuance, increase or extension of such Letter of Credit, shall constitute a representation and warranty by Borrower that on the date of such Letter of Credit such statements are true and correct):

(i) The representations and warranties of Borrower contained in Section 7.01 of this Agreement are true and correct in all material respects on and as of the date of such Letter of Credit (except for (1) those representations or warranties or parts thereof that, by their terms, expressly relate solely to a specific date, in which case such representations and warranties shall

be true and correct in all material respects as of such specific date; and (2) if at the time of such issuance, increase or extension (I) all senior unsecured long-term debt of the Borrower is rated BBB or higher by S&P or is rated Baa2 or higher by Moody's, (II) the Borrower is not Unrated and (III) either (x) all senior unsecured long-term debt of the Borrower is rated BBB+ or higher by S&P and is rated Baa1 or higher by Moody's or (y) the Borrower is not on credit watch with negative implications with S&P or Moody's (and no similar comment has been made by S&P or Moody's regarding a potential downgrade of any of the Borrower's debt ratings), the representation and warranty set forth in clause (i) of Section 7.01(j)), before and after giving effect to such Letter of Credit and to any other Letters of Credit to be issued, increased or extended and Loans to be made on such date, as though made on and as of such date;

(ii) Borrower shall be in compliance with and shall have performed all agreements and covenants made by it under this Agreement; and

(iii) No Default or Event of Default shall have occurred and be continuing or would result from the issuance, increase or extension of such Letter of Credit or any other Loan to be made or other Letter of Credit to be issued, increased or extended on such date.

1.12 Section 7.01. Section 7.01 of the Agreement is hereby amended by adding, immediately after Section 7.01(o) of the Agreement, a new Section 7.01(p) reading as follows:

(p) Year 2000 Compliance. Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including, without limitation, those affected by service suppliers, key vendors and significant customers) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by Borrower or any of its Subsidiaries (or service suppliers, key vendors and significant customers) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan substantially in accordance with that timetable. Based on the foregoing, Borrower believes that all computer applications (including, without limitation, those of its service suppliers, key vendors and significant customers) that are material to its or any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Yea 2000 ready"), except to the extent that a failure to do so would not have a Material Adverse Effect.

1.13 Section 8.01. The portion of Section 8.01 of the Agreement set forth prior to Section 8.01(a) of the Agreement is hereby amended to read as follows:

Section 8.01. Affirmative Covenants of Borrower. Borrower covenants that, so long as any Loan remains unpaid or any Letter of Credit Liabilities exist or other amount is owing by Borrower hereunder or under any other Loan Documents to which it is a party or any Letter of Credit is outstanding or any Bank shall have any Commitment or Swing Line Commitment outstanding to Borrower under this Agreement, Borrower will:

1.14 Section 8.02. The portion of Section 8.02 of the Agreement set forth prior to Section 8.02(a) of the Agreement is hereby amended to read as follows:

Section 8.02 Negative Covenants of Borrower. Borrower covenants that, so long as any Loan remains unpaid or any Letter of Credit Liabilities exist or other amount is owing by Borrower hereunder or under any other Loan Document to which it is a party or any Letter of Credit is outstanding or any Bank shall have any Commitment or Swing Line Commitment outstanding to Borrower under this Agreement, Borrower will not:

1.15 Section 9.01. Section 9.01(a) of the Agreement is hereby amended to read as follows:

(a) Non-Payment of Principal, Interest and Other Amounts. Borrower fails to pay, in the manner provided in this Agreement, (i) any principal payable by it hereunder when due or (ii) any interest, fee, commission or other amount payable by it under any Loan Document within five (5) Business Days after its due date; or

1.16 Section 9.02. Section 9.02(a)(i) of the Agreement is hereby amended to read as follows:

(i) the obligation of the Issuing Bank to issue, increase or extend Letters of Credit, the Commitments, the Swing Line Commitment and the CAF Facility shall immediately be canceled; and

Section 9.02(b)(i) of the Agreement is hereby amended to read as follows:

(i) shall declare that the obligation of the Issuing Bank to issue, increase or extend Letters of Credit, the Commitments, the Swing Line Commitment and the CAF Facility shall immediately be canceled (whereupon the obligation of the Issuing Bank to issue, increase or extend Letters of Credit, the Commitments, the Swing Line Commitment and the CAF Facility shall be deemed to be immediately canceled); and/or

1.17 Article IX. Article IX of the Agreement is hereby amended by adding the following new Section 9.03 immediately after Section 9.02 of the Agreement:

SECTION 9.03. Additional Rights in Respect of the Letters of Credit upon Default. (a) If at any time and for any reason (whether within or beyond the control of any party to this Agreement) any Event of Default occurs, the Agent (if it has been instructed to do so by the Majority Banks while such Event of Default is continuing) shall, irrespective of whether it is taking any of the actions described in Section 9.02 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will pay to the Agent on behalf of the Banks in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Letter of Credit Liabilities. If at any time the Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Agent and the Banks or that the total amount of such funds is less than the aggregate Letter of Credit Liabilities, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Letter of Credit Liabilities over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim. At the

Borrower's request, the Agent will deposit any amounts held in the L/C Cash Collateral Account in an interest bearing account or invest such amounts in cash equivalent investments satisfactory to the Agent so long as the Agent maintains a perfected, first priority security interest in such investments.

(b) The Agent may, at any time while an Event of Default is continuing, apply funds then held in the L/C Cash Collateral Account to the payment of any Letter of Credit Liabilities owing to the Issuing Bank as shall have become or shall become due and payable by the Borrower to the Issuing Bank under this Agreement in connection with the Letters of Credit.

(c) At any time when no Event of Default is continuing, the Agent shall, at the Borrower's request, transfer to the Borrower the balance held in the L/C Cash Collateral Account.

1.18 Section 10.03. The first sentence of Section 10.03 of the Agreement is hereby amended by adding ", its interest in the Letter of Credit Liabilities" immediately after the words "the Loans owed to it" in such sentence.

1.19 Section 10.05. Section 10.05 of the Agreement is hereby amended by adding the following at the end thereof:

THE BANKS AGREE TO INDEMNIFY THE ISSUING BANK (TO THE EXTENT NOT REIMBURSED BY BORROWER), RATABLY ACCORDING TO THE RESPECTIVE PRINCIPAL AMOUNTS OF THE COMMITTED LOANS THEN HELD BY EACH OF THEM (OR IF NO COMMITTED LOANS ARE AT THE TIME OUTSTANDING OR IF ANY COMMITTED LOANS ARE HELD BY PERSONS WHICH ARE NOT BANKS, RATABLY ACCORDING TO EITHER (A) THE RESPECTIVE AMOUNTS OF THEIR COMMITMENTS, OR (B) IF NO COMMITMENTS ARE AT THE TIME OUTSTANDING, THE RESPECTIVE AMOUNTS OF THE COMMITMENTS IMMEDIATELY PRIOR TO THE TIME THE COMMITMENTS CEASED TO BE OUTSTANDING), FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST THE ISSUING BANK IN ANY WAY RELATING TO OR ARISING OUT OF ANY OF THE LETTERS OF CREDIT OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT THERETO OR IN CONNECTION THEREWITH, OR ANY ACTION TAKEN OR OMITTED BY THE ISSUING BANK UNDER ANY OF THE LETTERS OF CREDIT OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT THERETO OR IN CONNECTION THEREWITH, PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE ISSUING BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, AND PROVIDED FURTHER THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE FAILURE OF THE BORROWER OR ANY BANK TO MAKE ANY PAYMENT OR REMITTANCE PURSUANT TO SECTION 12.02(B) OR SECTION 12.06 (BUT THIS PROVISIO SHALL NOT RELIEVE ANY BANK FROM ITS OWN RESPONSIBILITY TO MAKE ANY PAYMENT OR REMITTANCE REQUIRED OF IT PURSUANT TO SECTION 12.02(B) OR SECTION 12.06) WITHOUT LIMITATION OF THE FOREGOING, EACH BANK AGREES TO REIMBURSE THE ISSUING BANK PROMPTLY UPON DEMAND FOR ITS RATABLE SHARE OF ANY OUT-OF-POCKET EXPENSES (INCLUDING COUNSEL FEES) INCURRED BY THE ISSUING BANK IN CONNECTION WITH THE ENFORCEMENT (WHETHER THROUGH NEGOTIATIONS, LEGAL PROCEEDINGS OR OTHERWISE) OF, OR LEGAL ADVICE IN RESPECT OF RIGHTS OR RESPONSIBILITIES UNDER, ANY OF THE LETTERS OF CREDIT OR ANY OTHER INSTRUMENT OR DOCUMENT FURNISHED PURSUANT

THERETO OR IN CONNECTION THEREWITH TO THE EXTENT THAT THE ISSUING BANK IS NOT REIMBURSED FOR SUCH EXPENSES BY BORROWER, PROVIDED THAT NO BANK SHALL BE LIABLE FOR ANY PORTION OF SUCH EXPENSES RESULTING FROM THE ISSUING BANK'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. IN THE EVENT THAT THE ISSUING BANK RECEIVES REIMBURSEMENT FOR SUCH EXPENSES FROM BORROWER AT ANY TIME SUBSEQUENT TO THE ISSUING BANK'S RECEIPT OF THE INDEMNIFICATION REQUIRED BY THE PRECEDING SENTENCE FROM ANY BANK, THE ISSUING BANK SHALL PROMPTLY REFUND TO SUCH BANK ITS RATABLE SHARE OF SUCH REIMBURSED AMOUNT. THIS INDEMNIFICATION INCLUDES THE ORDINARY NEGLIGENCE OF THE BANKS.

1.20 Section 11.01. Section 11.01 of the Agreement is hereby amended (i) by adding ", commission" after "any interest" in clause (i) of the proviso to the second sentence of Section 11.01; (ii) by deleting the word "or" immediately before clause (iv) of such proviso; and (iii) by adding the following immediately before the period at the end of such sentence:

, or (v) amend, modify or waive any provision pertaining to the Issuing Bank or the Letters of Credit or otherwise affect any right or duty of the Issuing Bank, without the written consent of the Issuing Bank.

1.21 Section 11.05. Section 11.05 of the Agreement is hereby amended by adding immediately after "(b)" in the first sentence thereof the following:

to pay or reimburse the Issuing Bank for all reasonable fees and disbursements of counsel incurred in connection with the administration of Letters of Credit hereunder, (c)

Section 11.05 of the Agreement is further amended (i) by changing "(c)" therein to "(d)", (ii) by adding ", THE ISSUING BANK" immediately after "THE CO-AGENTS" in such Section 11.05; and (iii) by amending the second proviso to the first sentence of such Section 11.05 to read as follows:

PROVIDED FURTHER, THAT IT IS THE INTENTION OF BORROWER TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE.

1.22 Section 11.06. Section 11.06(b) of the Agreement is hereby amended to read as follows:

Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions (a "Participant") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank, any interests in Letter of Credit Liabilities held by such Bank or any other interest of such Bank hereunder and under the other Loan Documents. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Loan and any such interests in Letter of Credit Liabilities for all purposes under this Agreement and the other Loan Documents, Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Loan Documents and, except with

respect to the matters set forth in Section 11.01, the amendment of which requires the consent of all of the Banks, the participation agreement between the selling Bank and the Participant may not restrict such Bank's voting rights hereunder. Borrower agrees that each Participant, to the extent provided in its participation, shall be entitled to the benefits of Sections 4.05, 4.08, 5.01 and 5.03 with respect to its participation in the Commitments, the Letter of Credit Liabilities and the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the selling Bank would have been entitled to receive in respect of the amount of the participation sold by such selling Bank to such Participant had no such sale occurred. Except as expressly provided in this Section 11.06(b), no Participant shall be a third-party beneficiary of or have any rights under this Agreement or under any of the other Loan Documents.

The first proviso to the first sentence of Section 11.06(c) of the Agreement is hereby amended to read as follows:

provided, that each such sale shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of the Commitment of such Bank (including, without limitation, the interests of such Bank in the Letter of Credit Liabilities);

Clause (ii) of the second sentence of Section 11.06(c) of the Agreement is hereby amended to read as follows:

> (ii) the transferor Bank thereunder shall, to the extent provided in such Committed Loan Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of a Committed Loan Assignment and Acceptance covering all or the remaining portion of a transferor Bank's rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto, except that if such transferor Bank is the Issuing Bank, it shall remain a party hereto even though its Commitment and Pro Rata Percentage are zero).

1.23 Section 11.11. Section 11.11(a) of the Agreement is hereby amended by adding the following at the end thereof:

EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500 (THE "UCP") OR, IF PROVIDED IN SUCH LETTER OF CREDIT, SUCH LATER VERSION IN EFFECT AT THE TIME OF THE ISSUANCE, INCREASE OR EXTENSION OF SUCH LETTER OF CREDIT. MATTERS NOT GOVERNED BY THE UCP SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

1.24 Section 11.12. Section 11.12(a) of the Agreement is hereby amended by adding ", any Letter of Credit" immediately after the words "this Agreement" therein.

1.25 Section 11.15. The first sentence of Section 11.15 of the Agreement is hereby amended to read as follows:

> Notwithstanding anything herein to the contrary, Borrower may at any time, for valid business reasons (as determined by it in its sole discretion), remove any Bank upon 15 Business

Days' written notice to such Bank and the Agent (the contents of which notice shall be promptly communicated by the Agent to each other Bank), such removal to be effective at the expiration of such 15-day notice period; provided, however, that (i) no Bank may be removed hereunder at a time when a Default or an Event of Default shall have occurred and be continuing, (ii) the Issuing Bank shall be removed only on terms reasonably satisfactory to the Agent and the Issuing Bank (including, without limitation, termination of all outstanding Letters of Credit, replacement of the Issuance Bank and the amendment of the Loan Documents to the extent necessary to accommodate such removal, termination and replacement); and (iii) no Bank may be removed hereunder if, after giving effect to such removal, any Bank's Pro Rata Percentage of the sum of the aggregate Letter of Credit Liabilities plus the aggregate outstanding principal amount of Committed Loans, Swing Loans and CAF Loans would exceed such Bank's Commitment.

1.26 Article XII. The Agreement is hereby amended by adding the following new Article XII immediately after Section 11.15 of the Agreement:

ARTICLE XII
LETTERS OF CREDIT

SECTION 12.01. Letters of Credit. The Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue, increase or extend letters of credit payable only in Dollars (each such letter of credit and each letter of credit referred to on Schedule III being herein referred to as a "Letter of Credit") for the account of the Borrower from time to time on any Business Day until the earlier of the Termination Date or March 1, 2003; provided that (i) the aggregate Letter of Credit Liabilities shall not exceed at any time outstanding the lesser of (a) $65,000,000 and (b) the aggregate amount of the Commitments at such time, (ii) no Letter of Credit shall be issued, increased or extended if the issuance, increase or extension thereof would cause the sum of the aggregate outstanding principal amount of Committed Loans, Swing Loans and CAF Loans plus the aggregate Letter of Credit Liabilities to exceed the Commitments at such time, (iii) no Letter of Credit shall have an expiration date later than the earlier of one year from the date of issuance, increase or extension thereof or the scheduled Termination Date, provided that a Letter of Credit may provide that the expiration date shall be automatically extended for a period ending not later than the earlier of (x) an additional year from the expiration date, or any future expiration date, or (y) the scheduled Termination Date, unless at least 60 days prior to any expiration date the Issuing Bank has given notice to the beneficiary and the Borrower that it elects not to extend the Letter of Credit for any such additional period, and (iv) no Letter of Credit may be used for any purpose that is a purpose for which a Loan is not permitted to be used under Section 8.02(d). Subject to the limits referred to above, the Borrower may request the issuance, increase or extension of Letters of Credit under this Section 12.01, reimburse the Issuing Bank for drawings thereunder pursuant to Section 12.02(b) and request the issuance, increase or extension of additional Letters of Credit under this Section 12.01.

SECTION 12.02. Issuance, Increase or Extension of and Drawings and Reimbursement under Letters of Credit. (a) Each Letter of Credit shall be issued, increased or extended upon request, such request to be given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of the proposed issuance, increase or extension of such Letter of Credit (or such shorter notice as agreed between the Borrower and the Issuing Bank), by the Borrower to the Issuing Bank and

the Agent. Each such request for issuance, increase or extension of a Letter of Credit (a "Letter of Credit Request") shall be writing, by telecopier or tested telex substantially in the form of Exhibit 12.02A. If the requested form of such Letter of Credit is in the form of Exhibit 12.02B or is otherwise reasonably acceptable to the Issuing Bank, the Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article VI, make such Letter of Credit available to the Borrower at its office referred to in Section 11.02 or as otherwise agreed with the Borrower in connection with such issuance, increase or extension. Promptly after the issuance, increase or extension of each Letter of Credit hereunder, the Issuing Bank shall provide notice thereof and a copy of such Letter of Credit to the Agent and each Bank that has requested a copy thereof.

(b) Promptly following each payment under any Letter of Credit, the Issuing Bank will notify the Borrower of the amount of such payment, and the Borrower may immediately pay to the Issuance Bank the amount of such payment made under such Letter of Credit. If the Borrower does not pay to the Issuing Bank the amount of any such payment immediately upon notice in accordance with the terms of this Agreement, the Issuing Bank shall give the Agent notice that the Borrower has not so paid, and the Agent shall promptly notify each Bank of the amount of such payment and such Bank's Pro Rata Percentage thereof. Upon such notice from the Agent, each Bank (other than the Issuing Bank) shall promptly remit to the Agent such Bank's Pro Rata Percentage of such amount, and the Agent shall promptly transfer to the Issuing Bank each such remittance received by the Agent from each Bank; and each such remittance and the Issuing Bank's Pro Rata Percentage of such amount shall be deemed for all purposes of this Agreement to be an ABR Loan made to the Borrower transferred at the Borrower's request to the Issuing Bank, and all of such Loans deemed made in respect of a particular payment made under a Letter of Credit shall be deemed for all purposes of this Agreement to be a Committed Borrowing comprised of such Loans. If any such remittance is made by any Bank to the Agent after the day on which the Agent notifies such Bank to make such remittance hereunder, such Bank shall pay interest to the Issuing Bank on the amount of such remittance for each day during the period from the day the Agent so notified such Bank to the day on which such Bank makes such remittance to the Agent at a rate per annum equal to the daily average Federal Funds Effective Rate during such period. The Agent will notify the Issuing Bank and the Borrower if any such remittance is not made by any Bank to the Agent within two Business Days after the Agent notifies such Bank to make such remittance, and the Borrower will, on or before the third Business Day after the Agent so notifies such Bank to make such remittance, unconditionally pay to the Issuing Bank the amount of each such remittance not made by any Bank together with interest thereon at the lesser of (i) the Alternate Base Rate and (ii) the Highest Lawful Rate. With respect to each payment under a Letter of Credit for which the Issuing Bank does not receive payment from the Borrower as contemplated by the first sentence of this Section 12.02(b), the Borrower hereby unconditionally and irrevocably authorizes, empowers, and directs the Agent and the Banks to record and otherwise treat the remittances by the Banks to the Agent contemplated by the foregoing provisions and the Issuing Bank's Pro Rata Percentage of the amount of such payment as ABR Loans under a Committed Borrowing requested by the Borrower to reimburse the Issuing Bank, the proceeds of which have been transferred to the Issuing Bank at the Borrower's request. The conditions set forth in Sections 6.01 and 6.02 need not be satisfied as a condition to the Loans deemed made pursuant to this Section 12.02(b), but if all such conditions (other than any requirement that a Notice of Borrowing be delivered) have not been met at the time any such Loan is deemed made, such Loan shall be due, and the Borrower shall pay such Loan, on the earlier of (i) the Termination Date or (ii) the date that is five (5) Business Days after the date such Loan is deemed made. Furthermore, if any Committed Borrowing under this Section 12.02(b) is in an amount less than $5,000,000, the Loans comprising such

Committed Borrowing shall be due, and the Borrower shall pay such Loans, on the earlier of (i) the Termination Date or (ii) the date that is five (5) Business Days after the date such Loans were deemed made.

(c) If the Borrower has commenced any action or proceeding seeking to enjoin or preclude the payment or drawing with respect to any Letter of Credit, and such action or proceeding is not concluded on or prior to the Termination Date, the Agent may make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Agent on behalf of the Banks in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the Available Amount of any such Letter of Credit.

SECTION 12.03. Obligations of Borrower. The obligations of the Borrower under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement, any Letter of Credit, any Letter of Credit Request or any other instrument or document pertaining thereto (collectively, the "L/C Related Documents");

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(iii) the existence of any claim, setoff, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by any of the other L/C Related Documents or any other transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

However, this Section 12.03 shall not limit any right of the Borrower to make a claim against the Issuing Bank to the extent provided in the last sentence of Section 12.05.

SECTION 12.04. Letter of Credit Fees. (a) The Borrower shall pay to the Agent for the account of each Bank a commission on such Bank's Pro Rata Percentage of the daily aggregate Available Amount of all Letters of Credit outstanding from time to time at a rate per annum equal to the

Applicable L/C Base Rate, payable in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 1999, and on the Termination Date. Such commission, and any commission pursuant to the next sentence hereof, shall be calculated by the Agent on the basis of a 360-day year for the actual days (including the first day but excluding the last day) occurring in the period for which such commission is payable. Additionally, the Borrower shall pay to the Agent for the account of each Bank an additional commission on such Bank's Pro Rata Percentage of the daily aggregate Available Amount of all Letters of Credit outstanding from time to time at a rate per annum equal to the Applicable L/C Usage Rate for each day on which the aggregate Available Amount of all Letters of Credit outstanding exceeds the lesser of (i) $32,500,000 and (ii) 50% of the aggregate amount of the Commitments on such day, payable in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 1999, and on the Termination Date.

(b) The Borrower shall pay to the Issuing Bank, for its own account, such amounts and on such dates as may be agreed to in writing by the Borrower and the Issuing Bank from time to time.

SECTION 12.05. Protection. Any action, inaction or omission suffered or taken by the Issuing Bank in connection with any Letter of Credit, if taken in good faith and in conformity with foreign or U.S. laws or regulations, shall be binding upon the Borrower and shall not place the Issuing Bank under any resulting liability to the Borrower. Without limiting the generality of the foregoing, the Issuing Bank (a) may act in reliance upon any oral, telephonic, telegraphic, facsimile electronic or written request or notice in good faith believed to have been authorized by the Borrower, (b) shall not be responsible for the form, genuineness, identity or authority of any signer, or falsification or legal effect of documents presented under any Letter of Credit, if such documents on their face appear to be in order, (c) may accept or pay as complying with the terms of any Letter of Credit any drafts or other documents appearing on their face to be signed by or issued to the administrator, executor, successor or trustee in bankruptcy of, or the receiver of any property of, or any other Person acting as the representative or in the place of the beneficiary, (d) may waive inconsequential discrepancies and letter of credit terms imposed solely for bank convenience or bank protection and (e) shall be fully protected in acting in accordance with any prevailing banking usage. Assistance provided by the Issuing Bank in preparing the text of any Letter of Credit shall not deem the Issuing Bank the drafter of such Letter of Credit and the Issuing Bank shall not be responsible for the effectiveness or suitability of such Letter of Credit for the Borrower's commercial purpose. Notwithstanding anything contained in this Section 12.05 or in Section 12.03, the Issuing Bank will not be excused from any liability for damage, loss or expense if such damage, loss or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the Issuing Bank's gross negligence or willful misconduct; provided, however, that the Issuing Bank shall not be liable to the Borrower for any special, exemplary, punitive or consequential damages relating to any Letter of Credit.

SECTION 12.06. Participations. Upon the date of the issuance, increase or extension of a Letter of Credit, the Issuing Bank shall be deemed to have sold to each other Bank and each other Bank shall have been deemed to have purchased from the Issuing Bank a ratable participation in the related Letter of Credit Liabilities equal to such Bank's Pro Rata Percentage at such date and such sale and purchase shall otherwise be in accordance with the terms of this Agreement. The Issuing Bank shall promptly notify each such participant Bank by tested telex or telecopier of each Letter of Credit issued, increased or extended, the amount of such Bank's participation in such Letter of Credit and each payment thereunder. Upon the making of any payment under any Letter of Credit, if the Borrower does

not promptly reimburse the Issuing Bank for such payment and if a Bank does not make an ABR Loan as contemplated by Section 12.02(b), such Bank shall pay for the purchase of its participation therein by immediate payment to the Issuing Bank of same day funds in the amount of its participation in such payment. The Borrower hereby agrees to each purchase of a participation pursuant to this Section 12.06. Upon any sale by the Issuing Bank to any other Bank of a participating interest in any Letter of Credit Liabilities pursuant to this Section 12.06, the Issuing Bank represents and warrants to such other Bank that the Issuing Bank is the legal and beneficial owner of such interest being sold by it, free and clear of any liens, but makes no other representation or warranty. The Issuing Bank shall have no responsibility or liability to any other Bank with respect to the Letter of Credit Liabilities or any such participation, and no Bank shall have any recourse against the Issuing Bank with respect to the Letter of Credit Liabilities or any such participation sold, except that the Issuing Bank shall pay to each Bank that purchases a participation in Letter of Credit Liabilities pursuant to this Section 12.06 such Bank's ratable share of the payments, if any, actually received by the Issuing Bank on such Letter of Credit Liabilities. If and to the extent that any Bank shall not have so made the amount required by this Section 12.06 available to the Issuing Bank, such Bank agrees to pay to the Issuing Bank forthwith on demand such amount together with interest thereon, for each day during the period from the date of demand by the Issuing Bank until the date such amount is paid to the Issuing Bank, at a rate per annum equal to the average daily Federal Funds Effective Rate during such period.

1.27 Exhibit 11.06(c) and Schedule II. Exhibit 11.06(c) and Schedule II to the Agreement are hereby replaced with Exhibit 11.06(c) and Schedule II hereto.

1.28 Exhibit 11.06(i)(a). Exhibit 11.06(i)(a) to the Agreement is hereby amended by deleting "Section 2.01 of" from the first and third paragraphs of such Exhibit.

1.29 New Exhibit 12.02 and Schedule III. Exhibit 12.02 and Schedule III to this Amendment are hereby added to the Agreement as Exhibit 12.02 and Schedule III, respectively, thereto.

2. Miscellaneous.

2.1 Amendments, etc. No amendment or waiver of any provision of this Amendment, nor consent to any departure by the Borrower therefrom, shall in any event be effective in accordance with Section 11.01 of the Agreement.

2.2 Governing Law. This Amendment, and the Agreement as amended hereby, shall be governed by, and construed in accordance with, the laws of the State of New York.

2.3 Preservation. Except as specifically modified by the terms of this Amendment, all of the terms, provisions, covenants, warranties and agreements contained in the Agreement (including, without limitation, exhibits thereto) or any of the other Loan Documents remain in full force and effect. Terms used herein which are not defined herein and are defined in the Agreement, as amended hereby, are used herein as defined in the Agreement, as amended hereby. References to the Agreement in any Notice of Borrowing, Notice of Swing Loan or other Loan Document shall mean the Agreement as amended hereby.

2.4 Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

2.5 Bank Credit Decision. Each of the Banks and the Issuing Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and to agree to the various matters set forth herein. Each of the Banks and the Issuing Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement as amended hereby.

2.6 Representations. The Borrower hereby represents and warrants to the Agent, the Issuing Bank and each of the Banks that:

(a) The representations and warranties contained in Section 7.01 of the Agreement are true and correct in all material respects (except for (1) those representations and warranties or parts thereof that, by their terms, expressly relate solely to a specific date, in which case such representations and warranties are true and correct in all material respects as of such specific date; and (2) the representation and warranty set forth in clause (i) of Section 7.01(j)) on and as of the date hereof as though made on and as of the date hereof; and

(b) No Default or Event of Default has occurred and is continuing.

2.7 Authority, etc. The Borrower hereby represents and warrants to the Agent and each of the Banks that (a) the Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) the execution, delivery and performance of this Amendment, and the performance of the Agreement as amended hereby, by the Borrower are within the power of the Borrower, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's certificate of incorporation or by-laws,(ii) any applicable rule, regulation, order, writ, injunction or decree, or (iii) law or any contractual restriction binding on or affecting the Borrower or any Subsidiary, and will not result in or require the creation or imposition of any Lien prohibited by the Agreement, (c) this Amendment has been duly executed and delivered by the Borrower, (d) this Amendment, and the Agreement as amended hereby, constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be (i) limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and (ii) subject to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and (e) no authorization, consent, license or approval of, or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance of this Amendment, for the

performance of the Agreement as amended hereby or for the consummation of the transactions contemplated hereby or thereby.

2.8 Default. Without limiting any other event which may constitute an Event of Default, in the event any representation or warranty set forth herein shall be incorrect in any material respect when made, such event shall constitute an "Event of Default" under the Agreement, as amended hereby.

2.9 Effective Date. Following the execution of this Amendment by the Borrower, the Agent, the Issuing Bank and the Banks, this Amendment will be effective as of the date first above written.

2.10 Name Change. NorAm Energy Corp. changed its name to "Reliant Energy Resources Corp." on February 2, 1999. All references to the Borrower or NorAm Energy Corp. in the Agreement, as amended hereby, or any other Loan Document are hereby amended to refer to Reliant Energy Resources Corp.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

RELIANT ENERGY RESOURCES CORP.
(formerly known as NorAm Energy Corp.)

By: /s/ Marc Kilbride

Marc Kilbride
Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ (illegible)

Authorized Officer

ISSUING BANK:

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. Ashby

Authorized Officer

BANKS:

CITIBANK, N.A.

By: /s/ (illegible)

Authorized Officer

BARCLAYS BANK PLC

By: /s/ Sydney G. Dennis

Authorized Officer

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ (illegible)

Authorized Officer

NATIONSBANK, N.A. (SUCCESSOR BY MERGER TO NATIONSBANK OF TEXAS, N.A.)

By: /s/ (illegible)

Authorized Officer

THE BANK OF NEW YORK

By: /s/ Nathan S. Howard

Authorized Officer

THE BANK OF TOKYO-MITSUBISHI, LTD.
HOUSTON AGENCY

By: /s/ (illegible)

Authorized Officer

THE CHASE MANHATTAN BANK

By: /s/ Robert W. Matthews

Authorized Officer

CREDIT SUISSE FIRST BOSTON

By: /s/ J. Scott Karro /s/ Thomas G. Muoio

Authorized Officer

DEPOSIT GUARANTY NATIONAL BANK

By: /s/ Herbert J. Doughty

Authorized Officer

FLEET NATIONAL BANK

By: /s/ Stephen Hoffman

Authorized Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ Mark A. Baird

Authorized Officer

UBS AG, NEW YORK BRANCH

By: /s/ Paul R. Morrison /s/ Andrew N. Taylor

Authorized Officer

THE BANK OF NOVA SCOTIA

By: /s/ F.C.H. Ashby

Authorized Officer

WESTDEUTSCHE LANDESBANK
GIRONZENTRALE, NEW YORK BRANCH

By: /s/ Richard R. Newman

Authorized Officer

By: /s/ Anthony J. Alessandro

Authorized Officer

MELLON BANK, N.A.

By:: /s/ Roger E. Howard

Authorized Officer

EXHIBIT 11.06(c)

COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE (the "Assignment and Acceptance"), dated as of the date set forth in Item 1 of Schedule I hereto, among the Transferor Bank set forth in Item 2 of Schedule I hereto (the "Transferor Bank"), each Purchasing Bank set forth in Item 3 of Schedule I hereto (each, a "Purchasing Bank"), and Citibank, N.A., as agent for the Banks under the Credit Agreement described below (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, this Assignment and Acceptance is being executed and delivered in accordance with Section 11.06(c) of the Revolving Credit Agreement, dated as of March 31, 1998 among Reliant Energy Resources Corp., a Delaware corporation (formerly known as NorAm Energy Corp.) (the "Borrower"), the Transferor Bank and the other Banks party thereto, and the Agent (as from time to time further amended, supplemented or otherwise modified in accordance with the terms thereof, the "Credit Agreement"; terms defined therein being used herein as therein defined);

WHEREAS, each Purchasing Bank (if it is not already a Bank party to the Credit Agreement) wishes to become a Bank party to the Credit Agreement; and

WHEREAS, the Transferor Bank is selling and assigning to each Purchasing Bank, rights, obligations and commitments under the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Upon receipt by the Agent of five counterparts of this Assignment and Acceptance, to each of which is attached a fully completed Schedule I and Schedule II, and each of which has been executed by the Transferor Bank, each Purchasing Bank (and any other person required by the Credit Agreement to execute this Assignment and Acceptance), the Agent will transmit to the Borrower, the Transferor Bank and each Purchasing Bank a Transfer Effective Notice, substantially in the form of Schedule III to this Assignment and Acceptance (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Assignment and Acceptance shall become effective (the "Transfer Effective Date"), which date shall be the fifth Business Day following the date of such Transfer Effective Notice or such other date as may be specified therein. From and after the Transfer Effective Date, each Purchasing Bank shall be a Bank party to the Credit Agreement for all purposes thereof.

2. At or before 12:00 Noon, local time of the Transferor Bank, on the Transfer Effective Date, each Purchasing Bank shall pay to the Transferor Bank, in immediately available funds, an amount equal to the purchase price, as agreed between the Transferor Bank and such Purchasing Bank (the "Purchase Price"), of the portion being purchased by such Purchasing Bank (such Purchasing Bank's "Purchased Percentage") of the outstanding Committed Loans, the outstanding participations purchased by the Transferor Bank pursuant to Section 2.04, 5.04 or 12.06 of the Credit Agreement, the other amounts owing to the Transferor Bank under the Credit Agreement and the other rights and obligations under and in respect of the Commitment of the Transferor Bank (including, without limitation, the interests of the Transferor Bank in the Letter of Credit Liabilities). Effective upon receipt by the Transferor Bank of the Purchase Price from a Purchasing Bank, the Transferor Bank hereby irrevocably sells, assigns and transfers to such Purchasing Bank, without recourse, representation or warranty, and each Purchasing Bank hereby irrevocably purchases, takes and assumes from the Transferor Bank, such Purchasing Bank's Purchased Percentage of the Commitment of the Transferor Bank and of the outstanding Committed Loans, such outstanding participations, the other amounts owing to the Transferor Bank under the Credit Agreement and the other rights and obligations under and in respect of the Commitment of the Transferor Bank (including, without limitation, the interests of the Transferor Bank in the Letter of Credit liabilities), together with all instruments, documents and collateral security pertaining thereto.

3. The Transferor Bank has made arrangements with each Purchasing Bank with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by the Transferor Bank to such Purchasing Bank of any fees heretofore received by the Transferor Bank pursuant to the Credit Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by such Purchasing Bank to the Transferor Bank of fees or interest received by such Purchasing Bank pursuant to the Credit Agreement from and after the Transfer Effective Date.

4. (a) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of the Transferor Bank pursuant to the Credit Agreement shall, instead, be payable to or for the account of the Transferor Bank and the Purchasing Banks, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance.

(b) All interest, fees and other amounts that would otherwise accrue for the account of the Transferor Bank from and after the Transfer Effective Date pursuant to the Credit Agreement shall, instead, accrue for the account of, and be payable to, the Transferor Bank and the Purchasing Banks, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by any Purchasing Bank, the Transferor Bank and each Purchasing Bank will make

appropriate arrangements for payment by the Transferor Bank to such Purchasing Bank of such amount upon receipt thereof from the relevant Borrower.

5. Concurrently with the execution and delivery hereof, the Transferor Bank will provide to each Purchasing Bank (if it is not already a Bank party to the Credit Agreement) conformed copies of all documents delivered on the Effective Date in satisfaction of the conditions precedent set forth in the Credit Agreement.

6. Each of the parties to this Assignment and Acceptance agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment and Acceptance.

7. By executing and delivering this Assignment and Acceptance, the Transferor Bank and each Purchasing Bank confirm to and agree with each other and the Agent and the Banks as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, the Transferor Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (ii) the Transferor Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Agreement or any other instrument or document furnished pursuant hereto; (iii) each Purchasing Bank confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.01(m), the financial statements delivered pursuant to Section 8.01 (a), if any, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iv) each Purchasing Bank will, independently and without reliance upon the Agent, the Transferor Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (v) each Purchasing Bank appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article X of the Credit Agreement; and (vi) each Purchasing Bank agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

8. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of Sections 11.06(g) and 11.06(h) of the Credit Agreement.

9. Schedule II hereto sets forth the revised Commitments and Pro Rata Percentages of the Transferor Bank and each Purchasing Bank as well as administrative information with respect to each Purchasing Bank.

10. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective duly authorized officers or agents on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

COMPLETION OF INFORMATION
SIGNATURES FOR ASSIGNMENT
AND ACCEPTANCE

Re: Revolving Credit Agreement, dated as of March 31, 1998, with Reliant Energy Resources Corp. (formerly known as NorAm Energy Corp.)

Item I (Date of Assignment and Acceptance): [Insert date of Assignment and Acceptance]

Item 2 (Transferor Bank): [Insert name of Transferor Bank]

Item 3 (Purchasing Bank[s]): [Insert name[s] of Purchasing Bank[s]]

Item 4 (Signatures of Parties to Assignment and Acceptance):

, as
Transferor Bank

By

Title:

, as a
Purchasing Bank

By

Title:

, as a
Purchasing Bank

By

Title:

CONSENTED TO AND ACKNOWLEDGED:

CITIBANK, N.A., as Agent

By

Title:

RELIANT ENERGY RESOURCES CORP.

By

Title:

[Consents required only to the
extent specified in the Credit
Agreement]

ACCEPTED FOR RECORDATION IN REGISTER:

CITIBANK, N.A., as Agent

By

Title:

SCHEDULE II TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS

[Name of Transferor Bank]	Revised Commitment:	$__
	Revised Pro Rata Percentage:	$__
[Name of Purchasing Bank]	New Commitment:	$__
	New Pro Rata Percentage:	$__

Address for Notices:

[Address]
Attention: ----------
Telex: ----------
Answerback: ----------
Telephone: ----------
Telecopier: ----------

LIBOR Lending Office:

- ----------

- ----------

- ----------

Domestic Lending Office:

- ----------

- ----------

- ----------

SCHEDULE III TO
COMMITTED LOAN ASSIGNMENT AND ACCEPTANCE

[Form of Transfer Effective Notice]

To: Reliant Energy Resources Corp. [Transferor Bank and each Purchasing Bank]

The undersigned, as Agent [delegate of the Agent performing administrative functions of the Agent] under the Revolving Credit Agreement, dated as of March 31, 1998, among Reliant Energy Resources Corp. (formerly known as NorAm Energy Corp.), the Banks parties thereto and Citibank, N.A., as Agent, acknowledges receipt of five executed counterparts of a completed Assignment and Acceptance, as described in Schedule I hereto. [Note: attach copy of Schedule I from Assignment and Acceptance.] Terms defined in such Assignment and Acceptance are used herein as therein defined.

A. Pursuant to such Assignment and Acceptance, you are advised that the Transfer Effective Date will be _____.

B. Pursuant to such Assignment and Acceptance, each Purchasing Bank is required to pay its Purchase Price to the Transferor Bank at or before 12:00 Noon on the Transfer Effective Date in immediately available funds.

Very truly yours,

CITIBANK, N.A., as Agent

By

Title:

Exhibit 12.02A

LETTER OF CREDIT APPLICATION

This Letter of Credit Application, dated as of _____, ____, sets forth the request of the undersigned to The Bank of Nova Scotia (the "Issuing Bank") to [issue/increase/extend] for the account party identified below its irrevocable Letter of Credit pursuant to that certain Revolving Credit Agreement dated as of March 31, 1998 among Reliant Energy Resources Corp. (formerly known as NorAm Energy Corp.) ("Company"), Citibank, N.A., as agent, the financial institutions party thereto and the Issuing Bank (the "Credit Agreement"), the provisions of which Credit Agreement are incorporated herein by reference. Capitalized terms used but not otherwise defined in this Letter of Credit Application have the same meanings as in the Credit Agreement.

[The Company hereby requests that the Issuing Bank issue a Letter of Credit in an amount equal to the Stated Amount set forth below for the benefit of the beneficiary identified below.

The terms for the requested Letter of Credit are as follows:

1. Beneficiary is _____.

2. Account party is the Company or the Company on behalf of the applicable subsidiary, if any, identified below:

---

3. Stated amount is _____.

4. Requested date of issuance is _____. (The Issuing Bank is not required to issue a Letter of Credit until all requirements of the Credit Agreement are satisfied in full or waived in writing as provided in the Credit Agreement.)

5. Stated termination date is _____.

6. Purpose of Letter of Credit is _____.

7. Requirements for drawing: delivery of a certificate stating that _____.

8. Letter of Credit is/is not transferable.

9. Aggregate stated amount of Letters of Credit previously issued and outstanding under the Credit Agreement is $_____. (Aggregate Letter of Credit Liabilities, including stated amount of requested Letter of Credit, may not exceed $65,000,000.)]*

- ---

* Include for issuance of Letter of Credit

[The Company hereby requests that the Issuing Bank [increase/extend] Irrevocable Letter of Credit No. _____ dated _____ issued by the Issuing Bank pursuant to the Credit Agreement as follows:

[Describe increase/extension]**

By each of the delivery of this Letter of Credit Application and the acceptance of the [issuance/increase/extension] of the Letter of Credit referred to above, the Company shall be deemed to have represented and warranted that the conditions to such [issuance/increase/extension] applicable to the undersigned and specified in Article VI of the Credit Agreement have been satisfied with respect to the [issuance/increase/extension] requested hereby (including, without limitation, the requirement that after the [issuance/increase/extension] requested hereby, the sum of the aggregate Letter of Credit Liabilities and the aggregate outstanding principal amount of Committed Loans, Swing Loans and CAF Loans will not exceed the aggregate amount of the Commitments).

IN WITNESS WHEREOF, the undersigned has caused this Letter of Credit Application to be duly executed and delivered to the Issuing Bank by its officer thereunto duly authorized as of the date first set forth above.

RELIANT ENERGY RESOURCES CORP.

By: ----------

Name: ----------

Title: ----------

- ----------

** Include for increase or extension of Letter of Credit.

Exhibit 12.02B

IRREVOCABLE LETTER OF CREDIT NO. _____

[beneficiary]
_____

_____

Attention: _____

Dear Sirs:

At the request and on the instructions of our customers, Reliant Energy Resources Corp. (the "Company"), we hereby establish in your favor this Irrevocable Letter of Credit in the amount of $_____ (hereinafter, as reduced from time to time in accordance with the provisions hereof, the "Stated Amount"), effective immediately and expiring on _____, _____ [unless terminated earlier in accordance with the provisions hereof] [;provided, however, that the date on which this Letter of Credit shall expire shall be automatically extended and this Letter of Credit shall be deemed automatically renewed without modification for one year from the stated or extended expiration date hereof [(or until [insert date not later than scheduled Termination Date], if earlier)] unless not less than 60 days prior to such stated or extended expiration date we notify you at the address set forth above [or your transferee at the address set forth in a signed completed request for transfer, as the case may be,] by registered or certified mail, of our election not to extend this Letter of Credit for any such additional period.] All drawings under this Letter of Credit will be paid with our own funds.

Funds under this Letter of Credit will be made available to you against receipt by us of the following items, in each case accompanied by a photocopy (in the case of partial drawings) or the original (in the case of drawings of the full amount available to be drawn) of this Letter of Credit: receipt by us of your written certificate in the form of Appendix A attached hereto appropriately completed and signed by an Authorized Officer [and of _____]. Presentation of such certificate(s) shall be made at our office located at 600 Peachtree Street, Suite 2700, Atlanta, Georgia 30308, Attention: F.C.H. Ashby, or at any office in the City and State of New York which may be designated by us by written notice delivered to you.

If a drawing is made by you hereunder at or prior to 11:00 a.m., New York time, on a business day, and provided that such drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified, in immediately available funds, not later than 3:00 p.m., New York time, on the third business day thereafter or not later than 12:00 noon, New York time, on such later business day as you may specify. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that demand for payment was not effected in conformity with the Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so.

Demands for payment hereunder honored by us shall not, in the aggregate, exceed the Stated Amount. Each drawing honored by the Bank hereunder shall pro tanto reduce the Stated Amount, it being understood that after the effectiveness of any such reduction you shall no longer have any right to make a drawing hereunder in respect of the amount causing or corresponding to such reduction.

[If Letter of Credit is transferable, set forth appropriate transfer provisions.]

Only you [or your transferee] may make a drawing under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged on our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you. By paying to you an amount demanded in accordance herewith, we make no representation as to the correctness of the amount demanded.

Upon the earlier of (i) the making by you of the final drawing available to be made hereunder, or (ii) [if we have notified you [or your transferee] of our election not to extend this Letter of Credit on the stated or extended expiration date,] the stated or extended expiration date hereof, this Letter of Credit shall automatically terminate and be delivered to us for cancellation.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 600 Peachtree Street, Suite 2700, Atlanta, Georgia 30308, Attention: Mr. F.C.H. Ashby, specifically referring thereon to this Letter of Credit by number, with a copy to The Bank of Nova Scotia, 1100 Louisiana, Suite 3000, Houston, Texas 77002, Attention: Mr. Mark Ammerman.

As used herein (a) "Authorized Officer" shall mean [any one of your Vice Presidents or Assistant Vice Presidents]; and (b) "business day" shall mean any day on which we are open for the purpose of conducting a commercial banking business.

This Letter of Credit sets forth in full our undertaking and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein except only the certificate(s) referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificate(s).

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (the "Uniform Customs"). This Letter of Credit shall be deemed to be a contract made under the laws of the State of New York and shall, as to matters not governed by the Uniform Customs, be governed by and construed in accordance with the laws of said State.

Very truly yours,

THE BANK OF NOVA SCOTIA

Assistant Agent

Assistant Agent

APPENDIX A

CERTIFICATE OF DRAWING

(Date]

The Bank of Nova Scotia
600 Peachtree Street, Suite 2700
Atlanta, Georgia 30308

Attention: Mr. F.C.H. Ashby

Re: Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of [_____] (the "Beneficiary"), hereby certifies to The Bank of Nova Scotia (the "Bank") that

1. The Beneficiary is making a drawing under the above-referenced Letter of Credit in the amount of $_____ with respect to payment of [_____].

2. The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of [_____].

3. [_____
_____
_____].

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this Certificate as of the ____ day of _____, 199__.

[_____]

By:

Name:

Title:
---

cc: The Bank of Nova Scotia
1100 Louisiana, Suite 3000
Houston, Texas 77002
Attention: Mr. Mark Ammerman

SCHEDULE II
PRICING GRID
(In Basis Points Per Annum)

RATINGS LEVEL	RATINGS OF THE SENIOR UNSECURED LONG-TERM DEBT OF THE BORROWER***	APPLICABLE MARGIN	APPLICABLE FACILITY FEE RATE	APPLICABLE L/C BASE RATE	APPLICABLE L/C USAGE RATE
Level I	AA- or Aa3 or higher	15.0	7.0	31.0	2.5
Level II	A+/A/A- or A1/A2/A3	17.0	9.0	31.0	2.5
Level III	BBB+ or Baa1	19.0	11.0	51.5	7.5
Level IV	BBB or Baa2	23.5	13.0	51.5	7.5
Level V	BBB- or Baa3	28.5	15.0	51.5	7.5
Level VI	BB+/BB/BB- or Ba1 Ba2/Ba3	50.0	20.0	105.0	25.0
Level VII	Either of the following circumstances apply: (i) the senior unsecured long-term debt of the Borrower is not rated by S&P and is not rated by Moody's, or (ii) none of Ratings Levels I through VI is applicable.	100.0	50.0	105.0	25.0

- ----------
*** The higher of the Moody's and S&P ratings shall apply.

SCHEDULE III
Existing Letters of Credit

Issuer	Beneficiary	Expiry	Amount	Number
The Bank of Nova Scotia	California Independent System Operator Corporation	November 30, 1999	$5,300,000	S005/43695/98
The Bank of Nova Scotia	Exxon Company USA	November 30, 1999	$ 650,000	S140269
The Bank of Nova Scotia	The Continental Insurance Company	November 30, 1999	$3,096,595	A152448
The Bank of Nova Scotia	Prudential Power Funding Associates	November 30, 1999	$ 635,125	A152450
The Bank of Nova Scotia	The California Power Exchange Corporation	October 8, 1999	$1,000,000	S315/43695/98
The Bank of Nova Scotia	Enron Capital & Trade Resources	March 15, 2000	$4,500,000	S329/43695/98

SECOND AMENDMENT AGREEMENT AND CONSENT

This Second Amendment Agreement and Consent dated as of August 22, 2000 (this "Amendment and Consent") is among Reliant Energy Resources Corp., a Delaware corporation (formerly known as NorAm Energy Corp., a Delaware corporation) ("Borrower"), the lenders parties hereto ("Banks"). The Bank of Nova Scotia, as Issuing Bank, and Citibank, N.A., as agent ("Agent") under the Revolving Credit Agreement dated as of March 31, 1998, as amended by the Amendment Agreement dated as of March 23, 1999, among the Borrower, the Agent and the Banks (as previously amended, the "Credit Agreement"). Terms defined in the Credit Agreement shall be used in this Amendment and Consent with their defined meanings unless otherwise defined herein.

W I T N E S S E T H:

WHEREAS, in order to consummate the Unregco IPO Transaction (as defined below) and to make certain other changes in connection therewith, the Borrower has requested that the Agent and the Banks enter into this Amendment and Consent with respect to the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS. The following terms used in this Amendment and Consent have the meanings set forth below:

(a) "Reliant Energy" means Reliant Energy, Incorporated, a Texas corporation.

(b) "Reliant Energy Services" means Reliant Energy Services, Inc., a Delaware corporation.

(c) "Unregco" means a to-be-formed Wholly-Owned Subsidiary of Reliant Energy which, after the consummation of the Unregco IPO Transaction, will be the parent company of a significant portion of Reliant Energy's unregulated businesses.

(d) "Unregco IPO Transaction" means collectively, the related transactions whereby:

(i) certain of the contracts of Reliant Energy Retail, Inc. representing business in states other than Texas, Minnesota and Wisconsin are sold to third parties;

(ii) all of the capital stock of Reliant Energy Retail, Inc. and certain other Subsidiaries of the Borrower is contributed by the Borrower to Reliant Energy Services;

(iii) (A) all of the capital stock of Reliant Energy Services is distributed by the Borrower to Reliant Energy, and then contributed by Reliant Energy to Unregco. (B) Unregco Merger Sub is merged into Reliant Energy Services with Reliant Energy Services as the surviving corporation of the merger, and with the surviving corporation of the merger becoming a Wholly-Owned Subsidiary of Unregco and the Borrower receiving shares of Reliant Energy common stock as consideration of the merger, or (C) pursuant to some other corporate transaction Reliant Energy Services becomes a Wholly-Owned Subsidiary of Unregco;

(iv) the contribution of all of the assets of Reliant Energy's electricity retail operations to Unregco or a Wholly-Owned Subsidiary of Unregco;

(v) the contribution of all of the capital stock of Reliant Energy's non-Borrower unregulated businesses, including (A) Reliant Energy Power Generation, Inc., a Delaware corporation, (B) Reliant Energy Net Ventures, Inc., a Delaware corporation, (C) Reliant Energy Communications, Inc., a Delaware corporation and (D) certain other Subsidiaries of Reliant Energy, by Reliant Energy to Unregco; and

(vi) the issuance and sale of up to 20% of the common stock of Unregco in an initial public offering of such stock,

and any changes to such steps of the Unregco IPO Transaction as described in the Texas Public Utility Commission's Final Order in Docket 21956 (so long as the resulting structure does not have, in the opinion of the Agent, a material adverse impact on the Banks).

(e) "Unregco Merger Sub" means a yet to be formed Wholly-Owned Subsidiary of Unregco which will merge with and into Reliant Energy Services.

2. CONSENT. The parties hereto hereby agree that, subject to compliance at all times with the Borrower's covenant to maintain the financial ratio set forth in Section 8.02(a) of the Credit Agreement both before and after giving effect to the Unregco IPO Transaction, but notwithstanding any other provisions of the Loan Documents (including, without limitation, Sections 7.01(h), 8.02(c), and 8.02(g) of the Credit Agreement) that might otherwise prohibit the Unregco IPO Transaction, the Unregco IPO Transaction shall be permitted consistent with the definition thereof, and no Default or Event of Default shall be deemed to have occurred under the Loan Documents solely as a result thereof.

3. AMENDMENT OF CREDIT AGREEMENT. Section 7.01(h) of the Credit Agreement is hereby amended by adding the following phrase at the end of the first sentence before the period: "or pursuant to any other transaction that is expressly permitted by the terms of any other provision of this Agreement."

4. REPRESENTATIONS AND WARRANTIES; DEFAULT. After effect to the amendments and consents contained herein, (a) the Borrower hereby confirms, reaffirms and restates that each of the representations and warranties set forth in Article VII of the Credit Agreement are true and correct in all material respects (except for (1) those representations and warranties or parts thereof that, by their terms expressly relate solely to a specific date, in which case such representations and warranties are true and correct in all material respects as of such specific date; and (2) the representation and warranty set forth in clause (i) of Section 7.01(j)) on and as of the date hereof as though made on and as of the date hereof; provided that each reference in such Article VII to "this Agreement" shall be deemed to be a reference both to this Amendment and Consent and to the Credit Agreement as previously amended and as amended and affected by this Amendment and Consent and (b) no Default or Event of Default has occurred or is continuing.

5. EXPENSES. The Borrower agrees to pay or reimburse the Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Amendment and Consent, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

6. NO CHANGE. Except as expressly amended and affected hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents (as may have been previously amended) are and shall remain in full force and effect. The amendments and consents contained herein shall not constitute in amendment or waiver of the Credit Agreement or the other Loan Documents except as expressly set forth herein.

7. EFFECTIVENESS. This Amendment and Consent shall become effective as of August 22, 2000 once the Agent shall have received counterparts of this Amendment and Consent, duly executed and delivered by the Borrower, the Agent and the Majority Banks. On and after said effective date, the term "Agreement" as used in the Credit Agreement, the other Loan Documents executed in connection therewith, and any other instrument, document, or writing furnished to the Banks, the Agent, or the Co-Agents by the Borrower shall mean the Credit Agreement, as amended and affected hereby.

8. COUNTERPARTS. This Amendment and Consent may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

9. GOVERNING LAW. THIS AMENDMENT AND CONSENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Consent to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

BORROWER:

RELIANT ENERGY RESOURCES CORP.
(formerly known as NorAm Energy Corp.)

By: /s/ Marc Kilbride

Marc Kilbride
Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ Anita J. Brickell

Authorized Officer

ISSUING BANK:

THE BANK OF NOVA SCOTIA

By: /s/ M.D. Smith

Authorized Officer

BANKS:

CITIBANK, N.A.

By: /s/ Anita J. Brickell

Authorized Officer

BARCLAYS BANK PLC

By:

Authorized Officer

THE FIRST NATIONAL BANK OF CHICAGO

By:

Authorized Officer

BANK OF AMERICA, N.A. (FORMERLY NATIONSBANK, N.A.)

By: /s/ Claire Liu

Authorized Officer

THE BANK OF NEW YORK

By: /s/ Nathan S. Howard

Authorized Officer

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By:

Authorized Officer

THE CHASE MANHATTAN BANK

By: /s/ Robert W. Matthews

Authorized Officer

CREDIT SUISSE FIRST BOSTON

By:/s/ Thomas G. Muoio /s/Lalita Advani

Authorized Officer

DEPOSIT GUARANTY NATIONAL BANK

By:

Authorized Officer

FLEET NATIONAL BANK

By: /s/ Rita M. Cahill

Authorized Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ Mark A. Baird

Authorized Officer

UBS AG, NEW YORK BRANCH

By:

Authorized Officer

THE BANK OF NOVA SCOTIA

By: /s/ M.D. Smith

Authorized Officer

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ Duncan M. Robertson

Authorized Officer

By: /s/ Anthony Alessandro

Authorized Officer

MELLON BANK, N.A.

By: /s/ Roger E. Howard

Authorized Officer

EXHIBIT 4(g)(4)

THIRD AMENDMENT AGREEMENT AND CONSENT

This Third Amendment Agreement and Consent, dated as of July 13, 2001 (this "Consent"), is among Reliant Energy Resources Corp., a Delaware corporation (formerly known as NorAm Energy Corp.) ("Borrower"), the lenders parties hereto ("Banks"), The Bank of Nova Scotia, as Issuing Bank, and Citibank, N.A., as agent ("Agent") under the Revolving Credit Agreement dated as of March 31, 1998 (as amended through the date hereof, the "Credit Agreement"). Terms defined in the Credit Agreement shall be used in this Consent with their defined meanings unless otherwise defined herein.

W I T N E S S E T H:

WHEREAS, in connection with the Restructuring (as defined below), the Borrower has requested that the Agent and the Banks enter into this Consent with respect to the Credit Agreement as set forth herein, and to make certain other conforming changes to the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS. The following terms used in this Consent have the meanings set forth below:

(a) "MergerCo" means a to-be formed wholly owned subsidiary of Regco which will merge with and into REI in the Merger.

(b) "Regco" means Reliant Energy Regco, Inc. or another wholly owned subsidiary of REI which after the consummation of the Merger will be the parent company of REI's regulated businesses.

(c) "REI" means Reliant Energy, Incorporated, a Texas corporation.

(d) "Restructuring" means collectively, the following related transactions whereby REI separates its unregulated businesses from its regulated businesses:

(i) the performance by REI (and certain of its subsidiaries) and Unregco (and certain of its subsidiaries) of various agreements previously entered into by REI and Unregco relating to, among other things, the separation of REI and Unregco, the provision of transition services, indemnification, employee benefit matters, tax matters, the operation and maintenance of the Texas Genco (as defined below) plants, and dispatch of the Texas Genco plants;

(ii) REI forms Regco as a wholly-owned subsidiary;

(iii) Regco forms a new wholly owned limited liability company ("Utility Holding, LLC") ;

(iv) Utility Holding, LLC forms a new wholly owned subsidiary, MergerCo;

(v) MergerCo merges into REI (the "Merger"), whereby Regco becomes the holding company for the former REI consolidated group, with REI's common stock being converted into common stock of Regco on a one-for-one basis and with REI's preferred stock either being redeemed by REI or being converted into common or preferred stock of Regco;

(vi) REI converts into a limited liability company;

(vii) REI forms a new wholly owned subsidiary ("Texas Genco Holding Company");

(viii) all of the generating assets of Reliant Energy HL&P are contributed to a second tier wholly owned limited partnership subsidiary of Texas Genco Holding Company ("Texas Genco");

(ix) all of the capital stock of REI's subsidiaries (other than its financing subsidiaries), including, without limitation, the stock of Borrower and Unregco, is distributed to Regco, Utility Holding, LLC or another wholly owned subsidiary of Regco;

(x) Texas Genco Holding Company merges into Regco, Utility Holding, LLC or another wholly owned subsidiary of Regco, with Regco, Utility Holding, LLC or the other wholly owned subsidiary of Regco, as the case may be, as the surviving corporation of the merger;

(xi) all of the common stock of Unregco owned by Regco (or, if prior to the Merger, REI) is distributed pro rata to the shareholders of Regco (or, if prior to the Merger, REI) (the "Spin-off");

(xii) all of Regco's or its wholly owned subsidiary's interest in the partners of Texas Genco is contributed to Texas Genco, Inc.; and

(xiii) up to 20% of the common stock of Texas Genco, Inc. is (x) issued and sold in an initial public offering of such stock or (y) distributed by Regco to its shareholders, or as a result of some combination thereof or pursuant to some other issuance up to 20% of the common stock of Texas Genco, Inc. is listed for trading on a national stock exchange or automated quotation system,

and any changes to such steps of the Restructuring so long as (i) such changes do not change the general separation of the unregulated and regulated businesses of REI contemplated by the Restructuring or (ii) such other changes do not have, in the opinion of the Agent, a material adverse impact on the Lenders.

(e) "Texas Genco, Inc." means a to-be formed wholly owned subsidiary of Regco which will become the indirect parent company of Texas Genco.

(f) "Unregco" means Reliant Resources, Inc., a Delaware corporation and majority owned subsidiary of REI which after the consummation of the Spin-off will be the parent company of a significant portion of REI's current unregulated businesses.

2. CONSENT. The parties hereto hereby agree that, subject to compliance at all times with the Borrower's covenant to maintain the financial ratio set forth in Section 8.02(a) of the Credit Agreement both before and after giving effect to the Restructuring, but notwithstanding any provisions of the Loan Documents (including Sections 8.02(g) and 9.01(b) of the Credit Agreement) that might otherwise prohibit the Restructuring, each of the Banks whose signature appears below hereby consents to the Restructuring consistent with the definition thereof, and agrees that no Default or Event of Default will be deemed to have occurred under the Loan Documents solely as a result thereof.

3. AMENDMENT OF CREDIT AGREEMENT. The Credit Agreement is hereby amended as follows:

(a) The definition of "HII" in the Credit Agreement is hereby amended to read as follows:

"HII" means (i) prior to the Merger, REI and (ii) after the Merger, Regco.

2. (b) Section 8.01 of the Credit Agreement is hereby amended as follows:

(i) in subsection (a), by deleting "100" and "55" in the first lines of (a)(i) and (ii) thereof, respectively, and by inserting in lieu thereof "120" and "60."

(ii) in subsection (a)(iv)(A), by (i) replacing the word "and" at the end of clause (x) in the second line thereof with a comma and (ii) inserting the phrase "and (z) reports on Form 10-Q or Form 10-K or any successor forms)" immediately following the phrase "exhibits filed therewith" in the third line thereof.

(iii) by adding a new paragraph at the end of Section 8.01 as follows:

"Information required to be delivered pursuant to the foregoing Sections 8.01(a)(i), (ii), and (iv) shall be deemed to have been delivered on the date on which Borrower provides notice (including notice by e-mail) to the Agent that such information has been posted on the SEC website on the Internet at sec.gov/edgar/searches.htm or at another website identified in such notice and accessible to the Banks without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 8.01(a)(iii) and (ii) the Agent shall deliver paper copies of such information to the Bank that requests such delivery."

3. REPRESENTATIONS AND WARRANTIES; DEFAULT. After giving effect to the amendments and consents contained herein, (a) the Borrower hereby confirms, reaffirms and restates that each of the representations and warranties set forth in Article VII of the Credit Agreement are true and correct in all material respects (except for (1) those representations and warranties or parts thereof that, by their terms expressly relate solely to a specific date, in which case such representations and warranties are true and correct in all material respects as of such specific date; and (2) the representation and warranty set forth in clause (i) of Section 7.01(j)) on and as of the date hereof as though made on and as of the date hereof, provided that each reference in such Article VII to "this Agreement" shall be deemed to be a reference both to this Consent and to the Credit Agreement as previously amended and as amended and affected by this Consent, (b) the Borrower hereby confirms and reaffirms its compliance with the covenants in Article VIII of the Credit Agreement as affected by this Consent and (c) no Default or Event of Default has occurred or is continuing.

4. EXPENSES. The Borrower agrees to pay or reimburse the Agent for all of its out-of-pocket costs and reasonable expenses incurred in connection with this Consent, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

5. NO CHANGE. Except as expressly amended and affected hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents (as may have been previously amended) are and shall remain in full force and effect. The amendments and consents contained herein shall not constitute an amendment or waiver of the Credit Agreement or the other Loan Documents except as expressly set forth herein.

6. EFFECTIVENESS. This Consent shall become effective as of July 13, 2001 once the Agent shall have received counterparts of this Consent, duly executed and delivered by the Borrower, the Agent, the Issuing Bank and the Majority Banks. On and after said effective date, the term "Agreement" as used in the Credit Agreement, the other Loan Documents executed in connection therewith, and any other instrument, document, or writing furnished to the Banks, the Agent, or the Co-Agents by the Borrower shall mean the Credit Agreement, as amended and affected hereby.

7. COUNTERPARTS. This Consent may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

8. GOVERNING LAW. THIS CONSENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

BORROWER:

RELIANT ENERGY RESOURCES CORP.
(formerly known as NorAm Energy Corp.)

By: /s/ Linda Geiger

Name: Linda Geiger
Title: Assistant Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ Anita J. Brickell

Authorized Officer

ISSUING BANK:

THE BANK OF NOVA SCOTIA

By: /s/ M.D. Smith

Authorized Officer

BANKS:

CITIBANK, N.A.

By: /s/ Anita J. Brickell

Authorized Officer

BARCLAYS BANK PLC

By:

Authorized Officer

THE FIRST NATIONAL BANK OF CHICAGO

By:

Authorized Officer

BANK OF AMERICA, N. A.
(SUCCESSOR BY MERGER TO
NATIONSBANK, N.A.)

By: /s/ Richard L. Stein

Authorized Officer

THE BANK OF NEW YORK

By:

Authorized Officer

THE BANK OF TOKYO-MITSUBISHI,
LTD., HOUSTON AGENCY

By:

Authorized Officer

THE CHASE MANHATTAN BANK

By: /s/ (illegible)

Authorized Officer

CREDIT SUISSE FIRST BOSTON

By: /s/ Jay Chall /s/ Andrea E. Shkane

Authorized Officer

DEPOSIT GUARANTY NATIONAL BANK

By:

Authorized Officer

FLEET NATIONAL BANK

By:

Authorized Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ Mark A. Baird

Authorized Officer

USB AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint /s/ Jennifer L. Poccia

Authorized Officer

THE BANK OF NOVA SCOTIA

By: /s/ M. D. Smith

Authorized Officer

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ Walter T. Duffy III

Associate Director

By: /s/ Anthony Alessandro

Manager

MELLON BANK, N.A.

By: /s/ Roger E. Howard

Vice President

EXHIBIT 12

RELIANT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(A WHOLLY OWNED SUBSIDIARY OF RELIANT ENERGY, INCORPORATED)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(THOUSANDS OF DOLLARS)

YEAR ENDED DECEMBER 31,					
	2001	2000	1999	1998	1997
Income from continuing operations	$ 67,244	$ 98,228	$103,871	$ 93,824	$ 66,722
Income taxes for continuing operations	58,287	93,272	88,781	111,830	55,781
	125,531	191,500	192,652	205,654	122,503
Fixed charges, as defined: Interest expense	154,965	142,861	119,500	111,337	126,150
Distribution on trust preferred securities	28	29	357	632	6,596
Interest component of rentals charged to operating expense	10,739	10,934	10,975	8,485	7,988
Total fixed charges	165,732	153,824	130,832	120,454	140,734
Earnings, as defined	$291,263	$345,324	$323,484	$326,108	$263,237
Ratio of earnings to fixed charges	1.76	2.24	2.47	2.71	1.87

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-54256 of Reliant Energy Resources Corp. on Form S-3 of our report dated March 28, 2002, appearing in this Annual Report on Form 10-K of Reliant Energy Resources Corp. for the year ended December 31, 2001.

DELOITTE & TOUCHE LLP

Houston, Texas
April 12, 2002