

As filed with the Securities and Exchange Commission on November 10, 2009

Registration Nos. 333-162370  
and 333-162370-01

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**AMENDMENT NO. 2**  
**TO**  
**FORM S-3**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

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**CENTERPOINT ENERGY HOUSTON  
ELECTRIC, LLC**  
(Exact name of Registrant and Sponsor  
as specified in its charter)

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**22-3865106**  
(I.R.S. Employer Identification No.)

**1111 Louisiana  
Houston, Texas 77002  
(713) 207-3000**

(Address, including zip code, and telephone number,  
including area code, of Registrant's principal executive offices)

**CENTERPOINT ENERGY RESTORATION  
BOND COMPANY, LLC**  
(Exact name of Registrant and Issuing Entity  
as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**30-0582734**  
(I.R.S. Employer Identification No.)

**1111 Louisiana  
Suite 4664B  
Houston, Texas 77002  
(713) 207-7420**

(Address, including zip code, and telephone number,  
including area code, of Registrant's principal executive offices)

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**Rufus S. Scott  
1111 Louisiana  
Houston, Texas 77002  
(713) 207-3000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*With copies to:*

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New York, New York 10019-6092  
(212) 259-8000**

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☐

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒ (do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

#### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit (1)	Proposed maximum aggregate offering price (1)	Amount of registration fee (2)
System Restoration Bonds	\$665,000,000	100%	\$665,000,000	\$37,107

- (1) Estimated pursuant to Rule 457 under the Securities Act solely for the purpose of calculating the registration fee.
- (2) A registration fee of \$55.80 was previously paid with the initial filing of the Registration Statement on October 7, 2009 and \$37,051.20 was paid with the filing of this Amendment No. 2.

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus supplement is not complete and may be changed. The system restoration bonds may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated , 2009.

PROSPECTUS SUPPLEMENT  
(To Prospectus Dated , 2009)

\$  
**CenterPoint Energy Restoration Bond Company, LLC**  
*Issuing Entity*

**CenterPoint Energy Houston Electric, LLC**  
Seller, Initial Servicer and Sponsor

Senior Secured System Restoration Bonds

Tranche	Initial Principal Balance	Interest Rate	Price to Public	Underwriting Discounts and Commissions	Proceeds to the Issuing Entity	Scheduled Final Payment Date	Final Maturity Date
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The total price to the public is \$ . The total amount of the underwriting discounts and commissions is \$ . The total amount of proceeds to the issuing entity after underwriting discounts and commissions and before deduction of expenses (estimated to be approximately \$ ) is \$ .

**Investing in the Senior Secured System Restoration Bonds involves risks. Please read “Risk Factors” beginning on page 12 of the accompanying prospectus.**

CenterPoint Energy Restoration Bond Company, LLC is issuing \$ of its Senior Secured System Restoration Bonds, referred to herein as the “Bonds,” in multiple tranches. CenterPoint Energy Houston Electric, LLC is the seller, initial servicer and sponsor with regard to the Bonds. The Bonds are senior secured obligations of the issuing entity and will be supported by system restoration property which includes the right to a special, irrevocable nonbypassable charge, known as a system restoration charge, paid by retail electric customers served at distribution voltage in CenterPoint Energy Houston Electric, LLC’s service territory as discussed herein. System restoration property is known as “transition property” in the Public Utility Regulatory Act. The securitization provisions of the Public Utility Regulatory Act mandate and the Public Utility Commission of Texas requires that system restoration charges be adjusted at least annually, and semi-annually as necessary, to ensure the expected recovery of amounts sufficient to timely provide all scheduled payments of principal, interest and other required amounts and charges in connection with the Bonds. Credit enhancement for the Bonds will be provided by such statutory true-up mechanism, as well as by general and capital subaccounts held under the indenture.

The Bonds represent obligations only of the issuing entity, CenterPoint Energy Restoration Bond Company, LLC, and do not represent obligations of the sponsor or any of its affiliates other than the issuing entity. The Bonds are secured only by the assets of the issuing entity, consisting principally of the system restoration property and funds on deposit in the collection account for the Bonds and related subaccounts. Please read “The Bonds—The Collateral,” “—The System Restoration Property” and “Credit Enhancement” in this prospectus supplement. The Bonds are not a debt or obligation of the State of Texas, the Public Utility Commission of Texas or any other governmental agency or instrumentality and are not a charge on the full faith and credit or the taxing power of the State of Texas or any governmental agency or instrumentality.

The Public Utility Commission of Texas guarantees that it will act pursuant to its irrevocable financing order, dated August 26, 2009, as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues are sufficient to pay, on a timely basis, scheduled principal and interest on the Bonds. The financing order provides that the true-up mechanism and all other obligations of the State of Texas and the Public Utility Commission of Texas set forth in the financing order are direct, explicit, irrevocable and unconditional upon issuance of the Bonds, and are legally enforceable against the State of Texas and the Public Utility Commission of Texas.

All matters relating to the structuring, marketing and pricing of the Bonds have been considered jointly by CenterPoint Energy Houston Electric, LLC and the Public Utility Commission of Texas or its designated representative.

Additional information is contained in the accompanying prospectus. You should read this prospectus supplement and the accompanying prospectus carefully before you decide to invest in the Bonds. This prospectus supplement may not be used to offer or sell the Bonds unless accompanied by the prospectus.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the Bonds through the book-entry facilities of The Depository Trust Company against payment in New York, New York on \_\_\_\_\_, 2009. Each Bond will be entitled to interest on \_\_\_\_\_ and \_\_\_\_\_ of each year. The first scheduled payment date is \_\_\_\_\_, 2010. Interest will accrue from \_\_\_\_\_, 2009 and must be paid by the purchaser if the Bonds are delivered after that date. There currently is no secondary market for the Bonds, and we cannot assure you that one will develop.

**Goldman, Sachs & Co.**

**Citi**

**Morgan Stanley**

**RBS**

**Loop Capital Markets, LLC**

The date of this prospectus supplement is \_\_\_\_\_, 2009.

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## **ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS**

This prospectus supplement and the accompanying prospectus provide information about us, the Bonds and CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston”), as seller, initial servicer and sponsor. This prospectus supplement describes the specific terms of the Bonds, while the accompanying prospectus describes more general terms of the Bonds.

References in this prospectus supplement and the accompanying prospectus to the terms “we,” “us,” “our” or “the issuing entity” mean CenterPoint Energy Restoration Bond Company, LLC. References to “CenterPoint Houston,” “the sponsor,” “the initial servicer” or “the seller” mean CenterPoint Energy Houston Electric, LLC. References to “CenterPoint Energy” mean CenterPoint Energy, Inc., the ultimate parent company of CenterPoint Houston. References to the “Bonds” or, unless the context otherwise requires, the “system restoration bonds” mean the system restoration bonds offered pursuant to this prospectus supplement and the accompanying prospectus. References to the “bondholders” or the “holders” refer to the registered holders of the system restoration bonds. References to “the servicer” refer to CenterPoint Houston and any successor servicer under the servicing agreement referred to in this prospectus supplement and the accompanying prospectus. References to the “Public Utility Regulatory Act” refer to the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code. References to the “Restructuring Amendments” refer to the 1999 utility restructuring amendments to the Public Utility Regulatory Act, as subsequently amended. In April 2009, the Texas Legislature amended the Public Utility Regulatory Act with the addition of Chapter 36 Subchapter I to provide for recovery of system restoration costs incurred by electric utilities as a result of hurricanes, tropical storms, ice or snow storms, floods and other weather-related events and natural disasters. We refer to this legislation as the “System Restoration Amendments.” The provisions of the Public Utility Regulatory Act as amended by the provisions of the Restructuring Amendments relating to securitization in Chapter 39 Subchapter G of the Public Utility Regulatory Act are further amended and supplemented by the System Restoration Amendments. Taken together, the System Restoration Amendments and the securitization provisions of the Restructuring Amendments are referred to as the “securitization provisions of the Public Utility Regulatory Act.” We refer to the geographical certificated service area of CenterPoint Houston as it existed on August 26, 2009 as “CenterPoint Houston’s service territory,” within which CenterPoint Houston may recover qualified costs through nonbypassable system restoration charges assessed on retail electric customers served at distribution voltage within that area. Unless the context otherwise requires, the term “customer” means a retail end user of electricity and related services provided by a retail electric provider via the distribution system of an electric utility such as CenterPoint Houston. We also refer to the Public Utility Commission of Texas as the “PUC.” You can find a glossary of some of the other defined terms we use in this prospectus supplement and the accompanying prospectus on page 100 of the accompanying prospectus.

We have included cross-references to sections in this prospectus supplement and the accompanying prospectus where you can find further related discussions. You can also find references to key topics in the table of contents on the previous page.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any written communication from us or the underwriters specifying the final terms of the offering. Neither we nor any underwriter, agent, dealer, salesperson, the PUC or CenterPoint Houston has authorized anyone else to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not offering to sell the Bonds in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement is current only as of the date of this prospectus supplement.

## SUMMARY OF TERMS

The following section is only a summary of selected information and does not provide you with all the information you will need to make your investment decision. There is more detailed information in this prospectus supplement and in the accompanying prospectus. To understand all of the terms of the offering of the Bonds, carefully read this entire document and the accompanying prospectus.

*Securities offered:*

§ Senior Secured System Restoration Bonds.

*Issuing entity and capital structure:*

CenterPoint Energy Restoration Bond Company, LLC is a direct, wholly-owned subsidiary of CenterPoint Houston and a limited liability company formed under Delaware law. We were formed solely to purchase and own system restoration property, to issue system restoration bonds and to perform activities incidental thereto. Please read “CenterPoint Energy Restoration Bond Company, LLC, The Issuing Entity” in the accompanying prospectus.

In addition to the system restoration property, the assets of the issuing entity will include a capital investment by CenterPoint Houston in the amount of 0.5% of the Bonds’ initial principal amount (to be held in the capital subaccount). We will also have an excess funds subaccount to retain, until the next payment date, any amounts collected and remaining after all payments on the Bonds have been timely made.

*Our relationship with the PUCT:*

Pursuant to the financing order,

- the PUCT or its designated representative has a decision-making role co-equal with CenterPoint Houston with respect to the structuring, marketing and pricing of the Bonds and all matters related to the structuring, marketing and pricing of the Bonds will be determined through a joint decision of CenterPoint Houston and the PUCT or its designated representative,
- CenterPoint Houston is directed to take all necessary steps to ensure that the PUCT or its designated representative is provided sufficient and timely information to allow the PUCT or its designated representative to fully participate in, and exercise its decision-making power over, the proposed securitization, and
- the servicer will file periodic adjustments to system restoration charges with the PUCT on our behalf.

We have agreed that certain reports will be submitted to the PUCT by us or on our behalf.

*Our address:*

1111 Louisiana, Suite 4664B, Houston, Texas 77002

*Our telephone number:*

(713) 207-7420

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*Our manager and executive officers:* The following is a list of our sole manager and principal executive officers as of the date of this prospectus supplement:

<u>Name</u>	<u>Age</u>	<u>Background</u>
Marc Kilbride	57	Manager, Vice President and Treasurer of the issuing entity; Vice President and Treasurer of CenterPoint Houston since June 2002 and Treasurer since 1997.
Gary L. Whitlock	60	President of the issuing entity; Executive Vice President and Chief Financial Officer of CenterPoint Energy, Inc. since September 2002.
Walter L. Fitzgerald	52	Senior Vice President and Chief Accounting Officer of the issuing entity; Vice President and Controller of CenterPoint Energy, Inc. since 2001 and Senior Vice President and Chief Accounting Officer since 2007.

*Required ratings:* Aaa/AAA/AAA by Moody's, S&P and Fitch, respectively. Please read "Ratings for the Bonds" in this prospectus supplement.

*Seller, sponsor and initial servicer of the system restoration property:* CenterPoint Houston is a regulated electric transmission and distribution utility wholly-owned indirectly by CenterPoint Energy. CenterPoint Houston is engaged in the transmission and distribution of electric energy in a 5,000 square-mile area of the Texas Gulf Coast that includes Houston. CenterPoint Houston, acting as the initial servicer, and any successor servicer, referred to in this prospectus supplement and the accompanying prospectus as the "servicer," will service the system restoration property securing the Bonds under the servicing agreement with us. Please read "The Seller, Initial Servicer and Sponsor of the System Restoration Property" in the accompanying prospectus. Neither CenterPoint Houston nor CenterPoint Energy nor any other affiliate (other than us) is an obligor on the Bonds.

*CenterPoint Houston's address:* 1111 Louisiana, Houston, Texas 77002

*CenterPoint Houston's telephone number:* (713) 207-3000

*Use of proceeds:* Used to pay the expenses of the issuance and sale of the Bonds and to purchase the system restoration property from CenterPoint Houston. We may not use such proceeds for general corporate purposes. In accordance with the financing order, CenterPoint Houston will use the proceeds it receives from the sale of the system restoration property to reduce its recoverable distribution-related system restoration costs. Please read "Use of Proceeds" in the accompanying prospectus.

*Bond structure:* Sinking fund bond, three tranches; tranches A-1, expected average life        years, scheduled final payment date of       , and final maturity date of       , A-2, expected average life        years, scheduled final payment date of       , and final maturity date of       , and A-3, expected average life        years, scheduled final payment date of       , and final maturity date of       , are scheduled to pay principal semi-annually and sequentially. Please read the Expected Amortization Schedule in "The Bonds—The Principal Payments" in this prospectus supplement.

*Trustee:* Deutsche Bank Trust Company Americas, a New York banking corporation.

*Trustee's experience:* Deutsche Bank Trust Company Americas currently serves as trustee for other securitizations that are structurally similar to the Bonds. Please read "The Trustee" in this prospectus supplement for further information.



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<i>Average life:</i>	Prepayment is not permitted. Extension risk is possible but is expected to be statistically remote. Please read “The Bonds—Weighted Average Life Sensitivity” in this prospectus supplement and “Weighted Average Life and Yield Considerations for the Bonds” in the accompanying prospectus.
<i>Optional redemption:</i>	None. Non-call for the life of the Bonds.
<i>Minimum denomination:</i>	\$100,000, or integral multiples of \$1,000 in excess thereof, except for one bond of each tranche which may be of a smaller denomination.
<i>Credit enhancement/security:</i>	<p>Pursuant to the financing order issued by the PUCT, the irrevocable right to impose, collect and receive a nonbypassable electricity consumption-based system restoration charge from retail electric providers serving over 2 million individuals, corporations and other business or governmental entities who purchase electricity at distribution voltage in CenterPoint Houston’s service territory. System restoration charges are set and adjusted to collect amounts sufficient to pay principal, interest and other required amounts and charges on a timely basis. Please read “Credit Enhancement—Statutory True-Up Mechanism for Payment of Scheduled Principal and Interest” in this prospectus supplement, as well as “Prospectus Summary—Parties to Transaction and Responsibilities,” “The System Restoration Amendments” and “CenterPoint Houston’s Financing Order” in the accompanying prospectus.</p> <p>The system restoration property securing the Bonds is not a pool of receivables. It consists of all of CenterPoint Houston’s rights and interests under the financing order transferred to us in connection with the issuance of the Bonds, including the irrevocable right to impose, collect and receive nonbypassable system restoration charges and the right to implement the statutory true-up mechanism. System restoration property is a present property right created by the Public Utility Regulatory Act and the financing order and is protected by the state pledge in the Public Utility Regulatory Act described below. For a description of the system restoration property, please read “The Bonds—The System Restoration Property” in this prospectus supplement.</p> <p>The Bonds are secured only by our assets, consisting principally of the system restoration property relating to the Bonds and funds on deposit in the collection account for the Bonds and related subaccounts. The subaccounts consist of a capital subaccount, which will be funded at closing in the amount of 0.5% of the initial aggregate principal amount of the Bonds, a general subaccount, into which the servicer will deposit all system restoration charge collections, and an excess funds subaccount, into which we will transfer any amounts collected and remaining on a payment date after all payments to bondholders and other parties have been made. Amounts on deposit in each of these subaccounts will be available to make payments on Bonds on each payment date. Please read “Credit Enhancement—Collection Account and Subaccounts” and “Credit Enhancement—How Funds in the Collection Account Will Be Allocated” in this prospectus supplement.</p>
<i>State pledge:</i>	The State of Texas has pledged in the Public Utility Regulatory Act that it will not take or permit any action that would impair the value of the system restoration property, or reduce, alter or impair the system restoration charges until the Bonds are fully repaid or discharged, other than specified true-up adjustments to correct any overcollections or undercollections. Please read “The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs” in the accompanying prospectus.

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### *Statutory true-up mechanism for payment of scheduled principal and interest:*

The Public Utility Regulatory Act mandates and the irrevocable financing order requires that system restoration charges on all retail electric customers served at distribution voltage be reviewed and adjusted at least annually, and semi-annually as necessary, to ensure the expected recovery of amounts sufficient to timely provide payment of scheduled principal and interest on the Bonds. Pursuant to the financing order, adjustments other than the annual adjustments may be made generally not more than once in any six-month period. In the financing order, the PUCT guarantees that it will act pursuant to the financing order as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues are sufficient to timely pay scheduled principal and interest on the Bonds.

There is no “cap” on the level of system restoration charges that may be imposed on the retail consumers of electricity served at distribution voltage in CenterPoint Houston’s service territory to timely pay scheduled principal and interest on the Bonds.

The financing order provides that the statutory true-up mechanism and all other obligations of the State of Texas and the PUCT set forth in the financing order are direct, explicit, irrevocable and unconditional upon issuance of the Bonds, and are legally enforceable against the State of Texas and the PUCT. Please read “The System Restoration Charges” in this prospectus supplement and “CenterPoint Houston’s Financing Order” and “The Servicing Agreement—Adjustment Process for System Restoration Charges” in the accompanying prospectus.

### *Nonbypassable system restoration charges:*

The Public Utility Regulatory Act and the PUCT require the imposition on, and collection of system restoration charges from, existing and future retail electric customers served at distribution voltage located within CenterPoint Houston’s service territory, regardless of the retail electric provider serving those customers, and even if those customers choose to operate new on-site generation or CenterPoint Houston goes out of business, its service area is acquired by another utility or its services are municipalized, subject to limited exceptions. Please read “Risk Factors—Other Risks Associated with an Investment in the Bonds—Alternatives to purchasing electricity through CenterPoint Houston’s distribution facilities may be more widely utilized by retail electric customers in the future” in the accompanying prospectus. The system restoration charges are applied to retail electric customers served at distribution voltage individually and are adjusted and reallocated among all customers served at distribution voltage as necessary under the statutory true-up mechanism. Please read “The System Restoration Charges” in this prospectus supplement and “CenterPoint Houston’s Financing Order” and “The Servicing Agreement—Adjustment Process for System Restoration Charges” in the accompanying prospectus.

### *Priority of distributions:*

On each payment date, the trustee will allocate or pay all amounts on deposit in the general subaccount of the collection account for the Bonds in the following order of priority in accordance with instructions provided by the servicer:

1. payment of the trustee’s fees, expenses and any outstanding indemnity amounts relating to the Bonds not to exceed \$800,000 in any 12-month period,
2. payment of the servicing fee relating to the Bonds, plus any unpaid servicing fees relating to the Bonds from prior payment dates,
3. payment of the fees of our independent manager (which are billed annually), which will be in an amount specified in an agreement between us and our independent manager, and a pro rata portion of the administration fee,

4. payment of all of our other ordinary periodic operating expenses relating to the Bonds, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the administration agreement and of the servicer under the servicing agreement,

5. payment of the interest then due on the Bonds, including any past-due interest,

6. payment of the principal then required to be paid on the Bonds at final maturity or upon acceleration upon an event of default,

7. payment of the principal then scheduled to be paid on the Bonds in accordance with the expected sinking fund schedule, including any previously unpaid scheduled principal,

8. payment of any of our remaining unpaid operating expenses and any remaining amounts owed pursuant to the basic documents relating to the Bonds, including all remaining indemnity amounts owed to the trustee,

9. replenishment of any amounts drawn from the capital subaccount, including investment earnings in the capital subaccount to the extent used for allocations and payments contemplated by clauses 1 through 8,

10. provided that no event of default has occurred and is continuing and that CenterPoint Houston is legally required to make a contribution to the capital subaccount greater than 0.5% of the initial outstanding principal balance of the Bonds, release to us an amount calculated at 11.075% per annum on the amount contributed to the capital subaccount in excess of 0.5% of the initial outstanding principal balance of the Bonds,

11. provided that no event of default has occurred and is continuing, release the investment earnings relating to the initial contribution into the capital subaccount to us,

12. allocation of the remainder, if any, to the excess funds subaccount, and

13. after the Bonds have been paid in full and discharged, the balance, together with all amounts in the capital subaccount and the excess funds subaccount, to us free and clear of the lien of the indenture.

The annual servicing fee in clause 2 may not exceed 0.05% of the original principal amount of the Bonds (for so long as CenterPoint Houston is the servicer) and the annual administration fee in clause 3 may not exceed \$100,000, plus expenses.

*Initial system restoration charge as a percentage of customer's total electricity bill:*

The initial system restoration charge would represent approximately 1.4% of the total bill received by a 1,000 kWh residential customer of the largest retail electric provider in CenterPoint Houston's service territory as of September 30, 2009. When combined with the transition charges related to the prior transition bonds, the cumulative charges would represent approximately 5.4% of the total bill.

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### *Transition Bonds being serviced by CenterPoint Houston:*

CenterPoint Houston will be the initial servicer of the Bonds. CenterPoint Houston currently acts as servicer with respect to the Series 2001-1 Transition Bonds issued by CenterPoint Energy Transition Bond Company, LLC, which we refer to in this prospectus supplement and the accompanying prospectus as “Transition Bond Company I,” with respect to the Senior Secured Transition Bonds, Series A issued by CenterPoint Energy Transition Bond Company II, LLC, which we refer to in this prospectus supplement and the accompanying prospectus as “Transition Bond Company II” and with respect to the 2008 Senior Secured Transition Bonds issued by CenterPoint Energy Transition Bond Company III, LLC, which we refer to in this prospectus supplement and the accompanying prospectus as “Transition Bond Company III”. Please read “Relationship to the Series 2001-1 Transition Bonds,” “Relationship to the Senior Secured Transition Bonds, Series A” and “Relationship to the 2008 Senior Secured Transition Bonds” in this Summary of Terms.

### *Relationship to the Series 2001-1 Transition Bonds:*

In October 2001, Transition Bond Company I, a special purpose wholly owned subsidiary of CenterPoint Houston, issued and sold \$749 million of Series 2001-1 Transition Bonds in accordance with a financing order issued by the PUCT on May 31, 2000. CenterPoint Houston currently acts as servicer with respect to the Series 2001-1 Transition Bonds. Transition Bond Company I will have no obligations under the Bonds, and we have no obligations under the Series 2001-1 Transition Bonds. The security pledged to secure the Bonds will be separate from the security that is securing the Series 2001-1 Transition Bonds. The outstanding Series 2001-1 Transition Bonds are currently rated Aaa/AAA/AAA by Moody’s, S&P and Fitch, respectively. Please read “Relationship to the Series 2001-1 Transition Bonds” in the accompanying prospectus.

### *Relationship to the Senior Secured Transition Bonds, Series A:*

In December 2005, Transition Bond Company II, a special purpose wholly owned subsidiary of CenterPoint Houston, issued and sold \$1.851 billion of Senior Secured Transition Bonds, Series A, in accordance with a financing order issued by the PUCT on March 16, 2005. CenterPoint Houston currently acts as servicer with respect to the Senior Secured Transition Bonds, Series A. Transition Bond Company II will have no obligations under the Bonds, and we have no obligations under Transition Bond Company II’s Senior Secured Transition Bonds, Series A. The security pledged to secure the Bonds will be separate from the security that is securing the Senior Secured Transition Bonds, Series A. The outstanding Senior Secured Transition Bonds, Series A are currently rated Aaa/AAA/AAA by Moody’s, S&P and Fitch, respectively. Please read “Relationship to the Senior Secured Transition Bonds, Series A” in the accompanying prospectus.

### *Relationship to the 2008 Senior Secured Transition Bonds:*

In February 2008, Transition Bond Company III, a special purpose wholly owned subsidiary of CenterPoint Houston, issued and sold \$488.5 million of 2008 Senior Secured Transition Bonds in accordance with a financing order issued by the PUCT on September 18, 2007. CenterPoint Houston currently acts as servicer with respect to the 2008 Senior Secured Transition Bonds. Transition Bond Company III will have no obligations under the Bonds, and we have no obligations under Transition Bond Company III’s 2008 Senior Secured Transition Bonds. The security pledged to secure the Bonds will be separate from the security that is securing the 2008 Senior Secured Transition Bonds. The outstanding 2008 Senior Secured Transition Bonds are currently rated Aaa/AAA/AAA by Moody’s, S&P and Fitch, respectively. Please read “Relationship to the 2008 Senior Secured Transition Bonds” in the accompanying prospectus.

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<i>Continuing disclosure:</i>	The indenture under which the Bonds will be issued requires all of the periodic reports that we file with the SEC, the principal transaction documents and other information concerning the system restoration charges and security relating to the Bonds to be posted on the website associated with our parent company, located at <a href="http://www.centerpointenergy.com">www.centerpointenergy.com</a> .
<i>Tax treatment:</i>	The Bonds will be treated as debt for U.S. federal income and estate tax purposes. Please read “Material U.S. Federal Tax Consequences for the Bondholders” in the accompanying prospectus.
<i>ERISA eligible:</i>	Yes; please read “ERISA Considerations” in the accompanying prospectus.
<i>Legal Defeasance and Covenant Defeasance Options:</i>	We may by making certain deposits in trust and meeting specified conditions, at any time, terminate all of our obligations under the indenture with respect to the bonds or our obligations to comply with some of the covenants in the indenture, including some of the covenants described under “The Bonds—Our Covenants” in the accompanying prospectus. Please read “Our Legal Defeasance and Covenant Defeasance Options” in the accompanying prospectus.
<i>Payment dates and interest accrual:</i>	<p>Interest payable semi-annually,                      and                      . Interest will be calculated on a 30/360 basis. The first scheduled interest and principal payment date is                      , 2010. If any interest payment date is not a business day, payments scheduled to be made on such date may be made on the next succeeding business day and no interest shall accrue upon such payment during the intervening period.</p> <p>Interest is due on each payment date and principal is due upon the final maturity date for each tranche.</p>
<i>Events of Default:</i>	The failure to pay principal of any tranche of Bonds by the final maturity date for that tranche is an event of default under the indenture, but the failure to pay principal of any tranche of Bonds by the respective scheduled final payment date will not be an event of default under the indenture. Please read “The Bonds—Payments of Interest and Principal on the Bonds” and “—What Constitutes an Event of Default on the Bonds” in the accompanying prospectus.
<i>Expected settlement:</i>	, 2009, settling flat. DTC, Clearstream and Euroclear.
<i>Risk factors:</i>	<b>You should consider carefully the risk factors beginning on page 12 of the accompanying prospectus before you invest in the Bonds.</b>

## THE BONDS

We will issue the Bonds and secure their payment under an indenture that we will enter into with Deutsche Bank Trust Company Americas, as trustee, referred to in this prospectus supplement and the accompanying prospectus as the “trustee.” We will issue the Bonds in minimum denominations of \$100,000, or in integral multiples of \$1,000 in excess thereof, except that we may issue one Bond in each tranche in a smaller denomination. The expected average life in years, initial principal balance, scheduled final payment date, final maturity date and interest rate for each tranche of the Bonds are stated in the table below.

Tranche	Expected Weighted Average Life (Years)	Initial Principal Balance	Scheduled Final Payment Date	Final Maturity Date	Interest Rate
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The scheduled final payment date for each tranche of the Bonds is the date when the outstanding principal balance of that tranche will be reduced to zero if we make payments according to the expected sinking fund schedule for that tranche. The final maturity date for each tranche of the Bonds is the date when we are required to pay the entire remaining unpaid principal balance, if any, of all outstanding Bonds of that tranche. The failure to pay principal of any tranche of Bonds by the final maturity date for that tranche is an event of default under the indenture, but the failure to pay principal of any tranche of Bonds by the respective scheduled final payment date will not be an event of default under the indenture. Please read “The Bonds—Payments of Interest and Principal on the Bonds” and “—What Constitutes an Event of Default on the Bonds” in the accompanying prospectus.

### The Collateral

The Bonds will be secured under the indenture by the indenture’s trust estate. The principal asset of the indenture’s trust estate for the Bonds is the system restoration property relating to the Bonds, which is a present property right created under the securitization provisions of the Public Utility Regulatory Act by the financing order issued by the PUCT on August 26, 2009, referred to in this prospectus supplement as the “financing order.” The indenture’s trust estate also consists of:

- our rights under the sale agreement pursuant to which we will acquire the system restoration property relating to the Bonds, under the administration agreement and under the bill of sale delivered by CenterPoint Houston pursuant to the sale agreement,
- our rights under the financing order, including the statutory true-up mechanism;
- our rights under the servicing agreement and any subservicing, agency, intercreditor or collection agreements executed in connection with the servicing agreement,
- the collection account and all subaccounts of the collection account,
- our rights in all deposits, guarantees, surety bonds, letters of credit and other forms of credit support provided by or on behalf of retail electric providers pursuant to the financing order or a tariff,
- all of our other property, other than any cash released to us by the trustee on any payment date from earnings on the capital subaccount,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing.

### The System Restoration Property

In general terms, the portion of all of the rights and interests of CenterPoint Houston that relate to the Bonds under the financing order, upon transfer to us pursuant to the sale agreement, are referred to in this prospectus supplement as the “system restoration property.” System restoration property is known as “transition property” in the Public Utility Regulatory

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Act. The system restoration property includes the right to impose, collect and receive, through the applicable system restoration charges payable by retail electric customers served at distribution voltage, including, the State of Texas and other governmental entities, within CenterPoint Houston's service territory that, subject to certain limitations specified in the Public Utility Regulatory Act, consume electricity that is delivered through CenterPoint Houston's distribution system or produced by new on-site generation, an amount sufficient to pay principal and interest and other required amounts and charges in connection with the Bonds. During the twelve months ended September 30, 2009, approximately 43% of CenterPoint Houston's total deliveries at distribution voltage were to residential customers, approximately 37% were to commercial customers, approximately 20% were to small industrial customers and less than 1% were to other customers. Retail electric customers that are served at transmission voltage, which include large industrial customers, are not required to pay system restoration charges. Customers served at transmission voltage accounted for approximately 4% of CenterPoint Houston's base revenues and approximately 21% of CenterPoint Houston's KWh sales during the twelve months ended September 30, 2009.

We will purchase the system restoration property from CenterPoint Houston. The system restoration property is not a receivable, and the principal collateral securing the Bonds is not a pool of receivables. System restoration charges authorized in the financing order that relate to the Bonds are irrevocable and not subject to reduction, impairment, or adjustment by further action of the PUCT, except for annual and interim true-up adjustments to correct overcollections or undercollections and to provide the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Bonds. Please read "Credit Enhancement—Statutory True-Up Mechanism for Payment of Scheduled Principal and Interest" in this prospectus supplement. All revenues and collections resulting from system restoration charges provided for in the financing order that relate to the Bonds are part of the system restoration property. CenterPoint Houston's qualified costs authorized in the financing order approving the issuance of the Bonds include:

- (1) the system restoration cost amount related to distribution operations approved by the PUCT (\$643 million as of September 1, 2009), plus (2) carrying charges through the date costs are securitized, minus (3) all insurance proceeds, government grants, or other sources of funding that compensate CenterPoint Houston for the distribution-related system restoration costs approved by the PUCT (together, the "Securizable Balance"), which is expected to be approximately \$665 million as of November 25, 2009,
- the costs of issuing, supporting and servicing the Bonds, subject to certain caps,
- the cost of the PUCT's financial advisor and any additional costs incurred by CenterPoint Houston to comply with the requests and recommendations of the PUCT's financial advisor, and
- any transaction costs of retiring and refunding CenterPoint Houston's existing debt and equity securities in connection with the issuance of the Bonds (excluding costs of retiring or refunding debt or equity securities held by an affiliate of CenterPoint Houston), subject to certain caps.

The system restoration property relating to the Bonds is described in more detail under "The Sale Agreement—CenterPoint Houston's Sale and Assignment of the System Restoration Property" in the accompanying prospectus.

The servicer will bill and collect system restoration charges allocable to the Bonds from "retail electric providers," which are entities certified under Texas law that provide electricity and related services to retail electric customers within CenterPoint Houston's service territory. The retail electric providers will bill and collect the system restoration charges from retail electric customers served at distribution voltage in CenterPoint Houston's service territory, and will remit the system restoration charges to the servicer. Each retail electric provider will include the system restoration charges in its bill to its retail electric customers but is not required to show the system restoration charges as a separate line item or footnote. However, each retail electric provider will be required to provide annual written notice to its customers that system restoration charges have been included in the customers' bills.

Each retail electric provider will be required to pay the system restoration charges on or before the 35th day after it receives the bill from the servicer, less an agreed allowance for expected uncollectible amounts, whether or not the retail electric provider has collected all amounts owed to it by its retail electric customers. Prior to the date on which the retail electric provider remits the system restoration charges to the servicer, the system restoration charges may be commingled with the retail electric provider's other funds. Please read "Risk Factors—Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers," "Retail Electric Providers" and "How a Bankruptcy May Affect Your Investment—Bankruptcy of a Retail Electric Provider" in the accompanying prospectus.

The servicer will have only limited rights to collect the system restoration charges directly from retail electric customers if a retail electric provider does not remit such payments to the servicer but will have certain rights against the retail electric provider. Please read "Retail Electric Providers" in the accompanying prospectus. For information on how electric service to retail electric customers may be terminated, please read "Risk Factors—Servicing Risks—Limits on rights to terminate service might make it more difficult to collect the system restoration charges" in the accompanying prospectus.

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Under the Public Utility Regulatory Act and the indenture, the trustee or the holders of the Bonds have the right to foreclose or otherwise enforce a lien on the system restoration property. However, in the event of foreclosure, there is likely to be a limited market, if any, for the system restoration property. Therefore, foreclosure might not be a realistic or practical remedy. Please read “Risk Factors—Risks Associated with the Unusual Nature of the System Restoration Property—Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect” in the accompanying prospectus.

### **The Financing Order**

On August 26, 2009, the PUCT issued the financing order relating to the Bonds to CenterPoint Houston. The financing order became final and non-appealable on September 10, 2009. The financing order authorizes CenterPoint Houston to cause us to issue system restoration bonds in one or more series in an aggregate amount not to exceed the Securitizable Balance as of the date the Bonds are issued and up-front qualified costs, subject to certain caps, as set forth in the financing order. The financing order also authorizes system restoration charges in amounts sufficient to recover the principal and interest on the Bonds plus ongoing qualified costs. Our ability to recover servicing fees and administration agreement costs through system restoration charges is subject to caps imposed by the financing order. The PUCT guarantees that it will take specific actions pursuant to the irrevocable financing order as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues are sufficient to timely pay scheduled principal and interest on the Bonds. The financing order provides that the true-up mechanism and all other obligations of the State of Texas and the PUCT set forth in the financing order are direct, explicit, irrevocable and unconditional upon issuance of the Bonds, and are legally enforceable against the State of Texas and the PUCT. Please read “CenterPoint Houston’s Financing Order” in the accompanying prospectus.

### **Payment and Record Dates and Payment Sources**

Beginning \_\_\_\_\_, 2010, we will make payments of interest on the Bonds semi-annually on \_\_\_\_\_ and \_\_\_\_\_ of each year, or, if that day is not a business day, the following business day (each, a “payment date”). So long as the Bonds are in book-entry form, on each payment date, we will make interest and principal payments to the persons who are the holders of record as of the business day immediately prior to that payment date, which is referred to as the “record date.” If we issue certificated bonds to beneficial owners of the Bonds as described in “The Bonds—Definitive Certificated Bonds” in the accompanying prospectus, the record date will be the last business day of the calendar month immediately preceding the payment date. On each payment date, we will pay amounts on outstanding Bonds from amounts available in the collection account and the related subaccounts held by the trustee in the priority set forth under “Credit Enhancement—How Funds in the Collection Account Will Be Allocated” in this prospectus supplement. These available amounts, which will include amounts collected by the servicer for us with respect to the system restoration charges, are described in greater detail under “The Bonds—The Collection Account for the Bonds” in the accompanying prospectus.

### **Principal Payments**

On each payment date, we will pay principal of the Bonds to the bondholders equal to the sum, without duplication, of:

- the principal amount scheduled to be paid on that payment date,
- the unpaid principal amount due on the final maturity date, if such payment date is the final maturity date,
- the unpaid principal amount upon acceleration following an event of default, and
- any unpaid and previously scheduled payments of principal and overdue payments of principal,

but only to the extent funds are available in the collection account (including all applicable subaccounts) after payment of certain of our fees and expenses and after payment of interest as described below under “—Interest Payments.” To the extent funds are so available, we will make scheduled payments of principal of the Bonds in the following order:

1. to the holders of the tranche A-1 Bonds, until the principal balance of that tranche has been reduced to zero,
2. to the holders of the tranche A-2 Bonds, until the principal balance of that tranche has been reduced to zero, and



3. to the holders of the tranche A-3 Bonds, until the principal balance of that tranche has been reduced to zero.

However, we will not pay principal of any tranche of Bonds on any payment date if making the payment would reduce the principal balance of that tranche to an amount lower than the amount specified in the expected amortization schedule below for that tranche on that payment date. Any excess funds remaining in the collection account after payment of principal, interest, applicable fees and expenses and payments to the applicable subaccounts of the collection account will be retained in the excess funds subaccount until applied on a subsequent payment date. The entire unpaid principal balance of each tranche of the Bonds will be due and payable on the final maturity date for the tranche.

If an event of default under the indenture has occurred and is continuing, the trustee or the holders of a majority in principal amount of the Bonds then outstanding may declare the unpaid principal balance of the Bonds, together with accrued interest thereon, to be due and payable. However, the nature of our business will result in payment of principal upon an acceleration of the Bonds being made as funds become available. Please read “Risk Factors—Risks Associated With the Unusual Nature of the System Restoration Property—Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect” and “—You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited” in the accompanying prospectus. If there is a shortfall in the amounts available to make principal payments on the Bonds that are due and payable, including upon an acceleration following an event of default under the indenture, the trustee will distribute principal from the collection account pro rata to each tranche of the Bonds based on the principal amount then due and payable on the payment date; and if there is a shortfall in the remaining amounts available to make principal payments on the Bonds that are scheduled to be paid, the trustee will distribute principal from the collection account pro rata to each tranche of the Bonds based on the principal amount then scheduled to be paid on the payment date.

The expected amortization schedule below sets forth the principal balance that is scheduled to remain outstanding on each payment date for each tranche of the Bonds from the issuance date to the scheduled final payment date. Similarly, the expected sinking fund schedule below sets forth the corresponding principal payment that is scheduled to be made on each payment date for each tranche of the Bonds from the issuance date to the scheduled final payment date. In establishing these schedules, we have made the assumptions specified in the bullet points under the weighted average life sensitivity table below under “—Weighted Average Life Sensitivity,” among other assumptions.

**Expected Amortization Schedule**

**Outstanding Principal Balance Per Tranche**

Payment Date	Tranche A-1 Balance	Tranche A-2 Balance	Tranche A-3 Balance
Initial Principal Balance			

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On each payment date, the trustee will make principal payments to the extent the principal balance of each tranche of the Bonds exceeds the amount indicated for that payment date in the table above and to the extent of funds available in the collection account after payment of certain of our fees and expenses and after payment of interest. If sufficient funds are available on each payment date, principal payments will be in the amounts indicated for each payment date in the expected sinking fund schedule below.

Expected Sinking Fund Schedule			
Payment Date	Tranche A-1	Tranche A-2	Tranche A-3
Total Payments			

We cannot assure you that principal payments will be made or that the principal balance of any tranche of the Bonds will be reduced at the rates indicated in the schedules above. Principal payments and the actual reduction in tranche principal balances may occur more slowly. Principal payments and the actual reduction in tranche principal balances will not occur more quickly than indicated in the above schedules, except to the extent that the total outstanding principal balance of and interest accrued on the Bonds are accelerated upon an event of default under the indenture. The Bonds will not be in default if principal is not paid as specified in the schedules above unless the principal of any tranche is not paid in full on or before the final maturity date of that tranche.

**Weighted Average Life Sensitivity**

Weighted average life refers to the average amount of time from the date of issuance of a security until each dollar of principal of the security has been repaid to the investor. The rate of principal payments on each tranche of Bonds, the aggregate amount of each interest payment on each tranche of Bonds and the actual final payment date of each tranche of Bonds will depend primarily on the timing of the servicer’s receipt of system restoration charges from retail electric providers. Please read “Weighted Average Life and Yield Considerations for the Bonds” in the accompanying prospectus for further information. Changes in the expected weighted average lives of the tranches of the Bonds in relation to variances in actual energy consumption levels (retail electric sales) from forecast levels are shown below.

**Weighted Average Life Sensitivity**

<u>Tranche</u>	<u>Expected Weighted Avg. Life ("WAL") (yrs)</u>	<u>WAL</u>			
		<u>5%</u>		<u>15%</u>	
		<u>WAL (yrs)</u>	<u>Change (days)</u>	<u>WAL (yrs)</u>	<u>Change (days)</u>

For the purposes of preparing the above table, we have assumed, among other things, that:

- the forecast error stays constant over the life of the Bonds and is equal to an overestimate of electricity consumption for all customer classes served at distribution voltage of 5% or 15% as stated in the chart above (i.e., actual electricity consumption is 85% or 95% of the forecast at issuance of the Bonds);
- the servicer makes timely and accurate filings to true-up the system restoration charges on a semi-annual basis (and, in each case, reforecasts electricity consumption to reflect actual experience);
- customer charge-off rates are held constant at 1.98% for the residential class and 0.27% for all other classes of customers served at distribution voltage;
- retail electric providers remit all system restoration charges 35 days after such charges are billed;
- actual operating expenses are equal to projections;
- there is no acceleration of the final maturity date of the Bonds; and
- a permanent loss of all customers has not occurred.

There can be no assurance that the weighted average lives of the various tranches of the Bonds will be as shown in the above table.

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### **Fees and Expenses**

As set forth in the table below, we are obligated to pay fees to the servicer, the trustee, our independent manager and CenterPoint Houston as administrator. The following table illustrates this arrangement.

<b>Recipient</b>	<b>Source of Payment</b>	<b>Fees and Expenses Payable</b>
Servicer	System restoration charge collections and investment earnings.	0.05% of initial principal amount of the Bonds issued per annum, as long as CenterPoint Houston or an affiliate is the servicer
Trustee	System restoration charge collections and investment earnings.	\$2,500 per annum, plus expenses
Independent manager	System restoration charge collections and investment earnings.	\$3,500 per annum, plus expenses
Administrator	System restoration charge collections and investment earnings.	\$100,000 per annum, plus expenses
Other operating expenses (accounting, rating agency, legal fees, etc.)	System restoration charge collections and investment earnings.	\$230,000 per annum (estimated)

In accordance with the terms of the financing order and subject to the approval of the trustee, the PUCT will permit a successor servicer to CenterPoint Houston to recover a higher servicer fee if CenterPoint Houston ceases to serve as the servicer and service the system restoration property. The annual servicing fee payable to any other servicer not affiliated with CenterPoint Houston shall not at any time exceed 0.6% of the original principal amount of the Bonds unless such higher rate is approved by the PUCT.

### **Distribution Following Acceleration**

Upon an acceleration of the maturity of the Bonds, the total outstanding principal balance of and interest accrued on the Bonds will be payable without priority of interest over principal or principal over interest and without regard to tranche. Although principal will be due and payable upon acceleration, the nature of our business will result in principal being paid as funds become available. Please read “Risk Factors—Risks Associated with the Unusual Nature of the System Restoration Property—Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect” and “—You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited” in the accompanying prospectus. Please read “The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs—The State Pledge” and “—Constitutional Matters” in the accompanying prospectus.

### **Interest Payments**

Holders of Bonds will receive interest at the rate for the tranche of Bonds such holder owns as set forth in the table on the cover of this prospectus supplement and on page S-9.

Interest on each tranche of Bonds will accrue from and including the date of issuance to but excluding the first payment date, and thereafter from and including the previous payment date to but excluding the applicable payment date until the Bonds have been paid in full, at the interest rate indicated in the table on page S-9. Each of those periods is referred to as an “interest accrual period.” On each payment date, we will pay interest on each tranche of the Bonds equal to the following amounts:

- any interest payable but unpaid on any prior payment date, together with interest on such unpaid interest, if any, and

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- accrued interest on the principal balance of each tranche of the Bonds as of the close of business on the preceding payment date, or the date of the original issuance of the Bonds in the case of the first interest accrual period, after giving effect to all payments of principal made on the preceding payment date, if any.

We will pay interest on the Bonds before we pay principal on the Bonds. Please read “The Bonds—Payments of Interest and Principal on the Bonds” in the accompanying prospectus. If there is a shortfall in the amounts available in the collection account to make interest payments on the Bonds, the trustee will distribute interest pro rata to each tranche of Bonds based on the amount of interest payable on each such outstanding tranche. Please read “Credit Enhancement—Collection Account and Subaccounts” in this prospectus supplement. We will calculate interest on tranches of the Bonds on the basis of a 360-day year consisting of twelve 30-day months.

### **Optional Redemption**

We may not voluntarily redeem any tranche of the Bonds.

## **THE TRUSTEE**

Deutsche Bank Trust Company Americas is a New York banking corporation. Deutsche Bank Trust Company Americas has acted as trustee on numerous asset-backed securities transactions, including acting as trustee on various auto loan and auto lease securitization transactions and for other securitizations that are structurally similar to the Bonds. Deutsche Bank Trust Company Americas is experienced in administering transactions of this kind. Please read “The Bonds,” “The Sale Agreement” and “The Servicing Agreement” in the accompanying prospectus for further information.

## **CREDIT ENHANCEMENT**

Credit enhancement for the Bonds is intended to protect you against losses or delays in scheduled payments on your Bonds. Please read “Risk Factors—You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited” in the accompanying prospectus.

### **Statutory True-Up Mechanism for Payment of Scheduled Principal and Interest**

The Public Utility Regulatory Act mandates and the irrevocable financing order guarantees that system restoration charges on all retail electric customers served at distribution voltage in CenterPoint Houston’s service territory will be reviewed and adjusted at least annually, and semi-annually as necessary, to ensure the expected recovery of amounts sufficient to timely provide payment of scheduled principal and interest on the Bonds. System restoration charges may be adjusted semi-annually if necessary to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Bonds. In the irrevocable financing order, the PUCT guarantees that it will act pursuant to the financing order as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues are sufficient to pay on a timely basis, scheduled principal and interest on the Bonds. There is no “cap” on the level of system restoration charges that may be imposed on the consumers of electricity served at distribution voltage in CenterPoint Houston’s service territory to timely pay scheduled principal and interest on the Bonds. The financing order provides that the true-up mechanism and all other obligations of the State of Texas and the PUCT set forth in the financing order are direct, explicit, irrevocable and unconditional upon issuance of the Bonds and are legally enforceable against the State of Texas and the PUCT. Please read “The System Restoration Charges” below and “CenterPoint Houston’s Financing Order” and “The Servicing Agreement—Adjustment Process for System Restoration Charges” in the accompanying prospectus.

### **Collection Account and Subaccounts**

The trustee will establish a collection account for the Bonds to hold the capital contribution from CenterPoint Houston and collected system restoration charges periodically remitted to the trustee by the servicer. The collection account will consist of various subaccounts, including the following:

- the general subaccount,
- the excess funds subaccount,

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- the capital subaccount, and
- other subaccounts, if necessary.

Withdrawals from and deposits to these subaccounts will be made as described below in this prospectus supplement and under “The Bonds—The Collection Account for the Bonds” and “—How Funds in the Collection Account Will Be Allocated” in the accompanying prospectus.

*The General Subaccount.* The trustee will deposit collected system restoration charges remitted to it by the servicer with respect to the Bonds into the general subaccount. On each payment date, the trustee will allocate amounts in the general subaccount as described under “—How Funds in the Collection Account Will Be Allocated” below in accordance with instructions provided by the servicer.

*The Excess Funds Subaccount.* The excess funds subaccount will be funded on any payment date with collected system restoration charges and earnings on amounts in the collection account, other than earnings on amounts allocated to the capital subaccount, in excess of the amount necessary to pay:

- fees and expenses, including any indemnity payments, of the trustee, our independent manager, the servicer and the administrator and other fees, expenses, costs and charges,
- principal and interest payments on the Bonds required to be paid or scheduled to be paid on that payment date, and
- any amount required to replenish any amounts drawn from the capital subaccount.

The periodic adjustments of the system restoration charges will be calculated to eliminate any amounts held in the excess funds subaccount. These adjustments generally will occur annually. Under limited circumstances, these adjustments may occur more frequently, but not more frequently than every six months during the first thirteen years the system restoration charges are collected in respect of the Bonds and every three months during the fourteenth and fifteenth years.

If amounts available in the general subaccount are not sufficient to pay the fees and expenses due on any payment date, to make required or scheduled payments to the bondholders and to replenish any amounts drawn from the capital subaccount, the trustee will first draw on any amounts in the excess funds subaccount to make those payments.

*The Capital Subaccount.* On the date we issue the Bonds, CenterPoint Houston will deposit \$       into the capital subaccount as a capital contribution to us, which is equal to 0.5% of the initial outstanding principal balance of the Bonds. The capital contribution has been set at a level sufficient to obtain the ratings on the Bonds described below under “Ratings for the Bonds.” If amounts available in the general subaccount and the excess funds subaccount are not sufficient to make required or scheduled payments to the bondholders and to pay the fees and expenses specified in the indenture due on any payment date, the trustee will draw on amounts in the capital subaccount to make those payments.

*Other Subaccounts.* Other subaccounts may be used to provide credit enhancements for the transaction provided that the PUCT’s designated representative and CenterPoint Houston agree in advance that such enhancements provide benefits greater than their tangible and intangible costs.

### **How Funds in the Collection Account Will Be Allocated**

Amounts remitted by the servicer to the trustee with respect to the Bonds, including any indemnity amounts and all investment earnings on amounts in the general subaccount of the collection account, will be deposited into the general subaccount.

On each payment date, the trustee will allocate or pay all amounts on deposit in the general subaccount of the collection account for the Bonds in the following priority in accordance with instructions provided by the servicer:

1. payment of the trustee’s fees, expenses and any outstanding indemnity amounts relating to the Bonds not to exceed \$800,000 in any 12-month period,

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2. payment of the servicing fee relating to the Bonds, plus any unpaid servicing fees relating to the Bonds from prior payment dates,
3. payment of the fees of our independent manager (which are billed annually), which will be in an amount specified in an agreement between us and our independent manager, and a pro rata portion of the administration fee,
4. payment of all of our other ordinary periodic operating expenses relating to the Bonds, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the administration agreement and of the servicer under the servicing agreement,
5. payment of the interest then due on the Bonds, including any past-due interest,
6. payment of the principal then required to be paid on the Bonds at final maturity or upon acceleration upon an event of default,
7. payment of the principal then scheduled to be paid on the Bonds in accordance with the expected sinking fund schedule, including any previously unpaid scheduled principal,
8. payment of any of our remaining unpaid operating expenses and any remaining amounts owed pursuant to the basic documents relating to the Bonds, including all remaining indemnity amounts owed to the trustee,
9. replenishment of any amounts drawn from the capital subaccount, including investment earnings in the capital subaccount to the extent used for allocations and payments contemplated by clauses 1 through 8,
10. provided that no event of default has occurred and is continuing and that CenterPoint Houston is legally required to make a contribution to the capital subaccount greater than 0.5% of the initial outstanding principal balance of the Bonds, release to us an amount calculated at 11.075% per annum on the amount contributed to the capital subaccount in excess of 0.5% of the initial outstanding principal balance of the Bonds;
11. provided that no event of default has occurred and is continuing, release the investment earnings relating to the initial contribution into the capital subaccount to us,
12. allocation of the remainder, if any, to the excess funds subaccount, and
13. after the Bonds have been paid in full and discharged, the balance, together with all amounts in the capital subaccount and the excess funds subaccount, to us free and clear of the lien of the indenture.

The annual servicing fee in clause 2 may not exceed 0.05% of the original principal amount of the Bonds (for so long as CenterPoint Houston is the servicer) and the annual administration fee in clause 3 may not exceed \$100,000, plus expenses.

If, on any payment date, funds in the general subaccount are insufficient to make the allocations or payments contemplated by clauses 1 through 9 of the first paragraph of this subsection, the trustee will draw from amounts on deposit in the following subaccounts in the following order up to the amount of the shortfall:

1. from the excess funds subaccount for allocations and payments contemplated in clauses 1 through 9, and
2. from the capital subaccount for allocations and payments contemplated by clauses 1 through 8.

If, on any payment date, available collections of system restoration charges allocable to the Bonds, together with available amounts in the subaccounts, are not sufficient to pay interest due on all outstanding Bonds on that payment date, amounts available will be allocated pro rata based on the amount of interest payable on each tranche of the Bonds. If, on any payment date, remaining collections of system restoration charges allocable to the Bonds, together with available amounts in the subaccounts, are not sufficient to pay principal due and payable on all outstanding Bonds on that payment date, amounts

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available will be allocated pro rata based on the principal amount of each tranche then due and payable. If, on any payment date, remaining collections of system restoration charges allocable to the Bonds, together with available amounts in the subaccounts, are not sufficient to pay principal scheduled to be paid on all outstanding Bonds, amounts available will be allocated sequentially to each tranche then scheduled to be paid on the payment date. If the trustee uses amounts on deposit in the capital subaccount to pay those amounts or make those transfers, as the case may be, subsequent adjustments to the system restoration charges will take into account, among other things, the need to replenish those amounts.

### THE SYSTEM RESTORATION CHARGES

CenterPoint Houston will be the initial servicer of the Bonds. Beginning on the date we issue the Bonds, the initial system restoration charges listed in the table below will be imposed on retail electric customers served at distribution voltage in each system restoration charge customer class at the applicable rate for the class determined pursuant to the financing order. These system restoration charges may be adjusted annually, or more frequently under certain circumstances, by the servicer in accordance with its filings with the PUCT. Please read “CenterPoint Houston’s Financing Order” in the accompanying prospectus.

#### Initial System Restoration Charges

System Restoration Charge Customer Class	Initial System Restoration Charge Rate
Residential	
Secondary Service Less Than or Equal to 10kVA	
Secondary Service Greater Than 10kVA	
Primary Service	
Lighting Service	

Please read “CenterPoint Houston’s Financing Order—Allocation” in the accompanying prospectus.

### ASSURANCES OF FINANCIAL RESPONSIBILITY FOR RETAIL ELECTRIC PROVIDERS

Each retail electric provider in CenterPoint Houston’s service territory is obligated to collect and remit system restoration charges to the servicer as described under “Retail Electric Providers” in the accompanying prospectus. The financing order provides that each retail electric provider that does not maintain a long-term, unsecured credit rating of not less than “BBB-” and “Baa3” (or the equivalent) from S&P and Moody’s, respectively, must provide:

- a cash deposit of two months’ maximum expected system restoration charge collections,
- an affiliate guarantee, surety bond or letter of credit from an entity with a long-term, unsecured credit rating of not less than “BBB-” and “Baa3” (or the equivalent) from S&P and Moody’s, respectively, providing for payment of such amount of system restoration charge collections in the event that the retail electric provider defaults in its payment obligations, or
- a combination of any of the foregoing.

A retail electric provider that does not have or maintain the requisite credit rating may select which alternate form of deposit, credit support or combination thereof it will utilize. As of September 30, 2009, there were approximately 80 retail electric providers providing service to retail customers served at distribution voltage in CenterPoint Houston’s service territory, all of which did business with CenterPoint Houston. NRG Energy, Inc., through its subsidiary, is CenterPoint Houston’s largest customer. On May 1, 2009, Reliant Energy, Inc. completed the sale of its Texas retail business to NRG Retail LLC, a subsidiary of NRG Energy, Inc. In connection with the sale, Reliant Energy, Inc. changed its name to RRI Energy, Inc. and no longer provides service as a retail electric provider in CenterPoint Houston’s service territory. NRG Energy, Inc., through its subsidiary, accounted for approximately 43% of CenterPoint Houston’s billed receivables from retail electric providers as of September 30, 2009.

Retail electric provider cash deposits will be held by the trustee, maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the Bonds. If a retail electric provider defaults in making a payment of system restoration charges to the servicer and does not remedy the default within a 10 calendar-day



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grace period, the amounts on deposit or available from other credit support (up to an amount of the lesser of the payment default of the retail electric provider or the amount of the deposit or other credit support amount) will be used to make system restoration charge payments in respect of the Bonds. Please read “Retail Electric Providers—Rating, Deposit and Related Requirements” “—Remedies Upon Default” and “Risk Factors—Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers” in the accompanying prospectus.

### UNDERWRITING THE BONDS

Subject to the terms and conditions in the underwriting agreement among us, CenterPoint Houston and the underwriters, for whom Goldman, Sachs & Co. and Citigroup Global Markets Inc. and are acting as representatives, we have agreed to sell to the underwriters, and the underwriters have severally agreed to purchase, the principal amount of the Bonds listed opposite each underwriter’s name below:

<u>Underwriter</u>	<u>Tranche A-1</u>	<u>Tranche A-2</u>	<u>Tranche A-3</u>
Goldman, Sachs & Co.			
Citigroup Global Markets Inc.			
Morgan Stanley & Co. Incorporated			
RBS Securities Inc.			
Loop Capital Markets, LLC			
<b>Total</b>			

Under the underwriting agreement, the underwriters will take and pay for all of the Bonds we offer, if any are taken. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

### The Underwriters’ Sales Price for the Bonds

The Bonds sold by the underwriters to the public will be initially offered at the prices to the public set forth on the cover of this prospectus supplement. The underwriters propose initially to offer the Bonds to dealers at such prices, less a selling concession not to exceed the percentage listed below for each tranche. The underwriters may allow, and dealers may reallow, a discount not to exceed the percentage listed below for each tranche.

	<u>Selling Concession</u>	<u>Reallowance Discount</u>
Tranche A-1		
Tranche A-2		
Tranche A-3		

After the initial public offering, the public offering prices, selling concessions and reallowance discounts may change.

### No Assurance as to Resale Price or Resale Liquidity for the Bonds

The Bonds are a new issue of securities with no established trading market. They will not be listed on any securities exchange. The underwriters have advised us that they intend to make a market in the Bonds, but they are not obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a liquid trading market will develop for the Bonds.

### Various Types of Underwriter Transactions that May Affect the Price of the Bonds

The underwriters may engage in overallotment transactions, stabilizing transactions, syndicate covering transactions and penalty bids with respect to the Bonds in accordance with Regulation M under the Securities Exchange Act of 1934. Overallotment transactions involve syndicate sales in excess of the offering size, which create a syndicate short position. Stabilizing transactions are bids to purchase the Bonds, which are permitted, so long as the stabilizing bids do not exceed a specific maximum price. Syndicate covering transactions involve purchases of the Bonds in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Bonds originally sold by the syndicate member are purchased in a syndicate covering transaction. These overallotment transactions, stabilizing transactions, syndicate covering transactions

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and penalty bids may cause the prices of the Bonds to be higher than they would otherwise be. Neither we, CenterPoint Houston, the trustee, our managers nor any of the underwriters represent that the underwriters will engage in any of these transactions or that these transactions, if commenced, will not be discontinued without notice at any time.

Certain of the underwriters and their affiliates have in the past provided, and may in the future from time to time provide, investment banking and general financing and banking services to CenterPoint Houston and its affiliates for which they have in the past received, and in the future may receive, customary fees. In addition, each underwriter may from time to time take positions in the Bonds.

We estimate that the total expenses of the offering will be approximately \$3.7 million.

We and CenterPoint Houston have agreed to indemnify the underwriters against some liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters, including the validity of the Bonds and other conditions contained in the underwriting agreement, such as receipt of ratings confirmations, officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject offers in whole or in part.

Goldman, Sachs & Co., as structuring advisor to CenterPoint Houston, has rendered certain structuring services to CenterPoint Houston and will receive a net fee of \$600,000 for such services, which is included in estimated expenses.

### **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

Based on guidance from the IRS and certain representations from us, including a representation by us that we will not make, or allow there to be made, any election to be treated as a separate taxable entity, Baker Botts L.L.P., counsel to us and to CenterPoint Houston, has rendered its opinion that for federal income tax purposes (1) we will not be treated as a taxable entity separate and apart from CenterPoint Energy, (2) the Bonds will constitute indebtedness of CenterPoint Energy and (3) interest paid on the Bonds generally will be taxable to a U.S. bondholder as ordinary income at the time it accrues or is received in accordance with the U.S. bondholder's method of accounting. For so long as we are not treated as a taxable entity separate and apart from CenterPoint Energy for federal income tax purposes, each beneficial owner of a Bond, by acquiring a beneficial interest, agrees to treat such Bond as indebtedness of CenterPoint Energy for federal income (and, to the extent applicable, state and local income and franchise) tax purposes unless otherwise required by appropriate taxing authorities. Please read "Material U.S. Federal Tax Consequences for the Bondholders" in the accompanying prospectus.

CenterPoint Energy expects to receive a ruling from the Comptroller of Public Accounts of the State of Texas to the effect that (i) our receipt of system restoration property, (ii) our receipt of the system restoration charges, and (iii) our earnings on eligible investments of the system restoration charges and the amounts held in the excess funds subaccount and the collection account will not be subject to Texas franchise tax.

### **RATINGS FOR THE BONDS**

It is a condition of any underwriter's obligation to purchase the Bonds that each tranche of the Bonds be rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's.

A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. No person is obligated to maintain its rating on the Bonds, and accordingly, we cannot assure you that a rating assigned to any tranche of the Bonds upon initial issuance will not be revised or withdrawn by a rating agency at any time thereafter. If a rating of any tranche of the Bonds is revised or withdrawn, the liquidity of that tranche may be adversely affected. In general, ratings address credit risk and do not represent any assessment of the likelihood of any particular level of principal payments on the Bonds other than payment in full of each tranche of the Bonds by the applicable final maturity date, as well as the timely payment of interest.

## **LEGAL PROCEEDINGS**

There are no legal or governmental proceedings pending against us, the sponsor, seller, trustee or servicer, or of which any property of the foregoing is subject, that is material to the holders of the Bonds.

## **WHERE YOU CAN FIND MORE INFORMATION**

To the extent that we are required to file such reports and information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, we will file annual, quarterly and current reports and other information with the Securities and Exchange Commission. We are incorporating by reference any future filings which we (file no. 333-162370-01) or CenterPoint Houston, but solely in its capacity as our sponsor, make with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all the Bonds, excluding any information that is furnished to, and not filed with, the Securities and Exchange Commission. These reports will be filed under our own name as issuing entity. Please also read “Where You Can Find More Information” in the accompanying prospectus.

## **LEGAL MATTERS**

Certain legal matters relating to us and the issuance of the Bonds will be passed upon for CenterPoint Houston and for us by Baker Botts L.L.P., Houston, Texas and Richards, Layton & Finger, P.A., Wilmington, Delaware, and for the underwriters by Dewey & LeBoeuf LLP, New York, New York. Certain legal matters relating to the federal income tax consequences of the issuance of the Bonds will be passed upon for us by Baker Botts L.L.P.

## **OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS**

### **NOTICE TO RESIDENTS OF SINGAPORE**

EACH UNDERWRITER ACKNOWLEDGES THAT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS HAVE NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, EACH UNDERWRITER REPRESENTS, WARRANTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD ANY BONDS OR CAUSED THE BONDS TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND WILL NOT OFFER OR SELL ANY BONDS OR CAUSE THE BONDS TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND HAS NOT CIRCULATED OR DISTRIBUTED, NOR WILL IT CIRCULATE OR DISTRIBUTE THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF BONDS, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE “SFA”), OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1) OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

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SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR (FOR CORPORATIONS, UNDER SECTION 274 OF THE SFA) OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S\$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS, AND FURTHER FOR CORPORATIONS, IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW. THE PROSPECTUS RELATING TO THE BONDS ("PROSPECTUS") WILL, PRIOR TO ANY SALE OF SECURITIES PURSUANT TO THE PROVISIONS OF SECTION 106D OF THE COMPANIES ACT (CAP.50), BE LODGED, PURSUANT TO SAID SECTION 106D, WITH THE REGISTRAR OF COMPANIES IN SINGAPORE, WHICH WILL TAKE NO RESPONSIBILITY FOR ITS CONTENTS. HOWEVER, NEITHER THIS PROSPECTUS SUPPLEMENT NOR THE PROSPECTUS HAS BEEN AND NOR WILL THEY BE REGISTERED AS A PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN SINGAPORE. ACCORDINGLY, THE BONDS MAY NOT BE OFFERED, AND NEITHER THIS PROSPECTUS SUPPLEMENT NOR ANY OTHER OFFERING DOCUMENT OR MATERIAL RELATING TO THE BONDS MAY BE CIRCULATED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN TO INSTITUTIONAL INVESTORS OR OTHER PERSONS OF THE KIND SPECIFIED IN SECTION 106C AND SECTION 106D OF THE COMPANIES ACT OR ANY OTHER APPLICABLE EXEMPTION INVOKED UNDER DIVISION 5A OF PART IV OF THE COMPANIES ACT. THE FIRST SALE OF SECURITIES ACQUIRED UNDER A SECTION 106C OR SECTION 106D EXEMPTION IS SUBJECT TO THE PROVISIONS OF SECTION 106E OF THE COMPANIES ACT.

**NOTICE TO RESIDENTS OF THE PEOPLE'S REPUBLIC OF CHINA**

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAW OF THE PEOPLE'S REPUBLIC OF CHINA (AS THE SAME MAY BE AMENDED FROM TIME TO TIME) AND ARE NOT TO BE OFFERED OR SOLD TO PERSONS WITHIN THE PEOPLE'S REPUBLIC OF CHINA (EXCLUDING THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS).

**NOTICE TO RESIDENTS OF JAPAN**

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN (THE "SEL"), AND MAY NOT BE OFFERED OR SOLD IN JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SEL, AND IN COMPLIANCE WITH THE OTHER RELEVANT LAWS AND REGULATIONS OF JAPAN. AS USED IN THIS PARAGRAPH, "RESIDENT OF JAPAN" MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN.

**NOTICE TO RESIDENTS OF HONG KONG**

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT:

IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY BONDS OTHER THAN (A) TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL SHARES OR DEBENTURES (WHETHER AS PRINCIPAL OR AGENT); OR (B) TO PROFESSIONAL

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INVESTORS WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF THE LAWS OF HONG KONG AND ANY RULES MADE THEREUNDER; OR (C) IN CIRCUMSTANCES THAT DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF THE LAWS OF HONG KONG OR THAT DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE; AND

IT HAS NOT ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSE OF ISSUE, AND WILL NOT ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSE OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS THAT ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED UNDER THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF THE LAWS OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE.

**NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA**

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A “RELEVANT MEMBER STATE”), THE UNDERWRITER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE “RELEVANT IMPLEMENTATION DATE”) IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF BONDS TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE BONDS WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF BONDS TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000 AND (3) AN ANNUAL NET TURNOVER OF MORE THAN €50,000,000, EACH AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS;

(C) TO FEWER THAN 100 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE); OR

(D) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUING ENTITY OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF BONDS TO THE PUBLIC” IN RELATION TO ANY BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE BONDS, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

**NOTICE TO RESIDENTS OF THE UNITED KINGDOM**

THE UNDERWRITER HAS REPRESENTED AND AGREED THAT:

(A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE “FSMA”)) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE BONDS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUING ENTITY; AND

(B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE BONDS IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

THIS OFFERING DOCUMENT IS DIRECTED ONLY AT PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM OR (II) ARE INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 AS AMENDED (THE “ORDER”) OR (III) ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER OR (IV) SUCH OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFERING DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

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The information in this prospectus is not complete and may be changed. The system restoration bonds may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated \_\_\_\_\_, 2009.

PROSPECTUS

**CenterPoint Energy Restoration Bond Company, LLC**  
*Issuing Entity*

**SENIOR SECURED SYSTEM RESTORATION BONDS**

**CenterPoint Energy Houston Electric, LLC**  
*Seller, Initial Servicer and Sponsor*

**You should carefully consider the [risk factors](#) beginning on page 12 of this prospectus before you invest in the bonds.**

We, the issuing entity, may, in the future, issue the system restoration bonds (referred to as the bonds) described in this prospectus. The bonds may have one or more tranches. The bonds represent only our obligations and are backed only by our assets. CenterPoint Energy Houston Electric, LLC and its affiliates, other than us, are not liable for any payments on the bonds. The bonds are not a debt or obligation of the State of Texas, the Public Utility Commission of Texas or any other governmental agency or instrumentality and are not a charge on the full faith and credit or the taxing power of the State of Texas or any governmental agency or instrumentality.

We are a special purpose entity and own no property other than the collateral described in this prospectus. The collateral is the sole source of payment for the bonds.

There currently is no secondary market for the bonds, and we cannot assure you that one will develop.

We may offer and sell the bonds by use of this prospectus. We will provide the specific terms of the offering of the bonds in a supplement to this prospectus. You should read this prospectus and the prospectus supplement carefully before you invest in the bonds. This prospectus may not be used to offer and sell the bonds unless accompanied by a prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

\_\_\_\_\_  
The date of this prospectus is \_\_\_\_\_, 2009.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we have filed with the SEC. This prospectus provides you with a general description of the system restoration bonds we may offer. When we offer the system restoration bonds, we will provide a supplement to this prospectus. The prospectus supplement will describe the specific terms of the offering. The prospectus supplement may also contain information that supplements the information contained in this prospectus, and you should rely on the supplementary information in the prospectus supplement. Please carefully read this prospectus, the prospectus supplement and the information, if any, contained in the documents we refer to in this prospectus under the heading “Where You Can Find More Information.”

References in this prospectus and the prospectus supplement to the terms “we,” “us,” “our” or “the issuing entity” mean CenterPoint Energy Restoration Bond Company, LLC. References to “CenterPoint Houston,” “the sponsor,” “the initial servicer” or “the seller” mean CenterPoint Energy Houston Electric, LLC. References to “CenterPoint Energy” mean CenterPoint Energy, Inc., the ultimate parent company of CenterPoint Houston. References to the “bonds” or, unless the context otherwise requires, the “system restoration bonds” mean the bonds offered pursuant to the prospectus supplement. References to the “bondholders” or the “holders” refer to the registered holders of the system restoration bonds. References to “the servicer” refer to CenterPoint Houston and any successor servicer under the servicing agreement referred to in this prospectus. References to the “Public Utility Regulatory Act” refer to the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code. References to the “Restructuring Amendments” refer to the 1999 utility restructuring amendments to the Public Utility Regulatory Act, as subsequently amended. In April 2009, the Texas Legislature amended the Public Utility Regulatory Act with the addition of Chapter 36 Subchapter I to provide for recovery of system restoration costs incurred by electric utilities as a result of hurricanes, tropical storms, ice or snow storms, floods and other weather-related events and natural disasters. We refer to this legislation as the “System Restoration Amendments.” The provisions of the Public Utility Regulatory Act as amended by the provisions of the Restructuring Amendments relating to securitization in Chapter 39 Subchapter G of the Public Utility Regulatory Act are further amended and supplemented by the System Restoration Amendments. Taken together, the System Restoration Amendments and the securitization provisions of the Restructuring Amendments are referred to as the “securitization provisions of the Public Utility Regulatory Act.” We refer to the geographical certificated service area of CenterPoint Houston as it existed on August 26, 2009 as “CenterPoint Houston’s service territory,” within which CenterPoint Houston may recover qualified costs through nonbypassable system restoration charges assessed on retail electric customers served at distribution voltage within that area. Unless the context otherwise requires, the term “customer” means a retail end user of electricity and related services provided by a retail electric provider via the distribution system of an electric utility such as CenterPoint Houston. We also refer to the Public Utility Commission of Texas as the “P.U.C.” You can find a glossary of some of the other defined terms we use in this prospectus on page 100 of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus and the prospectus supplement. We have not authorized anyone else to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the bonds in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is current only as of the date of this prospectus.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Some statements contained in this prospectus and the prospectus supplement concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts, including statements in the documents that are incorporated by reference as discussed in this prospectus under the heading “Where You Can Find More Information,” are forward-looking statements within the meaning of the federal securities laws. Actual results may differ materially from those expressed or implied by these statements. In some cases, you can identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words.

We have based our forward-looking statements on our management’s beliefs, expectations 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.

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

- changes in market demand and demographic patterns;
- weather variations and other natural phenomena, including hurricanes, tropical storms, ice or snow storms, floods and other weather-related events and natural disasters, affecting retail electric customer energy usage in CenterPoint Houston's service territory;
- state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and changes in or application of laws or regulations applicable to various aspects of CenterPoint Houston's business;
- the accuracy of the servicer's forecast of electrical consumption or the payment of system restoration charges;
- non-payment of system restoration charges by retail electric providers;
- the reliability of the systems, procedures and other infrastructure necessary to operate the retail electric business in CenterPoint Houston's service territory, including the systems owned and operated by the independent system operator in the Electric Reliability Council of Texas, Inc.;
- national or regional economic conditions affecting retail electric customer energy usage in CenterPoint Houston's service territory;
- acts of war or terrorism or other catastrophic events affecting retail electric customer energy usage in CenterPoint Houston's service territory; and
- other factors we discuss in this prospectus, any prospectus supplement and our other Securities and Exchange Commission filings.

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 update or revise any forward-looking statement.

## PROSPECTUS SUMMARY

This summary contains a brief description of the bonds we may offer by use of this prospectus. You will find a more detailed description of the terms of the offering of the bonds following this summary and in the prospectus supplement.

*You should carefully consider the risk factors beginning on page 12 of this prospectus before you invest in the bonds.*

### Summary of the Bonds

The issuing entity:

CenterPoint Energy Restoration Bond Company, LLC, a direct, wholly owned subsidiary of CenterPoint Houston and a limited liability company formed under Delaware law. We were formed solely to purchase and own system restoration property, to issue system restoration bonds secured by system restoration property and to perform any activity incidental thereto.

Our relationship with the PUCT:

Pursuant to the financing order,

- the PUCT or its designated representative has a decision-making role co-equal with CenterPoint Houston with respect to the structuring, marketing and pricing of the bonds and all matters related to the structuring, marketing and pricing of the bonds will be determined through a joint decision of CenterPoint Houston and the PUCT or its designated representative,
- CenterPoint Houston is directed to take all necessary steps to ensure that the PUCT or its designated representative is provided sufficient and timely information to allow the PUCT or its designated representative to fully participate in, and exercise its decision-making power over, the proposed securitization, and
- the servicer will file periodic adjustments to system restoration charges with the PUCT on our behalf.

We have agreed that certain reports concerning system restoration charge collections will be provided to the PUCT.

Our address:

1111 Louisiana, Suite 4664B, Houston, Texas 77002

Our telephone number:

(713) 207-7420

The seller, initial servicer and sponsor of the system restoration property:

CenterPoint Energy Houston Electric, LLC is a regulated electric transmission and distribution utility organized under Texas law. CenterPoint Houston is engaged in the transmission and distribution of electric energy in a 5,000 square-mile area of the Texas Gulf Coast that includes Houston. As of September 30, 2009, CenterPoint Houston provided electric transmission and distribution service to over 2 million metered customers in this area. CenterPoint Houston is an indirect, wholly owned subsidiary of CenterPoint Energy.

CenterPoint Houston, acting as the initial servicer, and any successor servicer, referred to in this prospectus as the “servicer,” will service the system restoration property under the servicing agreement with us. CenterPoint Houston currently services under separate servicing agreements transition property securing (i) the Series 2001-1 Transition Bonds issued by CenterPoint Energy Transition Bond Company, LLC, also a wholly owned subsidiary of CenterPoint Houston, which we refer to in this prospectus as “Transition Bond Company I,” (ii) the Senior Secured Transition Bonds, Series A, issued by CenterPoint Energy Transition Bond Company II, LLC, also a

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CenterPoint Houston's address:

CenterPoint Houston's telephone number:

The trustee:

Transaction overview:

wholly owned subsidiary of CenterPoint Houston, which we refer to in this prospectus as "Transition Bond Company II" and (iii) the 2008 Senior Secured Transition Bonds issued by CenterPoint Energy Transition Bond Company III, LLC, also a wholly owned subsidiary of CenterPoint Houston, which we refer to in this prospectus as "Transition Bond Company III." Please read "Relationship to the Series 2001-1 Transition Bonds," "Relationship to the Senior Secured Transition Bonds, Series A" and "Relationship to the 2008 Senior Secured Transition Bonds."

1111 Louisiana, Houston, Texas 77002

(713) 207-3000

The trustee for the bonds will be named in the prospectus supplement.

In April 2009, the Texas Legislature amended the Public Utility Regulatory Act to provide for recovery of system restoration costs incurred by electric utilities as a result of hurricanes, tropical storms, ice or snow storms, floods, and other weather-related events and natural disasters. We refer to this legislation as the "System Restoration Amendments." The System Restoration Amendments permit electric utilities located within ERCOT to recover distribution-related system restoration costs through the issuance of system restoration bonds pursuant to and supported by an irrevocable financing order issued by the PUCT. The Public Utility Regulatory Act permits the PUCT to impose an irrevocable nonbypassable system restoration charge on all retail electric customers served at distribution voltage within a utility's certificated service territory for payment of the bonds. We refer to this geographical certificated area, with regard to CenterPoint Houston, as "CenterPoint Houston's service territory." The amount and terms for collections of these system restoration charges are governed by one or more financing orders issued to an electric utility by the PUCT. The Public Utility Regulatory Act permits an electric utility to transfer its rights and interests under a financing order, including the right to impose, collect and receive system restoration charges, to a special purpose entity formed by the electric utility to issue debt securities secured by the right to receive revenues arising from the system restoration charges. The electric utility's right to receive the system restoration charges, all revenues and collections resulting from the system restoration charges and its other rights and interests under a financing order, upon transfer to the issuing entity, constitute system restoration property. Under the Public Utility Regulatory Act, system restoration property does not come into existence until an electric utility first transfers to an assignee or pledges in connection with the issuance of system restoration bonds its rights under a related financing order. However, for convenience of reference in this prospectus and the prospectus supplement, the transfer of CenterPoint Houston's rights under such a financing order is sometimes referred to as the sale or purchase of system restoration property, or transition property under the Public Utility Regulatory Act. References in this prospectus to a "financing order" are to a financing order of the PUCT as described above. Unless the context indicates otherwise, the reference is to the financing order issued by the PUCT on August 26, 2009 which is further described below.

On August 26, 2009, the PUCT issued a financing order to CenterPoint Houston authorizing the issuance of system restoration bonds in an aggregate amount not to exceed the "Securitizable Balance" as of the date the bonds are issued and up-front qualified costs, subject to certain caps, as set forth in the financing order. Please read "CenterPoint Houston's Financing Order" for a discussion of the qualified costs authorized in the financing order, which we refer to in this prospectus and the prospectus supplement as "qualified costs."

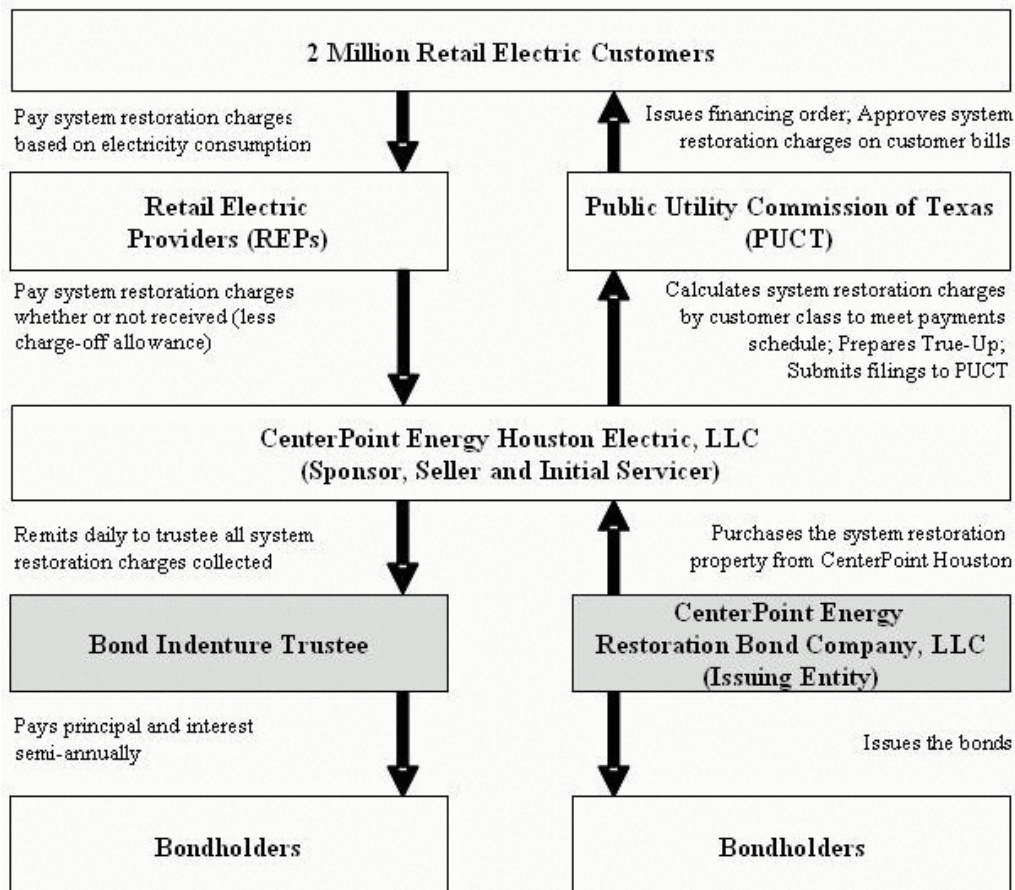
The primary transactions underlying the offering of the bonds are as follows:

- we will sell the bonds, which will be secured primarily by the system restoration property, to the underwriters named in the prospectus supplement,
- CenterPoint Houston will sell system restoration property to us in exchange for the net proceeds from the sale of the bonds, and
- CenterPoint Houston will act as the initial servicer of the system restoration property.

The bonds are not obligations of the trustee, our managers, CenterPoint Houston, CenterPoint Energy or of any of their affiliates other than us. The bonds are also not obligations of the State of Texas or any governmental agency, authority or instrumentality of the State of Texas.

## Parties to Transaction and Responsibilities

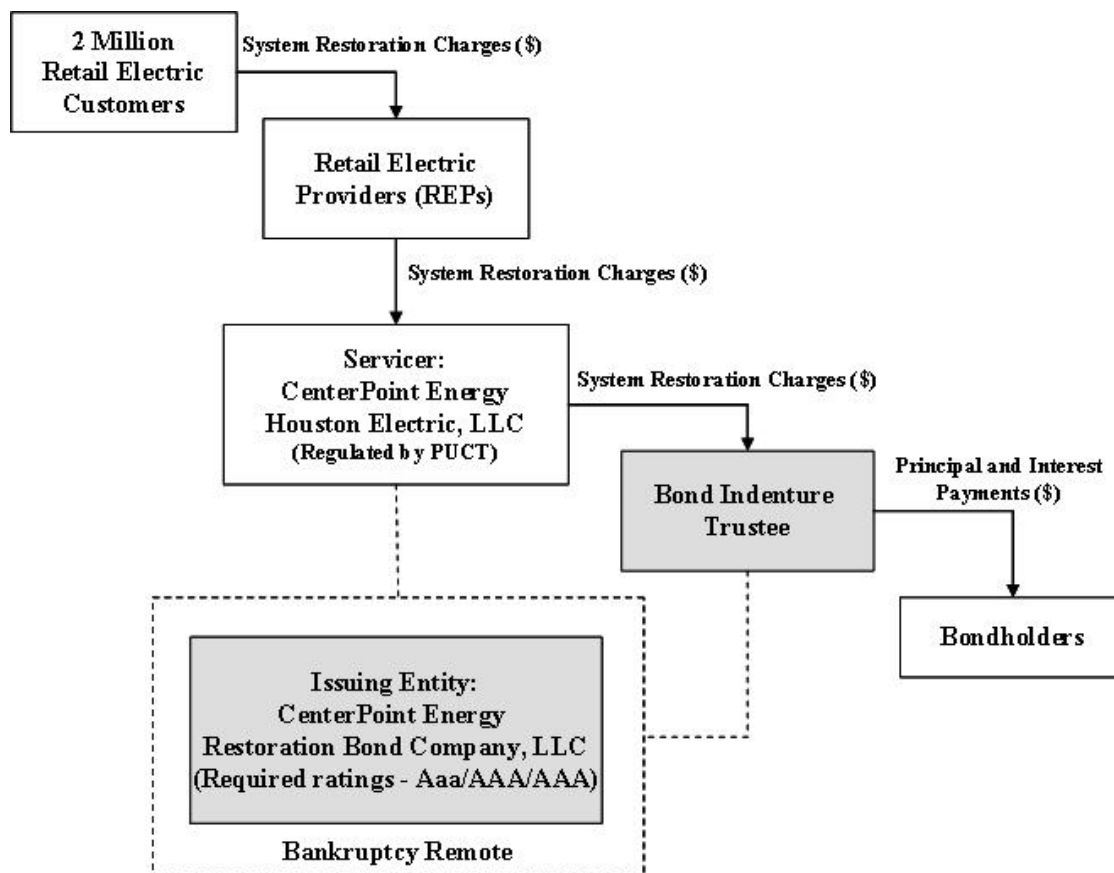
The following chart represents a general summary of the parties to the transactions underlying the offering of the bonds, their roles and their various relationships to the other parties:





## Flow of Funds

The following chart represents a general summary of the flow of funds:



## The Collateral

The bonds will be secured under the indenture by the indenture's trust estate. The principal asset of the trust estate will be the system restoration property, which is a present property right created under the Public Utility Regulatory Act by a financing order issued by the PUCT. The indenture's trust estate will also consist of:

- our rights under the sale agreement pursuant to which we will acquire the system restoration property, under the bill of sale delivered by CenterPoint Houston pursuant to the sale agreement and under the administration agreement by which we receive administrative services from CenterPoint Houston,
- our rights under a financing order, including the statutory true-up mechanism,
- our rights under the servicing agreement and any subservicing, agency, intercreditor or collection agreements executed in connection with such servicing agreement,
- the collection account for the bonds and all subaccounts of the collection account,

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- our rights in all deposits, guarantees, surety bonds, letters of credit and other forms of credit support provided by or on behalf of retail electric providers pursuant to the financing order or a tariff,
- all of our other property related to the bonds, other than any cash released to us by the trustee on any payment date from earnings on the capital subaccount,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing.

### **The System Restoration Property**

In general terms, all of the rights and interests of CenterPoint Houston under a financing order that are transferred to us pursuant to a sale agreement are referred to in this prospectus and the prospectus supplement as “system restoration property.” System restoration property is known as “transition property” in the Public Utility Regulatory Act. System restoration property includes the rights and interests arising under a financing order, including the right to impose, collect and receive system restoration charges in amounts sufficient to pay principal and interest and to make other deposits in connection with the bonds, to obtain periodic adjustments to such charges as provided in the financing order and to all revenues, collections, claims, rights to payments, payments, money or proceeds arising from the foregoing rights and interests. System restoration charges are payable by retail electric customers within CenterPoint Houston’s service territory to the extent served at distribution voltage, who, subject to certain limitations specified in the Public Utility Regulatory Act, consume electricity that is delivered through the distribution system or produced by new on-site generation. During the twelve months ended September 30, 2009, approximately 43% of CenterPoint Houston’s total deliveries at distribution voltage were to residential customers, approximately 37% were to commercial customers, approximately 20% were to small industrial customers and less than 1% were to other customers. Retail electric customers that are served at transmission voltage, which include large industrial customers, are not required to pay system restoration charges. Customers served at transmission voltage accounted for approximately 4% of CenterPoint Houston’s base revenues and approximately 21% of CenterPoint Houston’s KWh sales during the twelve months ended September 30, 2009.

The system restoration property is not a receivable, and the principal collateral securing the bonds will not be a pool of receivables. System restoration charges authorized in a financing order are irrevocable and not subject to reduction, impairment, or adjustment by further action of the PUCT, except for annual and interim true-up adjustments to correct overcollections or undercollections and to provide for the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the bonds. Please read “CenterPoint Houston’s Financing Order—Statutory True-Ups.” All revenues and collections resulting from system restoration charges are part of the system restoration property with respect to the bonds.

We will purchase system restoration property from CenterPoint Houston to support the issuance of the bonds. The servicer will collect the applicable system restoration charges from “retail electric providers,” which serve retail customers at distribution voltage. Retail electric providers are entities certified under Texas law that provide electricity and related services to retail electric customers within CenterPoint Houston’s service territory, and will remit the collections to the servicer. The retail electric providers will in turn bill and collect the system restoration charges from retail electric customers served at distribution voltage in CenterPoint Houston’s service territory. Each retail electric provider will include the system restoration charges in its bills to its retail electric customers but is not required to show the system restoration charges as a separate line item or footnote. However, each retail electric provider will be required to provide annual written notice to its customers that system restoration charges have been included in the customers’ bills.

Each retail electric provider will be required to pay the system restoration charges on or before the 35th day after it receives the bill from the servicer, less an agreed allowance for expected uncollectible amounts, whether or not the retail electric provider has collected all amounts owed to it by its retail electric customers. Prior to the date on which the retail electric provider remits the system restoration charges to the servicer, the system restoration charges may be commingled with the retail electric provider’s other funds. Please read “Risk Factors—Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers,” “Retail Electric Providers” and “How a Bankruptcy May Affect Your Investment—Bankruptcy of a Retail Electric Provider” in this prospectus.

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The servicer will have only limited rights to collect the system restoration charges directly from retail electric customers if a retail electric provider does not remit such payments to the servicer, but will have certain rights against the retail electric provider. Please read “Retail Electric Providers” in this prospectus. For information on how electric service to retail electric customers may be terminated, please read “Risk Factors—Servicing Risks—Limits on rights to terminate service might make it more difficult to collect the system restoration charges” in this prospectus. Because the amount of system restoration charge collections will largely depend on the amount of electricity consumed by customers served at distribution voltage within CenterPoint Houston’s service territory, the amount of collections may vary substantially from month to month and year to year. Please read “The Seller, Initial Servicer and Sponsor of the System Restoration Property” in this prospectus.

### **Interest Payments**

Interest on the bonds will accrue from the date we issue the bonds at the interest rate stated in the prospectus supplement. On each payment date, we will pay interest on the bonds equal to the following amounts:

- if there has been a payment default, any interest payable but unpaid on any prior payment dates, together with interest on such unpaid interest, if any, and
- accrued interest on the principal balance of the bonds as of the close of business on the preceding payment date or the date of the original issuance of the bonds, as applicable, after giving effect to all payments of principal made on the preceding payment date, if any.

We will pay interest on the bonds before we pay the principal of the bonds. Please read “The Bonds—Payments of Interest and Principal on the Bonds.” If there is a shortfall in the amounts available in the collection account to make interest payments, the trustee will distribute interest pro rata to each tranche of the bonds based on the amount of interest payable on each outstanding tranche. We will calculate interest on the basis of a 360-day year of twelve 30-day months.

### **Principal Payments and Record Dates and Payment Sources**

On each payment date specified in the prospectus supplement for the bonds, referred to in this prospectus as a “payment date,” we will pay amounts then due or scheduled to be paid on the bonds from amounts available in the collection account and the related subaccounts held by the trustee. We will make these payments to the holders of record of the bonds on each record date specified in the prospectus supplement, referred to in this prospectus as a “record date.” These available amounts, which will include the applicable system restoration charges collected by the servicer for us since the last payment date, are described in greater detail under “The Bonds—The Collection Account for the Bonds.”

### **Priority of Distributions**

On each payment date for the bonds, the trustee will allocate or pay all amounts on deposit in the general subaccount of the collection account in the following order of priority:

1. payment of the trustee’s fees, expenses and any outstanding indemnity amounts not to exceed a specified amount in any 12-month period, which amount will be fixed in the indenture,
2. payment of the servicing fee, the total amount of which will be fixed as specified in the servicing agreement, plus any unpaid servicing fees relating to the bonds from prior payment dates,
3. payment of the fees of our independent manager (which are billed annually), which will be in an amount specified in an agreement between us and our independent manager, and a pro rata portion of the administration fee, which will be a fixed amount specified in the administration agreement between us and CenterPoint Houston,
4. payment of all of our other ordinary periodic operating expenses relating to the bonds, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the administration agreement and of the servicer under the servicing agreement,
5. payment of the interest then due on the bonds, including any past due interest,

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6. payment of the principal then required to be paid on the bonds at final maturity or upon acceleration upon an event of default,
7. payment of the principal then scheduled to be paid on the bonds, in accordance with the expected sinking fund schedule, including any previously unpaid scheduled principal,
8. payment of any of our remaining unpaid operating expenses and any remaining amounts owed pursuant to the basic documents relating to the bonds, including all remaining indemnity amounts owed to the trustee,
9. replenishment of any amounts drawn from the capital subaccount for the bonds, including investment earnings in the capital subaccount for the bonds to the extent used for allocations and payments contemplated by clauses 1 through 8,
10. provided that no event of default has occurred and is continuing and that CenterPoint Houston is legally required to make a contribution to the capital subaccount greater than 0.5% of the initial outstanding principal balance of the bonds, release to us an amount calculated at 11.075% per annum on the amount contributed to the capital subaccount in excess of 0.5% of the initial outstanding principal balance of the bonds,
11. provided that no event of default has occurred and is continuing, release the investment earnings relating to the initial contribution into the capital subaccount to us,
12. allocation of the remainder, if any, to the excess funds subaccount for the bonds, and
13. after the bonds have been paid in full and discharged, the balance, together with all amounts in the capital subaccount and the excess funds subaccount for the bonds, to us free and clear of the lien of the indenture.

The amount of the servicer's fee referred to in clause 2 above and the amount of the administration fee referred to in clause 3 will be described in the prospectus supplement. The priority of distributions for the collected system restoration charges, as well as available amounts in the subaccounts, are described in more detail under "The Bonds—How Funds in the Collection Account Will Be Allocated," as well as in the prospectus supplement.

### **Credit Enhancement**

Credit enhancement for the bonds will be as follows:

The PUCT will approve adjustments to the system restoration charges, but only upon petition of the servicer, to make up for any shortfall or reduce any excess in collected system restoration charges. We sometimes refer to these adjustments as the "true-up adjustments" or the "statutory true-up mechanism." These adjustments will be made at least annually, and semi-annually if necessary, to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the bonds. Please read "CenterPoint Houston's Financing Order—Statutory True-Ups."

- **Collection Account**—Under the indenture, the trustee will hold a collection account for the bonds, divided into various subaccounts. The primary subaccounts for credit enhancement purposes are:
  - the general subaccount—the trustee will deposit into the general subaccount all system restoration charge collections remitted to it by the servicer with respect to the bonds and investment earnings on amounts in the general subaccount, and
  - the capital subaccount—CenterPoint Houston will deposit an amount specified in the prospectus supplement into the capital subaccount for the bonds on the date of issuance of the bonds.

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These subaccounts, the excess funds subaccount and other possible subaccounts for the bonds will be available to make payments on the bonds on each payment date.

Retail electric providers in CenterPoint Houston's service territory that do not maintain a long-term, unsecured credit rating of not less than "BBB-" and "Baa3" (or the equivalent) from S&P and Moody's, respectively, are required to provide a cash deposit of two months' maximum expected system restoration charge collections, an affiliate guarantee, surety bond or letter of credit from an entity with such a credit rating providing for payment of such amount of system restoration charge collections in the event that the retail electric provider defaults in its payment obligations or a combination of any of the foregoing. If a retail electric provider defaults in making a payment of system restoration charges to the servicer and does not remedy the default within a 10 calendar-day grace period, amounts on deposit or available from other credit support (up to an amount of the lesser of the payment default of the retail electric provider or the amount of the deposit or other credit support amount) will be used to make payments in respect of the bonds. Please also read "Retail Electric Providers—Rating, Deposit and Related Requirements" and "—Remedies Upon Default."

Credit enhancement for the bonds is intended to protect you against losses or delays in scheduled payments on the bonds.

### **Allocations Between System Restoration Bond and Transition Bond Issuances**

In the event a retail electric provider does not pay in full all amounts owed under any bill, including system restoration charges for the bonds, the amount remitted shall first be allocated ratably among the system restoration charges and other fees and charges (including delivery charges, system restoration charges and transition charges related to other system restoration or transition bonds, and nuclear decommissioning charges) other than late fees, and second, any remaining portion of the remittance shall be attributed to late fees. Please read "Retail Electric Providers—Payment of System Restoration Charges" in this prospectus.

### **State Pledge**

The State of Texas has pledged in the Public Utility Regulatory Act that it will not take or permit any action that would impair the value of the system restoration property, or, except as permitted in connection with a true-up adjustment authorized by the Public Utility Regulatory Act, reduce, alter or impair the system restoration charges until the principal and interest, and any other charges incurred and contracts to be performed in connection with the bonds, have been paid and performed in full. The bonds are not a debt or an obligation of the State of Texas, the PUCT or any other governmental agency or instrumentality and are not a charge on the full faith and credit or the taxing power of the State of Texas or any governmental agency or instrumentality.

### **Optional Redemption**

We may not voluntarily redeem the bonds.

### **Payment and Record Dates**

The payment and record dates for the bonds will be specified in the prospectus supplement.

### **Scheduled Final Payment Dates and Final Maturity Dates**

Failure to pay a scheduled principal payment on any payment date or the entire outstanding amount of the bonds of any tranche by the scheduled final payment date will not result in a default on the bonds. The failure to pay the entire outstanding principal balance of the bonds of any tranche will result in a default only if such payment has not been made by the final maturity date for the tranche. We will specify the scheduled final payment date and the final maturity date of each tranche of the bonds in the prospectus supplement.

### **Ratings for the Bonds**

It will be a condition of issuance for the bonds that the bonds be rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, and "AAA" by Fitch, Inc. Please read "Ratings for the Bonds" in this prospectus.

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**Reports to Bondholders**

Pursuant to the indenture, the trustee will provide to the holders of record of the bonds regular reports prepared by the servicer containing information concerning, among other things, us and the collateral for the bonds. Unless and until the bonds are issued in definitive certificated form, the reports for the bonds will be provided to The Depository Trust Company. The reports will be available to beneficial owners of the bonds upon written request to the trustee or the servicer. These reports will not be examined and reported upon by an independent public accountant. In addition, no independent public accountant will provide an opinion thereon. Please read “The Bonds— The Trustee May Be Required to Provide an Annual Report to All Bondholders.”

**Servicing Compensation**

We will pay the servicer on each payment date the servicing fee with respect to the bonds. As long as CenterPoint Houston or any affiliated entity acts as servicer, this fee will be 0.05% of the initial principal balance of the bonds on an annualized basis. If a successor servicer is appointed, the servicing fee will be negotiated by the successor servicer and the trustee (acting at the direction of the holders of a majority in principal amount of the bonds then outstanding), but will not, unless the PUCT consents, exceed 0.60% of the initial principal balance of the bonds on an annualized basis. In no event will the trustee be liable for any servicing fee in its individual capacity.

**Prohibition from Issuing More than One Series of Bonds**

Our amended and restated limited liability company agreement and the indenture will prohibit us from issuing any bonds other than the bonds that we will offer pursuant to the prospectus supplement.

**Federal Income Tax Status**

In the opinion of Baker Botts L.L.P., counsel to us and CenterPoint Houston, for United States federal income tax purposes, we will not be considered an entity separate from CenterPoint Energy and the bonds will constitute debt of CenterPoint Energy. This opinion is based upon guidance from the Internal Revenue Service and certain representations that we have made to tax counsel. If you purchase a bond, you agree to treat it as debt of CenterPoint Energy for United States federal, state and local income and franchise tax purposes. Please read “Material U.S. Federal Tax Consequences for the Bondholders.”

**ERISA Considerations**

Pension plans and other investors subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), may acquire the bonds subject to specified conditions. The acquisition and holding of the bonds could be treated as a direct or indirect prohibited transaction under ERISA. Accordingly, by purchasing the bonds, each investor purchasing on behalf of a pension plan, or other investor subject to ERISA, will be deemed to certify that the purchase and subsequent holding of the bonds would be exempt from the prohibited transaction rules of ERISA. For further information regarding the application of ERISA, please read “ERISA Considerations.”

**RISK FACTORS**

*Please carefully consider all the information we have included or incorporated by reference in this prospectus and the prospectus supplement, including the risks described below and the statements in “Cautionary Statement Regarding Forward-Looking Information,” before deciding whether to invest in the bonds.*

***You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited.***

The only source of funds for payment of the bonds will be our assets, which consist of the system restoration property securing the bonds, including:

- the rights under a financing order, including the statutory true-up mechanism;
- the right to impose, collect and receive the system restoration charges;

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- the funds on deposit in the accounts held by the trustee;
- our rights under various contracts we describe in this prospectus; and
- any credit enhancement as set forth in the prospectus supplement.

The bonds are not a charge on the full faith and credit or taxing power of the State of Texas or any governmental agency or instrumentality, nor will the bonds be insured or guaranteed by CenterPoint Houston, including in its capacity as the servicer, or by its ultimate parent, CenterPoint Energy, any of its affiliates (other than us), the trustee or by any other person or entity. Thus, you must rely for payment of the bonds solely upon the Public Utility Regulatory Act, legal rights to enforcement of the Public Utility Regulatory Act, the financing order and collections of the system restoration charges, funds on deposit in the related accounts held by the trustee and any other credit enhancement described in the prospectus supplement. Our organizational documents restrict our right to acquire other assets unrelated to the transactions described in this prospectus. Please read “CenterPoint Energy Restoration Bond Company, LLC, The Issuing Entity” in this prospectus.

### **Risks Associated with Potential Judicial, Legislative or Regulatory Actions**

#### ***We are not obligated to indemnify you for changes in law.***

Neither we nor CenterPoint Houston, nor any affiliate, successor or assignee, will indemnify you for any changes in the law, including any federal preemption or repeal or amendment of the Public Utility Regulatory Act, that may affect the value of your bonds. CenterPoint Houston will agree in the sale agreement to institute any legal or administrative action or proceeding as may be reasonably necessary to block or overturn any attempts to cause a repeal, modification or amendment to the Public Utility Regulatory Act that would be materially adverse to us, the trustee or bondholders. Please read “The Sale Agreement—CenterPoint Houston’s Covenants” in this prospectus. However, we cannot assure you that CenterPoint Houston would be able to take this action or that any such action would be successful.

#### ***Future judicial action could reduce the value of your investment in the bonds.***

The system restoration property is the creation of the Public Utility Regulatory Act and the financing order for the bonds that has been issued by the PUCT to CenterPoint Houston. There is uncertainty associated with investing in bonds payable from an asset that depends for its existence on legislation because there is limited judicial or regulatory experience implementing and interpreting the legislation. Because the system restoration property is a creation of the Public Utility Regulatory Act, any judicial determination affecting the validity of or interpreting the Public Utility Regulatory Act, the system restoration property or our ability to make payments on the bonds might have an adverse effect on the bonds. A federal or state court could be asked in the future to determine whether the relevant provisions of the Public Utility Regulatory Act are unlawful or invalid. In June 2001, the Supreme Court of the State of Texas upheld the constitutionality of certain securitization provisions of the Restructuring Amendments, which are incorporated by reference into the System Restoration Amendments. Notwithstanding that decision, a federal or state court could be asked in the future to determine whether the relevant provisions of the Public Utility Regulatory Act are unlawful or invalid. If the System Restoration Amendments or the securitization provisions of the Restructuring Amendments are invalidated, the financing order authorizing us to issue these securities might also be invalidated.

Other states have passed laws permitting the securitization of electric utility costs similar to the Restructuring Amendments and the System Restoration Amendments. Some of the laws that are similar to the Restructuring Amendments have been challenged by judicial actions. To date, none of these challenges has succeeded, but future challenges might be made. An unfavorable decision regarding another state’s law would not automatically invalidate the Restructuring Amendments, the System Restoration Amendments or the financing order, but it might provoke a challenge to the Restructuring Amendments or the System Restoration Amendments, establish a legal precedent for a successful challenge to the Restructuring Amendments or the System Restoration Amendments or heighten awareness of the political and other risks of the bonds, and in that way may limit the liquidity and value of the bonds. Therefore, legal activity in other states may indirectly affect the value of your investment in the bonds.

***The federal government might preempt the Public Utility Regulatory Act without full compensation.***

Congress could pass a law or adopt a rule or regulation negating the existence of or reducing the value of the system restoration property. If federal legislation preempting the Public Utility Regulatory Act or the financing order is enacted, there is no assurance that the courts would consider it a “taking” under the United States Constitution for which the government would be required to pay just compensation or, if it is considered a “taking,” that any amount provided as compensation would be sufficient to pay the full amount of principal of and interest on the bonds or to pay these amounts on a timely basis.

***Future state legislative action could reduce the value of your investment in the bonds.***

Despite its pledge in the Public Utility Regulatory Act not to take or permit certain actions that would impair the value of the system restoration property or the system restoration charges, the Texas legislature might attempt to repeal or amend the Public Utility Regulatory Act in a manner that limits or alters the system restoration property so as to reduce its value. For a description of the State’s pledge, please read “The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs” in this prospectus.

It might be possible for the Texas legislature to repeal or amend the Public Utility Regulatory Act notwithstanding the State’s pledge if the legislature acts in order to serve a significant and legitimate public purpose. Any such action, as well as the costly and time-consuming litigation that likely would ensue, might adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average lives of the bonds. Moreover, the outcome of any litigation cannot be predicted. Accordingly, you might incur a loss on or delay in recovery of your investment in the bonds.

If an action of the Texas legislature adversely affecting the system restoration property or the ability to collect system restoration charges were considered a “taking” under the United States or Texas Constitutions, the State of Texas might be obligated to pay compensation for the taking. However, even in that event, there is no assurance that any amount provided as compensation would be sufficient for you to recover fully your investment in the bonds or to offset interest lost pending such recovery.

Unlike the citizens of some other states, the citizens of the State of Texas currently do not have the constitutional right to adopt or revise state laws by initiative or referendum. Thus, absent an amendment of the Texas Constitution, the Public Utility Regulatory Act cannot be amended or repealed by direct action of the electorate of the State of Texas.

The enforcement of any rights against the State of Texas or the PUCT under the State’s pledge may be subject to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against state and local governmental entities in Texas. These limitations might include, for example, the necessity to exhaust administrative remedies prior to bringing suit in a court, or limitations on type and locations of courts in which the State of Texas or the PUCT may be sued.

***The PUCT might take actions that could reduce the value of your investment in the bonds.***

The Public Utility Regulatory Act provides that a financing order is irrevocable and that the PUCT may not directly or indirectly, by any subsequent action, rescind or amend a financing order or reduce or impair the system restoration charges authorized under a financing order, except for the true-up adjustments to the system restoration charges. However, the PUCT retains the power to adopt, revise or rescind rules or regulations affecting CenterPoint Houston. The PUCT also retains the power to interpret the financing order granted to CenterPoint Houston, and in that capacity might be called upon to rule on the meanings of provisions of the order that might need further elaboration. Any new or amended regulations or orders from the PUCT might affect the ability of the servicer to collect the system restoration charges in full and on a timely basis, the rating of the bonds or their price and, accordingly, the amortization of the bonds and their weighted average lives.

The servicer is required to file with the PUCT, on our behalf, certain adjustments of the system restoration charges. Please read “CenterPoint Houston’s Financing Order—Statutory True-Ups” and “—Adjustments to Allocation of System Restoration Charges” in this prospectus. True-up adjustment procedures have been challenged in the past and may be challenged in the future. Challenges to or delays in the true-up process might adversely affect the market perception and valuation of the bonds. Also, any litigation might materially delay system restoration charge collections due to delayed implementation of true-up adjustments and might result in missing payments or payment delays and lengthened weighted average life of the bonds.



## Servicing Risks

### ***Inaccurate consumption forecasting or unanticipated delinquencies or charge-offs might reduce scheduled payments on the bonds.***

The system restoration charges are generally assessed based on forecasted customer usage, *i.e.*, kilowatt-hours of electricity consumed by customers. The amount and the timeliness of system restoration charge collections will depend in part on actual electricity usage and the amount of collections and write-offs for each customer class. If the servicer inaccurately forecasts electricity consumption or uses inaccurate customer delinquency or charge-off data when setting or adjusting the system restoration charges, or if the effectiveness of the adjustments is delayed for any reason, there could be a shortfall or material delay in system restoration charge collections, which might result in missed or delayed payments of principal and interest and lengthened weighted average life of the bonds. Please read “CenterPoint Houston’s Financing Order—Statutory True-Ups” and “—Adjustments to Allocation of System Restoration Charges” in this prospectus.

In the past, the servicer, in connection with setting Transition Bond Company I’s, Transition Bond Company II’s and Transition Bond Company III’s transition charges, has experienced difficulties from time to time in making accurate forecasts of electricity consumption because of unexpected weather conditions. Inaccurate forecasting of electricity consumption by the servicer might result from, among other things, unanticipated weather or economic conditions, resulting in less electricity consumption than forecast; general economic conditions being worse than expected, causing retail electric customers to migrate from CenterPoint Houston’s service territory or reduce their electricity consumption; the occurrence of a natural disaster, such as a hurricane, or an act of terrorism or other catastrophic event; unanticipated changes in the market structure of the electric industry; customers consuming less electricity than anticipated because of increased energy prices, unanticipated increases in conservation efforts or unanticipated increases in electric usage efficiency; or customers switching to alternative sources of energy, including self-generation of electric power.

The servicer’s use of inaccurate delinquency or charge-off rates might result also from, among other things, unexpected deterioration of the economy or the occurrence of a natural disaster, an act of terrorism or other catastrophic event or the unanticipated declaration of a moratorium on terminating electric service to customers in the event of extreme weather, any of which would cause greater delinquencies or charge-offs than expected or force CenterPoint Houston or any retail electric providers to grant additional payment relief to more customers, or any other unanticipated change in law that makes it more difficult for CenterPoint Houston or retail electric providers to terminate service to nonpaying customers or that requires CenterPoint Houston or retail electric providers to apply more lenient credit standards in accepting retail electric customers.

### ***Your investment in the bonds depends on CenterPoint Houston or its successor or assignee, acting as servicer of the system restoration property.***

CenterPoint Houston, as servicer, will be responsible for, among other things, calculating, billing and collecting the system restoration charges from retail electric providers, submitting requests to the PUCT to adjust these charges, monitoring the collateral for the bonds and taking certain actions in the event of non-payment by a retail electric provider. The trustee’s receipt of collections in respect of the system restoration charges, which will be used to make payments on the bonds, will depend in part on the skill and diligence of the servicer in performing these functions. The systems the State of Texas and servicer have in place for system restoration charge billings and collections might, in particular circumstances, cause the servicer to experience difficulty in performing these functions in a timely and completely accurate manner. CenterPoint Houston, as servicer of the transition charges of Transition Bond Company I, experienced some difficulties in 2002 in implementing and maintaining the systems and procedures required to perform the duties required of it by the servicing agreement relating to Transition Bond Company I. If the servicer fails to make collections for any reason, then the servicer’s payments to the trustee in respect of the system restoration charges might be delayed or reduced. In that event, our payments on the bonds might be delayed or reduced.

### ***If we have to replace CenterPoint Houston as the servicer, we may experience difficulties finding and using a replacement servicer.***

If CenterPoint Houston ceases to service the system restoration property, it might be difficult to find a successor servicer. Also, any successor servicer might have less experience and ability than CenterPoint Houston and might experience difficulties in collecting system restoration charges and determining appropriate adjustments to the system

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restoration charges and billing and/or payment arrangements may change, resulting in delays or disruptions in collections. In the event of the commencement of a case by or against the servicer under the United States Bankruptcy Code or similar laws, we and the trustee might be prevented from effecting a transfer of servicing due to operation of the bankruptcy code. Any of these factors and others might delay the timing of payments and may reduce the value of your investment. Please read “The Servicing Agreement” in this prospectus.

### ***It might be difficult to collect system restoration charges from retail electric providers.***

As required by the Public Utility Regulatory Act, retail electric customers served at distribution voltage will pay the system restoration charges to retail electric providers who supply them with electric power. The retail electric providers will be obligated to remit payments of the system restoration charges, less a specified percentage allowance for charge-offs of delinquent customer accounts, within 35 days of billing from the servicer, even if they do not collect the system restoration charges from retail electric customers. Please read “Retail Electric Providers” in this prospectus. Because the retail electric providers will bill retail electric customers for the system restoration charges, we will have to rely on a relatively small number of entities for the collection of the bulk of the system restoration charges. As of September 30, 2009, CenterPoint Houston did business with approximately 80 retail electric providers. NRG Energy, Inc., through its subsidiary, is CenterPoint Houston’s largest customer. On May 1, 2009, Reliant Energy, Inc. completed the sale of its Texas retail business to NRG Retail LLC, a subsidiary of NRG Energy, Inc. In connection with the sale, Reliant Energy, Inc. changed its name to RRI Energy, Inc. and no longer provides service as a retail electric provider in CenterPoint Houston’s service territory. NRG Energy, Inc., through its subsidiary, accounted for approximately 43% of CenterPoint Houston’s billed receivables from retail electric providers as of September 30, 2009.

Failure by the retail electric providers to remit system restoration charges to the servicer might cause delays in payments on the bonds and adversely affect your investment in the bonds. The servicer will not pay any shortfalls resulting from the failure of any retail electric provider to forward system restoration charge collections.

Adjustments to the system restoration charges and any credit support provided by a retail electric provider, while available to compensate for a failure by a retail electric provider to pay the system restoration charges to the servicer, might not be sufficient to protect the value of your investment in the bonds. Please read “CenterPoint Houston’s Financing Order—Statutory True-ups” in this prospectus.

The Public Utility Regulatory Act provides for one or more retail electric providers in each area to be designated the “provider of last resort” for that area or a specified customer class. The provider of last resort is required to offer basic electric service to retail electric customers in its designated area, regardless of the creditworthiness of the customer. The provider of last resort might face greater difficulty in bill collection than other retail electric providers and therefore the servicer may face greater difficulty in collecting system restoration charges from the provider of last resort.

Retail electric providers may issue a single bill to individual retail customers that includes all charges related to the purchase of electricity, without separately itemizing the system restoration charge component of the bill. A retail electric provider’s use of a consolidated bill might increase the risk that customers who have claims against the retail electric provider will attempt to offset those claims against system restoration charges or increase the risk that, in the event of a bankruptcy of a retail electric provider, a bankruptcy court would find that the retail electric provider has an interest in the system restoration property and would make it more difficult to terminate the services of a bankrupt retail electric provider or collect system restoration charges from its customers.

### ***Competitive metering services might result in unexpected problems in receiving accurate metering data.***

Commercial and industrial retail customers that are required by ERCOT to have an interval data recorder meter may choose to own the settlement and billing meters that are used to measure electric energy delivered to their location or to have those meters owned by a retail electric provider, the transmission and distribution utility or another person authorized by the customer. As of September 30, 2009, CenterPoint Houston continued to provide metering services related to the installation and removal of meters, meter testing and calibration, data collection and data management. Should the PUCT allow third parties to perform those metering services in CenterPoint Houston’s service territory, there might be problems converting to the third party’s metering system, taking accurate meter readings and collecting and processing accurate metering data. Inaccurate metering data might lead to inaccuracies in the calculation and imposition of system restoration charges and might give rise to disputes between the servicer and retail electric providers regarding payments and payment shortfalls resulting in missing or delayed payments of principal and interest and lengthened weighted average life of the bonds.

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### ***The Advanced Metering System (AMS) being deployed throughout CenterPoint Houston's service territory may experience unexpected problems that delay timely receipt of accurate metering data.***

CenterPoint Houston is deploying an AMS throughout its service territory with completion expected by 2014. The deployment consists, among other elements, of replacing existing meters with new electronic meters that will record metering data at 15-minute intervals and wirelessly communicate that information to CenterPoint Houston over a bi-directional communications system being installed for that purpose. The AMS integrates equipment and computer software from various vendors in order to eliminate the need for physical meter readings to be taken at consumers' premises, such as monthly readings for billing purposes and special readings associated with a customer's change in REPs or the connection or disconnection of electric service. Although the AMS was tested before the deployment began, only about 45,000 meters had been installed as of August 1, 2009. Unanticipated difficulties could be encountered during the installation and operation of the AMS, including failures or inadequacy of equipment or software, difficulties in integrating the various components of the AMS and cybersecurity issues, that could result in delayed or inaccurate metering data that might lead to inaccuracies in the calculation and imposition of system restoration charges.

### ***Changes to billing and collection practices might reduce the value of your investment in the bonds.***

The financing order specifies the methodology for determining the amount of the system restoration charges we may impose. The servicer may not change this methodology without approval from the PUCT. However, the servicer may set its own billing and collection arrangements with retail electric providers and retail electric customers, if any, from whom it collects system restoration charges directly, provided that these arrangements comply with the PUCT's customer safeguards. For example, to recover part of an outstanding bill, the servicer may agree to extend a retail electric provider's payment schedule or to write off the remaining portion of the bill, including the system restoration charges. Also, the servicer may change billing and collection practices, which might adversely impact the timing and amount of retail electric customer payments and might reduce system restoration charge collections, thereby limiting our ability to make scheduled payments on the bonds. Separately, the PUCT might require changes to these practices. Any changes in billing and collection practices regulations might make it more difficult for the servicer to collect the system restoration charges and adversely affect the value of your investment in the bonds. Please read "The Seller, Initial Servicer and Sponsor of the System Restoration Property—How CenterPoint Houston Forecasts the Number of Retail Electric Customers and the Amount of Electricity Usage" in this prospectus.

### ***Limits on rights to terminate service might make it more difficult to collect the system restoration charges.***

The financing order expressly provides that we may authorize the servicer to disconnect service for nonpayment of system restoration charges to end-use customers to the same extent as an electric utility. Moreover, if the servicer is billing end-use customers for system restoration charges, the servicer may terminate transmission and distribution service to the customer for non-payment of system restoration charges pursuant to the applicable rules of the PUCT. Nonetheless, Texas statutory requirements and the rules and regulations of the PUCT, which may change from time to time, regulate and control the right to disconnect service. For example, retail electric providers generally may not terminate service to a customer (1) on a holiday or weekend day or the day immediately preceding a holiday or weekend, (2) during certain extreme weather conditions, (3) if such disconnection would cause a person to become seriously ill or more seriously ill, (4) if such customer is an energy assistance client under certain circumstances or (5) if the customer is a master-metered apartment complex unless certain notices are given. To the extent these retail electric customers do not pay for their electric service, retail electric providers will not be able to collect system restoration charges from these retail electric customers. Although retail electric providers will have to pay the servicer the system restoration charges on behalf of those customers (subject to any charge-off allowance and reconciliation rights), required service to non-paying end-use customers could affect the ability of retail electric providers to make such payment.

### ***Future adjustments to the system restoration charges by customer class might result in insufficient collections.***

The customers who pay the system restoration charges are divided into customer classes. The system restoration charges will be allocated among customer classes and assessed in accordance with the formula required under the Public Utility Regulatory Act and specified in the financing order. A shortfall in collections of the system restoration charges in

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one customer class may be corrected by making adjustments to the system restoration charges payable by that customer class and any other customer class. If enough customers in a class fail to pay the system restoration charges or cease to be customers, the servicer might have to substantially increase the system restoration charges for the remaining customers in that customer class and for other customer classes. These increases could lead to further unanticipated failures by the remaining customers to pay the system restoration charges, thereby increasing the risk of a shortfall in funds to pay the bonds. Please read “The Seller, Initial Servicer and Sponsor of the System Restoration Property—Customer Classes” in this prospectus.

### **Storm-Related Risks**

#### ***Storm damage to the service territory could impair payment of the bonds.***

CenterPoint Houston’s service territory was impacted by Hurricane Ike in September 2008, disrupting CenterPoint Houston’s operations. Future storms could have similar effects. Transmission, distribution and usage of electricity could be interrupted temporarily, reducing the collections of system restoration charges. There could be longer-lasting weather-related adverse effects on residential and commercial development and economic activity in CenterPoint Houston’s service territory, which could cause the per-kWh system restoration charge to be greater than expected after adjustment pursuant to the true-up process. Legislative action adverse to the bondholders might be taken in response, and such legislation, if challenged as violative of the State of Texas’ pledge, might be defended on the basis of public necessity. Please read “The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs—the State Pledge” and “Risk Factors—Risks Associated with Potential Judicial, Legislative or Regulatory Actions—Future state legislative action could reduce the value of your investment in the bonds” in this prospectus.

### **Risks Associated with the Unusual Nature of the System Restoration Property**

#### ***We will not receive the system restoration charges in respect of electric service provided more than 15 years from the date of issuance of the bonds.***

CenterPoint Houston will not be entitled to charge system restoration charges for electricity delivered after the fifteenth anniversary of the issuance of the bonds. If the collections from system restoration charges for electricity delivered through the fifteenth anniversary of the bonds, or from any credit enhancement funds, are not sufficient to repay the bonds in full, no other funds will be available to pay the unpaid balance due on the bonds.

#### ***Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect.***

Under the Public Utility Regulatory Act and the indenture, the trustee or the bondholders have the right to foreclose or otherwise enforce the lien on the system restoration property securing the bonds. However, in the event of foreclosure, there is likely to be a limited market, if any, for the system restoration property. Therefore, foreclosure might not be a realistic or practical remedy. Moreover, although principal of the bonds will be due and payable upon acceleration of the bonds before maturity, the system restoration charges may not be accelerated and the nature of our business will result in principal of the bonds being paid as funds become available. If there is an acceleration of the bonds, all tranches of the bonds will be paid pro rata; therefore, some tranches might be paid earlier than expected and some tranches might be paid later than expected.

### **Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer**

*For a detailed discussion of the following bankruptcy risks, please read “How a Bankruptcy May Affect Your Investment” in this prospectus.*

#### ***The servicer will commingle the system restoration charges with other revenues it collects, which might obstruct access to the system restoration charges in case of the servicer’s bankruptcy and reduce the value of your investment in the bonds.***

The servicer will be required to remit collections to the trustee within two business days of receipt. The servicer will not segregate the system restoration charges from the other funds it collects from retail electric customers or retail electric providers or its general funds. The system restoration charges will be segregated only when the servicer pays them to the trustee.

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Despite this requirement, the servicer might fail to pay the full amount of the system restoration charges to the trustee or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of system restoration charge collections available to make payments on the bonds.

The Public Utility Regulatory Act provides that our rights to the system restoration property are not affected by the commingling of these funds with any other funds of the servicer. In a bankruptcy of the servicer, however, a bankruptcy court might rule that federal bankruptcy law does not recognize our right to collections of the system restoration charges that are commingled with other funds of the servicer as of the date of bankruptcy. If so, the collections of the system restoration charges held by the servicer as of the date of bankruptcy would not be available to pay amounts owing on the bonds. In this case, we would have only a general unsecured claim against the servicer for those amounts. This decision could cause material delays in payments of principal or interest, or losses, on your bonds and could materially reduce the value of your investment in the bonds, particularly if it occurred in the fifteenth year of the bonds after the completion of which no system restoration charges can be charged. Please read “How a Bankruptcy May Affect Your Investment” in this prospectus.

### ***The bankruptcy of CenterPoint Houston or any successor seller might result in losses or delays in payments on the bonds.***

The Public Utility Regulatory Act and the financing order provide that as a matter of Texas state law:

- the rights and interests of a selling utility under a financing order, including the right to impose, collect and receive system restoration charges, are contract rights of the seller,
- the seller may make a present transfer of its rights under a financing order, including the right to impose, collect and receive future system restoration charges that retail customers do not yet owe,
- upon the transfer to us, the rights will become system restoration property, and system restoration property constitutes a present property right, even though the imposition and collection of system restoration charges depend on further acts that have not yet occurred, and
- a transfer of the system restoration property from the seller, or its assignee, to us that expressly states the transfer is a sale or other absolute transfer is a true sale of the system restoration property, not a pledge of the system restoration property to secure a financing by the seller.

Please read “The System Restoration Amendments” in this prospectus. These provisions are important to maintaining payments on the bonds in accordance with their terms during any bankruptcy of CenterPoint Houston. In addition, the transaction has been structured with the objective of keeping us legally separate from CenterPoint Houston and its affiliates in the event of a bankruptcy of CenterPoint Houston or any such affiliates.

A bankruptcy court generally follows state property law on issues such as those addressed by the state law provisions described above. However, a bankruptcy court does not follow state law if it determines that the state law is contrary to a paramount federal bankruptcy policy or interest. If a bankruptcy court in a CenterPoint Houston bankruptcy refused to enforce one or more of the state property law provisions described above, the effect of this decision on you as a beneficial owner of the bonds might be similar to the treatment you would receive in a CenterPoint Houston bankruptcy if the bonds had been issued directly by CenterPoint Houston. A decision by the bankruptcy court that, despite our separateness from CenterPoint Houston, our assets and liabilities and those of CenterPoint Houston should be consolidated would have a similar effect on you as a bondholder.

We have taken steps together with CenterPoint Houston, as the seller, to reduce the risk that in the event the seller or an affiliate of the seller were to become the debtor in a bankruptcy case, a court would order that our assets and liabilities be substantively consolidated with those of CenterPoint Houston or an affiliate. Nonetheless, these steps might not be completely effective, and thus if CenterPoint Houston or an affiliate of the seller were to become a debtor in a bankruptcy case, a court might order that our assets and liabilities be consolidated with those of CenterPoint Houston or an affiliate of the seller. This might cause material delays in payment of, or losses on, your bonds and might materially reduce the value of your investment in the bonds. For example:

- without permission from the bankruptcy court, the trustee might be prevented from taking actions against CenterPoint Houston or recovering or using funds on your behalf or replacing CenterPoint Houston as the servicer,

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- the bankruptcy court might order the trustee to exchange the system restoration property for other property, of lower value,
- tax or other government liens on CenterPoint Houston's property might have priority over the trustee's lien and might be paid from collected system restoration charges before payments on the bonds,
- the trustee's lien might not be properly perfected in the collected system restoration property collections prior to or as of the date of CenterPoint Houston's bankruptcy, with the result that the bonds would represent only general unsecured claims against CenterPoint Houston,
- the bankruptcy court might rule that neither our property interest nor the trustee's lien extends to system restoration charges in respect of electricity consumed after the commencement of CenterPoint Houston's bankruptcy case, with the result that the bonds would represent only general unsecured claims against CenterPoint Houston,
- we and CenterPoint Houston might be relieved of any obligation to make any payments on the bonds during the pendency of the bankruptcy case and might be relieved of any obligation to pay interest accruing after the commencement of the bankruptcy case,
- CenterPoint Houston might be able to alter the terms of the bonds as part of its plan of reorganization,
- the bankruptcy court might rule that the system restoration charges should be used to pay, or that we should be charged for, a portion of the cost of providing electric service, or
- the bankruptcy court might rule that the remedy provisions of the sale agreement are unenforceable, leaving us with an unsecured claim for actual damages against CenterPoint Houston that may be difficult to prove or, if proven, to collect in full.

Furthermore, if CenterPoint Houston enters bankruptcy proceedings, it might be permitted to stop acting as servicer and it may be difficult to find a third party to act as servicer. The failure of the servicer to perform its duties or the inability to find a successor servicer might cause payment delays or losses on your investment in the bonds. Also, the mere fact of a servicer or seller bankruptcy proceeding might have an adverse effect on the resale market for the bonds and on the value of the bonds.

***The sale of the system restoration property might be construed as a financing and not a sale in a case of CenterPoint Houston's bankruptcy which might delay or limit payments on the bonds.***

The Public Utility Regulatory Act provides that the characterization of a transfer of system restoration property as a sale or other absolute transfer will not be affected or impaired by treatment of the transfer as a financing for federal or state tax purposes or financial reporting purposes. We and CenterPoint Houston will treat the transaction as a sale under applicable law, although for financial reporting and state income and franchise tax purposes the transaction is intended to be treated as a financing. In the event of a bankruptcy of CenterPoint Houston, a party in interest in the bankruptcy might assert that the sale of the system restoration property to us was a financing transaction and not a "sale or other absolute transfer" and that the treatment of the transaction for financial reporting and tax purposes as a financing and not a sale lends weight to that position. If a court were to characterize the transaction as a financing, we expect that we would, on behalf of ourselves and the trustee, be treated as a secured creditor of CenterPoint Houston in the bankruptcy proceedings, although a court might determine that we only have an unsecured claim against CenterPoint Houston. Please read "—The servicer will commingle the system

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restoration charges with other revenues it collects, which might obstruct access to the system restoration charges in case of the servicer's bankruptcy and reduce the value of your investment in the bonds" above. Even if we had a security interest in the system restoration property, we would not likely have access to the system restoration charge collections during the bankruptcy and would be subject to the risks of a secured creditor in a bankruptcy case, including the possible bankruptcy risks described in the immediately preceding risk factor. As a result, repayment of the bonds might be significantly delayed and a plan of reorganization in the bankruptcy might permanently modify the amount and timing of payments to us of the system restoration charge collections and therefore the amount and timing of funds available to us to pay bondholders.

***If the servicer enters bankruptcy proceedings, the collections of the system restoration charges held by the servicer as of the date of bankruptcy might constitute preferences, which means these funds might be unavailable to pay amounts owing on the bonds.***

In the event of a bankruptcy of the servicer, a party in interest might take the position that the remittance of funds prior to bankruptcy of the servicer, pursuant to the servicing agreement or intercreditor agreement, constitutes a preference under bankruptcy law if the remittance of those funds was deemed to be paid on account of a preexisting debt. If a court were to hold that the remittance of funds constitutes a preference, any such remittance within 90 days of the filing of the bankruptcy petition could be avoidable, and the funds could be required to be returned to the bankruptcy estate of the servicer. To the extent that system restoration charges have been commingled with the general funds of the servicer, the risk that a court would hold that a remittance of funds was a preference would increase. Also, we or the servicer may be considered an "insider" with any retail electric provider that is affiliated with us or the servicer. If the servicer or we are considered to be an "insider" of the retail electric provider, any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, we or the trustee would merely be an unsecured creditor of the servicer. If any funds were required to be returned to the bankruptcy estate of the servicer, we would expect that the amount of any future system restoration charges would be increased through the statutory true-up mechanism to recover such amount.

***Claims against CenterPoint Houston or any successor seller might be limited in the event of a bankruptcy of the seller.***

If the seller were to become a debtor in a bankruptcy case, claims, including indemnity claims, by us against the seller under the sale agreement and the other documents executed in connection with the sale agreement would be unsecured claims and would be disposed of in the bankruptcy case. In addition, the bankruptcy court might estimate any contingent claims that we have against the seller and, if it determines that the contingency giving rise to these claims is unlikely to occur, estimate the claims at a lower amount. A party in interest in the bankruptcy of the seller might challenge the enforceability of the indemnity provisions in a sale agreement. If a court were to hold that the indemnity provisions were unenforceable, we would be left with a claim for actual damages against the seller based on breach of contract principles, which would be subject to estimation and/or calculation by the court. We cannot give any assurance as to the result if any of the above-described actions or claims were made. Furthermore, we cannot give any assurance as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving the seller.

***The bankruptcy of CenterPoint Houston or any successor seller might limit the remedies available to the trustee.***

Upon an event of default for the bonds under the indenture, the Public Utility Regulatory Act permits the trustee to enforce the security interest in the system restoration property in accordance with the terms of the indenture. In this capacity, the trustee is permitted to request the PUCT or a Travis County, Texas district court to order the sequestration and payment to bondholders of all revenues arising with respect to the system restoration property. There can be no assurance, however, that the PUCT or the Travis County, Texas district court would issue this order after a CenterPoint Houston bankruptcy in light of the automatic stay provisions of Section 362 of the United States Bankruptcy Code. In that event, the trustee would be required to seek an order from the bankruptcy court lifting the automatic stay to permit this action by the Texas court, and an order requiring an accounting and segregation of the revenues arising from the system restoration property. There can be no assurance that a court would grant either order.



## **Risks Associated with Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers**

***Retail electric providers may commingle the system restoration charges with other revenues they collect. This may cause losses on or reduce the value of your investment in the bonds in the event a retail electric provider enters bankruptcy proceedings.***

A retail electric provider is not required to segregate from its general funds the system restoration charges it collects, but will be required to remit to the servicer amounts billed to it for system restoration charges, less an amount relating to expected customer charge-offs, within 35 days of the billing by the servicer. A retail electric provider nevertheless might fail to remit the full amount of the system restoration charges owed to the servicer or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of system restoration charge collections available on the next payment date to make timely payments on the bonds.

The Public Utility Regulatory Act provides that our rights to the system restoration property are not affected by the commingling of these funds with other funds. In a bankruptcy of a retail electric provider, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the Public Utility Regulatory Act and does not recognize our right to receive the collected system restoration charges that are commingled with other funds of a retail electric provider as of the date of bankruptcy. If so, the collections of the system restoration charges held by a retail electric provider as of the date of bankruptcy would not be available to pay amounts owing on the bonds. In this case, we would have only a general unsecured claim against the retail electric provider for those amounts. This decision might cause material delays in payments of principal or interest or losses on your bonds and could materially reduce the value of your investment in the bonds, particularly if it occurred in the fifteenth year of the bonds after the completion of which no system restoration charges can be charged. Please read “How a Bankruptcy May Affect Your Investment” in this prospectus.

***If a retail electric provider enters bankruptcy proceedings, any cash deposit of the retail electric provider held by the trustee might not be available to cover amounts owed by the retail electric provider.***

If a retail electric provider does not have the credit rating required by the financing order, it may nevertheless qualify to act as a retail electric provider if, among other alternatives, it provides a cash deposit equal to two months’ maximum expected system restoration charge collections. Please read “Retail Electric Providers” in this prospectus. That cash deposit will be held by the trustee under the indenture. However, it is unclear whether the Public Utility Regulatory Act creates a lien on the cash deposit in favor of the trustee. If the retail electric provider becomes bankrupt, the trustee would be stayed from applying that cash deposit to cover amounts owed by the retail electric provider, and the trustee might be required to return that cash deposit to the retail electric provider’s bankruptcy estate if the bankruptcy court determines there is no valid right of set-off or recoupment. In that case, the issuing entity might only have an unsecured claim for any amounts owed by the retail electric provider in the retail electric provider’s bankruptcy proceedings. Three retail electric providers with which CenterPoint Houston has done business have filed for bankruptcy. CenterPoint Houston, as servicer under the transition bonds issued by Transition Bond Company I and Transition Bond Company II was able to recover the full amount or a substantial majority of the transition charges relating to those transition bonds from cash deposits or a combination of cash deposits and payments from these retail electric providers, but there is no assurance that CenterPoint Houston will be able to recover such amounts from any bankrupt retail electric providers in the future. For additional information regarding the bankruptcies of these retail electric providers, please read “The Seller, Initial Servicer and Sponsor of the System Restoration Property—Customer Classes—Relationship With Retail Electric Providers.”

***If a retail electric provider enters bankruptcy proceedings, system restoration charge payments made by that retail electric provider to the servicer might constitute preferences, and the servicer may be required to return such funds to the bankruptcy estate of the retail electric provider.***

In the event of a bankruptcy of a retail electric provider, a party in interest might take the position that the remittance of funds by the retail electric provider to the servicer, pursuant to the financing order, prior to bankruptcy constitutes a preference under bankruptcy law if the remittance of those funds was deemed to be paid on account of a preexisting debt. If a court were to hold that the remittance of funds constitutes preferences, any remittance of such funds made within 90 days of the filing of the bankruptcy petition might be avoidable, and the funds might be required to be returned to the bankruptcy estate of the retail electric provider by us or the servicer. To the extent that system restoration charges have been commingled with the general funds of the retail electric provider, the risk that a court would hold that a remittance of funds was a preference would increase. Also, we or the servicer might be considered an “insider” with any retail electric provider that is affiliated with us or the servicer. If the servicer or we are considered to be an “insider” of the retail electric provider, any such remittance made within one year of the filing of the bankruptcy petition could be avoidable as well if the court were to hold that such remittance constitutes a preference. In either case, we or the servicer would merely be an unsecured creditor of the retail electric provider. If any funds were required to be returned to the bankruptcy estate of the retail electric provider, we would expect that the amount of any future system restoration charges would be increased through the statutory true-up mechanism to recover the amount returned.



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Furthermore, the mere fact of a retail electric provider bankruptcy proceeding could have an adverse effect on the resale market for the bonds and on the value of the bonds. Please read “How a Bankruptcy May Affect Your Investment” in this prospectus.

***If a retail electric provider defaults with respect to the payment of system restoration charges owed to the servicer, any cash deposit or other collateral of the retail electric provider held by the trustee might not cover amounts owed by the retail electric provider.***

If a retail electric provider does not have the ratings required by the financing order, the retail electric provider must provide a cash deposit or other collateral which is reviewed as often as each quarter to ensure that the amount of such collateral equals or exceeds two months' maximum collections. If a retail electric provider defaults with respect to the payment of system restoration charges, the amount of such collateral may be inadequate as a result of factors that include (a) an increase in a retail electric provider's number of customers or the electric usage of its customers shortly before the default, (b) the length of time between the initial payment default by a retail electric provider and the date all of such retail electric provider's retail electric customers are transferred to another retail electric provider, and (c) deficiencies in the collateral documentation or a failure of a guarantor, letter of credit of provider or surety to honor a demand for payment.

### **Other Risks Associated with an Investment in the Bonds**

***CenterPoint Houston's indemnification obligations under the sale and servicing agreements are limited and might not be sufficient to protect your investment in the bonds.***

CenterPoint Houston is obligated under the sale agreement to indemnify us and the trustee, for itself and on behalf of the bondholders, only in specified circumstances and will not be obligated to repurchase any system restoration property in the event of a breach of any of its representations, warranties or covenants regarding the system restoration property. Similarly, CenterPoint Houston is obligated under the servicing agreement to indemnify us, the trustee, for itself and on behalf of the bondholders, and the PUCT only in specified circumstances. Please read “The Sale Agreement” and “The Servicing Agreement” in this prospectus.

Neither the trustee nor the bondholders will have the right to accelerate payments on the bonds as a result of a breach under the sale agreement or the servicing agreement, absent an event of default under the indenture as described in “The Bonds—What Constitutes an Event of Default on the Bonds.” Furthermore, CenterPoint Houston might not have sufficient funds available to satisfy its indemnification obligations under these agreements, and the amount of any indemnification paid by CenterPoint Houston might not be sufficient for you to recover all of your investment in the bonds. In addition, if CenterPoint Houston becomes obligated to indemnify bondholders, the ratings on the bonds may be downgraded as a result of the circumstances causing the breach and the fact that bondholders will be unsecured creditors of CenterPoint Houston with respect to any of these indemnification amounts.

***CenterPoint Houston's ratings might affect the market value of the bonds.***

A downgrading of the credit ratings on the debt of CenterPoint Houston might have an adverse effect on the market value of your bonds. Credit ratings may change at any time. A rating agency has the authority to revise or withdraw its rating based solely upon its own judgment. On April 30, 2009, S&P affirmed the senior long-term debt rating of CenterPoint Houston but revised its outlook to negative from stable. An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term. On August 3, 2009, Moody's upgraded the ratings of CenterPoint Houston's senior secured debt from “Baa2” to “Baa1.” Moody's outlook for CenterPoint Houston is positive.

***The credit ratings are no indication of the expected rate of payment of principal on the bonds.***

The bonds will be rated by one or more established rating agencies. A rating is not a recommendation to buy, sell or hold bonds. The ratings merely analyze the probability that we will repay the total principal amount of the bonds at the final maturity date (which is later than the scheduled final payment date) and will make timely interest payments. The ratings are not an indication that the rating agencies believe that principal payments are likely to be paid on time according to the expected sinking fund schedule.

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### ***Alternatives to purchasing electricity through CenterPoint Houston's distribution facilities may be more widely utilized by retail electric customers in the future.***

Broader use of distributed generation by retail electric customers may result from customers' changing perceptions of the merits of utilizing existing generation technology or from technological developments resulting in smaller-scale, more fuel efficient, more environmentally friendly and/or more cost effective distributed generation. Electric customers within CenterPoint Houston's service territory whose load is served by an on-site power production facility with a rated capacity of 10 megawatts or less are not required to pay system restoration charges under the financing order except for system restoration charges associated with services actually provided by CenterPoint Houston. Therefore, more widespread use of distributed generation might allow greater numbers of retail customers to reduce or eliminate their payment of system restoration charges causing system restoration charges to remaining customers to increase.

### ***The absence of a secondary market for the bonds might limit your ability to resell your bonds.***

The underwriters for the bonds might assist in resales of the bonds, but they are not required to do so. A secondary market for the bonds might not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your bonds. Please read "Plan of Distribution for the Bonds" in this prospectus.

### ***You might receive principal payments for the bonds later than you expect.***

The amount and the timeliness of collection of the system restoration charges, together with the system restoration charge adjustments, will generally determine whether there is a delay in the scheduled repayments of bond principal. If the servicer collects system restoration charges at a slower rate than the rate estimated when the schedule for the repayments of bond principal was established and true up adjustments to the system restoration charges are not timely and accurate, you might experience a delay in payments of principal and interest and a decrease in the value of your investment in the bonds. Please read "The Bonds" in this prospectus.

### ***If the investment of collected system restoration charges and other funds held by the trustee in the collection account results in investment losses or the investments become illiquid, you may receive payment of principal and interest on the bonds later than you expect.***

Funds held by the trustee in the Collection Account and cash collateral provided by retail electric providers will be invested in eligible investments. Eligible investments include money market funds having a rating from Moody's and S&P of "Aaa" and "AAA", respectively. Although investments in these money market funds have traditionally been viewed as highly liquid with a low probability of principal loss, illiquidity and principal losses have been experienced by investors in certain of these funds as a result of recent disruptions in the financial markets. If investment losses or illiquidity is experienced, you might experience a delay in payments of principal and interest and a decrease in the value of your investment in the bonds.

### ***Other subsidiaries or affiliates of CenterPoint Houston may issue bonds similar to the bonds in the future without your prior review or approval.***

CenterPoint Houston has previously sold transition property created pursuant to other financing orders to other subsidiaries of CenterPoint Houston in connection with the issuance of transition bonds. CenterPoint Houston may sell other system restoration property or transition property created pursuant to a financing order it may obtain in the future to other subsidiaries or affiliates of CenterPoint Houston in connection with the issuance of other system restoration bonds or transition bonds in the future without your prior review or approval. In the event a retail electric provider does not pay in full all amounts owed under any bill, including system restoration charges for the bonds and other similar bonds and transition bonds, the amount remitted shall first be allocated ratably among the system restoration charges and transition charges relating to all such system restoration bonds and transition bonds and other fees and charges (including delivery charges and nuclear decommissioning charges) other than late fees, and second, any remaining portion of the remittance shall be attributed to late fees. We cannot assure you that the issuance of additional bonds similar to the bonds would not cause reductions or delays in payments on the bonds.

## **THE SYSTEM RESTORATION AMENDMENTS**

### **The System Restoration Amendments' General Effect on Electric Utilities in Texas**

*An Overview of the System Restoration Amendments.* The System Restoration Amendments were enacted by the Texas legislature in April 2009 and became effective on April 16, 2009. The System Restoration Amendments amended the Public Utility Regulatory Act to, among other things,

- provide for recovery of system restoration costs incurred by electric utilities as a result of hurricanes, tropical storms, ice or snow storms, floods and other weather-related events and natural disasters,

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- permit electric utilities to recover the Securitizable Balance (as defined below) and up-front qualified costs through the issuance of system restoration bonds pursuant to and supported by an irrevocable financing order issued by the PUCT, and
- permit the PUCT to impose an irrevocable nonbypassable system restoration charge on all retail electric customers within a utility's certificated service territory for payment of system restoration bonds.

For electric utilities (including CenterPoint Houston) whose service territories are part of the Electric Reliability Council of Texas (ERCOT), only the system restoration costs related to the utility's distribution system may be securitized and only those retail customers served at distribution voltage are required to pay the system restoration charges. For electric utilities serving areas not in ERCOT, both the distribution and transmission related system restoration costs may be securitized.

Pursuant to the System Restoration Amendments, securitization of system restoration costs will be accomplished using the same procedures, standards and protections for securitization authorized by the Restructuring Amendments for securitization of transition costs through the issuance of transition bonds to the extent those provisions do not conflict with the new amendments.

### **CenterPoint Houston and Other Utilities May Securitize Qualified Costs**

*We May Issue System Restoration Bonds to Recover CenterPoint Houston's Qualified Costs.* The System Restoration Amendments authorize the PUCT to issue financing orders approving the issuance of system restoration bonds to recover certain qualified costs of an electric utility. A utility, its successors or a third-party assignee of a utility may obtain securitization financing through the issuance of system restoration bonds. Under the System Restoration Amendments, proceeds of system restoration bonds must be used to reduce the amount of recoverable system restoration costs including but not limited to the refinancing or retirement of the electric utility's debt or equity. The system restoration bonds are secured by, and payable from, system restoration property, which includes the right to impose, collect and receive system restoration charges, and may have a maximum maturity of 15 years. The amounts of system restoration charges must be allocated to customers in the same manner as the corresponding facilities and related expenses are allocated in the utility's most recent PUCT order addressing rate design. System restoration charges can be imposed only when and to the extent that system restoration bonds are issued.

The Public Utility Regulatory Act contains a number of provisions designed to facilitate the securitization of qualified costs.

*Creation of System Restoration Property.* Under the Public Utility Regulatory Act, system restoration property is created when the rights and interests of an electric utility or successor under a financing order, including the right to impose, collect and receive system restoration charges authorized in the financing order, are first transferred to an assignee, such as us, or pledged in connection with the issuance of system restoration bonds. System restoration property is known as "transition property" in the Public Utilities Regulatory Act.

*A Financing Order is Irrevocable.* A financing order, once effective, together with the system restoration charges authorized in the financing order, is irrevocable and not subject to reduction, impairment or adjustment by the PUCT except for adjustments pursuant to the Public Utility Regulatory Act in order to correct overcollections or undercollections and to provide that sufficient funds are available to timely provide for payments of debt service and other required amounts in connection with the related series of system restoration bonds. Although a financing order is irrevocable, the Public Utility Regulatory Act allows applicants to apply for one or more new financing orders to provide for retiring and refunding of system restoration bonds if such retirement or refunding would result in lower system restoration charges.

*The State Pledge.* Under the Public Utility Regulatory Act, the State of Texas has pledged, for the benefit and protection of bondholders and the electric utilities covered by the Public Utility Regulatory Act, that it will not take or permit any action that would impair the value of the system restoration property or, except for adjustments discussed in "CenterPoint Houston's Financing Order—Statutory True-ups," reduce, alter or impair the system restoration charges to be imposed, collected and remitted to bondholders, until the principal, interest, and any other charges incurred and contracts to be performed in connection with the bonds have been paid and performed in full. For a description of risks related to the enforcement of this pledge, please read "Risks Associated with Potential Judicial, Legislative or Regulatory Actions" in this prospectus.

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*Constitutional Matters.* To date, no federal or Texas cases addressing the repeal or amendment of securitization provisions analogous to those contained in the Public Utility Regulatory Act have been decided. There have been cases in which federal courts have applied the Contract Clause of the United States Constitution and Texas courts have applied the Contract Clause of the Texas Constitution to strike down legislation regarding similar matters, such as legislation reducing or eliminating taxes, public charges or other sources of revenues servicing other types of bonds issued by public instrumentalities or private issuers, or otherwise substantially impairing or eliminating the security for bonds or other indebtedness. Based upon this case law, Baker Botts L.L.P., counsel to CenterPoint Houston and us, expects to deliver an opinion prior to the closing of the offering of the bonds to the effect that the pledge described above creates a binding contractual obligation for purposes of the Contract Clauses of the United States and Texas constitutions, and provides a basis upon which the bondholders (or the trustee acting on their behalf) could challenge successfully, under the Contract Clauses of the United States and Texas constitutions, the constitutionality of any action by the State of Texas (including the PUCT) of a legislative character, including the repeal or amendment of the securitization provisions of the Public Utility Regulatory Act, that a court would determine violates the pledge described above in a way that would substantially reduce, alter or impair the value of the system restoration property or substantially reduce, alter or impair the system restoration charges, unless such action is a reasonable exercise of the sovereign powers of the State of Texas and of a character reasonable and appropriate to the public purpose justifying such action. It may be possible for the Texas legislature to repeal or amend the Public Utility Regulatory Act, or for the PUCT to amend or revoke the financing order notwithstanding the State's pledge, if the legislature or the PUCT acts in order to serve a significant and legitimate public purpose, such as protecting the public health and safety or responding to a national or regional catastrophe affecting CenterPoint Houston's service territory, or if the legislature otherwise acts in the valid exercise of the state's police power.

In addition, any action of the Texas legislature adversely affecting the system restoration property or the ability to collect system restoration charges may be considered a "taking" under the United States or Texas Constitutions. Baker Botts L.L.P. has advised us that it is not aware of any federal or Texas court cases addressing the applicability of the Takings Clause of the United States or Texas Constitution in a situation analogous to that which could be involved in an amendment or repeal of the securitization provisions of the Public Utility Regulatory Act. It is possible that a court would decline even to apply a Takings Clause analysis to a claim based on an amendment or repeal of the securitization provisions of the Public Utility Regulatory Act or Public Utility Regulatory Act incorporated therein, since, for example, a court might determine that a Contract Clause analysis rather than a Takings Clause analysis should be applied. Assuming a Takings Clause analysis were applied under the United States or Texas Constitution, Baker Botts L.L.P. expects to render an opinion prior to the closing of the offering of the bonds to the effect that under existing case law, if a court concludes that the system restoration property is protected by the Takings Clause of the United States or Texas Constitution, it would find a compensable taking if the State were to enact a law that, without paying just compensation to the bondholders (i) permanently appropriates the system restoration property or denies all economically productive use of the system restoration property; or (ii) destroys the system restoration property, other than in response to emergency conditions; or (iii) substantially reduces, alters or impairs the value of the system restoration property, if the law unduly interferes with such bondholders' reasonable investment-backed expectations. In examining whether action of the Texas legislature amounts to a regulatory taking, both federal and state courts will consider the character of the governmental action and whether such action substantially advances the State's legitimate governmental interests, the economic impact of the governmental action on the bondholders, and the extent to which the governmental action interferes with distinct investment-backed expectations. There is no assurance, however, that, even if a court were to award just compensation, it would be sufficient for you to recover fully your investment in the bonds. In connection with the foregoing, Baker Botts L.L.P. has advised us that issues relating to the Contract and Takings Clauses of the United States and Texas constitutions are essentially decided on a case-by-case basis and that the courts' determinations, in most cases, appear to be strongly influenced by the facts and circumstances of the particular case. Baker Botts L.L.P. has further advised us that there are no reported controlling judicial precedents that are directly on point. The opinions described above will be subject to the qualifications included in them. The degree of impairment necessary to meet the standards for relief under a Takings Clause analysis or Contract Clause analysis could be substantially in excess of what a bondholder would consider material. We will file a copy of the Baker Botts L.L.P. opinion as an exhibit to the registration statement of which this prospectus is a part, or to one of our periodic filings with the SEC.

For a discussion of risks associated with potential judicial, legislative or regulatory actions, please read "Risk Factors—Risks Associated with Potential Judicial, Legislative or Regulatory Actions" in this prospectus.

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*The PUCT May Adjust System Restoration Charges.* The Public Utility Regulatory Act requires the PUCT to provide in all financing orders a mechanism requiring that system restoration charges relating to the series of system restoration bonds authorized in such financing order be reviewed and adjusted at least annually, within 45 days of the anniversary of the date of the issuance of such series of system restoration bonds:

- to correct any overcollections or undercollections during the preceding 12 months, and
- to provide for the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with such series of system restoration bonds.

*System Restoration Charges are Nonbypassable.* The Public Utility Regulatory Act provides that the system restoration charges are nonbypassable. Nonbypassable means that a utility collects system restoration charges attributable to all existing and future retail electric customers located within the utility's service territory as it existed on August 26, 2009, which is the date the financing order was issued. Customers who, before such date, request to be switched to another electric utility, electric cooperative, or municipally owned utility or who switch to on-site power production facilities of 10 megawatts or less will not be responsible for paying system restoration charges.

*The Public Utility Regulatory Act Protects the System Restoration Bonds' Lien on System Restoration Property.* The Public Utility Regulatory Act provides that a valid and enforceable lien and security interest in system restoration property may be created only by a financing order and the execution and delivery of a security agreement in connection with the issuance of a series of system restoration bonds. The security interest automatically attaches from the time value is received by the issuer of such series of bonds.

On perfection through the filing of a notice with the Secretary of State of Texas, the security interest (1) will be a continuously perfected lien and security interest in the related system restoration property and all proceeds of such system restoration property, whether the related system restoration charges have accrued or not, and (2) will have a priority in the order of filing and take precedence over any subsequent judicial or other lien creditor. If notice is filed within 10 days after value is received for a series of system restoration bonds, the security interest is perfected retroactive to the date value was received. Otherwise, the security interest is perfected as of the date of filing.

The Public Utility Regulatory Act provides that priority of security interests in system restoration property relating to a series of system restoration bonds will not be impaired by:

- commingling of funds collected from related system restoration charges with other funds, or
- modifications to the financing order resulting from any true-up adjustment.

Please read "Risk Factors—Risks Associated With the Unusual Nature of the System Restoration Property."

*The Public Utility Regulatory Act Characterizes the Transfer of System Restoration Property as a True Sale.* The Public Utility Regulatory Act provides that an electric utility's or an assignee's transfer of system restoration property is a "true sale" under Texas law and is not a secured transaction and that legal and equitable title passes to the transferee, if the agreement governing that transfer expressly states that the transfer is a sale or other absolute transfer. Please read "The Sale Agreement" and "Risk Factors—Risks Associated With Potential Bankruptcy Proceedings of the Seller or the Servicer" in this prospectus.

*Tax Exemption.* The Public Utility Regulatory Act provides that transactions involving the transfer and ownership of system restoration property and the receipt of system restoration charges are exempt from state and local income, sales, franchise, gross receipts and other taxes or similar charges.

## **CENTERPOINT HOUSTON'S FINANCING ORDER**

*Background.* The PUCT issued the financing order on August 26, 2009 authorizing CenterPoint Houston to securitize (1) the system restoration cost amount related to distribution operations approved by the PUCT (\$643 million as of September 1, 2009), plus (2) carrying charges through the date costs are securitized, minus (3) all insurance proceeds, government grants, or other sources of funding that compensate CenterPoint Houston for the distribution-related system

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restoration costs approved by the PUCT (together, the “Securizable Balance”), plus (4) up-front qualified costs. CenterPoint Houston expects to receive insurance proceeds and may receive government grants and/or other funding that compensate CenterPoint Houston for some of the Hurricane-like distribution-related system restoration costs approved by the PUCT, but has not yet settled the outstanding insurance claim or received any government grants or other funding. The right to receive insurance proceeds, government grants or other funding will be retained by CenterPoint Houston and neither the right to receive proceeds, grants or funding nor any proceeds, grants or funding received by CenterPoint Houston will become a part of the system restoration property owned by us. Any government grants, other funding or final insurance settlements received by CenterPoint Houston will be taken into account by the PUCT in CenterPoint Houston’s next base rate case or any subsequent proceeding and may be applied to reduce other rates charged by CenterPoint Houston; however, the System Restoration Amendments and the financing order prohibit application of any such amounts in a manner that would reduce the system restoration charges or otherwise affect the stream of revenues available to service the bonds.

Pursuant to the financing order,

- the PUCT or its designated representative has a decision-making role co-equal with CenterPoint Houston with respect to the structuring, marketing and pricing of the bonds and all matters related to the structuring, marketing and pricing of the bonds will be determined through a joint decision of CenterPoint Houston and the PUCT or its designated representative,
- CenterPoint Houston is directed to take all necessary steps to ensure that the PUCT or its designated representative is provided sufficient and timely information to allow the PUCT or its designated representative to fully participate in, and exercise its decision making power over, the proposed securitization, and
- the servicer will file periodic adjustments to system restoration charges with the PUCT on our behalf.

We have also agreed that certain reports concerning system restoration charge collections will be provided to the PUCT.

We have filed the financing order with the SEC as an exhibit to the registration statement of which this prospectus forms a part. This summary does not purport to be complete and is subject to and qualified by reference to the provisions of the financing order.

In the financing order, the PUCT guarantees that it will act pursuant to the irrevocable financing order as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues relating to the bonds are sufficient to pay on a timely basis scheduled principal and interest on the bonds and other costs, including fees and expenses, in connection with the bonds. The financing order, pursuant to the provisions of the Public Utility Regulatory Act, is irrevocable and is not subject to reduction, impairment or adjustment by further action of the PUCT, except as contemplated by the periodic true-up adjustments. The financing order also provides that the statutory true-up mechanism and all other obligations of the State of Texas and the PUCT set forth in the financing order that relate to the bonds are direct, explicit, irrevocable and unconditional upon issuance of the bonds, and are legally enforceable against the State of Texas and the PUCT.

*Collection of System Restoration Charges.* The financing order authorizes CenterPoint Houston to collect system restoration charges from the retail electric providers serving retail electric customers at distribution voltage in CenterPoint Houston’s service territory in an amount expected to be sufficient to permit the timely recovery of its aggregate qualified costs which include principal and interest and certain ongoing fees and expenses associated with the bonds. There is no “cap” on the level of system restoration charges that may be imposed on consumers of electricity in CenterPoint Houston’s service territory to meet scheduled principal and interest on the bonds. However, we may not charge system restoration charges for the bonds for electricity delivered after the fifteenth anniversary of the date of issuance of the bonds.

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*Issuance Advice Letter.* No later than the end of the first business day following the determination of the final terms of the bonds and prior to their issuance, CenterPoint Houston is required to file with the PUCT an issuance advice letter, which will:

- demonstrate compliance with the statutory financial tests and terms of the financing order,
- evidence the actual terms on which the bonds will be issued,
- show the actual dollar amount of the initial system restoration charges relating to the bonds,
- identify the system restoration property relating to the bonds we will purchase,
- identify us,
- certify that, based on information reasonably available, the structuring, marketing and pricing of the bonds will result in the lowest bond charges consistent with market conditions and the terms of the financing order, and
- update the benefit analysis to verify that the final amount securitized satisfies the statutory financial tests.

Both the issuance advice letter and the accompanying compliance tariff become effective on the date of issuance of the bonds unless the PUCT issues an order prior to noon on the fourth business day after the determination of the final terms of the bonds, that the proposed issuance does not comply with the requirements of the Public Utility Regulatory Act or the financing order. The PUCT's review of the issuance advice letter will be limited to confirming the arithmetic accuracy of the calculations and to compliance with PURA, the financing order and the specific requirements contained in the issuance advice letter.

*Tariff.* We are required, prior to the issuance of any bonds, to complete and file a tariff in the form attached to the financing order. The tariff establishes the initial system restoration charges. It also implements the procedures for periodic adjustments to the system restoration charges, the procedures for retail electric providers to remit system restoration charge payments and the annual procedures allowing retail electric providers to reconcile remittances with actual charge-offs.

*Allocation.* Under the terms of the financing order, CenterPoint Houston will initially allocate the qualified costs among its system restoration charge customer classes served at distribution voltage as follows (each allocation factor percentage has been rounded to four decimal places):

<u>System Restoration Charge Customer Class</u>	<u>Allocation Factor</u>
Residential	64.9176%
Secondary Service Less Than or Equal to 10kVA	3.3795%
Secondary Service Greater Than 10kVA	24.9808%
Primary Service	2.0000%
Lighting Service	4.7221%

The allocation factors for each class are subject to adjustment prior to the issuance of the bonds and will be subject to periodic adjustment after any such issuance. Please read “—Adjustments to Allocation of System Restoration Charges” below.

*Statutory True-Ups.* In the financing order, the PUCT guarantees that it will act pursuant to its irrevocable financing order, dated August 26, 2009, as expressly authorized by the Public Utility Regulatory Act to ensure that expected system restoration charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the bonds. The Public Utility Regulatory Act mandates and the financing order provides that the system restoration charges will be reviewed and adjusted at least annually and, if necessary, semi-annually to ensure the expected recovery of amounts sufficient to provide timely payment of principal and interest on the bonds. The financing order requires CenterPoint Houston and any successor servicer to make periodic adjustment filings pursuant to the following statutory true-up mechanism and reconciliation procedures.



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True-up adjustments will be based upon the cumulative differences between the periodic payment requirement, which is discussed in the paragraph below (including scheduled principal and interest payments on the bonds), and the amount of system restoration charge remittances to the trustee. In order to provide for adequate revenues from the system restoration charges, the servicer will calculate the adjusted system restoration charges using its most recent forecast of electric consumption and its most current estimates of ongoing transaction-related expenses. The calculation of the system restoration charges will reflect both a projection of uncollectible system restoration charges and payment lags between the billing and collection of system restoration charges based upon the servicer's and the retail electric provider's most recent experience regarding collection of system restoration charges. The calculation of system restoration charges will also take into account any amounts due any retail electric providers as a result of the reconciliation of the remittances and collections. There is no "cap" on the level of system restoration charges that may be imposed on consumers of electricity in CenterPoint Houston's service territory to meet scheduled principal and interest on the bonds.

There are two types of true-ups that may occur under the financing order.

- First, pursuant to the Public Utility Regulatory Act, the servicer is required to make a filing with the PUCT for an adjustment at least annually
  - to correct any undercollection or overcollection of system restoration charges relating to the bonds, and
  - to provide for the billing of system restoration charges necessary to generate the collection of amounts sufficient to timely provide all scheduled payments of principal and interest and any other amounts due in connection with the bonds (including but not limited to ongoing fees and expenses, amounts required to be deposited in or allocated to any collection account or subaccount relating to the bonds, trustee indemnities and any payments due in connection with any expenses incurred by the trustee or the servicer to enforce bondholder rights and all other payments pursuant to the waterfall of payments described under "The Bonds—How Funds in the Collection Account Will Be Allocated" or otherwise in the waterfall of payments set forth in the prospectus supplement) during the period for which such adjusted system restoration charges are to be in effect.

These amounts are referred to as the "periodic payment requirement."

- Second, the servicer will be required under the servicing agreement to seek an interim true-up adjustment with respect to the bonds once every six months, or quarterly in the fourteenth and fifteenth years:
  - if the servicer expects, at the next payment date, more than a 5% variation in absolute value between (a) the actual principal balance of the bonds, taking into account amounts on deposit in the excess funds subaccount, and (b) the outstanding principal balance anticipated on the expected amortization schedule,
  - as needed to meet any rating agency requirement that the bonds be paid in full at the scheduled final payment date, or
  - to correct any undercollection or overcollection of system restoration charges, regardless of cause, in order to assure timely payment of the bonds based on rating agency and bondholder considerations.

For more discussion of the statutory true-up mechanism, please read "The Servicing Agreement—Adjustment Process for System Restoration Charges" in this prospectus.

*Statutory True-Up Mechanism—Credit Risk.* The State of Texas has pledged in the Public Utility Regulatory Act that it will not take or permit any action that would impair the value of the system restoration property, or, except as permitted in connection with a true-up adjustment authorized by the statute, reduce, alter or impair the system restoration charges until the principal, interest, and any other charges incurred and contracts to be performed in connection with the bonds, have been paid and performed in full.



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The financing order provides that the broad-base nature of the true-up mechanism and this pledge by the State of Texas, along with other elements of the bonds, will serve to minimize, if not effectively eliminate, for all practical purposes and circumstances, any credit risk associated with the bonds (i.e., sufficient funds will be available and paid to discharge all principal when due at final maturity and interest obligations on the bonds when due). With respect to the foregoing, interest is due on each payment date and principal is due upon the final maturity date for each tranche. Please consider, however, the risk factors discussed in “Risk Factors” generally, including, among others, “Risk Factors—Risks Associated with Potential Judicial, Legislative or Regulatory Actions”, “—Servicing Risks—Inaccurate consumption forecasting or unanticipated delinquencies or charge-offs might reduce scheduled payments on the bonds” and “—Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer,” and please read the financing order, Finding of Fact 90, and “The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs,” and “Cautionary Statement Regarding Forward-Looking Information” for further information.

*Adjustments to Allocation of System Restoration Charges.* In the financing order, the PUCT requires CenterPoint Houston and any successor servicer to request periodic adjustments to the allocation of the system restoration charges among various classes of customers. The allocation may be adjusted to reflect load losses that a system restoration charge class or group of system restoration charge classes may suffer or to reflect certain changes to the allocation methodology that may be ordered by the PUCT. Adjustments to the allocation of the system restoration charges will take place at the same time as the annual true-up adjustments described above.

*Binding on Successors.* The financing order, along with the system restoration charges authorized in the financing order, is binding on:

- CenterPoint Houston,
- any successor to CenterPoint Houston that provides distribution service directly to retail customers in CenterPoint Houston’s service territory,
- any other entity that provides distribution service to retail electric customers within CenterPoint Houston’s service territory,
- each retail electric provider that sells electric energy at distribution voltage to retail electric customers located within CenterPoint Houston’s service territory or any such retail electric provider’s successor,
- any other entity responsible for imposing, billing, collecting and remitting system restoration charges on our behalf, or
- any successor to the PUCT.

### **RETAIL ELECTRIC PROVIDERS**

Under the Public Utility Regulatory Act, beginning in January 2002, certain electric utilities, including CenterPoint Houston, were required to cease selling electricity to their retail customers. Since that time, only retail electric providers have been allowed to sell electricity to retail customers formerly served by those utilities. Each retail customer may choose a retail electric provider from among those who have been certified under standards set by the PUCT. As of the date of this prospectus, neither CenterPoint Houston nor its parent CenterPoint Energy directly or indirectly owns or controls or is owned or controlled by any retail electric provider. In the future, either company may directly or indirectly own or control a retail electric provider.

CenterPoint Houston and any successor servicer will bill and collect system restoration charges from the retail electric providers serving customers at distribution voltage in CenterPoint Houston’s service territory. The retail electric providers will in turn bill and collect the system restoration charges from retail electric customers served at distribution voltage in CenterPoint Houston’s service territory. Each retail electric provider will be required to pay the system restoration charges on or before the 35th day after it receives the bill from the servicer, less an agreed allowance for

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expected uncollectible amounts, whether or not the retail electric provider has collected all amounts owed to it by its retail electric customers. Please read “—Payment of System Restoration Charges.” Prior to the date on which the retail electric provider remits the system restoration charges to the servicer, the system restoration charges may be commingled with the retail electric provider’s other funds. Please read “Risk Factors—Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers” and “How a Bankruptcy May Affect Your Investment— Bankruptcy of a Retail Electric Provider” in this prospectus.

Each retail electric provider will deliver a combined bill to each retail electric customer for the electric power sold by it to the retail electric customer, for the related transmission and distribution service provided by the electric utility, for the system restoration charge, for transition charges associated with the transition bonds issued in 2001 by Transition Bond Company I, for transition charges associated with the transition bonds issued in 2005 by Transition Bond Company II, for transition charges associated with the transition bonds issued in 2008 by Transition Bond Company III and for other charges approved by the PUCT. The retail electric providers will collect and pay the combined amount and such amount is allocated to the electric utility, to the servicer, to the servicer of the Series 2001-1 Transition Bonds issued by Transition Bond Company I, to the servicer of the Senior Secured Transition Bonds, Series A issued by Transition Bond Company II, to the servicer of the 2008 Senior Secured Transition Bonds issued by Transition Bond Company III and to other parties, if any, entitled to receive a portion of such amount. System restoration charges will be remitted to the servicer, less an estimated allowance for charge-offs. Please read “Risk Factors—Servicing Risks—It might be difficult to collect system restoration charges from retail electric providers” in this prospectus. The retail electric provider will have custody of the system restoration charges collected from its retail electric customers until remitted to the servicer and may commingle the system restoration charges with its other funds.

*Rating, Deposit and Related Requirements.* The financing order will allow a retail electric provider to collect system restoration charges if it either (1) has a long-term, unsecured credit rating of not less than “BBB-” and “Baa3” (or the equivalent) from S&P and Moody’s, respectively, or (2) provides (A) a cash deposit of two months’ maximum expected system restoration charge collections, (B) an affiliate guarantee, surety bond or letter of credit providing for payment of such amount of system restoration charge collections in the event that the retail electric provider defaults in its payment obligations, or (C) a combination of any of the foregoing. The provider of any affiliate guarantee, surety bond or letter of credit must have and maintain long-term, unsecured credit ratings of not less than “BBB-” and “Baa3” (or the equivalent) from S&P and Moody’s, respectively. A retail electric provider that does not have or maintain the requisite long-term, unsecured credit rating may select, in its sole discretion, which alternate form of deposit, credit support or combination thereof it will utilize.

If the long-term, unsecured credit rating from either S&P or Moody’s of a retail electric provider that did not previously provide the alternate form of deposit, credit support or combination thereof or of any provider of an affiliate guarantee, surety bond or letter of credit is suspended, withdrawn or downgraded below “BBB-” or “Baa3” (or the equivalent), the retail electric provider must provide an alternate form of deposit, credit support or combination thereof, in each case from providers with the requisite ratings, within 10 business days following such suspension, withdrawal or downgrade. A retail electric provider failing to make such provision must comply with the provisions set forth below in “—Remedies Upon Default.”

The computation of the size of a required deposit must be agreed upon by the servicer and the retail electric provider and reviewed no more frequently than quarterly to ensure that the deposit accurately reflects two months’ maximum collections. Within 10 business days following such review, (1) the retail electric provider must remit to the trustee the amount of any shortfall in such required deposit or (2) the servicer must instruct the trustee to remit to the retail electric provider any amount in excess of such required deposit. A retail electric provider failing to so remit any such shortfall must comply with the provisions set forth below in “—Remedies Upon Default.” Retail electric provider cash deposits will be held by the trustee, maintained in a segregated account, and invested in short-term high quality investments, as permitted by the rating agencies rating the bonds. Investment earnings on retail electric provider cash deposits will be considered part of such cash deposits so long as they remain on deposit with the trustee. At the instruction of the servicer, cash deposits will be remitted with investment earnings to the retail electric provider at the end of the term of the bonds unless otherwise utilized for the payment of the retail electric provider’s obligations for system restoration charges. Once the deposit is no longer required, the servicer must promptly (but not later than 30 days after such event) instruct the trustee in writing to remit the amount in the segregated account to the retail electric provider.

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***Billing and Collection Standards.*** Retail electric providers must comply with the billing, collection and remittance procedures and information access requirements established by the financing order. These standards relate only to the billing and collection of system restoration charges authorized under the financing order and do not apply to collection of any other nonbypassable charges or other charges. The standards apply to all retail electric providers other than retail electric providers, if any, that have contracted with the transmission and distribution utility to have it bill and collect system restoration charges from retail electric customers served at distribution voltage. Retail electric providers may contract with parties other than the transmission and distribution utility to bill and collect system restoration charges from retail customers, but such retail electric providers will remain subject to these standards. If the PUCT later determines that different standards are to be applied to retail electric providers in particular areas (e.g., payment terms), then those new standards, with appropriate modifications to related provisions, may replace the specific portions of the standards approved in the financing order, but only if the rating agency condition (as described below) is satisfied. Upon adoption of any rule addressing any of these retail electric provider standards, the PUCT's staff will open a proceeding to investigate the need to modify the standards to conform to that rule, with the understanding that such modifications may not be implemented absent written notification to each of the rating agencies that have rated the bonds and confirmation from S&P that such modifications will not cause a reduction or withdrawal of the ratings on the bonds, referred to in this prospectus and the prospectus supplement as the "rating agency condition."

***Payment of System Restoration Charges.*** The servicer will bill each retail electric provider for system restoration charges owed by the retail electric provider's retail customers. Payments of system restoration charges are due 35 days following each billing by the servicer to the retail electric provider, without regard to whether or when the retail electric provider receives payment from its retail electric customers. The servicer must accept payment by electronic funds transfer, wire transfer and/or check. Payment will be considered received the date the electronic funds transfer or wire transfer is received by the servicer, or the date the check clears. A 5% penalty is to be charged on amounts received after 35 days; however, a 10 calendar-day grace period will be allowed before the retail electric provider is considered to be in default. A retail electric provider in default must comply with the provisions set forth below in "—Remedies Upon Default." The 5% penalty will be a one-time assessment measured against the current amount overdue from the retail electric provider to the servicer. The "current amount" consists of the total unpaid system restoration charges existing on the 36th day after the billing by the servicer. Any and all penalty payments that are collected will be transferred to the trustee to be applied against system restoration charge obligations. If there is a shortfall in a retail electric provider's payment of an amount billed, including system restoration charges for the bonds, the amount paid shall first be allocated ratably among the system restoration charges and other fees and charges (including system restoration charges and transition charges relating to other system restoration bonds or transition bonds, delivery charges and nuclear decommissioning charges) other than late fees, and second, any remaining portion of the payment shall be attributed to late fees. A retail electric provider will not be obligated to pay the overdue system restoration charges of another retail electric provider. If a retail electric provider agrees to assume the responsibility for the payment of overdue system restoration charges as a condition of receiving the customers of another retail electric provider that has decided to terminate service to those customers for any reason, the new retail electric provider will not be assessed the 5% penalty upon such system restoration charges; however, the prior retail electric provider will not be relieved of the previously assessed penalties.

***Remedies Upon Default.*** After the 10 calendar-day grace period (the 46th day after the billing date) referred to above under the heading "—Payment of System Restoration Charges," the servicer will have the option to seek recourse against any cash deposit, affiliate guarantee, surety bond, letter of credit or combination thereof provided by the retail electric provider, if any, and will avail itself of such legal remedies as may be appropriate to collect any remaining unpaid system restoration charges and associated penalties due the servicer after the application of the retail electric provider's deposit or alternate form of credit support. In addition, a retail electric provider that is in default with respect to the requirements set forth above in "—Rating, Deposit and Related Requirements" and "—Payment of System Restoration Charges" must select and implement one of the following options:

- allow its billing and collection responsibilities to be immediately assumed by another retail electric provider of the retail electric customer's choosing or by the applicable provider of last resort,
- arrange that all amounts owed by retail electric customers for services rendered be timely billed and immediately paid directly into a lock-box controlled by the servicer with such amounts to be applied first to pay system restoration charges and transition charges, on a pro rata basis, before remaining amounts are released to the retail electric provider and with all costs associated with the lock-box to be borne solely by the retail electric provider, or

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- immediately implement other mutually suitable and agreeable arrangements with the servicer consistent with the terms of the servicing agreement and rating agency requirements to avoid a suspension, withdrawal or downgrade of the ratings of the bonds.

Historically, the retail electric providers that have been in default with respect to the requirements noted above have selected the third option.

If a retail electric provider that is in default fails to immediately select and implement one of the foregoing options or, after so selecting one of the foregoing options, fails to adequately meet its responsibilities thereunder, then the servicer is required to immediately implement the first option listed above. Upon re-establishment of compliance with the requirements set forth above in “—Rating, Deposit, and Related Requirements” and “—Payment of System Restoration Charges” and the payment of all past-due amounts and associated penalties, the retail electric provider will no longer be required to comply with this paragraph.

*Billing by Providers of Last Resort.* The provider of last resort appointed by the PUCT must meet the minimum credit rating or deposit/ credit support requirements described above in “—Rating, Deposit and Related Requirements” in addition to any other standards that may be adopted by the PUCT. If the provider of last resort defaults or is not eligible to provide such services, responsibility for billing and collection of system restoration charges will immediately be transferred to and assumed by the servicer until a new provider of last resort can be named by the PUCT or the customer requests the services of another retail electric provider. Retail electric customers may never be re-billed by the successor retail electric provider (although future system restoration charges will reflect retail electric provider and other system-wide charge-offs).

*Disputes.* In the event that a retail electric provider disputes any amount of billed system restoration charges, the retail electric provider must pay the disputed amount under protest according to the timelines detailed above in “—Payment of System Restoration Charges.” The retail electric provider and the servicer must first attempt to informally resolve the dispute, but if they fail to do so within 30 days, either party may file a complaint with the PUCT. If the retail electric provider is successful in the dispute process (informal or formal), the retail electric provider will be entitled to interest on the disputed amount paid to the servicer at the PUCT-approved interest rate. Disputes about the date of receipt of system restoration charge payments and related penalties or the size of a required retail electric provider deposit will be handled in a like manner. Any interest paid by the servicer on disputed amounts may not be recovered through system restoration charges if it is determined that the servicer’s claim to the funds is clearly unfounded. No interest will be paid by the servicer if it is determined that the servicer has received inaccurate metering data from another entity providing competitive metering services.

*Metering Data.* If the servicer is providing metering services, metering data will be provided to the retail electric provider at the same time the servicer bills the retail electric provider. If the servicer is not providing metering services, the entity providing the metering services will be responsible for complying with PUCT rules and ensuring that the servicer and the retail electric provider receive timely and accurate metering data in order for the servicer to meet its obligations under the servicing agreement and the financing order with respect to billing and true-ups.

*Charge-Off Allowance.* The retail electric provider will be allowed to hold back an allowance for charge-offs in its payments to the servicer. Such charge-off rate will be recalculated each year in connection with the annual true-up procedure. For the initial year of the bonds, the retail electric provider will remit payments based on the same charge-off percentage then being used by the retail electric provider to remit payments to the servicer in connection with the then most recently established transition charges related to (i) the transition bonds issued by Transition Bond Company I, (ii) the transition bonds issued by Transition Bond Company II or (iii) the transition bonds issued by Transition Bond Company III. On an annual basis in connection with the true-up process, the retail electric provider and the servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the retail electric provider and the servicer, provided that:

- the retail electric provider’s right to reconciliation for charge-offs will be limited to retail electric customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the retail electric provider for its own account as well as the portion representing system restoration charges) have been written off,

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- the retail electric provider's recourse will be limited to a credit against future system restoration charge payments unless the retail electric provider and the servicer agree to alternative arrangements, but in no event will the retail electric provider have recourse to the trustee, us or our funds for such payments, and
- the retail electric provider is required to provide information on a timely basis to the servicer so that the servicer can include the retail electric provider's default experience and any subsequent credits into its calculation of the adjusted system restoration charge rates for the next system restoration charge billing period and the retail electric provider's rights to credit will not take effect until after such adjusted system restoration charges have been implemented.

*Service Termination.* In the event that the servicer is billing retail electric customers for system restoration charges, the servicer will have the right to terminate transmission and distribution service to the retail electric customer for non-payment by the retail electric customer pursuant to applicable PUCT rules. Under current rules of the PUCT adopted in April 2004 and effective June 2004, any non-paying residential or small non-residential customers are subject to disconnection by any retail electric provider. Non-paying large non-residential customers can be disconnected by any retail electric provider if the customer's contract does not preclude disconnection.

## **THE SELLER, INITIAL SERVICER AND SPONSOR OF THE SYSTEM RESTORATION PROPERTY**

### **About CenterPoint Houston**

*Background Information.* CenterPoint Houston engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston. The Company is an indirect wholly owned subsidiary of CenterPoint Energy, a public utility holding company created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Incorporated that implemented certain requirements of the Restructuring Amendments. The transmission and distribution function that CenterPoint Houston performs remains subject to traditional utility rate regulation. CenterPoint Houston recovers the cost of its services through an energy delivery charge approved by the PUCT.

CenterPoint Houston's principal executive offices are located at 1111 Louisiana, Houston, Texas 77002 (telephone number: (713) 207-3000).

*Where to Find Information About CenterPoint Houston.* CenterPoint Houston files periodic reports with the SEC as required by the Exchange Act. Reports filed with the SEC are available for inspection without charge at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of periodic reports and exhibits thereto may be obtained at the above location at prescribed rates. Information as to the operation of the public reference facilities is available by calling the SEC at 1 800-SEC-0330. Information filed with the SEC can also be inspected at the SEC site on the World Wide Web at <http://www.sec.gov>. Except as provided in the prospectus supplement, no information contained on that website constitutes part of this prospectus or any prospectus supplement related to the bonds.

*Servicing Experience.* Since October 2001, CenterPoint Houston has acted as servicer for the Series 2001-1 Transition Bonds issued by Transition Bond Company I, in the original aggregate principal amount of \$748,897,000, since December 2005 for the Senior Secured Transition Bonds, Series A issued by Transition Bond Company II, in the original aggregate principal amount of \$1,851,000,000 and since February 2008 for the 2008 Senior Secured Transition Bonds issued by Transition Bond Company III, in the original aggregate principal amount of \$488,472,000. Since the date of issuance of the Series 2001-1 Transition Bonds, Senior Secured Transition Bonds, Series A, and 2008 Senior Secured Transition Bonds CenterPoint Houston has filed on a timely basis all true-up filings required for the Series 2001-1 Transition Bonds, Senior Secured Transition Bonds, Series A, and 2008 Senior Secured Transition Bonds and Transition Bond Company I, Transition Bond Company II and Transition Bond Company III have satisfied on a timely basis all interest payments on the Series 2001-1 Transition Bonds, Senior Secured Transition Bonds, Series A, and 2008 Senior Secured Transition Bonds and have made all principal payments on the Series 2001-1 Transition Bonds, Senior Secured Transition Bonds, Series A, and 2008 Senior Secured Transition Bonds in accordance with their expected amortization schedules. CenterPoint Houston, as servicer of the transition charges of Transition Bond Company I, experienced some difficulties in 2002 in implementing and maintaining the systems and procedures required to perform the duties required of it by the servicing agreement relating to Transition Bond Company I. Such difficulties have since been resolved. Please read "Relationship to the Series 2001-1 Transition Bonds," "Relationship to the Senior Secured Transition Bonds, Series

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A,” and “Relationship to the 2008 Senior Secured Transition Bonds.” CenterPoint Houston services the Series 2001-1 Transition Bonds, Senior Secured Transition Bonds, Series A, and 2008 Senior Secured Transition Bonds in accordance with servicing standards that are substantially similar to those set forth in CenterPoint Houston’s servicing agreement with us.

*Municipalization.* Texas law may authorize certain local municipalities to seek to acquire portions of CenterPoint Houston’s electric distribution facilities through the power of eminent domain for use as part of municipally-owned utility systems. Although the power of eminent domain has not been used by municipalities in Texas in recent times to acquire electric distribution systems, there can be no assurance that one or more municipalities will not seek to acquire some or all of CenterPoint Houston’s electric distribution facilities while bonds remain outstanding. The Public Utility Regulatory Act specifies that system restoration charges approved by a PUCT financing order shall be collected by an electric utility as well as its “successors”. In the servicing agreement, CenterPoint Houston has covenanted to assert in an appropriate forum that any municipality that acquires any portion of CenterPoint Houston’s electric distribution facilities must be treated as a successor to CenterPoint Houston under the Public Utility Regulatory Act and the financing order and that retail customers in such municipalities remain responsible for payment of system restoration charges. However, the involved municipality might assert that it should not be treated as a successor to CenterPoint Houston for these purposes and that its distribution customers are not responsible for payment of system restoration charges. In any such cases, there can be no assurance that the system restoration charges will be collected from customers of municipally-owned utilities who were formerly customers of CenterPoint Houston.

*Service Territory.* CenterPoint Houston provides electric transmission and distribution service to over 2 million metered customers in its service territory, which has a population of over 5 million people. With the exception of Texas City, CenterPoint Houston serves nearly all of the Houston-Sugar Land-Baytown metropolitan area. Effective January 2002, electric utilities, including CenterPoint Houston, were required to cease selling their electricity to their retail electric customers. Since that time, only retail electric providers have been allowed to sell electricity to retail customers formerly served by those utilities. The retail electric providers in CenterPoint Houston’s service territory are CenterPoint Houston’s primary customers.

*Area Economic Profile.* Although the city has undergone a decade of diversification, Houston’s economy is still primarily centered around its key roles in international energy sectors. These roles include (1) an operations center for global exploration and drilling activities of major oil firms, (2) one of the world’s largest concentrations of petrochemical and refining facilities, (3) home office and base of operations for several of the world’s largest industrial and petrochemical construction firms and (4) a major distribution and processing center for the natural gas industry. Other important sectors of the Houston economy include the Port of Houston and airports, the Johnson Space Center and the Texas Medical Center. Together, Houston’s energy and nonenergy sectors provide the city with a strong technical and engineering employment base.

*Area Economic Outlook.* Near-term, Houston’s economy is being impacted by the current global recession. As a result of the current economic conditions and the likelihood of future energy conservation, CenterPoint Houston expects the number of residential retail electric customers to increase by approximately 2% per year for the next 5 years, but for KWh sales to the residential class to grow at a slower rate. KWh sales to the residential, commercial and small industrial classes are forecasted to increase by approximately 1% per year for the next 5 years.

Aside from a slowdown in the last half of 2008 and the 2008 loss of homes to Hurricane Ike, the number of customers in CenterPoint Houston’s service territory has grown steadily for many years. Reflecting the strength of the local economy, the number of residential customers in CenterPoint Houston’s service territory has increased by an average of 40,000 customers each year during the ten years ended December 31, 2008, with an increase of at least 25,000 residential customers in each of those years. On a weather-adjusted basis, energy sales to the residential, commercial and small industrial customer classes have increased at an average rate of 2.3%, 3.1% and 0.8%, respectively, over the ten-year period ended December 31, 2008.

*Electric Transmission.* On behalf of retail electric providers, CenterPoint Houston delivers electricity from power plants to substations, from one substation to another and to retail electric customers taking power above 69 kilovolts (kV) in locations throughout the control area managed by ERCOT. CenterPoint Houston provides transmission services under tariffs approved by the PUCT.

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*Electric Distribution.* CenterPoint Houston delivers electricity for retail electric providers in its certificated service territory by carrying lower-voltage power from the substation to the retail electric customer. CenterPoint Houston's distribution network receives electricity from the transmission grid through power distribution substations and distributes electricity to end users through distribution feeders. Its operations include construction and maintenance of electric transmission and distribution facilities, metering services, outage response services and call center operations. CenterPoint Houston provides distribution services under tariffs approved by the PUCT. PUCT rules and market protocols govern the commercial retail operations of distribution companies and other market participants.

*ERCOT Market Framework.* CenterPoint Houston is a member of ERCOT. ERCOT serves as the regional reliability coordinating council for member electric power systems in Texas. ERCOT membership is open to consumer groups, investor and municipally owned electric utilities, rural electric cooperatives, independent generators, power marketers and retail electric providers. The ERCOT market includes much of the State of Texas, other than a portion of the panhandle, a portion of the eastern part of the state bordering on Louisiana and the area in and around El Paso. The ERCOT market represents approximately 85% of the demand for power in Texas and is one of the nation's major power markets. The ERCOT market includes an aggregate net generating capacity of approximately 71,800 megawatts (MW). There are only limited direct current interconnections between the ERCOT market and other power markets in the United States.

The ERCOT market operates under the reliability standards set by the North American Electric Reliability Council. The PUCT has primary jurisdiction over the ERCOT market to ensure the adequacy and reliability of electricity supply across the state's main interconnected power transmission grid. The ERCOT independent system operator (ERCOT ISO) is responsible for maintaining reliable operations of the bulk electric power supply system in the ERCOT market. Its responsibilities include ensuring that electricity production and delivery are accurately accounted for among the generation resources and wholesale buyers and sellers. Unlike certain other regional power markets, the ERCOT market is not a centrally dispatched power pool, and the ERCOT ISO does not procure energy on behalf of its members other than to maintain the reliable operations of the transmission system. Members who sell and purchase power are responsible for contracting sales and purchases of power bilaterally. The ERCOT ISO also serves as agent for procuring ancillary services for those members who elect not to provide their own ancillary services.

CenterPoint Houston's electric transmission business supports the operation of the ERCOT ISO and all ERCOT members. The transmission business has planning, design, construction, operation and maintenance responsibility for the portion of the transmission grid and for the load-serving substations it owns, primarily within its certificated area. The transmission business is participating with the ERCOT ISO and other ERCOT utilities to plan, design, obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing constraints on the ERCOT transmission grid.

### **Customer Classes**

*General.* CenterPoint Houston will recover system restoration charges from the following customer classes:

- residential,
- commercial,
- small industrial, and
- other, which includes government and municipal street lighting.

Under the System Restoration Amendments, CenterPoint Houston is not permitted to securitize transmission-related system restoration costs or to charge the distribution-related system restoration costs to its transmission voltage customers. As a result, CenterPoint Houston will not receive system restoration charges from its large industrial customers which take power at transmission voltage and include large chemical, oil refining, and other process plants and facilities. Customers served at transmission voltage accounted for approximately 4% of CenterPoint Houston's base revenues and approximately 21% of CenterPoint Houston's KWh sales during the twelve months ended September 30, 2009.

Residential customers are those in individually metered single-family or multi-family homes, apartments or mobile homes. Master-metered apartments are included in the commercial class. Commercial customers typically have a maximum usage level less than 600 kVA and include such customers as offices, retail stores, schools and other businesses. Small industrial customers, including large office buildings and small manufacturing concerns, are served at distribution voltage and generally use more than 600 kVA on a sustained basis. Other is primarily municipal street lighting. During the twelve months ended September 30, 2009, approximately 43% of CenterPoint Houston's total deliveries at distribution voltage were to residential customers, approximately 37% were to commercial customers, approximately 20% were to small industrial customers and less than 1% were to other customers.



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Customer classes may include a number of rate schedules. Rate schedules and customer classes are created by CenterPoint Houston and approved by the PUCT and are subject to change. The rate classes from which system restoration charges will be billed and collected have been established as part of the financing order. These rate classes are not subject to change and will remain in effect for the duration of the securitization financing.

*Statistics Regarding Retail Electric Customers in CenterPoint Houston's Service Territory.* CenterPoint Houston will bill system restoration charges according to rate schedules for each customer class. For the system restoration charges assessed to individual rate schedules as of the issuance date and any adjustment thereto, in each case giving effect to the issuance of bonds on that date, please read the prospectus supplement.

CenterPoint Houston has changed its method of accounting for some customers as a result of the implementation of the Restructuring Amendments. Before January 1, 2002, some points of delivery were combined into a single point of delivery and accounted for as a single customer. CenterPoint Houston is now required to account for those points separately.

Actual usage fluctuations are highly dependent on weather conditions. On a weather adjusted basis, the compound annual growth rate for actual usage for the ten-year period ended December 31, 2008 was 2.3% for the residential customer class and 2.2% for the combined commercial and small industrial classes. We cannot assure you that future usage rates will be similar to historical experience. In particular, we cannot assure you that total retail electric customers, the composition of total retail electric customers by customer class, usage levels or revenues for each customer class will remain at or near the levels reflected in the following table. Please read "Risk Factors—Servicing Risks" in this prospectus.

Over the past ten years, there has been growth in residential retail electric usage as well as in usage by the combined commercial and small industrial classes, in each case on a weather adjusted basis. However, trends are less discernible and less meaningful within the combined commercial and small industrial classes since customer counts within specific rate classes can change as a result of reclassification within these classes due to voltage and usage level determinants. The following tables set forth customer usage for each year shown and the number of metered retail electric customers at the end of each of those years.

### Retail Electric Usage at Distribution Voltage (As Measured by Billed MWh Sales) by Customer Class and Percentage Composition

Customer Class	Twelve Months Ended December 31,									
	2004		2005		2006		2007		2008	
Residential	23,583,782	42.6%	24,808,600	43.1%	24,153,871	42.0%	23,981,086	41.5%	23,940,317	41.7%
Commercial	19,052,995	34.5%	19,783,899	34.4%	20,318,294	35.4%	20,954,414	36.3%	21,001,782	36.6%
Small Industrial	12,509,088	22.6%	12,752,540	22.2%	12,843,634	22.3%	12,686,768	21.9%	12,324,588	21.4%
Other	156,433	0.3%	158,202	0.3%	159,598	0.3%	161,136	0.3%	161,348	0.3%
Total Retail	55,302,298	100.0%	57,503,241	100.0%	57,475,397	100.0%	57,783,404	100.0%	57,428,035	100.0%

### Service Territory Number of Metered Retail Electric Customers Served at Distribution Voltage and Percentage Composition

Customer Class	December 31,									
	2004		2005		2006		2007		2008	
Residential	1,658,076	88.0%	1,711,384	88.0%	1,743,963	88.0%	1,793,600	88.2%	1,821,267	88.2%
Commercial	223,174	11.9%	230,400	11.9%	234,925	11.9%	238,413	11.7%	241,526	11.7%
Small Industrial	1,869	0.1%	1,955	0.1%	1,903	0.1%	1,890	0.1%	1,892	0.1%
Total Retail	1,883,119	100.0%	1,943,739	100.0%	1,980,791	100.0%	2,033,903	100.0%	2,064,685	100.0%

The distribution revenue data for the years ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2009 represents CenterPoint Houston's revenues for distribution charges billed to retail electric providers.



### Distribution Revenue by Customer Class and Percentage Composition (Dollars in Thousands)

Customer Class	Twelve Months Ended December 31,						Nine Months Ended	
	2006		2007		2008		June 30, 2009	
Residential	\$ 666,254	53%	\$ 649,641	52%	\$ 659,882	52%	\$ 541,388	53%
Commercial	\$ 416,949	33%	\$ 423,042	34%	\$ 440,819	35%	\$ 343,949	34%
Small Industrial	\$ 150,415	12%	\$ 145,881	12%	\$ 147,509	12%	\$ 108,970	11%
Other	\$ 27,129	2%	\$ 26,602	2%	\$ 26,665	1%	\$ 20,775	2%
Total Retail	\$1,260,747	100%	\$1,245,166	100%	\$1,274,875	100%	\$1,015,082	100%

*Relationship with Retail Electric Providers.* In accordance with the Restructuring Amendments, in January 2002, CenterPoint Houston ceased selling electricity to its retail customers. Those retail customers became customers of the various retail electric providers which were providing service in CenterPoint Houston's service territory. Those retail electric providers became CenterPoint Houston's primary customers in its service territory. As of September 30, 2009, CenterPoint Houston did business with approximately 80 retail electric providers. NRG Energy, Inc., through its subsidiary, is CenterPoint Houston's largest customer, accounting for approximately 43% of CenterPoint Houston's billed receivables from retail electric providers as of September 30, 2009. Since January 2002, other than the bankruptcies described below and minor delays and payment discrepancies, the retail electric providers providing service in CenterPoint Houston's service territory, including NRG Energy, Inc., generally have made timely payments for the electricity and other services provided by CenterPoint Houston and have generally been cooperative in coordinating billing and payment systems with CenterPoint Houston's and the State of Texas' systems in the implementation of the Restructuring Amendments.

Three retail electric providers with which CenterPoint Houston has done business filed for bankruptcy in June 2002, March 2003 and December 2005, respectively. CenterPoint Houston, as servicer under the transition bonds issued by Transition Bond Company I, recovered from two of these retail electric providers the full amount of the transition charges relating to those transition bonds from a cash deposit provided by those retail electric providers. CenterPoint Houston recovered all but approximately \$90,000 of the pre-petition balance of transition charges relating to the transition bonds issued by Transition Bond Company I from payments and a cash deposit provided by the other retail electric provider. For additional information regarding retail electric providers' obligation to make cash deposits in order to provide retail electric service and collect system restoration charges within CenterPoint Houston's service territory, please read "Retail Electric Providers—Rating, Deposit and Related Requirements." For discussions of potential difficulties in collecting system restoration charges from retail electric providers and risks associated with the bankruptcy of a retail electric provider, please read "Risk Factors—Servicing Risks—It might be difficult to collect system restoration charges from retail electric providers" and "—Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers," respectively.

In addition, in twelve other instances, retail electric providers defaulted on their payments, but did not declare bankruptcy. In each instance, the retail electric provider's transition charge collateral was applied to the amounts owed. Amounts for seven of these retail electric providers were fully recovered, while approximately \$1,400 to \$43,000 remains unrecovered from each of the other five retail electric providers. Non-recovery from retail electric providers was generally due to inadequate collateral resulting from customer growth or increased kilowatt-hour demand experienced by the retail electric provider immediately prior to the payment default. A retail electric provider's collateral is reviewed as often as each quarter to ensure that the collateral accurately reflects two months' maximum collections. Please read "Retail Electric Providers—Rating, Deposit and Related Requirements" for more information.

### How CenterPoint Houston Forecasts the Number of Retail Electric Customers and the Amount of Electricity Usage

Accurate projections of the number of retail electric customers, usage and retail electric revenue are important in setting, maintaining and adjusting the system restoration charges. The system restoration charges must be sufficient to make principal and interest payments on the bonds, to replenish any amounts drawn from the capital subaccount and to pay the trustee's fee, the servicing fee and the other expenses and costs included in qualified costs. Please read "CenterPoint Houston's Financing Order" and "Risk Factors—Risks Associated With the Unusual Nature of the System Restoration Property" in this prospectus.

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**Forecasting Methodology.** Using regression analysis, CenterPoint Houston combines information on weather, meter read dates and economic parameters as part of the process of developing its forecasts. For the forecasts used in connection with annual true-up adjustments on the system restoration bonds, CenterPoint Houston will review economic forecasts and assessments of the local real estate market, available from various governmental and non-governmental sources, to establish appropriate assumptions for the forecast.

**Sales Forecast Variances.** Each year, CenterPoint Houston will forecast the appropriate levels of system restoration charges. Actual deliveries can deviate from forecast deliveries for many reasons, including the general economic climate in the service territory, the impact of weather on air-conditioning and heating usage, levels of business activity, the availability of more energy efficient appliances, new energy conservation technologies and the customers' ability to acquire these new products. CenterPoint Houston's ability to predict energy consumption accurately may affect the timing of collections of system restoration charges.

The table below compares actual usage in MWh for a particular period to the most recent five-year corporate planning forecast, usually prepared during the preceding year. For example, the annual 2008 variance is based on a forecast prepared in 2007. The variances for the residential customer class ranged from -6.2% to 1.8%. The variances for the commercial customer class ranged from -2.1% to 2.1% and for the small industrial class from -4.8% to -0.9%. Variances for the other customer class ranged from -1.3% to 0.8%. We cannot assure you that the future variance between actual and expected consumption in the aggregate or by customer class will be similar to the historical experience set forth below. In the following table, "variance" represents percentage deviation from the forecast amount of electricity usage.

**Forecast Variance For the Amount of Electricity Consumed at Distribution Voltage**

	2004	2005	2006	2007	2008
<b>Residential</b>					
Forecast (MWh)	23,990,031	24,375,208	24,110,499	24,912,955	25,512,760
Actual (MWh)	23,583,782	24,808,600	24,153,871	23,981,086	23,940,317
Variance	-1.7%	1.8%	0.2%	-3.7%	-6.2%
<b>Commercial</b>					
Forecast (MWh)	18,978,028	19,381,914	19,906,064	20,554,376	21,444,253
Actual (MWh)	19,052,995	19,783,899	20,318,294	20,954,414	21,001,782
Variance	0.4%	2.1%	2.1%	1.9%	-2.1%
<b>Small Industrial</b>					
Forecast (MWh)	12,619,978	13,073,471	13,134,461	13,329,704	12,940,534
Actual (MWh)	12,509,088	12,752,540	12,843,634	12,686,768	12,324,588
Variance	-0.9%	-2.5%	-2.3%	-4.8%	-4.8%
<b>Other</b>					
Forecast (MWh)	155,172	159,212	161,586	161,223	163,424
Actual (MWh)	156,433	158,202	159,598	161,136	161,348
Variance	0.8%	-0.6%	-1.2%	-0.1%	-1.3%
<b>Total</b>					
Forecast (MWh)	55,743,209	56,989,805	57,317,610	58,958,258	60,060,971
Actual (MWh)	55,302,298	57,503,241	57,475,397	57,783,404	57,428,035
Variance	-0.8%	0.9%	0.3%	-2.0%	-4.4%

The table below compares the actual number of customers at the end of a particular period to the related forecast of the number of customers for such date prepared during the previous year. Variance, expressed as a percentage, represents the difference between forecast and actual numbers of customers. A positive variance means there were more customers than forecast. A negative variance means there were fewer customers than forecast. The variances for the residential customer class ranged from -0.7% to 1.1%. The variances for the commercial customer class ranged from -1.2% to 0.9%. The variances for the small industrial class ranged from -7.1% to 6.0%. We cannot assure you that the future variance between actual and expected numbers of customers in the aggregate or by customer class will be similar to the historical experience set forth below. Any updated information relating to this table will be set forth in the prospectus supplement. In this table, "variance" represents percentage deviation from the forecast number of customers.

### Forecast Variance For the Number of Metered Customers at Distribution Voltage at Period End

	2004	2005	2006	2007	2008
<b>Residential</b>					
Forecast	1,640,280	1,692,130	1,739,541	1,792,158	1,834,766
Actual	1,658,076	1,711,384	1,743,963	1,793,600	1,821,267
Variance	1.1%	1.1%	0.3%	0.1%	-0.7%
<b>Commercial</b>					
Forecast	224,265	228,250	234,539	241,306	243,672
Actual	223,174	230,400	234,925	238,413	241,526
Variance	-0.5%	0.9%	0.2%	-1.2%	-0.9%
<b>Small Industrial</b>					
Forecast (MWh)	1,765	1,844	1,976	2,034	1,981
Actual (MWh)	1,869	1,955	1,903	1,890	1,892
Variance	5.9%	6.0%	-3.7%	-7.1%	-4.5%
<b>Total</b>					
Forecast	1,866,310	1,922,224	1,976,056	2,035,498	2,080,419
Actual	1,883,119	1,943,739	1,980,791	2,033,903	2,064,685
Variance	0.9%	1.1%	0.2%	-0.1%	-0.8%

### The Billing Process

Retail electric providers issue a single bill to retail electric customers purchasing electricity from a retail electric provider. This single bill includes all charges related to purchasing electricity from the retail electric provider, transmission and distribution services from CenterPoint Houston, the applicable system restoration charges and any other charges authorized by the PUCT.

Under the servicing agreement, any changes CenterPoint Houston institutes to customary billing and collection practices will apply to the servicing of the system restoration property so long as CenterPoint Houston is the servicer. CenterPoint Houston expects that any such changes would be designed to enhance its ability to make timely recovery of amounts billed.

### The Collection Process

Retail electric customers served at distribution voltage will pay the system restoration charges to retail electric providers who supply them with electric power as part of their single bill for electric service. The retail electric providers will be obligated to remit to the servicer payments of the system restoration charges as described under “Retail Electric Providers—Payment of System Restoration Charges.” The servicer will have rights only under very limited circumstances to collect system restoration charges directly from retail electric customers. The servicer will not pay any shortfalls resulting from the failure of any retail electric provider to forward system restoration charge collections. If a retail electric provider defaults in the payment of system restoration charges, the retail electric provider must implement one of the courses of action described under “Retail Electric Providers—Remedies Upon Default.”

*Write-Off Experience.* The table below sets forth net write-off experience with respect to payments owed to the retail electric providers CenterPoint Houston serves. The information in the table is derived solely from data provided to the servicer by retail electric providers. We cannot assure you that this historical data will be indicative of future experiences. In the table below, columns labeled “TC1” reflect write-off experience with respect to payments of transition charges relating to the Series 2001-1 Transition Bonds, columns labeled “TC2” reflect write-off experience with respect to payments of transition charges relating to the Senior Secured Transition Bonds, Series A, and columns labeled “TC3” reflect write-off experience with respect to payments of transition charges relating to the 2008 Senior Secured Transition Bonds. The statutory true-up mechanism mitigates the effect of any write-offs on the scheduled payment of the bonds. Please read “CenterPoint Houston’s Financing Order—Statutory True-Ups.”

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	Net write-off for 12 months ended May 31,											
	2004	2005	2006		2007		2008			2009		
	TC1	TC1	TC1	TC2	TC1	TC2	TC1	TC2	TC3	TC1	TC2	TC3
Residential customers	3.37%	1.87%	1.56%	1.39%	2.38%	2.34%	1.99%	1.98%	1.72%	2.41%	N/A	N/A
Non-residential customers <sup>(1)</sup>	0.59%	0.39%	0.26%	0.20%	0.40%	0.34%	0.33%	0.27%	0.18%	0.41%	N/A	N/A

(1) Includes retail electric customers served at transmission voltage. These large industrial customers are not required to pay system restoration charges.

### Delinquencies

The following table sets forth information relating to the delinquency experience of CenterPoint Houston for retail electric providers on December 31 of each of the five preceding years:

#### Customer Delinquency Data<sup>(1)(2)</sup>

Retail Electric Providers	2004	2005	2006	2007	2008
Percent of Billed Revenue Not Collected Within:					
36-65 days	0.81%	0.04%	0.01%	0.03%	0.03%
66-95 days	0.20%	0.15%	0.04%	0.02%	0.00%
96 days or more	0.13%	0.01%	0.03%	0.00%	0.02%
Total	1.14%	0.20%	0.08%	0.05%	0.05%

(1) Payments are not delinquent until the 36th day after billing by the servicer. Please read “Retail Electric Providers—Payment of System Restoration Charges” and “—Remedies Upon Default” in this prospectus.

(2) Includes retail electric customers served at transmission voltage. These large industrial customers are not required to pay system restoration charges.

CenterPoint Houston does not believe that the delinquency experience with respect to system restoration charge collections will differ substantially from the approximate rates indicated above.

### Days Sales Outstanding

The following table sets forth information relating to CenterPoint Houston’s days sales outstanding for all retail electric providers in its service territory as of December 31 for each of the past five years. Days sales outstanding is a measure of the average number of days that CenterPoint Houston takes to collect its revenue. The average number of days for the collection of the system restoration charges is expected to be similar to CenterPoint Houston’s revenue collection experience. The days sales outstanding numbers in the following table were generally calculated using the following formula: total amount billed as of December 31 divided by the total revenues for the related calendar year times the number of days in the related calendar year.

#### Days Sales Outstanding

December 31,	Days Sales Outstanding
2004	34
2005	36
2006	33
2007	35
2008	33

## **CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC, THE ISSUING ENTITY**

### **General**

We are a special purpose limited liability company formed under the Delaware Limited Liability Company Act pursuant to a limited liability company agreement executed by our sole member or owner, CenterPoint Houston, and the filing of a certificate of formation with the Secretary of State of the State of Delaware. Our limited liability company agreement will be amended and restated in its entirety prior to the date we enter into the sale agreement relating to the bonds with CenterPoint Houston. We and CenterPoint Houston have filed the form of our limited liability company agreement and our amended and restated limited liability company agreement with the SEC as an exhibit to the registration statement of which this prospectus forms a part. We have summarized selected provisions of our limited liability company agreement below. Our limited liability company agreement restricts us from engaging in activities other than those described in this section. We do not have any employees, but we will pay our member for administrative services in accordance with our limited liability company agreement. On the date of issuance of the bonds, our capital will be equal to 0.5% of the principal amount of the bonds issued, or such other amount as specified in the prospectus supplement. Our capitalization after giving effect to the issuance of any bonds will be set forth in the prospectus supplement.

As of the date of this prospectus, we have not carried on any business activities and have no operating history. Our fiscal year is the calendar year. We are not an agency or instrumentality of the State of Texas. Immediately following our issuance of the bonds, our assets will include:

- the system restoration property,
- our rights under a financing order, including the statutory true-up mechanism,
- our rights under the sale agreement, under the administration agreement and the bill of sale delivered by CenterPoint Houston pursuant to the sale agreement,
- our rights under the servicing agreement and any subservicing, agency, administration, intercreditor or collection agreements executed in connection with such servicing agreement,
- the collection account and all subaccounts of such collection account,
- our rights in the deposits of retail electric providers required under the financing order,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing.

The indenture provides that the system restoration property, as well as our other assets, other than any cash released to us by the trustee semi-annually from earnings on the capital subaccount, will be pledged by us to the trustee to secure our obligations in respect of the bonds. Pursuant to the indenture, the collected system restoration charges remitted to the trustee by the servicer must be used to pay principal and interest on the bonds and our other obligations specified in the indenture.

### **Our Purpose**

We were created for the specific purposes of:

- purchasing, owning and servicing system restoration property and other bond collateral,
- registering, issuing and selling the bonds,

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- pledging our interest in system restoration property and other bond collateral to the trustee pursuant to the terms of the indenture in order to secure the bonds,
- making payments on the bonds,
- distributing amounts released to us, and
- performing other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto.

Our limited liability company agreement does not permit us to engage in any activities not directly related to these purposes, including issuing securities (other than the bonds), borrowing money or making loans to other persons. We may not engage in any business or activity outside the list of permitted activities set forth in our limited liability company agreement without the prior unanimous consent of the managers, including the independent manager. Our amended and restated limited liability company agreement and the indenture will prohibit us from issuing any system restoration bonds other than the bonds that we will offer pursuant to the prospectus supplement.

### **Our Relationship With CenterPoint Houston**

On the issue date for the bonds, CenterPoint Houston will sell the system restoration property to us pursuant to the sale agreement between us and CenterPoint Houston. Pursuant to the servicing agreement between us and CenterPoint Houston, CenterPoint Houston will serve as the initial servicer of the system restoration property. We will pay CenterPoint Houston fixed fees for performing these services. Pursuant to an administration agreement between us and CenterPoint Houston, CenterPoint Houston will provide administrative services to us.

### **Our Relationship With the PUCT**

Pursuant to the financing order,

- the PUCT or its designated representative has a decision-making role co-equal with CenterPoint Houston with respect to the structuring, marketing and pricing of the bonds and all matters related to the structuring, marketing and pricing of the bonds will be determined through a joint decision of CenterPoint Houston and the PUCT or its designated representative,
- CenterPoint Houston is directed to take all necessary steps to ensure that the PUCT or its designated representative is provided sufficient and timely information to allow the PUCT or its designated representative to fully participate in, and exercise its decision making power over, the proposed securitization, and
- the servicer will file periodic adjustments to system restoration charges with the PUCT on our behalf.

We have agreed that certain reports concerning system restoration charge collections will be provided to the PUCT.

### **Our Managers and Executive Officers**

Pursuant to our limited liability company agreement, our affairs will be managed by managers, whom we refer to in this prospectus and the prospectus supplement as our “managers.” CenterPoint Houston will appoint our managers from time to time or, in the event CenterPoint Houston transfers its interest in us, the new owner or owners will appoint our managers. Following the issuance of the bonds, we will have at least one independent manager at all times who, among other things, is not and has not been for at least five years prior to the date of his or her appointment:

- a direct or indirect legal or beneficial owner of us, CenterPoint Houston, any of our affiliates or any of CenterPoint Houston’s affiliates, or of any major creditor of any of the foregoing,

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- a stockholder, member, supplier, customer, employee, officer, director, partner or any person that has received any benefit in any form whatsoever from (other than in such manager's capacity as a ratepayer or customer of CenterPoint Houston in the ordinary course of business), or any person that has provided any service in any form whatsoever to, or any major creditor of us, CenterPoint Houston or any of its affiliates, or
- any member of the immediate family of a person described above; provided, that the indirect or beneficial ownership of stock of CenterPoint Houston or its affiliates through a mutual fund or similar diversified investment vehicle with respect to which the owner does not have discretion or control over the investments held by such diversified investment vehicle shall not preclude such owner from being an independent manager.

The persons who serve as independent managers of Transition Bond Company I, Transition Bond Company II and Transition Bond Company III may also serve as our independent manager. The remaining managers will be employees or officers of CenterPoint Houston. The managers will devote the time necessary to conduct our affairs. As of the date of this prospectus, Marc Kilbride, who is 57 years of age, is our sole manager, Vice President and Treasurer. He has served as Vice President and Treasurer of CenterPoint Houston since June 2002 and Treasurer since 1997. We expect that CenterPoint Houston will appoint two of its employees or officers to serve as managers with Mr. Kilbride and the independent manager in connection with the issuance of the bonds. Gary Whitlock, who is 60 years of age, is our President. He has served as Executive Vice President and Chief Financial Officer of CenterPoint Energy since September 2002. Walter Fitzgerald, who is 52 years of age, is our Senior Vice President and Chief Accounting Officer. He has served as Senior Vice President and Chief Accounting Officer of CenterPoint Energy since 2007 and Vice President and Controller since 2001.

Our executive officers are employees of CenterPoint Energy. They do not receive any compensation from us for their services as our executive officers, and they do not receive any additional or separate compensation from CenterPoint Energy in respect of the services that they perform on our behalf.

None of our managers or executive officers has been involved in any legal proceedings which are specified in Item 401(f) of the SEC's regulation S-K.

### **Manager Fees and Limitation on Liabilities**

As of the date of this prospectus, we have not paid any compensation to any manager since the date we were formed. We will not compensate our managers, other than our independent manager, for their services performed on our behalf. The independent manager will be paid a manager's fee from our assets and will be reimbursed for their reasonable expenses including, without limitation, the reasonable compensation, expenses and disbursements of any agents, representatives, experts and counsel the independent manager may employ in connection with the performance of their respective duties under our limited liability company agreement.

Our limited liability company agreement provides that to the extent permitted by law, our managers will not be personally liable for any of our debts, obligations or liabilities. Our limited liability company agreement further provides that, except as described below, to the fullest extent permitted by law, we will indemnify our managers against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including reasonable attorneys' fees) actually incurred by such manager in connection with such proceeding except that such manager shall not be entitled to indemnification for any judgment, penalty, fine, settlement or expense directly caused by such manager's fraud, gross negligence or willful misconduct.

### **We Are a Separate and Distinct Legal Entity from CenterPoint Houston**

Under our limited liability company agreement, we may not file a voluntary petition for relief under the bankruptcy code without a unanimous vote of our managers (including our independent manager). CenterPoint Houston has agreed that it will not cause us to file a voluntary petition for relief under the bankruptcy code. Our limited liability company agreement, except for financial reporting purposes and for federal and state income tax purposes, requires us to:

- take all reasonable steps to continue our identity as a separate legal entity,

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- make it apparent to third persons that we are an entity with assets and liabilities distinct from those of CenterPoint Houston, other affiliates of CenterPoint Houston, our managers or any other person, and
- make it apparent to third persons that we are not a division of CenterPoint Houston or any of its affiliates or any other person.

Our principal place of business is 1111 Louisiana, Suite 4664B, Houston, Texas 77002, and our telephone number at such address is (713) 207-7420.

### **Administration Agreement**

CenterPoint Houston will, pursuant to an administration agreement between CenterPoint Houston and us, provide administrative services to us, including services relating to the preparation of financial statements, required filings with the SEC, any tax returns we might be required to file under applicable law, qualifications to do business, and minutes of our managers' meetings. We will pay CenterPoint Houston a fixed fee of \$100,000 per annum, payable in installments of \$50,000 on each payment date for performing these services, plus we will reimburse CenterPoint Houston for all costs and expenses for services performed by unaffiliated third parties and actually incurred by CenterPoint Houston in performing such services described above.

### **USE OF PROCEEDS**

We will use the proceeds of the issuance of the bonds to pay the expenses of the issuance and sale of the bonds and to purchase the system restoration property from CenterPoint Houston. We may not use such proceeds for general corporate purposes. In accordance with the financing order, CenterPoint Houston will use the proceeds it receives from the sale of the system restoration property to reduce its recoverable distribution-related system restoration costs. The expected accounting entries will result in removal of the regulatory asset representing the distribution portion of recoverable system restoration costs from CenterPoint Houston's books.

### **RELATIONSHIP TO THE SERIES 2001-1 TRANSITION BONDS**

In October 2001, Transition Bond Company I, a special purpose, wholly owned subsidiary of CenterPoint Houston, issued \$749 million of Series 2001-1 Transition Bonds. These bonds were issued to securitize CenterPoint Houston's generation-related regulatory assets recoverable through irrevocable nonbypassable transition charges provided for in the Public Utility Regulatory Act and a financing order issued by the PUCT on May 31, 2000.

Although CenterPoint Houston is the servicer with respect to the Series 2001-1 Transition Bonds and will be the initial servicer with respect to the bonds, as more fully described under "The Seller, Initial Servicer and Sponsor of the System Restoration Property," we are a separate legal entity from Transition Bond Company I, and the bonds described herein will be payable from collateral that is separate from that securing the Series 2001-1 Transition Bonds. Transition Bond Company I will have no obligations under our bonds, and we will have no obligations under the Series 2001-1 Transition Bonds. Please read "The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs," "CenterPoint Houston's Financing Order" and "The Bonds—The Security for the Bonds."

### **RELATIONSHIP TO THE SENIOR SECURED TRANSITION BONDS, SERIES A**

In December 2005, Transition Bond Company II, a special purpose, wholly owned subsidiary of CenterPoint Houston, issued \$1.851 billion of Senior Secured Transition Bonds, Series A. These bonds were issued to securitize CenterPoint Houston's stranded costs recoverable through irrevocable nonbypassable transition charges provided for in the Public Utility Regulatory Act and a financing order issued by the PUCT on March 16, 2005.

Although CenterPoint Houston is the servicer with respect to the Senior Secured Transition Bonds, Series A and will be the initial servicer with respect to the bonds, as more fully described under "The Seller, Initial Servicer and Sponsor of the System Restoration Property," we are a separate legal entity from Transition Bond Company II, and the bonds described herein will be payable from collateral that is separate from that securing the Senior Secured Transition Bonds, Series A. Transition Bond Company II will have no obligations under our bonds, and we will have no obligations under the Senior Secured Transition Bonds, Series A. Please read "The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs," "CenterPoint Houston's Financing Order" and "The Bonds—The Security for the Bonds."



## RELATIONSHIP TO THE 2008 SENIOR SECURED TRANSITION BONDS

In February 2008, Transition Bond Company III, a special purpose, wholly owned subsidiary of CenterPoint Houston, issued approximately \$488.5 million of 2008 Senior Secured Transition Bonds. These bonds were issued to securitize CenterPoint Houston's remaining principal amount to be collected through CenterPoint Houston's then effective competition transition charge through irrevocable nonbypassable transition charges provided for in the Public Utility Regulatory Act and a financing order issued by the PUCT on September 18, 2007.

Although CenterPoint Houston is the servicer with respect to the 2008 Senior Secured Transition Bonds and will be the initial servicer with respect to the bonds, as more fully described under "The Seller, Initial Servicer and Sponsor of the System Restoration Property," we are a separate legal entity from Transition Bond Company III, and the bonds described herein will be payable from collateral that is separate from that securing the 2008 Senior Secured Transition Bonds. Transition Bond Company III will have no obligations under our bonds, and we will have no obligations under the 2008 Senior Secured Transition Bonds. Please read "The System Restoration Amendments—CenterPoint Houston and Other Utilities May Securitize Qualified Costs," "CenterPoint Houston's Financing Order" and "The Bonds—The Security for the Bonds."

## THE BONDS

We will issue the bonds pursuant to the terms of an indenture between us and the trustee specified in the prospectus supplement. We have filed the form of the indenture with the SEC as an exhibit to the registration statement of which this prospectus forms a part. The particular terms of the bonds will be provided in the indenture and the supplemental indenture. We have summarized selected provisions of the indenture and the bonds below. This summary does not purport to be complete and is subject to and qualified by reference to the provisions of the indenture. We will describe the particular terms of the bonds in the prospectus supplement. You should carefully read the summary below, the prospectus supplement and the terms and provisions of the indenture that may be important to you before investing in the bonds. Please read "Where You Can Find More Information" in this prospectus.

### General Terms of the Bonds

We will issue the bonds under the indenture to finance the purchase by us of the system restoration property. The aggregate principal amount of the bonds that may be authenticated and delivered under the indenture and the financing order issued by the PUCT on August 26, 2009 may not exceed the Securitizable Balance as of the date the bonds are issued plus up-front qualified costs as set forth in the financing order. The bonds may include one or more tranches which differ, among other things, as to interest rate and amortization of principal. The terms of the bonds will be identical, unless we issue more than one tranche, in which case the terms of all bonds of the same tranche will be identical. The particular terms of the bonds and, if applicable, tranches thereof, will be set forth in the supplemental indenture. Please read "Risk Factors—Other Risks Associated with an Investment in the Bonds" in this prospectus.

The prospectus supplement will describe the following terms of the bonds and, if applicable, the tranches of the bonds:

- the number of tranches, if any,
- the aggregate initial principal amount of the bonds and, if applicable, the tranches of the bonds,
- the system restoration charges,
- the annual rate at which interest accrues or the method or methods of determining such annual rate,
- the payment dates,

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- the scheduled final payment date and the final maturity date of the bonds and, if applicable, the tranches of the bonds,
- the issuance date of the bonds,
- the collateral for the bonds,
- the authorized denominations,
- the expected amortization schedule for principal of the bonds and, if applicable, the tranches of the bonds,
- any other material terms of the tranches that are not inconsistent with the provisions of the indenture and that will not result in any rating agency's suspending, reducing or withdrawing its rating of any outstanding tranche of bonds, and
- the identity of the trustee.

The bonds are not a debt, liability or other obligation of the State of Texas or of any political subdivision, agency or instrumentality of the State and do not represent an interest in or legal obligation of CenterPoint Energy, CenterPoint Houston or any of their affiliates, other than us. None of CenterPoint Energy, CenterPoint Houston or any of their affiliates will guarantee or insure the bonds. A financing order authorizing the issuance of bonds does not constitute a pledge of the full faith and credit of the State of Texas or of any of its political subdivisions. The issuance of the bonds under the Public Utility Regulatory Act will not directly, indirectly or contingently obligate the State of Texas or any of its political subdivisions to levy or to pledge any form of taxation for the bonds or to make any appropriation for their payment.

### **Payments of Interest and Principal on the Bonds**

Interest will accrue on the principal balance of the bonds at the interest rate specified in or determined in the manner specified in the prospectus supplement. Interest will be payable to the bondholders on each payment date, commencing on the payment date specified in the prospectus supplement. Interest payments will be made from collections of the system restoration charges, including amounts available in the excess funds subaccount and, if necessary, the amounts available in the capital subaccount. In the event of default by a retail electric provider, the amounts in the retail electric provider security deposit account or available from other credit support (up to an amount of the lesser of the payment default of that retail electric provider or the amount of that retail electric provider's deposit or other credit support amount) will be used to make payments in respect of the bonds.

On any payment date, we generally will pay principal of the bonds only until the outstanding principal balance has been reduced to the principal balance specified for that payment date in the expected amortization schedule, but only to the extent funds are available as described in this prospectus. Accordingly, principal of the bonds may be paid later, but generally not sooner, than reflected in the expected sinking fund schedule, except in the case of an acceleration. Please read "Risk Factors—Other Risks Associated With an Investment in the Bonds" and "Weighted Average Life and Yield Considerations for the Bonds" in this prospectus.

The trustee will retain in the excess funds subaccount for payment on later payment dates any collections of system restoration charges in excess of amounts payable as:

- fees and expenses of the servicer (including the servicing fee), the independent manager and the trustee,
- payments of interest and principal on the bonds,
- allocations to the capital subaccount, and
- investment earnings on amounts in the capital subaccount released to us.

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If the trustee receives insufficient collections of system restoration charges for the bonds for any payment date, and amounts in the collection account (and the applicable subaccounts of that collection account) are not sufficient to make up the shortfall, principal of the bonds may be paid later than expected, as described in this prospectus. The failure to make a scheduled payment of principal on the bonds because there are not sufficient funds in the collection account does not constitute a default or an event of default under the indenture, except for the failure to make the scheduled payment of principal due upon the final maturity of the bonds.

The trustee will distribute on each payment date to the bondholders to the extent of available funds in the collection account all payments of principal and interest then due on such bonds (other than special payments as defined in the indenture) in accordance with a report prepared by the servicer. The trustee will make each such payment to the bondholders, other than the final payment, on the applicable record date. If the bonds are ever issued in definitive certificated form, however, the final payment with respect to the bonds will be made only upon presentation and surrender of such bond at the office or agency of the trustee specified in the notice given by the trustee with respect to such final payment. The trustee will mail notice of the final payment to the bondholders no later than five days prior to the expected final payment date, specifying the date set for the final payment and the amount of the payment.

The bonds will originally be issued in book-entry form, and we do not expect that the bonds will be issued in definitive certificated form. At the time, if any, we issue the bonds in the form of definitive bonds and not to The Depository Trust Company (“DTC”) or its nominee, the trustee will make payments with respect to the bonds as described below under “—Definitive Certificated Bonds.” Upon application by a holder of bonds in the principal amount of \$10,000,000 or more to the trustee not later than the applicable record date, the trustee will make payments by wire transfer to an account maintained by the payee.

On each payment date, the amount to be paid as principal on the bonds will equal the sum, without duplication, of:

- the principal amount scheduled to be paid on that payment date,
- the unpaid principal amount due on the final maturity date, if such payment date is the final maturity date,
- the unpaid principal amount upon acceleration following an event of default, and
- any unpaid and previously scheduled payments of principal and overdue payments of principal.

The failure to pay accrued interest on the bonds on any payment date (even if the failure is caused by a shortfall in system restoration charges received) will result in an event of default for the bonds unless such failure is cured within five business days. If interest is not paid within that five-day period, the issuing entity will pay such defaulted interest (plus interest on such defaulted interest at the applicable interest rate to the extent lawful) to the persons who are bondholders on a special record date (as defined in the indenture). The special record date will be at least fifteen business days prior to the date on which the trustee is to make a special payment (a special payment date). We will fix any special record date and special payment date and, at least 10 days before such special record date, we will mail to each affected bondholder a notice that states the special record date, the special payment date and the amount of defaulted interest (plus interest on such defaulted interest) to be paid. Please read “—What Constitutes an Event of Default on the Bonds” below.

The entire unpaid principal amount of the bonds will be due and payable:

- on the final maturity date,
- if an event of default under the indenture occurs and is continuing and the trustee or the holders of a majority in principal amount of the bonds have declared the bonds to be immediately due and payable.

However, the nature of our business will result in payment of principal upon an acceleration of the bonds being made as funds become available. Please read “Risk Factors—Risks Associated with the Unusual Nature of the System Restoration Property—Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect” and “—You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited.”

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If any special payment date or other date specified herein for distribution of any payments to bondholders is not a business day, payments scheduled to be made on such special payment date or other date may be made on the next succeeding business day, and no interest will accrue upon such payment during the intervening period. “Business day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York, or Houston, Texas, are required or authorized by law or executive order to remain closed.

Neither we nor CenterPoint Houston makes any representation or warranty that any amounts actually collected arising from system restoration charges will in fact be sufficient to meet payment obligations on the bonds or that assumptions made in calculating system restoration charges will in fact be realized.

### **Credit Enhancement for the Bonds**

Credit enhancement with respect to the bonds will be provided by adjustments to the system restoration charges, amounts on deposit in the capital subaccount and cash deposits and other credit support provided in respect of system restoration charges by retail electric providers who do not meet specified credit rating requirements.

### **Bonds Will Be Issued in Book-Entry Form**

The bonds will be available to investors only in the form of book-entry bonds. You may hold your bonds through DTC in the U.S., Clearstream Banking, Luxembourg, S.A., referred to as Clearstream, or Euroclear in Europe or in any other manner we describe in the prospectus supplement. You may hold your bonds directly with one of these systems if you are a participant in the system or indirectly through organizations that are participants.

*The Role of DTC, Clearstream and Euroclear.* Cede & Co., as nominee for DTC, will hold the global bond or bonds representing the bonds. Clearstream and Euroclear will hold omnibus positions on behalf of the Clearstream customers and Euroclear participants, respectively, through customers’ securities accounts in Clearstream’s and Euroclear’s names on the books of their respective depositories. These depositories will, in turn, hold these positions in customers’ securities accounts in the depositories’ names on the books of DTC.

*The Function of DTC.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

*The Function of Clearstream.* Clearstream is incorporated under the laws of Luxembourg. Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thereby eliminating the need for physical movement of securities. Transactions may be settled by Clearstream in any of various currencies, including United States dollars. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in various countries through established depository and custodial relationships. Clearstream is registered as a bank in Luxembourg and therefore is subject to regulation by the Commission de

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Surveillance du Secteur Financier, which supervises Luxembourg banks. Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, among others, and may include the underwriters of the bonds. Clearstream's United States customers are limited to securities brokers and dealers and banks. Clearstream has customers located in various countries. Indirect access to Clearstream is also available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V. as the operator of the Euroclear System in Brussels to facilitate settlement of trades between Clearstream and Euroclear.

*The Function of Euroclear.* Euroclear was created in 1968 to hold securities for Euroclear participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Such transactions may be settled in any of various currencies, including United States dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below. The Euroclear System is operated by Euroclear Bank S.A./N.V. as the Euroclear operator. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include central banks and other banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters of the bonds. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

*Terms and Conditions of Euroclear.* Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System. These terms and conditions govern transfers of securities and cash within the Euroclear System, withdrawals of securities and cash from the Euroclear System and receipts of payments with respect to securities in the Euroclear System. All securities in Euroclear are held on a fungible basis without attribution of specific securities to specific securities clearance accounts. The Euroclear operator acts under these rules and laws only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

*The Rules for Transfers Among DTC, Clearstream or Euroclear Participants.* Transfers between DTC participants will occur in accordance with DTC rules. Transfers between Clearstream customers or Euroclear participants will occur in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines, which will be based on European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving bonds in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to Clearstream's and Euroclear's depositaries.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date, and those credits or any transactions in those securities settled during that processing will be reported to the relevant Clearstream customer or Euroclear participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream customer or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

*DTC Will Be the Holder of the Bonds.* Bondholders that are not participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of, or other interest in, bonds may do so only through participants and indirect participants. In addition, bondholders will receive all distributions of principal of and interest on the bonds from the trustee through the participants, who in turn will receive them from DTC. Under a book-entry format, bondholders may

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experience some delay in their receipt of payments because payments will be forwarded by the trustee to Cede & Co., as nominee for DTC. DTC will forward those payments to its participants, who thereafter will forward them to indirect participants or bondholders. It is anticipated that the only “bondholder” will be Cede & Co., as nominee of DTC. The trustee will not recognize bondholders as bondholders, as that term is used in the indenture, and bondholders will be permitted to exercise the rights of bondholders only indirectly through the participants, who in turn will exercise the rights of bondholders through DTC.

Under the rules, regulations and procedures creating and affecting DTC and its operations, DTC is required to make book-entry transfers among participants on whose behalf it acts with respect to the bonds and is required to receive and transmit distributions of principal and interest on the bonds. Participants and indirect participants with whom bondholders have accounts with respect to the bonds similarly are required to make book-entry transfers and receive and transmit those payments on behalf of their respective bondholders. Accordingly, although bondholders will not possess bonds, bondholders will receive payments and will be able to transfer their interests.

Because DTC can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a bondholder to pledge bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those bonds, may be limited due to the lack of a physical certificate for those bonds.

DTC has advised us that it will take any action permitted to be taken by a bondholder under the indenture only at the direction of one or more participants to whose account with DTC the bonds are credited. Additionally, DTC has advised us that it will take those actions with respect to specified percentages of the collateral amount only at the direction of and on behalf of participants whose holdings include interests that satisfy those specified percentages. DTC may take conflicting actions with respect to other interests to the extent that those actions are taken on behalf of participants whose holdings include those interests.

*How Bond Payments Will Be Credited by Clearstream and Euroclear.* Distributions with respect to bonds held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream customers or Euroclear participants in accordance with the relevant system’s rules and procedures, to the extent received by its depository. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Please read “Material U.S. Federal Tax Consequences for the Bondholders” in this prospectus. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a bondholder under the indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures and subject to its depository’s ability to effect those actions on its behalf through DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the bonds among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources we believe to be reliable. We and the trustee will not be responsible for DTC’s, Euroclear’s or Clearstream’s performance of their obligations under their rules and procedures, or for the performance by direct or indirect participants of their obligations under the rules and procedures of the clearance systems.

### **Definitive Certificated Bonds**

*The Circumstances That Will Result in the Issuance of Definitive Certificated Bonds.* Unless we specify otherwise in the prospectus supplement, the bonds will be issued in fully registered, certificated form to beneficial owners of bonds or other intermediaries, rather than to DTC or its nominee, only if:

- DTC or we advise the trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as nominee and depository with respect to the book-entry certificates for the bonds and we are unable to locate a qualified successor,
- we advise the trustee in writing that we elect to discontinue use of book-entry-only transfers through DTC and deliver certificated bonds to DTC, or

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- after the occurrence of an event of default under the indenture, bondholders representing at least a majority of the outstanding principal balance of the bonds advise us, the trustee and DTC through the financial intermediaries and the DTC participants in writing that the continuation of a book-entry system through DTC, or a successor to DTC, is no longer in the bondholders' best interest.

Upon issuance of definitive bonds, the bonds evidenced by such definitive bonds will be transferable directly (and not exclusively on a book-entry basis) and registered holders will deal directly with the trustee with respect to transfers, notices and payments.

*The Delivery of Definitive Certificated Bonds.* Upon the occurrence of any event described in the immediately preceding paragraph (unless otherwise specified), the trustee will be required to notify all affected beneficial owners of bonds of the occurrence of the event and the availability through DTC of definitive certificated bonds. Upon surrender by DTC of the global bond or bonds in the possession of DTC that had represented the bonds and receipt of instructions for re-registration, the trustee will authenticate and deliver definitive certificated bonds to the beneficial owners, and the trustee will recognize the holders of the definitive certificated bonds as bondholders under the indenture.

*The Payment Mechanism for Definitive Certificated Bonds.* Payments of principal of, and interest on, definitive certificated bonds will be made by the trustee, as paying agent, in accordance with the procedures set forth in the indenture. These payments will be made directly to holders of definitive certificated bonds in whose names the definitive certificated bonds were registered at the close of business on the related record date specified in the prospectus supplement. These payments will be made by check mailed to the address of the holder as it appears on the register maintained by the trustee or, in certain cases, by wire transfer.

*The Transfer or Exchange of Definitive Certificated Bonds.* Definitive certificated bonds will be transferable and exchangeable at the offices of the transfer agent and registrar, which will initially be the trustee. No service charge will be imposed for any registration of transfer or exchange, but we and the transfer agent and registrar may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection with the transfer or exchange.

*Final Payments on Definitive Certificated Bonds.* The final payment on any bond, however—whether a definitive certificated bond or a bond registered in the name of Cede & Co.—will be made only upon presentation and surrender of the bond at the office or agency specified in the notice of final payment to bondholders. The trustee will be required to mail that notice to registered bondholders no later than five days prior to the expected final payment date.

### **Registration and Transfer of the Bonds**

We may issue one or more tranches of bonds in definitive form, which will be transferable and exchangeable as described above under “—Definitive Certificated Bonds.” There will be no service charge for any registration or transfer of the bonds, but the trustee may require the owner to pay a sum sufficient to cover any tax or other governmental charge.

We will issue the bonds in the minimum initial denominations set forth in the prospectus supplement and, except as otherwise provided in the prospectus supplement, in integral multiples thereof.

The trustee will make payments of interest and principal on each payment date to the bondholders in whose names the bonds were registered on the applicable record date.

### **The Security for the Bonds**

To secure the payment of principal and interest on, and any other amounts owing in respect of, the bonds pursuant to the indenture, we will grant to the trustee for the benefit of the bondholders a security interest in all of our right, title and interest, whether now owned or later acquired, in and to the following collateral, which collectively constitutes the trust estate under the indenture:

- the system restoration property,
- our rights under a financing order, including the statutory true-up mechanism,

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- our rights under the sale agreement,
- the bill of sale delivered by CenterPoint Houston pursuant to the sale agreement,
- our rights under the servicing agreement and any subservicing, agency, intercreditor or collection agreements executed in connection with the servicing agreement,
- our rights under the administration agreement,
- our rights in the collection account and all subaccounts of the collection account, including the general subaccount, the capital subaccount and the excess funds subaccount and all cash, securities, instruments, investment property or other assets credited to or deposited in the collection account or any subaccount of the collection account from time to time or purchased with funds from the collection account, and all financial assets and securities entitlements carried therein or credited thereto,
- our rights in the deposits of retail electric providers required under the financing order,
- all of our other property related to the bonds, other than any cash released to us by the trustee semi-annually from earnings on the capital subaccount,
- all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing, and
- all payments on or under and all proceeds in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property of any or all of the foregoing, all cash proceeds, accounts, accounts receivable, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, payment intangibles, letter-of-credit rights, investment property, commercial tort claims, documents, rights to payment of any and every kind, and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

The security interest does not extend to:

- amounts (including net investment earnings) on deposit in a retail electric provider security deposit subaccount that have been released to the servicer or a retail electric provider,
- amounts representing investment earnings on the capital subaccount released to us,
- amounts deposited in the capital subaccount that have been released to us or as we direct following retirement of the bonds,
- amounts deposited with us on the issuance date for payment of costs of issuance with respect to the bonds (together with any interest earnings thereon), and
- amounts in the segregated trust account held for the benefit of the trustee to pay certain expenses of the trustee.

Section 39.309(b) of the Public Utility Regulatory Act provides that a valid and enforceable security interest in system restoration property will attach and be perfected by the means set forth in Section 39.309. Specifically, Section 39.309(b) provides that a valid and enforceable lien and security interest in system restoration property may be created only by a financing order and the execution and delivery of a security agreement in connection with issuance of financing instruments such as the bonds. The lien and security interest attach automatically at the time when value is received for the instruments. Upon perfection by filing notice with the Secretary of State of Texas under Section 39.309(d) of the Public Utility Regulatory Act, the lien and security interest will be a continuously perfected lien and security interest in the system restoration property and all proceeds of the property, whether accrued or not, and will have priority in the order of filing and take precedence over any subsequent judicial or other lien creditor.



## **The Collection Account for the Bonds**

Under the indenture, we will establish a collection account with the trustee or at another eligible institution for the bonds. The collection account will be under the sole dominion and exclusive control of the trustee. Funds received from collections of the applicable system restoration charges will be deposited into the collection account. The collection account for the bonds will be divided into the following subaccounts, which need not be separate bank accounts:

- the general subaccount,
- the capital subaccount, and
- the excess funds subaccount.

All amounts in the collection account for the bonds not allocated to any other subaccount by the servicer will be allocated to the general subaccount. Unless the context indicates otherwise, references in this prospectus and the prospectus supplement to the collection account for the bonds include all of the subaccounts contained therein. All monies deposited from time to time in the collection account, all deposits therein pursuant to the indenture, and all investments made in eligible investments with these monies will be held by the trustee in the collection account as part of the collateral. The following institutions are eligible institutions for the establishment of the collection account:

- the corporate trust department of the trustee so long as any of the securities of the trustee are rated investment grade by each rating agency specified in the indenture, or
- the trust department of a depository institution organized under the laws of the United States of America or any state or domestic branch of a foreign bank, which:
  - has deposits insured by the Federal Deposit Insurance Corporation, and has either:
    - with respect to specified investments having a maturity of greater than one month, a long-term unsecured debt rating of “AA-” by S&P and “A2” by Moody’s and, if applicable, the equivalent of the lower of those two ratings by Fitch, or
    - with respect to specified investments having a maturity of one month or less a certificate of deposit rating of “A-1+” by S&P and “P-1” by Moody’s and, if applicable, the equivalent of the lower of those two ratings by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to the rating agencies.

All deposits to and withdrawals from the collection account, all allocations to the subaccounts of the collection account and any amounts to be paid to the servicer and to bondholders shall be made by the trustee in accordance with written instructions provided by the servicer pursuant to the servicing agreement, which is discussed in “The Servicing Agreement” below.

*Appropriate Investments for Funds in the Collection Account.* So long as no default or event of default has occurred and is continuing, all or a portion of the funds in the collection account for the bonds must be invested by the trustee in accordance with the written direction of the servicer in any of the following, each of which is referred to as an eligible investment:

1. direct obligations of, and obligations fully guaranteed as to timely payment by, the United States of America,
2. demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States of America or any state thereof, or any domestic branch of a foreign bank, and subject to supervision and examination by federal or state banking or depository

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institution authorities; provided, however, that at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations, other than any obligations thereof where the rating is based on the credit of a person other than such depository institution or trust company, shall have either (A) a long-term unsecured debt rating from Moody's and S&P of at least "Aa3" and "AA", respectively, or (B) a certificate of deposit rating by Moody's and S&P of at least "P-1" and "A-1+", respectively,

3. commercial paper or other short-term obligations of any corporation (other than CenterPoint Houston or any of its affiliates), whose ratings, at the time of the investment or contractual commitment to invest therein, from Moody's and S&P of at least "P-1" and "A-1+", respectively,
4. investments in money market funds having a rating from Moody's and S&P of "Aaa" and "AAA", respectively, including funds for which the trustee or any of its affiliates act as investment manager or advisor,
5. bankers' acceptances issued by any depository institution or trust company referred to in clause 2 above,
6. repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company, acting as principal, described in clause 2 above,
7. repurchase obligations with respect to any security or whole loan entered into with:
  - a. a depository institution or trust company, acting as principal, described in clause 2 above,
  - b. a broker/ dealer, acting as principal, registered as a broker or dealer under Section 15 of the Securities Exchange Act of 1934 the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and at least "A-1+" by S&P at the time of entering into this repurchase obligation, or
  - c. an unrated broker/ dealer, acting as principal, that is a wholly owned subsidiary of a nonbank or bank holding company the unsecured short-term debt obligations of which are rated at least "P-1" by Moody's and at least "A-1+" by S&P at the time of purchase, or
8. any other investment permitted by each of the rating agencies;

provided, however, that:

- a. any book-entry security, instrument or security having a maturity of one month or less that would be an eligible investment but for its failure, or the failure of the obligor thereon, to have the rating specified above shall be an eligible investment if such book-entry security, instrument or security, or the obligor thereon, has an unsecured short-term debt rating of at least "P-1" by Moody's, and at least "A-1+" by S&P, and
- b. any book-entry security, instrument or security having a maturity of greater than one month that would be an eligible investment but for its failure, or the failure of the obligor thereon, to have the rating specified above shall be an eligible investment if such book-entry security, instrument or security, or the obligor thereon, has an unsecured long-term debt rating of at least "AA-" by S&P or "Aa3" by Moody's and an unsecured short-term debt rating of at least "P-1" by Moody's or the equivalent thereof by S&P,

provided, that unless otherwise permitted by the applicable rating agencies, upon the failure of any eligible institution to maintain any applicable rating set forth in this definition or the definition of eligible institution, the related investments at that institution shall be reinvested in eligible investments at a successor eligible institution within 10 days.

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If Fitch provides a rating for any of the securities, instruments or entities described above, then such security, instrument or entity must have a rating from Fitch specified at a level generally not less than the equivalent of the lower of the ratings thereon from Moody's and S&P.

These eligible investments may not:

- mature later than the next payment date, or
- be sold, liquidated or otherwise disposed of at a loss prior to the maturity thereof.

No moneys held in the collection account may be invested, and no investment held in the collection account may be sold, unless the security interest granted and perfected in the collection account will continue to be perfected in the investment or the proceeds of the sale in either case without any further action by any person.

*Remittances to the Collection Account.* On each remittance date, the servicer will remit all collected system restoration charges, any indemnity amounts and any other proceeds of the trust estate securing the bonds to the trustee for deposit in the collection account. Indemnity amount means any amount paid by the servicer or CenterPoint Houston to the trustee, for the trustee or on behalf of the bondholders, in respect of indemnification obligations pursuant to the servicing agreement or sale agreement. Please read "The Servicing Agreement" and "The Sale Agreement" in this prospectus. To the extent that the combined amounts remitted by a retail electric provider are insufficient to satisfy amounts owed under any bill, including system restoration charges, the amount remitted shall first be allocated ratably among the system restoration charges relating to bonds and other fees and charges (including transition charges relating to transition bonds, delivery charges and nuclear decommissioning charges) other than late fees, and second, any remaining portion of the remittance shall be attributed to late fees. If a retail electric provider defaults in the payment of system restoration charges, it must implement one of the actions described under "Retail Electric Providers—Remedies Upon Default."

*General Subaccount.* Collected system restoration charges and any indemnity amounts remitted to the trustee will be deposited into the general subaccount. On each payment date, the trustee will allocate amounts in the general subaccount among the other subaccounts as described under "—How Funds in the Collection Account Will Be Allocated." Amounts in the general subaccount will be invested in the eligible investments described above.

*Capital Subaccount.* Upon the issuance of the bonds, CenterPoint Houston will make a capital contribution to us in an amount stated in the prospectus supplement. We will pay this amount to the trustee for deposit into the capital subaccount which will be invested in eligible investments by the trustee in accordance with the written direction of the servicer. The trustee will draw on amounts in the capital subaccount to the extent that, in allocating funds in accordance with clauses 1 through 8 in "—How Funds in the Collection Account Will Be Allocated," below, amounts on deposit in the general subaccount and, the excess funds subaccount are insufficient to make scheduled payments on the bonds and payments of fees and expenses specified in clauses 1 through 8. The trustee will allocate collected system restoration charges available on any payment date that are not necessary to pay amounts described in clauses 1 through 8 in "—How Funds in the Collection Account Will Be Allocated," below, to the capital subaccount in an amount sufficient to replenish any amounts drawn from the capital subaccount. If the bonds have been retired as of any payment date, the amounts on deposit in the capital subaccount will be released to us, free of the lien of the indenture.

*Excess Funds Subaccount.* The trustee will allocate collected system restoration charges available on any payment date that are not necessary to pay clauses 1 through 11 in "—How Funds in the Collection Account Will Be Allocated," below, to the excess funds subaccount. The trustee will invest amounts in the excess funds subaccount in eligible investments in accordance with the written direction of the servicer. On each payment date, the trustee will draw on the excess funds subaccount in allocating funds in accordance with clauses 1 through 10 in "—How Funds in the Collection Account Will Be Allocated," below, to the extent that amounts on deposit in the general subaccount are insufficient to make scheduled payments on the bonds and payments of fees and expenses specified in clauses 1 through 10.

### **How Funds in the Collection Account Will Be Allocated**

Amounts remitted by the servicer to the trustee with respect to the bonds, including any indemnity amounts and all investment earnings on amounts in the general subaccount of the collection account will be deposited into the general subaccount. On each payment date, the trustee will allocate or pay all amounts on deposit in the general subaccount of the collection account in the following priority in accordance with instructions provided by the servicer:

1. payment of the trustee's fees and expenses and any outstanding indemnity amounts owed to the trustee not to exceed a specified amount in any 12-month period, which amount will be fixed in the indenture,

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2. payment of the servicing fee, which will be a fixed amount specified in the servicing agreement, plus any unpaid servicing fees from prior payment dates,
3. payment of the fees of our independent manager (which are billed annually), which will be in an amount specified in an agreement between us and our independent manager, and a pro rata portion of the administration fee, which will be a fixed amount specified in the administration agreement between us and CenterPoint Houston,
4. payment of all of our other ordinary periodic operating expenses, such as accounting and audit fees, rating agency fees, legal fees and certain reimbursable costs of the administrator under the administration agreement and of the servicer under the servicing agreement,
5. payment of the interest then due on the bonds, including any past-due interest,
6. at final maturity or upon acceleration upon an event of default, payment of the principal then required to be paid on the bonds,
7. payment of the principal then scheduled to be paid on the bonds, including any previously unpaid scheduled principal,
8. payment of any of our remaining unpaid operating expenses and any remaining amounts owed pursuant to the basic documents, including all remaining indemnity amounts owed to the trustee,
9. replenishment of any amounts drawn from the capital subaccount for the bonds, including investment earnings in the capital subaccount for the bonds to the extent used for allocations and payments contemplated by clauses 1 through 8,
10. provided that no event of default has occurred and is continuing and that CenterPoint Houston is legally required to make a contribution to the capital subaccount greater than 0.5% of the initial outstanding principal balance of the bonds, release to us an amount calculated at 11.075% per annum on the amount contributed to the capital subaccount in excess of 0.5% of the initial outstanding principal balance of the bonds,
11. provided that no event of default has occurred and is continuing, release the investment earnings relating to the initial contribution into the capital subaccount to us,
12. allocation of the remainder, if any, to the excess funds subaccount, and
13. after the bonds have been paid in full and discharged, the balance, together with all amounts in the capital subaccount and the excess funds subaccount for the bonds, to us free and clear of the lien of the indenture.

The amount of the servicer's fee referred to in clause 2 above and the amount of the administration fee referred to in clause 3 will be described in the prospectus supplement for the bonds.

Interest means, for any payment date for the bonds, the sum, without duplication, of:

- an amount equal to the interest accrued at the applicable interest rate from the prior payment date or, with respect to the first payment date, the amount of interest accrued since the issuance date, of the bonds,

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- any unpaid interest plus, to the fullest extent permitted by law, any interest accrued on this unpaid interest, and
- if the bonds have been declared due and payable, all accrued and unpaid interest thereon.

Principal means, with respect to any payment date of the bonds, the sum, without duplication, of:

- the amount of principal due as a result of the occurrence and continuance of an event of default and acceleration of the bonds,
- the amount of principal due on the final maturity date,
- any unpaid and previously scheduled payments of principal and overdue payments of principal, and
- the amount of principal scheduled to be paid on such payment date in accordance with the expected sinking fund schedule.

If on any payment date funds in the general subaccount are insufficient to make the allocations or payments contemplated by clauses 1 through 9 of the first paragraph of this subsection with respect to the bonds, the trustee will draw from amounts on deposit in the following subaccounts in the following order up to the amount of the shortfall:

1. from the excess funds subaccount for allocations and payments contemplated in clauses 1 through 9, and
2. from the capital subaccount for allocations and payments contemplated by clauses 1 through 8.

If, on any payment date, available collections of the system restoration charges, together with available amounts in the subaccounts, are not sufficient to pay interest due on all outstanding bonds on that payment date, amounts available will be allocated pro rata based on the amount of interest payable. If, on any payment date, remaining collections of the system restoration charges, together with available amounts in the subaccounts, are not sufficient to pay principal due and payable on all outstanding bonds on that payment date, amounts available will be allocated pro rata based on the principal amount then due and payable. If, on any payment date, remaining collections of the system restoration charges, together with available amounts in the subaccounts, are not sufficient to pay principal scheduled to be paid on all outstanding bonds, amounts available will be allocated pro rata based on the principal amounts then scheduled to be paid on the payment date. If the trustee uses amounts on deposit in the capital subaccount to pay those amounts or make those transfers, as the case may be, subsequent adjustments to the system restoration charges will take into account, among other things, the need to replenish those amounts.

### **Reports to Holders of the Bonds**

On or prior to each payment date, the trustee will deliver a statement prepared by the servicer to each bondholder, to the PUCT and to the rating agencies. This statement will include, to the extent applicable, the following information, as well as any other information so specified in the supplemental indenture, as to the bonds with respect to that payment date or the period since the previous payment date, as applicable:

- the amount to be paid to bondholders in respect of principal,
- the amount to be paid to bondholders in respect of interest,
- the bond balance and the projected bond balance as of that payment date,
- the amount on deposit in the capital subaccount as of that payment date,
- the amount, if any, on deposit in the excess funds subaccount as of that payment date,
- the amount to be paid to the trustee on that payment date,

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- the amount to be paid to the servicer on that payment date, and
- any other transfers and payments made pursuant to the indenture.

### **Website**

We will, to the extent permitted by and consistent with the issuing entity's obligations under applicable law, cause to be posted on the website associated with CenterPoint Houston (provided in the prospectus supplement):

- the final prospectus for the bonds,
- a statement of system restoration charge remittances made to the trustee as of the most recent interest payment date,
- a statement reporting the balances in the collection account and in each subaccount of the collection account as of the most recent interest payment date,
- a statement showing the balance of outstanding bonds that reflects the actual periodic payments made on the bonds as of the most recent interest payment date,
- the semi-annual servicer's certificate delivered for the bonds pursuant to the servicing agreement,
- the text (or a link to the website where a reader can find the text) of each true-up filing in respect of the outstanding bonds and the results of each true-up filing,
- any credit ratings of the general mortgage bonds of the servicer assigned by the rating agencies and, if no general mortgage bonds are outstanding, then the ratings on any other senior secured debt securities of the servicer or, if no senior secured debt securities are outstanding, the ratings on any outstanding senior unsecured debt securities of the servicer,
- material legislative or regulatory developments directly relevant to the outstanding bonds,
- any reports and other information that we are required to file with the SEC under the Securities Exchange Act of 1934, and
- a current organization chart for the issuing entity and servicer (unless the servicer is not related to us in which case the servicer will post two separate organization charts), in each case disclosing the parent company and material subsidiaries of the servicer and us.

### **We and the Trustee May Modify the Indenture**

*Modifications of the Indenture That Do Not Require Consent of Bondholders.* Without the consent of any of the holders of the outstanding bonds but with prior notice to the rating agencies and, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, with the consent or deemed consent of the PUCT (other than with respect to the supplemental indenture establishing the specific terms of the bonds), we and the trustee may execute a supplemental indenture for any of the following purposes:

- to correct or amplify the description of the collateral, or to better assure, convey and confirm unto the trustee the collateral, or to subject additional property to the lien of the indenture,
- to evidence the succession, in compliance with the applicable provisions of the indenture, of another entity to us, and the assumption by any applicable successor of our covenants contained in the indenture and in the bonds,
- to add to our covenants, for the benefit of the holders of the bonds, or to surrender any right or power therein conferred upon us,
- to convey, transfer, assign, mortgage or pledge any property to the trustee for the benefit of the bondholders and the trustee,
- to cure any ambiguity, to correct or supplement any provision of the indenture or in any supplemental indenture which may be inconsistent with any other provision of the indenture or in any supplemental indenture, to make any other provisions with respect to matters or questions arising under the indenture or in any supplemental indenture, to change in any manner or eliminate any provisions of the indenture or to modify in any manner the rights of the bondholders under the indenture; provided, however, that:
  - this action shall not adversely affect in any material respect the interests of any bondholder, and

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- the rating agency condition shall have been satisfied with respect thereto,
- to evidence and provide for the acceptance of the appointment under the indenture by a successor trustee with respect to the bonds and to add to or change any of the provisions of the indenture as shall be necessary to facilitate the administration of the trust estate under the indenture by more than one trustee, pursuant to the requirements specified in the indenture,
- to qualify the bonds for registration with a clearing agency,
- to modify, eliminate or add to the provisions of the indenture to the extent necessary to effect the qualification of the indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted and to add to the indenture any other provisions as may be expressly required by the Trust Indenture Act, or
- to satisfy any rating agency requirements.

*Additional Modifications to the Indenture That Do Not Require the Consent of Bondholders.* We may also, without the consent of any of the bondholders but, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, with the consent or deemed consent of the PUCT, execute one or more other agreements supplemental to the indenture as long as:

- the supplemental agreement does not adversely affect in any material respect the interests of any bondholder, and
- the rating agency condition shall have been satisfied with respect thereto.

*Modifications to the Indenture That Require the Approval of the Bondholders.* We and the trustee also may, with the consent of the holders of not less than a majority of the outstanding amount of the bonds to be affected by the supplemental indenture and, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, with the consent or deemed consent of the PUCT, execute a supplemental indenture to add any provisions to, or change in any manner or eliminate any of the provisions of, the indenture or modify in any manner the rights of the bondholders under the indenture. However, the supplemental indenture may not, without the consent of the holder of each outstanding bond affected thereby:

- change the date of payment of any installment of principal of or interest on any bond, or reduce the principal amount thereof or the interest rate thereon, with respect thereto,
- change the provisions of the indenture and the supplemental indenture relating to the application of collections on, or the proceeds of the sale of, the collateral to payment of principal of or interest on the bonds, or change the coin or currency in which any bond or any interest thereon is payable,
- impair the right to institute suit for the enforcement of those provisions of the indenture specified therein requiring payment of any such amount due on the bonds on or after the respective due dates thereof,
- reduce the percentage of the aggregate amount of the outstanding bonds, the consent of the bondholders of which is required for any such supplemental indenture, or the consent of the bondholders of which is required for any waiver of compliance with the provisions of the indenture or of defaults specified in the indenture and their consequences provided for in the indenture or modify certain aspects of the definition of the term “outstanding,”
- reduce the percentage of the outstanding amount of the bonds required to direct the trustee to direct us to sell, liquidate or preserve the collateral,

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- modify any provision of the section of the indenture relating to the consent of bondholders with respect to supplemental indentures, except to increase any percentage specified therein or to provide that those provisions of the indenture or the basic documents specified in the indenture cannot be modified or waived without the consent of each outstanding bondholder affected thereby,
- modify any of the provisions of the indenture in a manner so as to affect the amount of any payment of interest or principal payable on any bond on any payment date, or change the redemption dates, expected sinking fund schedules or final maturity dates of any bonds,
- decrease the required capital amount,
- modify or alter the provisions of the indenture regarding the voting of the bonds held by us, CenterPoint Houston, an affiliate of either of us or any obligor on the bonds,
- decrease the percentage of the aggregate principal amount of the bonds required to amend the sections of the indenture which specify the applicable percentage of the aggregate principal amount of the bonds necessary to amend the indenture or other related agreements specified therein, or
- permit the creation of any lien ranking prior to or on a parity with the lien of the indenture with respect to any of the collateral for the bonds or, except as otherwise permitted or contemplated in the indenture, terminate the lien of the indenture on any property at any time subject thereto or deprive the holder of any bond of the security provided by the lien of the indenture.

*Enforcement of the Sale Agreement, the Administration Agreement, the Intercreditor Agreement and the Servicing Agreement.* The indenture provides that we will take all lawful actions to enforce our rights under the sale agreement, the administration agreement, the intercreditor agreement and the servicing agreement. The indenture also provides that we will take all lawful actions to compel or secure the performance and observance by CenterPoint Houston, the administrator and the servicer of their respective obligations to us under or in connection with the sale agreement, the administration agreement, the intercreditor agreement and the servicing agreement. So long as no event of default occurs and is continuing, we may exercise any and all rights, remedies, powers and privileges lawfully available to us under or in connection with the sale agreement, the administration agreement, the intercreditor agreement and the servicing agreement, provided that such action shall not adversely affect the interests of the bondholders in any material respect.

If an event of default occurs and is continuing, the trustee may, and, at the written direction of the holders of a majority of the outstanding amount of the bonds shall, exercise all of our rights, remedies, powers, privileges and claims against CenterPoint Houston, the administrator and servicer, under or in connection with the sale agreement, administration agreement, intercreditor agreement and servicing agreement, and any right of ours to take this action shall be suspended.

*Modifications to the Sale Agreement, the Intercreditor Agreement, the Administration Agreement and the Servicing Agreement.* With the prior written consent of the trustee, the sale agreement, the intercreditor agreement, the administration agreement and the servicing agreement, may be amended, so long as the rating agency condition is satisfied in connection therewith, at any time and from time to time, without the consent of the bondholders but, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, with the consent or deemed consent of the PUCT (other than with respect to an intercreditor agreement). However, any such amendment may not adversely affect the interest of any bondholder in any material respect without the consent of the holders of a majority of the outstanding principal amount of the bonds.

*Notification of the Rating Agencies, the PUCT, the Trustee and the Bondholders of Any Modification.* If we, CenterPoint Houston or the servicer or any other party to the applicable agreement:

- proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any other amendment, modification, waiver, supplement, termination or surrender of, the terms of the sale agreement or the servicing agreement, or
- waives timely performance or observance by CenterPoint Houston or the servicer under the sale agreement, the intercreditor agreement or the servicing agreement,



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in each case in a way which would materially and adversely affect the interests of bondholders, we must first notify the rating agencies of the proposed action. Upon receiving notification that the rating agency condition has been satisfied, we must notify the trustee, the paying agent, the bond registrar and the PUCT in writing and the trustee shall notify the bondholders of the proposed action and whether the rating agency condition has been satisfied with respect thereto. The trustee will consent to this proposed amendment, modification, supplement or waiver only with the written consent of the holders of a majority of the outstanding principal amount of the bonds materially and adversely affected thereby and, if such action would increase ongoing qualified costs, the consent or deemed consent of the PUCT (other than with respect to the intercreditor agreement).

### **What Constitutes an Event of Default on the Bonds**

An event of default with respect to the bonds is defined in the indenture as being:

1. a default in the payment of any interest on any bond when the same becomes due and payable and the continuation of this default for five business days,
2. a default in the payment of the then unpaid principal of any bond on the final maturity date or, if applicable, any tranche on the final maturity date for that tranche,
3. a default in the observance or performance of any of our covenants or agreements made in the indenture, other than those specifically dealt with in clause 1 or 2 above, or any of our representations or warranties made in the indenture or in any certificate or other writing delivered pursuant to the indenture or in connection with the indenture proving to have been incorrect in any material respect as of the time when made, and this default continues or is not cured for a period of 30 days after the earlier of (a) written notice of the default is given to us by the trustee or to us and the trustee by the holders of at least 25% of the outstanding principal amount of the bonds or (b) the date we have knowledge of the default,
4. the filing of a decree or order for relief by a court having jurisdiction in respect of us or any substantial part of the collateral securing the bonds in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of us or our property or for any substantial part of the collateral securing the bonds or ordering the winding-up or liquidation of our affairs, and such decree or order remains unstayed and in effect for a period of 90 consecutive days,
5. the commencement by us of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by us to the entry of an order for relief in an involuntary case under any such law, or the consent by us to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of us or our property for any substantial part of the collateral securing the bonds or the making by us of any general assignment for the benefit of creditors, or the failure by us generally to pay our debts as such debts become due, or the taking of action by us in furtherance of any of the foregoing,
6. any act or failure to act by the State of Texas or any of its agencies (including the PUCT), officers or employees that violates or is not in accordance with the pledge of the State of Texas in Section 39.310 of the Public Utility Regulatory Act including, without limitation, the failure of the PUCT to implement the statutory true-up mechanism in accordance with the financing order, or
7. any other event designated as an event of default in the prospectus supplement.

*Remedies Available Following an Event of Default.* If an event of default with respect to the bonds, other than event number 6 above, occurs and is continuing, the trustee or holders holding not less than a majority in outstanding principal amount of the bonds may declare the unpaid principal balance of the bonds, together with accrued interest, to be immediately due and payable. This declaration may, under the circumstances specified therein involving a cure, be rescinded by the holders of a majority in principal amount of the bonds. The nature of our business will result in payment of principal upon such a declaration being made as funds become available. Please read “Risk Factors—Risks Associated with the Unusual Nature of the System Restoration Property—Foreclosure of the trustee’s lien on the system restoration property securing the bonds might not be practical, and acceleration of the bonds before maturity might have little practical effect” and “—You may experience material payment delays or incur a loss on your investment in the bonds because the source of funds for payment is limited.”

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In addition to acceleration of the bonds described above, the trustee may, and upon the written direction of the holders of a majority in principal amount of the bonds, shall, exercise one or more of the following remedies upon an event of default (other than event number 6 above):

- the trustee may institute proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the bonds or under the indenture with respect to the bonds, whether by declaration or otherwise, enforce any judgment obtained, and collect from us or the servicer moneys adjudged due,
- the trustee may institute proceedings from time to time for the complete or partial foreclosure of the indenture with respect to the collateral securing the bonds,
- the trustee may exercise any remedies of a secured party under the Uniform Commercial Code or Section 39.309 of the Public Utility Regulatory Act or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the trustee and the bondholders,
- the trustee may sell the collateral securing the bonds or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law provided that certain conditions set forth in the indenture are met, and
- the trustee may exercise all of our rights, remedies, powers, privileges and claims against the seller, administrator and the servicer under or in connection with the administration agreement, the sale agreement, the intercreditor agreement or the servicing agreement.

If event of default number 6 above occurs, the trustee may to the extent allowed by law, institute or participate in proceedings reasonably necessary to compel performance of or to enforce the pledge of the State of Texas and to collect any monetary damages incurred by the bondholders or the trustee as a result of such event of default. This is the only remedy the trustee may exercise if this event of default has occurred.

*When the Trustee Can Sell the Collateral.* If the final maturity date of the bonds has occurred or the bonds have been declared to be due and payable following an event of default, the trustee may, or at the written direction of the holders of a majority in principal amount of the bonds shall:

- subject to the paragraph immediately below, sell the collateral securing the bonds,
- elect to have us maintain possession of the collateral securing the bonds, or
- take such other remedial action as the trustee, at the written direction of the holders of a majority in principal amount of the bonds then outstanding and declared to have been due and payable, may direct and continue to apply distributions on the collateral securing the bonds as if there had been no declaration of acceleration.

The trustee is prohibited from selling the collateral securing the bonds following an event of default, unless:

- the holders of 100% of the principal amount of the bonds consent to the sale,
- the proceeds of the sale or liquidation are sufficient to pay in full the principal of and accrued interest on the outstanding bonds, or

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- the trustee determines, at its option, that funds provided by the collateral securing the bonds would not be sufficient on an ongoing basis to make all payments on the bonds as these payments would have become due if the bonds had not been declared due and payable, and the trustee obtains the written consent of the holders of 66 2/3% of the aggregate outstanding principal amount of the bonds.

*Right of Bondholders to Direct Proceedings.* Subject to the provisions for indemnification and the limitations contained in the indenture, the holders of a majority in principal amount of the outstanding bonds affected will have the right to direct the time, method and place of conducting any proceeding or any remedy available to the trustee or exercising any trust or power conferred on the trustee; provided that, among other things:

- this direction does not conflict with any rule of law or with the indenture,
- any direction to the trustee to sell or liquidate the collateral shall be by the holders of the bonds representing not less than 100% of the outstanding bonds, and
- the trustee may take any other action deemed proper by the trustee that is not inconsistent with this direction.

However, in case an event of default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders of the bonds if:

- it reasonably believes it will not be indemnified to its reasonable satisfaction against the costs, expenses and liabilities which might be incurred by it in complying with this request, or
- it determines that this action might materially adversely affect the rights of any bondholder not consenting to the action.

*Waiver of Default.* Prior to acceleration of the bonds, the holders of a majority in principal amount of the bonds affected may, subject to certain conditions specified in the indenture, waive any default with respect to the bonds affected, as the case may be. However, they may not waive a default in the payment of principal or of interest on any of the bonds or a default in respect of a covenant or provision of the indenture that cannot be modified without the waiver or consent of all of the holders of the outstanding bonds affected.

*Limitation of Proceedings.* Under the indenture, no bondholder will have the right to institute any proceeding, judicial or otherwise, or to avail itself of the right to foreclose on the system restoration property or otherwise enforce the lien in the system restoration property pursuant to Section 39.309 of the Public Utility Regulatory Act, unless:

- the holder previously has given to the trustee written notice of a continuing event of default,
- the holders of not less than a majority in principal amount of the outstanding bonds have made written request of the trustee to institute the proceeding in its own name as trustee,
- the holder or holders have offered the trustee security or indemnity reasonably satisfactory to the trustee against the costs, expenses and liabilities to be incurred in complying with the request,
- the trustee for 60 days after its receipt of the notice, request and offer of indemnity has failed to institute the proceeding, and
- no direction inconsistent with this written request has been given to the trustee during the 60-day period referred to above by the holders of a majority in principal amount of the outstanding bonds.

In addition, each of the trustee, the bondholders and the servicer will covenant that it will not, prior to the date that is one year and one day after the termination of the indenture, acquiesce in or institute or invoke or cause us or the underwriters to invoke against us or against our managers or our member or members any bankruptcy, reorganization or other proceeding under any federal or state bankruptcy or similar law. By purchasing bonds, each bondholder will be deemed to have made this covenant.

*Undertaking for Costs.* The parties to the indenture agree, and each bondholder is deemed to have agreed, that in any suit for the enforcement of any right or remedy under the indenture or in any suit against the trustee for any action taken or omitted to be taken under the indenture, any court in its discretion may require the party instituting suit to file an undertaking to pay the costs of such litigation and the court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against such party. However, no costs will be assessed against the parties for a suit brought by the trustee, a suit initiated by any bondholders holding in the aggregate more than 10% of the outstanding amount of the bonds, or any suit brought by a bondholder to enforce the payment of interest not paid when due or principal not paid on the applicable final maturity date.

## Our Covenants

*Consolidation, Merger or Sale of Assets.* We will keep in effect our existence, rights and franchises as a limited liability company under Delaware law, provided that we may consolidate with, merge into or convert into another entity or sell substantially all of our assets to another entity if:

- the entity formed by or surviving the consolidation, merger or conversion or to whom substantially all of our assets are sold is organized under the laws of the United States or any state thereof and expressly assumes by a supplemental indenture the due and punctual payment of the principal of and interest on all outstanding bonds and the performance of our obligations under the indenture,
- the entity formed by or surviving the consolidation, merger or conversion or to whom substantially all of our assets are sold expressly assumes all obligations and succeeds to all of our rights under the sale agreement, the administration agreement, the intercreditor agreement, the servicing agreement and any other basic document specified in the indenture to which we are a party or under which we have rights pursuant to an assignment and assumption agreement executed and delivered to the trustee,
- no default or event of default will have occurred and be continuing immediately after giving effect to the merger, consolidation, conversion or sale,
- prior notice will have been given to the rating agencies and the rating agency condition will have been satisfied with respect to the merger, consolidation, conversion or sale,
- we have received an opinion of independent counsel to the effect that the merger, consolidation, conversion or sale:
  - will have no material adverse tax consequence to us or any bondholder,
  - complies with the indenture and all conditions precedent therein provided relating to the merger, consolidation, conversion or sale, and
  - will result in the trustee maintaining a continuing valid first priority perfected security interest in the collateral,
- none of the system restoration property, the financing order or our rights under the Public Utility Regulatory Act or the financing order are impaired thereby, and
- any action that is necessary to maintain the lien and security interest created by the indenture has been taken.

*Additional Covenants.* We will from time to time execute and deliver all documents, make all filings and take any other action necessary or advisable to, among other things, maintain and preserve the lien of the indenture and the priority thereof. We will not, among other things:

- permit the validity of the indenture to be impaired or the lien to be amended, subordinated or terminated or discharged,
- permit any person to be released from any covenants or obligations except as expressly permitted by the indenture,
- permit any lien, charge, claim, security interest, mortgage or other encumbrance, other than the lien of the indenture, to be created on or extend to or otherwise arise upon or burden the collateral or any part thereof or any interest therein or the proceeds thereof,
- permit the lien of the indenture not to constitute a continuing valid first priority perfected security interest in the trust estate,

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- except as expressly permitted by the indenture, any supplemental indenture, the sale agreement or the servicing agreement, sell, transfer, exchange or otherwise dispose of any of the collateral unless directed to do so by the trustee in accordance with the indenture,
- claim any credit on, or make any deduction from the principal or interest payable in respect of, the bonds, other than amounts properly withheld under the Internal Revenue Code of 1986, as amended, or assert any claim against any present or former bondholder because of the payment of taxes levied or assessed upon us or any part of the collateral,
- terminate our existence, dissolve or liquidate in whole or in part, except as otherwise permitted by the indenture,
- take any action which is the subject of a rating agency condition if such action would result in a downgrade, suspension or withdrawal, or
- elect to be classified as an association taxable as a corporation for federal income tax purposes or otherwise take any action inconsistent with our treatment for federal income tax purposes as a disregarded entity not separate from our sole owner.

We may not engage in any business other than purchasing and owning the system restoration property, issuing the bonds, pledging our interest in the collateral to the trustee under the indenture in order to secure the bonds, and performing activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto.

We may not issue, incur, assume or guarantee any indebtedness except for the bonds. Also, we may not guarantee or otherwise become contingently liable in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire, or agree contingently to acquire, any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person, other than the specified eligible investments. We may not, except as contemplated by the indenture, the sale agreement, the servicing agreement and related documents, including our limited liability company agreement, make any loan or advance or credit to any person. We will not make any expenditure for capital assets or lease any capital asset other than the system restoration property purchased from CenterPoint Houston pursuant to, and in accordance with, the sale agreement. We may not make any payments, distributions or dividends to any member in respect of its membership interest except in accordance with the indenture.

The servicer will deliver to the trustee the annual accountant's report, compliance certificates and reports regarding distributions and other statements required by the servicing agreement. Please read "The Servicing Agreement" in this prospectus.

### **Access to the List of Bondholders**

Any bondholder who has owned a bond for at least six months may, by written request to the trustee, obtain access to the list of all bondholders maintained by the trustee for the purpose of communicating with other bondholders with respect to their rights under the indenture or the bonds. In addition, a group of bondholders each of whom has owned a bond for at least six months may also obtain access to the list of all bondholders for the same purpose. The trustee may elect not to afford the requesting bondholders access to the list of bondholders if it agrees to mail the desired communication or proxy, on behalf and at the expense of the requesting bondholders, to all bondholders.

### **We Must File an Annual Compliance Statement**

We will deliver to the trustee, within 120 days after the end of each fiscal year, an officer's certificate (a copy of which we will deliver to each rating agency and the PUCT) stating, as to the manager signing such officer's certificate, that

- (i) a review of our activities during such year (or relevant portion thereof) and of performance under the indenture has been made under such manager's supervision; and
- (ii) to the best of such manager's knowledge, based on such review, we have complied with all conditions and covenants under the indenture throughout such fiscal year (or relevant portion thereof), or, if there has been a default in compliance with any such condition or covenant, describing each such default known to the manager and the nature and status thereof.

### **The Trustee May Be Required to Provide an Annual Report to All Bondholders**

If required by the Trust Indenture Act, the trustee will be required to mail each year to all bondholders a brief report. This report may state, in accordance with the requirements of the Trust Indenture Act, among other items:

- the trustee's eligibility and qualification to continue as the trustee under the indenture,
- any amounts advanced by it under the indenture,
- the amount, interest rate and maturity date of specific indebtedness owing by us to the trustee in the trustee's individual capacity,
- the property and funds physically held by the trustee, and
- any action taken by it that materially affects the bonds and that has not been previously reported.

### **What Will Trigger Satisfaction and Discharge of the Indenture**

The bonds, all moneys payable with respect to the bonds and the indenture will cease to be of further effect and the lien of the indenture will be released, interest will cease to accrue on the bonds and the trustee, on our written demand and at our expense, will execute instruments acknowledging satisfaction and discharge of the indenture with respect to the bonds, when:

- either (1) all bonds which have already been authenticated or delivered, with certain exceptions set forth in the indenture, have been delivered to the trustee for cancellation or (2) we have irrevocably deposited with the trustee cash, in trust for this purpose, in an amount sufficient to make payments of principal of and interest on the bonds and to pay and discharge the entire indebtedness on those bonds not previously delivered to the trustee,
- we have paid or caused to be paid all other sums payable by us under the indenture, and
- we have delivered to the trustee an officer's certificate, an opinion of counsel, and if required by the Trust Indenture Act or the trustee, a certificate from a firm of independent certified public accountants, each stating that there has been compliance with the conditions precedent in the indenture or relating to the satisfaction and discharge of the indenture with respect to the bonds.

### **Our Legal Defeasance and Covenant Defeasance Options**

We may, at any time, terminate:

- all of our obligations under the indenture with respect to the bonds, or
- our obligations to comply with some of the covenants in the indenture, including some of the covenants described under "—Our Covenants."

The legal defeasance option is our right to terminate at any time our obligations under the indenture with respect to the bonds. The covenant defeasance option is our right at any time to terminate our obligations to comply with some of the covenants in the indenture. We may exercise the legal defeasance option of the bonds notwithstanding our prior exercise of the covenant defeasance option. If we exercise the legal defeasance option, the bonds will be entitled to payment only from the funds or other obligations set aside under the indenture for payment thereof on the scheduled final payment date therefor as described below. The bonds will not be subject to payment through redemption or acceleration prior to the scheduled final payment date. If we exercise the covenant defeasance option, the final payment of the bonds may not be accelerated because of an event of default relating to a default in the observance or performance of our covenant as described in "—What Constitutes an Event of Default on the Bonds" above.

We may exercise the legal defeasance option or the covenant defeasance option with respect to the bonds only if:

- we irrevocably deposit or cause to be deposited in trust with the trustee cash or U.S. government obligations specified in the indenture for the payment of principal of and interest on the bonds to the scheduled final payment date therefor, as applicable, and all other amounts due and payable under the indenture, the deposit to be made in the defeasance subaccount,
- we deliver to the trustee a certificate from a nationally recognized firm of independent accountants expressing its opinion that the payments of principal and interest on the U.S. government obligations when due and without reinvestment plus any cash deposited in the defeasance subaccount without investment will provide cash at times and in sufficient amounts to pay in respect of the bonds:
  - principal in accordance with the expected sinking fund schedule therefor, and
  - interest when due,
- in the case of the legal defeasance option, 95 days pass after the deposit is made and during the 95-day period no default relating to events of our bankruptcy, insolvency, receivership or liquidation occurs and is continuing at the end of the period,
- no default has occurred and is continuing on the day of this deposit and after giving effect thereto,
- in the case of the legal defeasance option, we deliver to the trustee an opinion of counsel stating that:
  - we have received from, or there has been published by, the Internal Revenue Service a ruling, or
  - since the date of execution of the indenture, there has been a change in the applicable federal income tax law, and in either case confirming that the holders of the bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of the legal defeasance option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the legal defeasance had not occurred,
- in the case of the covenant defeasance option, we deliver to the trustee an opinion of counsel to the effect that the holders of the bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of the covenant defeasance option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the covenant defeasance had not occurred,
- we deliver to the trustee a certificate of one of our managers and an opinion of counsel, each stating that all conditions precedent to the legal defeasance option or the covenant defeasance option, as applicable, have been complied with as required by the indenture,
- we deliver to the trustee an opinion of counsel to the effect that (a) in a case under the bankruptcy code in which CenterPoint Houston (or any of its affiliates, other than us) is the debtor, the court would hold that the deposited cash or U.S. government obligations would not be in the bankruptcy estate of CenterPoint Houston (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations); and (b) in the event CenterPoint Houston (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations), were to be a debtor in a case under the bankruptcy code, the court would not disregard the separate legal existence of CenterPoint Houston (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations) and us so as to order substantive consolidation under the bankruptcy code of our assets and liabilities with the assets and liabilities of CenterPoint Houston (or any of its affiliates, other than us, that deposited the cash or U.S. government obligations), and

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- each rating agency has notified us and the trustee that the exercise of the proposed defeasance option will not result in a suspension, downgrade or withdrawal of the then current rating of any then outstanding bonds.

### **The Trustee**

The trustee for the bonds will be named in the prospectus supplement. You will also find information relating to the trustee's form of organization and a description of its prior experience as a trustee in the prospectus supplement. The trustee may resign at any time upon 30 days' notice by so notifying us. The holders of a majority in principal amount of the bonds then outstanding may remove the trustee by so notifying the trustee and us in writing and may appoint a successor trustee. We will remove the trustee by written notice if the trustee ceases to be eligible to continue in this capacity under the indenture, the trustee becomes a debtor in a bankruptcy proceeding or is adjudged insolvent, a receiver, administrator or other public officer takes charge of the trustee or its property, the trustee becomes incapable of acting or the trustee fails to provide to us certain information we reasonably request which is necessary for us to satisfy our reporting obligations under the securities laws. If the trustee resigns or is removed or a vacancy exists in the office of trustee for any reason, we will be obligated promptly to appoint a successor trustee eligible under the indenture. We are responsible, initially, for payment of the expenses associated with any such removal or resignation, but any such expenses will be treated as an operating expense and paid out of the general subaccount on a payment date in accordance with the priority of payments set forth in "—How Funds in the Collection Account Will Be Allocated" in this prospectus. No resignation or removal of the trustee will become effective until acceptance of the appointment by a successor trustee. The trustee shall at all times satisfy the requirements of certain provisions of the Trust Indenture Act, as amended, and the Investment Company Act of 1940, as amended, and have a combined capital and surplus of at least \$50 million and a long-term debt rating of "Baa3" or better by Moody's, "BBB-" or better by S&P and, if applicable, "BBB-" or better by Fitch. If the trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets to, another entity, the resulting, surviving or transferee entity shall without any further action be the successor trustee. We and our affiliates may, from time to time, maintain various banking, investment banking and trust relationships with the trustee and its affiliates. Please read "The Sale Agreement" and "The Servicing Agreement" in this prospectus for further information.

The trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided that its conduct does not constitute willful misconduct, negligence or bad faith. We have agreed to indemnify the trustee and its officers, directors, employees and agents against any and all loss, liability or expense (including reasonable attorney's fees and expenses) incurred by it in connection with the administration of the trust and the performance of its duties under the indenture, provided that we are not required to pay any expense or indemnify against any loss, liability or expense incurred by the trustee through the trustee's own willful misconduct, negligence or bad faith. Please read "Prospectus Summary—Priority of Distributions" and "—How Funds in the Collection Account Will Be Allocated" in this prospectus for further information.

### **Governing Law**

The indenture will be governed by the laws of the State of Texas.

### **WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS FOR THE BONDS**

The rate of principal payments, the amount of each interest payment, the final payment date of the bonds and the weighted average life thereof will depend primarily on the timing of receipt of collected system restoration charges by the trustee and the statutory true-up mechanism. The aggregate amount of collected system restoration charges and the rate of principal amortization on the bonds will depend, in part, on actual energy usage and energy demands, and the rate of delinquencies and write-offs. The system restoration charges are required to be adjusted from time to time based in part on historical system restoration charge collections. However, we can give no assurance that the servicer will be able to forecast accurately actual electricity usage and the rate of delinquencies and write-offs or implement adjustments to the system restoration charges that will cause collected system restoration charges to be received at any particular rate. Please read "Risk Factors—Servicing Risks," "—Other Risks Associated With an Investment in the Bonds" and "CenterPoint Houston's Financing Order—Statutory True-Ups" in this prospectus.



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The bonds may be retired later than expected. Except in the event of the acceleration of the final payment date of the bonds after an event of default, however, the bonds will not be paid earlier than is contemplated in the expected bond amortization schedule for the bonds. Receipts in excess of the amounts necessary to amortize the bonds in accordance with the expected amortization schedule, to pay interest and related fees and expenses and to fund subaccounts of the collection account will be allocated to the excess funds subaccount. Future system restoration charges will be decreased by any amount in the excess funds subaccount due to overcollection. Acceleration of the final maturity date after an event of default in accordance with the terms thereof will result in payment of principal earlier than the related scheduled final payment dates. A payment on a date that is earlier than the scheduled payment date might result in a shorter weighted average life, and a payment on a date that is later than the scheduled payment date might result in a longer weighted average life.

### **THE SALE AGREEMENT**

The following summary describes particular material terms and provisions of the sale agreement pursuant to which we will purchase the system restoration property from the seller. We and CenterPoint Houston have filed the form of the sale agreement with the SEC as an exhibit to the registration statement of which this prospectus forms a part. This summary does not purport to be complete and is subject to and qualified by reference to the provisions of the sale agreement.

#### **CenterPoint Houston's Sale and Assignment of the System Restoration Property**

In connection with the issuance of the bonds, the seller will offer and sell the system restoration property to us pursuant to the terms and conditions of the sale agreement. The sale of the system restoration property to us by CenterPoint Houston will be financed through the corresponding issuance of the bonds. Pursuant to the sale agreement, CenterPoint Houston will sell and assign to us, without recourse, except as provided therein, its rights and interests under the financing order, which will become system restoration property upon such transfer pursuant to the Public Utility Regulatory Act. The system restoration property will represent all rights and interests of CenterPoint Houston under the financing order, including the right to impose, collect and receive the system restoration charges and the revenues and collections resulting from such system restoration charges. We will apply the net proceeds that we receive from the sale of the bonds to the purchase of the system restoration property. System restoration property is known as "transition property" in the Public Utility Regulatory Act.

As provided by the Public Utility Regulatory Act, our purchase of the system restoration property from CenterPoint Houston pursuant to the sale agreement, which will expressly provide that such transfer is a sale, will be a true sale, and all title to the system restoration property, legal or equitable, will pass to us. Under the Public Utility Regulatory Act, such sale will constitute a true sale under state law whether or not

- we have any recourse against CenterPoint Houston,
- CenterPoint Houston retains any equity interest in the system restoration property under state law,
- CenterPoint Houston acts as a collector of system restoration charges relating to the system restoration property, or
- CenterPoint Houston treats the transfer as a financing for tax, financial reporting or other purposes.

Under the Public Utility Regulatory Act, all rights and interests under the financing order will become system restoration property upon transfer of such rights to us by CenterPoint Houston in connection with the issuance of the bonds. The system restoration property will constitute our present property right for purposes of contracts concerning the sale or pledge of property.

Upon the execution and delivery of the sale agreement and bill of sale and the filing of a notice with the Secretary of State of the State of Texas in accordance with the rules prescribed under the Public Utility Regulatory Act, our purchase of the system restoration property from CenterPoint Houston will be perfected as against all third persons, including subsequent judicial or other lien creditors. In accordance with the Public Utility Regulatory Act, a valid and enforceable lien and security interest in the system restoration property will be created upon the issuance of the financing order and the execution and delivery of the sale agreement. The lien and security interest attaches automatically from the time that value

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is received for the bonds and, on perfection through the timely filing of a notice with the Secretary of State of the State of Texas in accordance with the rules prescribed under the Public Utility Regulatory Act, will be a continuously perfected lien and security interest in the system restoration property and all proceeds of the system restoration property.

The records and computer systems of CenterPoint Houston and CenterPoint Energy will reflect the sale and assignment of CenterPoint Houston's rights and interests under the financing order to us. However, we expect that the bonds will be reflected as debt on CenterPoint Energy's consolidated financial statements. In addition, we anticipate that the bonds will be treated as debt of CenterPoint Energy for federal income tax purposes. Please read "Material U.S. Federal Tax Consequences for the Bondholders."

### **CenterPoint Houston's Representations and Warranties**

In the sale agreement, CenterPoint Houston will make representations and warranties to us as of the transfer date to the effect, among other things, that:

1. subject to clause 9 below (assumptions used in calculating the system restoration charges as of the transfer date), all written information, as amended or supplemented from time to time, provided by CenterPoint Houston to us with respect to the transferred system restoration property (including the financing order and the issuance advice letter) is correct in all material respects;
2. it is the intention of the parties to the sale agreement that, other than for specified tax purposes, the sale, transfer, assignment, setting over and conveyance contemplated by the sale agreement constitutes a sale or other absolute transfer of all right, title and interest of CenterPoint Houston related to the bonds in, to and under the financing order to us, whereupon (subject to the effectiveness of the issuance advice letter) such rights and interests will become system restoration property; upon execution and delivery of the sale agreement and the bill of sale and payment of the purchase price, CenterPoint Houston will have no right, title or interest in, to or under the transferred system restoration property; and that such transferred system restoration property would not be a part of the estate of CenterPoint Houston in the event of the filing of a bankruptcy petition by or against CenterPoint Houston under any bankruptcy law;
3.
  - a. CenterPoint Houston is the sole owner of the rights and interests under the financing order,
  - b. on the transfer date, immediately upon the sale under the sale agreement, the transferred system restoration property will have been validly sold, assigned, transferred, set over and conveyed to us free and clear of all liens (except for any lien created in favor of the bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any lien created by us under the basic documents), and
  - c. all actions or filings (including filings with the Secretary of State of the State of Texas in accordance with the rules prescribed under the Public Utility Regulatory Act and the Uniform Commercial Code) necessary in any jurisdiction to give us a perfected ownership interest (subject to any lien created in favor of the bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any lien created by us under the basic documents) in the transferred system restoration property and to grant to the trustee a first priority perfected security interest in the transferred system restoration property, free and clear of all liens of CenterPoint Houston or anyone else (except for any lien created in favor of the bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any lien created by us under the basic documents) have been taken or made;
4. the financing order has been issued by the PUCT in accordance with the Public Utility Regulatory Act, the financing order and the process by which it was issued comply with all applicable laws, rules and regulations of the State of Texas and the federal laws of the United States, and the financing order is final, non-appealable and in full force and effect;
5. as of the date of issuance of the bonds, the bonds will be entitled to the protections provided by the Public Utility Regulatory Act and the financing order, and the financing order and the system restoration charges

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authorized therein will have become irrevocable and not subject to reduction, impairment or adjustment by further action of the PUCT, except as permitted by Section 39.307 of the Public Utility Regulatory Act, the issuance advice letter relating to the transferred system restoration property will have been filed in accordance with the financing order, and the PUCT will not have issued any order prior to noon on the fourth business day after submission of the issuance advice letter that the bonds do not comply with specified ordering provisions of the financing order and the initial system restoration charges and the final term of the bonds set forth in the issuance advice letter will have become effective;

6. a. under the Public Utility Regulatory Act, the State of Texas has pledged that it will not take or permit any action that would impair the value of the system restoration property transferred under the sale agreement or, except as permitted in Section 39.307 of the Public Utility Regulatory Act, reduce, alter or impair the system restoration charges until the principal and interest, and any other charges incurred and contracts to be performed in connection with the bonds, have been paid and performed in full,
- b. under the laws of the State of Texas and the federal laws of the United States, the State of Texas could not constitutionally take any action of a legislative character, including the repeal or amendment of the securitization provisions of the Public Utility Regulatory Act, which would substantially limit, alter or impair the system restoration property or other rights vested in the bondholders pursuant to the financing order, or substantially limit, alter, impair or reduce the value or amount of the system restoration property, unless that action is a reasonable exercise of the State of Texas's sovereign powers and of a character reasonable and appropriate to further a legitimate public purpose, and, under the takings clauses of the Texas and United States Constitutions, the State of Texas could not repeal or amend the securitization provisions of the Public Utility Regulatory Act or take any other action in contravention of its pledge quoted above without paying just compensation to the bondholders, as determined by a court of competent jurisdiction, if doing so would constitute a permanent appropriation of a substantial property interest of those bondholders in the system restoration property and deprive those bondholders of their reasonable expectations arising from their investments in the bonds; however, there is no assurance that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal and interest on those bonds;
7. there is no order by any court providing for the revocation, alteration, limitation or other impairment of the securitization provisions of the Public Utility Regulatory Act, the financing order or issuance advice letter, the transferred system restoration property or the system restoration charges or any rights arising under any of them or that seeks to enjoin the performance of any obligations under the financing order;
8. under the laws of the State of Texas and the federal laws of the United States in effect on the transfer date, no other approval, authorization, consent, order or other action of, or filing with any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the creation or transfer of CenterPoint Houston's rights and interests related to the bonds under the financing order and our purchase of the system restoration property from CenterPoint Houston, except those that have been obtained or made;
9. based on information available to CenterPoint Houston on the transfer date, the assumptions used in calculating the system restoration charges in the issuance advice letter are reasonable and made in good faith; however, notwithstanding the foregoing, CenterPoint Houston makes no representation or warranty, express or implied, that amounts actually collected arising from the system restoration charges will in fact be sufficient to meet the payment obligations on the bonds or that the assumptions used in calculating the system restoration charges will in fact be realized;
10. a. upon the effectiveness of the issuance advice letter, the transfer of CenterPoint Houston's rights and interests related to the bonds under the financing order and our purchase of the system restoration property from CenterPoint Houston pursuant to the sale agreement, the transferred system restoration property will constitute a present property right,

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- b. upon the effectiveness of the issuance advice letter, the transfer of CenterPoint Houston's rights and interests under the financing order and our purchase of the system restoration property from CenterPoint Houston pursuant to the sale agreement, the transferred system restoration property will include, without limitation:
    - (1) the right to impose, collect and receive system restoration charges authorized in the financing order, including, without limitation, the right to receive system restoration charges in amounts and at times sufficient to pay principal and interest on the bonds,
    - (2) all rights and interests of CenterPoint Houston under the financing order that relate to the bonds,
    - (3) the rights to file for periodic adjustments of the system restoration charges as provided in the financing order, and
    - (4) all revenues and collections resulting from the system restoration charges,
  - c. upon the effectiveness of the issuance advice letter and the transfer of CenterPoint Houston's rights and interests under the financing order and our purchase of the system restoration property from CenterPoint Houston on such transfer date pursuant to the sale agreement, the transferred system restoration property will not be subject to any lien created by a previous indenture;
- 11. CenterPoint Houston is a limited liability company duly organized and in good standing under the laws of the State of Texas, with limited liability company power and authority to own its properties and conduct its business as currently owned or conducted;
  - 12. CenterPoint Houston has the limited liability company power and authority to obtain the financing order and to execute and deliver the sale agreement and to carry out its terms; CenterPoint Houston has the limited liability company power and authority to own the rights and interests under the financing order, to sell and assign those rights and interests under the financing order to us, whereupon (subject to the effectiveness of the issuance advice letter) such rights and interests will become system restoration property; and the execution, delivery and performance of the sale agreement have been duly authorized by CenterPoint Houston by all necessary limited liability company action;
  - 13. the sale agreement constitutes a legal, valid and binding obligation of CenterPoint Houston, enforceable against CenterPoint Houston in accordance with its terms, subject to customary exceptions relating to bankruptcy, creditors' rights and equitable principles;
  - 14. the consummation of the transactions contemplated by the sale agreement and the fulfillment of the terms thereof do not (a) conflict with or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of organization or limited liability company regulations of CenterPoint Houston, or any indenture, mortgage, credit agreement or other agreement or instrument to which CenterPoint Houston is a party or by which it or its properties is bound; (b) result in the creation or imposition of any lien upon any of CenterPoint Houston's properties pursuant to the terms of any such indenture or agreement or other instrument (except for any lien created in favor of the bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any lien created by us under the basic documents) or (c) violate any existing law or any existing order, rule or regulation applicable to CenterPoint Houston of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over CenterPoint Houston or its properties;
  - 15. except for continuation filings under the Uniform Commercial Code and other filings under the Public Utility Regulatory Act and the Uniform Commercial Code, no approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required under any applicable law, rule or regulation in connection with the execution and delivery by CenterPoint Houston of the sale agreement, the performance by

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CenterPoint Houston of the transactions contemplated by the sale agreement or the fulfillment by CenterPoint Houston of the terms of the sale agreement, except those that have previously been obtained or made and those that CenterPoint Houston, in its capacity as servicer under the servicing agreement, is required to make in the future pursuant to the servicing agreement;

16. except as disclosed in this prospectus or the prospectus supplement, there are no proceedings pending, and to CenterPoint Houston's knowledge, (a) there are no proceedings threatened and (b) there are no investigations pending or threatened before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over CenterPoint Houston or its properties involving or related to CenterPoint Houston or us or, to CenterPoint Houston's knowledge, to any other person:
  - a. asserting the invalidity of the sale agreement, any of the other basic documents, the bonds, the securitization provisions of the Public Utility Regulatory Act or the financing order,
  - b. seeking to prevent the issuance of the bonds or the consummation of the transactions contemplated by the sale agreement or any of the other basic documents,
  - c. seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by CenterPoint Houston of its obligations under, or the validity or enforceability of, the sale agreement or any of the other basic documents or the bonds, or
  - d. challenging CenterPoint Houston's treatment of the bonds as debt of CenterPoint Energy for federal or state income, gross receipts or franchise tax purposes;
17. after giving effect to the sale of the system restoration property under the sale agreement, CenterPoint Houston:
  - a. is solvent and expects to remain solvent,
  - b. is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purposes,
  - c. is not engaged and does not expect to engage in a business for which its remaining property represents an unreasonably small portion of its capital,
  - d. reasonably believes that it will be able to pay its debts as they become due, and
  - e. is able to pay its debts as they become due and does not intend to incur, or believes that it will incur, indebtedness that it will not be able to repay at its maturity; and
18. CenterPoint Houston is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on CenterPoint Houston's business, operations, assets, revenues or properties).

The representations and warranties made by CenterPoint Houston survive the sale of the transferred system restoration property to us and the pledge thereof on the transfer date to the trustee. Any change in the law occurring after the transfer date that renders any of the representations and warranties untrue does not constitute a breach under the sale agreement.

## CenterPoint Houston's Covenants

In the sale agreement, CenterPoint Houston will make the following covenants:

1. subject to its rights to assign its rights and obligations under the sale agreement, so long as any bonds are outstanding, CenterPoint Houston will (i) keep in full force and effect its existence and remain in good standing under the laws of the state of its organization, and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of the sale agreement and each other instrument or agreement to which CenterPoint Houston is a party necessary to the proper administration of the sale agreement and the transactions contemplated by the sale agreement and (ii) continue to operate its distribution system in order to provide electric services to retail electric customers served at distribution voltage in its certificated service area, provided that CenterPoint Houston is not prohibited from selling, assigning or otherwise divesting its distribution system or any part thereof in accordance with the sale agreement and the financing order;
2. except for the conveyances under the sale agreement or any lien under Section 39.309 of the Public Utility Regulatory Act for our benefit, the bondholders and the trustee, CenterPoint Houston may not sell, pledge, assign or transfer to any other person, or grant, create, incur, assume or suffer to exist any lien on, any of the transferred system restoration property, whether then existing or thereafter created, or any interest therein. CenterPoint Houston may not at any time assert any lien against or with respect to the transferred system restoration property, and CenterPoint Houston shall defend the right, title and interest of us and of the trustee, as our assignee, in, to and under the transferred system restoration property against all claims of third parties claiming through or under CenterPoint Houston;
3. in the event that CenterPoint Houston receives any payments under the terms of an intercreditor agreement in respect of the system restoration charges or the proceeds thereof other than in its capacity as the servicer, CenterPoint Houston agrees to pay all those payments to the servicer, in accordance with the intercreditor agreement, as soon as practicable after receipt thereof by CenterPoint Houston;
4. CenterPoint Houston will notify us and the trustee promptly after becoming aware of any lien on any of the transferred system restoration property, other than the conveyances under the sale agreement, any lien created in favor of the bondholders under Section 39.309 of the Public Utility Regulatory Act or any lien created by us under the indenture;
5. CenterPoint Houston agrees to comply with its organizational or governing documents and all laws, treaties, rules, regulations and determinations of any court or federal or state regulatory body, administrative agency or governmental instrumentality applicable to it, except to the extent that failure to so comply would not materially adversely affect our or the trustee's interests in the transferred system restoration property or under the basic documents or CenterPoint Houston's performance of its obligations under the sale agreement;
6. so long as any bonds are outstanding, CenterPoint Houston
  - a. will treat the bonds as our debt and not debt of CenterPoint Houston, except for financial reporting or tax purposes;
  - b. will disclose in its financial statements that it is not the owner of the transferred system restoration property and that our assets are not available to pay creditors of CenterPoint Houston or its affiliates (other than us);
  - c. will not own or purchase any bonds; and
  - d. will disclose the effects of all transactions between us and CenterPoint Houston in accordance with generally accepted accounting principles;
7. so long as any bonds are outstanding:
  - a. in all proceedings relating directly or indirectly to the transferred system restoration property, CenterPoint Houston will affirmatively certify and confirm that it has sold all of its rights and interests under the financing order that relate to the bonds to us (other than for financial

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reporting or tax purposes), and will not make any statement or reference in respect of the transferred system restoration property that is inconsistent with our ownership interest (other than for financial reporting or tax purposes), and

- b. CenterPoint Houston will not take any action in respect of the transferred system restoration property except solely in its capacity as servicer thereof pursuant to the servicing agreement or as contemplated by the basic documents including the intercreditor agreement;
8. CenterPoint Houston agrees that, upon the sale by CenterPoint Houston of all of its rights and interests under the financing order to us pursuant to the sale agreement, any payment to the servicer by any person responsible for remitting system restoration charges to the servicer under the terms of the financing order or the Public Utility Regulatory Act or applicable tariff shall discharge such person's obligations in respect of the transferred system restoration property to the extent of such payment, notwithstanding any objection or direction to the contrary by CenterPoint Houston;
9. CenterPoint Houston will execute and file such filings, and cause to be executed and filed such filings in such manner and in such places as may be required by law fully to preserve, maintain and protect our and the trustee's interests in the transferred system restoration property, including all filings required under the Public Utility Regulatory Act and the Uniform Commercial Code relating to the transfer of the ownership of the rights and interests related to the bonds under the financing order by CenterPoint Houston to us and the pledge of the transferred system restoration property by us to the trustee. CenterPoint Houston will deliver (or cause to be delivered) to us and the trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. CenterPoint Houston will institute any action or proceeding reasonably necessary to compel performance by the PUCT or the State of Texas of any of their obligations or duties under the securitization provisions of the Public Utility Regulatory Act, the financing order or the issuance advice letter relating to the transfer of the rights and interests under the financing order by CenterPoint Houston to us, and CenterPoint Houston agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in each case as may be reasonably necessary:
- a. to protect us and the bondholders from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation described above under the caption "—CenterPoint Houston's Representations and Warranties"; or
  - b. so long as CenterPoint Houston is also the servicer, to block or overturn any attempts to cause a repeal of, modification of or supplement to the securitization provisions of the Public Utility Regulatory Act, the financing order, the issuance advice letter or the rights of bondholders by legislative enactment or constitutional amendment that would be materially adverse to us, the trustee or the bondholders.

The costs of any such actions or proceedings would be reimbursed by us to CenterPoint Houston from amounts on deposit in the collection account as an operating expense in accordance with the terms of the indenture. CenterPoint Houston's obligations pursuant to this covenant survive and continue notwithstanding that the payment of operating expenses pursuant to the indenture may be delayed;

10. so long as any bonds are outstanding, CenterPoint Houston will pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, businesses, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a lien on the transferred system restoration property; provided that no such tax need be paid if CenterPoint Houston or any of its affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if CenterPoint Houston or such affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles;

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11. CenterPoint Houston will comply with all filing requirements imposed upon it in its capacity as seller of the transferred system restoration property under the financing order, including making any post-closing filings; and
12. even if the sale agreement or the indenture is terminated, CenterPoint Houston will not, prior to the date that is one year and one day after the termination of the indenture, petition or otherwise make or cause us to invoke the process of any court or federal or state regulatory body, administrative agency or governmental instrumentality for the purpose of commencing or sustaining a case against us under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of ours, or any substantial property of ours or ordering the winding up or liquidation of our affairs. We will also agree in the sale agreement not to petition or otherwise invoke or cause CenterPoint Houston to invoke such a process for the same period of time.

### **CenterPoint Houston's Obligation to Indemnify Us and the Trustee and to Take Legal Action**

Under the sale agreement, CenterPoint Houston is obligated to indemnify us and the trustee, for itself and on behalf of the bondholders and related parties specified therein, against:

1. any and all taxes, other than any taxes imposed on bondholders solely as a result of their ownership of bonds, that may at any time be imposed on or asserted against any of those persons under existing law as of the transfer date as a result of the sale and assignment of CenterPoint Houston's rights and interests under the financing order that relates to the bonds by CenterPoint Houston to us, the acquisition or holding of the transferred system restoration property by us or the issuance and sale by us of bonds, including any sales, gross receipts, tangible personal property, privilege, franchise or license taxes, but excluding any taxes imposed as a result of a failure of that person to properly withhold or remit taxes imposed with respect to payments on any bond, in the event and to the extent such taxes are not recoverable qualified costs, it being understood that the bondholders will be entitled to enforce their rights against CenterPoint Houston solely through a cause of action brought for their benefit by the trustee in accordance with the terms of the indenture; and
2. a. any and all amounts of principal of and interest on the bonds not paid when due or when scheduled to be paid in accordance with their terms and the amount of any deposits to us required to have been made in accordance with the terms of the basic documents which are not made when so required, in each case as a result of CenterPoint Houston's breach of any of its representations, warranties or covenants contained in the sale agreement; and  
b. any and all liabilities, obligations, claims, actions, suits or payments of any kind whatsoever that may be imposed on or asserted against any such person, other than any liabilities, obligations or claims for or payments of principal of or interest on the bonds, together with any reasonable costs and expenses incurred by that person, in each case as a result of CenterPoint Houston's breach of any of its representations, warranties or covenants contained in the sale agreement.

However, CenterPoint Houston is not required to indemnify the trustee or related parties against any loss incurred by them through their own willful misconduct, negligence or bad faith.

These indemnification obligations will rank equally in right of payment with other general unsecured obligations of CenterPoint Houston. The indemnities described above will survive the resignation or removal of the trustee and the termination of the sale agreement and include reasonable fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses). The representations and warranties described above under the caption "—CenterPoint Houston's Representations and Warranties" are made under existing law as in effect as of the date of issuance of the bonds. CenterPoint Houston will not indemnify any party for any changes of law after the issuance of the bonds, including by means of legislative enactment, constitutional amendment or voter initiative, or for any liability resulting solely from a downgrade in the ratings on such bonds.



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*CenterPoint Houston's Limited Obligation to Undertake Legal Action.* As described in clause 9 above under “—CenterPoint Houston’s Covenants,” the sale agreement will require CenterPoint Houston to institute any action or proceeding reasonably necessary to compel performance by the PUCT or the State of Texas of any of their obligations or duties under the securitization provisions of the Public Utility Regulatory Act, the financing order or the related issuance advice letter with respect to the transferred system restoration property. Except for the foregoing and subject to CenterPoint Houston’s further covenant to fully preserve, maintain and protect our interests in the system restoration property, CenterPoint Houston will not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its obligations under the sale agreement and that in its opinion may involve it in any expense or liability.

### **Successors to CenterPoint Houston**

The sale agreement will provide that any person which succeeds by merger, consolidation, sale or other similar transaction to all or substantially all of the electric distribution business of CenterPoint Houston (or, if the distribution business is split, the person which provides distribution service to a majority of the retail electric customers in CenterPoint Houston’s service territory), which person executes an agreement of assumption to perform every obligation of CenterPoint Houston under the sale agreement, will be the successor to CenterPoint Houston with respect to CenterPoint Houston’s ongoing obligations under the sale agreement without the execution or filing of any document or any further act by any of the parties to the sale agreement. The sale agreement will further require that:

- immediately after giving effect to any transaction referred to in this paragraph, no representation or warranty made in the sale agreement will have been breached in any material respect, and no servicer default, and no event that, after notice or lapse of time, or both, would become a servicer default will have occurred and be continuing,
- the rating agencies specified in the sale agreement will have received prior written notice of the transaction, and
- officers’ certificates and opinions of counsel specified in the sale agreement will have been delivered to us and the trustee.

### **Amendment**

The sale agreement may be amended in writing by the seller and us, if notice of the amendment is provided by us to each rating agency and the rating agency condition has been satisfied, with the consent of the trustee and, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, the consent or deemed consent of the PUCT.

## **THE SERVICING AGREEMENT**

The following summary describes the material terms and provisions of the servicing agreement pursuant to which the servicer will undertake to service the system restoration property. This summary does not purport to be complete and is qualified by reference to the provisions of the servicing agreement. We and CenterPoint Houston have filed the form of the servicing agreement with the SEC as an exhibit to the registration statement of which this prospectus forms a part.

### **Servicing Procedures**

*General.* The servicer, as our agent, will manage, service, administer and make collections in respect of the system restoration property. The servicer’s duties will include:

- calculating and billing the system restoration charges,
- obtaining meter reads and collecting the system restoration charges from retail electric providers or an agent appointed by the servicer or an account designated under the intercreditor agreement to collect the charges, as applicable, and posting all collections,

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- responding to inquiries by retail electric customers, retail electric providers, the PUCT or any federal, local or other state governmental authority with respect to the system restoration property and system restoration charges,
- accounting for collected system restoration charges and late-payment penalties received from retail electric providers, investigating and resolving delinquencies, processing and depositing collections, making periodic remittances to the trustee and furnishing periodic reports to us, the trustee, the PUCT and the rating agencies,
- providing certified calculations and other information reasonably requested by agents appointed by the servicer to collect the charges to enable the agents to perform collection services properly under the intercreditor agreement and monitoring the collections of the agents for compliance with the intercreditor agreement,
- monitoring payments by each retail electric provider, reviewing reports provided by each retail electric provider and monitoring compliance by each retail electric provider with the credit standards and deposit obligations set forth in the financing order,
- notifying each retail electric provider of any defaults by such retail electric provider in its payment obligations and other obligations (including its credit standards), and enforcing against such retail electric provider at the earliest date permitted any remedies provided by applicable law,
- making all filings with the PUCT and taking all other actions necessary to perfect our ownership interests in and the trustee's lien on the system restoration property and other collateral,
- selling, as our agent, defaulted or written-off accounts in accordance with the servicer's usual and customary practices,
- taking action in connection with adjustments to the system restoration charges and allocation of the charges among various classes of customers as described below,
- any other duties specified for a servicer under the financing order or applicable law, and
- reconciling, within 30 calendar days after bank statement cutoff dates or such later time as is consistent with the servicer's usual and customary practices that does not materially impair the ability of the servicer to correct errors, all bank account debits and credits for bank accounts that are held in our name or the name of the servicer (as servicer under the servicing agreement) that relate to the collateral or the bonds.

Please read "CenterPoint Houston's Financing Order" in this prospectus. The servicer is required to notify us, the trustee, the PUCT and the rating agencies in writing of any laws or PUCT regulations promulgated after the execution of the servicing agreement that have a material adverse effect on the servicer's ability to perform its duties under the servicing agreement. The servicer is also authorized to execute and deliver documents and to make filings and participate in proceedings on our behalf.

In the servicing agreement, the servicer will agree, among other things, that, in servicing the system restoration property:

- except where the failure to comply with any of the following would not materially adversely affect our or the trustee's respective interests in the system restoration property,
  - it will manage, service, administer and make collections in respect of the system restoration property with reasonable care and in material compliance with applicable law, including all applicable PUCT regulations and guidelines, using the same degree of care and diligence that the servicer exercises with respect to billing and collection activities that the servicer conducts for itself and others,

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- it will follow standards, policies and procedures in performing its duties as servicer that are customary in the electric transmission and distribution industry or that the PUCT has mandated and consistent with the terms of the financing order, tariffs and existing law,
- it will use all reasonable efforts, consistent with its customary servicing procedures, to enforce and maintain the trustee's and our rights in respect of the system restoration property,
- it will calculate the system restoration charges and the allocation of system restoration charges among customer classes in compliance with the Public Utility Regulatory Act, the financing order, any PUCT order related to system restoration charge allocation and any applicable tariffs,
- it will provide all reports to such parties to the intercreditor agreement regarding the system restoration charges and allocation of the charges among various classes of customers as are necessary to effect collection, allocation and remittance of payments in respect of system restoration charges and other collected funds in accordance with the servicing agreement and the intercreditor agreement,
- it will make all filings required under the applicable Uniform Commercial Code or the Public Utility Regulatory Act to maintain the perfected security interest of the trustee in the collateral and use all reasonable efforts to otherwise enforce and maintain the trustee's rights in respect of the system restoration property and the collateral,
- it will petition the PUCT for adjustments to the system restoration charges and allocation of the charges among customer classes that the servicer determines to be necessary in accordance with the financing order, and
- it will keep on file, in accordance with customary procedures, all documents pertaining to the system restoration property and will maintain accurate and complete accounts, records and computer systems pertaining to the system restoration property.

The duties of the servicer set forth in the servicing agreement are qualified by any PUCT regulations or orders in effect at the time those duties are to be performed.

*Servicer Obligation to Undertake Legal Action.* The servicer is required, subject to applicable law, to institute any action or proceeding necessary to compel performance by any retail electric provider and any party to the intercreditor agreement of any of their respective obligations or duties under the Public Utility Regulatory Act, the financing order or the intercreditor agreement, as the case may be, with respect to the system restoration property. The costs of any such actions or proceedings would be reimbursed by us to the servicer from amounts on deposit in the collection account as an operating expense in accordance with the terms of the indenture. The servicer's obligations pursuant to this covenant survive and continue notwithstanding that the payment of operating expenses pursuant to the indenture may be delayed.

*Collections.* Each retail electric provider serving customers at distribution voltage in CenterPoint Houston's service territory will include the applicable system restoration charges in its bill to retail electric customers which receive electric service at distribution voltage. The servicer or its agent will bill each retail electric provider for the applicable system restoration charges attributable to the retail electric provider's retail electric customers which receive electric service at distribution voltage at least monthly. Pursuant to the financing order, each retail electric provider must remit to the servicer the amount of applicable system restoration charges attributable to its retail electric customers (less an allowance for charge-offs of delinquent customer accounts) within 35 days of the servicer's bill for such charges regardless of whether payments have been received by the retail electric providers from such retail electric customers. In addition, in the event a retail electric provider fails to pay the servicer in full within 35 days of the date the applicable system restoration charges are billed to such retail electric provider, the servicer will assess a late-payment penalty against the retail electric provider in the amount of five percent of the outstanding balance of such system restoration charges payable by the retail electric provider. All late-payment penalties will be remitted to the collection account to be applied against system restoration charge obligations. A grace period of 10 days from the 35th day after the payment due date will be allowed before the retail electric provider is considered to be in default. If there is a shortfall in a retail electric provider's payment of an amount billed, the amount paid shall first be allocated ratably among the system restoration charges relating to the bonds and other fees and charges (including system restoration charges and transition charges relating to other system restoration or transition bonds, delivery charges and nuclear decommissioning charges) other than late fees, and second, any remaining portion of the payment shall be attributed to late fees owed to CenterPoint Houston or any successor.

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*Remittances to the Trustee.* The servicer will collect and remit to the trustee, on a daily basis, system restoration charges plus any accrued interest thereon from the date such system restoration charges were actually received. The servicer will be required to pay system restoration charges to the trustee on or before the second business day after the servicer receives those system restoration charge collections.

### **Adjustment Process for System Restoration Charges**

*Annual True-Ups.* Among other things, the servicing agreement will require the servicer to file adjustment requests annually and, if necessary, semi-annually (or quarterly in the fourteenth and fifteenth years) to ensure the expected recovery of amounts sufficient to provide timely payment of principal and interest on the bonds. For more information on the true-up process, please refer to “CenterPoint Houston’s Financing Order—Statutory True-Ups.” These adjustment requests will be based on actual collected system restoration charges and updated assumptions by the servicer as to projected future usage of electricity by retail electric customers which receive service at distribution voltage, expected write-offs and future payments and expenses relating to the system restoration property and the bonds. The servicer agrees to calculate these adjustments to result in:

- the bond balance equaling the projected bond balance and the aggregate reimbursement amount due and owing for the preceding calendar year to any retail electric provider,
- the replenishment of any amounts drawn from the related capital subaccount,
- amortization of the remaining outstanding principal amount in accordance with the expected amortization schedule and payment of interest when due,
- the servicer’s reconciliation of past overpayments and underpayments by any retail electric provider of system restoration charges arising out of the retail electric provider’s right to hold back certain payments of system restoration charges in expectation of future write-offs from customers who do not pay their electric bills,
- the servicer’s recovery of any interest paid to a retail electric provider arising out of a dispute between the servicer and such retail electric provider in which the servicer’s claim to the funds in dispute was not clearly unfounded, and
- the payment of the fees and expenses of the servicer, the trustee, our independent manager and the administrator and other fees, expenses, charges and costs authorized in the financing order.

In addition to filing requests for adjustments to the system restoration charges, the servicer may be required in some years to file a request to adjust the allocation of the system restoration charges among the system restoration charge classes, according to the methodology set forth in the tariff established by the PUCT.

In the servicing agreement, the servicer will agree to file adjustment requests on each calculation date for us as specified in the servicing agreement. Any adjustment to the allocation of system restoration charges must be filed with the PUCT at least 90 days before the date the proposed adjustment will become effective. The PUCT must enter a final order by the proposed adjustment date stated in the filing. The adjustments to the system restoration charges are expected to occur on each adjustment date. Adjustments to the system restoration charges will cease with respect to the bonds on the final adjustment date.

*Interim True-Ups.* In addition to the annual adjustment process, the servicer will be required under the servicing agreement to seek an interim true-up adjustment with respect to the bonds once every six months, or quarterly in the fourteenth and fifteenth years:

- if the servicer expects, at the next payment date, more than a 5% variation in absolute value between (a) the actual principal balance of the bonds, taking into account amounts on deposit in the excess funds subaccount, and (b) the outstanding principal balance anticipated on the expected amortization schedule,

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- as needed to meet any rating agency requirement that the bonds be paid in full at the scheduled final payment date, or
- to correct any undercollection or overcollection of system restoration charges, regardless of cause, in order to assure timely payment of the bonds based on rating agency and bondholder considerations.

*Reconciliation of Charge-Off Allowances.* Under the financing order, retail electric providers will be entitled to withhold an allowance for charge-offs from their payments of the system restoration charges to the servicer. In connection with the annual adjustment process, the servicer and each retail electric provider will reconcile the retail electric provider's hold-backs with the amount actually written off as uncollectible during that time. If the retail electric provider has held back less than the amount actually written off as uncollectible during that time, it will be entitled to a credit, in the amount of the hold-back shortfall, toward the retail electric provider's future payments of the system restoration charges. If the retail electric provider has held back more than the amount actually written off as uncollectible during that time, the charge-off allowance will be adjusted so that the retail electric provider will pay the servicer the amount of such underpayment over the twelve months following the adjustment.

*Collected System Restoration Charges.* In the servicing agreement, the servicer will agree to remit all related collected system restoration charges from whatever source and all proceeds of our other collateral, if any, to the trustee for deposit pursuant to the indenture. Until the collected system restoration charges are remitted to the collection account, the servicer will not segregate them from its general funds. Remittances of related collected system restoration charges will include accrued interest thereon from the date such system restoration charges were actually received, and also include any penalties assessed against retail electric providers for delinquent remittances of the system restoration charges. Please read "Risk Factors—Risks Associated with Potential Bankruptcy Proceedings of the Seller or the Servicer" in this prospectus.

### **Servicer Compensation**

The servicer will be entitled to receive an aggregate annual servicing fee for the bonds in an amount equal to:

- 0.05% of the aggregate initial principal amount of the bonds, for so long as the servicer remains CenterPoint Houston or any of its permitted successors or assigns or an affiliate, or
- an amount agreed upon by the successor servicer and the trustee, but, unless the PUCT consents, not more than 0.60% of the aggregate initial principal amount of the bonds if CenterPoint Houston, any permitted successor or assign or an affiliate is not the servicer.

The servicing fee will be paid semi-annually with respect to the bonds, with half of the annual servicing fee being paid on each semi-annual payment date. The servicing fee for the bonds, together with any portion of the servicing fee that remains unpaid from prior payment dates, will be paid solely to the extent funds are available therefor as described under "The Bonds—How Funds in the Collection Account Will Be Allocated" in this prospectus. The servicing fee for the bonds will be paid prior to the payment of or provision for any amounts in respect of interest on and principal of the bonds. As long as CenterPoint Houston is the servicer, the PUCT may adjust CenterPoint Houston's transmission and distribution rates to take into account the extent, if any, by which its servicing fees exceed its actual incremental costs in servicing the bonds.

### **CenterPoint Houston's Representations and Warranties as Servicer**

In the servicing agreement, the servicer will represent and warrant as of the date CenterPoint Houston sells or otherwise transfers the system restoration property to us to the effect, among other things, that:

- the servicer is duly organized, validly existing and in good standing under the laws of the state of its organization (which is Texas, when CenterPoint Houston is the servicer), with the limited liability company or corporate, as the case may be, power and authority to conduct its business as presently conducted and to execute, deliver and carry out the terms of the servicing agreement and the intercreditor agreement, and has the power, authority and legal right to service the system restoration property and to hold the system restoration property records as custodian,

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- the servicer is duly qualified to do business and is in good standing and has obtained all necessary licenses and approvals, in all jurisdictions in which it is required to do so (except where such failure would not be reasonably likely to have a material adverse effect on its business, operations or properties or adversely affect the servicing of the system restoration property),
- the servicer has the limited liability company power and authority to execute and deliver the servicing agreement and the intercreditor agreement, and the servicer's execution, delivery and performance of the servicing agreement and the intercreditor agreement have been duly authorized by the servicer by all necessary limited liability company or corporate, as the case may be, action,
- the servicing agreement and the intercreditor agreement both constitute legal, valid and binding obligations of the servicer, enforceable against the servicer in accordance with their terms, subject to customary exceptions relating to bankruptcy and equitable principles,
- the consummation of the transactions contemplated by the servicing agreement and the intercreditor agreement (to the extent applicable to the servicer's duties thereunder) and the fulfillment of the terms of each will not conflict with or result in any breach of the terms and provisions of nor constitute a default under the servicer's limited liability company agreement or articles of incorporation or by-laws, as the case may be, or any material agreement to which the servicer is a party or by which it is bound or result in the creation or imposition of any lien upon the servicer's properties (other than any lien that may be granted under the basic documents or any lien created pursuant to Section 39.309 of the Public Utility Regulatory Act) or violate any law or any existing order, rule or regulation applicable to the servicer,
- except for the issuance advice letter and filings with the PUCT for adjusting the amount and allocation of the system restoration charges and filings under the Uniform Commercial Code and under the Public Utility Regulatory Act, no governmental approvals, authorizations, consents, orders or other actions or filings are required for the servicer to execute, deliver and perform its obligations under the servicing agreement, except those that have previously been obtained,
- except as disclosed in this prospectus or the prospectus supplement, there are no proceedings pending and, to the servicer's knowledge, there are no proceedings threatened before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the servicer or its properties:
  - asserting the invalidity of the servicing agreement or any other basic document,
  - seeking any determination or ruling that might materially and adversely affect the system restoration property or the performance by the servicer of its obligations under, or the validity or enforceability against the servicer of, the servicing agreement,
  - relating to the servicer and that might materially and adversely affect the federal or state income, gross receipts or franchise tax attributes of the system restoration property or the bonds, or
  - seeking to prevent the issuance of the bonds or the consummation of any of the transactions contemplated by the servicing agreement or any other basic document, and
- each report and certificate delivered in connection with any filing made with the PUCT by the servicer on our behalf with respect to system restoration charges or adjustments will be true and correct in all material respects except that the servicer represents and warrants with respect to any assumption, forecast or prediction in such report or certificate that it is reasonably based on historical performance.

The servicer is not responsible for any ruling, action or delay of the PUCT, except those caused by the servicer's failure to file required applications in a timely and correct manner or other breach of its duties under the servicing agreement. The servicer also is not liable for the calculation of the system restoration charges and adjustments, including any inaccuracy in the assumptions made in the calculation, so long as the servicer has acted in good faith and has not acted in a negligent manner.

### **The Servicer Will Indemnify Us, Other Entities and the PUCT in Limited Circumstances**

Under the servicing agreement, the servicer will agree to indemnify, defend and hold harmless us, the trustee, for itself and on behalf of the bondholders, and related parties specified in the servicing agreement, including our managers, against any costs, expenses, losses, damages and liabilities of any kind whatsoever that may be imposed upon, incurred by or asserted against any of those persons as a result of:

- the servicer's willful misconduct, bad faith or negligence in the performance of, or reckless disregard of, its duties or observance of its covenants under the servicing agreement or the intercreditor agreement,
- the servicer's breach of any of its representations or warranties under the servicing agreement or the intercreditor agreement, and
- litigation and related expenses relating to its status and obligations as servicer (other than any proceedings the servicer is required to institute under the servicing agreement),

except to the extent that any such costs, expenses, losses, damages or liabilities resulted from the bad faith, willful misconduct or negligence of any such person or resulted from a breach of a representation or warranty made by any such person in any of the basic documents that gives rise to the servicer's indemnification obligation.

In addition, the servicer will agree to indemnify, defend and hold harmless the PUCT (for the benefit of retail electric customers) us, the trustee, for itself and on behalf of the bondholders, and related parties specified in the servicing agreement, including our managers, in connection with any increase in servicing fees as described under "—Servicer Compensation" if that increase is the result of a servicer default arising out of the servicer's willful misconduct, bad faith or negligence in performance of its duties or observance of its covenants under the servicing agreement. Any such indemnity payments made to the PUCT for the benefit of the retail electric consumers will be remitted to the trustee promptly for deposit in the collection account.

In the servicing agreement, the servicer will release us, our managers and the trustee from any and all claims whatsoever relating to the system restoration property or the servicer's servicing activities with respect thereto except to the extent of bad faith, willful misconduct or negligence.

The PUCT, acting through its authorized legal representative, may enforce the servicer's obligations imposed pursuant to the financing order for the benefit of ratepayers to the extent permitted by law.

### **The Servicer Will Provide Statements to Us, the PUCT, the Rating Agencies and the Trustee**

For each calculation date for the bonds, which will be either 15 or 90 days before each annual true-up filing is made by the servicer with the PUCT, the servicer will provide to us, the PUCT, the trustee and the rating agencies a statement indicating, with respect to the system restoration property, among other things:

- the bond balance and the projected bond balance as of the immediately preceding payment date,
- the amount on deposit in the capital subaccount and the amount required to be on deposit in the capital subaccount as of the immediately preceding payment date,
- the amount on deposit in the excess funds subaccount as of the immediately preceding payment date,
- the projected bond balance on the calculation date and the servicer's projection of the bond balance on the payment date immediately preceding the next succeeding adjustment date,
- the required capital subaccount balance and the servicer's projection of the amount on deposit in the capital subaccount for the payment date immediately preceding the next succeeding adjustment date, and

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- the servicer's projection of the amount on deposit in the excess funds subaccount for the payment date immediately preceding the next succeeding adjustment date.

The servicer will prepare and furnish to us, the PUCT and the trustee a statement setting forth the aggregate amount remitted or to be remitted by the servicer to the trustee on or before each such remittance. In addition, on or before each payment date, the servicer will prepare and furnish to us and the trustee a statement setting forth the transfers and payments to be made on that payment date and the amounts thereof. Further, on or before each payment date for the bonds, the servicer will prepare and furnish to us, the PUCT and the trustee a statement setting forth the amounts to be paid to the holders of the bonds. The trustee will forward to the bondholders on each payment date such report prepared by the servicer.

### **The Servicer Will Provide Compliance Reports Concerning the Servicing Agreement**

The servicing agreement will provide that the servicer will furnish annually to us, the PUCT, the trustee and the rating agencies, on or before March 31 of each year, beginning March 31, 2010 or, if earlier, on the date on which CenterPoint Houston's annual report on Form 10-K is required to be filed, a report on its assessment of compliance with specified servicing criteria as required by Item 1.122(a) of Regulation AB of the SEC, during the preceding 12 months ended December 31 (or preceding period since the closing date of the issuance of the bonds in the case of the first statement), together with a certificate by an officer of the servicer certifying the statements set forth therein.

The servicing agreement will provide that a firm of independent certified public accountants will furnish to us, the PUCT, the trustee and the rating agencies, on or before March 31st of each year, beginning March 31, 2010, or, if earlier, on the date on which CenterPoint Houston's annual report on Form 10-K is required to be filed, a statement as to compliance by the servicer during the preceding calendar year, or the relevant portion thereof, with procedures relating to the servicing of system restoration property. This report, which is referred to in this prospectus as the "annual accountant's report," will state that the firm has performed a review of the servicer's compliance with the servicing obligations of the servicing agreement, identify the results of this review and include any exceptions to the procedures relating to the servicing of the system restoration property noted. The annual accountant's report will also indicate that the accounting firm providing the report is independent of the servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants and of the Rules of the Public Company Accounting Oversight Board. The servicing agreement also will provide for delivery to us, the PUCT and the trustee, on or before March 31 of each year, a certificate signed by an officer of the servicer. This certificate will state that to the best of such officer's knowledge, the servicer has fulfilled its obligations under the servicing agreement for the preceding calendar year, or the relevant portion thereof, or, if there has been a default in the fulfillment of any relevant obligation, stating that there has been a default and describing each default. The servicer has agreed to give us, each rating agency and the trustee written notice of any servicer default under the servicing agreement.

### **Matters Regarding CenterPoint Houston as the Servicer**

Under the servicing agreement, any person:

- into which the servicer may be merged, converted or consolidated and which succeeds to all or substantially all of the electric distribution business of the servicer (or, if the distribution business is split, which provides distribution services directly to a majority of the customers in CenterPoint Houston's service territory),
- which results from the division of the servicer into two or more persons and which succeeds to all or substantially all of the electric distribution business of the servicer (or, if the distribution business is split, which provides distribution services directly to a majority of the customers in CenterPoint Houston's service territory),
- which may result from any merger, conversion or consolidation to which the servicer shall be a party and which succeeds to all or substantially all of the electric distribution business of the servicer (or, if the distribution business is split, which provides distribution services directly to a majority of the customers in CenterPoint Houston's service territory),



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- which may purchase or otherwise succeed to the properties and assets of the servicer substantially as a whole and which purchases or succeeds to all or substantially all of the electric distribution business of the servicer (or, if the distribution business is split, which provides distribution services directly to a majority of the customers in CenterPoint Houston's service territory), or
- which may otherwise purchase or succeed to the major part of the electric distribution business of the servicer (or, if the distribution business is split, which provides distribution services directly to a majority of the customers in CenterPoint Houston's service territory),

will be the successor of the servicer under the servicing agreement.

The servicing agreement will further require that:

- immediately after giving effect to any transaction referred to above, the representations and warranties made by the servicer in the servicing agreement will be true and correct and no servicer default, and no event which, after notice or lapse of time, or both, would become a servicer default, will have occurred and be continuing,
- the successor to the servicer must execute an agreement of assumption to perform every obligation of the servicer under the servicing agreement,
- officers' certificates and opinions of counsel will have been delivered to us, the PUCT and the trustee, and
- prior written notice will have been received by the PUCT and rating agencies.

So long as the conditions of any such assumptions are met, then the prior servicer will automatically be released from its obligations under the servicing agreement. The servicing agreement will permit the servicer, with written notice to the trustee and the PUCT, to appoint any person to perform any or all of its obligations including a collection agent acting pursuant to any intercreditor agreement, provided the appointment must satisfy the rating agency condition. In all cases where an agent is appointed, the servicer will remain obligated and liable under the servicing agreement.

The servicing agreement will provide that, subject to the foregoing provisions, CenterPoint Houston may not resign from the obligations and duties imposed on it as servicer unless CenterPoint Houston delivers an opinion of independent legal counsel that the performance of its duties under the servicing agreement shall no longer be permissible under applicable law. Written notice of any such determination will be communicated to us, the trustee, the PUCT and each rating agency at the earliest practicable time and shall be evidenced by an opinion of counsel. A resignation by CenterPoint Houston as servicer will not become effective until a successor servicer has assumed the servicing obligations and duties of CenterPoint Houston under the servicing agreement.

Except as expressly provided in the servicing agreement, the servicer will not be liable to us, our managers, the trustee, you or any other person for any action taken or for refraining from taking any action pursuant to the servicing agreement or for errors in judgment. However, the servicer will be liable to the extent this liability is imposed by reason of the servicer's willful misconduct, bad faith or negligence in the performance of its duties. The servicer and any of its directors, officers, employees or agents may rely in good faith on the advice of counsel reasonably acceptable to the trustee or on any document submitted by any person respecting any matters under the servicing agreement. In addition, the servicing agreement will provide that the servicer is under no obligation to appear in, prosecute, or defend any legal action, except as provided in the servicing agreement.

### **Events Constituting a Default by the Servicer**

Servicer defaults under the servicing agreement will include, among other things:

- any failure by the servicer to remit to the trustee, on our behalf, any required remittance by the date that such remittance must be made and that continues unremedied for a period of five business days,

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- any failure by the servicer to duly perform its obligations to make system restoration charge adjustment filings in the time and manner set forth in the servicing agreement, which failure continues unremedied for a period of five days,
- any failure by the servicer duly to observe or perform, in any material respect, any other covenant or agreement in the servicing agreement or any other basic document to which it is a party, which failure materially and adversely affects the system restoration property or the timely collection of the system restoration charges or the rights of the trustee or the bondholders and which continues unremedied for 60 days after written notice of this failure has been given to the servicer by us, the PUCT or the trustee or after discovery of this failure by an officer of the servicer, as the case may be,
- any representation or warranty made by the servicer in the servicing agreement proves to have been incorrect when made, which has a material adverse effect on any of the system restoration property or our ownership therein, the bondholders or their investment in the bonds, the security interest of the trustee, the PUCT or us and which continues unremedied for 60 days after written notice of this failure has been given to the servicer by us or the trustee or after discovery of this failure by an officer of the servicer, as the case may be, or
- an event of bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings with respect to the servicer or an action by the servicer indicating its insolvency, reorganization pursuant to bankruptcy proceedings or inability to pay its obligations as specified in the servicing agreement.

### **The Trustee's Rights if the Servicer Defaults**

As long as a servicer default under the servicing agreement remains unremedied, the trustee may, and upon the instruction of the holders of a majority of the outstanding principal amount of the bonds, must, except as described below under “—Intercreditor Agreement,” by written notice to the servicer, terminate all the rights and obligations of the servicer under the servicing agreement. However, the servicer's indemnification obligation and obligation to continue performing its functions as servicer may not be terminated until a successor servicer is appointed. Under the servicing agreement, the servicer's indemnity obligations will survive its replacement as servicer. In the event of the removal or resignation of the servicer, the trustee in compliance with the intercreditor agreement may, and upon the written instruction of the holders of a majority of the outstanding principal amount of the bonds, must, appoint a successor servicer which will succeed to all the rights and duties of the servicer under the servicing agreement. In no event will the trustee be liable for its appointment of a successor servicer made with due care. The trustee may make arrangements for compensation to be paid to any successor servicer consistent with the terms of the financing order but shall in no event be responsible in its individual capacity for payment of the servicing fee.

In addition, when a servicer defaults, the bondholders (subject to the provisions of the indenture) and the trustee as beneficiary of any statutory lien permitted by the Public Utility Regulatory Act will be entitled to (i) apply to a Travis County, Texas district court for sequestration and payment of revenues arising from the system restoration property, (ii) foreclose on or otherwise enforce the lien on and security interests in, any system restoration property and (iii) apply to the PUCT for an order that amounts arising from the system restoration charges be transferred to a separate account for the benefit of the bondholders. Upon a servicer default based upon the commencement of a case by or against the servicer under the bankruptcy or insolvency laws, the trustee may be prevented from effecting a transfer of servicing. Please read the “Risk Factors—Risks Associated With Potential Bankruptcy Proceedings of the Seller or Servicer” and “How a Bankruptcy May Affect Your Investment” in this prospectus. The trustee may appoint, or petition a court of competent jurisdiction for the appointment of, a successor servicer which satisfies criteria specified by the rating agencies rating the bonds.

### **Waiver of Past Defaults**

The trustee, with the written consent of the holders of bonds evidencing not less than a majority in principal amount of the then outstanding bonds, on behalf of all bondholders, may waive in writing in whole or in part any default by the servicer in the performance of its obligations under the servicing agreement and its consequences, except a default in making any required remittances to the collection account under the servicing agreement. The servicing agreement will provide that no waiver will impair the bondholders' rights relating to subsequent defaults.

### **The Obligations of a Successor Servicer**

Pursuant to the provisions of the servicing agreement, if for any reason a third party assumes or succeeds to the role of the servicer under the servicing agreement, the existing servicer must cooperate with us, the trustee and the successor servicer in terminating the existing servicer's rights and responsibilities under the servicing agreement. This procedure includes the transfer to the successor servicer of all documentation pertaining to the system restoration property and all cash amounts then held by the servicer for remittance or subsequently acquired by the servicer. The servicing agreement will provide that the servicer will be liable for all reasonable costs and expenses incurred in transferring servicing responsibilities to the successor servicer in the event the successor servicer is appointed as a result of a servicer default provided that to the extent not reimbursed by the servicer, such costs and expenses will be paid from the indenture trust estate. In all other cases, those costs and expenses will be paid by the party incurring them. A successor servicer may not resign unless it is prohibited from serving by law. The predecessor servicer is obligated, on an ongoing basis, to cooperate with the successor servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the successor servicer in performing its obligations under the servicing agreement.

### **Amendment**

The servicing agreement may be amended by the parties thereto, if the rating agency condition has been satisfied, with the consent of the trustee and, with respect to amendments that would increase ongoing qualified costs as defined in the financing order, the consent or deemed consent of the PUCT. The servicing agreement will provide that to the extent that the PUCT adopts rules or regulations permitted by the financing order or the securitization provisions of the Public Utility Regulatory Act the effect of which is to modify or supplement any provision of the servicing agreement related to retail electric provider standards, the servicing agreement will be deemed to have been so modified or supplemented on the effective date of such rule or regulation without the necessity of any further action by any party to the servicing agreement. The servicer will notify us, the rating agencies and the trustee of any such PUCT rules or regulations and the corresponding modification of or supplement to the servicing agreement promptly upon obtaining knowledge thereof.

### **Intercreditor Agreement**

In connection with the issuance of the bonds, we will enter into an intercreditor agreement with CenterPoint Houston (on behalf of itself and in its capacities as (i) servicer of the bonds and as servicer of the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III and (ii) the collection agent with respect to nuclear decommissioning charges), the trustee of the bonds, Transition Bond Company I and the trustee under the indenture relating to the transition bonds issued by Transition Bond Company I, Transition Bond Company II and the trustee under the indenture relating to the transition bonds issued by Transition Bond Company II, Transition Bond Company III and the trustee under the indenture relating to the transition bonds issued by Transition Bond Company III, pursuant to which:

- the servicer that allocates and remits funds received from retail electric providers for the bonds and for the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III and places such funds into deposit accounts (such allocation, remittance and deposits hereafter referred to as the "allocation services") must be the same entity under the servicing agreement and the servicing agreements relating to the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III, and
- the trustee of the bonds, acting upon the vote of bondholders representing a majority of the outstanding principal amount of the bonds, and the trustees of the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III must agree upon a replacement servicer that performs the allocation services.

In the event of a default by the servicer under any servicing agreement relating to the bonds or the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III, if the trustees are unable to agree on a replacement servicer, no trustee would be able to replace CenterPoint Houston or any successor as servicer. Instead, under the intercreditor agreement, any trustee could upon such a default require all collections by the servicers to be deposited directly into a designated account with a financial institution selected by the trustees, subject to satisfaction of the rating agency condition. The financial institution holding the designated account would then be responsible for allocating the collections in the account between system restoration or transition charges, as the case may be, relating to the bonds and the transition bonds issued by Transition Bond Company I, Transition Bond Company II and Transition Bond Company III.

## HOW A BANKRUPTCY MAY AFFECT YOUR INVESTMENT

*Challenge to True Sale Treatment.* CenterPoint Houston will represent and warrant that the transfer of the system restoration property in accordance with the sale agreement constitutes a true and valid sale and assignment of the system restoration property by CenterPoint Houston to us. It will be a condition of closing for the sale of system restoration property pursuant to the sale agreement that CenterPoint Houston will take the appropriate actions under the Public Utility Regulatory Act, including filing a notice of transfer of an interest in the system restoration property, to perfect this sale. The Public Utility Regulatory Act provides that a transfer of system restoration property by an electric utility to an assignee which the parties have in the governing documentation expressly stated to be a sale or other absolute transfer, in a transaction approved in a financing order, shall be treated as an absolute transfer of all the transferor's right, title and interest, as in a "true sale" under applicable creditors' rights principles, and not as a pledge or other financing, of the relevant system restoration property. We and CenterPoint Houston will treat such a transaction as a sale under applicable law. However, we expect that bonds will be reflected as debt on CenterPoint Energy's consolidated financial statements. In addition, we anticipate that the bonds will be treated as debt of CenterPoint Energy for federal income tax purposes. Please read "The System Restoration Amendments—Recovery of Qualified Costs for CenterPoint Houston and Other Texas Utilities" and "Material U.S. Federal Tax Consequences for the Bondholders." In the event of a bankruptcy of a party to a sale agreement, if a party in interest in the bankruptcy were to take the position that the transfer of the system restoration property to us pursuant to that sale agreement was a financing transaction and not a true sale under applicable creditors' rights principles, there can be no assurance that a court would not adopt this position. Even if a court did not ultimately recharacterize the transaction as a financing transaction, the mere commencement of a bankruptcy of CenterPoint Houston and the attendant possible uncertainty surrounding the treatment of the transaction could result in delays in payments on the bonds.

In that regard, we note that the bankruptcy court in *In re: LTV Steel Company, Inc., et al.*, 274 B.R. 278 (Bankr. N. D. Oh. 2001) issued an interim order that observed that a debtor, LTV Steel Company, which had previously entered into securitization arrangements with respect both to its inventory and its accounts receivable may have "at least some equitable interest in the inventory and receivables, and that this interest is property of the Debtor's estate . . . sufficient to support the entry of" an interim order permitting the debtor to use proceeds of the property sold in the securitization. 274 B.R. at 285. The court based its decision in large part on its view of the equities of the case.

LTV and the securitization investors subsequently settled their dispute over the terms of the interim order and the bankruptcy court entered a final order in which the parties admitted and the court found that the pre-petition transactions constituted "true sales." The court did not otherwise overrule its earlier ruling. The LTV memorandum opinion serves as an example of the pervasive equity powers of bankruptcy courts and the importance that such courts may ascribe to the goal of reorganization, particularly where the assets sold are integral to the ongoing operation of the debtor's business.

We and CenterPoint Houston have attempted to mitigate the impact of a possible recharacterization of a sale of system restoration property as a financing transaction under applicable creditors' rights and principles. The sale agreement will provide that if the transfer of the system restoration property is thereafter recharacterized by a court as a financing transaction and not a true sale, the transfer by CenterPoint Houston will be deemed to have granted to us on behalf of ourselves and the trustee a first priority security interest in all CenterPoint Houston's right, title and interest in and to the system restoration property and all proceeds thereof. In addition, the sale agreement will require the filing of a notice of security interest in the system restoration property and the proceeds thereof in accordance with the Public Utility Regulatory Act. As a result of this filing, we would be a secured creditor of CenterPoint Houston and entitled to recover against the collateral or its value. This does not, however, eliminate the risk of payment delays or reductions and other adverse effects caused by a CenterPoint Houston bankruptcy. Further, if, for any reason, a system restoration property notice is not filed under the Public Utility Regulatory Act or we fail to otherwise perfect our interest in the system restoration property, and the transfer is thereafter deemed not to constitute a true sale, we would be an unsecured creditor of CenterPoint Houston.

The Public Utility Regulatory Act provides that the creation, granting, perfection and enforcement of liens and security interests in system restoration property are governed by the Public Utility Regulatory Act and not by the Texas Business & Commerce Code. Under the Public Utility Regulatory Act, a valid and enforceable lien and security interest in

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system restoration property may be created only by a financing order issued under the Public Utility Regulatory Act and the execution and delivery of a security agreement with a holder of bonds or a trustee or agent for the holder. The lien and security interest attaches automatically from the time value is received for the bonds. Upon perfection through the filing of notice with the Secretary of State of Texas pursuant to rules established by the Secretary of State of Texas, the security interest shall be a continuously perfected lien and security interest in the system restoration property, with priority in the order of filing and take precedence over any subsequent judicial or other lien creditor. If this notice is filed within ten days after value is received for the bonds, the security interest will be perfected retroactive to the date value was received, otherwise, the security interest will be perfected as of the date of filing.

None of this, however, mitigates the risk of payment delays and other adverse effects caused by a CenterPoint Houston bankruptcy. Further, if, for any reason, a system restoration property notice is not filed under the Public Utility Regulatory Act or we fail to otherwise perfect our interest in the system restoration property sold pursuant to the sale agreement, and the transfer is thereafter deemed not to constitute a true sale, we would be an unsecured creditor of CenterPoint Houston.

*Consolidation of the Issuing Entity and CenterPoint Houston.* If CenterPoint Houston were to become a debtor in a bankruptcy case, a party in interest might attempt to substantively consolidate the assets and liabilities of CenterPoint Houston and us. We and CenterPoint Houston have taken steps to attempt to minimize this risk. Please read “CenterPoint Energy Restoration Bond Company, LLC, The Issuing Entity” in this prospectus. However, no assurance can be given that if CenterPoint Houston were to become a debtor in a bankruptcy case, a court would not order that our assets and liabilities be substantively consolidated with those of CenterPoint Houston. Substantive consolidation would result in payment of the claims of the beneficial owners of the bonds to be subject to substantial delay and to adjustment in timing and amount under a plan of reorganization in the bankruptcy case.

*Status of System Restoration Property as Current Property.* CenterPoint Houston will represent in the sale agreement, and the Public Utility Regulatory Act provides, that the system restoration property sold pursuant to the sale agreement constitutes a current property right on the date that it is first transferred or pledged in connection with the issuance of the bonds. Nevertheless, no assurance can be given that, in the event of a bankruptcy of CenterPoint Houston, a court would not rule that the system restoration property comes into existence only as retail electric customers use electricity.

If a court were to accept the argument that the system restoration property comes into existence only as retail electric customers use electricity, no assurance can be given that a security interest in favor of the bondholders of the bonds would attach to the system restoration charges in respect of electricity consumed after the commencement of the bankruptcy case or that the system restoration property has been sold to us. If it were determined that the system restoration property had not been sold to us, and the security interest in favor of the bondholders did not attach to the applicable system restoration charges in respect of electricity consumed after the commencement of the bankruptcy case, then we would have an unsecured claim against CenterPoint Houston. If so, there would be delays and/or reductions in payments on the bonds. Whether or not a court determined that system restoration property had been sold to us pursuant to a sale agreement, no assurances can be given that a court would not rule that any system restoration charges relating to electricity consumed after the commencement of the bankruptcy could not be transferred to us or the trustee.

In addition, in the event of a bankruptcy of CenterPoint Houston, a party in interest in the bankruptcy could assert that we should pay, or that we should be charged for, a portion of CenterPoint Houston’s costs associated with the distribution of the electricity, consumption of which gave rise to the system restoration charge receipts used to make payments on the bonds.

Regardless of whether CenterPoint Houston is the debtor in a bankruptcy case, if a court were to accept the argument that system restoration property sold pursuant to the sale agreement comes into existence only as customers use electricity, a tax or government lien or other nonconsensual lien on property of CenterPoint Houston arising before that system restoration property came into existence could have priority over our interest in that system restoration property. Adjustments to the system restoration charges may be available to mitigate this exposure, although there may be delays in implementing these adjustments.

*Estimation of Claims; Challenges to Indemnity Claims.* If CenterPoint Houston were to become a debtor in a bankruptcy case, claims, including indemnity claims, by us or the trustee against CenterPoint Houston as seller under the

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sale agreement and the other documents executed in connection therewith would be unsecured claims and would be subject to being discharged in the bankruptcy case. In addition, a party in interest in the bankruptcy may request that the bankruptcy court estimate any contingent claims that we or the trustee have against CenterPoint Houston. That party may then take the position that these claims should be estimated at zero or at a low amount because the contingency giving rise to these claims is unlikely to occur. If a court were to hold that the indemnity provisions were unenforceable, we would be left with a claim for actual damages against CenterPoint Houston based on breach of contract principles. The actual amount of these damages would be subject to estimation and/or calculation by the court.

No assurances can be given as to the result of any of the above-described actions or claims. Furthermore, no assurance can be given as to what percentage of their claims, if any, unsecured creditors would receive in any bankruptcy proceeding involving CenterPoint Houston.

*Enforcement of Rights by the Trustee.* Upon an event of default under the indenture, the Public Utility Regulatory Act permits the trustee to enforce the security interest in the system restoration property sold pursuant to the sale agreement in accordance with the terms of the indenture. In this capacity, the trustee is permitted to request the PUCT or a Travis County, Texas district court to order the sequestration and payment to holders of bonds of all revenues arising from the applicable system restoration charges. There can be no assurance, however, that the PUCT or a district court judge would issue this order after a seller bankruptcy in light of the automatic stay provisions of Section 362 of the United States Bankruptcy Code. In that event, the trustee may under the indenture seek an order from the bankruptcy court lifting the automatic stay with respect to this action by the PUCT or a district court judge and an order requiring an accounting and segregation of the revenues arising from the system restoration property sold pursuant to the sale agreement. There can be no assurance that a court would grant either order.

*Bankruptcy of the Servicer.* The servicer is entitled to commingle the system restoration charges that it receives with its own funds until each date on which the servicer is required to remit funds to the trustee as specified in the servicing agreement. The Public Utility Regulatory Act provides that the relative priority of a lien created under the Public Utility Regulatory Act is not defeated or adversely affected by the commingling of system restoration charges arising with respect to the system restoration property with funds of the electric utility. In the event of a bankruptcy of the servicer, a party in interest in the bankruptcy might assert, and a court might rule, that the system restoration charges commingled by the servicer with its own funds and held by the servicer, prior to and as of the date of bankruptcy were property of the servicer as of that date, and are therefore property of the servicer's bankruptcy estate, rather than our property. If the court so rules, then the court would likely rule that the trustee has only a general unsecured claim against the servicer for the amount of commingled system restoration charges held as of that date and could not recover the commingled system restoration charges held as of the date of the bankruptcy.

However the court rules on the ownership of the commingled system restoration charges, the automatic stay arising upon the bankruptcy of the servicer could delay the trustee from receiving the commingled system restoration charges held by the servicer as of the date of the bankruptcy until the court grants relief from the stay. A court ruling on any request for relief from the stay could be delayed pending the court's resolution of whether the commingled system restoration charges are our property or are property of the servicer, including resolution of any tracing of proceeds issues.

The servicing agreement will provide that the trustee, as our assignee, together with the other persons specified therein, may vote to appoint a successor servicer that satisfies the rating agency condition. The servicing agreement will also provide that the trustee, together with the other persons specified therein, may petition the PUCT or a court of competent jurisdiction to appoint a successor servicer that meets this criterion. However, the automatic stay in effect during a servicer bankruptcy might delay or prevent a successor servicer's replacement of the servicer. Even if a successor servicer may be appointed and may replace the servicer, a successor may be difficult to obtain and may not be capable of performing all of the duties that CenterPoint Houston as servicer was capable of performing. Furthermore, should the servicer enter into bankruptcy, it may be permitted to stop acting as servicer.

*Bankruptcy of a Retail Electric Provider.* A retail electric provider is not required to segregate the system restoration charges it collects from its general funds. The Public Utility Regulatory Act provides that our rights to the system restoration property are not affected by the commingling of these funds with other funds. In a bankruptcy of a retail electric provider, however, a bankruptcy court might rule that federal bankruptcy law takes precedence over the Public Utility Regulatory Act and does not recognize our right to receive the collected system restoration charges that are commingled with other funds of a retail electric provider prior to or as of the date of bankruptcy, including transition

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charges associated with transition bonds. If so, the collected system restoration charges held by a retail electric provider as of the date of bankruptcy would not be available to us to pay amounts owing on the bonds. In this case, we would have only a general unsecured claim against that retail electric provider for those amounts.

In addition, the bankruptcy of a retail electric provider may cause a delay in or prohibition of enforcement of various rights against the retail electric provider, including rights to require payments by the retail electric provider, rights to retain preferential payments made by the retail electric provider prior to bankruptcy, rights to require the retail electric provider to comply with financial provisions of the financing order or the Public Utility Regulatory Act or other state laws, rights to terminate contracts with the retail electric provider and rights that are conditioned on the bankruptcy, insolvency or financial condition of the retail electric provider.

Other risks relating to bankruptcy may be found in “Risk Factors—The Risks Associated With Potential Bankruptcy Proceedings or Defaults of Retail Electric Providers.”

## **MATERIAL U.S. FEDERAL TAX CONSEQUENCES FOR THE BONDHOLDERS**

### **General**

The following is a summary of the material federal income and estate tax consequences to bondholders of the purchase, ownership and disposition of bonds and is based on the opinion of Baker Botts L.L.P., special federal tax counsel to us and to CenterPoint Houston, referred to in this prospectus as special tax counsel. Special tax counsel is of the opinion that the description of material federal income and estate tax consequences in this summary is accurate in all material respects. The opinion of special tax counsel is based on some assumptions and is limited by some qualifications stated in this discussion or in the opinion. This discussion is based on current provisions of the Internal Revenue Code, currently applicable Treasury Regulations and judicial and administrative rulings and decisions. Legislative, judicial or administrative changes could alter or modify the statements and conclusions in this discussion. Any legislative, judicial or administrative changes or new interpretations may be retroactive and could affect tax consequences to bondholders.

This discussion only applies to bondholders who acquire bonds at original issue for a price equal to the issue price of those bonds and hold the bonds as capital assets. The issue price of the bonds is the first price at which a substantial amount of the bonds is sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. This discussion does not address all of the tax consequences relevant to a particular bondholder in light of that holder’s circumstances, and some bondholders may be subject to special tax rules and limitations not discussed below (e.g., life insurance companies, tax-exempt organizations, financial institutions, dealers in securities, S corporations, taxpayers subject to the alternative minimum tax provisions of the Internal Revenue Code, broker-dealers and persons who hold the bonds as part of a hedge, straddle, “synthetic security” or other integrated investment, risk reduction or constructive sale transaction). Except as described below, this discussion also does not address the tax consequences to nonresident aliens, foreign corporations, foreign partnerships or foreign trusts that are subject to U.S. federal income tax on a net basis on income with respect to the bonds because that income is effectively connected with the conduct of a U.S. trade or business. In addition, except as described below, this discussion does not address any tax consequences under state, local or foreign tax laws. Consequently, you are urged to consult your tax adviser to determine the federal, state, local and foreign income and any other tax consequences of the purchase, ownership and disposition of the bonds.

### **Tax Status of the Bonds and the Issuing Entity**

Based upon guidance from the IRS and certain representations from us, including a representation by us that we will not make, or allow there to be made, any election to the contrary, special tax counsel has rendered its opinion that for United States federal income tax purposes we will not be considered an entity separate from CenterPoint Energy and the bonds will be treated as debt of CenterPoint Energy. By acquiring a bond, a bondholder agrees to treat the bond as debt of CenterPoint Energy for United States federal, state and local income and franchise tax purposes for so long as we are not treated as a taxable entity separate and apart from CenterPoint Energy for federal income tax purposes.

CenterPoint Energy expects to receive prior to the issuance of the bonds, a ruling from the Comptroller of Public Accounts of the State of Texas to the effect that (i) our receipt of the system restoration property, (ii) our receipt of the system restoration charges, and (iii) our earnings on eligible investments of the system restoration charges and the amounts held in the excess funds subaccount and the collection account will not be subject to Texas franchise tax.



## **Taxation of Bondholders**

Based on the assumptions and subject to the qualifications stated herein, it is the opinion of special tax counsel that the material federal income tax consequences to bondholders are as follows:

### **Definition of U.S. Holder and Non-U.S. Holder**

For purposes of the discussion below, a United States person is:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes,
- a corporation, including an entity treated as a corporation, created or organized in or under the laws of the United States, or any state, including the District of Columbia, or any political subdivision thereof,
- an estate, the net income of which is subject to United States federal income taxation regardless of its source, or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

A U.S. holder means a bondholder that is a United States person. Except in the case of a partnership, a non-U.S. holder means a bondholder other than a U.S. holder. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is a beneficial owner of bonds, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Holders of bonds that are a partnership or partners in such partnership are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of purchasing, owning and disposing of the bonds.

### **Tax Consequences to U.S. Holders**

*Payments of Interest.* Interest on the bonds will be taxable as ordinary interest income when received or accrued by U.S. holders under their method of accounting. Generally, interest on the bonds will constitute “investment income” for purposes of Internal Revenue Code limitations on the deductibility of investment interest expense.

*Original Issue Discount.* This discussion assumes that the bonds will not be considered to be issued with original issue discount (“OID”). OID is generally defined as any excess of the stated redemption price at maturity over the issue price which is greater than a de minimis amount (0.25% of a bond’s stated redemption price at maturity multiplied by the weighted average number of years to maturity), all within the meaning of the Internal Revenue Code and the Treasury Regulations promulgated thereunder (the “OID Regulations”). If the bonds are issued with OID, U.S. holders generally will be subject to the special tax accounting rules for OID obligations provided under the OID Regulations. U.S. holders of bonds issued with OID should be aware that they generally must include OID in income for United States federal income tax purposes as it accrues economically, in advance of the receipt of cash attributable to that income. If any bonds are issued with OID, prospective holders will be so informed in the prospectus supplement.

*Sale or Other Taxable Disposition of the Bonds.* If there is a sale, exchange, redemption, retirement or other taxable disposition of a bond, a U.S. holder generally will recognize gain or loss equal to the difference between (a) the amount of cash and the fair market value of any other property received (other than amounts attributable to, and taxable as, accrued stated interest) and (b) the holder’s adjusted tax basis in the bond. The adjusted tax basis in the bond generally will equal its cost, reduced by any payments reflecting principal previously received with respect to the bond. Gain or loss generally will be capital gain or loss.

*Backup Withholding.* Payments made on and proceeds from the sale of a bond may be subject to backup withholding unless a U.S. holder complies with certain identification requirements. Any amounts withheld from a payment to a U.S. holder will be allowed as a credit against such U.S. holder’s federal income tax liability, provided that the required information is timely furnished to the IRS.



## **Tax Consequences to Non-U.S. Holders**

*Withholding.* Under present United States federal income tax law, and subject to the discussion below concerning backup withholding, payments of principal and interest on a bond by us or any paying agent to any non-U.S. holder, and gain realized on the sale or exchange of a bond by a non-U.S. holder, will be exempt from United States federal income or withholding tax, provided that:

- such non-U.S. holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of voting stock of CenterPoint Energy, is not a controlled foreign corporation related, directly or indirectly, to CenterPoint Energy, through stock ownership and is not a bank receiving interest pursuant to a loan agreement entered into in the ordinary course of its trade or business,
- the statement requirement described below has been fulfilled with respect to the beneficial owner,
- such non-U.S. holder is not an individual who is present in the United States for 183 days or more in the taxable year of disposition, or such individual does not have a “tax home” (as defined in the Internal Revenue Code) or an office or other fixed place of business in the United States and such holder is not subject to the rules under the Internal Revenue Code applicable to expatriates, and
- such payments and gain are not effectively connected with the conduct by such non-U.S. holder of a trade or business in the United States (and, if a U.S. income tax treaty applies, are not attributable to a U.S. “permanent establishment” maintained by such non-U.S. holder).

The statement requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of a bond certifies on an appropriate form (generally IRS Form W-8BEN), under penalties of perjury, that it is not a United States person and provides its name and address, and (a) the beneficial owner files that form with the withholding agent or (b) a securities clearing organization, bank or other financial institution holding customers’ securities in the ordinary course of its trade or business holds the bond on behalf of the beneficial owner, files with the withholding agent a statement that it has received that form from the beneficial owner and furnishes the withholding agent with a copy thereof. Prospective investors should consult their tax advisers regarding possible additional reporting requirements.

If a non-U.S. holder of a bond is engaged in a trade or business in the United States, and if interest on the bond is effectively connected with the conduct of such trade or business (and, if a U.S. income tax treaty applies, is attributable to a U.S. “permanent establishment” maintained by such non-U.S. holder), the non-U.S. holder, although exempt from the withholding tax discussed in the preceding paragraphs, will generally be subject to regular United States federal income tax on interest and on any gain realized on the sale or exchange of the bond in the same manner as if it were a U.S. holder. In lieu of the certificate described in the preceding paragraph, such a non-U.S. holder will be required to provide to the withholding agent an appropriate form (generally IRS Form W-8ECI), executed under penalties of perjury, in order to claim an exemption from withholding tax. In addition, if such a non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

*Estate Tax.* A bond held by an individual who is not a citizen or resident of the United States at the time of his death will not be subject to United States federal estate tax as a result of such individual’s death, provided that at the time of death:

- the individual did not own, actually or constructively, 10% or more of the total combined voting power of all classes of CenterPoint Energy’s voting stock, and
- payments with respect to a bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

*Backup Withholding and Information Reporting.* Payments on a bond may be subject to information reporting. Backup withholding will not apply to payments made on or proceeds from the sale of a bond if the statement requirement described above is met, provided in each case that the payor does not have actual knowledge or reason to know that the payee is a United States person. Any amounts withheld from a payment to a non-U.S. holder under the backup withholding

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rules will be allowed as a credit against such non-U.S. holder's United States federal income tax liability and may entitle such non-U.S. holder to a refund, provided that the required information is furnished to the IRS. Non-U.S. holders of a bond should consult their tax advisers regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom and the procedure for obtaining such an exemption, if available.

### **ERISA CONSIDERATIONS**

ERISA and Section 4975 of the Internal Revenue Code, as amended ("Code"), impose restrictions on:

- employee benefit plans, as defined in Section 3(3) of ERISA, that are subject to Title I of ERISA;
- plans, as defined in Section 4975(e)(1) of the Code, that are subject to Section 4975 of the Code, including, but not limited to, individual retirement accounts and certain types of Keogh plans;
- any entities whose underlying assets include plan assets by reason of that plan's investment in those entities, each of the entities described in the first three bullet points being referred to as a "plan;" and
- persons who, based on their specific relationship to a plan, are "parties in interest" under Section 3(14) of ERISA or "disqualified persons" under Section 4975(e)(2) of the Code (collectively referred to as "parties in interest"). Parties in interest with respect to a plan include, but are not limited to, fiduciaries, persons providing services to the plan, employers any of whose employees are covered by the plan, and employee organizations any of whose members are covered by the plan.

Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), an insurance company's general account may be deemed to include assets of the plans investing in the general account, such as through the purchase of an annuity contract. ERISA also imposes specific duties on persons who are fiduciaries of plans subject to ERISA, and ERISA and Section 4975 of the Code prohibit specified transactions between a plan and parties in interest with respect to the plan. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

### **Plan Asset Issues for an Investment in the Bonds**

Pursuant to Department of Labor Regulation Section 2510.3-101, as modified by the Pension Protection Act of 2006 (the "plan asset regulation"), in general, when a plan acquires an equity interest in an entity such as a trust, corporation, partnership or other specified entity, and such interest does not represent a "publicly offered security" or a security issued by an investment company registered under the Investment Company Act of 1940, as amended, the plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established either that the entity is an "operating company" or that equity participation in the entity by "benefit plan investors" is not "significant." In general, an "equity interest" is defined under the plan asset regulation as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little statutory or regulatory guidance on this subject, and there can be no assurances in this regard, it appears that the bonds should not be treated as an equity interest for purposes of the plan asset regulation. Accordingly, our assets should not be treated as the assets of plans investing in the bonds.

If the bonds were deemed to be equity interests in us and none of the exceptions contained in Section 2510.3-101 of the regulations were applicable, then our assets would be considered to be assets of any plans that purchase the bonds. The extent to which the bonds are owned by benefit plan investors will not be monitored. If our assets were deemed to constitute "plan assets" pursuant to Section 2510.3-101 of the regulations, as modified by Section 3(42) of ERISA, transactions we might enter into, or may have entered into in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Internal Revenue Code.

## Prohibited Transaction Exemptions

It should be noted, however, that without regard to the treatment of the bonds as equity interests under the plan asset regulation, CenterPoint Houston, the underwriters and/or their affiliates, as providers of services to plans or otherwise, may be deemed to be parties in interest with respect to many plans. The purchase and holding of the bonds by or on behalf of one or more of these plans could result in a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. However, the purchase and holding of the bonds may be subject to one or more exemptions from the prohibited transaction rules of ERISA and Section 4975 of the Code.

*Examples of Prohibited Transaction Exemptions.* Potentially applicable prohibited transaction exemptions include the following:

- Prohibited Transaction Class Exemption (“PTCE”) 84-14, which exempts certain transactions effected on behalf of a plan by a “qualified professional asset manager” (“QPAM”), with such exemption referred to as the “QPAM exemption;”
- PTCE 90-1, which exempts certain transactions between insurance company pooled separate accounts and parties in interest;
- PTCE 91-38, which exempts certain transactions between bank collective investment funds and parties in interest;
- PTCE 95-60, which exempts certain transactions between insurance company general accounts and parties in interest;
- PTCE 96-23, which exempts certain transactions effected on behalf of a plan by an “in-house asset manager”; and
- the statutory exemption (the “Statutory Exemption”) under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain prohibited transactions between a plan and a party in interest to such plan solely by reason of providing services to the plan (other than a party in interest that is a fiduciary with respect to the assets of the plan involved in the transaction, or an affiliate of such fiduciary), provided that there is adequate consideration for the transaction.

It should be noted, however, that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions.

**Prior to making an investment in the bonds, each fiduciary causing the bonds to be purchased by, on behalf of, or using plan assets of a plan that is subject to the prohibited transaction rules of ERISA or Section 4975 of the Code, including without limitation, an insurance company general account, shall be deemed to have represented and warranted that a class exemption from the prohibited transaction rules or the Statutory Exemption applies, so that the use of plan assets of the plan to purchase and hold the bonds does not and will not constitute or otherwise result in a nonexempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code.**

## General Investment Considerations for Prospective Plan Investors in the Bonds

Prior to making an investment in the bonds, prospective plan investors should consult with their legal advisors concerning the impact of ERISA and the Code and the potential consequences of this investment with respect to their specific circumstances. Moreover, each plan fiduciary should take into account, among other considerations:

- whether the fiduciary has the authority to make the investment,
- whether the investment constitutes a direct or indirect transaction with a party in interest,
- the composition of the plan’s portfolio with respect to diversification by type of asset,
- the plan’s funding objectives,
- the tax effects of the investment, and

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- whether, under the general fiduciary standards of investment prudence and diversification, an investment in the bonds is appropriate for the plan, taking into account the overall investment policy of the plan and the composition of the plan's investment portfolio.

Governmental plans and some church plans are generally not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code. However, these plans may be subject to substantially similar rules under state or other federal law and may also be subject to the prohibited transaction rules of Section 503 of the Code.

The sale of the bonds to a plan shall not be deemed a representation by CenterPoint Houston, the underwriters, or us that this investment meets all relevant legal requirements with respect to plans generally or any particular plan.

## **PLAN OF DISTRIBUTION FOR THE BONDS**

### **Distribution**

We may sell the bonds to or through the underwriters named in the prospectus supplement by a negotiated firm commitment underwriting and public reoffering by the underwriters. The bonds may also be sold to or through any other underwriting arrangement as may be specified in the prospectus supplement. We may also offer or place the bonds either directly or through agents. We intend that bonds will be offered through these various methods from time to time and that offerings may be made concurrently through more than one of these methods or that an offering of the bonds may be made through a combination of these methods.

The distribution of the bonds may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to prevailing market prices or in negotiated transactions or otherwise at varying prices to be determined at the time of sale.

The bonds may be offered through one or more different methods, including offerings through underwriters. It is not anticipated that bonds will be listed on any securities exchange. The underwriters may, from time to time, buy and sell bonds, but there can be no assurance that a secondary market for the bonds will develop or, if one does develop, that it will continue.

### **Compensation to Underwriters**

In connection with the sale of the bonds, underwriters or agents may receive compensation in the form of discounts, concessions or commissions. Underwriters may sell bonds to particular dealers at prices less a concession. Underwriters may allow, and these dealers may reallow, a concession to other dealers. Underwriters, dealers and agents that participate in the distribution of the bonds may be deemed to be underwriters. Any discounts or commissions received by the underwriters from us and any profit on the resale of the bonds by them may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. These underwriters or agents will be identified, and any compensation received from us will be described, in the prospectus supplement.

### **Other Distribution Matters**

Under agreements which may be entered into by CenterPoint Houston, us and the trustee, underwriters and agents who participate in the distribution of the bonds may be entitled to indemnification by CenterPoint Houston and us against liabilities specified therein, including under the Securities Act of 1933.

## **RATINGS FOR THE BONDS**

It is a condition to issuance of the bonds that the bonds be rated in the highest rating category by each of Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, Moody's Investors Service Inc. and Fitch, Inc.

*Limitations of Security Ratings.* A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. No person is obligated to maintain the rating on the bonds and, accordingly, we can give

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no assurance that the ratings assigned to the bonds upon initial issuance will not be lowered or withdrawn by a rating agency at any time thereafter. If a rating of the bonds is revised or withdrawn, the liquidity of the bonds may be adversely affected. In general, ratings address credit risk and do not represent any assessment of any particular rate of principal payments on the bonds other than the payment in full of the bonds by the final maturity date, as well as the timely payment of interest.

### **WHERE YOU CAN FIND MORE INFORMATION**

This prospectus is part of a registration statement we and CenterPoint Houston have filed with the SEC relating to the bonds. This prospectus and each prospectus supplement describe the material terms of some of the documents we have filed as exhibits to the registration statement. However, this prospectus and each prospectus supplement do not contain all of the information contained in the registration statement and the exhibits. Any statements contained in this prospectus or any prospectus supplement concerning the provisions of any document filed as an exhibit to the registration statement or otherwise filed with the SEC are not necessarily complete. Each statement concerning those provisions is qualified in its entirety by reference to the respective exhibit. Information filed with the SEC can be inspected at the SEC's Internet site located at <http://www.sec.gov>. You may also read and copy the registration statement, the exhibits and any other documents we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. You may obtain further information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain a copy of our filings or any information that has been incorporated by reference with the SEC at no cost, by writing to or telephoning us at the following address:

CenterPoint Energy Restoration Bond Company, LLC  
1111 Louisiana, Suite 4664B  
Houston, Texas 77002  
(713) 207-7420

We or CenterPoint Houston as sponsor will also file with the SEC all of the periodic reports we or the sponsor are required to file under the Securities Exchange Act of 1934 and the rules, regulations or orders of the SEC thereunder.

The SEC allows us to "incorporate by reference" into this prospectus information we or the sponsor file with the SEC. This means we can disclose important information to you by referring you to the documents containing the information. The information we incorporate by reference is considered to be part of this prospectus, unless we update or supersede that information by the information contained in the prospectus supplement or information that we or the sponsor file subsequently that is incorporated by reference into this prospectus. We are incorporating by reference into this prospectus any future filings, which we or CenterPoint Houston, but solely in its capacity as our sponsor, make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering of the bonds is completed, excluding any information that is furnished to, and not filed with, the SEC. These reports will be filed under our own name as issuing entity. Any statement contained in this prospectus, in any prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus or any prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus and any prospectus supplement to the extent that a statement contained in this prospectus, any prospectus supplement or in any separately filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute part of this prospectus or the prospectus supplement.

### **LEGAL MATTERS**

Certain legal matters relating to us and the issuance of bonds will be passed upon for CenterPoint Houston and for us by Baker Botts L.L.P., Houston, Texas. Certain legal matters relating to the federal tax consequences of the issuance of the bonds will be passed upon for us by Baker Botts L.L.P. Underwriters will be advised about certain legal matters relating to the issuance of bonds by Dewey & LeBoeuf LLP.

## GLOSSARY OF DEFINED TERMS

The following definitions are used in this prospectus and in any accompanying prospectus supplement:

*2008 Senior Secured Transition Bonds* means the 2008 Senior Secured Transition Bonds issued by CenterPoint Energy Transition Bond Company III, LLC in February 2008.

*Adjustment request* with regard to the system restoration charges means a request filed by the servicer with the PUCT requesting modifications to the system restoration charges.

*Bankruptcy Code* means Title 11 of the United States Code (11 U.S.C. section 101 et. seq.), as amended.

*Basic documents* means, the administration agreement, the sale agreement, the servicing agreement, the indenture and any supplements thereto or the bill of sale given by the seller and the notes evidencing the bonds.

*Business day* means any day other than a Saturday, a Sunday or a day on which banking institutions in Houston, Texas or New York, New York are, or DTC is, authorized or obligated by law, regulation or executive order to remain closed.

*Capital subaccount* means that subaccount of the collection account into which the seller will contribute capital in an amount equal to 0.5% of the principal amount of the bonds issued by us.

*CenterPoint Houston* means CenterPoint Energy Houston Electric, LLC.

*Clearstream* means Clearstream Banking, Luxembourg, S.A.

*Collection account* means the segregated trust account relating to the bonds designated the collection account and held by the trustee under the indenture.

*DTC* means The Depository Trust Company, New York, New York, and its nominee holder, Cede & Co.

*ERCOT* means the Electric Reliability Council of Texas, Inc.

*ERISA* means the Employee Retirement Income Security Act of 1974, as amended.

*Euroclear* means the Euroclear System.

*Excess funds subaccount* means that subaccount of the collection account into which funds collected by the servicer in excess of amounts necessary to make the payments specified on a given payment date.

*Excess payments* means advances paid to the servicer by the retail electric provider in excess of amounts paid by retail electric customers to the retail electric provider on an annual basis.

*Financing order* means, unless the context indicates otherwise, the financing order issued by the PUCT on August 26, 2009 to CenterPoint Houston relating to the bonds.

*Fitch* means Fitch, Inc.

*General subaccount* means that subaccount that will hold funds held in the collection account that are not held in the other subaccounts of the collection account.

*Indenture* means the indenture to be entered into between the issuing entity and the trustee, providing for the issuance of bonds, as the same may be amended and supplemented from time to time by one or more indentures supplemental thereto.

*Internal Revenue Code* means the Internal Revenue Code of 1986, as amended.

*IRS* means the Internal Revenue Service of the United States.

*Issuing Entity* means CenterPoint Energy Restoration Bond Company, LLC.

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*Integrated utility* means Reliant Energy, Incorporated, the legal predecessor to CenterPoint Houston, as it existed prior to its corporate restructuring on August 31, 2002 in response to the Restructuring Amendments.

*kVA* means kilovolt amperes.

*kW* means kilowatt.

*kWh* means kilowatt-hour.

*Moody's* means Moody's Investors Service, Inc.

*MWh* means megawatt-hour.

*New on-site generation* means electric generation capacity greater than 10 megawatts capable of being lawfully delivered to a site without use of utility transmission and distribution facilities and which was not, on or before August 26, 2009, either (a) a fully operational facility or (b) a project supported by substantially complete filings for all necessary site-specific environmental permits under the rules of the Texas Commission of Environmental Quality.

*Nonbypassable* refers to the right of the servicer to collect the system restoration charges from all existing and future retail electric customers located within CenterPoint Houston's service territory, subject to certain limitations specified in the financing order, even if those customers elect to purchase electricity from another supplier or choose to operate new on-site generation or if the utility goes out of business and its service area is acquired by another utility or is municipalized.

*Payment date* means the date or dates on which interest and principal are to be payable on the bonds.

*PUCT* means the Public Utility Commission of Texas.

*Qualified costs* means the costs of an electric utility recoverable through the issuance of bonds, the costs of issuing, supporting and servicing the bonds, and any costs of retiring and refunding existing debt and equity securities in connection with the issuance of bonds.

*Rating agencies* means Moody's, S&P and Fitch.

*Rating agency condition* means, with respect to any action, the notification in writing to each rating agency of such action and the confirmation by S&P to the servicer, the trustee and the issuing entity that such action will not result in a reduction or withdrawal of the then rating by such rating agency of any outstanding bonds.

*Record date* means the date or dates with respect to each payment date on which it is determined the person in whose name each bond is registered will be paid on the respective payment date.

*Regulation AB* means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time.

*Restructuring Amendments* means the Texas legislation adopted in June 1999 that substantially amended the regulatory structure governing electric utilities in order to allow retail competition beginning on January 1, 2002.

*Retail electric customers* means the consumers of electricity and related services within CenterPoint Houston's service territory.

*Retail electric providers* means entities certified under state law that provide electricity and related services to retail electric customers within CenterPoint Houston's service territory.

*S&P* means Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business.

*Sale agreement* means the sale agreement to be entered into between the issuing entity and CenterPoint Houston, pursuant to which CenterPoint Houston sells and the issuing entity buys the system restoration property.

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*SEC* means the U.S. Securities and Exchange Commission.

*Securitizable Balance* means (1) the system restoration cost amount related to distribution operations approved by the PUCT by order issued August 26, 2009, plus (2) carrying charges through the date costs are securitized, minus (3) all insurance proceeds, government grants, or other sources of funding that compensate CenterPoint Houston for the distribution-related system restoration costs approved by the PUCT.

*Senior Secured Transition Bonds, Series A* means the Senior Secured Transition Bonds, Series A issued by CenterPoint Energy Transition Bond Company II, LLC in December 2005.

*Series 2001-1 Transition Bonds* means the Series 2001-1 Transition Bonds issued by CenterPoint Energy Transition Bond Company, LLC in October 2001.

*Service territory* means, with regard to CenterPoint Houston, the certificated service area as it existed on August 26, 2009, within which CenterPoint Houston may recover qualified costs through nonbypassable system restoration charges assessed on retail electric customers served at distribution voltage within that area.

*Servicer* means CenterPoint Houston, acting as the servicer, and any successor or assignee servicer, which will service the system restoration property under the servicing agreement with the issuing entity.

*Servicing agreement* means the servicing agreement to be entered into between the issuing entity and CenterPoint Houston, as the same may be amended and supplemented from time to time, pursuant to which CenterPoint Houston undertakes to service the system restoration property.

*System restoration charges* means, with regard to CenterPoint Houston, the amounts authorized to be imposed on all retail electric customer bills for service at distribution voltage within CenterPoint Houston's service territory and collected, through a nonbypassable mechanism, by the servicer, to recover qualified costs pursuant to the financing order.

*System restoration costs* means the recoverable distribution-related costs of system restoration after outages due to Hurricane Ike as determined by the PUCT in the final order issued on August 14, 2009.

*System restoration property* means, with regard to CenterPoint Houston, all of CenterPoint Houston's right, title, and interest in and to the financing order that are transferred to the issuing entity pursuant to the sale agreement. System restoration property includes the right to impose, collect and receive the system restoration charges in amounts sufficient to pay principal and interest on the bonds and make deposits to the various subaccounts within the collection account. System restoration property is referred to as "transition property" in the Public Utility Regulatory Act.

*Transition Bond Company I* means CenterPoint Energy Transition Bond Company, LLC, the issuer of the Series 2001-1 Transition Bonds.

*Transition Bond Company II* means CenterPoint Energy Transition Bond Company II, LLC, the issuer of the Senior Secured Transition Bonds, Series A.

*Transition Bond Company III* means CenterPoint Energy Transition Bond Company III, LLC, the issuer of the 2008 Senior Secured Transition Bonds.

*Transition charges* means, with regard to CenterPoint Houston, the amounts authorized to be imposed on all retail electric customer bills within CenterPoint Houston's service territory and collected, through a nonbypassable mechanism, by the servicer, pursuant to the financing orders relating to the issuances of the Series 2001-1 Transition Bonds, the Senior Secured Transition Bonds, Series A and the 2008 Senior Secured Transition Bonds.

*Treasury Regulations* means proposed or issued regulations promulgated from time to time under the Internal Revenue Code.



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*True-up provision* means a mechanism required by the Public Utility Regulatory Act and the financing order whereby the servicer will apply to the PUCT for adjustments to the applicable system restoration charges based on actual collected system restoration charges and updated assumptions by the servicer as to future collections of system restoration charges. The PUCT will approve properly filed adjustments. Adjustments will immediately be reflected in the customers' next billing cycle. Any corrections for mathematical errors will be reflected in the next true-up. Adjustments are made to provide adequate revenue to service the bonds and correct any overcollections or undercollections.

*Trust Indenture Act* means the Trust Indenture Act of 1939, as amended.

**CenterPoint Energy Restoration Bond Company, LLC**

Until 90 days after the date of the prospectus supplement, all dealers that effect transactions in these securities, whether or not participating in the offering described in this prospectus supplement, may be required to deliver a prospectus supplement and prospectus. This is in addition to the dealers' obligation to deliver a prospectus supplement and prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. Other Expenses of Issuance and Distribution.**

The following is an itemized list of the estimated expenses to be incurred in connection with the offering of the securities being offered hereunder other than underwriting discounts and commissions:

Registration Fee	\$ 37,107
Financial advisory fees	635,000
Trustee's fees and expenses	25,000
Legal fees and expenses	1,850,000
Independent accountant's fees and expenses	165,000
Printing and engraving expenses	60,000
Rating agency fees	847,238
Miscellaneous expenses	63,500
Total	\$3,682,845

**Item 15. Indemnification of Directors and Officers.**

**CenterPoint Energy Restoration Bond Company, LLC**

Section 108 of the Delaware Limited Liability Company Act provides that subject to such standards and restrictions, if any, as are set forth in the limited liability company agreement of a limited liability company, a limited liability company may, and shall have the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever. Under our limited liability company agreement, we will indemnify our managers to the fullest extent permitted by law against any liability incurred with respect to their services as managers under our limited liability company agreement, except for:

- liabilities arising from their own willful misconduct or gross negligence,
- liabilities arising from the failure by any manager to perform obligations expressly undertaken in our limited liability company agreement, or
- taxes, fees or other charges, based on or measured by any fees, commissions or compensation received by our managers in connection with the transactions described in this prospectus.

**CenterPoint Energy Houston Electric, LLC**

Article 2.20 of the Texas Limited Liability Company Act and Article VIII of CenterPoint Houston's Limited Liability Company Regulations provide CenterPoint Houston with broad powers and authority to indemnify its member, managers and officers and to purchase and maintain insurance for such purposes. Pursuant to such statutory and Limited Liability Company Regulation provisions, CenterPoint Houston has purchased insurance against certain costs of indemnification that may be incurred by it and by its member, manager and officers.

Additionally, Section 7.12 of CenterPoint Houston's Limited Liability Company Regulations provides that a manager of CenterPoint Houston is not liable to CenterPoint Houston or its member for monetary damages for breach of fiduciary duty as a manager, except that Section 7.12 does not eliminate or limit the liability of a manager for any acts or omissions that involve intentional misconduct, fraud or a knowing violation of law or for a distribution in violation of Texas law as a result of the willful or grossly negligent act or omission of the manager.

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Section 7.12 also provides that any subsequent amendments to Texas statutes that further limit the liability of managers will inure to the benefit of the managers. Any repeal or modification of Section 7.12 shall not adversely affect any right of protection of a manager of CenterPoint Houston existing at the time of the repeal or modification.

**Item 16. Exhibits.**

See Index to Exhibits at page II-7.

**Item 17. Undertakings.**

- As to Rule 415:

Each undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made of the securities registered hereby, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the “Securities Act”);

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission (the “Commission”) pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

*provided, however*, that the undertakings set forth in clauses (1)(i), (1)(ii) and (1)(iii) above do not apply if the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed by the Registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are incorporated by reference in this Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this Registration Statement; and *provided further, however*, that the undertakings set forth in clauses (1)(i) and (1)(ii) above do not apply if the information required to be included in a post-effective amendment by those clauses is provided pursuant to Item 1100(c) of Regulation AB.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act to any purchaser, if the Registrants are relying on Rule 430B:

(i) Each prospectus filed by the Registrants pursuant to Rule 424(b)(3) shall be deemed to be part of this Registration Statement as of the date the filed prospectus was deemed part of and included in this Registration Statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in this Registration Statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuing entity and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to the purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the Registrants under the Securities Act to any purchaser in the initial distribution of the securities, each Registrant undertakes that in a primary offering of securities of such Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Registrants will be sellers to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned Registrants relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the Registrants or used or referred to by the Registrants;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the Registrants or the securities provided by or on behalf of the Registrants; and

(iv) Any other communication that is an offer in the offering made by the Registrants to the purchaser.

- As to documents subsequently filed that are incorporated by reference:

The Registrants hereby undertake that, for purposes of determining any liability under the Securities Act, each filing of the Registrants' annual report pursuant to section 13(a) or section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- As to indemnification:

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of each Registrant pursuant to the provisions described under Item 15 above, or otherwise, each Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a Registrant of expenses incurred or paid by a director, officer or controlling person of such Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each Registrant will, unless in the opinion of its

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respective counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

- As to qualification of trust indentures:

The Registrants hereby undertake to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

- As to incorporating by reference subsequent Exchange Act documents by third parties:

The Registrants hereby undertake that, for purposes of determining any liability under the Securities Act, each filing of an annual report pursuant to section 13(a) or section 15(d) of the Exchange Act of a third party that is incorporated by reference in this Registration Statement in accordance with Item 1100(c)(1) of Regulation AB shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- As to providing certain information through an Internet Web site:

The Registrants hereby undertake that, except as otherwise provided by Item 1105 of Regulation AB, information provided in response to that Item pursuant to Rule 312 of Regulation S-T through the specified Internet address in the prospectus is deemed to be a part of the prospectus included in this Registration Statement. In addition, the Registrants hereby undertake to provide to any person without charge, upon request, a copy of the information provided in response to Item 1105 of Regulation AB pursuant to Rule 312 of Regulation S-T through the specified Internet address as of the date of the prospectus included in this Registration Statement if a subsequent update or change is made to the information.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 10<sup>th</sup> day of November, 2009.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
(Registrant)

By: /s/ DAVID M. MCCLANAHAN  
**David M. McClanahan**  
**Sole Manager**

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed by the following persons on the 10<sup>th</sup> day of November, 2009 in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ DAVID M. MCCLANAHAN</u> <b>David M. McClanahan</b>	Manager and Chairman (Principal Executive Officer and Sole Manager)
<u>/s/ GARY L. WHITLOCK</u> <b>Gary L. Whitlock</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ WALTER L. FITZGERALD</u> <b>Walter L. Fitzgerald</b>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 10<sup>th</sup> day of November, 2009.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC  
(Registrant)

By: \_\_\_\_\_ /s/ MARC KILBRIDE  
MARC KILBRIDE  
Sole Manager

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed by the following persons on the 10<sup>th</sup> day of November, 2009 in the capacities indicated.

Signature	Title
<hr/> <div>/s/ GARY L. WHITLOCK</div> <div>Gary L. Whitlock</div>	President (Principal Executive Officer)
<hr/> <div>/s/ MARC KILBRIDE</div> <div>Marc Kilbride</div>	Vice President and Treasurer (Principal Financial Officer and Sole Manager)
<hr/> <div>/s/ WALTER L. FITZGERALD</div> <div>Walter L. Fitzgerald</div>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)



## INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Document Description</u>
1.1*	Form of Underwriting Agreement
3.1**	Articles of Conversion of Reliant Energy, Incorporated (Exhibit 3(a) to Current Report on Form 8-K dated August 31, 2002 filed with the SEC on September 3, 2002 (SEC File No. 1-3187))
3.2**	Articles of Organization of CenterPoint Energy Houston Electric, LLC (Exhibit 3(b) to Current Report on Form 8-K dated August 31, 2002 filed with the SEC on September 3, 2002 (SEC File No. 1-3187))
3.3**	Limited Liability Company Regulations of CenterPoint Energy Houston Electric, LLC (Exhibit 3(c) to Current Report on Form 8-K dated August 31, 2002 filed with the SEC on September 3, 2002 (SEC File No. 1-3187))
3.4†	Certificate of Formation of CenterPoint Energy Restoration Bond Company, LLC
3.5†	Limited Liability Company Agreement of CenterPoint Energy Restoration Bond Company, LLC
3.6	Form of Amended and Restated Limited Liability Company Agreement of CenterPoint Energy Restoration Bond Company, LLC
4.1	Form of Indenture
4.2	Form of the Bonds (included in Exhibit 4.3)
4.3	Form of Supplemental Indenture relating to the issuance of the bonds
5.1†	Opinion of Baker Botts L.L.P. relating to legality of the bonds
8.1†	Opinion of Baker Botts L.L.P. with respect to federal tax matters
23.1†	Consent of Baker Botts L.L.P. (included in Exhibits 5.1 and 8.1)
24.1†	Power of Attorney (CenterPoint Energy Houston Electric, LLC, and CenterPoint Energy Restoration Bond Company, LLC)
25.1	Statement of Eligibility under the Trust Indenture Act on Form T-1 of Trustee
99.1	Form of System Restoration Property Sale Agreement
99.2	Form of System Restoration Property Servicing Agreement
99.3	Form of Administration Agreement
99.4	Form of Intercreditor Agreement
99.5†	Financing Order dated August 26, 2009
99.6*	Opinion of Baker Botts L.L.P. with respect to the constitutionality of certain matters
*	To be filed by amendment or as an exhibit to a Current Report on Form 8-K pursuant to Item 601 of Regulation S-K.
**	Incorporated by reference herein as indicated.
†	Previously filed.

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT  
OF  
CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

Dated as of [       ], 2009

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AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

OF

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT, dated as of [ ], 2009, (as it may be further amended and supplemented from time to time, this "Agreement"), of CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC, a Delaware limited liability company (the "Company"), having its principal office at 1111 Louisiana Street, Suite 4664B, Houston, Texas 77002, between CenterPoint Energy Houston Electric, LLC, as the sole equity member of the Company, and the Independent Manager.

WHEREAS, CenterPoint Energy Houston Electric, LLC, a Texas limited liability company ("CenterPoint Houston"), as sole Member, caused the Certificate of Formation of the Company (the "Certificate of Formation") to be filed with the Secretary of State of the State of Delaware (the "Secretary of State") on August 6, 2009, executed a Limited Liability Company Agreement effective as of September 28, 2009 (the "Original LLC Agreement"); and

WHEREAS, this Agreement amends and restates the Original LLC Agreement in all respects, and from and after the date hereof constitutes the governing instrument of the Company;

NOW THEREFORE, the parties hereto hereby amend and restate the Original LLC Agreement as follows:

**ARTICLE I**

**DEFINITIONS**

SECTION 1.01. Capitalized Terms. For all purposes of this Agreement, the following terms shall have the meanings set forth below:

"Act" shall mean the Delaware Limited Liability Company Act, as amended, as in effect on the date hereof (currently Chapter 18 of Title 6, Sections 18-101 through 18-1109 of the Delaware Code) and as it may be amended hereafter, from time to time.

"Administration Agreement" shall mean the Administration Agreement, dated as of [ ], 2009 between the Company and CenterPoint Houston, as Administrator, as the same may be amended and supplemented from time to time.

"Affiliate" shall mean, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, control, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

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“Agreement” shall mean this Amended and Restated Limited Liability Company Agreement of the Company as the same may be further amended and supplemented from time to time in accordance with the provisions hereof.

“Bankruptcy” shall mean, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a petition commencing a voluntary bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, the proceeding has not been dismissed, or if within 90 days after the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or if within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of “Bankruptcy” is intended to replace and shall supersede and replace the definition of “Bankruptcy” set forth in Sections 18-101(1) and 18-304 of the Act.

“Basic Documents” shall mean this Agreement, the Certificate of Formation, the Indenture, the Administration Agreement, the Bonds, the Sale Agreement, the Bill of Sale, the Servicing Agreement, the Supplemental Indenture, the Intercreditor Agreement and the Underwriting Agreement.

“Bill of Sale” shall mean the Bill of Sale, dated as of [ ], 2009, issued by the Member to the Company pursuant to the Sale Agreement evidencing the sale of the System Restoration Property to the Company.

“Bond Register” has the meaning specified in Section 2.05 of the Indenture.

“Bond Registrar” means Deutsche Bank Trust Company Americas, in its capacity as keeper of the Bond Register, or any other Person appointed to act in such capacity by the Issuer pursuant to Section 2.05 of the Indenture.

“Bonds” shall mean the system restoration bonds issued by the Company pursuant to the Indenture and the Supplemental Indenture.

“Business Day” shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the City of Houston, Texas, in the City of New York, New York or in the City of Wilmington, Delaware are required or authorized by law or executive order to remain closed.

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“CenterPoint Houston” shall mean CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, or its successor.

“Certificate of Formation” shall mean the Certificate of Formation of the Company as filed in accordance with the Act with the Secretary of State on August 6, 2009, as the same may be amended, restated and supplemented from time to time.

“Class” shall mean any one of the classes or tranches of the Bonds, as specified in the Supplemental Indenture.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time (or any successor law), and Treasury Regulations promulgated thereunder.

“Common Interest” shall mean the limited liability company interest of the Member in the Company as described in Article VII. The Company shall have one class of Common Interest.

“Company” shall mean CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company.

“Financing Order” shall mean the financing order issued by the PUCT on August 26, 2009 in Docket No. 37200.

“Fiscal Year” shall mean, unless the Managers shall at any time determine otherwise pursuant to the requirements of the Code, a calendar year.

“GAAP” shall mean the generally accepted accounting principles promulgated or adopted by the Financial Accounting Standards Board and its successors from time to time.

“Governmental Authority” shall mean any court or any federal or state regulatory body, administrative agency or governmental instrumentality.

“Indenture” shall mean the Indenture dated as of [            ], 2009, between the Company, as Issuer, and the Trustee, as the same may be amended and supplemented from time to time.

“Independent Manager” shall mean, with respect to the Company, a Manager who is not, and within the previous five years was not (except solely by virtue of such Person’s serving as, or affiliation with any other Person serving as, an independent director or manager, as applicable, of CenterPoint Houston, the Company or any bankruptcy remote special purpose entity that is an Affiliate of CenterPoint Houston or the Company), (i) a stockholder, member, partner, director, officer, employee, Affiliate, customer, supplier, creditor or independent contractor of, or any Person that has received any benefit in any form whatsoever from (other than in such Manager’s capacity as a ratepayer or customer of CenterPoint Houston in the ordinary course of business), or any Person that has provided any service in any form whatsoever to, or any major creditor (or any Affiliate of any major creditor) of, the Company, CenterPoint Houston or any of their Affiliates, or (ii) any Person owning beneficially, directly or indirectly, any outstanding shares of common stock, any limited liability company interests or any partnership interests, as applicable, of the Company, CenterPoint Houston, or any of their Affiliates, or of any major creditor (or any



Affiliate of any major creditor) of any of the foregoing, or a stockholder, member, partner, director, officer, employee, Affiliate, customer, supplier, creditor or independent contractor of, or any Person that has received any benefit in any form whatever from (other than in such Person's capacity as a ratepayer or customer of CenterPoint Houston in the ordinary course of business), or any Person that has provided any service in any form whatever to, such beneficial owner or any of such beneficial owner's Affiliates, or (iii) a member of the immediate family of any person described above; provided that the indirect or beneficial ownership of stock through a mutual fund or similar diversified investment vehicle with respect to which the owner does not have discretion or control over the investments held by such diversified investment vehicle shall not preclude such owner from being an Independent Manager. For purposes of this definition, "major creditor" shall mean a natural person or business entity to which the Company, CenterPoint Houston or any of their Affiliates has outstanding indebtedness for borrowed money or credit on open account in a sum sufficiently large as would reasonably be expected to influence the judgment of the proposed Independent Manager adversely to the interests of the Company when the interests of that Person are adverse to those of the Company.

"Intercreditor Agreement" shall mean the Intercreditor Agreement, dated as of [ ], 2009, among the Company, CenterPoint Houston, CenterPoint Energy Transition Bond Company, LLC, CenterPoint Energy Transition Bond Company II, LLC, CenterPoint Energy Transition Bond Company III, LLC and the other parties thereto, each in the capacities stated therein, as the same may be amended and supplemented from time to time.

"Manager" shall mean any Person appointed by the Member from time to time as a manager of the Company in accordance with the provisions of this Agreement, including the Independent Manager, in such Person's capacity as a manager of the Company. A Manager is hereby designated as a "manager" of the Company within the meaning of Section 18-101(10) of the Act.

"Member" shall mean CenterPoint Houston, in its capacity as a member in the Company under this Agreement, or any successor thereto admitted to the Company as a member pursuant to Article VII; provided, however, the term "Member" shall not include the Special Members.

"Officer's Certificate" means a certificate signed by any Manager, the chairman of the board, the chief executive officer, the president, any vice chairman, any executive vice president, senior vice president or vice president, the treasurer, assistant treasurer, the secretary or any assistant secretary of the Company.

"Person" shall mean any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business or statutory trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

"Proceeding" shall have the meaning set forth in Section 9.01.

"Public Utility Regulatory Act" means the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code.

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“PUCT” shall mean the Public Utility Commission of Texas or any successor entity thereto.

“Qualified Costs” has the meaning assigned to that term in the System Restoration Amendments and the Financing Order.

“Rating Agency” shall mean Moody’s Investors Service Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch, Inc. If such organization or successor no longer exists or no longer is a nationally recognized statistical rating organization, “Rating Agency” shall mean a nationally recognized statistical rating organization or other comparable Person designated by the Company, written notice of which designation shall be given to the Trustee, the PUCT and the Member.

“Rating Agency Condition” shall mean, with respect to any action, the notification in writing to each Rating Agency of such action, and confirmation from Standard & Poor’s Ratings Services to the Trustee and the Company that such action will not result in a reduction or withdrawal of the then current rating by such Rating Agency of any outstanding Class of Bonds.

“Restructuring Amendments” means the 1999 utility restructuring amendments to the Public Utility Regulatory Act, as subsequently amended.

“Sale Agreement” shall mean the System Restoration Property Sale Agreement dated as of [ ], 2009, between CenterPoint Houston and the Company, as the same may be amended and supplemented from time to time.

“Secretary of State” shall have the meaning given thereto in the second recital hereof.

“Servicing Agreement” shall mean the System Restoration Property Servicing Agreement dated as of [ ], 2009, between the Company and CenterPoint Houston and acknowledged by the Trustee, as the same may be amended and supplemented from time to time.

“Special Member” shall mean, upon such Person’s admission to the Company as a member of the Company pursuant to Section 6.05, a Person acting as Independent Manager, in such Person’s capacity as a member of the Company. A “Special Member” shall have the rights and duties expressly set forth in this Agreement.

“Supplemental Indenture” shall mean the First Supplemental Indenture dated as of [ ], 2009 entered into by the Company and the Trustee relating to the issuance of the Bonds.

“System Restoration Amendments” means Act of April 16, 2009, 81st Leg., R.S., S.B. 769, § 1 (to be codified at Tex Util. Code Ann. §§ 36.401-.406). The provisions of the Public Utility Regulatory Act as amended by the provisions of the Restructuring Amendments relating to the securitization in Chapter 39 Subchapter G of the Public Utility Regulatory Act are further amended and supplemented by the System Restoration Amendments.

“System Restoration Charges” shall mean the nonbypassable amounts to be charged for the use of electric services, approved by the PUCT in the Financing Order to recover Qualified Costs that may be collected by CenterPoint Houston, its successors, assignees or other collection agents as provided in the Financing Order.

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“System Restoration Property” shall mean the rights and interests of CenterPoint Houston under the Financing Order, once those rights are first transferred to the Company or pledged in connection with the issuance of the Bonds, including the right to impose, collect and receive through System Restoration Charges payable by retail electric customers which take service at distribution voltage within CenterPoint Houston’s certificated service area as it existed on August 26, 2009, an amount sufficient to cover the Qualified Costs of CenterPoint Houston authorized in the Financing Order, the right to receive System Restoration Charges in amounts and at times sufficient to pay principal and interest and make other deposits in connection with the Bonds and all revenues and collections resulting from System Restoration Charges. System Restoration Property is known as “transition property” in the Public Utility Regulatory Act.

“Treasury Regulations” shall mean regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

“Trustee” shall mean the party named as such in the Indenture or its successor or any successor Trustee under the Indenture.

“Underwriting Agreement” shall mean the Underwriting Agreement, dated [        ], 2009, between the Company, CenterPoint Houston and the Underwriters named in Schedule II thereto.

**SECTION 1.02. Other Definitional Provisions.**

(a) All terms in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used in this Agreement and in any certificate or other documents made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(c) The words “hereof,” “herein,” “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; Section references contained in this Agreement are references to Sections in this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

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(e) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

## ARTICLE II

### FORMATION OF THE LIMITED LIABILITY COMPANY

SECTION 2.01. Formation; Filings. Pursuant to the Act and in accordance with the further terms and provisions hereof, the Member hereby continues the Company as a limited liability company. The Certificate of Formation of the Company has been executed and filed with the Secretary of State by Richard B. Dauphin, as an “authorized person” within the meaning of the Act. Upon the filing of the Certificate of Formation with the Secretary of State, his powers as an “authorized person” ceased, and the Member thereupon became the designated “authorized person” and shall continue as the designated “authorized person” within the meaning of the Act. Except as such powers may be delegated by the Member to the Managers or by the Managers to the officers of the Company and as otherwise provided in this Agreement, the Member shall execute or cause to be executed from time to time all other instruments, certificates, notices and documents, and shall do or cause to be done all such filing, recording, publishing and other acts, in each case, as may be necessary or appropriate from time to time to comply with all applicable requirements for the formation and/or operation and, when appropriate, termination of a limited liability company in the State of Delaware and all other jurisdictions where the Company shall desire to conduct its business.

#### SECTION 2.02. Name, Registered Agent and Office.

(a) The name of the Company shall be “CenterPoint Energy Restoration Bond Company, LLC.” All business of the Company shall be conducted in such name and all contracts, property and other assets of the Company shall be held in that name, and the Member shall not have any ownership interests in such contracts, property or other assets in the Company’s individual name.

(b) The address of the registered office of the Company in the State of Delaware is the Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company. The Delaware State file number for the Company is #4717891.

(c) The Company may also have offices at such other places both within and without the State of Delaware as the Member may from time to time determine.

SECTION 2.03. Business Purpose. The nature of the business or purpose to be conducted or promoted by the Company is to engage exclusively in the following business and financial activities:

(a) to authorize, issue, sell and deliver the Bonds under the Indenture and, in connection therewith, to execute and deliver the Supplemental Indenture providing for the

issuance of the Bonds, each as permitted by and in accordance with the terms of the Indenture and to enter into any agreement or document providing for the authorization, issuance, sale and delivery of the Bonds; provided, however, that the Company shall not issue any series of transition bonds issued pursuant to a "financing order" (as defined in the System Restoration Amendments) other than the Bonds;

(b) to purchase, acquire, own, hold, administer, service, and enter into agreements for the servicing of, finance, manage, sell, assign, pledge, collect amounts due on and otherwise deal with the System Restoration Property and other assets to be acquired pursuant to the Basic Documents and any proceeds or rights associated therewith;

(c) to negotiate, authorize, execute, deliver, assume the obligations under, and perform its duties under, the Basic Documents and any other agreement or instrument or document relating to the activities set forth in clauses (a) and (b) above, including agreements with third-party credit enhancers relating to the Bonds, if any; provided, that each party to any such agreement under which material obligations are imposed upon the Company shall covenant that it shall not, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Bonds and any other amounts owed under the Indenture, acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or Governmental Authority for the purpose of commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company; or ordering the winding up or liquidation of the affairs of the Company; and provided, further, that the Company shall be permitted to incur additional indebtedness or other liabilities payable to service providers and trade creditors in the ordinary course of business in connection with the foregoing activities;

(d) to invest proceeds from the System Restoration Property and its other assets and any capital and income of the Company in accordance with the applicable Basic Documents or as otherwise determined by the Managers and not inconsistent with this Section or the applicable Basic Documents; and

(e) to do such other things and carry on any other activities which the Managers determine to be necessary, convenient or incidental to any of the foregoing purposes, and have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act that are related or incidental to any of the foregoing.

The Company is authorized to execute, deliver and perform, and any Member, Manager or officer on behalf of the Company is hereby authorized to execute and deliver the Basic Documents and all documents, agreements, certificates or financing statements contemplated thereby or related thereto, all without any further act, vote or approval of any Member, Manager, officer or other Person notwithstanding any other provision of this Agreement, the Act or applicable law, rule or regulation. The foregoing authorization shall not be deemed a restriction on the powers of the Member or any Manager or officer to enter into other agreements on behalf of the Company.

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SECTION 2.04. Term. The term of the Company shall continue until the Company is dissolved and liquidated in accordance with Section 7.03. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation in accordance with the Act.

SECTION 2.05. No State Law Partnership. The Member and the Special Members intend that the Company shall not be a partnership (including a general partnership or a limited partnership) or joint venture, and that neither the Member, any Special Members nor any Manager shall be a partner or joint venturer of the Member, any Special Member or any Manager with respect to the business of the Company, for any purposes, and this Agreement shall not be construed to suggest otherwise.

SECTION 2.06. Authority of Member. Subject to Section 4.04, the Member, acting in such capacity, shall have the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures, debts, liabilities or obligations on behalf of the Company.

SECTION 2.07. Liability to Third Parties. Except as otherwise expressly provided by the Act, neither the Member, any Special Member nor any Manager or officer shall be liable for the debts, obligations or liabilities of the Company (whether arising in contract, tort or otherwise), including under a judgment, decree or order of a court, solely by reason of being the Member or acting as a Special Member, Manager or officer.

SECTION 2.08. No Personal Liability of Member, Special Members, Managers, Etc. (a) Neither the Member nor any Special Member shall be subject in such capacity to any personal liability whatsoever to any Person in connection with the assets or the acts, obligations or affairs of the Company, and (b) no Manager or officer of the Company shall be subject in such capacity to any personal liability whatsoever to any Person, other than the Company or its Member, in connection with the assets or the affairs of the Company; and, subject to the provisions of Article IX, all such Persons shall look solely to the assets of the Company for satisfaction of claims of any nature arising in connection with the affairs of the Company; provided, that such protection from personal liability shall apply to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment provides further protection from personal liability or permits the Company to provide greater or broader indemnification rights than such law permitted the Company to provide prior to such amendment).

SECTION 2.09. Separateness.

(a) Except as expressly permitted by the Basic Documents, the funds and other assets of the Company shall not be commingled with those of any other entity, and the Company shall maintain its own bank accounts separate from the Member and any other Person. At all times, all funds and assets of the Company shall be separately identifiable from those of the Member or any other Person.

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(b) The Company shall maintain its property and assets in such a way that it is not difficult or costly to segregate, identify and ascertain its property and assets as distinct from the property and assets of any other Person.

(c) The Company shall not guarantee or otherwise hold itself out as being liable for the debts of any other entity, and shall conduct its own business in its own name.

(d) The Company shall not form, or cause to be formed, any subsidiaries.

(e) The Company shall act solely in its limited liability company name and through its duly authorized Member, Special Members, Managers, officers or agents in the conduct of its business, and shall conduct its business so as not to mislead others as to the identity of the entity or assets with which they are concerned.

(f) The Company shall maintain separate records (financial and otherwise), books of account and financial statements and shall not commingle its records and books of account with the records and books of account of any other entity or the Member.

(g) The Managers shall hold appropriate meetings to authorize all of the Company's limited liability company actions, which meetings may be held by telephone conference call, provided, that in lieu of any such meeting and without prior notice, the Managers may act by written consent in accordance with Section 4.13. The Company shall observe all formalities required by this Agreement and applicable law, and shall keep and maintain records of such meetings and compliance.

(h) The Company shall at all times ensure that its capitalization is adequate (and never unreasonably small) in light of its business, purpose and expected activities; provided, however, that this provision shall not require the Member to make any additional capital contribution to the Company.

(i) Neither the Member, any Special Member nor any Manager, officer or Affiliate of the Company shall guarantee, become liable on or hold itself out as being liable for the debts of the Company (provided that the foregoing shall not prohibit the Member from causing to be issued one or more letters of credit or other credit support in favor of the Trustee in respect of any losses it or any of its officers, directors, employees, representatives or agents may incur in its capacity as Trustee, Bond Registrar, authenticating agent or Paying Agent, in connection with the transactions contemplated by the Basic Documents). The Company shall not guarantee or become obligated for the debts of the Member, any Special Member or any Manager, any Affiliate thereof or any other Person, or otherwise hold out its credit as being available to satisfy the obligations of the Member, any Special Member, any Manager or any other Person (except for the Company's obligations under any Basic Documents), shall not pledge its assets for the benefit of any entity other than the Trustee, shall not make loans or advances to any Person, and shall not acquire obligations or securities of the Member, any Special Member, any Manager or officer or any Affiliate thereof.

(j) The Company shall pay its own liabilities out of its own funds, including fees and expenses of the Administrator pursuant to the Administration Agreement and the Servicer pursuant to the Servicing Agreement. If and to the extent that any amount is drawn under a letter

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of credit or other credit support referred to in the parenthetical at the end of the first clause of paragraph (i) of this Section 2.09, such amount will not constitute any amount owing by the Company to the Member or any other Person; rather, to the extent that the Member has provided or made available such a letter of credit or other credit support, and an amount is so drawn, such amount will be treated by the Member and the Company as a capital contribution by the Member to the Company.

(k) The Company shall maintain an arm's-length relationship with the Member and its other Affiliates.

(l) The Company shall allocate fairly and reasonably the salaries of and the expenses related to providing the benefits of officers or other employees shared with the Member, any Special Member or any Manager.

(m) The Company shall allocate fairly and reasonably any overhead for office space shared with the Member, any Special Member or any Manager.

(n) The Company shall use its own separate taxpayer identification number, stationery, invoices, checks and other business forms.

(o) The Company shall conduct all of its business in its own name and shall correct any known misunderstanding regarding its separate identity.

(p) The Company shall treat all outstanding Bonds as debt except where a contrary treatment is required by applicable law or by GAAP.

(q) The Company shall at all times hold itself out to the public as a legal entity separate from the Member and any other Person.

(r) The Company shall file its own tax returns, if any, as may be required under applicable law, to the extent (a) not part of a consolidated group filing a consolidated return or returns or (b) not treated as a disregarded entity for tax purposes of another taxpayer, and pay any taxes so required to be paid under applicable law.

(s) The Company shall treat the transfer of the System Restoration Property from the Member to the Company as a sale under the Public Utility Regulatory Act.

Failure of the Company, or the Member, any Special Member or any Manager or officer on behalf of the Company, to comply with any of the foregoing covenants or any of the covenants contained in this Agreement shall not affect the status of the Company as a separate legal entity or the limited liability of the Member, any Special Member or any Manager.

SECTION 2.10. Limited Liability and Bankruptcy Remoteness. Without limiting the generality of Section 2.09, the Company shall be operated in such a manner as the Managers deem reasonable and necessary or appropriate to preserve (a) the limited liability of CenterPoint Houston (or its successor) as the Member and the limited liability of the Special Members, (b) the separateness of the Company from the business of CenterPoint Houston (or its successor), as the Member, or any other Affiliate thereof and (c) until the expiration of the period of one year and one day specified in Section 10.06, the special purpose, bankruptcy-remote status of the Company.



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### ARTICLE III

#### CAPITAL CONTRIBUTIONS

SECTION 3.01. Capital Contributions. The Member was admitted as the member of the Company upon the execution and delivery of the Original LLC Agreement and shall continue as a member of the Company upon the execution of this Agreement. The Member has contributed the amount of cash to the Company listed on Schedule A attached hereto. The Member is not required to make any additional capital contribution to the Company unless the Member is required to do so by applicable law, rule or regulation. However, the Member may make additional capital contributions to the Company at any time upon the written consent of such Member. To the extent that the Member makes an additional capital contribution to the Company, the Member shall revise Schedule A of this Agreement. The provisions of this Agreement, including this Section 3.01, are intended to benefit the Member and the Special Members and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor of the Company shall be a third-party beneficiary of this Agreement) and the Member and the Special Members shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

### ARTICLE IV

#### MANAGEMENT

SECTION 4.01. Management by Managers. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Managers, except to the extent that such powers are otherwise retained by the Member under this Agreement (which may be delegated by the Member to the Managers unless otherwise specified herein).

SECTION 4.02. Acts by Managers.

(a) The Managers shall be obliged to devote only as much of their time to the Company's business as shall be reasonably required in light of the Company's business and objectives. A Manager shall perform his or her duties as a Manager in good faith, in a manner he or she reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

(b) Every Manager is an agent of the Company for the purpose of its business, and the act of every Manager, including the execution in the name of the Company of any instrument for carrying on the business of the Company, binds the Company, unless such act is in contravention of this Agreement or unless the Manager so acting otherwise lacks the authority to act for the Company and the Person with whom he or she is dealing has knowledge of the fact that he or she has no such authority.

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(c) The Managers shall have the right and authority to take all actions which the Managers deem necessary, useful or appropriate for the day-to-day management and conduct of the Company's business.

(d) The Managers may exercise all powers of the Company and do all such lawful acts and things as are not required or directed by the Act, other applicable law, or this Agreement to be exercised or done by the Member. Notwithstanding any other provision of this Agreement, all instruments, contracts, agreements and documents providing for the acquisition or disposition of property of the Company shall be valid and binding on the Company if executed by one or more of the Managers or by one or more officers of the Company delegated such power by the Managers. Except as set forth in Section 2.03 of this Agreement, all instruments, contracts, agreements and documents of whatsoever type executed on behalf of the Company shall be executed in the name of the Company by one or more Managers or by one or more officers of the Company delegated such power by the Managers.

SECTION 4.03. Number and Qualifications. The number of Managers of the Company shall not be less than three nor more than five, as may be determined by the Member from time to time, but no decrease in the number of Managers shall have the effect of shortening the term of any incumbent Manager.

SECTION 4.04. Independent Manager.

(a) The Company shall have at all times at least one individual who is an Independent Manager. The Independent Manager may not delegate his or her duties, authorities or responsibilities hereunder. If the Independent Manager resigns, dies or becomes incapacitated, or such position is otherwise vacant, no action requiring the unanimous affirmative vote of the Managers shall be taken until a successor Independent Manager is appointed by the Member and qualifies and approves such action. In the event of a vacancy in the position of Independent Manager, the Member shall, as soon as practicable, appoint a successor Independent Manager.

(b) Notwithstanding any other provision of this Agreement and any provision of applicable law that otherwise so empowers the Company, the Member, any Special Member, any Manager, officer or any other Person, the Company shall not, and no Member, Special Member, Manager, officer or any other Person on behalf of the Company shall, without the prior unanimous consent of the Managers, including the Independent Manager, do any of the following: (i) engage in any business or activity other than those set forth in Section 2.03; (ii) except as provided in the Basic Documents, incur any indebtedness, other than the Bonds and ordinary course expenses as set forth in Section 2.03, or assume or guarantee any indebtedness of any other entity; (iii) make a general assignment for the benefit of creditors; (iv) file a petition commencing a voluntary bankruptcy; (v) file a petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution (to the fullest extent permitted by law) or similar relief under any statute, law or regulation; (vi) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution (to the fullest extent permitted by law) or similar relief under any statute, law or regulation, or the entry of any order appointing a trustee, liquidator or receiver of it or of its

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assets or any substantial portion thereof; (vii) seek, consent to or acquiesce in the appointment of a trustee, receiver or liquidator of it or of all or any substantial part of its assets; (viii) file or otherwise initiate the filing of a motion in any Bankruptcy or other insolvency proceeding in which the Member or any of its Affiliates is a debtor to substantively consolidate the assets and liabilities of any such debtor with the assets and liabilities of the Company; (ix) consolidate or merge with or into any other entity or convey or transfer substantially all of its properties and assets substantially as an entirety to any entity; or (x) amend this Agreement, or take any other action, in furtherance of any such action. With regard to any action contemplated by the preceding sentence, or with regard to any action taken or determination made at any time when the Company is insolvent, the Independent Manager will to the fullest extent permitted by law, including Section 18-1101(c) of the Act, owe its primary fiduciary duty to the Company (including the creditors of the Company).

(c) The Independent Manager shall not at any time serve as trustee in bankruptcy for any Affiliate of the Company.

SECTION 4.05. Appointment and Vacancy. The Member will appoint each Manager, including any Manager to be appointed by reason of an increase in the number of Managers.

SECTION 4.06. Term. Each Manager shall hold office until his successor shall be selected by the Member and qualified, or until his or her earlier death, resignation or removal as provided in this Agreement.

SECTION 4.07. Removal. Subject to Section 4.15, the Member may remove, with or without cause, any Manager.

SECTION 4.08. Resignation. Any Manager may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the remaining Managers; provided, that the resignation of the Independent Manager shall not be effective until a replacement Independent Manager (i) shall have accepted his or her appointment as the Independent Manager, and (ii) shall have executed a counterpart to this Agreement as required by Section 6.05. The acceptance of a resignation shall not be necessary to make it effective, unless so expressly provided in the resignation.

SECTION 4.09. Place of Meetings of Managers. Any meetings of the Managers may be held either within or without the State of Delaware at such place or places as shall be determined from time to time by resolution of the Managers.

SECTION 4.10. Meetings of Managers. Meetings of the Managers may be held when called by any Manager or Managers. The Manager or Managers calling any meeting shall cause notice to be given of such meeting, including therein the time, date and place of such meeting, to each Manager at least two Business Days before such meeting. The business to be transacted at, or the purpose of, any meeting of the Managers shall be specified in the notice or waiver of notice of any such meeting. If fewer than all the Managers are present in person, by telephone or by proxy, business transacted at any such meeting shall be confined to the business or purposes specifically stated in the notice or waiver of notice of such meeting.

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SECTION 4.11. Quorum; Majority Vote. At all meetings of the Managers, the presence in person, by telephone or by proxy of a majority of the Managers shall be necessary and sufficient to constitute a quorum for the transaction of business unless a greater number is required by this Agreement or by law. The act of a majority of the Managers present in person, by telephone or by proxy at a meeting at which a quorum is present in person, by telephone or by proxy shall be the act of the Managers, except as otherwise provided by law or this Agreement. If a quorum shall not be present in person, by telephone or by proxy at any meeting of the Managers, the Managers present in person, by telephone or by proxy at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present in person, by telephone or by proxy.

SECTION 4.12. Methods of Voting; Proxies. A Manager may vote either in person, by telephone, by electronic transmission or by proxy granted in writing, by means of electronic transmission or as otherwise permitted by applicable law, by the Manager; provided that the Independent Manager may not vote by proxy.

SECTION 4.13. Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Managers may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, is signed by the Managers having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all Managers entitled to vote on the action were present and voted. Copies of any such consents shall be filed with the minutes and permanent records of the Company.

SECTION 4.14. Telephone and Similar Meetings. The Managers, or members of any committee thereof, may participate in and hold meetings by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other. Such participation in any such meeting shall constitute presence in person at such meeting, except where a Person participates in such meeting for the express purpose of objecting to the transaction of any business on the ground that such meeting is not lawfully called or convened.

SECTION 4.15. Managers. The Member and each Manager shall take all actions necessary from time to time to ensure that at all times the number of Managers shall be not less than three nor more than five; provided, however, that pursuant to Section 4.04, the Company shall at all times have at least one Independent Manager. The Managers upon the execution of this Agreement shall be those persons identified on Schedule C.

SECTION 4.16. Compensation and Fees. The Managers, other than the Independent Manager, shall not receive any compensation or fees from the Company. The compensation for the performance of CenterPoint Houston, as Administrator under the Administration Agreement, shall include the compensation of Persons serving as Managers, other than the Independent Manager. The fees of the Independent Manager shall be paid by the Company and shall be fixed by the Managers consistent with the provisions of the Financing Order.

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## ARTICLE V

### OFFICERS

SECTION 5.01. Designation; Term; Qualifications. The Managers may, from time to time, designate one or more Persons to be officers of the Company. Any officer so designated shall have such title and authority and perform such duties as the Managers may, from time to time, delegate to him or her, or, if not so delegated, shall have the duties that officers with comparable titles of for-profit corporations have under the Delaware General Corporation Law. Each officer shall hold office for the term for which such officer is designated and until his or her successor shall be duly designated and shall qualify or until his or her death, resignation or removal as provided in this Agreement. Any Person may hold any number of offices. No officer need be a Manager, the Member, a Delaware resident or a United States citizen. The persons identified on Schedule D are hereby designated the officers of the Company.

SECTION 5.02. Removal and Resignation. Any officer of the Company may be removed as such, with or without cause, by the Managers at any time. Any officer of the Company may resign as such at any time upon written notice to the Company. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the Managers.

SECTION 5.03. Vacancies. Any vacancy occurring in any office of the Company may be filled by the Managers.

SECTION 5.04. Compensation. The officers of the Company shall not receive any compensation from the Company. The compensation for the performance of CenterPoint Houston, as Administrator under the Administration Agreement, shall include the compensation of Persons serving as officers of the Company.

## ARTICLE VI

### MEMBER

SECTION 6.01. Powers. Subject to the provisions of this Agreement and the Act, all powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be controlled by, the Member pursuant to Section 6.03. The Member may not and shall not resign from the Company. Pursuant to Section 4.01, the Member has delegated such powers to the Managers. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Member shall have the following powers, subject to Section 4.04 in all cases:

First: To select and remove the Managers and prescribe such powers and duties for them as may be consistent with the Act and other applicable law and this Agreement.

Second: To conduct, manage and control the affairs and business of the Company, and to make such rules and regulations therefor consistent with the Act and other applicable law and this Agreement.

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Third: To change the registered office of the Company in Delaware from one location to another; to fix and locate from time to time one or more other offices of the Company; and to designate any place within or without the State of Delaware for the conduct of the business of the Company.

SECTION 6.02. Fees of Member. The Company shall have authority to pay to the Member reasonable fees for the Member's services to the Company (other than services to be provided to the Company by the Member pursuant to the Administration Agreement and the Servicing Agreement, the compensation for which is governed by such agreements), subject to the approval of the PUCT or the deemed approval by the PUCT. With respect to the PUCT's approval of the fees of the Member,

(a) any Manager may request the approval of the PUCT by delivering to the PUCT's executive director and general counsel a written request for such approval, which request shall contain:

- (i) a reference to Docket No. 37200 and a statement as to the possible effect of the proposed fees on ongoing qualified costs;
- (ii) an Officer's Certificate stating that the proposed fees have been approved by the Managers; and
- (iii) a statement identifying the person to whom the PUCT or its staff is to address its approval to the proposed fee amount or request additional time;

(b) The PUCT shall, within 30 days of receiving the request for approval complying with Section 6.02(a) above, either

- (i) provide notice of its approval or lack of approval to the person specified in Section 6.02(a)(iii) above, or
- (ii) be conclusively deemed to have approved the proposed fees,

unless, within 30 days of receiving the request for approval complying with Section 6.02(a) above, the PUCT or its staff delivers to the office of the person specified in Section 6.02(a)(iii) above a written statement requesting an additional amount of time not to exceed 30 days in which to consider whether to approve the proposed fees. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its approval or lack of approval to the person specified in Section 6.02(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have approved the proposed fees as of the last day of such extension of time. Following delivery of a notice to the PUCT under Section 6.02(a) above, the Manager making the request (or other Person designated by the Managers) may at any time withdraw from the PUCT further consideration of any notification of a requested approval. Any Member fees requiring the consent of the PUCT as provided in this Section 6.02 shall become effective on the later of

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(i) the date proposed by the Manager(s) therefor and (ii) the first day after the expiration of the 30 day period provided for in Section 6.02(b), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended. It is understood that the fees paid to the Member under the provisions of this Section shall be determined without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered as an operating expense of the Company.

SECTION 6.03. Actions by the Member. All actions of the Member may be taken by written resolution of the Member which shall be signed on behalf of the Member by an authorized officer of the Member and filed with the minutes and records of the Company.

SECTION 6.04. Control by Member. To the extent the Member takes any action with respect to the Company (including by means of its appointment of any individual Manager or its control or employment of any individual Manager in any other capacity), the Member, or any such Manager or officer designated by the Managers, as applicable, will act in good faith in accordance with the terms of this Agreement, and make decisions with respect to the business and daily operations of the Company independent of, and not dictated by, in the case of the Manager or officer, the Member, or in either case any Affiliate of the foregoing, and, to the fullest extent permitted by law, any such Manager or officer shall bear a fiduciary duty to the Company (including its creditors) under the circumstances set forth in Section 4.04.

SECTION 6.05. Special Member. Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Section 7.01), the Independent Manager shall, without any action of any Person and simultaneously with the Member ceasing to be a member of the Company, automatically be admitted to the Company as a Special Member and shall continue the Company without dissolution. No Special Member may resign from the Company or transfer its rights as Special Member unless (i) a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment as the Independent Manager, provided, however, the Special Members shall automatically cease to be members of the Company upon the admission to the Company of a substitute Member (who may be approved by the personal representative of the last Member that ceased to be a member of the Company). Each Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301(d) of the Act, a Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. A Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provision of the Act, a Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of each Special Member, the Independent Manager shall execute a counterpart to this Agreement. Prior to its admission to the Company as Special Member, the Independent Manager shall not be a member of the Company.

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## ARTICLE VII

### COMMON INTEREST

SECTION 7.01. General. (a) The Common Interest is hereby issued to the Member and shall be deemed fully paid and non-assessable. The Common Interest constitutes personal property and shall be freely transferable and assignable in whole but not in part upon registration of such transfer and assignment on the books of the Company in accordance with the procedures established for such purpose by the Managers. Upon registration of the transfer and assignment of the Common Interest on the books of the Company, and without any further action of any Person, the transferee/assignee shall be admitted to the Company as a member of the Company and shall be and become the sole Member of the Company and shall have the rights and powers, and be subject to the restrictions and liabilities, of the Member under this Agreement and the Act, and, immediately following such admission, the transferor/assignor shall cease to be the Member, each as of the date of such registration. Notwithstanding the foregoing, the Common Interest may not be transferred unless the Rating Agency Condition is satisfied. The Common Interest of the Member shall be evidenced by a certificate in the form set forth in Schedule B hereto.

(b) Certificates.

- (i) The Company shall issue one or more certificates in the name of the Member. Each certificate shall be signed by a Manager on behalf of the Company.
- (ii) The Company shall issue a certificate in place of any certificate previously issued if the holder of the Common Interest represented by such certificate, as reflected on the books and records of the Company:
  - (A) makes proof by affidavit, in form and substance satisfactory to the Managers, that such previously issued certificate has been lost, stolen or destroyed;
  - (B) requests the issuance of a new certificate before the Managers have notice that such previously issued certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;
  - (C) if requested by the Managers, delivers to the Company a bond, in form and substance satisfactory to the Managers, with such surety or sureties as the Managers may direct, to indemnify the Company and the Managers against any claim that may be made on account of the alleged loss, destruction or theft of the previously issued certificate; and
  - (D) satisfies any other reasonable requirements imposed by the Managers.



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- (iii) Upon a Member's transfer in accordance with the provisions of this Agreement of the Common Interest represented by a certificate, the transferee of the Common Interest shall deliver such certificate to the Managers for cancellation, and a Manager shall thereupon issue a new certificate to such transferee.

SECTION 7.02. Distributions. The Member shall be entitled to receive, out of the assets of the Company legally available therefor, when, as and if declared by the affirmative vote of a majority of the Managers, distributions payable in cash in such amounts, if any, as the Managers shall declare. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be required to make a distribution to the Member on account of its interest in the Company if such distribution would violate Sections 18-607 or 18-804 of the Act or any other applicable law or any Basic Document.

SECTION 7.03. Rights on Liquidation, Dissolution or Winding Up.

(a) The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the termination of the legal existence of the last remaining member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining member of the Company in the Company unless the business of the Company is continued in a manner permitted by this Agreement or the Act or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act. The resignation or dissolution of the Member or the resignation of any Special Member (whether or not in violation of any provision of this Agreement prohibiting such action) shall not, by itself, constitute a dissolution of the Company.

(b) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

(c) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Act.

(d) Neither the sale of all or substantially all of the property or business of the Company, nor the merger, conversion or consolidation of the Company into or with another company or other entity, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purpose of this Section 7.03.

(e) The commencement of a Bankruptcy, insolvency, receivership or other similar proceeding by or against the Company shall not result in the dissolution of the Company or in the cessation of the interest of the Member in the Company.

(f) Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after

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the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company in the Company.

(g) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member or any Special Member shall not cause the Member or Special Member, respectively, to cease to be a member of the Company, and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

SECTION 7.04. Redemption. The Common Interest shall not be redeemable.

SECTION 7.05. Voting Rights. Subject to Section 4.04, the Member shall have the sole right to vote on all matters as to which members of a limited liability company shall be entitled to vote pursuant to the Act and other applicable law.

## ARTICLE VIII

### ALLOCATIONS; DISTRIBUTIONS; EXPENSES; TAXES; BOOKS; AND REPORTS

SECTION 8.01. Allocations. Except as may be required by section 704(c) of the Code and Treasury Regulation section 1.704-1(b)(2)(iv)(f)(4), all items of income, gain, loss, deduction and credit of the Company for each Fiscal Year shall be allocated to the Member. Any credit available for federal income tax purposes shall be allocated to the Member in the same manner.

SECTION 8.02. Distributions. All distributions shall be made to the Member from surplus funds. Except as provided in Section 7.02 and Section 8.03, all distributions shall be made in such amounts and at such times as determined by the Managers.

SECTION 8.03. Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, no default has occurred and is continuing under the Indenture or the Bonds then outstanding.

SECTION 8.04. Expenses. Except as otherwise provided in this Agreement, and subject to the provisions of the Basic Documents, the Company shall be responsible for all expenses and the allocation thereof including:

- (a) all expenses incurred by the Member or its Affiliates in organizing the Company;
- (b) all expenses related to the payment of the principal of and interest on and other amounts in respect of the Bonds;

(c) all expenses related to the business of the Company and all administrative expenses of the Company, including any amounts payable under the Administration Agreement

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and the Servicing Agreement, the maintenance of books and records of the Company and the preparation and dispatch to the Member of checks, financial reports, tax returns and notices required pursuant to this Agreement;

(d) all expenses incurred in connection with any litigation or arbitration involving the Company (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith;

(e) all expenses for indemnity or contribution payable by the Company to any Person;

(f) all expenses incurred in connection with the collection of amounts due to the Company from any Person;

(g) all expenses incurred in connection with the preparation of amendments to this Agreement, any other Basic Documents and any documents required by any of the foregoing;

(h) all expenses incurred in connection with the liquidation, dissolution and winding up of the Company; and

(i) all expenses otherwise allocated in good faith to the Company by the Managers.

SECTION 8.05. Tax Elections. The Managers shall make the following elections on behalf of the Company:

(a) To elect the calendar year as the Company's Fiscal Year;

(b) To elect the accrual method of accounting;

(c) To elect to treat all organization and start-up costs of the Company as deferred expenses amortizable over 60 months under Section 195 of the Code; and

(d) To elect with respect to such other federal, state and local tax matters as the Managers shall agree upon from time to time. The Managers, however, shall not elect to treat the Company as a corporation taxable as a corporation for U.S. federal income tax purposes under Treasury Regulations Section 301.7701-3(b)(i).

SECTION 8.06. Annual Tax Information. The Managers shall cause the Company to deliver to the Member all information necessary for the preparation of the Member's federal or state income tax return.

SECTION 8.07. Tax Matters Member. The Member shall communicate and negotiate with the Internal Revenue Service on any tax matter on behalf of the Member and the Company.

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SECTION 8.08. Maintenance of Books. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of the Member, the Managers and each committee of the Managers. The Fiscal Year shall be the accounting year of the Company.

SECTION 8.09. Reports. Within ninety (90) days following the end of each Fiscal Year during the term of the Company, the Managers shall cause to be furnished to the Member a balance sheet, an income statement and a statement of changes in Member's capital account for, or as of the end of, that Fiscal Year. Such financial statements shall be prepared in accordance with the accounting method selected by the Managers consistently applied (except as therein noted), and shall be accompanied by an audit report from a nationally recognized accounting firm. The Managers also may cause to be prepared or delivered such other reports as they may deem appropriate. The Company shall bear the costs of all such financial statements and reports.

## ARTICLE IX

### INDEMNIFICATION

SECTION 9.01. Mandatory Indemnification of the Member, the Special Members and the Managers. Any Person who was or is a party or is threatened to be made a party to or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding by reason of the fact that such Person is or was the Member, a Special Member or a Manager, or by reason of the fact that the Member, such Special Member or such Manager is or was serving at the request of the Company as a member, director, manager, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, limited liability company or partnership, joint venture, partnership, trust, sole proprietorship, employee benefit plan or other enterprise, shall be indemnified by the Company, to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide greater or broader indemnification rights than such law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including reasonable attorneys' fees) actually incurred by such Person in connection with such Proceeding except that such Person shall not be entitled to indemnification for any judgment, penalty, fine, settlement or expense directly caused by such Person's fraud, gross negligence or willful misconduct. It is expressly acknowledged that the indemnification provided in this Article IX could involve indemnification for negligence or under theories of strict liability. Notwithstanding anything herein to the contrary, for so long as any of the Bonds are outstanding, no payment from funds of the Company (as distinct from funds from other sources, such as insurance) of any indemnity of the Member, any Special Member or any Manager under this Article IX shall be payable except in amounts and out of funds available for payment of Company expenses as provided in the Indenture.

SECTION 9.02. Mandatory Advancement of Expenses. Expenses incurred by a Person of the type entitled to be indemnified under Section 9.01 in defending any Proceeding shall be paid or reimbursed by the Company in advance of the final disposition of the Proceeding to the

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extent that such expenses are Qualified Costs, without any determination as to such Person's ultimate entitlement to indemnification under Section 9.01, upon receipt of a written affirmation by such Person of such Person's good faith belief that such Person has met the standard of conduct necessary for indemnification under this Agreement and a written undertaking by or on behalf of such Person to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified by the Company as authorized in Section 9.01 or otherwise. The written undertaking shall be an unlimited general obligation of the Person but need not be secured and shall be accepted without reference to financial ability to make repayment.

SECTION 9.03. Indemnification of Officers, Employees and Agents. The Company shall indemnify and pay and advance expenses to an officer, employee or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and pay and advance expenses to the Member, any Special Member or any Managers under this Article IX, and the Company shall indemnify and pay and advance expenses to any Person who is or was an officer, employee or agent of the Company and who is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company or partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against such Person and incurred by such Person in such a capacity or arising out of such Person's status as such to the same extent and subject to the same conditions that the Company may indemnify and pay and advance expenses to the Member or a Special Member or any Manager under this Article IX.

SECTION 9.04. Nonexclusivity of Rights. The indemnification and advancement and payment of expenses provided by this Article IX (i) shall not be deemed exclusive of any other rights to which the Member, a Special Member, a Manager or other Person seeking indemnification may be entitled under any statute, agreement, decision of the Member or disinterested Managers, or otherwise both as to action in such Person's official capacity and as to action in another capacity while holding such office, (ii) shall continue as to any Person who has ceased to serve in the capacity which initially entitled such Person to indemnity and advancement and payment of expenses, and (iii) shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the Member, such Special Member, such Manager or other Person.

SECTION 9.05. Contract Rights. The rights granted pursuant to this Article IX shall be deemed to be contract rights, and no amendment, modification or repeal of this Article IX shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal.

SECTION 9.06. Insurance. The Company may purchase and maintain insurance or other arrangement or both, at its expense, on behalf of itself or any Person who is or was serving as the Member, a Special Member, a Manager, officer, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company or partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any liability, expense or loss, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Article IX.

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SECTION 9.07 Savings Clause. If this Article IX or any portion of this Agreement shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless the Member, each Special Member, each Manager or any other Person indemnified pursuant to this Article IX as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Article IX that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 9.08 Other Ventures. It is expressly agreed that the Member, any Special Member, any Manager and any Affiliates, officers, managers, members, or employees of the Member, any Special Member or any Manager, may engage in other business ventures of every nature and description, whether or not in competition with the Company, independently or with others, and the Company shall not have any rights in and to any independent venture or activity or the income or profits derived therefrom.

SECTION 9.09 Other Arrangements Not Excluded. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this Article IX:

(a) does not exclude any other rights to which a Person seeking indemnification or advancement of expenses may be entitled under any agreement, decision of the Member or otherwise, for either an action of the Member, any Special Member or any Manager, officer, employee or agent in the official capacity of such Person or an action in another capacity while holding such position, except that indemnification, unless ordered by a court of competent jurisdiction, may not be made to or on behalf of the Member, any Special Member or any Manager if a final adjudication established that its acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; and

(b) continues for a Person who has ceased to be the Member, a Special Member, Manager, officer, employee or agent and inures to the benefit of the successors, heirs, executors and administrators of such a Person.

SECTION 9.10. Survival. The forgoing provisions of this Article IX shall survive any termination of this Agreement.

## **ARTICLE X**

### **MISCELLANEOUS PROVISIONS**

SECTION 10.01. Offset. Whenever the Company is to pay any sum to the Member, any amounts the Member owes the Company may be deducted from such sum before payment.

SECTION 10.02. Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement shall be in writing and shall be given either by depositing such writing in the United

States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering such writing to the recipient in person, by reputable overnight courier, or by facsimile transmission; and a notice, request or consent given under this Agreement shall be effective on receipt by the Person to whom sent or three business days after deposit in the United States mail, registered or certified, postage prepaid and properly addressed. All notices, requests and consents to be sent to the Member shall be sent to or made to 1111 Louisiana Street, Houston, Texas 77002, Attention: Treasurer or such other address as the Member may specify by notice to the Company and the Managers. Any notice, request, or consent to the Company or the Managers must be given to the Managers at the following address: 1111 Louisiana Street, Suite 4664B, Houston, Texas 77002, Attention: Manager. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

SECTION 10.03. Benefits of Agreement; No Third-Party Rights. Subject to Section 10.09, none of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of the Member. Nothing in this Agreement shall be deemed to create any right in any Person (other than Persons indemnified pursuant to Article IX) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person.

SECTION 10.04. Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by such Person of its obligations with respect to the Company shall not be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person with respect to the Company.

SECTION 10.05. Governing Law; Severability. This Agreement shall be governed by and shall be construed in accordance with the law of the State of Delaware, excluding any conflicts-of-law rule or principle that might refer the governance or the construction of this Agreement to the law of another jurisdiction. In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act, then the applicable provision of the Act shall control. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and such provision shall be enforced to the fullest extent permitted by law.

SECTION 10.06. No Bankruptcy Petition; Dissolution.

(a) To the fullest extent permitted by law, the Member, each Special Member and each Manager hereby covenants and agrees (or shall be deemed to have hereby covenanted and agreed) that, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Bonds and any other amounts owed under the Indenture, it will not acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or Governmental Authority for the purpose of commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the

Company or any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company; provided, however, that nothing in this Section 10.06 shall constitute a waiver of any right to indemnification, reimbursement or other payment from the Company pursuant to this Agreement. This Section 10.06 is not intended to apply to the filing of a voluntary bankruptcy petition on behalf of the Company which is governed by Section 4.04(b) of this Agreement.

(b) To the fullest extent permitted by law, the Member, each Special Member and each Manager hereby covenants and agrees (or shall be deemed to have hereby covenanted and agreed) that, until the termination of the Indenture and the payment in full of the Bonds and any other amounts owed under the Indenture, the Member, such Special Member and such Manager will not consent to, or make application for, or institute or maintain any action for, the dissolution of the Company under Section 18-801 or 18-802 of the Act or otherwise.

(c) In the event that the Member, any Special Member or any Manager takes action in violation of this Section 10.06, the Company agrees that it shall file an answer with the court or otherwise properly contest the taking of such action and raise the defense that the Member, the Special Member or Manager, as the case may be, has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert.

(d) The provisions of this Section 10.06 shall survive the termination of this Agreement and the resignation, withdrawal or removal of the Member, any Special Member or any Manager. Nothing herein contained shall preclude participation by the Member, any Special Member or a Manager in assertion or defense of its claims in any such proceeding involving the Company.

SECTION 10.07. Amendment. Subject to Section 4.04(b)(x) hereof, so long as the Rating Agency Condition is satisfied, the Trustee shall have given its prior approval and, in the case of any amendment to Section 4.16, 5.04 or 6.02 or any other amendment that increases ongoing qualified costs as defined in the Financing Order, the PUCT shall have given its prior written approval or be deemed to have given its prior written approval, this Agreement may be modified, altered, supplemented or amended in writing by the Member; provided further that neither approval of the Trustee nor satisfaction of the Rating Agency Condition shall be necessary if such modification, alteration, supplement or amendment is necessary: (i) to cure any ambiguity or (ii) to correct or supplement any provision in a manner consistent with the intent of this Agreement. With respect to the PUCT's approval of any amendment to Section 4.16, 5.04 or 6.02 or any other amendment that increases ongoing qualified costs as defined in the Financing Order,

(a) any Manager may request the approval of the PUCT by delivering to the PUCT's executive director and general counsel a written request for such approval, which request shall contain:

- (i) a reference to Docket No. 37200 and a statement as to the possible effect of the amendment on ongoing qualified costs;



- 
- (ii) an Officer's Certificate stating that the proposed amendment has been approved by all necessary parties; and
  - (iii) a statement identifying the person to whom the PUCT or its staff is to address its approval to the proposed amendment or request additional time;
- (b) The PUCT shall, within 30 days of receiving the request for approval complying with Section 10.07(a) above, either
- (i) provide notice of its approval or lack of approval to the person specified in Section 10.07(a)(iii) above, or
  - (ii) be conclusively deemed to have approved the proposed amendment,

unless, within 30 days of receiving the request for approval complying with Section 10.07(a) above, the PUCT or its staff delivers to the office of the person specified in Section 10.07(a)(iii) above a written statement requesting an additional amount of time not to exceed 30 days in which to consider whether to approve the proposed amendment. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its approval or lack of approval to the person specified in Section 10.07(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have approved the proposed amendment as of the last day of such extension of time. Following delivery of a notice to the PUCT under Section 10.07(a) above, the Manager making the request (or other Person designated by the Managers) may at any time withdraw from the PUCT further consideration of any notification of a proposed amendment.

(c) Any amendment requiring the consent of the PUCT as provided in this Section 10.07 shall become effective on the later of (i) the date proposed by the parties to such amendment and (ii) the first day after the expiration of the 30 day period provided for in Section 10.07(b), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended.

SECTION 10.08. Headings and Sections. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

SECTION 10.09. Binding Agreement. Notwithstanding any other provision of this Agreement, the Member agrees that this Agreement constitutes a legal, valid and binding Agreement of the Member, and is enforceable against the Member by the Independent Manager, in accordance with its terms. In addition, the Independent Manager shall be the intended beneficiary of this Agreement.

SECTION 10.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, this Amended and Restated Limited Liability Company Agreement is hereby executed by the undersigned as of the date first written above.

MEMBER:

CENTERPOINT ENERGY HOUSTON  
ELECTRIC, LLC

---

Name:

Title:

Agreed and consented to by the Independent Manager:

---

Bernard J. Angelo

---

SCHEDULE A

Schedule of Capital Contributions of Member

COMMON INTEREST

<u>Member</u>	<u>Capital Contribution</u>	<u>Common Interest Percentage</u>
CenterPoint Energy Houston Electric, LLC	\$[     ]	100%

---

SCHEDULE B

CERTIFICATE OF COMMON INTEREST

of

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

A Limited Liability Company

Formed under the Laws of the State of Delaware

This Certificate is issued and shall be held subject to the provisions of the Amended and Restated Limited Liability Company Agreement of CenterPoint Energy Restoration Bond Company, LLC, dated as of [ ], 2009, as the same may be amended from time to time.

This Certificate of Common Interest certifies that CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, is the registered holder of the entire Common Interest of the Company, which Common Interest shall be transferable only on the books of the Company by the holder hereof in person or by a duly authorized attorney upon surrender of this Certificate with a proper endorsement.

IN WITNESS WHEREOF, the Company has caused this Certificate to be signed by one of its duly authorized Managers this            day of            ,  
20   .

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC

\_\_\_\_\_  
Manager

---

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

For Value Received the undersigned hereby sells, assigns and transfers unto the Company represented by the within Certificate and does hereby irrevocably constitute and appoint transfer said Common Interest on the books of the Company with full power of substitution in the premises.

the entire Common Interest of  
, Attorney, to

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

---

SCHEDULE C

Managers\*

Names

Marc Kilbride  
Walter L. Fitzgerald  
Gary L. Whitlock

Independent Manager\*

Names

Bernard J. Angelo

\* The execution of this Agreement shall be deemed to occur simultaneously with the closing of the offering and sale of the Bonds. Therefore, at such time the individuals set forth on this Schedule C shall be the Managers of the Company.

---

SCHEDULE D

Officers

Name

Office(s)

Gary L. Whitlock	President
Scott E. Rozzell	Executive Vice President, General Counsel and Secretary
Walter L. Fitzgerald	Senior Vice President and Chief Accounting Officer
Marc Kilbride	Vice President and Treasurer
Rufus S. Scott	Vice President, Deputy General Counsel and Assistant Corporate Secretary
Richard B. Dauphin	Assistant Secretary
Linda Geiger	Assistant Treasurer

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

Issuer

and

DEUTSCHE BANK TRUST COMPANY AMERICAS

Trustee

INDENTURE

Dated as of [            ], 2009

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Securing System Restoration Bonds



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CERTAIN SECTIONS OF THIS INDENTURE RELATING TO SECTIONS 310 THROUGH  
318, INCLUSIVE, OF THE TRUST INDENTURE ACT OF 1939:

<u>TRUST INDENTURE ACT SECTION</u>	<u>INDENTURE SECTION(S)</u>
Section 310(a)(1)	6.11
Section 310(a)(2)	6.11
Section 310(a)(3)	6.10(b)
Section 310(a)(4)	Not Applicable
Section 310(a)(5)	6.11
Section 310(b)	6.08, 6.11
Section 311(a)	6.12
Section 311(b)	6.12
Section 311(c)	Not Applicable
Section 312(a)	7.01, 7.02
Section 312(b)	7.02
Section 312(c)	7.02
Section 313(a)	7.04
Section 313(b)	7.04
Section 313(c)	7.04
Section 313(d)	7.04
Section 314(a)	3.09, 7.03
Section 314(b)(1)	2.10
Section 314(b)(2)	3.06
Section 314(c)(1)	11.01
Section 314(c)(2)	11.01
Section 314(c)(3)	11.02

<u>TRUST INDENTURE ACT SECTION</u>	<u>INDENTURE SECTION(S)</u>
Section 314(d)	8.03, 8.04, 9.02
Section 314(e)	11.01
Section 315(a)	6.01, 6.02
Section 315(b)	6.05
Section 315(c)	6.01
Section 315(d)	6.01
Section 315(e)	5.13
Section 316(a)	5.11, 5.12
Section 316(a)(1)(A)	5.11
Section 316(a)(1)(B)	5.12
Section 316(a)(2)	Not Applicable
Section 316(b)	5.07
Section 316(c)	Not Addressed
Section 317(a)(1)	5.03
Section 317(a)(2)	5.03
Section 317(b)	3.03
Section 318(a)	11.08

NOTE: This reconciliation and tie sheet shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE dated as of [ ], 2009, by and between CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company (the “Issuer”), and Deutsche Bank Trust Company Americas, a New York banking corporation, in its capacity as trustee (the “Trustee”).

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the Bonds, issuable as provided in this Indenture. The Bonds will be issued only under a separate Supplement to this Indenture, duly executed and delivered by the Issuer and the Trustee. The Issuer is entering into this Indenture, and the Trustee is accepting the trusts created hereby, each for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and each intending to be legally bound hereby.

The Bonds shall be non-recourse obligations and shall be secured by and payable solely out of the System Restoration Property and the other Trust Estate securing the Bonds. If and to the extent such System Restoration Property and the other Trust Estate are insufficient to pay all amounts owing with respect to the Bonds secured thereby, then, except as otherwise expressly provided herein, the Holders shall have no claim in respect of such insufficiency against the Issuer or any other Person, and the Holders, by their acceptance of such Bonds, waive any such claim.

All things necessary to (a) make the Bonds, when executed and duly issued by the Issuer and authenticated and delivered by the Trustee hereunder, valid obligations, and (b) make this Indenture a valid agreement of the Issuer, in each case, in accordance with their respective terms, have been done.

In consideration of the foregoing, the Issuer and the Trustee agree as follows:

That under the Supplement, the Issuer will Grant to the Trustee a Lien on and trust interest in the property described therein (all such property, collectively, the “Trust Estate”). The Trust Estate shall secure the obligations of the Issuer as more particularly described in the Supplement.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED between the parties hereto that all Bonds are to be issued, countersigned, registered and delivered and the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and any successor, does hereby covenant and agree to and with the Trustee and its successors in said trust, for the benefit of the Holders, as follows:

## **ARTICLE I**

### **DEFINITIONS AND INCORPORATION BY REFERENCE**

SECTION 1.01. DEFINITIONS. Capitalized terms used but not otherwise defined in this Indenture have the respective meanings set forth in Appendix A hereto unless the context otherwise requires.

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SECTION 1.02. INCORPORATION BY REFERENCE OF THE TRUST INDENTURE ACT. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. Each of the following TIA terms used in this Indenture has the following meaning:

“Commission” means the Securities and Exchange Commission.

“indenture securities” means the Bonds.

“indenture security holder” means a Holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” on the indenture securities means the Issuer and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meaning assigned to them by such definitions.

#### SECTION 1.03. RULES OF CONSTRUCTION.

(i) An accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as in effect from time to time;

(ii) “including” means including without limitation;

(iii) with respect to terms defined in Appendix A hereto, the meanings shall be equally applicable to both the singular and plural forms of such terms and shall refer to either gender as may be appropriate;

(iv) unless otherwise specified, references herein to Sections or Articles are to Sections or Articles of this Indenture; and

(v) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

### ARTICLE II

#### THE BONDS

SECTION 2.01. FORM. The Bonds and the Trustee’s certificate of authentication shall be in substantially the forms set forth in the Supplement, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or by



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the Supplement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the Managers of the Issuer executing such Bonds, as evidenced by their execution of such Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond. Each Bond shall be dated the date of its authentication.

The Bonds shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Managers of the Issuer executing such Bonds, as evidenced by their execution of such Bonds.

Each Bond shall bear upon its face the designation so selected for the Tranche to which it belongs. The terms of all Bonds of the same Tranche shall be the same.

Each Bond shall state that the Public Utility Regulatory Act provides that the State of Texas pledges “for the benefit and protection of financing parties and the electric utility, that it will not take or permit any action that would impair the value of the transition property, or except as permitted . . . [through the Transition Charge Adjustment Process] . . . reduce, alter, or impair the transition charges to be imposed, collected, and remitted to financing parties, until the principal, interest, and premium, and any other charges incurred and contracts to be performed in connection with the related transition bonds have been paid and performed in full.”

SECTION 2.02. EXECUTION, AUTHENTICATION AND DELIVERY. The Bonds shall be executed on behalf of the Issuer by a Manager. The signature of any such Manager on the Bonds may be manual or facsimile.

Bonds bearing the manual or facsimile signature of individuals who were at any time Managers shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds.

The Trustee hereby appoints Deutsche Bank Trust Company Americas as authenticating agent to authenticate the Bonds whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. The Trustee shall not be liable for any act or any failure of the authenticating agent to perform any duty either required herein or authorized herein to be performed by such person in accordance with this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed on behalf of the Issuer to the Trustee pursuant to an Issuer Order for authentication; and the Trustee shall authenticate and deliver such Bonds as in this Indenture provided and not otherwise.

No Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

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If and for so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules and regulations of such exchange so require, a transfer or other agent appointed pursuant to Section 3.02 shall be authorized on behalf of the Trustee to execute and deliver such certificate of authentication.

SECTION 2.03. DENOMINATIONS; OTHER TERMS. The Bonds shall be issuable as registered Bonds in Authorized Denominations.

The Bonds shall be authorized by a Manager and the terms and provisions shall be set forth in the Supplement. The Bonds may, as provided in the Supplement, be issued in one or more Tranches, and shall be designated generally as the “Senior Secured System Restoration Bonds” of the Issuer, with such further particular designations added or incorporated in such title for the Bonds of any particular Tranche as a Manager of the Issuer may determine and as set forth in the Supplement.

The Bonds shall be created by the Supplement which shall specify the following matters:

- (a) designation of the Bonds and, if applicable, the Tranches thereof;
- (b) the aggregate initial principal amount of the Bonds and, if applicable, each Tranche thereof;
- (c) the Bond Rate of the Bonds and, if applicable, each Tranche thereof or the formula, if any, used to calculate the applicable Bond Rate or Bond Rates for the Bonds and each Tranche thereof;
- (d) the Payment Dates for the Bonds and, if applicable, each Tranche thereof;
- (e) the Expected Final Payment Date of the Bonds, and, if applicable, each Tranche thereof;
- (f) the Final Maturity Date for the Bonds and, if applicable, the Tranche Final Maturity Date for each Tranche thereof;
- (g) the Issuance Date for the Bonds;
- (h) the Trust Estate;
- (i) the place or places for payments with respect to the Bonds and, if applicable, each Tranche thereof;
- (j) the Authorized Denominations for the Bonds and, if applicable, each Tranche thereof;
- (k) the provisions, if any, for redemption of the Bonds by the Issuer and, if applicable, each Tranche thereof;

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- (l) whether the Bonds are to be Book-Entry Bonds and the extent to which Section 2.11 will apply;
  - (m) the Expected Amortization Schedule for the Bonds and, if applicable, each Tranche thereof;
  - (n) the Required Capital Amount with respect to the Bonds;
  - (o) the Calculation Dates and Adjustment Dates for the Bonds;
  - (p) the credit enhancement, if any, applicable to the Bonds and each Tranche thereof; and
  - (q) any other terms of the Bonds and each Tranche thereof that are not inconsistent with the provisions of this Indenture, the Financing Order or the System Restoration Amendments.

SECTION 2.04. TEMPORARY BONDS. Pending the preparation of definitive Bonds pursuant to Section 2.13, or by agreement of the purchasers of all Bonds or, in the case of Bonds held in a book-entry only system by a Clearing Agency, a Manager on behalf of the Issuer may execute, and upon receipt of an Issuer Order, the Trustee shall authenticate and deliver temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced of the tenor of the definitive Bonds in lieu of which they are issued and with such variations not inconsistent with the terms of this Indenture as a Manager executing such Bonds may determine, as evidenced by its execution of such Bonds.

If temporary Bonds are issued, the Issuer will cause definitive Bonds to be prepared without unreasonable delay except where temporary Bonds are held by a Clearing Agency. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds at the office or agency of the Issuer to be maintained as provided in Section 3.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Tranche and initial principal amount of definitive Bonds in Authorized Denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits under this Indenture as definitive Bonds.

SECTION 2.05. REGISTRATION; REGISTRATION OF TRANSFER AND EXCHANGE. The Issuer shall cause to be kept a register (the “Bond Register”) in which, subject to such reasonable regulations as it may prescribe, the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds. Deutsche Bank Trust Company Americas shall be Bond Registrar for the purpose of registering Bonds and transfers of Bonds as herein provided. Upon any resignation of any Bond Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of Bond Registrar.

If a Person other than the Trustee is appointed by the Issuer as Bond Registrar, the Issuer shall give the Trustee and any transfer, paying, or listing agent of the Issuer prompt written

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notice of the appointment of such Bond Registrar and of the location, and any change in the location, of the Bond Register, and the Trustee and any such agent shall have the right to inspect the Bond Register at all reasonable times and to obtain copies thereof, and the Trustee shall have the right to rely conclusively upon a certificate executed on behalf of the Bond Registrar by a duly authorized officer thereof as to the names and addresses of the Holders of the Bonds and the principal amounts and number of such Bonds.

Upon surrender for registration of transfer of any Bond at the office or agency of the Issuer to be maintained as provided in Section 3.02, a Manager on behalf of the Issuer shall execute, and the Trustee shall authenticate and the Bondholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Bonds in any Authorized Denominations (and Tranche) and aggregate outstanding principal amount.

All Bonds issued upon any registration of transfer of the Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon such registration of transfer.

Every Bond presented or surrendered for registration of transfer shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form set forth in the Supplement or such other form as is satisfactory to the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an Eligible Guarantor Institution in the form set forth in such Bond.

No service charge shall be made to a Holder for any registration of transfer of the Bonds (except as may be required by the rules and regulations of the Luxembourg Stock Exchange with respect to any Bonds listed thereon), but, other than in respect of exchanges pursuant to Section 2.04 or 9.06 not involving any transfer, the Issuer or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of the Bonds.

The preceding provisions of this Section notwithstanding, except to the extent otherwise required by the rules and regulations of the Luxembourg Stock Exchange with respect to any Bonds listed thereon, the Issuer shall not be required to make, and the Bond Registrar need not register, transfers or exchanges of Bonds selected for redemption or transfers or exchanges of any Bond for a period of 15 days preceding the Final Maturity Date with respect to such Bond.

**SECTION 2.06. MUTILATED, DESTROYED, LOST OR STOLEN BONDS.** If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless, then, in the absence of written notice to the Issuer, the Bond Registrar or the Trustee that such Bond has been acquired by a bona fide purchaser, a Manager on behalf of the Issuer shall execute, and upon a Manager's written request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a replacement Bond of like Tranche, tenor and initial principal amount in Authorized Denominations, bearing a number not contemporaneously outstanding; provided, however, that if any such destroyed, lost or stolen Bond, but not a mutilated Bond, shall have become or within seven days shall be due

and payable, or shall have been called for redemption, instead of issuing a replacement Bond, the Issuer may pay such destroyed, lost or stolen Bond when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Bond or payment of a destroyed, lost or stolen Bond pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued, or in respect of which such payment was made, presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such replacement Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement Bond from such Person to whom such replacement Bond was delivered or any assignee of such Person, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

Upon the issuance of any replacement Bond under this Section, the Issuer or the Trustee may require the payment by the Holder of such Bond of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee and its counsel) connected therewith.

Every replacement Bond issued pursuant to this Section in replacement of any mutilated, destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 2.07. PERSONS DEEMED OWNER. Prior to due presentment for registration of transfer of any Bond, the Issuer, the Trustee, the Bond Registrar and any agent of the Issuer, the Bond Registrar or the Trustee may treat the Person in whose name any Bond is registered (as of the day of determination) as the owner of such Bond for the purpose of receiving payments of Principal of and premium, if any, and Interest on such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and neither the Issuer, the Trustee, the Bond Registrar nor any agent of the Issuer, the Bond Registrar or the Trustee shall be affected by notice to the contrary.

SECTION 2.08. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST; INTEREST ON OVERDUE PRINCIPAL AND PREMIUM, IF ANY; PRINCIPAL, PREMIUM AND INTEREST RIGHTS PRESERVED.

(a) The Bonds shall accrue Interest as provided in the Supplement, at the applicable Bond Rate specified therein, and such Interest shall be payable on each Payment Date as specified therein. Any installment of Interest, principal or premium, if any, payable on any Bond which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds) is registered on the Record Date for such Payment Date, by check mailed first-class, postage prepaid, to such

Person's address as it appears on the Bond Register on such Record Date, or in such other manner as may be provided in the Supplement, except that (i) upon application to the Trustee by any Holder owning Bonds of any Tranche in the principal amount of \$10,000,000 or more not later than the applicable Record Date payment will be made by wire transfer to an account maintained and specified by such Holder and (ii) with respect to Book-Entry Bonds, payments will be made by wire transfer in immediately available funds to the account designated by the Holder of the applicable global Bond unless and until such global Bond is exchanged for definitive Bonds (in which event payments shall be made as provided above) and except for the final installment of principal and premium, if any, payable with respect to such Bond on a Payment Date which shall be payable as provided in Section 2.08(b). The funds represented by any such checks returned undelivered shall be held in accordance with Section 3.03.

(b) The principal of each Bond Tranche shall be payable in installments on each Payment Date specified in the Expected Amortization Schedule included in the form of Bond attached to the Supplement, but only to the extent that moneys are available for such payment pursuant to Section 8.02; provided that installments of principal not paid when scheduled to be paid shall be paid upon receipt of moneys available for such purpose, in the manner set forth in the Expected Amortization Schedule. Failure to pay principal of each Bond Tranche in accordance with the Expected Amortization Schedule because moneys are not available pursuant to Section 8.02 to make such payments shall not constitute a Default or Event of Default under this Indenture. Notwithstanding the foregoing, the entire unpaid principal amount of the Bonds of any Tranche shall be due and payable, if not previously paid (i) on the Final Maturity Date (or Tranche Final Maturity Date) therefor, (ii) on the date on which the Bonds have been declared immediately due and payable in accordance with Section 5.02 or (iii) on the Redemption Date, if any, therefor. The Trustee shall notify the Person in whose name a Bond is registered at the close of business on the Record Date preceding the Payment Date on which the Issuer expects that the final installment of principal of and premium, if any, and Interest on such Bond will be paid. Such notice shall be mailed no later than five days prior to such Expected Final Payment Date and shall specify such Payment Date, the amount of such payment, and that such final installment of principal and premium, if any, will be payable only upon presentation and surrender of such Bond and shall specify the place where such Bond may be presented and surrendered for payment of such installment, which, so long as any Bonds are listed on the Luxembourg Stock Exchange, shall include the office of the paying agent in Luxembourg appointed pursuant to Section 3.02. Notices in connection with redemptions of Bonds shall be mailed to Bondholders as provided in Section 10.02.

(c) If the Issuer defaults in a payment of Interest on the Bonds, the Issuer shall pay defaulted Interest (plus Interest on such defaulted Interest at the applicable Bond Rate to the extent lawful) in any lawful manner. The Issuer may pay such defaulted Interest to the Persons who are Bondholders on a subsequent special record date, which date shall be at least fifteen Business Days prior to the special payment date. The Issuer shall fix or cause to be fixed any such special record date and payment date, and, at least 10 days before any such special record date, the Issuer shall mail to each affected Bondholder a notice that states the special record date, the payment date and the amount of defaulted Interest to be paid.

SECTION 2.09. CANCELLATION. All Bonds surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be

delivered to the Trustee and shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Bonds may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided that such Issuer Order is timely and the Bonds have not been previously disposed of by the Trustee.

SECTION 2.10. AMOUNT; AUTHENTICATION AND DELIVERY OF BONDS. The aggregate principal amount of Bonds that may be authenticated and delivered under this Indenture shall not exceed \$[ ].

The Bonds created and established by the Supplement shall be executed by a Manager on behalf of the Issuer and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee upon Issuer Request and upon delivery to the Trustee at the Issuer's expense of the following; provided, however, that except with respect to items (1), (4)(a)(i) and (4)(a)(v) below, compliance with the following conditions and delivery of the following documents shall be required only in connection with the original issuance of the Bonds:

(1) Issuer Action. An Issuer Order authorizing and directing the execution, authentication and delivery of the Bonds by the Trustee or the authenticating agent and specifying the principal amount of the Bonds to be authenticated.

(2) Authorizing Certificate. A certified resolution of the Managers authorizing the execution and delivery of the Supplement for the Bonds applied for and the execution, authentication and delivery of such Bonds.

(3) Supplement. A Supplement in form reasonably satisfactory to the Trustee for the Bonds being issued, which shall set forth the provisions and form of the Bonds (and each Tranche thereof).

(4) Certificates of the Issuer and the Seller.

(a) An Issuer Officer's Certificate dated as of the Issuance Date, stating:

(i) that no Default has occurred and is continuing under this Indenture and that the issuance of the Bonds being issued will not result in any Default;

(ii) that the Issuer has not assigned any interest or participation in the Trust Estate, except for the Grant contained in the Supplement; that the Issuer has the power and authority to Grant the Trust Estate, and to Grant a security interest in and a Lien upon the Trust Estate, to the Trustee, free and clear of any other security interest, Liens, adverse claims and options; and that such security interest is a perfected security interest in all right, title and interest in and to the Trust Estate free and clear of any Lien, except the Lien of this Indenture;

(iii) that the Issuer has appointed an Independent registered public accounting firm contemplated in Section 8.05 and identifying such firm;

(iv) that attached thereto are duly executed, true and complete copies of the Sale Agreement, Servicing Agreement, Administration Agreement, and Intercreditor Agreement;

(v) that all filings with the PUCT pursuant to the Securitization Provisions and the Financing Order and all filings required under the Securitization Provisions and all UCC financing statements with respect to the Trust Estate that are required to be filed by the terms of the Financing Order, the Securitization Provisions, the Sale Agreement, the Servicing Agreement or this Indenture have been filed as required; and

(vi) that all conditions precedent provided in the Basic Documents relating to the authentication and delivery of the Bonds have been complied with.

(b) An Officer's Certificate from the Seller, dated as of the Issuance Date, to the effect that:

(i) in the case of the System Restoration Property to be transferred to the Issuer on such date, immediately prior to the conveyance thereof to the Issuer pursuant to the Sale Agreement, the Seller was the sole owner of the rights and interests under the Financing Order that will comprise the System Restoration Property upon transfer to the Issuer and such ownership interest was perfected; such System Restoration Property has been validly transferred and sold to the Issuer free and clear of all Liens (other than Liens created by the Issuer pursuant to this Indenture) and such transfer is absolute, irrevocable and has been perfected; the Seller has the power and authority to own, sell and assign the rights and interests under the Financing Order that will comprise the System Restoration Property upon transfer to the Issuer; and the Seller has duly authorized such sale and assignment to the Issuer; and

(ii) the Financing Order creating such System Restoration Property attached to such certificate is in full force and effect and the copy of the Financing Order attached thereto is true and complete.

(5) Issuer Opinion of Counsel. An Issuer Opinion of Counsel, portions of which may be delivered by counsel for the Issuer and portions of which may be delivered by counsel for the Seller and/or the Servicer, dated as of the Issuance Date subject to customary qualifications, to the collective effect that (or, in the case of subsections (d), (e) and (f) below, in the form of):

(a) regarding the Financing Order, that (i) such Financing Order is final and non-appealable and in full force and effect and (ii) the Bonds being issued are authorized to be issued under the Financing Order;

(b) regarding the Issuer:

(i) the Issuer has the power and authority to execute and deliver the Supplement and this Indenture and to issue the Bonds being issued, each of the Supplement and this Indenture and such Bonds have been duly authorized, executed and delivered, and the Issuer is duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization;



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(ii) no authorization, approval or consent of any governmental body is required for the valid issuance, authentication or delivery of such Bonds, except for any such authorization, approval or consent as already has been obtained and such registrations as are required under the Blue Sky and securities laws of any State;

(iii) the Bonds being issued, when executed and authenticated in accordance with the provisions of the Indenture and delivered, will constitute valid and binding obligations of the Issuer except as such enforceability may be subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) entitled to the benefits of the Indenture and the Supplement;

(iv) this Indenture (including the Supplement), the Sale Agreement, the Administration Agreement, the Servicing Agreement and the Intercreditor Agreement are valid and binding agreements of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) regarding the Seller, the Servicer, CenterPoint Houston and the Administrator: the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, and the Administration Agreement are valid and binding agreements of the Seller, the Servicer, CenterPoint Houston and the Administrator, respectively (as to which any such Person is a party), enforceable against the Seller, the Servicer, CenterPoint Houston and the Administrator, respectively (as to which any such Person is a party), in accordance with their terms except as such enforceability may be subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(d) Schedule 2a attached hereto with respect to the sale and transfer of the System Restoration Property from the Seller to the Issuer;

(e) Schedule 2b attached hereto with respect to the Grant of a security interest under the Public Utility Regulatory Act in the Trust Estate to the Trustee for the benefit of the Bondholders;

(f) Schedule 2c attached hereto with respect to the Grant of a security interest under the UCC in the Trust Estate to the Trustee for the benefit of the Bondholders;

(g) the Indenture has been duly qualified under the Trust Indenture Act;

(h) all instruments furnished to the Trustee conform to the requirements of this Indenture and constitute all the documents required to be delivered hereunder for the Trustee to authenticate and deliver the Bonds applied for and all conditions precedent provided for in this Indenture relating to the authentication and delivery of such Bonds (unless waived in writing by the Trustee) have been complied with;

(i) the registration statement covering the Bonds is effective under the Securities Act and, to the best of such counsel's knowledge and information, no stop order suspending the effectiveness of such registration statement has been issued under the Securities Act nor have proceedings therefor been instituted by the Commission;

(j) the Sale Agreement, the Servicing Agreement, and the Administration Agreement have been duly authorized, executed and delivered by the Seller, the Servicer, the Issuer and the Administrator, respectively (as to which any such Person is a party);

(k) the Intercreditor Agreement has been duly authorized, executed and delivered by CenterPoint Houston, the Servicer and the Issuer; and

(l) the Issuer is not now and, following the issuance of the Bonds will not be, required to be registered under the Investment Company Act of 1940, as amended.

(6) *Reserved.*

(7) Rating Agency Condition. The Trustee shall receive written confirmation from each Rating Agency that the Bonds will be rated as set forth in the Supplement.

(8) Required Capital Amount. Evidence satisfactory to the Trustee that the Required Capital Amount has been credited to the Capital Subaccount.

SECTION 2.11. BOOK-ENTRY BONDS. Unless otherwise specified in the Supplement, the Bonds, upon original issuance, will be issued in the form of a typewritten Bond or Bonds representing the Book-Entry Bonds, to be delivered to DTC, as the initial Clearing Agency, by, or on behalf of, the Issuer. Such Bond shall initially be registered on the Bond Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Bond Owner will receive a definitive Bond representing such Bond Owner's interest in such Bond, except as provided in Section 2.13. Unless and until definitive, fully registered Bonds (the "Definitive Bonds") replacing the Book-Entry Bonds have been issued to Bondholders pursuant to Section 2.13 or pursuant to the Supplement:

(a) the provisions of this Section shall be in full force and effect;

(b) the Bond Registrar and the Trustee shall be entitled to deal with the Clearing Agency for all purposes of this Indenture (including the payment of Principal of and premium, if any, and Interest on the Bonds and the giving of instructions or directions hereunder) as the sole Holder of the Bonds, and shall have no obligation to the Bond Owners;

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(c) to the extent that the provisions of this Section conflict with any other provisions of this Indenture, the provisions of this Section shall control;

(d) the rights of Bond Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Bond Owners and the Clearing Agency or the Clearing Agency Participants. Pursuant to the DTC Agreement, unless and until Definitive Bonds are issued pursuant to Section 2.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of Principal of and premium, if any, and Interest on the Bonds to such Clearing Agency Participants; and

(e) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Bonds evidencing a specified percentage of the Outstanding Amount of the Bonds or Tranche thereof, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Bond Owners or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in the Bonds or such Tranche and has delivered such instructions to the Trustee.

SECTION 2.12. NOTICES TO CLEARING AGENCY. Whenever a notice or other communication to the Bondholders is required under this Indenture, unless and until Definitive Bonds shall have been issued to Bond Owners pursuant to Section 2.13 and the Supplement, the Trustee, the Servicer and the Paying Agent shall give all such notices and communications specified herein to be given to Bondholders to the Clearing Agency, and shall have no obligation to separately give such notices and communications to the Bond Owners.

SECTION 2.13. DEFINITIVE BONDS. If (i) the Clearing Agency or the Issuer advises the Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities as nominee and depository with respect to any Book-Entry Tranche of the Bonds and the Issuer is unable to locate a qualified successor, (ii) the Issuer advises the Trustee in writing that it elects to discontinue use of the book-entry-only transfers through the Clearing Agency with respect to any Tranche of the Bonds and to deliver certificated Bonds to the Clearing Agency or (iii) after the occurrence of an Event of Default, Bond Owners representing beneficial interests aggregating at least a majority of the Outstanding Amount of the Bonds maintained as Book-Entry Bonds advise the Issuer and, through the Clearing Agency, the Trustee in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Bond Owners, then the Trustee shall notify all affected Bond Owners and the Issuer of the occurrence of any such event and of the availability of Definitive Bonds to affected Bond Owners requesting the same. Upon surrender by the Clearing Agency to the Trustee of the typewritten Bond or Bonds representing the Book-Entry Bonds, accompanied by registration instructions, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate the Definitive Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the Bond Registrar or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Bonds, the Trustee shall recognize the Holders of the Definitive Bonds as Bondholders.

Definitive Bonds will be transferable and exchangeable at the offices of the Bond Registrar or, with respect to any Bonds listed on the Luxembourg Stock Exchange, at the offices of the transfer agent appointed pursuant to the second paragraph of Section 3.02. With respect to any transfer of such listed Bonds, the new Definitive Bonds registered in the names specified by the transferee and the original transferor shall be available at the offices of such transfer agent.

### ARTICLE III

#### COVENANTS

SECTION 3.01. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. The Issuer will duly and punctually pay the Principal of and premium, if any, and Interest on the Bonds in accordance with the terms of the Bonds, this Indenture and the Supplement; provided that except on the Final Maturity Date, the Tranche Final Maturity Date or the Redemption Date for a Tranche of the Bonds or upon the acceleration of the Bonds following the occurrence of an Event of Default, the Issuer shall only be obligated to pay the Principal of such Bonds on each Payment Date therefor to the extent moneys are available for such payment pursuant to Section 8.02. Amounts properly withheld under the Code or other applicable tax laws by any Person from a payment to any Bondholder of Interest or Principal or premium, if any, shall be considered as having been paid by the Issuer to such Bondholder for all purposes of this Indenture.

SECTION 3.02. MAINTENANCE OF OFFICE OR AGENCY. The Issuer will maintain in the Borough of Manhattan, the City of New York or in Wilmington, Delaware, an office or agency where Bonds may be surrendered for registration of transfer and where notices and demands to or upon the Issuer in respect of the Bonds and this Indenture may be served. The Issuer hereby initially appoints the Corporate Trust Office of Deutsche Bank Trust Company Americas in the Borough of Manhattan, the City of New York to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Holders and the Trustee of the location, and of any change in the location, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish such agent with the address thereof, such surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Issuer hereby appoints Deutsche Bank Trust Company Americas as its agent to receive all such surrenders, notices and demands.

To the extent any of the Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, (i) the Issuer will maintain in Luxembourg (A) an office and a transfer agent where Bonds may be surrendered for registration of transfer, (B) an office and a listing agent where notices and demands to or upon the Issuer in respect of the Bonds and this Indenture may be served, and (C) an office and a paying agent where payments in respect of the Bonds may be made and (ii) any reference in this Indenture to the office or agency of the Issuer referred to in this Section 3.02 shall also refer to such offices, and the transfer, listing and paying agents, of the Issuer in Luxembourg, as applicable. The Issuer shall give the Trustee and any other agent appointed under this Section 3.02 written notice of the location and identity, and of any change in the location or identity, of any such office or agency.

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SECTION 3.03. MONEY FOR PAYMENTS TO BE HELD IN TRUST. As provided in Section 8.02(a), all payments of Principal of, or premium and Interest on, the Bonds that are to be made from amounts withdrawn from the Collection Account pursuant to Section 8.02(d) or (e) or Section 4.03 shall be made on behalf of the Issuer by the Trustee or by another Paying Agent, and no amounts so withdrawn from the Collection Account for payments of the Bonds shall be paid over to the Issuer except as provided in this Section and in Section 8.02.

The Issuer hereby appoints Deutsche Bank Trust Company Americas as the Paying Agent hereunder and, in connection therewith the Paying Agent agrees that it will (and the Issuer shall cause any other Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and during such time as the Trustee acts as Paying Agent, it hereby so agrees that it will)), subject to the provisions of this Section:

(a) hold all sums held by it for the payment of Principal of, or premium or Interest on, the Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(b) give the Trustee written notice of any Default by the Issuer (or any other obligor upon the Bonds) of which the Paying Agent has actual knowledge in the making of any payment required to be made with respect to the Bonds;

(c) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(d) immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by the Paying Agent in trust for the payment of the Bonds if at any time the Paying Agent ceases to meet the standards required of Paying Agents at the time of its appointment; and

(e) comply with all requirements of the Code and other applicable tax laws with respect to the withholding from any payments made by it on any Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Subject to applicable laws with respect to escheat of funds, any money held by the Trustee or any Paying Agent in trust for the payment of any amount of Principal of, premium, if any, or Interest on any Bond and remaining unclaimed for two years after such amount has

become due and payable shall be discharged from such trust and be paid to the Issuer upon delivery by the Issuer of an Issuer Order; and the Holder of such Bond shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to Holders whose Bonds have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Trustee or of any Paying Agent, at the last address of record for each such Holder).

SECTION 3.04. EXISTENCE. Subject to Section 3.10, the Issuer shall keep in full effect its existence, rights and franchises as a statutory limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other State or of the United States of America, in which case the Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Bonds, the Trust Estate and each other instrument or agreement included in the Trust Estate.

SECTION 3.05. PROTECTION OF TRUST ESTATE. The Issuer shall from time to time execute and deliver, and file if required, all such supplements and amendments hereto and all such filings (including filings with the PUCT pursuant to the Financing Order or the Public Utility Regulatory Act), financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action reasonably necessary to:

(a) maintain and preserve the Grant, Lien and security interest (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(b) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture, including the Supplement;

(c) enforce any of the Trust Estate;

(d) preserve and defend title to the Trust Estate and the rights of the Trustee and the Bondholders in the Trust Estate against the claims of all Persons and parties; or

(e) pay any and all taxes levied or assessed upon all or any part of the Trust Estate.

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The Issuer hereby authorizes the Trustee to execute upon written direction any filing with the PUCT, financing statement, continuation statement or other instrument required to be filed pursuant to this Section.

SECTION 3.06. OPINIONS AS TO TRUST ESTATE. (a) On or before March 31 in each calendar year, while any Bonds are outstanding, beginning on March 31, 2010, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel stating that, in the opinion of such counsel, either (i) all necessary action has been taken with respect to the recording, filing, re-recording and re-filing of this Indenture, any Supplemental Indentures and any other requisite documents and, with respect to the execution and filing of any filings pursuant to the Public Utility Regulatory Act, the Financing Order or the UCC, financing statements and continuation statements as are necessary to maintain the Lien and security interest, and the first priority thereof, created by this Indenture and reciting the details of such action or (ii) no such action is necessary to maintain such Lien and security interest, and the first priority thereof. Such Issuer Opinion of Counsel shall also describe the recording, filing, re-recording and re-filing of this Indenture, any Supplemental Indentures and any other requisite documents, and the execution and filing of any filings pursuant to the Public Utility Regulatory Act, the Financing Order or the UCC, financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the Grant, Lien and security interest of this Indenture until March 31 in the following calendar year.

(b) Prior to the effectiveness of any amendment to the Sale Agreement or the Servicing Agreement, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel either (i) stating that, in the opinion of such counsel, all filings, including filings pursuant to the UCC, have been executed and filed that are necessary fully to preserve and protect the interest of the Issuer and the Trustee in the System Restoration Property and the proceeds thereof, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (ii) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interest.

SECTION 3.07. PERFORMANCE OF OBLIGATIONS; COMMISSION FILINGS.

(a) The Issuer (i) shall diligently pursue any and all actions to enforce its rights under the Basic Documents and each other instrument or agreement included in the Trust Estate and (ii) shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such Basic Document, instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such Basic Document, instrument or agreement, except, in each case, as expressly provided in such Basic Document or such other instrument or agreement.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Trustee in an Issuer Officer's Certificate shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Administrator to assist the Issuer in performing its duties under this Indenture.

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(c) The Issuer shall punctually perform and observe all of its obligations and agreements contained in the Basic Documents and in all other instruments and agreements included in the Trust Estate.

(d) The Issuer shall file with the Commission such periodic reports, if any, as are required from time to time under Section 13 or Section 15(d) of the Exchange Act so long as any Bonds remain Outstanding, provided that the Issuer may deregister if allowed under the Commission's rules and regulations. The Issuer shall also, to the extent permitted by and consistent with the Issuer's obligations under applicable law, post on the website associated with the Servicer the following information in respect of the Bonds to the extent such information is reasonably available to the Issuer:

(i) the Final Prospectus for the Bonds;

(ii) a statement of System Restoration Charge remittances to the Trustee as of the most recent Payment Date;

(iii) a statement reporting the balance in the Collection Account and the balance in each subaccount of the Collection Account as of the most recent Payment Date;

(iv) a statement showing the balance of Outstanding Bonds that reflects the actual periodic payments made on the Bonds as of the most recent Payment Date;

(v) the Semiannual Servicer's Certificate which is required to be submitted pursuant to the Servicing Agreement;

(vi) the text (or a link to the website where a reader can find the text) of each true-up filing in respect of the Outstanding Bonds and the results of each true-up filing;

(vii) any credit ratings of the general mortgage bonds of the Servicer assigned by the Rating Agencies and, if no general mortgage bonds are outstanding, then the ratings on any other senior secured debt securities of the Servicer or, if no senior secured debt securities are outstanding, the ratings on any outstanding senior unsecured debt securities of the Servicer;

(viii) material legislative or regulatory developments directly relevant to the Outstanding Bonds;

(ix) a semi-annual statement affirming that, to the Issuer's knowledge, in all material respects, for each materially significant REP, (A) each REP has been billed in compliance with the requirements outlined in the Financing Order; (B) each REP has made payments in compliance with the requirements outlined in the Financing Order; and (C) each REP satisfies the creditworthiness requirements of the Financing Order or describing the Servicer's actions if (A), (B) or (C) has not occurred;

(x) any reports and other information that we are required to file with the SEC under the Exchange Act; and

(xi) a current organization chart for the Issuer and the Servicer (unless the Servicer is not related to the Issuer, in which case the Servicer shall post two separate organization charts), in each case disclosing the parents and material subsidiaries of the Issuer and the Servicer.



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(e) The Issuer shall make all filings required under the Public Utility Regulatory Act relating to the transfer of the ownership or security interest in the System Restoration Property other than those required to be made by the Seller or any Servicer pursuant to the Basic Documents.

SECTION 3.08. NEGATIVE COVENANTS. So long as any Bonds are Outstanding, the Issuer shall not:

(i) except as expressly permitted by this Indenture, any Supplemental Indenture, the Sale Agreement or the Servicing Agreement, sell, transfer, exchange or otherwise dispose of any of the assets of the Issuer or the Trust Estate, unless directed to do so by the Trustee in accordance with Article V;

(ii) terminate its existence, dissolve or liquidate in whole or in part, except as Section 3.10 permits;

(iii) claim any credit on, or make any deduction from the Principal or premium, if any, or Interest payable in respect of, the Bonds (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Bondholder by reason of the payment of taxes levied or assessed upon the Issuer or any part of the Trust Estate;

(iv) (A) permit the validity or effectiveness of this Indenture to be impaired, or permit the Lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Bonds under this Indenture except as may be expressly permitted hereby, (B) permit any Lien (other than the Lien created by this Indenture) to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein or the proceeds thereof or (C) permit the Lien of this Indenture not to constitute a continuing valid first priority security interest in the Trust Estate;

(v) except as contemplated by this Indenture, any Supplemental Indenture, the Sale Agreement, or the Servicing Agreement, enter into any swap, hedge or other similar financial arrangement or sell, transfer, exchange or otherwise dispose of any of the Trust Estate unless directed to do so by the Trustee in accordance with this Indenture;

(vi) elect to be classified as an association taxable as a corporation for federal income tax purposes or otherwise take any action, file any tax return or make any election inconsistent with the treatment of the Issuer, for purposes of federal taxes and, to the extent consistent with applicable state tax law, state income and franchise tax purposes, as a disregarded entity that is not separate from the sole owner of the Issuer; or

(vii) take any action that is the subject of a Rating Agency Condition if such action would result in a reduction or withdrawal of the then-current rating on any Outstanding Tranche of the Bonds.

SECTION 3.09. ANNUAL STATEMENT AS TO COMPLIANCE. The Issuer will deliver to the Trustee, within 120 days after the end of each fiscal year of the Issuer (which, as of the date hereof, is the calendar year) commencing with the fiscal year 2009, an Issuer Officer's Certificate (a copy of which the Issuer will deliver to each Rating Agency and the PUCT) stating, as to the Manager signing such Issuer Officer's Certificate, that

(i) a review of the activities of the Issuer during such year (or relevant portion thereof) and of performance under this Indenture has been made under such Manager's supervision; and

(ii) to the best of such Manager's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such fiscal year (or relevant portion thereof), or, if there has been a default in compliance with any such condition or covenant, describing each such default known to the Manager and the nature and status thereof.

SECTION 3.10. ISSUER MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS. The Issuer shall not consolidate or merge with or into or convert into any other Person or sell substantially all of its assets to any other Person, unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation, merger or conversion or to whom substantially all of such assets are sold shall be a Person organized and existing under the laws of the United States of America or any State and shall expressly assume by a Supplemental Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the Principal of and premium, if any, and Interest on all Outstanding Bonds and the performance or observance of every agreement and covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein and in the Supplement or any other Supplemental Indentures;

(ii) the Person (if other than the Issuer) formed by or surviving such consolidation, merger or conversion or to whom substantially all of such assets are sold shall expressly assume all obligations and succeed to all rights of the Issuer under the Basic Documents to which the Issuer is a party (or under which the Issuer has rights) pursuant to an assignment and assumption agreement executed and delivered to the Trustee, in form satisfactory to the Trustee;

(iii) immediately after giving effect to such consolidation, merger, conversion or sale, no Default or Event of Default shall have occurred and be continuing;

(iv) prior notice to the Rating Agencies shall have been provided and the Rating Agency Condition shall have been satisfied with respect to such consolidation, merger, conversion or sale;

(v) the Issuer shall have received an opinion of Independent counsel (and shall have delivered copies thereof to the Trustee) to the effect that such consolidation, merger, conversion or sale (a) will not have any material adverse tax consequence to the Issuer or any Bondholder, (b) complies with this Indenture and all of the conditions precedent herein relating to such transaction and (c) will result in the Trustee maintaining a continuing valid first priority perfected security interest in the Trust Estate;

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(vi) none of the System Restoration Property, the Financing Order or the Issuer's rights under the Public Utility Regulatory Act or the Financing Order shall be impaired thereby; and

(vii) any action as is necessary to maintain the Lien created by this Indenture shall have been taken.

SECTION 3.11. SUCCESSOR OR TRANSFEREE.

(a) Upon any consolidation, merger or conversion of the Issuer in accordance with Section 3.10, the Person formed by or surviving such consolidation, merger or conversion (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Except for such obligations set forth in Section 6.07, upon any sale by the Issuer of substantially all of its assets in a sale which complies with Section 3.10, immediately upon the delivery of written notice to the Trustee from the Person acquiring such assets stating that the Issuer is to be so released, the Issuer will be released from every covenant and agreement of this Indenture to be observed or performed on the part of the Issuer with respect to the Bonds and from every covenant and agreement of the Basic Documents to be observed or performed on the part of the Issuer.

SECTION 3.12. NO OTHER BUSINESS. The Issuer shall not engage in any business other than purchasing and owning the System Restoration Property provided for in the Financing Order issued by the PUCT, issuing system restoration bonds provided for in the Supplement, pledging its interest in the Trust Estate to the Trustee under this Indenture in order to secure the Issuer's obligations as set forth in the Supplement, entering into and performing under the Basic Documents relating to the Bonds, and performing activities that are necessary, suitable or convenient to accomplish these purposes or are incidental thereto.

SECTION 3.13. NO BORROWING. The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the Bonds except as contemplated by the Basic Documents.

SECTION 3.14. GUARANTEES, LOANS, ADVANCES AND OTHER LIABILITIES. Except as contemplated by the Basic Documents, the Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person other than any Eligible Investments.

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SECTION 3.15. CAPITAL EXPENDITURES. The Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personality) other than the System Restoration Property purchased from the Seller pursuant to, and in accordance with, the Sale Agreement.

SECTION 3.16. RESTRICTED PAYMENTS. The Issuer shall not, directly or indirectly, (i) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest in, or ownership security of, the Issuer, (ii) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (iii) set aside or otherwise segregate any amounts for any such purpose; provided, however, that if no Event of Default shall have occurred and be continuing, the Issuer may make, or cause to be made, any such distributions to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer using funds distributed to the Issuer pursuant to Section 8.02(d) or which are not otherwise subject to the Lien of this Indenture to the extent that such distributions would not cause the book value of the remaining equity in the Issuer to decline below 0.5% or such higher percentage as has been legally required of the original principal amount of the Bonds which remain outstanding. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with the Basic Documents.

SECTION 3.17. NOTICE OF EVENTS OF DEFAULT. The Issuer agrees to deliver to the Trustee, the PUCT, the Rating Agencies and, to the extent the rules and regulations of the Luxembourg Stock Exchange so require, any agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02 written notice in the form of an Issuer Officer's Certificate of any Default or Event of Default hereunder or under any of the Basic Documents, its status and what action the Issuer is taking or proposes to take with respect thereto within five Business Days after the occurrence thereof.

SECTION 3.18. INTENTIONALLY OMITTED.

SECTION 3.19. INSPECTION. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Trustee, during the Issuer's normal business hours, to examine all the books of account, records, reports, and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited annually by an Independent registered public accounting firm, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and an Independent registered public accounting firm, all at such reasonable times and as often as may be reasonably requested. The Trustee shall hold and shall cause its representatives to hold, in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

SECTION 3.20. SALE AGREEMENT, INTERCREDITOR AGREEMENT, ADMINISTRATION AGREEMENT AND SERVICING AGREEMENT COVENANTS.

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(a) The Issuer agrees to take all such lawful actions to enforce its rights under the Sale Agreement, the Intercreditor Agreement, the Administration Agreement and the Servicing Agreement and to compel or secure the performance and observance by the Seller, the Administrator, the Servicer and CenterPoint Houston of each of their respective obligations to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Administration Agreement and the Servicing Agreement in accordance with the terms thereof. So long as no Event of Default occurs and is continuing, but subject to Section 3.20(f), the Issuer may exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Intercreditor Agreement, the Administration Agreement and the Servicing Agreement; provided that such action shall not adversely affect the interests of the Holders in any material respect.

(b) If an Event of Default occurs and is continuing, the Trustee may, and at the direction (which direction shall be in writing) of the holders of a majority of the Outstanding Amount of the Bonds of all Tranches affected thereby shall, exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, CenterPoint Houston, the Administrator and the Servicer, as the case may be, under or in connection with the Administration Agreement and the Sale Agreement, Intercreditor Agreement and Servicing Agreement, including the right or power to take any action to compel or secure performance or observance by the Seller, CenterPoint Houston, the Administrator or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Administration Agreement and the Sale Agreement, Intercreditor Agreement and Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

(c) Except as set forth in Section 3.20(e) of this Indenture, with the prior written consent of the Trustee and the consent of the PUCT pursuant to Section 9.07 if the amendment increases ongoing qualified costs as defined in the Financing Order, the Administration Agreement, the Sale Agreement, Intercreditor Agreement (except that any amendment to the Intercreditor Agreement shall not require the consent of the PUCT) and Servicing Agreement may be amended in accordance with the provisions thereof, so long as the Rating Agency Condition is satisfied in connection therewith, at any time and from time to time, without the consent of the Bondholders; provided that such amendment shall not adversely affect the interest of any Bondholder in any material respect.

(d) Except as set forth in Section 3.20(e) of this Indenture, if the Issuer, the Seller, CenterPoint Houston, the Administrator, the Servicer or any other party to the respective agreement proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination or surrender of, the terms of the Administration Agreement or the Sale Agreement, Intercreditor Agreement or Servicing Agreement, or waive timely performance or observance by the Administrator, the Seller, CenterPoint Houston or the Servicer under the Administration Agreement or the Sale Agreement, Intercreditor Agreement or Servicing Agreement, in each case in such a way as would materially and adversely affect the interests of Bondholders, the Issuer shall first notify the Rating Agencies of the proposed amendment, modification, waiver, supplement, termination or surrender and, upon receipt of notification regarding whether the Rating Agency Condition has been satisfied, shall notify the Trustee, the Paying Agent, the Bond Registrar and the PUCT

in writing, and the Trustee shall notify the Bondholders, of the proposed amendment, modification, waiver, supplement, termination or surrender and whether the Rating Agency Condition has been satisfied with respect thereto. The Trustee shall consent to such proposed amendment, modification, waiver, supplement, termination or surrender only with the prior written consent of the holders of a majority of the Outstanding Amount of the Bonds of the Tranches materially and adversely affected thereby and, if the proposed amendment, modification, waiver, supplement, termination or surrender would increase ongoing qualified costs as defined in the Financing Order, the consent of the PUCT pursuant to Section 9.07 other than with respect to the Intercreditor Agreement. If any such amendment, modification, waiver, supplement, termination or surrender shall be so consented to by the Trustee or such Holders, the Issuer agrees to execute and deliver, in its own name and at its own expense, such agreements, instruments, consents and other documents as shall be necessary or appropriate in the circumstances. For so long as any of the Bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice of such proposed action will be published by an agent to be appointed by the Issuer in accordance with such rules promptly following its effectiveness.

(e) If the Issuer or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender, or to agree to any amendment, modification, supplement, termination, waiver or surrender of, the System Restoration Charge Adjustment Process, the Issuer shall notify the PUCT, the Trustee, the Paying Agent and the Bond Registrar thereof in writing and the Trustee shall notify the Bondholders of such proposal and the Trustee shall consent thereto only with the consent of the PUCT pursuant to Section 9.07 and the prior written consent of the holders of a majority of the Outstanding Amount of Bonds or Tranches materially and adversely affected thereby and only if the Rating Agency Condition has been satisfied with respect thereto.

(f) Promptly following a default by the Seller under the Sale Agreement, by CenterPoint Houston or any successor to CenterPoint Houston under the Intercreditor Agreement, by the Administrator under the Administration Agreement, or the occurrence of a Servicer Default under the Servicing Agreement, and at the Issuer's expense, the Issuer agrees to take all such lawful actions as the Trustee may request to compel or secure the performance and observance by each of the Seller, CenterPoint Houston, the Administrator or the Servicer of their obligations under and in accordance with the Sale Agreement, Intercreditor Agreement, Administration Agreement or Servicing Agreement, as the case may be, in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with such agreements to the extent and in the manner directed by the Trustee, including the transmission of notices of any default by the Seller, CenterPoint Houston, the Administrator or the Servicer, respectively, thereunder and the institution of legal or administrative actions or Proceedings to compel or secure performance of their obligations under the Sale Agreement, Intercreditor Agreement, Administration Agreement or Servicing Agreement, as applicable.

(g) If the Issuer shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement, the Issuer shall (i) promptly give written notice thereof to the Trustee, the PUCT, the Paying Agent, the Bond Registrar and the Rating Agencies, (ii) specify in such notice the action, if any, the Issuer is taking with respect to such default and (iii) take such reasonable steps as are available to it to remedy such defaults or shall take such actions as shall

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have been directed by the Trustee, as the case may be, provided that, notwithstanding the foregoing, the Issuer shall not take any action to terminate the Servicer's rights and powers under the Servicing Agreement unless a Servicer Default shall have occurred and be continuing, and the Trustee shall not direct the Issuer to take such action unless a Servicer Default shall have occurred and be continuing.

(h) As promptly as possible after the giving of notice of termination to the Servicer, the PUCT and the Rating Agencies of the Servicer's rights and powers pursuant to that Servicing Agreement, the Trustee upon the written direction of the majority of the Outstanding Amount of the Bonds and subject to the provisions of the related Intercreditor Agreement shall appoint a successor Servicer (the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Issuer and the Trustee. A person shall qualify as a Successor Servicer only if such Person satisfies the requirements set forth in the Servicing Agreement. If within 30 days after the delivery of the notice referred to above, a Successor Servicer shall not have been appointed and accepted its appointment as such, the Trustee may petition the PUCT or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, the Issuer may make such arrangements for the compensation of such Successor Servicer as it and such Successor Servicer shall agree, subject to the limitations set forth below and in that Servicing Agreement and in the Financing Order, and in accordance with that Servicing Agreement and the Financing Order, the Issuer shall enter into an agreement with such Successor Servicer for the servicing of the System Restoration Property (such agreement to be in form and substance satisfactory to the Trustee).

(i) Upon termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Trustee shall promptly notify the Issuer, the PUCT, the Bondholders and the Rating Agencies in writing of such termination. As soon as a Successor Servicer is appointed, the Issuer shall notify the Trustee, the PUCT, the Bondholders, the Paying Agent, the Bond Registrar and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Servicer.

#### SECTION 3.21. TAXES.

(a) So long as any of the Bonds is outstanding, the Issuer shall pay all taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Trust Estate.

(b) For so long as the Servicer and Issuer are each disregarded as an entity separate from CenterPoint Energy, Inc., a Texas corporation ("CenterPoint Energy"), under U.S. Treasury Regulations §§ 301.7701-2 and -3, each Bond Owner, by acquiring a beneficial interest, agrees to treat such Bond as indebtedness of CenterPoint Energy for federal income (and, to the extent applicable, state and local income and franchise) tax purposes unless otherwise required by appropriate taxing authorities. For any time period other than that in which the Servicer and Issuer are each disregarded as an entity separate from CenterPoint Energy or to the extent the appropriate taxing authorities require a tax treatment contrary to that described in the preceding sentence, each Bond Owner agrees to treat such Bond as indebtedness of the Issuer or such other party as is required by the appropriate taxing authority. For purposes other than federal income (and, to the extent applicable, state and local income and franchise) tax purposes, each Bond Owner is looking to the Issuer for payment of the amounts due and payable hereunder.

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## ARTICLE IV

### SATISFACTION AND DISCHARGE; DEFEASANCE

#### SECTION 4.01. SATISFACTION AND DISCHARGE OF INDENTURE; DEFEASANCE.

(a) The Bonds, all moneys payable with respect thereto and this Indenture shall cease to be of further effect and the Lien hereunder shall be released, Interest shall cease to accrue on the Bonds and the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Bonds, when

(A) either

(1) all Bonds theretofore authenticated and delivered (other than (i) Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (ii) Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03) have been delivered to the Trustee for cancellation; or

(2) the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee cash, in trust for such purpose, in an amount sufficient to make payments of Principal of and, premium, if any, and Interest on the Bonds and to pay and discharge the entire indebtedness on such Bonds not theretofore delivered to the Trustee;

(B) the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer; and

(C) the Issuer has delivered to the Trustee an Issuer Officer's Certificate, an Issuer Opinion of Counsel and (if required by the TIA or the Trustee) an Independent Certificate from an Independent registered public accounting firm, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to Bonds have been complied with.

(b) Subject to Sections 4.01(c) and 4.02, the Issuer at any time may terminate (i) all its obligations under this Indenture with respect to the Bonds ("Legal Defeasance Option") or (ii) its obligations under Sections 3.05, 3.06 (other than with respect to the Defeasance Subaccounts and all funds and U.S. Government Obligations therein), 3.07(a), (b) and (c), 3.08, 3.10, 3.16 and 3.19 and the operation of Section 5.01(iii) (other than with respect to the Defeasance Subaccount and U.S. Government Obligations therein) ("Covenant Defeasance Option") with respect to the Bonds. The Issuer may exercise the Legal Defeasance Option with respect to the Bonds notwithstanding its prior exercise of the Covenant Defeasance Option.



If the Issuer exercises the Legal Defeasance Option, the maturity of the Bonds may not be (a) accelerated because of an Event of Default or (b) except as provided in Section 4.02, redeemed. If the Issuer exercises the Covenant Defeasance Option, the maturity of the Bonds may not be accelerated because of an Event of Default specified in Section 5.01(iii).

Upon satisfaction of the conditions set forth herein to the exercise of the Legal Defeasance Option or the Covenant Defeasance Option with respect to the Bonds, the Trustee, on written demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the obligations that are terminated pursuant to such exercise.

(c) Notwithstanding Sections 4.01(a) and (b) above, (i) rights of registration of transfer and exchange, (ii) rights of substitution of mutilated, destroyed, lost or stolen Bonds, (iii) rights of Bondholders to receive payments of Principal, premium, if any, and Interest, but only from the amounts deposited with the Trustee for such payments, (iv) Sections 4.03 and 4.04, (v) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Section 6.07 and the obligations of the Trustee under Section 4.03) and (vi) the rights of Bondholders under this Indenture with respect to the property deposited with the Trustee payable to all or any of them, shall survive until the Bonds as to which this Indenture or certain obligations hereunder have been satisfied and discharged pursuant to Section 4.01(a) or 4.01(b) and have been paid in full. Thereafter, the obligations in Sections 6.07 and 4.04 shall survive.

SECTION 4.02. CONDITIONS TO DEFEASANCE. The Issuer may exercise the Legal Defeasance Option or the Covenant Defeasance Option with respect to the Bonds only if:

(a) the Issuer irrevocably deposits or causes to be deposited in trust with the Trustee cash or U.S. Government Obligations for the payment of Principal of and premium, if any, and Interest on the Bonds to the Expected Payment Date or Redemption Date therefor, as applicable, and all other amounts due and payable hereunder, such deposit to be made in the Defeasance Subaccount for the Bonds;

(b) the Issuer delivers to the Trustee a certificate from a nationally recognized Independent registered public accounting firm expressing its opinion that the payments of Principal and Interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the Bonds (i) subject to clause (ii), Principal in accordance with the Expected Amortization Schedule therefor, (ii) if the Bonds are to be redeemed, the redemption price therefor on the Redemption Date therefor and (iii) Interest when due;

(c) in the case of the Legal Defeasance Option, the expiration of 95 days after the deposit is made and during such 95-day period no Default specified in Section 5.01(iv) or (v) shall have occurred and be continuing at the end of the period; provided, however, that in determining whether a default under Section 5.01(iv) has occurred, the requirement that the decree or order shall remain unstayed and in effect for 90 days shall be disregarded;

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(d) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(e) in the case of the Legal Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel stating that (i) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of such Legal Defeasance Option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(f) in the case of the Covenant Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel to the effect that the Holders of the Bonds will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of such Covenant Defeasance Option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(g) the Issuer delivers to the Trustee an Issuer Officer's Certificate and an Issuer Opinion of Counsel, each stating that all conditions precedent to the satisfaction and discharge of the Bonds to the extent contemplated by this Article IV have been complied with;

(h) the Issuer delivers to the Trustee an Opinion of Counsel to the effect that (i) in a case under the Bankruptcy Code in which CenterPoint Houston (or any of its Affiliates, other than the Issuer) is the debtor, the court would hold that the deposited cash or U.S. Government Obligations would not be in the bankruptcy estate of CenterPoint Houston (or any of its Affiliates, other than the Issuer, that deposited the cash or U.S. Government Obligations); and (ii) in the event CenterPoint Houston (or any of its Affiliates, other than the Issuer, that deposited the cash or U.S. Government Obligations), were to be a debtor in a case under the Bankruptcy Code, the court would not disregard the separate legal existence of CenterPoint Houston (or any of its Affiliates, other than the Issuer, that deposited the cash or U.S. Government Obligations) and the Issuer so as to order substantive consolidation under the Bankruptcy Code of the Issuer's assets and liabilities with the assets and liabilities of CenterPoint Houston (or any of its Affiliates, other than the Issuer, that deposited the cash or U.S. Government Obligations), and

(i) the Rating Agency Condition shall have been satisfied with respect to the exercise of any Legal Defeasance Option or Covenant Defeasance Option.

Notwithstanding any other provision of this Section 4.02 to the contrary, no delivery of cash or U.S. Government Obligations to the Trustee under this Section shall terminate any obligations of the Issuer under this Indenture with respect to any Bonds which are to be redeemed prior to the Expected Final Payment Date therefor until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of this Indenture and proper notice of such redemption shall have been given in accordance with the provisions of this Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable written instructions to give, in the manner and at the times prescribed herein, notice of redemption.

SECTION 4.03. APPLICATION OF TRUST MONEY. All moneys or U.S. Government Obligations deposited with the Trustee pursuant to Section 4.01 or 4.02 hereof with respect to the Bonds shall be held in trust in the Defeasance Subaccount and applied by it, in accordance with the provisions of the Bonds and this Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of the particular Bonds for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for Principal, premium, if any, and Interest. Such moneys shall be segregated and held apart solely for paying such Bonds and such Bonds shall not be entitled to any amounts on deposit in the Collection Account other than amounts on deposit in the Defeasance Subaccount for such Bonds.

SECTION 4.04. REPAYMENT OF MONEYS HELD BY PAYING AGENT. In connection with the satisfaction and discharge of this Indenture or the Covenant Defeasance Option or Legal Defeasance Option with respect to the Bonds, all moneys then held by any Paying Agent other than the Trustee under the provisions of this Indenture or the Intercreditor Agreement with respect to such Bonds shall, upon written demand of the Issuer, be paid to the Trustee to be held and applied according to Section 4.03 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

## ARTICLE V

### REMEDIES

SECTION 5.01. EVENTS OF DEFAULT. “Event of Default” wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any Interest on any Bond when the same becomes due and payable and the continuation of such default for five Business Days;

(ii) default in the payment of the then unpaid Principal of any Bond on the Final Maturity Date or any Tranche on the Tranche Final Maturity Date for such Tranche;

(iii) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than a covenant or agreement, a default in the observance or performance of which is specifically dealt with in clause (i) or (ii) above), or any representation or warranty of the Issuer made herein or therein or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when made and any such default shall continue or not be cured, for a period of 30 days after the earlier of (A) there shall have been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of at least 25% of the Outstanding Amount of the Bonds,

a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder or (B) the date the Issuer has knowledge of the default;

(iv) the filing of a decree or order for relief by a court having jurisdiction in respect of the Issuer or any substantial part of the Trust Estate in an involuntary case or Proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Issuer or its property or for any substantial part of the Trust Estate, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days;

(v) the commencement by the Issuer of a voluntary case or Proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Trust Estate, or the making by the Issuer of any general assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing;

(vi) any act or failure to act by the State of Texas or any of its agencies (including the PUCT), officers or employees that violates or is not in accordance with the pledge of the State of Texas in Section 39.310 of the Public Utility Regulatory Act, including the failure of the PUCT to implement the statutorily guaranteed true-up mechanism in accordance with the Financing Order; or

(vii) any other event designated as an Event of Default in the Supplement.

**SECTION 5.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.** If an Event of Default other than an Event of Default under Section 5.01(vi) occurs and is continuing, then and in every such case either the Trustee or the Holders holding not less than a majority of the Outstanding Amount of the Bonds may, but need not, declare all the Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee if given by Bondholders), and upon any such declaration the unpaid principal amount of the Bonds, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Holders holding not less than a majority of the Outstanding Amount of the Bonds, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Trustee, for deposit in the General Subaccount of the Collection Account, a sum sufficient to pay

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(A) all payments of Principal of and premium, if any, and Interest on all Bonds due and owing at such time as if such Event of Default had not occurred and was not continuing and all other amounts that would then be due hereunder or upon such Bonds as if the Event of Default giving rise to such acceleration had not occurred and was not continuing; and

(B) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

(ii) all Events of Default other than the nonpayment of the Principal of the Bonds that has become due solely by such acceleration have been cured or waived as provided in Section 5.12.

No such rescission shall affect any subsequent Default or impair any right consequent thereto.

#### SECTION 5.03. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

(a) The Issuer covenants that if (i) Default is made in the payment of any Interest on any Bond when such Interest becomes due and payable and such Default continues for five Business Days, (ii) Default is made in the payment of the then unpaid Principal of any Bond on the Final Maturity Date or Tranche Final Maturity Date, as applicable, therefor, or (iii) Default is made in the payment of the redemption price for any Bond on the Redemption Date therefor, the Issuer shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Bonds, such amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel and the whole amount then due and payable on such Bonds for Principal, premium, if any, and Interest, with interest upon the overdue Principal and premium, if any, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of Interest, at the respective Bond Rate for the applicable Tranche.

(b) In case the Issuer shall fail forthwith to pay the amounts specified in Section 5.03(a) upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Bonds and collect in the manner provided by law out of the Trust Estate and the proceeds thereof, the whole amount then due and payable on the Bonds for Principal, premium, if any, and Interest, with interest upon the overdue Principal and premium, if any, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of Interest, at the respective rate borne by the Bonds or the applicable Tranche and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel.

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(c) If an Event of Default other than the Event of Default described in Section 5.01(vi) occurs and is continuing, the Trustee may, as more particularly provided in Section 5.04, proceed to protect and enforce its rights and the rights of the Bondholders materially and adversely affected by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law, including foreclosing or otherwise enforcing the Lien on the Trust Estate securing the Bonds or applying to the PUCT or a court of competent jurisdiction for sequestration of revenues arising with respect to such System Restoration Property.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Bonds or any Person having or claiming an ownership interest in the Trust Estate, Proceedings under Title 11 of the United States Code or any other applicable federal or State bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Bonds, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered to the extent permitted by applicable law, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of Principal, premium, if any, and Interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Bondholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Bonds in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf;

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Holders of the Bonds allowed in any judicial Proceedings relative to the Issuer, its creditors and its property; and

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(v) to participate as a member, voting or otherwise, of any official committee of creditors appointed in such matter,

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Bondholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Bondholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Bonds.

(g) In any Proceedings brought by the Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Bonds, and it shall not be necessary to make any Bondholder a party to any such Proceedings.

SECTION 5.04. REMEDIES; PRIORITIES. (a) If an Event of Default other than the Event of Default described in Section 5.01(vi) occurs and is continuing, the Trustee (subject to Section 5.11) shall do one or more of the following at the written direction of the holders of a majority of the Outstanding Amount of the Bonds or may do one or more of the following in reliance upon Sections 6.01 and 6.02 of this Indenture (subject, in either event, to Section 5.05):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Bonds or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained and collect from the Issuer or the Servicer moneys adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate;

(iii) exercise any remedies of a secured party under the UCC or Section 39.309(f) of the Public Utility Regulatory Act or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Holders of the Bonds;

(iv) sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law; and

(v) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Administrator, the Seller, CenterPoint Houston and the Servicer under or in connection with, and pursuant to the terms of, the Administration Agreement or the Sale Agreement, Intercreditor Agreement or Servicing Agreement;

provided, however, that the Trustee may not sell or otherwise liquidate any portion of the Trust Estate following an Event of Default unless the Final Payment Date of the Bonds has occurred or the Bonds have been declared due and payable and (A) the Holders of 100% of the Outstanding Amount of the Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Bondholders are sufficient to discharge in full all amounts upon such Bonds for Principal, premium, if any, and Interest on all Outstanding Bonds or (C) the Trustee determines that the Trust Estate will not continue to provide sufficient funds for all payments on the Bonds as they would have become due if the Bonds had not been declared due and payable, and the Trustee obtains the written consent of Holders of 66-2/3% of the Outstanding Amount of the Bonds. In determining such sufficiency or insufficiency with respect to clause (B) and (C), the Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking firm or Independent registered public accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Estate for such purpose.

If an Event of Default occurs and is continuing, the amounts on deposit in the Collection Account shall continue to be distributed in accordance with Sections 8.02(d) and (e).

(b) If an Event of Default under Section 5.01(vi) occurs and is continuing, the Trustee, for the benefit of the Bondholders but subject to Section 6.01(g), shall be entitled and empowered to the extent permitted by applicable law to institute or participate in Proceedings reasonably necessary to compel performance of or to enforce the pledge of the State of Texas in Section 39.310 of the Public Utility Regulatory Act and to collect any monetary damages incurred by the Bondholders or the Trustee as a result of any such Event of Default, and may prosecute any such Proceeding to final judgment or decree. Such remedy shall be the only remedy that the Trustee may exercise if the only Event of Default that has occurred and is continuing is an Event of Default under Section 5.01(vi).

(c) If the Trustee collects any money pursuant to this Article V, it shall pay out such money in accordance with the priorities set forth in Section 8.02(d) and (e).

SECTION 5.05. OPTIONAL PRESERVATION OF THE TRUST ESTATE. If the Bonds have been declared to be due and payable under Section 5.02 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the



Trustee may, but need not, elect, as provided in Section 5.11(iii), to maintain possession of the Trust Estate in accordance with Section 5.04(a). It is the desire of the parties hereto and the Bondholders that there be at all times sufficient funds for the payment of Principal of and premium, if any, and Interest on the Bonds, and the Trustee shall take such desire into account when determining whether or not to maintain possession of the Trust Estate or sell or liquidate the same. In determining whether to maintain possession of the Trust Estate or sell or liquidate the same, the Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Estate for such purpose.

SECTION 5.06. LIMITATION OF PROCEEDINGS. No Holder of any Bond shall have any right to institute any Proceeding, judicial or otherwise, or to avail itself of the remedies provided in Section 39.309(f) of the Public Utility Regulatory Act, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (i) such Holder has previously given written notice to the Trustee of a continuing Event of Default;
- (ii) the Holders of not less than a majority of the Outstanding Amount of the Bonds have made written request to the Trustee to institute such Proceeding in respect of such Event of Default in its own name as Trustee hereunder;
- (iii) such Holder or Holders have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in complying with such request;
- (iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and
- (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority of the Outstanding Amount of the Bonds,

it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of the Bonds or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders of the Bonds, each representing less than a majority of the Outstanding Amount of the Bonds, the Trustee may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

SECTION 5.07. UNCONDITIONAL RIGHTS OF BONDHOLDERS TO RECEIVE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. Notwithstanding any other provisions in this Indenture, the Holder of any Bond shall have the right, which is absolute and unconditional, and shall not be impaired without the consent of each such Holder, (a) to receive payment of (i)

the Interest, if any, on such Bond on or after the due dates thereof expressed in such Bond or in this Indenture, (ii) the unpaid Principal, if any, of such Bonds on or after the Final Maturity Date therefor or (iii) in the case of redemption, the unpaid Principal, if any, of and premium, if any, and Interest, if any, on such Bond on or after the Redemption Date therefor and (b) to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 5.08. RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Bondholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Bondholder, then and in every such case the Issuer, the Trustee and the Bondholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Bondholders shall continue as though no such Proceeding had been instituted.

SECTION 5.09. RIGHTS AND REMEDIES CUMULATIVE. No right or remedy herein conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.10. DELAY OR OMISSION NOT A WAIVER. No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

SECTION 5.11. CONTROL BY BONDHOLDERS. The Majority Holders (or, if less than all Tranches are affected, the Holders of a majority of the Outstanding Amount of the Bonds of the affected Tranche or Tranches) shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Bonds (or the Bonds of such affected Tranche or Tranches) or exercising any trust or power conferred on the Trustee with respect to the Bonds (or the Bonds of such affected Tranche or Tranches); provided that

(i) such direction shall not be in conflict with any rule of law or with this Indenture;

(ii) any direction to the Trustee to sell or liquidate the Trust Estate shall be by the Holders of the Bonds representing not less than 100% of the Outstanding Amount of the Bonds;

(iii) if the conditions set forth in Section 5.05 have been satisfied and the Trustee elects to retain the Trust Estate pursuant to such Section and elects not to sell or liquidate the same, then any direction to the Trustee by Holders of the Bonds representing less than 100% of the Outstanding Amount of the Bonds to sell or liquidate the Trust Estate shall be of no force and effect; and

(iv) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 6.01, the Trustee need not take any action that it determines might involve it in liability for which it reasonably believes it will not be indemnified to its reasonable satisfaction against the costs, expenses and liabilities which might be incurred by it in complying with this request. The Trustee also need not take any action that it determines might materially and adversely affect the rights of any Bondholders not consenting to such action.

SECTION 5.12. WAIVER OF PAST DEFAULTS. Prior to the declaration of the acceleration of the maturity of the Bonds or Tranche affected as provided in Section 5.02, the Holders of a majority of the Outstanding Amount of the Bonds or Tranche affected thereby, by written notice to the Trustee, may waive any past Default or Event of Default and its consequences except a Default (i) in payment of Principal of or premium, if any, or Interest on any of the Bonds or (ii) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Bond or Tranche affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 5.13. UNDERTAKING FOR COSTS. All parties to this Indenture agree, and each Holder of any Bond by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to (a) any suit instituted by the Trustee, (b) any suit instituted by any Bondholder, or group of Bondholders, in each case holding in the aggregate more than 10% of the Outstanding Amount of the Bonds or (c) any suit instituted by any Bondholder for the enforcement of the payment of (i) Interest on any Bond on or after the due dates expressed in such Bond and in this Indenture, (ii) the unpaid Principal, if any, of any Bond on or after the Final Maturity Date or Tranche Final Maturity Date, or (iii) in the case of redemption, the unpaid Principal of and premium, if any, and Interest on any Bond on or after the Redemption Date therefor.

SECTION 5.14. WAIVER OF STAY OR EXTENSION LAWS. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.15. ACTION ON BONDS. The Trustee's right to seek and recover judgment on the Bonds or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Trustee or the Bondholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the other assets of the Issuer.

## **ARTICLE VI**

### **THE TRUSTEE**

#### **SECTION 6.01. DUTIES AND LIABILITIES OF TRUSTEE.**

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee is hereby authorized and undertakes to execute, deliver and perform the Basic Documents to the extent called for by such documents and otherwise to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection (c) does not limit the effect of subsection (b) of this Section 6.01;

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- (ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and
- (iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it hereunder.
- (d) Every provision of this Indenture that in any way relates to the Trustee is subject to subsections (a), (b) and (c) of this Section 6.01.
- (e) The Trustee shall not be liable for interest on any money received by it except as provided in this Indenture.
- (f) Money held in trust by the Trustee need not be segregated from other funds held by the Trustee except to the extent required by law or the terms of this Indenture, the Administration Agreement or the Sale Agreement, Intercreditor Agreement or Servicing Agreement.
- (g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds to believe that repayments of such funds or indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it.
- (h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01 and to the provisions of the TIA.
- (i) Under no circumstances shall the Trustee be liable for any indebtedness of the Issuer, the Seller, the Administrator or the Servicer evidenced by or arising under the Bonds or any Basic Document.
- (j) On or before March 15<sup>th</sup> of each fiscal year ending December 31, and for so long as the Issuer is required to file periodic reports with the Commission under Section 13 or Section 15(d) of the Exchange Act, the Trustee shall (i) deliver, at the expense of the Issuer, to the Issuer a report (in form and substance reasonably satisfactory to the Issuer and addressed to the Issuer and signed by an authorized officer of the Trustee) regarding the Trustee's assessment of compliance, during the immediately preceding fiscal year ending December 31, with each of the applicable servicing criteria specified on Exhibit A hereto as required under Rules 13a-18 and 15d-18 of the Exchange Act and Item 1122 of Regulation AB and (ii) deliver to the Issuer a report of an Independent registered public accounting firm reasonably acceptable to the Issuer that attests to and reports on, in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act, the assessment of compliance made by the Trustee and delivered pursuant to clause (i) of this subsection (j).

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SECTION 6.02. RIGHTS OF TRUSTEE.

(a) The Trustee may rely conclusively and shall be fully protected in acting or refraining from acting in accordance with any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Issuer Officer's Certificate or an Issuer Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Issuer Officer's Certificate or an Issuer Opinion of Counsel.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent, attorney, custodian or nominee appointed with due care by it thereunder.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Bonds shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by or pursuant to this Indenture at the request, order or direction of any of the Holders unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request, order or direction.

(g) In the event that the Trustee is also acting in the capacity of Paying Agent or Bond Registrar hereunder, the rights, protections, immunities and indemnities afforded to the Trustee pursuant to this Article VI shall also be afforded to the Trustee in its capacity as Paying Agent or Bond Registrar.

SECTION 6.03. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Issuer or its affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Bond Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 6.11 and 6.12.

SECTION 6.04. TRUSTEE'S DISCLAIMER. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Bonds. The Trustee shall not be accountable for the Issuer's use of the proceeds from the Bonds, and the Trustee shall not be responsible for any statement of the Issuer in the Indenture or in any

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document issued in connection with the sale of the Bonds or in the Bonds other than the Trustee's certificate of authentication. The Trustee shall not be responsible for the form, character, genuineness, sufficiency, value or validity of any of the Trust Estate, or for or in respect of the validity or sufficiency of the Bonds (other than the certificate of authentication for the Bonds) or the Basic Documents and the Trustee shall in no event assume or incur any liability, duty or obligation to any Holder of a Bond, other than as expressly provided for in this Indenture. The Trustee shall not be liable for the default or misconduct of the Issuer, the Seller, the Administrator, the Servicer or any Manager under any Basic Document or otherwise and the Trustee shall have no obligation or liability to perform the obligations of the Issuer.

SECTION 6.05. NOTICE OF DEFAULTS. If a Default occurs and is continuing with respect to the Bonds and if it is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to the PUCT, each Rating Agency and to each Holder of the Bonds notice of the Default within 10 Business Days after it is actually known to a Responsible Officer of the Trustee. Except in the case of a Default in payment of Principal of or premium, if any, or Interest on any Bond, the Trustee may withhold the notice if and so long as a Responsible Officer of the Trustee in good faith determines that withholding the notice is in the interests of Bondholders.

SECTION 6.06. REPORTS BY TRUSTEE TO HOLDERS.

(a) If applicable and so long as Bonds are Outstanding, within the prescribed period of time for tax reporting purposes after the end of each calendar year, the Bond Registrar or, in its absence or failure the Paying Agent, shall deliver to each relevant current or former Holder of Bonds such information as may be required to enable such Holder to prepare its federal and State income tax returns.

(b) With respect to each Tranche of the Bonds, on or prior to each Payment Date therefor, upon receipt by the Trustee from the Servicer of the "Semiannual Servicer's Certificate," the form of which is attached hereto as Schedule 1, the Bond Registrar or, in its absence or failure the Paying Agent, shall deliver such Semiannual Servicer's Certificate to each Holder of Bonds, which will include (to the extent applicable) the following information (and any other information so specified in the Supplement) as to the Bonds and Tranche with respect to such Payment Date or the period since the previous Payment Date, as applicable:

(i) the amount to be paid to Holders of the Bonds and Tranche in respect of Principal, such amount also to be expressed as a dollar amount per thousand;

(ii) the amount to be paid to Holders of the Bonds and Tranche in respect of Interest, such amount also to be expressed as a dollar amount per thousand;

(iii) the Bond Balance, after giving effect to the payments to be made on such Payment Date, and the Projected Bond Balance, in each case for such Tranche and as of such Payment Date;

(iv) the amount on deposit in the Capital Subaccount as of such Payment Date;

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- (v) the amount, if any, on deposit in the Excess Funds Subaccount as of such Payment Date;
  - (vi) the amount to be paid to the Trustee on such Payment Date;
  - (vii) the amount to be paid to the Servicer on such Payment Date; and
  - (viii) any other transfers and payments made pursuant to this Indenture.

(c) If any Bonds are listed on the Luxembourg Stock Exchange and rules of such exchange so require, the Issuer's listing agent shall arrange for publication in accordance with such rules a notice that such certificate shall be available with the Issuer's listing agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02.

(d) The Bond Registrar's or Paying Agent's responsibility for disbursing the information described in subsection (b) above to Holders of the Bonds is limited to the availability, timeliness and accuracy of the information provided by the Servicer pursuant to Sections 3, 4 and Annex 1 of the Servicing Agreement and pursuant to the Intercreditor Agreement.

**SECTION 6.07. COMPENSATION AND INDEMNITY.** Subject in all respects to the provisions of Article VIII hereof, the Issuer shall pay to the Trustee from time to time reasonable compensation for its services as set forth in the fee schedule between the Trustee and CenterPoint Houston dated October 28, 2009. To the extent permitted by law, the Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuer shall indemnify and hold harmless the Trustee and its officers, directors, employees and agents from and against any and all Losses or other amounts whatsoever (including reasonable counsel fees and expenses) directly or indirectly incurred by the Trustee in connection with the administration of this trust, the enforcement of this trust and all of the Trustee's rights, powers and duties under this Indenture (including this Section 6.07) and the performance by the Trustee of the duties and obligations of the Trustee under or pursuant to this Indenture, the Administration Agreement and the Sale Agreement, Servicing Agreement and Intercreditor Agreement and any document related thereto; provided, however, that notwithstanding the foregoing, the failure to pay to the Trustee by the Issuer (including without limitation from Collections deposited into the Collection Account or through the System Restoration Charge Adjustment Process) any amounts in respect of indemnification hereunder in excess of an aggregate amount equal to any Indemnity Amounts payable to the Trustee in accordance with Section 8.02(d) of this Indenture shall not constitute a Default or Event of Default under Section 5.01 of this Indenture. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. Failure by the Trustee so to notify the Issuer shall not relieve the Issuer of its obligations hereunder. The Issuer shall defend the claim and the Trustee may have separate counsel and the Issuer shall pay the reasonable fees and



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expenses of such counsel. Notwithstanding the foregoing, the Issuer need not reimburse any expense or indemnify against any Loss incurred by the Trustee (i) through the Trustee's own willful misconduct, negligence or bad faith or (ii) to the extent the Trustee was reimbursed for or indemnified against any such Loss by the Seller or the Servicer pursuant to the Administration Agreement or the Sale Agreement, Intercreditor Agreement or Servicing Agreement. The obligations of the Issuer under this Section shall survive the termination of this Agreement and the earlier resignation or removal of the Trustee.

When the Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(iv) or (v) with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or State bankruptcy, insolvency or similar law.

SECTION 6.08. REPLACEMENT OF TRUSTEE. The Trustee may resign at any time upon 30 days' written notice to the Issuer. The Issuer shall remove the Trustee by written notice if:

- (i) the Trustee fails to comply with Section 6.11;
- (ii) the Trustee is adjudged a bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property;
- (iv) the Trustee otherwise becomes incapable of acting; or

(v) the Trustee fails to provide to the Issuer any information reasonably requested by the Issuer pertaining to the Trustee and necessary for the Issuer or CenterPoint Houston or its parent entity to comply with its reporting obligations under the Exchange Act and Regulation AB and such failure is not resolved to the Issuer's and the Trustee's mutual satisfaction within a reasonable period of time.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the "Retiring Trustee"), the Issuer shall promptly appoint a successor Trustee.

In addition, the Majority Holders may remove the Trustee by so notifying the Issuer and the Trustee in writing and such Holders may appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the Retiring Trustee and to the Issuer. Thereupon the resignation or removal of the Retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture and the Intercreditor Agreement. No resignation or removal of the Trustee will become effective until the acceptance of the appointment by a successor Trustee. The successor Trustee shall mail a notice of its succession to the Bondholders. The Retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

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If a successor Trustee does not take office within 60 days after the Retiring Trustee resigns or is removed, the Retiring Trustee at the expense of the Issuer, the Issuer or the Majority Holders may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 6.11, any Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the Retiring Trustee.

**SECTION 6.09. SUCCESSOR TRUSTEE BY MERGER.** If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association shall, without any further act, be the successor Trustee. Notice of any such event shall be promptly given to the PUCT and to each Rating Agency by the successor Trustee and any agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02.

In case at the time such successor or successors by merger, conversion, consolidation or transfer shall succeed to the trusts created by this Indenture any of the Bonds shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any Retiring Trustee, and deliver such Bonds so authenticated; and in case at that time any of the Bonds shall not have been authenticated, any successor to the Trustee may authenticate such Bonds either in the name of any Retiring Trustee hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force and effect granted by the Bonds or by this Indenture and this force and effect shall be equal to any certificate issued by the Trustee.

**SECTION 6.10. APPOINTMENT OF CO-TRUSTEE OR SEPARATE TRUSTEE.**

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity and for the benefit of the Bondholders, such title to the Trust Estate, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Bondholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof. Notice of any such appointment shall be promptly given to each Rating Agency and the PUCT by the Trustee.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

SECTION 6.11. ELIGIBILITY; DISQUALIFICATION. The Trustee and any co-trustee shall at all times satisfy the requirements of TIA Section 310(a)(1) and (a)(5) and Section 26(a)(1) of the Investment Company Act of 1940, as amended. In addition, the Trustee and any co-trustee shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and it shall have a long term debt rating of "Baa3" or better by Moody's, "BBB-" or better by S&P and, if Fitch provides a rating thereon, "BBB-" or better by Fitch. The Trustee and any co-trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

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SECTION 6.12. PREFERENTIAL COLLECTION OF CLAIMS AGAINST ISSUER. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

SECTION 6.13. REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE. The Trustee hereby represents and warrants that:

(a) the Trustee is a banking corporation validly existing in good standing under the laws of the State of New York; and

(b) the Trustee has full power, authority and legal right to execute, deliver and perform this Indenture and all the Basic Documents to which the Trustee is a party and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and such Basic Documents.

SECTION 6.14. RIGHTS OF THE AUTHENTICATING AGENT, BOND REGISTRAR AND PAYING AGENT.

(a) Each of the authenticating agent, Bond Registrar and Paying Agent undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. The authenticating agent, Bond Registrar and Paying Agent shall not have any duties or responsibilities except those expressly set forth in this Indenture or be a trustee for or have any fiduciary obligation to any party hereto.

(b) In the absence of bad faith on the part of the authenticating agent, Bond Registrar or Paying Agent, respectively, such party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to such party that conform to the requirements of this Indenture.

(c) None of the authenticating agent, Bond Registrar and Paying Agent shall be liable for any error of judgment made in good faith by an officer or officers of that party, unless it shall be conclusively determined by a court of competent jurisdiction that such party was negligent.

(d) None of the authenticating agent, Bond Registrar or Paying Agent shall be liable with respect to any action taken or omitted to be taken by that party in good faith in accordance with any direction of the Issuer or the Trustee given under this Indenture.

(e) None of the provisions of this Indenture shall require any of the authenticating agent, Bond Registrar or Paying Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(f) Each of the authenticating agent, Bond Registrar and Paying Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(g) Each of the authenticating agent, Bond Registrar and Paying Agent may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by that party hereunder in good faith and in accordance with such advice or opinion of counsel.

(h) None of the authenticating agent, Bond Registrar or Paying Agent shall be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, entitlement order, approval or other paper or document.

(i) None of the authenticating agent, Bond Registrar or Paying Agent shall have any obligation to invest and reinvest any cash held in the accounts in the absence of timely and specific written investment direction from the Issuer or, with respect to any REP Deposit Account, the REP or the Servicer. In no event shall any of the authenticating agent, Bond Registrar or Paying Agent be liable for the selection of investments or for investment losses incurred thereon. None of the authenticating agent, Bond Registrar or Paying Agent shall have any liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction.

(j) Each of the authenticating agent, Bond Registrar and Paying Agent may at any time resign by giving 30 days' written notice of resignation to the Issuer and the Trustee. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning party from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the Issuer, the Trustee, the resigning party and the successor. If no successor shall have been so appointed and have accepted appointment within 45 days after the giving of such notice of resignation, the resigning party may petition any court of competent jurisdiction for the appointment of a successor.

(k) Any corporation into which any of the authenticating agent, Bond Registrar or Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the authenticating agent, Bond Registrar or Paying Agent, respectively, shall be a party, or any corporation succeeding to the business of the authenticating agent, Bond Registrar or Paying Agent, respectively, shall be the successor of the authenticating agent, Bond Registrar or Paying Agent, respectively, hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

(l) The Issuer shall indemnify, defend and hold harmless each of the authenticating agent, Bond Registrar and Paying Agent and its respective officers, directors, employees, representatives and agents, from and against and reimburse each such party for any and all claims, expenses, obligations, liabilities, losses, damages, injuries (to person, property, or natural

resources), penalties, stamp or other similar taxes, actions, suits, judgments, reasonable costs and expenses (including reasonable attorney's and agent's fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against such party directly or indirectly relating to, or arising from, claims against such party by reason of its participation in the transactions contemplated hereby, including without limitation all reasonable costs required to be associated with claims for damages to persons or property, and reasonable attorneys' and consultants' fees and expenses and court costs except to the extent caused by such party's willful misconduct, negligence or bad faith. The provisions of this Section 6.14(l) shall survive the termination of this Agreement or the earlier resignation or removal of the authenticating agent, Bond Registrar or Paying Agent, as applicable.

SECTION 6.15. COMPLIANCE WITH APPLICABLE ANTI-TERRORISM AND MONEY LAUNDERING REGULATIONS. In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering ("Applicable Law"), the Trustee is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, the Issuer agrees to provide to the Trustee, upon its reasonable request from time to time such identifying information and documentation as may be available to it in order to enable the Trustee to comply with Applicable Law.

## **ARTICLE VII**

### **BONDHOLDERS' LISTS AND REPORTS**

SECTION 7.01. ISSUER TO FURNISH TRUSTEE NAMES AND ADDRESSES OF BONDHOLDERS. The Issuer shall furnish or cause to be furnished to the Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) six months after the last Record Date, a list, in such form as the Trustee may reasonably require, of the names and in the event the Trustee is acting as the Bond Registrar the addresses of the Holders of the Bonds as of such Record Date, and (b) at such other times as the Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished; provided, however, that so long as the Trustee is the Bond Registrar, no such list shall be required to be furnished. In addition, the Issuer shall furnish such list to any listing, transfer or paying agent appointed under the second paragraph of Section 3.02 to the extent such information is required by the rules and regulations of the Luxembourg Stock Exchange.

#### **SECTION 7.02. PRESERVATION OF INFORMATION; COMMUNICATIONS TO BONDHOLDERS.**

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders of Bonds contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders of Bonds received by the Trustee in its capacity as Bond Registrar. The Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

(b) Bondholders may communicate with other Bondholders pursuant to Section 312(b) of the TIA, with respect to their rights under this Indenture or under the Bonds. In addition, upon the written request of any Holder or group of Holders of Bonds, each of whom has held its Bonds for at least six months, the Trustee shall afford the Holder or Holders making such request a copy of a current list of Holders of the Bonds, for purposes of communicating with other Holders with respect to their rights hereunder. The Trustee may elect not to afford the requesting Holders access to the list of Holders of the Bonds if it agrees to mail the desired communication or proxy, on behalf and at the expense of the requesting Holders, to all Holders of the Bonds.

(c) The Issuer, the Trustee and the Bond Registrar shall have the protection of Section 312(c) of the TIA.

#### SECTION 7.03. REPORTS BY ISSUER.

(a) The Issuer shall:

(i) so long as the Issuer is required to file such documents with the Commission, provide to the Trustee and, so long as any Bonds are listed on the Luxembourg Stock Exchange and its rules so require, with the listing agent of the Issuer in Luxembourg appointed pursuant to the second paragraph of Section 3.02, within 15 days after the Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Issuer may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) provide to the Trustee, file with the Commission and, so long as any Bonds are listed on the Luxembourg Stock Exchange and its rules so require, provide to the listing agent of the Issuer in Luxembourg appointed pursuant to the second paragraph of Section 3.02, in accordance with rules and regulations prescribed from time to time by the Commission or the Luxembourg Stock Exchange, respectively, such additional information, documents and reports with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(iii) supply to the Trustee (and the Trustee shall transmit by mail to all Bondholders described in TIA Section 313(c)) and, so long as any Bonds are listed on the Luxembourg Stock Exchange and its rules so require, to the listing agent of the Issuer in Luxembourg appointed pursuant to the second paragraph of Section 3.02, such summaries of any information, documents and reports required to be filed by the Issuer pursuant to clauses (i) and (ii) of this Section 7.03(a) as may be required by rules and regulations prescribed from time to time by the Commission.

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(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year.

SECTION 7.04. REPORTS BY TRUSTEE. If required by TIA Section 313(a), within 60 days after the end of each fiscal year of the Issuer, commencing with the year after the issuance of the Bonds, the Trustee shall mail to each Holder of the Bonds as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b); provided, however, that the initial report so issued shall be delivered not more than 12 months after the issuance of the Bonds.

A copy of each report at the time of its mailing to Bondholders shall be filed by the Trustee with the Commission and each stock exchange, if any, on which the Bonds are listed (to the extent required by the rules of such exchange). The Issuer shall notify the Trustee if and when the Bonds are listed on any stock exchange.

SECTION 7.05. PROVISION OF SERVICER REPORTS. Upon the written request of any Bondholder, the PUCT or any Rating Agency to the Trustee addressed to the Corporate Trust Office, the Bond Registrar, or in its absence or failure the Paying Agent, shall provide such requesting party, the Trustee and the Paying Agent or Bond Registrar, as applicable, with a copy of any Semiannual Servicer's Certificate, Annual Accountant's Report and any other report of the Servicer referred to in the Servicing Agreement. If any Bonds are listed on the Luxembourg Stock Exchange and its rules so require, the Bond Registrar, or in its absence or failure the Paying Agent, at the written direction of the Issuer shall also arrange for publication in accordance with such rules of a notice that a copy of such Semiannual Servicer's Certificate, Annual Accountant's Report or other report shall be available with the Issuer's listing agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02.

## ARTICLE VIII

### ACCOUNTS, DISBURSEMENTS AND RELEASES

SECTION 8.01. COLLECTION OF MONEY. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Trust Estate, the Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

#### SECTION 8.02. COLLECTION ACCOUNT.

(a) (i) On or prior to the Issuance Date for the Bonds issued hereunder, the Issuer shall open, at the Paying Agent's Corporate Trust Office,  
or



at another Eligible Institution, one or more segregated non-interest-bearing trust accounts in the Trustee's name for the deposit of Collections for the Bonds and all other amounts received with respect to the Trust Estate (the "Collection Account"). The Collection Account shall initially be divided into subaccounts, which need not be separate accounts: a general subaccount (the "General Subaccount"), a capital subaccount (the "Capital Subaccount"), an excess funds subaccount (the "Excess Funds Subaccount") and one or more class subaccounts for any Tranche of the Bonds as specified in the Supplement (each, a "Tranche Subaccount"). On or prior to the Issuance Date for the Bonds, the Member shall deposit into the Capital Subaccount an amount equal to the Required Capital Amount. Unless otherwise provided herein, all amounts in the Collection Account not allocated to any other subaccount shall be allocated to the General Subaccount. Unless otherwise provided herein, prior to the initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Capital Subaccount) shall be allocated to the General Subaccount. Prior to depositing funds or U.S. Government Obligations in the Collection Account pursuant to Section 4.01 or 4.02, the Issuer shall establish defeasance subaccounts (each a "Defeasance Subaccount") for which funds shall be deposited, as subaccounts of the Collection Account. All references to the Collection Account shall be deemed to include reference to all subaccounts contained therein. Withdrawals from and deposits to each of the foregoing subaccounts of any Collection Account shall be made as set forth in Section 4.03 and Section 8.02(d) and (e). Each Collection Account shall at all times be maintained as an Eligible Securities Account and only the Trustee shall have access to that Collection Account for the purpose of making deposits in and withdrawals from that Collection Account in accordance with this Indenture. Funds in a Collection Account shall not be commingled with any other moneys, including moneys in any other Collection Account. All moneys deposited from time to time in a Collection Account, all deposits therein pursuant to this Indenture, and all investments made in Eligible Investments with such moneys, including all income or other gain from such investments, shall be held by the Trustee in that Collection Account as part of the Trust Estate as herein provided.

(ii) The Trustee also agrees that (A) the Collection Account is, or on the date of its creation will be, and shall at all times be maintained by the Trustee as, a "securities account" (within the meaning of Section 8-501 of the New York UCC), (B) the "securities intermediary's jurisdiction" (within the meaning of Article 8 of the New York UCC) of the Trustee is the State of New York, (C) all cash and other property in each of the Accounts shall be treated by the Trustee as a "financial asset" (as defined in Section 8-102(a)(9) of the New York UCC), (E) the "entitlement holder" (as such term is defined in Section 8-102(a)(7) of the New York UCC or, with respect to Book-Entry Securities, in the applicable Federal Book-Entry Regulations) shall be the Trustee for the benefit of the Bondholders, (E) any financial asset in registered form or payable to, or to the order of, a Person, and credited to any of the Accounts shall be registered in the name of, payable to the order of, or specially indorsed to, the Trustee or in blank, or credited to another securities account maintained in the name of the Trustee,

and in no case will any financial assets credited to any of the Accounts be registered in the name of, payable to or to the order of, or specially indorsed to the Issuer, except to the extent the foregoing have been specially indorsed by the Issuer, to the Trustee or in blank, (F) the Trustee shall not change the entitlement holder, and (G) the Trustee shall at all times act as a “securities intermediary” (within the meaning of Section 8-102(a)(14) of the New York UCC or, with respect to Book-Entry Securities, in the applicable Federal Book-Entry Regulations) and shall credit to each of the Accounts each financial asset to be held in or credited to each of the Accounts pursuant to this Indenture.

(iii) Each of the Accounts shall remain at all times with a securities intermediary (within the meaning of Section 8-102(a)(14) of the New York UCC or, with respect to Book-Entry Securities, in the applicable Federal Book-Entry Regulations) having a combined capital and surplus of at least \$50,000,000 and having a long-term debt rating of at least “A2” by Moody’s and at least “AA-” by S&P.

(iv) The Trustee shall have sole dominion and exclusive control over all property in the Collection Account and shall apply such amounts therein as provided in this Section 8.02. The Trustee at the written direction of the Servicer shall also pay from the Collection Account any amounts requested to be paid by or to the Servicer pursuant to the Servicing Agreement.

(v) Collections shall be deposited in the General Subaccount as provided in the Servicing Agreement. All deposits to and withdrawals from the Collection Account, all allocations to the subaccounts of the Collection Account and any amounts to be paid to the Servicer under Section 8.02(d) shall be made by the Trustee in accordance with the written instructions provided by the Servicer in the Semiannual Servicer’s Certificate or upon other written notice provided by the Servicer pursuant to the Servicing Agreement, as applicable.

(vi) There are no other agreements entered into between the Trustee and the Issuer with respect to the Accounts, other than this Indenture. In the event of any conflict between this Section 8.02 (or any portion thereof), any other provision of this Indenture or any other agreement now existing or hereafter entered into, the terms of this Section 8.02 shall prevail.

(b) So long as no Default or Event of Default has occurred and is continuing, the Trustee upon written direction of the Servicer will, invest and reinvest all or a portion of the funds in the Collection Account (other than as set forth in Section 8.06) in Eligible Investments; provided, however, that (i) such Eligible Investments shall not mature later than the next Payment Date (except as otherwise provided in the Supplement), (ii) such Eligible Investments shall not be sold, liquidated or otherwise disposed of at a loss prior to the maturity thereof, and (iii) no funds in the Defeasance Subaccount for the Bonds shall be invested in Eligible Investments or otherwise, except that U.S. Government Obligations deposited by the Issuer with the Trustee pursuant to Sections 4.01 or 4.02 shall remain as such. All income or other gain from investments of moneys deposited in the Collection Account shall be deposited by the

Trustee in the Collection Account, and any loss resulting from such investments shall be charged to the Collection Account. The Servicer shall not direct the Trustee to make any investment of any funds or to sell any investment held in the Collection Account unless the security interest granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person, and, in connection with any direction to the Trustee to make any such investment or sale, if requested by the Trustee, the Issuer shall deliver to the Trustee an Issuer Opinion of Counsel, acceptable to the Trustee, to such effect. Subject to Section 6.01(c), the Trustee shall not in any way be held liable for the selection of Eligible Investments or for investment Losses incurred thereon except for Losses attributable to the Trustee's failure to make payments on such Eligible Investments issued by the Trustee, in its commercial capacity as principal obligor and not as Trustee, in accordance with their terms. The Trustee shall have no liability in respect of Losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or the failure of the Issuer or Servicer to provide timely and specific written investment direction. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction pursuant to an Issuer Order.

(c) Any Collections remitted by the Servicer to the Trustee with respect to the Bonds, any Indemnity Amounts remitted to the Trustee by the Seller, the Issuer or the Servicer, any other amount otherwise received by the Trustee or the Issuer, and any other proceeds of the Trust Estate received by the Servicer, the Issuer or the Trustee shall be deposited in the General Subaccount, except that the Trustee shall deposit in the Capital Subaccount the Required Capital Amount. All investment earnings on amounts in the General Subaccount, the Capital Subaccount and the Excess Funds Subaccount will be deposited into the General Subaccount, the Capital Subaccount and the Excess Funds Subaccount, respectively.

(d) On each Payment Date or other date specified in the Supplement, the Paying Agent pursuant to the written direction provided in the Semiannual Servicer's Certificate shall allocate or apply all amounts on deposit in the General Subaccount of the Collection Account in the following priority unless otherwise set forth in the Supplement (provided, that the Supplement may not modify the Pro Rata payment of amounts described herein as being paid Pro Rata):

(i) fees and expenses (including reasonable legal fees and expenses) and Indemnity Amounts owed to the Trustee for such Payment Date shall be paid to the Trustee; provided that the amount paid during any calendar year pursuant to this clause (i) may not exceed the amount fixed therefor in the Supplement;

(ii) the Servicing Fee, which will be a fixed percentage of the initial principal amount of the Bonds specified in the Servicing Agreement, and all unpaid Servicing Fees from prior Payment Dates shall be paid to the Servicer;

(iii) the administration fee payable under the Administration Agreement for such Payment Date shall be paid to the Administrator and fees of the Issuer's independent manager in connection with his acting as manager under the Issuer LLC Agreement shall be paid to such independent manager;

(iv) all ordinary periodic Operating Expenses (such as accounting and audit fees, rating agency fees, legal fees and Servicer expenses under Sections 3.10 and 5.05 or equivalent provisions of the Servicing Agreement) other than those referred to in clauses (i), (ii) and (iii) above shall be paid to the Persons entitled thereto;

(v) an amount equal to the Interest payable on the Bonds on such Payment Date, including any past due Interest;

(vi) an amount equal to any Principal payable as a result of acceleration pursuant to Section 5.02 shall be paid and an amount equal to any Principal payable on the Final Maturity Date for that Tranche (in each case, if there are insufficient funds to make such payments in full, such funds shall be paid on a Pro Rata basis);

(vii) an amount equal to Principal scheduled to be paid on that Tranche of the Bonds on such Payment Date according to the Expected Amortization Schedule shall be allocated to the corresponding Tranche and if there are insufficient funds to make that allocation in full, on a Pro Rata basis;

(viii) all remaining unpaid Operating Expenses and any other amounts due and owing pursuant to the Basic Documents (including all remaining Indemnity Amounts) shall be paid to the Persons entitled thereto without duplication of any other payment from any other source;

(ix) any amount necessary to replenish amounts drawn from the Capital Subaccount shall be allocated to the Capital Subaccount;

(x) so long as no Event of Default has occurred and is continuing and the Servicer is legally required to make a contribution to the Capital Subaccount greater than 0.5% of the initial outstanding principal balance of the Bonds, an amount calculated at 11.075% per annum on the amount contributed to the Capital Subaccount in excess of 0.5% of the initial outstanding principal balance of the Bonds shall be released to the Issuer;

(xi) so long as no Event of Default has occurred and is continuing, the investment earnings relating to the initial contribution of 0.5% of the initial outstanding principal balance of the Bonds into the Capital Subaccount shall be released to the Issuer; and

(xii) the balance, if any, shall be allocated to the Excess Funds Subaccount.

Following repayment of all Bonds, the balance, if any, shall be released to the Issuer free from the Lien of the Indenture.

“Pro Rata” means with respect to any Tranche of the Bonds a ratio:

(1) in the case of clause (d)(v) above, the numerator of which is the aggregate amount of Interest payable with respect to such Tranche on such Payment Date and the denominator of which is the sum of the aggregate amounts of Interest payable with respect to all Outstanding Tranches on such Payment Date; and

(2) in the case of all other clauses in (d) above, the numerator of which is the aggregate amount of Principal to be paid or payable pursuant to each such clause with respect to such Tranche on such Payment Date and the denominator of which is the sum of the aggregate amounts of Principal to be paid or payable pursuant to each such clause with respect to all Outstanding Tranches on such Payment Date, unless and to the extent, with respect to either clause (1) or (2) of this definition, the Supplement provides otherwise.

If, on any Payment Date for the Bonds, funds on deposit in the General Subaccount are insufficient to make the payments or transfers contemplated by clauses (i) through (x) above, the Paying Agent shall draw from amounts on deposit in the following subaccounts in the following order up to the amount of such shortfall, in order to make such payments and transfers:

- (i) from the Excess Funds Subaccount for allocations and payments contemplated by clauses (i) through (x); and
- (ii) from the Capital Subaccount for allocations and payments contemplated by clauses (i) through (viii).

(e) Upon an acceleration of the maturity of the Bonds pursuant to Section 5.02, the aggregate amount of Principal of and Interest accrued on each Bond shall be payable, without priority of interest over principal or of principal over interest and without regard to Tranche.

#### SECTION 8.03. RELEASE OF TRUST ESTATE.

(a) All money and other property withdrawn from the Collection Account by the Paying Agent for payment to the Issuer as provided in this Indenture in accordance with Section 8.02 hereof shall be deemed released from the Indenture when so withdrawn and applied in accordance with the provisions of Article VIII, without further notice to, or release or consent by, the Trustee.

(b) Other than as provided for in Section 8.03(a), the Trustee or the Paying Agent, as applicable, shall release property from the Lien of this Indenture only as and to the extent permitted by the Basic Documents and only upon receipt of an Issuer Request accompanied by an Issuer Officer's Certificate, an Issuer Opinion of Counsel and Independent Certificates in accordance with TIA Sections 314(c) and 314(d)(1) or an Issuer Opinion of Counsel in lieu of such Independent Certificates to the effect that the TIA does not require any such Independent Certificate.

(c) Subject to the payment of its fees and expenses pursuant to Section 6.07, the Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the Lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Trustee as provided in this Article VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

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(d) Subject to Section 8.03(b), the Trustee shall, at such time as there are no Bonds Outstanding and all sums due the Trustee pursuant to Section 6.07 have been paid, release any remaining portion of the Trust Estate that secured the Bonds from the Lien of this Indenture and release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credited to the Collection Account for the Bonds.

SECTION 8.04. ISSUER OPINION OF COUNSEL. The Trustee shall receive at least five days' notice when requested by the Issuer to take any action pursuant to Section 8.03, accompanied by copies of any instruments involved, and the Trustee may also require, as a condition to such action, an Issuer Opinion of Counsel, in form and substance satisfactory to the Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Bonds or the rights of the Bondholders in contravention of the provisions of this Indenture; provided, however, that such Issuer Opinion of Counsel shall not be required to express an opinion as to the fair value of the Trust Estate. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Trustee in connection with any such action.

SECTION 8.05. REPORTS BY INDEPENDENT ACCOUNTANTS. The Issuer shall appoint a firm of Independent certified public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture and the Supplement. Upon any resignation by such firm, the Issuer shall promptly appoint a successor thereto that shall also be a firm of Independent certified public accountants of recognized national reputation. If the Issuer shall fail to appoint a successor to a firm of Independent certified public accountants that has resigned within 15 days after such resignation, the Trustee shall promptly notify the Issuer of such failure in writing. If the Issuer shall not have appointed a successor within 10 days thereafter, the Trustee shall promptly appoint a successor firm of Independent certified public accountants of recognized national reputation. The fees of such firm of Independent certified public accountants and its successor shall be payable by the Issuer.

SECTION 8.06. REP DEPOSIT ACCOUNT. Pursuant to the written direction of the Servicer, the Issuer shall open, at the Trustee's Corporate Trust Office, or at another Eligible Institution, one or more segregated non-interest-bearing trust accounts in the Trustee's name (each a "REP Deposit Account"), each such account for the benefit of one Depositing REP with respect to the Bonds. Pursuant to and in accordance with the Financing Order, amounts received from any REP as a security deposit with respect to the Bonds shall be deposited into the applicable REP Deposit Account. The REP Deposit Accounts shall at all times be maintained in an Eligible Securities Account and only the Trustee shall have access to the REP Deposit Accounts for the purpose of making deposits in and withdrawals from the REP Deposit Accounts in accordance with this Indenture, the Servicing Agreement and the Financing Order. Funds in the REP Deposit Accounts shall not be commingled by the Issuer with any other moneys, and shall not be commingled by the Trustee. All or a portion of the funds in the REP Deposit Accounts shall be invested in Eligible Investments and reinvested by the Trustee pursuant to the written direction of the Servicer or the REP making the deposit. All income or other gain from investments of moneys deposited in any REP Deposit Account shall be deposited by the Trustee

into such REP Deposit Account, and any loss resulting from such investments shall be charged to such REP Deposit Account. In addition, each Depositing REP shall be responsible for the payment of income taxes with respect to such investments. The Trustee shall not in any way be held liable for the selection of Eligible Investments for the REP Deposit Accounts or for investment losses incurred thereon. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of timely and specific written investment direction from the Servicer and appropriate documents from the applicable REP. The Trustee shall release property from any REP Deposit Account only as and to the extent directed by the Servicer pursuant to the Financing Order and the Servicing Agreement.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

#### SECTION 9.01. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF BONDHOLDERS.

(a) Without the consent of the Holders of any Bonds but with prior notice to the Rating Agencies, the Issuer and the Trustee, when authorized by an Issuer Order, with the consent of the PUCT pursuant to Section 9.07 if such supplemental indenture increases ongoing qualified costs as defined in the Financing Order (which consent shall not be required with regard to the first Supplement), at any time and from time to time, may enter into one or more indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of the execution thereof), in form satisfactory to the Trustee, for any of the following purposes:

(i) to correct or amplify the description of the Trust Estate, or to better assure, convey and confirm unto the Trustee the Trust Estate, or to subject additional property to the Lien of this Indenture;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any applicable successor of the covenants of the Issuer contained herein and in the Bonds;

(iii) to add to the covenants of the Issuer, for the benefit of the Bondholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Holders and the Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any Supplemental Indenture which may be inconsistent with any other provision herein or in any Supplemental Indenture, to make any other provisions with respect to matters or questions arising under this Indenture or in any Supplemental Indenture or to change in any manner or eliminate any provisions of this Indenture; provided, however, that (i) such action shall not, as evidenced by an Issuers' Opinion of Counsel, adversely affect in any material respect the interests of any Bondholder and (ii) the Rating Agency Condition shall have been satisfied with respect thereto;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor Trustee with respect to the Bonds and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the TIA or under any similar federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA;

(viii) to qualify the Bonds for registration with a Clearing Agency; or

(ix) to satisfy any Rating Agency requirements.

The Trustee is hereby authorized to join in the execution of any such Supplemental Indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Issuer and the Trustee, when authorized by an Issuer Order, may, also without the consent of any of the Holders of the Bonds, with the consent of the PUCT pursuant to Section 9.07 if such indenture or supplemental indenture increases ongoing qualified costs as defined in the Financing Order, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Bonds under this Indenture; provided, however, that (i) as evidenced by an Issuer's Opinion of Counsel, such action shall not adversely affect in any material respect the interests of any Bondholder and (ii) the Rating Agency Condition shall have been satisfied with respect thereto;

(c) The Trustee may, but shall not be required to, enter into any indenture supplemental hereto or to consent to or enter into any amendment of the Basic Documents unless it shall have received an Opinion of Counsel, addressed to the Trustee, satisfactory to it, that such supplement or amendment is authorized or permitted by this Article IX.

SECTION 9.02. SUPPLEMENTAL INDENTURES WITH CONSENT OF BONDHOLDERS. The Issuer and the Trustee, when authorized by an Issuer Order, also may, with the consent of the PUCT pursuant to Section 9.07 if the indenture or supplemental indenture increases ongoing qualified costs as defined in the Financing Order, prior notice to the Rating Agencies and the consent of the Holders of not less than a majority of the Outstanding Amount of the Bonds of the Tranches to be affected, by Act of such Holders delivered to the Issuer and the Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Bonds under this Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Holder of each Outstanding Bond of the Tranches affected thereby:

(i) change the date of payment of any installment of Principal of or premium, if any, or Interest on any Bond of such Tranche, or reduce the principal amount thereof,



the Bond Rate thereon or the redemption price or the premium, if any, with respect thereto, change the provisions of this Indenture and the Supplement relating to the application of collections on, or the proceeds of the sale of, the Trust Estate to payment of Principal of or premium, if any, or Interest on the Bonds of such Tranche, or change the currency in which any Bond or the Interest thereon is payable;

(ii) impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article V, to the payment of any such amount due on the Bonds on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(iii) reduce the percentage of the Outstanding Amount of the Bonds or of a Tranche thereof, the consent of the Holders of which is required for any such Supplemental Indenture, or the consent of the Holders of which is required for any waiver of compliance with provisions of this Indenture or defaults hereunder and their consequences provided for in this Indenture or modify or alter the provisions of the proviso to the definition of the term “Outstanding”;

(iv) reduce the percentage of the Outstanding Amount of the Bonds of such Tranche required to direct the Trustee to direct the Issuer to sell or liquidate the Trust Estate pursuant to Section 5.04 or to preserve the Trust Estate pursuant to Section 5.05;

(v) modify any provision of this Section 9.02 except to increase any percentage specified herein or to provide that those provisions of this Indenture or the other Basic Documents referenced in this Section cannot be modified or waived without the consent of the Holder of each Outstanding Bond affected thereby;

(vi) modify any of the provisions of this Indenture in such manner so as to affect the amount of any payment of Interest, Principal or premium, if any, payable on any Bond of such Tranche on any Payment Date or change the Redemption Dates, Expected Amortization Schedules or Final Maturity Dates or Tranche Final Maturity Dates of any Bonds of such Tranche;

(vii) decrease the Required Capital Amount;

(viii) modify or alter the provisions of this Indenture regarding the voting of the Bonds held by the Issuer, CenterPoint Houston, an Affiliate of either of them or any obligor on the Bonds;

(ix) decrease the percentage of the aggregate principal amount of the Bonds or Tranche required to amend the sections of this Indenture which specify the applicable percentage of the aggregate principal amount of the Bonds necessary to amend any Basic Document; or

(x) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Trust Estate or, except as otherwise permitted or contemplated herein, terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Holder of any Bond of the security provided by the Lien of this Indenture.

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It shall not be necessary for the PUCT or any Act of Bondholders under this Section 9.02 to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if the PUCT or such Act of Bondholders shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to this Section 9.02, the Trustee shall mail to the PUCT and the Holders of the Bonds to which such amendment or Supplemental Indenture relates a notice setting forth in general terms the substance of such Supplemental Indenture. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture. If any Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer's listing agent shall arrange for publication in accordance with such rules of a notice that the notice regarding the Supplemental Indenture shall be available with the Issuer's listing agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02.

SECTION 9.03. EXECUTION OF SUPPLEMENTAL INDENTURES. In executing, or permitting the additional trusts created by any Supplemental Indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Issuer Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

SECTION 9.04. EFFECT OF SUPPLEMENTAL INDENTURE. Upon the execution of any Supplemental Indenture pursuant to the provisions hereof, this Indenture shall be deemed to be modified and amended in accordance therewith with respect to each Tranche of the Bonds affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Holders of the Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.05. CONFORMITY WITH TRUST INDENTURE ACT. Every amendment of this Indenture and every Supplemental Indenture executed pursuant to this Article IX shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be qualified under the TIA.

SECTION 9.06. REFERENCE IN BONDS TO SUPPLEMENTAL INDENTURES. Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article IX may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Issuer or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Issuer, to any such Supplemental Indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

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SECTION 9.07. PUCT CONSENT. To the extent the consent of the PUCT is required to effect any amendment to, modification of, or supplemental indenture to this Indenture or any provision of this Indenture,

(a) The Issuer may request the consent of the PUCT by delivering to the PUCT's executive director and general counsel a written request for such consent, which request shall contain:

(i) a reference to Docket No. 37200 and a statement as to the possible effect of the amendment, modification or supplemental indenture on ongoing qualified costs;

(ii) an Officer's Certificate stating that the proposed amendment, modification or supplemental indenture, as the case may be, has been approved by all parties to this Indenture; and

(iii) a statement identifying the person to whom the PUCT or its staff is to address its consent to the proposed amendment, modification or supplemental indenture or request additional time;

(b) The PUCT shall, within 30 days of receiving the request for consent complying with Section 9.07(a) above, either

(i) provide notice of its consent or lack of consent to the person specified in Section 9.07(a)(iii) above, or

(ii) be conclusively deemed to have consented to the proposed amendment, modification or supplemental indenture,

unless, within 30 days of receiving the request for consent complying with Section 9.07(a) above, the PUCT or its staff delivers to the office of the person specified in Section 9.07(a)(iii) above a written statement requesting an additional amount of time not to exceed 30 days in which to consider whether to consent to the proposed amendment, modification or supplemental indenture. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent to the person specified in Section 9.07(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment, modification or supplemental indenture on the last day of such extension of time. Any amendment, modification or supplemental indenture requiring the consent of the PUCT shall become effective on the later of (i) the date proposed by the parties to such amendment, modification or supplemental indenture and (ii) the first day after the expiration of the 30-day period provided for in Section 9.07(b)(ii), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended.

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## ARTICLE X

### REDEMPTION OF BONDS

SECTION 10.01. MANDATORY REDEMPTION BY ISSUER. The Issuer shall redeem all Bonds that have been called for redemption pursuant to this Indenture on the Redemption Date or Dates, if any, in the amounts required, if any, and at the redemption price specified in the Supplement, which in any case shall be not less than the outstanding Principal amount of the Bonds to be redeemed, plus accrued Interest thereon to, but excluding, such Redemption Date. If the Issuer is required to redeem the Bonds pursuant to this Section 10.01, it shall furnish written notice of such requirement to the Trustee not later than 25 days prior to the Redemption Date for such redemption and shall deposit with the Trustee the redemption price of the Bonds to be redeemed plus all other amounts due and payable hereunder whereupon all such Bonds shall be due and payable on the Redemption Date upon the furnishing of a notice complying with Section 10.02 hereof to each Holder of the Bonds pursuant to this Section 10.01.

SECTION 10.02. FORM OF REDEMPTION NOTICE. Unless otherwise specified in the Supplement relating to the Bonds, notice of redemption under Section 10.01 hereof shall be given by the Trustee by first-class mail, postage prepaid, mailed not less than five days nor more than 45 days prior to the applicable Redemption Date to each Holder of the Bonds to be redeemed, as of the close of business on the Record Date preceding the applicable Redemption Date at such Holder's address appearing in the Bond Register.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) if less than all Outstanding Bonds are to be redeemed, the identification (and in the case of partial redemption of any Bonds, the principal amounts) of the particular Bonds to be redeemed;
- (3) the redemption price;
- (4) the place where such Bonds are to be surrendered for payment of the redemption price and accrued interest (which shall be the office or agency of the Issuer to be maintained as provided in the first paragraph of Section 3.02 hereof);
- (5) the CUSIP number, if applicable; and
- (6) the principal amount of the Bonds to be redeemed.

Notice of redemption of the Bonds to be redeemed shall be given by the Trustee in the name and at the expense of the Issuer. For so long as any Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer's listing agent shall arrange that such notice will also be given by publication pursuant to such rules at least ten (10) days prior to the Redemption Date. Failure to give notice of redemption, or any defect therein, to any Holder of any Bond selected for redemption shall not impair or affect the validity of the redemption of any other Bond.

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SECTION 10.03. PAYMENT OF REDEMPTION PRICE. If notice of redemption has been duly mailed, or duly waived by the Holders of all Bonds called for redemption, and the redemption moneys have been duly deposited with the Trustee, then the Bonds called for redemption shall be payable on the applicable Redemption Date at the applicable redemption price. No further Interest will accrue on the principal amount of any Bonds called for redemption after the Redemption Date for such redemption if payment of the redemption price thereof has been duly provided for, and the Holder of such Bonds will have no rights with respect thereto, except to receive payment of the redemption price thereof and unpaid Interest accrued to the Redemption Date. Payment of the redemption price together with accrued Interest shall be made by the Trustee to or upon the order of the Holders of the Bonds called for redemption upon surrender of such Bonds, and the Bonds so redeemed shall cease to be of further effect and the Lien of this Indenture shall be released with respect to such Bonds.

## **ARTICLE XI**

### **MISCELLANEOUS**

SECTION 11.01. COMPLIANCE CERTIFICATES AND OPINIONS, ETC. Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee (i) an Issuer Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Issuer Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if required by the TIA) an Independent Certificate from a firm of certified public accountants meeting the applicable requirements of this Section 11.01, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

SECTION 11.02. FORM OF DOCUMENTS DELIVERED TO TRUSTEE. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Any certificate or opinion of the Issuer may be based, insofar as it relates to legal matters, upon, in the absence of bad faith, an Opinion of Counsel.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely conclusively upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

#### SECTION 11.03. ACTS OF BONDHOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The ownership of the Bonds shall be proved by the Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bonds shall bind the Holder of every Bond issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

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SECTION 11.04. NOTICES, ETC., TO TRUSTEE, PAYING AGENT, BOND REGISTRAR, ISSUER, PUCT AND RATING AGENCIES. Any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(a) the Trustee, the Paying Agent or the Bond Registrar by any Bondholder or by the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to the Trustee, the Paying Agent or the Bond Registrar, as applicable, at its Corporate Trust Office, or

(b) the Issuer by the Trustee, the Paying Agent, the Bond Registrar or any Bondholder shall be sufficient for every purpose hereunder if in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to the Issuer addressed to: CenterPoint Energy Restoration Bond Company, LLC, 1111 Louisiana Street, Suite 4664B, Houston, Texas 77002, Attention: Manager, or at any other address previously furnished in writing to the Trustee by the Issuer. The Issuer shall promptly transmit any notice received by it from the Bondholders to the Trustee, the Paying Agent and the Bond Registrar.

Notices required to be given to the Rating Agencies by the Issuer, the Trustee, the Paying Agent, the Bond Registrar or a Manager shall be in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to: (i) in the case of Moody's: Moody's Investors Service, Inc., Attention: ABS Monitoring Department, 99 Church Street, New York, New York 10007; (ii) in the case of Standard & Poor's: Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, 55 Water Street New York, NY 10041, Attention: Asset Backed Surveillance Department; and (iii) in the case of Fitch: Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance or, if the foregoing addresses shall change at their current address.

Notices required to be given to the PUCT shall be in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas 78711-3326, Attention: Executive Director and General Counsel.

SECTION 11.05. NOTICES TO BONDHOLDERS; WAIVER. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and delivered by first-class mail, postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

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Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case it shall be impractical to deliver notice in accordance with the first paragraph of this Section 11.05 to the Holders of the Bonds when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a Default or Event of Default.

**SECTION 11.06. ALTERNATE PAYMENT AND NOTICE PROVISIONS.** Notwithstanding any provision of this Indenture or any of the Bonds to the contrary, the Issuer may enter into any agreement with any Holder of a Bond providing for a method of payment, or notice by the Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices. The Issuer will furnish to the Trustee a copy of each such agreement and the Trustee will cause payments to be made and notices to be given in accordance with such agreements.

**SECTION 11.07. NOTICES TO LUXEMBOURG STOCK EXCHANGE.**

(a) For so long as any Bonds are listed on the Luxembourg Stock Exchange and to the extent the rules of such exchange so require, the Issuer shall notify the Luxembourg Stock Exchange and any agent appointed pursuant to the second paragraph of Section 3.02 if any rating assigned to such Bonds is reduced or withdrawn and shall arrange for such notice to be published pursuant to the rules of such exchange.

(b) For so long as any Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Trustee shall make available to the Holders of such Bonds and shall deposit in accordance with the written direction of the Issuer on file with the Issuer's listing agent in Luxembourg appointed pursuant to the second paragraph of Section 3.02 copies of any documents executed in connection with this Indenture reasonably requested by the Issuer's listing agent and the reports of Independent certified public accountants obtained with respect to the Issuer pursuant to this Indenture.

**SECTION 11.08. CONFLICT WITH TRUST INDENTURE ACT.** If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control.

The provisions of TIA Sections 310 through 317 that impose duties on any Person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.



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SECTION 11.09. EFFECT OF HEADINGS AND TABLE OF CONTENTS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 11.10. SUCCESSORS AND ASSIGNS. All covenants and agreements in this Indenture and the Bonds by the Issuer shall bind its successors and permitted assigns, whether so expressed or not.

All agreements of the Trustee in this Indenture shall bind its successors.

The Trustee shall provide written notice to the Rating Agencies of any assignment of its obligations under this Agreement.

SECTION 11.11. SEPARABILITY. In case any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.12. BENEFITS OF INDENTURE. Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Bondholders, and any other party secured hereunder, and any other Person with an ownership interest in any part of the Trust Estate, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 11.13. LEGAL HOLIDAYS. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Bonds or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

SECTION 11.14. GOVERNING LAW. **THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

SECTION 11.15. COUNTERPARTS. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 11.16. ISSUER OBLIGATION. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Member or any Manager, employee or agent of the Issuer or (ii) any stockholder, officer, director, employee or agent of the Trustee (it being understood that none of the Trustee's obligations are in its individual capacity).

SECTION 11.17. NO PETITION. The Trustee, by entering into this Indenture, and each Holder, by accepting a Bond (or interest therein) issued hereunder, hereby covenant and

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agree that they shall not, prior to the date that is one year and one day after the termination of this Indenture, acquiesce, petition or otherwise invoke or cause the Issuer or any Manager to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any insolvency law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its respective property, or ordering the dissolution, winding up or liquidation of the affairs of the Issuer. Nothing in this Section 11.17 shall preclude, or be deemed to estop, such Holder (A) from taking or omitting to take any action prior to such date in (i) any case or proceeding voluntarily filed or commenced by or on behalf of the Issuer under or pursuant to any such law or (ii) any involuntary case or proceeding pertaining to the Issuer that is filed or commenced by or on behalf of a person other than such Holder and is not joined in by such Holder (or any person to which such Holder shall have assigned, transferred or otherwise conveyed any part of the obligations of the Issuer hereunder) under or pursuant to any such law, or (B) from commencing or prosecuting any legal action that is not an involuntary case or proceeding under or pursuant to any such law against the Issuer or any of its properties.

SECTION 11.18. INTERCREDITOR AGREEMENT. The Trustee is hereby authorized, upon receipt of an Issuer Request, to execute and deliver the Intercreditor Agreement provided to it by the Issuer that does not materially and adversely affect any Holder's rights in and to any Trust Estate, or otherwise hereunder. Such request shall be accompanied by an Officer's Certificate, upon which the Trustee may rely conclusively with no duty of independent investigation or inquiry, to the effect that the Intercreditor Agreement does not materially and adversely affect any Holder's rights in and to the Trust Estate or otherwise hereunder. The Intercreditor Agreement shall be binding on the Holders.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly executed by their respective managers or officers thereunto duly authorized, all as of the day and year first above written.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS, not in  
its individual capacity but solely as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS  
hereby agrees to act as Paying Agent, Bond Registrar, authenticating agent and agent under Section 3.02 hereof, all as set forth in this Indenture.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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SCHEDULE 1

SEMIANNUAL SERVICER'S CERTIFICATE

[INTENTIONALLY OMITTED]

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SCHEDULE 2a

STATUTORY TRUE-SALE OPINION

[INTENTIONALLY OMITTED]

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SCHEDULE 2b

STATE LAW SECURITY INTEREST OPINION

[INTENTIONALLY OMITTED]

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SCHEDULE 2c

UCC OPINION

[INTENTIONALLY OMITTED]

EXHIBIT A

SERVICING CRITERIA TO BE ADDRESSED BY INDENTURE TRUSTEE IN ASSESSMENT OF COMPLIANCE

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
<b>General Servicing Considerations</b>		
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for the pool assets are maintained.	
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	
<b>Cash Collection and Administration</b>		
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two (2) business days of receipt, or such other number of days specified in the transaction agreements.	<b>X</b> ; "Custodial bank accounts and related bank clearing accounts" apply only to trust accounts.
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	<b>X</b>
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	



Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	X
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, “federally insured depository institution” with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Exchange Act.	
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	
1122(d)(2)(vii)	Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are (A) mathematically accurate; (B) prepared within thirty (30) calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within ninety (90) calendar days of their original identification, or such other number of days specified in the transaction agreements.	
<b>Investor Remittances and Reporting</b>		
1122(d)(3)(i)	Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the Commission as required by its rules and regulations; and (D) agree with investors’ or the trustee’s records as to the total unpaid principal balance and number of pool assets serviced by the servicer.	

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
1122(d)(3)(ii)	Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.	X; Amounts based on instructions provided in the Semiannual Servicer's Certificate
1122(d)(3)(iii)	Disbursements made to an investor are posted within two (2) business days to the servicer's investor records, or such other number of days specified in the transaction agreements.	X; For the purposes of this criteria, servicer's investor records are the trustee's records of the investors
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with canceled checks, or other form of payment, or custodial bank statements.	X
<b>Pool Asset Administration</b>		
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the servicer's obligor records maintained no more than two (2) business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	
1122(d)(4)(v)	The servicer's records regarding the pool assets agree with the servicer's records with respect to an obligor's unpaid principal balance.	
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool assets (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period a pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within thirty (30) calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the servicer at least thirty (30) calendar days prior to these dates, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	

Reg AB Reference	Servicing Criteria	Applicable Trustee Responsibility
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two (2) business days to the obligor's records maintained by the servicer, or such other number of days specified in the transaction agreements.	
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	

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APPENDIX A

MASTER DEFINITIONS

The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms.

“Accounts” means, collectively, the Collection Account (and each sub-account thereof, including, without limitation, the General Subaccount, the Capital Subaccount, the Defeasance Subaccount, the Excess Funds Subaccount and each Tranche Subaccount) and each REP Deposit Account.

“Act” has the meaning specified in Section 11.03 of the Indenture.

“Adjustment Date” has the meaning specified in the Servicing Agreement.

“Administration Agreement” means the Administration Agreement dated as of [\_\_\_\_], 2009, between CenterPoint Houston, as Administrator, and the Issuer, as the same may be amended and supplemented from time to time.

“Administrator” means CenterPoint Houston as administrator under the Administration Agreement and each successor to or assignee of CenterPoint Houston in the same capacity.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, control, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

“Annual Accountant’s Report” has the meaning assigned to that term in the Servicing Agreement.

“Applicable Law” has the meaning specified in Section 6.15 of the Indenture.

“Authorized Denominations” means, with respect to any Tranche of the Bonds, \$1,000 and integral multiples thereof, or such other denominations as may be specified in the Supplement therefor.

“Authorized Officer” means (i) with respect to any Person that is a corporation or a limited liability company, any manager, the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or any Assistant Treasurer, the Secretary or any Assistant Secretary of such Person, (ii) with respect to any Person that is a partnership, the President, any Vice President, Treasurer or Secretary (or Assistant Secretary) of a general partner or managing partner of such Person; provided that in respect of the Issuer, Authorized Officer means any Manager or the Member and, with respect to the Member, any officer who is authorized to act for the Member in matters relating to the Issuer and who is identified on the list of Authorized Officers delivered by the Member to the Trustee as of the date hereof (as such list may be modified or supplemented from time to time thereafter).

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“Bankruptcy Code” means Title 11 of the United States Code (11 U.S.C. Section 101 et seq.), as amended from time to time.

“Basic Documents” means the Issuer LLC Agreement, the Issuer Certificate of Formation, the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement, the Indenture, the Supplement and any other Supplemental Indentures, the DTC Agreement, the Underwriting Agreement and the Bill of Sale.

“Bill of Sale” means the bill of sale issued by the Seller to the Issuer pursuant to the Sale Agreement evidencing the sale of the System Restoration Property by the Seller to the Issuer.

“Bond” means any of the system restoration bonds issued by the Issuer pursuant to the Indenture and the Supplement.

“Bond Balance” means, as of any date, the aggregate Outstanding Amount of all the Bonds on such date.

“Bond Owner” means, with respect to a Book-Entry Bond, the Person who is the beneficial owner of such Book-Entry Bond, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

“Bond Rate” means, with respect to each Tranche of the Bonds, the rate at which interest accrues on the principal balance of the Bonds or such Tranche, as specified in the Supplement.

“Bond Register” has the meaning specified in Section 2.05 of the Indenture.

“Bond Registrar” means Deutsche Bank Trust Company Americas, in its capacity as keeper of the Bond Register, or any other Person appointed to act in such capacity by the Issuer pursuant to Section 2.05 of the Indenture.

“Book-Entry Security” means a security maintained in the form of entries (including, without limitation, the security entitlements in, and the financial assets based on, such security) in the commercial book-entry system of the Federal Reserve System.

“Book-Entry Bonds” means beneficial interests in the Bonds, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture.

“Business Day” means any day other than a Saturday or Sunday or a day on which banking institutions in the City of Houston, Texas, or in the City of New York, New York, are required or authorized by law or executive order to remain closed.

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“Calculation Date” means, with respect to the Bonds, the date on which the calculations and filings set forth in Annex 1 to the Servicing Agreement will be made each year.

“Capital Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“CenterPoint Houston” means CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, or its successors.

“Clearing Agency” means an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act.

“Clearing Agency Participant” means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and Treasury Regulations promulgated thereunder.

“Collection Account” has the meaning specified in Section 8.02(a) of the Indenture.

“Collections” means amounts collected in respect of System Restoration Charges.

“Commission” means the U.S. Securities and Exchange Commission, and any successor thereof.

“Corporate Trust Office” means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office as of the date of the execution of this Indenture is located at Deutsche Bank Trust Company Americas, Attn: Structured Finance Services, Trust & Securities Services, 60 Wall Street, 26th floor, Mail Stop NYC60 2606, New York, NY 10005, with a copy to Deutsche Bank National Trust Company, Attn: Structured Finance Services, MS 01 0105 25 Deforest Ave, Summit, New Jersey 07901, Ref: CenterPoint Energy Restoration Bond Company, LLC, or at such other address as the Trustee may designate from time to time by notice to the Bondholders and the Issuer, or the principal corporate trust office of any successor Trustee (the address of which the successor Trustee will provide to the Bondholders and the Issuer) and for purposes of surrender and presentment at the office of DB Services Tennessee, 648 Grassmere Park Road, Nashville, TN 37211, Attn: Transfer Unit.

“Covenant Defeasance Option” has the meaning specified in Section 4.01(b) of the Indenture.

“Customers” means all existing and future electric customers served at distribution voltage within CenterPoint Houston’s service territory as it existed on August 26, 2009, except for (A) certain categories of existing customers whose load had been lawfully served on or before August 26, 2009 by an on-site power production facility with a rated capacity of greater than 10 megawatts that was either (i) a fully operational facility or (ii) a project supported by substantially complete filings for all necessary site-specific environmental permits under the rules of the Texas Commission on Environmental Quality or (B) customers in a multiple certificated service area who requested to switch providers on or before August 26, 2009 or were not taking service from CenterPoint Houston on, and do not do so after, August 26, 2009.

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“Default” means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

“Defeasance Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“Definitive Bonds” has the meaning specified in Section 2.11 of the Indenture.

“Depositing REP” means a retail electric provider, as that term is defined in the Public Utility Regulatory Act, who provides the Trustee with a cash deposit pursuant to the Financing Order.

“DTC” means The Depository Trust Company.

“DTC Agreement” means the Letter of Representations among the Issuer, the Bond Registrar and DTC or other applicable Clearing Agency, relating to the Clearing Agency’s rights and obligations (in its capacity as Clearing Agency) with respect to any Book-Entry Bonds, as the same may be amended and supplemented from time to time.

“Eligible Guarantor Institution” means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as “an eligible guarantor institution,” including (as such terms are defined therein):

- (a) a bank;
- (b) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer;
- (c) a credit union;
- (d) a national securities exchange, registered securities association or clearing agency; or
- (e) a savings association that is a participant in a securities transfer association.

“Eligible Institution” means:

- (a) the corporate trust department of the Trustee, so long as any of the securities of the Trustee have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade, or
- (b) the trust department of a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), which
  - (i) has either



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(A) with respect to any Eligible Investment having a maturity of greater than one month, a long-term unsecured debt rating of “AA-” by Standard & Poor’s, “A2” by Moody’s and, if Fitch provides a rating thereon, the equivalent of the lower of those two ratings by Fitch or

(B) with respect to any Eligible Investment having a maturity of one month or less, a certificate of deposit rating of “A-1+” by Standard & Poor’s, “P-1” by Moody’s and, if Fitch provides a rating thereon, “F-1+” by Fitch, or any other long-term, short-term or certificate of deposit rating acceptable to the Rating Agencies, and

(ii) whose deposits are insured by the FDIC.

“Eligible Investments” mean Book-Entry Securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence and may include investments for which the trustee and/or its affiliates acts as an investment manager or advisor:

(a) direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States of America;

(b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States of America or any State thereof (or any domestic branch of a foreign bank) and subject to supervision and examination by federal or State banking or depository institution authorities; provided, however, that at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) thereof shall have either (i) a long-term unsecured debt rating from Moody’s, Standard & Poor’s and, if Fitch provides a rating thereon, Fitch of at least “Aa3,” “AA” and “AA,” respectively, or (ii) a certificate of deposit rating from Moody’s and Standard & Poor’s of at least “P-1” and “A-1+,” respectively, and, if Fitch provides a rating thereon, “F-1+” by Fitch;

(c) commercial paper or other short term obligations of any Person organized under the laws of any State (other than CenterPoint Houston or any of its affiliates) whose ratings, at the time of the investment or contractual commitment to invest therein, from Moody’s and Standard & Poor’s shall be at least “P-1” and “A-1+,” respectively and, if Fitch provides a rating thereon, “F-1+” by Fitch;

(d) investments in money market funds having a rating from Moody’s, Standard & Poor’s and, if Fitch provides a rating thereon, Fitch of “Aaa,” “AAA” and “AAA,” respectively (including funds for which the Trustee or any of its Affiliates act as investment manager or advisor);

(e) bankers’ acceptances issued by any depository institution or trust company referred to in clause (b) above;

(f) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (b) above;

(g) repurchase obligations with respect to any security or whole loan entered into with

(i) a depository institution or trust company (acting as principal) described in clause (b) above (any depository institution or trust company being referred to in this definition as a “financial institution”),

(ii) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act (any broker/dealer being referred to in this definition as a “broker/dealer”), the unsecured short-term debt obligations of which are rated at least “P-1” by Moody’s, “A-1+” by Standard & Poor’s and, if Fitch provides a rating thereon, “F-1+” by Fitch at the time of entering into this repurchase obligation, or

(iii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated at least “P-1” by Moody’s, “A-1+” by Standard & Poor’s and, if Fitch provides a rating thereon, “F-1+” by Fitch at the time of purchase so long as the obligations of such unrated broker/dealer are unconditionally guaranteed by such non-bank or bank holding company; or

(h) any other investment permitted by each of the Rating Agencies;

provided, that (a) any Book-Entry Security, instrument or security having a maturity of one month or less that would be an Eligible Investment but for its failure, or the failure of the obligor thereon, to have the rating specified above shall be an eligible investment if such Book-Entry Security, instrument or security, or the obligor thereon, has a short-term unsecured debt rating of at least “P-1” by Moody’s, “A-1+” by S&P and, if Fitch provides a rating thereon, “F-1+” by Fitch, and (b) any Book-Entry Security, instrument or security having a maturity of greater than one month that would be an eligible investment but for its failure, or the failure of the obligor thereon, to have the rating specified above shall be an eligible investment if such Book-Entry Security, instrument or security, or the obligor thereon, has a long-term unsecured debt rating of at least “AA-” by S&P or “Aa3” by Moody’s (and, if Fitch provides a rating thereon, “AA-” by Fitch) and a short-term unsecured debt rating of at least “P-1” by Moody’s or the equivalent thereof by S&P (and Fitch, if Fitch provides a rating thereon);

provided, further, that unless otherwise permitted by the applicable Rating Agencies, upon the failure of any Eligible Institution to maintain any applicable rating set forth in this definition or the definition of Eligible Institution, the related investments at that institution shall be reinvested in Eligible Investments at a successor Eligible Institution within 10 days.

“Eligible Securities Account” means either:

(a) a segregated non-interest-bearing trust account with an Eligible Institution or

(b) a segregated non-interest-bearing trust account with the corporate trust department of a depository institution organized under the laws of the United States of America or any State (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the unsecured securities of such depository institution shall have a credit rating from each Rating Agency in one of its generic rating categories which signifies investment grade.

“Event of Default” has the meaning specified in Section 5.01 of the Indenture.

“Excess Funds Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expected Amortization Schedule” means with respect to each Tranche of Bonds, the expected schedule for amortization of the principal thereof, as specified in the Supplement.

“Expected Final Payment Date” means with respect to each Tranche of Bonds, the date when all interest and principal is scheduled to be paid for that Tranche in accordance with the Expected Amortization Schedule, as specified in the Supplement.

“FDIC” means the Federal Deposit Insurance Corporation or any successor.

“Federal Book-Entry Regulations” means (a) the federal regulations contained in Subpart B (“Treasury/Reserve Automated Debt Entry System (TRADES)”) governing Book-Entry Securities consisting of U.S. Treasury bonds, notes and bills, and Subpart D (“Additional Provisions”) of 31 C.F.R. part 357, Section 357.10 through Section 357.14 and Section 357.41 through Section 357.44 (including related defined terms in 31 C.F.R. Section 357.2); and (b) to the extent substantially identical to the federal regulations referred to in clause (a) above (as in effect from time to time), the federal regulations governing other Book-Entry Securities.

“Final Maturity Date” means, for each Tranche of the Bonds, the date by which all Principal and Interest on that Tranche is required to be paid, as specified in the Supplement.

“Financing Order” means the Financing Order issued by the PUCT on August 26, 2009, in Docket No. 37200.

“Fitch” means Fitch, Inc. or any successor thereto.

“General Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“Grant” means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, deliver, create and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Trust Estate or of any other agreement or instrument shall include all rights, powers and options (but none of the

obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal, interest and other payments in respect of the Trust Estate and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Holder” or “Bondholder” means the Person in whose name a Bond of any Tranche is registered on the Bond Register.

“Indemnity Amounts” means any indemnification obligations payable by the Servicer pursuant to the Servicing Agreement, the Seller pursuant to the Sale Agreement or the Issuer pursuant to Section 6.07 of the Indenture.

“Indenture” means this Indenture dated as of [\_\_\_\_], 2009, between the Issuer and the Trustee, as the same may be amended and supplemented from time to time by one or more Supplemental Indentures, and shall include the forms and terms of the Bonds established thereunder.

“Independent” means, when used with respect to any specified Person, that the Person

- (a) is in fact independent of the Issuer, any other obligor upon the Bonds, CenterPoint Houston and any Affiliate of any of the foregoing Persons,
- (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, CenterPoint Houston or any Affiliate of any of the foregoing Persons and
- (c) is not connected with the Issuer, any such other obligor, CenterPoint Houston or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

“Independent Certificate” means a certificate or opinion to be delivered to the Trustee made by an Independent appraiser from a nationally reputable appraisal firm or other expert appointed by an Issuer Order in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read the definition of “Independent” in this Appendix A and that the signer is Independent within the meaning thereof.

“Intercreditor Agreement” means the intercreditor agreement that CenterPoint Houston, as Seller, enters into with the Trustee, the Issuer, CenterPoint Energy Transition Bond Company, LLC, CenterPoint Energy Transition Bond Company II, LLC, CenterPoint Energy Transition Bond Company III, LLC, Deutsche Bank Trust Company Americas, a New York banking corporation, as successor in interest to Bankers Trust Co., as trustee under that certain indenture dated as of October 24, 2001, related to the transition bonds issued by CenterPoint Energy Transition Bond Company, LLC, and as Trustee under that certain indenture dated as of February 12, 2008, related to the transition bonds issued by CenterPoint Energy Transition Bond Company III, LLC, Wilmington Trust Company, as trustee under that certain indenture dated as of December 16, 2005, related to the transition bonds issued by CenterPoint Energy Transition Bond Company II, LLC, and other parties.

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“Interest” means, for any Payment Date for any Tranche of the Bonds, the sum, without duplication, of:

(a) an amount equal to the amount of interest accrued at the applicable interest rates from the prior Payment Date or, with respect to the first Payment Date, the amount of interest accrued since the Issuance Date, with respect to that Tranche;

(b) any interest not paid when due plus, to the extent permitted by law, any interest accrued on this unpaid interest at the applicable interest rate; and

(c) if the Bonds have been declared due and payable, all accrued and unpaid interest thereon.

“Issuance Date” means the date on which the Bonds are to be originally issued in accordance with Section 2.10 of the Indenture and the Supplement.

“Issuer” means CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company, or any successor thereto pursuant to Section 3.11 of the Indenture.

“Issuer Certificate of Formation” means the Certificate of Formation of the Issuer that was filed with the Delaware Secretary of State on August 6, 2009, as the same may be amended and restated from time to time.

“Issuer LLC Agreement” means the Limited Liability Company Agreement between the Issuer and CenterPoint Houston, as sole Member, effective as of September 28, 2009, as amended and restated on [\_\_\_\_], 2009, as the same may be amended and supplemented from time to time.

“Issuer Opinion of Counsel” means one or more written opinions of counsel who may, except as otherwise expressly provided in the Indenture, be employees of or counsel to the Issuer and who shall be satisfactory to the Trustee and the PUCT, and which opinion or opinions shall be addressed to the Trustee, as Trustee, and shall be in a form reasonably satisfactory to the Trustee.

“Issuer Officer’s Certificate” means a certificate on behalf of the Issuer signed by any Authorized Officer of the Issuer and delivered to the Trustee.

“Issuer Order” or “Issuer Request” means a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Trustee.

“Legal Defeasance Option” has the meaning specified in Section 4.01(b) of the Indenture.

“Lien” means a security interest, lien, charge, pledge, equity or encumbrance of any kind.

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“Losses” means collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

“Majority Holders” means the Holders of a majority of the Outstanding Amount of the Bonds.

“Manager” means any manager of the Issuer.

“Member” means CenterPoint Houston, as the sole member of the Issuer, or any successor thereto.

“Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.

“Officer’s Certificate” means, in respect of any Person, an officer’s certificate signed by an Authorized Officer of such Person; provided that unless otherwise specified, any reference in the Indenture to an Officer’s Certificate shall be to an Officer’s Certificate of any Authorized Officer of the Issuer.

“Operating Expenses” means, with respect to the Issuer, all fees, costs and expenses owed by the Issuer with respect to the Bonds, including all amounts owed by the Issuer to the Trustee, the Servicing Fee (but excluding costs and expenses incurred by the Servicer except as specifically set forth in Section 6.08 of the Servicing Agreement), the fees and expenses payable by the Issuer to the Administrator under the Administration Agreement (but excluding any costs and expenses incurred by the Administrator in carrying out its duties under the Administration Agreement other than costs and expenses for services provided by unaffiliated third parties incurred by the Administrator in accordance with Sections 2 and 3 of the Administration Agreement), the fees and expenses payable by the Issuer to the independent manager of the Issuer, legal fees and expenses of the Servicer pursuant to the Servicing Agreement, and legal and accounting fees, costs and expenses of the Issuer.

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to CenterPoint Houston or the Issuer, which counsel shall be reasonably acceptable to the Trustee, the PUCT, the Issuer or the Rating Agencies and which shall be in form reasonably satisfactory to the Trustee or the PUCT, if applicable.

“Outstanding” or “outstanding” with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture except:

(a) Bonds theretofore canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee; and

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(c) Bonds in exchange for or in lieu of other Bonds which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser;

provided that in determining whether the Holders of the requisite Outstanding Amount of the Bonds or Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Bonds owned by the Issuer, any other obligor upon the Bonds, CenterPoint Houston or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be fully protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, any other obligor upon the Bonds, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Outstanding Bonds or, if the context requires, all Outstanding Bonds or Tranche Outstanding at the date of determination.

"Paying Agent" means the entity so designated in Section 3.03 of the Indenture or any other Person that meets the eligibility standards for the Trustee specified in Section 6.11 of the Indenture and is authorized by the Issuer to make the payments of Principal of or premium, if any, or Interest on the Bonds on behalf of the Issuer.

"Payment Date" means, with respect to each Tranche of the Bonds, each date or dates specified as Payment Dates for such Tranche in the Supplement, provided that if any such date is not a Business Day, the Payment Date shall be the Business Day immediately succeeding such date.

"Person" means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Bond" means, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for the purpose of this definition, any Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

"Principal" means, with respect to any Payment Date and each Tranche of the Bonds the sum, without duplication, of:

- (a) the amount of principal scheduled to be paid on such Payment Date in accordance with the Expected Amortization Schedule;

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- (b) the amount of principal due on the Final Maturity Date of any Tranche if such Payment Date is the Final Maturity Date;
  - (c) the amount of principal due as a result of the occurrence and continuance of an Event of Default and acceleration of the Bonds; and
  - (d) any unpaid and previously scheduled payments of principal and overdue payments of principal.

“Pro Rata” has the meaning specified for such term in Section 8.02(d) of the Indenture.

“Proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Projected Bond Balance” means, as of any date, the anticipated Outstanding Amount of the Bonds after giving effect to payment of the sum of the amounts provided for in the Expected Amortization Schedules for the Bonds to be paid on or before such date.

“Public Utility Regulatory Act” means the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code.

“PUCT” means the Public Utility Commission of Texas or any successor entity thereto.

“Qualified Costs” has the meaning assigned to that term in the System Restoration Amendments and the Financing Order.

“Rating Agency” means any rating agency rating the Bonds of any Tranche at the time of issuance thereof at the request of the Issuer, which initially shall be Moody’s, Fitch and S&P. If no such organization or successor is any longer in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, written notice of which designation shall be given to the Trustee and the Servicer.

“Rating Agency Condition,” with respect to the issuance of the Bonds, has the meaning set forth in Section 2.10(7) of the Indenture and, with respect to any other action, means the notification in writing to each Rating Agency of such action, and confirmation from S&P to the Trustee and the Issuer that such action will not result in a reduction or withdrawal of the then current rating by such Rating Agency of any outstanding Tranche of the Bonds.

“Record Date” means, with respect to any Payment Date for a Tranche, the date set forth as such in the Supplement therefor.

“Redemption Date” means, with respect to each Tranche of the Bonds, the date for the redemption of the Bonds or Tranche pursuant to Section 10.01 of the Indenture or the Supplement for such Tranche, which in each case shall be a Payment Date.

“Regulation AB” means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time.



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“REP” means a retail electric provider under the Financing Order.

“REP Deposit Account” has the meaning specified in Section 8.06 of the Indenture.

“Required Capital Amount” means a capital contribution in an amount equal to the amount specified in the Supplement, representing a capital contribution from CenterPoint Houston.

“Responsible Officer” means, with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee, including any Vice President, Director, Managing Director, associate, Assistant Vice President, Vice President, Secretary, Assistant Secretary, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Retiring Trustee” means a Trustee that resigns or vacates the office of Trustee for any reason.

“Sale Agreement” means the System Restoration Property Sale Agreement dated as of [\_\_\_\_], 2009 between the Seller and the Issuer, as the same may be amended and supplemented from time to time.

“Securities Act” means the Securities Act of 1933, as amended.

“Securitization Provisions” means the System Restoration Amendments and the provisions of Chapter 39 subchapter G of the Public Utility Regulatory Act.

“Seller” means CenterPoint Houston, or its successor, in its capacity as seller of the System Restoration Property to the Issuer pursuant to the Sale Agreement.

“Semiannual Servicer’s Certificate” means the statement prepared by the Servicer and delivered to the Trustee with respect to the Bonds on or prior to each Payment Date therefor, the form of which is attached hereto as Schedule 1.

“Servicer” means CenterPoint Houston and each successor to or assignee of CenterPoint Houston, in its capacity as Servicer under the Servicing Agreement for the Bonds.

“Servicer Default” means the occurrence and continuation of one of the events specified in the Servicing Agreement.

“Servicing Agreement” means the System Restoration Property Servicing Agreement dated as of [\_\_\_\_], 2009 between the Issuer and the Servicer for the System Restoration Property and acknowledged by the Trustee, as the same may be amended and supplemented from time to time.

“Servicing Fee” means the fee payable by the Issuer to the Servicer on each Payment Date with respect to the Bonds in the amount to be specified in the Servicing Agreement.

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“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business, or any successor thereto.

“State” means any one of the 50 states of the United States of America or the District of Columbia.

“Successor Servicer” means a successor to the Servicer under the Servicing Agreement.

“Supplement” means the Supplemental Indenture that sets forth the terms and provisions of the Bonds.

“Supplemental Indenture” means a supplemental indenture entered into by the Issuer and the Trustee pursuant to Article IX of the Indenture.

“System Restoration Amendments” means Act of April 16, 2009, 81st Leg., R.S., S.B. 769, § 1 (to be codified at Tex Util. Code Ann. §§ 36.401-.406).

“System Restoration Charge Adjustment Process” means the process by which System Restoration Charges are adjusted pursuant to the Servicing Agreement, the Financing Order and the Public Utility Regulatory Act.

“System Restoration Charges” means the nonbypassable amounts to be charged for the use of electric services, approved by the PUCT in the Financing Order to recover Qualified Costs that may be collected by CenterPoint Houston, its successors, assignees or other collection agents as provided for in the Financing Order.

“System Restoration Property” means the rights and interests of the Seller or its successor under the Financing Order, once those rights are first transferred to the Issuer or pledged in connection with the issuance of the Bonds, including the irrevocable right to impose, collect and receive through System Restoration Charges payable by retail electric customers within the Seller’s certificated service area as it existed on August 26, 2009, an amount sufficient to cover the Qualified Costs of the Seller authorized in the Financing Order, the right to receive System Restoration Charges in amounts and at times sufficient to pay principal and interest and make other deposits in connection with the Bonds and all revenues and collections resulting from System Restoration Charges. System Restoration Property is known as “Transition Property” in the Public Utility Regulatory Act.

“Tranche” means any one of the groupings of the Bonds differentiated by amortization, interest rate or sinking fund schedule, as specified in the Supplement.

“Tranche Final Maturity Date” means the Final Maturity Date of a Tranche, as specified in the Supplement.

“Tranche Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“Trust Estate” means all property and rights of every type securing all Bonds issued under the Indenture as provided pursuant to Section 2.03 and in the Supplement.

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“Trust Indenture Act or TIA” means the Trust Indenture Act of 1939, as amended, as in force on the date hereof, unless otherwise specifically provided.

“Trustee” means Deutsche Bank Trust Company Americas, as trustee, or its successor or any successor Trustee under the Indenture.

“UCC” means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended from time to time.

“Underwriters” means the underwriters who purchase Bonds or Tranche from the Issuer and sell such Bonds in a public offering.

“Underwriting Agreement” means the underwriting agreement dated [\_\_\_\_], 2009 entered into by the Issuer, CenterPoint Houston and the underwriters parties thereto in connection with the issuance of the Bonds in accordance with the Financing Order.

“U.S. Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the Issuer’s option.

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

Issuer

and

DEUTSCHE BANK TRUST COMPANY AMERICAS

Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of [\_\_\_\_], 2009

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Senior Secured System Restoration Bonds

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This FIRST SUPPLEMENTAL INDENTURE dated as of [\_\_\_\_], 2009 (this “Supplement”), by and among CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company (the “Issuer”), and Deutsche Bank Trust Company Americas, a New York banking corporation, in its capacity as trustee (the “Trustee”), is entered into pursuant to the Indenture dated as of even date herewith between the Issuer and the Trustee (the “Indenture”).

#### **PRELIMINARY STATEMENT; GRANTING CLAUSE**

The Issuer has duly authorized the execution and delivery of this Supplement and the creation of System Restoration Bonds with an initial aggregate principal amount of \$[\_\_\_\_] to be known as the Issuer’s Senior Secured System Restoration Bonds (the “Bonds”). All things necessary to make the Bonds, when duly executed by the Issuer and authenticated by or on behalf of the Trustee as provided in the Indenture and this Supplement and issued by the Issuer, the valid, binding and legal obligations of the Issuer and to make this Supplement a valid and enforceable supplement to the Indenture have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly and lawfully authorized. The Issuer and the Trustee are executing and delivering this Supplement in order to provide for the Bonds. In connection with the execution and delivery of this Supplement, the Issuer undertakes and confirms that it will not issue any System Restoration Bonds other than the Bonds provided for hereby.

The “Trust Estate” shall consist of, and the Issuer hereby absolutely and irrevocably Grants to the Trustee, as trustee for the benefit of the Holders of the Bonds issued and outstanding, all of the Issuer’s right, title and interest whether now owned or hereafter acquired (and whether now existing or hereafter arising), in, to and under (a) the System Restoration Property relating to the Bonds purchased by the Issuer pursuant to the Sale Agreement relating to the Bonds and all proceeds thereof, (b) the Sale Agreement relating to the Bonds, (c) the Bill of Sale delivered by the Seller pursuant to the Sale Agreement relating to the Bonds, (d) the Servicing Agreement relating to the Bonds and the Intercreditor Agreement executed in connection therewith, (e) the Administration Agreement, (f) the Collection Account relating to the Bonds and all subaccounts thereof (including, without limitation, the General Subaccount, the Capital Subaccount and the Excess Funds Subaccount relating to the Bonds) and all cash, securities, instruments, investment property or other assets credited to or deposited in that Collection Account or any subaccount thereof from time to time or purchased with funds therefrom, and all financial assets and securities entitlements carried therein or credited thereto, (g) the REP Deposit Account relating to the Bonds, (h) all other property of whatever kind owned from time to time by the Issuer other than any cash released to the Issuer by the Trustee pursuant to Section 8.02 of the Indenture, (i) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and (j) all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property of any or all of the foregoing, all cash proceeds, accounts, accounts receivable, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, payment intangibles, letter-of-credit rights, investment property, commercial tort claims, documents, rights to payment of any and every kind, and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing.

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Such Grant is made to the Trustee to have and to hold in trust to secure the payment of principal of and premium, if any, and interest on, and any other amounts (including all fees, expenses, counsel fees and other amounts due and owing to the Trustee) owing in respect of, the Bonds equally and ratably without prejudice, preference, priority or distinction, except as expressly provided in the Indenture and this Supplement and to secure performance by the Issuer of all of the Issuer's obligations under the Indenture and this Supplement with respect to the Bonds, all as provided in the Indenture and this Supplement; provided, however, that in no event shall the proceeds of the issuance of the Bonds constitute a portion of the Trust Estate.

The Trustee, as trustee on behalf of the Holders of the Bonds, acknowledges such Grant, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform its duties as set forth in the Indenture and this Supplement.

## **ARTICLE I DEFINITIONS**

All terms used in this Supplement that are defined in the Indenture, either directly or by reference therein, have the meanings assigned to such terms in the Indenture, except to the extent such terms are defined or modified in this Supplement or the context clearly requires otherwise.

## **ARTICLE II OTHER DEFINITIONAL PROVISIONS**

SECTION 2.01. "Authorized Denominations" means \$1,000 and integral multiples thereof, except for one Bond of each Tranche which may be of a smaller denomination.

SECTION 2.02. "Expected Amortization Schedule" means Schedule A to this Supplement.

SECTION 2.03. "Expected Final Payment Date" means, with respect to any Tranche of the Bonds, the expected final payment date therefor, as specified in Article IV of this Supplement.

SECTION 2.04. "Final Maturity Date" means, with respect to any Tranche of the Bonds, the final maturity date thereof, as specified in Article IV of this Supplement.

SECTION 2.05. "Interest Rate" has the meaning set forth in Article IV of this Supplement.

SECTION 2.06. "Issuance Date" has the meaning set forth in Section 3.02 of this Supplement.

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SECTION 2.07. "Payment Date" has the meaning set forth in Section 5.01 of this Supplement.

SECTION 2.08. "Record Date" shall mean, with respect to any Payment Date, the close of business on the Business Day immediately prior to such Payment Date.

SECTION 2.09. "Required Capital Amount" has the meaning set forth in Section 5.04 of this Supplement.

### ARTICLE III

#### DESIGNATION; ISSUANCE DATE; SOLE SERIES

SECTION 3.01. DESIGNATION. The Bonds shall be designated generally as the Issuer's Senior Secured System Restoration Bonds and further denominated as Tranche A-1, Tranche A-2 or Tranche A-3, as applicable.

SECTION 3.02. ISSUANCE DATE. The Bonds that are authenticated and delivered by the Trustee to or upon the written order of the Issuer on [\_\_\_\_], 2009 (the "Issuance Date") shall have as their date of authentication [\_\_\_\_], 2009.

SECTION 3.03. BOOK-ENTRY. Upon original issuance, the Bonds will be issued in the form of a typewritten Bond or Bonds representing the Book-Entry Bonds, to be delivered to DTC, as the initial Clearing Agency, by, or on behalf of, the Issuer, pursuant to Section 2.11 of the Indenture.

SECTION 3.04. NO ADDITIONAL SERIES. The Issuer commits that the Bonds are the only System Restoration Bonds that the Issuer will issue and that no additional series of System Restoration Bonds will be issued by the Issuer.

### ARTICLE IV

#### INITIAL PRINCIPAL BALANCE; INTEREST RATE; EXPECTED FINAL PAYMENT DATE; FINAL MATURITY DATE

(a) The Bonds of each Tranche of the Senior Secured System Restoration Bonds shall have the initial principal balance, Expected Final Payment Date and Final Maturity Date and bear interest at the interest rate (the "Interest Rate") as set forth below:

<u>Tranche</u>	<u>Initial Principal Balance</u>	<u>Expected Final Payment Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>
A-1				
A-2				
A-3				

(b) The Expected Final Payment Date for each Tranche of the Bonds will be the date when the outstanding principal balance of that Tranche will be reduced to zero if payments are made according to the Expected Amortization Schedule for that Tranche. The Final Maturity Date for each Tranche of the Bonds will be the date when the Issuer is required to pay the entire remaining unpaid principal balance, if any, of all outstanding Bonds of that Tranche.

(c) Interest on the Bonds will be paid before Principal of the Bonds. If there is a shortfall in the amounts available in the Collection Account to make interest payments, the Trustee will distribute Interest Pro Rata to each Outstanding Tranche of Bonds based on the amount of Interest payable on each Outstanding Tranche. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

## **ARTICLE V**

### **PAYMENT DATES; EXPECTED AMORTIZATION SCHEDULE FOR PRINCIPAL; INTEREST; REQUIRED CAPITAL AMOUNT; WATERFALL CAPS**

SECTION 5.01. PAYMENT DATES. The “Payment Dates” for the Bonds are [\_\_\_\_\_] and [\_\_\_\_\_] of each year or, if any such date is not a Business Day, the next succeeding Business Day, commencing on [\_\_\_\_\_] 2010, and continuing until the earlier of repayment of such Tranche in full and the applicable Final Maturity Date.

SECTION 5.02. EXPECTED AMORTIZATION SCHEDULE FOR PRINCIPAL. Unless an Event of Default has occurred and is continuing and the unpaid principal amount of all Tranches of Bonds has been declared to be due and payable together with accrued and unpaid interest thereon, on each Payment Date the Trustee shall distribute to the Holders of record of the Bonds as of the related Record Date amounts payable in respect of the Bonds pursuant to Section 8.02(d) of the Indenture as Principal, so that the outstanding Principal balance as of such Payment Date (after giving effect to all payments of Principal, if any, made on such Payment Date) has been reduced to the extent possible to the Principal balance specified in the Expected Amortization Schedule but not less than such Principal balance. Unless an Event of Default has occurred and is continuing and the unpaid principal amount of all Tranches of Bonds has been declared to be due and payable together with accrued and unpaid interest thereon, payments of Principal on any Tranche A-2 Bonds shall not be made on any Payment Date until the Principal balance of the Tranche A-1 Bonds has been reduced to zero, and payments of Principal on any Tranche A-3 Bonds shall not be made on any Payment Date until the Principal balance of the Tranche A-2 Bonds and the Tranche A-1 Bonds has been reduced to zero; provided, however, that payments of Principal on the Tranche A-2 Bonds may be made on the Payment Date that the Principal balance of the Tranche A-1 Bonds has been reduced to zero, and payments of Principal on the Tranche A-3 Bonds may be made on the Payment Date that the Principal balance of the Tranche A-2 Bonds has been reduced to zero.

SECTION 5.03. INTEREST. Interest will be payable on each Tranche of the Bonds on each Payment Date as follows:

(a) if there has been a payment default, any Interest payable but unpaid on any prior Payment Date, together with Interest on such unpaid Interest, if any, and

(b) accrued Interest on the principal balance of each Tranche of the Bonds as of the close of business on the preceding Payment Date, or the date of the original issuance of the Tranche of the Bonds, as applicable, after giving effect to all payments of Principal made on the preceding Payment Date;



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provided, however, that, with respect to the initial Payment Date or if no payment has yet been made, Interest on the outstanding principal balance shall accrue from and including the Issuance Date to, but excluding, the following Payment Date, and thereafter from and including the previous Payment Date to, but excluding, the applicable Payment Date until the Bonds have been paid in full, at the interest rate indicated in Article IV.

SECTION 5.04. REQUIRED CAPITAL AMOUNT. The “Required Capital Amount” for the Bonds shall be \$[\_\_\_\_], which is equal to [0.5]% of the initial outstanding principal balance of the Bonds.

SECTION 5.05. PREMIUM. There will be no early redemption of the Bonds, and therefore no Premium will be payable in connection with the early redemption of the Bonds.

SECTION 5.06. WATERFALL CAPS. The amount payable with respect to the Bonds pursuant to Section 8.02(d)(i) of the Indenture shall not exceed \$[\_\_\_\_] during any calendar year.

## **ARTICLE VI AUTHORIZED DENOMINATIONS**

The Bonds shall be issuable in the Authorized Denominations.

## **ARTICLE VII REDEMPTION**

The Bonds shall not be subject to mandatory or optional redemption.

## **ARTICLE VIII CREDIT ENHANCEMENT**

No credit enhancement (other than the Capital Subaccount and any adjustments to the System Restoration Charges approved by the PUCT as provided in the Public Utility Regulatory Act) is provided for the Bonds.

## **ARTICLE IX DELIVERY AND PAYMENT FOR THE BONDS; FORM OF THE BONDS**

The Trustee shall deliver or cause to be delivered the Bonds to the Issuer when authenticated in accordance with Section 2.02 of the Indenture. Each Bond shall be in the form of Exhibit A hereto, which is incorporated herein by reference.

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**ARTICLE X**  
**MISCELLANEOUS**

SECTION 10.01. CONFIRMATION OF INDENTURE. As supplemented by this Supplement, the Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Supplement, shall be read, taken, and construed as one and the same instrument.

SECTION 10.02. EFFECTS OF HEADINGS. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 10.03. COUNTERPARTS. This Supplement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 10.04. GOVERNING LAW. **THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

SECTION 10.05. RIGHTS OF TRUSTEE AND OTHERS. The Trustee, the authenticating agent, the Bond Registrar and the Paying Agent shall be entitled to the same rights, protections, immunities, and indemnities set forth in the Indenture as if specifically set forth herein.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Supplement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

CENTERPOINT ENERGY RESTORATION  
BOND COMPANY, LLC,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

DEUTSCHE BANK TRUST COMPANY  
AMERICAS,  
not in its individual capacity but solely as  
Trustee on behalf of the Bondholders

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

SCHEDULE A

Expected Amortization Schedule

Outstanding Principal Balance

Payment Date	Tranche A-1 Balance	Tranche A-2 Balance	Tranche A-3 Balance
Initial Principal Balance			

Exhibit A to First Supplemental Indenture

REGISTERED

\$

No. \_\_\_\_\_

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP NO.

THE PRINCIPAL OF THIS TRANCHE [ ] BOND WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS TRANCHE [ ] BOND AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. THE HOLDER OF THIS TRANCHE [ ] BOND HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE THAT IS ONE YEAR AND ONE DAY AFTER THE PAYMENT IN FULL OF THE TRANCHE [ ] BONDS, IT WILL NOT INSTITUTE AGAINST OR JOIN ANY OTHER PERSON IN INSTITUTING AGAINST THE ISSUER ANY BANKRUPTCY, REORGANIZATION, ARRANGEMENT, INSOLVENCY OR LIQUIDATION PROCEEDINGS OR OTHER SIMILAR PROCEEDINGS UNDER THE LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

SENIOR SECURED SYSTEM RESTORATION BONDS, Tranche [ ].

Bond Rate	Initial Principal Amount	Expected Final Payment Date	Final Maturity Date
_____%	\$ _____		

CenterPoint Energy Restoration Bond Company, LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein referred to as the "Issuer"), for value received, hereby promises to pay to the registered holder under Section 2.05 of the Indenture ("Registered Holder"), or registered assigns, the Initial Principal Amount shown above in semiannual installments on the Payment Dates (as defined below) and in the amounts specified on the reverse hereof or, if less, the amounts determined pursuant to Section 8.02(d) of the Indenture referred to on the reverse hereof, in each year, commencing on the date determined as provided on the reverse hereof and ending on or before the Final Maturity Date of this Tranche [ ] Bond, to pay the entire unpaid principal hereof on such Final Maturity Date and to pay Interest, at the Bond Rate shown above, on each [\_\_\_\_\_] and [\_\_\_\_\_] or if any such day is not a Business Day, the next succeeding Business Day, commencing on [\_\_\_\_\_] 2010 and continuing until the earlier of the payment of the Principal hereof and the Final Maturity Date of this Tranche [ ] Bond (each a "Payment Date"), on the Principal amount of this Tranche [ ] Bond outstanding from time to time. Interest on this Tranche [ ] Bond will accrue for each Payment Date from the most recent Payment Date on which Interest has been paid to

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but excluding such Payment Date or, if no Interest has yet been paid, from [\_\_\_\_], 2009. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Such Principal of and Interest on this Tranche [ ] Bond shall be paid in the manner specified on the reverse hereof.

The Principal of and Interest on this Tranche [ ] Bond are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Issuer with respect to this Tranche [ ] Bond shall be applied first to Interest due and payable on this Tranche [ ] Bond as provided above and then to the unpaid Principal of and premium, if any, on this Tranche [ ] Bond, all in the manner set forth in Section 8.02(d) of the Indenture.

This Tranche [ ] Bond is a “transition bond” as such term is defined in the Public Utility Regulatory Act. Principal and Interest on this Tranche [ ] Bond are payable from and secured primarily by the system restoration property authorized by the Financing Order. System restoration property is known as “transition property” in the Public Utility Regulatory Act. The Public Utility Regulatory Act provides that the State of Texas pledges “for the benefit and protection of financing parties and the electric utility, that it will not take or permit any action that would impair the value of the transition property, or except as permitted . . . [through the Transition Charge Adjustment Process] . . . reduce, alter, or impair the transition charges to be imposed, collected, and remitted to financing parties, until the principal, interest, and premium, and any other charges incurred and contracts to be performed in connection with the related transition bonds have been paid and performed in full.”

Reference is made to the further provisions of this Tranche [ ] Bond set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Tranche [ ] Bond.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Tranche [ ] Bond shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

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Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be signed, manually or in facsimile, by an Authorized Officer of the Issuer.

Date: \_\_\_\_\_

CENTERPOINT ENERGY RESTORATION  
BOND COMPANY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



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**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

Dated: \_\_\_\_\_, 2009

This is one of the Tranche [ ] Bonds designated above and referred to in the within-mentioned Indenture.

DEUTSCHE BANK TRUST COMPANY  
AMERICAS,  
not in its individual capacity but solely as  
Trustee on behalf of the Bondholders

[By: [ ],  
as Authenticating Agent]

By: \_\_\_\_\_  
Name:  
Title:

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## REVERSE OF BOND

This Tranche [ ] Senior Secured System Restoration Bond is one of a duly authorized issue of Senior Secured System Restoration Bonds of the Issuer (herein called the “Bonds”), which are issuable in one or more Tranches, in which this Tranche [ ] Senior Secured System Restoration Bond represents an interest, including the Tranche [ ] Senior Secured System Restoration Bonds (herein called the “Tranche [ ] Bonds”), all issued and to be issued under an indenture dated as of [ ], 2009, and a supplemental indenture thereto dated as of even date therewith (such supplemental indenture, as supplemented or amended, the “Supplement” and, collectively with such indenture, as supplemented or amended, the “Indenture”), each between the Issuer and Deutsche Bank Trust Company Americas as Trustee (the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the Trust Estate pledged, the nature and extent of the security and the respective rights, obligations and immunities thereunder of the Issuer, the Trustee and the Bondholders. All terms used in this Tranche [ ] Bond that are defined in the Indenture, as supplemented or amended, shall have the meanings assigned to them in the Indenture.

The Tranche [ ] Bonds and the other Tranche of Bonds issued by the Issuer are and will be equally and ratably secured by the Trust Estate pledged as security therefor as provided in the Indenture or the Supplement.

The Principal of this Tranche [ ] Bond shall be payable on each Payment Date only to the extent that amounts in the Collection Account are available therefor, and only until the outstanding Principal balance thereof on such Payment Date (after giving effect to all payments of Principal, if any, made on such Payment Date) has been reduced to the Principal balance specified in the Expected Amortization Schedule which is attached to the Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Trustee or the Bondholders representing not less than a majority of the Outstanding Amount of the Bonds have declared the Bonds to be immediately due and payable in accordance with Section 5.02 of the Indenture. However, actual Principal payments may be made in less than expected amounts and at later than expected times as determined pursuant to Section 8.02(d) of the Indenture and Section 5.02 of the Supplement. The entire unpaid Principal amount of this Tranche [ ] Bond shall be due and payable on the Final Maturity Date of this Tranche [ ] Bond. Notwithstanding the foregoing, the entire unpaid Principal amount of the Bonds shall be due and payable, if not then previously paid, on the date on which an Event of Default shall have occurred and be continuing and the Trustee or the Bondholders representing a majority of the Outstanding Amount of the Bonds have declared the Bonds to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All Principal payments on the Tranche [ ] Bonds shall be made pro rata to the Tranche [ ] Bondholders entitled thereto based on the respective Principal amounts of the Bonds held by them.

Payments of Interest on this Tranche [ ] Bond due and payable on each Payment Date, together with the installment of Principal or premium, if any, due on this Tranche [ ] Bond on such Payment Date shall be made by check mailed first-class, postage prepaid, to the Person whose name appears as the Holder of this Tranche [ ] Bond in the Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Supplement,

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except that with respect to Tranche [ ] Bonds registered on the Record Date in the name of a Clearing Agency, payments will be made by wire transfer in immediately available funds to the account designated by such Clearing Agency and except for the final installment of Principal and premium, if any, payable with respect to this Tranche [ ] Bond on a Payment Date which shall be payable as provided below. Such checks shall be mailed to the Person entitled thereto at the address of such Person as it appears in the Bond Register as of the applicable Record Date without requiring that this Tranche [ ] Bond be submitted for notation of payment. Any reduction in the Principal amount of this Tranche [ ] Bond (or any one or more predecessors to such Bond) effected by any payments made on any Payment Date shall be binding upon all future Bondholders of this Tranche [ ] Bond and of any Tranche [ ] Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted hereon. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid Principal amount of this Tranche [ ] Bond on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the preceding Record Date to such Payment Date by notice mailed no later than five days prior to such final Payment Date and shall specify that such final installment will be payable to the Holder hereof as of the Record Date immediately preceding such final Payment Date and only upon presentation and surrender of this Tranche [ ] Bond and shall specify the place where this Tranche [ ] Bond may be presented and surrendered for payment of such installment.

The Issuer shall pay Interest on overdue installments of Interest on this Tranche [ ] Bond at the Bond Rate for Tranche [ ] to the extent lawful.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Tranche [ ] Bond may be registered in the Bond Register upon surrender of this Tranche [ ] Bond for registration of transfer at the office or agency designated by the Issuer pursuant to the Indenture, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Holder hereof or his attorney duly authorized in writing, with such signature guaranteed by an Eligible Guarantor Institution, and thereupon one or more new Tranche [ ] Bonds of any Authorized Denominations and in the same aggregate unpaid Principal amount will be issued to the designated transferee or transferees. No service charge will be charged for any registration of transfer or exchange of this Tranche [ ] Bond, but the transferor may be required to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange.

Prior to the due presentment for registration of transfer of this Tranche [ ] Bond, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Tranche [ ] Bond is registered (as of the day of determination) as the owner hereof for the purpose of receiving payments of Principal of and premium, if any, and Interest on this Tranche [ ] Bond and for all other purposes whatsoever, whether or not this Tranche [ ] Bond be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Bondholders under the Indenture at any time by the Issuer with the consent of the Bondholders representing a majority of the Outstanding Amount of all Bonds at the time Outstanding of each Tranche to be affected. The Indenture also contains provisions permitting the Bondholders representing specified percentages of the Outstanding Amount of the Bonds, on behalf of all Bondholders, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Bondholders of this Tranche [ ] Bond (or any one or more predecessors of such Bonds) shall be conclusive and binding upon such Bondholder and upon all future Bondholders of this Tranche [ ] Bond and of any Tranche [ ] Bond issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Tranche [ ] Bond. The Indenture also permits the Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of the Bondholders.

For so long as the Servicer and Issuer are each disregarded as an entity separate from CenterPoint Energy, Inc., a Texas corporation (“CenterPoint Energy”), under U.S. Treasury Regulations §§ 301.7701-2 and -3, each Bond Owner, by acquiring a beneficial interest, agrees to treat such Bond as indebtedness of CenterPoint Energy for federal income (and, to the extent applicable, state and local income and franchise) tax purposes unless otherwise required by appropriate taxing authorities. For any time period other than that in which the Servicer and Issuer are each disregarded as an entity separate from CenterPoint Energy or to the extent the appropriate taxing authorities require a tax treatment contrary to that described in the preceding sentence, each Bond Owner agrees to treat such Bond as indebtedness of the Issuer or such other party as is required by the appropriate taxing authority. For purposes other than federal income (and, to the extent applicable, state and local income and franchise) tax purposes, each Bond Owner is looking to the Issuer for payment of the amounts due and payable hereunder.

The term “Issuer” as used in this Tranche [ ] Bond includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate.

The Tranche [ ] Bonds are issuable only in registered form in Authorized Denominations as provided in the Indenture and the Supplement, subject to certain limitations therein set forth.

**THIS TRANCHE [ ] BOND, THE INDENTURE AND THE SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

No reference herein to the Indenture and no provision of this Tranche [ ] Bond or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the Principal of and Interest on this Tranche [ ] Bond at the times, place, and rate, and in the coin or currency herein prescribed.

#### ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee \_\_\_\_\_.

---

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

(name and address of assignee)

the Tranche [ ] Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

(name and address of appointee)

attorney, to transfer said Tranche [ ] Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

\_\_\_\_\_

\_\_\_\_\_\*  
Signature Guaranteed:

\_\_\_\_\_

\_\_\_\_\_

\* NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the Tranche [ ] Bond in every particular, without alteration, enlargement or any change whatsoever.

---

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

**FORM T-1**

**STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE**

**CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)**

---

**DEUTSCHE BANK TRUST COMPANY AMERICAS**  
**(formerly BANKERS TRUST COMPANY)**  
**(Exact name of trustee as specified in its charter)**

**NEW YORK**  
**(Jurisdiction of Incorporation or  
organization if not a U.S. national bank)**

**13-4941247**  
**(I.R.S. Employer  
Identification no.)**

**60 WALL STREET**  
**NEW YORK, NEW YORK**  
**(Address of principal executive offices)**

**10005**  
**(Zip Code)**

**Deutsche Bank Trust Company Americas**  
**Attention: Lynne Malina**  
**Legal Department**  
**60 Wall Street, 37th Floor**  
**New York, New York 10005**  
**(212) 250 – 0677**  
**(Name, address and telephone number of agent for service)**

---

**CenterPoint Energy Restoration Bond Company, LLC**  
**(Exact name of obligor as specified in its charter)**

**Delaware**  
**(State or other jurisdiction  
of incorporation or organization)**

**30-0582734**  
**(IRS Employer  
Identification No.)**

---

**Copies To:**

**1111 Louisiana, Suite 4664B**  
**Houston, Texas 77002**

---

**Senior Secured System Restoration Bonds**  
(Title of the Indenture securities)

**Item 1. General Information. Furnish the following information as to the trustee.**

**(a) Name and address of each examining or supervising authority to which it is subject.**

<u>Name</u>	<u>Address</u>
Federal Reserve Bank (2nd District)	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.
New York State Banking Department	Albany, NY

**(b) Whether it is authorized to exercise corporate trust powers. Yes.**

**Item 2. Affiliations with Obligor.**

**If the obligor is an affiliate of the Trustee, describe each such affiliation.**

None.

**Item 3.-15. Not Applicable**

**Item 16. List of Exhibits.**

- Exhibit 1 –** Restated Organization Certificate of Bankers Trust Company dated August 6, 1998, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated September 25, 1998, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated December 16, 1998, and Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated February 27, 2002 – Incorporated herein by reference to Exhibit 1 filed with Form T-1 Statement, Registration No. 333-157637-01.
- Exhibit 2 –** Certificate of Authority to commence business – Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 333-157637-01.
- Exhibit 3 –** Authorization of the Trustee to exercise corporate trust powers – Incorporated herein by reference to Exhibit 3 filed with Form T-1 Statement, Registration No. 333-157637-01.
- Exhibit 4 –** Existing By-Laws of Deutsche Bank Trust Company Americas, as amended on April 15, 2002 business – Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 333-157637-01.

- 
- Exhibit 5 –** Not applicable.
- Exhibit 6 –** Consent of Bankers Trust Company required by Section 321(b) of the Act. - business -Incorporated herein by reference to Exhibit 6 filed with Form T-1 Statement, Registration No. 333-157637-01.
- Exhibit 7 –** The latest report of condition of Deutsche Bank Trust Company Americas dated as of June 30, 2009. Copy attached.
- Exhibit 8 –** Not Applicable.
- Exhibit 9 –** Not Applicable.



---

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Deutsche Bank Trust Company Americas, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on this 10th day of November 2009.

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Irene Siegel

Name: Irene Siegel

Title: Vice President

**DEUTSCHE BANK TRUST COMPANY AMERICAS**

Legal Title of Bank

**JERSEY CITY**

City

**NJ 07311-3901**

State

Zip Code

FDIC Certificate Number: 00623

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**13**
**Consolidated Report of Condition for Insured Commercial  
and State-Chartered Savings Banks for June 30, 2009**

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

**Schedule RC—Balance Sheet**

Dollar Amounts in Thousands

**ASSETS:**
**1. Cash and balances due from depository institutions (from Schedule RC-A):**

a. Noninterest-bearing balances and currency and coin (1) \_\_\_\_\_

b. Interest-bearing balances (2) \_\_\_\_\_

**2. Securities:**

a. Held-to-maturity securities (from Schedule RC-B, column A) \_\_\_\_\_

b. Available-for-sale securities (from Schedule RC-B, column D) \_\_\_\_\_

**3. Federal funds sold and securities purchased under agreements to resell:**

a. Federal funds sold in domestic offices \_\_\_\_\_

b. Securities purchased under agreements to resell (3) \_\_\_\_\_

**4. Loans and leases financing receivables (from Schedule RC-C):**

a. Loans and leases, held for sale \_\_\_\_\_

b. Loans and leases, net of unearned income \_\_\_\_\_

c. LESS: Allowance for loan and lease losses \_\_\_\_\_

d. Loans and leases, net of unearned income and allowance (Item 4.b minus 4.c) \_\_\_\_\_

**5. Trading assets (from Schedule RC-D) \_\_\_\_\_**
**6. Premises and fixed assets (including capitalized leases) \_\_\_\_\_**
**7. Other real estate owned (from Schedule RC-M) \_\_\_\_\_**
**8. Investments in unconsolidated subsidiaries and associated companies \_\_\_\_\_**
**9. Direct and indirect investments in real estate ventures \_\_\_\_\_**
**10. Intangible assets:**

a. Goodwill \_\_\_\_\_

b. Other intangible assets (from Schedule RC-M) \_\_\_\_\_

**11. Other assets (from Schedule RC-F) \_\_\_\_\_**
**12. Total assets (sum of items 1 through 11) \_\_\_\_\_**

RCFD	Tril	Bil	Mil	Thou
0081			1,416,000	
0071			12,390,000	
1754			0	
1773			1,759,000	
RCON				
B987			112,000	
RCFD				
B989			1,008,000	
5369			0	
B528	13,634,000			
3123	112,000			
B529			13,522,000	
3545			5,934,000	
2145			51,000	
2150			0	
2130			0	
3656			0	
3163			0	
0426			58,000	
2160			5,168,000	
2170			41,418,000	

1.a

1.b

2.a

2.b

3.a

3.b

4.a

4.b

4.c

4.d

5

6

7

8

9

10.a

10.b

11

12

(1) Includes cash items in process of collection and unposted debits.

(2) Includes time certificates of deposit not held for trading.

(3) Includes all securities resale agreements in domestic and foreign offices, regardless of maturity.

**DEUTSCHE BANK TRUST COMPANY AMERICAS**

Legal Title of Bank

FDIC Certificate Number: 00623

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14

**Schedule RC—Continued**

Dollar Amounts in Thousands

**LIABILITIES**
**13. Deposits:**

a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)

(1) Noninterest-bearing (1)

(2) Interest-bearing

b. In foreign offices, Edge and Agreement subsidiaries, and IBFs

(from Schedule RC-E, part II)

(1) Noninterest-bearing

(2) Interest-bearing

**14. Federal funds purchased and securities sold under agreements to repurchase:**

a. Federal funds purchased in domestic offices (2)

b. Securities sold under agreements to repurchase (3)

**15. Trading liabilities (from Schedule RC-D)**
**16. Other borrowed money (includes mortgage indebtedness and obligations**

under capitalized leases) (from Schedule RC-M)

**17. and 18. Not applicable**
**19. Subordinated notes and debentures (4)**
**20. Other liabilities (from Schedule RC-G)**
**21. Total liabilities (sum of items 13 through 20)**
**22. Not applicable**
**EQUITY CAPITAL**
**Bank Equity Capital**
**23. Perpetual preferred stock and related surplus**
**24. Common stock**
**25. Surplus (excludes all surplus related to preferred stock)**
**26. a. Retained earnings**

b. Accumulated other comprehensive income (5)

c. Other equity capital components (6)

**27. a. Total bank equity capital (sum of items 23 through 26.c)**

b. Noncontrolling (minority) interests in consolidated subsidiaries

**28. Total equity capital (sum of items 27.a and 27.b)**
**29. Total liabilities and equity capital (sum of items 21 and 28)**
**Memorandum**
**To be reported with the March Report of Condition.**

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2008

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm.

4 = Director's examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)  
5 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)  
6 = Review of the bank's financial statements by external auditors  
7 = Compilation of the bank's financial statements by external auditors  
8 = Other audit procedures (excluding tax preparation work)  
9 = No external audit work

**To be reported with the March Report of Condition.**
**2. Bank's fiscal year-end date**

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.

(2) Report overnight Federal Home Loan Bank advances in Schedule RC, item 16, "Other borrowed money."

(3) Includes all securities repurchase agreements in domestic and foreign offices, regardless of maturity.

(4) Includes limited-life preferred stock and related surplus.

(5) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

(6) Includes treasury stock and unearned Employee Stock Ownership Plan shares.

			Tril	Bil	Mil	Thou	
	RCON						
	2200			8,713,000			13.a
6631	5,727,000						13.a.1
6636	2,986,000						13.a.2
	RCFN						
	2200			9,914,000			13.b
6631	4,222,000						13.b.1
6636	5,692,000						13.b.2
	RCON						
	B993			8,714,000			14.a
	RCFD						
	B995			0			14.b
	3548			208,000			15
	3190			2,685,000			16
	3200			0			19
	2930			2,097,000			20
	2948			32,331,000			21
	3838			1,500,000			23
	3230			2,127,000			24
	3839			592,000			25
	3632			4,428,000			26.a
	B530			(39,000)			26.b
	A130			0			26.c
	3210			8,608,000			27.a
	3000			479,000			27.b
	G105			9,087,000			28
	3300			41,418,000			29

RDFD	Number	
6724	N/A	M.1

RCON	MM / DD	
8678	N/A	M.2

SYSTEM RESTORATION PROPERTY SALE AGREEMENT

between

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

Issuer

and

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Seller

Dated as of [       ], 2009

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SCHEDULE 1		

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SYSTEM RESTORATION PROPERTY SALE AGREEMENT (this "Agreement") dated as of [ ], 2009, between CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC, a Delaware limited liability company (the "Issuer"), and CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a Texas limited liability company, as seller (the "Seller").

WHEREAS, the Issuer desires to purchase the System Restoration Property created pursuant to the securitization provisions of the Public Utility Regulatory Act and the Financing Order;

WHEREAS, the Seller is willing to sell its rights and interests under the Financing Order to the Issuer whereupon such rights and interests will become the System Restoration Property;

WHEREAS, the Issuer, in order to finance the purchase of the System Restoration Property, will issue the Bonds under the Indenture; and

WHEREAS, the Issuer, to secure its obligations under the Bonds and the Indenture, will pledge its right, title and interest in the System Restoration Property and this Agreement to the Indenture Trustee for the benefit of the Bondholders.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

Section 1.01 *Definitions*. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in Appendix A to this Agreement.

Section 1.02 *Other Definitional Provisions*.

(a) "Agreement" means this System Restoration Property Sale Agreement, as the same may be amended and supplemented from time to time.

(b) Non-capitalized terms used herein which are defined in the Public Utility Regulatory Act or the System Restoration Amendments, as the context requires, have the meanings assigned to such terms in the Public Utility Regulatory Act or the System Restoration Amendments, but without giving effect to amendments to the Public Utility Regulatory Act or System Restoration Amendments after the date hereof which have a material adverse effect on the Issuer or the Bondholders.

(c) All terms defined in this Agreement shall have such defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(d) The words "hereof," "herein," "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; Section, Schedule and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

## ARTICLE II

### CONVEYANCE OF THE SYSTEM RESTORATION PROPERTY

#### Section 2.01 *Conveyance of the System Restoration Property.*

(a) In consideration of the Issuer’s payment to or upon the order of the Seller of \$[ ] (the “Purchase Price”), subject to the satisfaction or waiver of the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse (subject to the obligations of the Seller herein) or warranty, except as set forth herein, all right, title and interest of the Seller in, to and under the Financing Order as identified in the Bill of Sale delivered pursuant to Section 2.02(i) on or prior to the Transfer Date whereupon such rights and interests under the Financing Order shall become the System Restoration Property (such sale, transfer, assignment, setting over and conveyance of the System Restoration Property to include, to the fullest extent permitted by the Public Utility Regulatory Act the right to impose, collect and receive the System Restoration Charges, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance of the System Restoration Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 39.308 of the Public Utility Regulatory Act and other applicable law, is a true sale and is not a secured transaction and title, legal and equitable, has passed to the Issuer. The preceding sentence is the statement referred to in Section 39.308 of the Public Utility Regulatory Act. The Seller agrees and confirms that upon payment of the Purchase Price and the execution and delivery of this Agreement and the Bill of Sale, the sale, transfer and assignment hereunder shall be effective and the Seller shall have no right, title or interest in, to or under the System Restoration Property.

(b) Subject to the satisfaction or waiver of conditions specified in Section 2.02, the Issuer does hereby purchase the System Restoration Property from the Seller for the consideration set forth in Section 2.01(a).

(c) The Seller and the Issuer each acknowledge and agree that the purchase price for the System Restoration Property sold pursuant to this Agreement is equal to its fair market value at the time of sale.

(d) Notwithstanding the foregoing, in the event that the sale, transfer, assignment, setting over and conveyance of the System Restoration Property is determined by any court of competent jurisdiction not to be a true sale as contemplated



by the parties and as provided in Section 39.308 of the Public Utility Regulatory Act, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of and grant of a security interest in the System Restoration Property under Section 39.309 of the Public Utility Regulatory Act and under the Uniform Commercial Code as enacted in the State of Texas and each other applicable jurisdiction (the "UCC"), and the Seller shall be deemed to have granted, and does hereby grant, as of the date hereof, a security interest to the Issuer on behalf of itself and the Indenture Trustee in the System Restoration Property to secure a payment obligation incurred by the Seller in the amount paid by the Issuer for the System Restoration Property.

Section 2.02 *Conditions to Conveyance of the System Restoration Property*. The obligation of the Seller to sell, and the obligation of the Issuer to purchase the System Restoration Property on the Transfer Date shall be subject to and conditioned upon the satisfaction or waiver of each of the following conditions:

(i) on or prior to the Transfer Date, the Seller shall deliver to the Issuer a duly executed Bill of Sale identifying the System Restoration Property, substantially in the form of Exhibit A hereto;

(ii) as of the Transfer Date, the representations and warranties of the Seller in this Agreement shall be true and correct in all material respects and no material breach by the Seller of its covenants in this Agreement shall exist and the Seller shall have delivered to the Issuer and the Indenture Trustee an Officer's Certificate to such effect and no Servicer Default shall have occurred and be continuing;

(iii) as of the Transfer Date:

(A) the Issuer shall have sufficient funds available to pay the Purchase Price, and

(B) all conditions set forth in the Indenture to the issuance of the Bonds intended to provide such funds shall have been satisfied or waived;

(iv) on or prior to the Transfer Date, the Seller shall have taken all actions required under the Public Utility Regulatory Act, the Financing Order and other applicable law for the Issuer to have ownership of the System Restoration Property, free and clear of all Liens other than Liens created by the Issuer pursuant to the Indenture; and the Issuer, or the Servicer on behalf of the Issuer, shall have taken any action required for the Issuer to grant the Indenture Trustee a first priority perfected security interest in the Trust Estate and maintain such security interest as of such date (including all actions required under the Public Utility Regulatory Act, the Financing Order and the UCC);

(v) the Seller shall have delivered to each Rating Agency and to the Issuer any Opinions of Counsel requested by the Rating Agencies;

(vi) the Seller shall have delivered to the Indenture Trustee and the Issuer an Officer's Certificate confirming the satisfaction of each relevant condition precedent specified in this Section 2.02; and

---

(vii) the Seller shall have received the Purchase Price in funds immediately available on the Transfer Date.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES OF SELLER

As of the Transfer Date, the Seller makes the following representations and warranties on which the Issuer has relied and will rely in acquiring the System Restoration Property. The following representations and warranties are made under existing law as in effect as of the Transfer Date. The Seller shall not be in breach of any representation or warranty herein as a result of a change in law occurring after the Transfer Date, including by means of legislative enactment, constitutional amendment or voter initiative. The representations and warranties shall survive the sale of the System Restoration Property to the Issuer and the pledge thereof on the Transfer Date to the Indenture Trustee pursuant to the Indenture.

Section 3.01 *Organization and Good Standing*. The Seller is a limited liability company duly organized and in good standing under the laws of the State of Texas, with limited liability company power and authority to own its properties and to conduct its business as currently owned or conducted.

Section 3.02 *Due Qualification*. The Seller is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Seller's business, operations, assets, revenues or properties).

Section 3.03 *Power and Authority*. The Seller has the limited liability company power and authority to obtain the Financing Order and to execute and deliver this Agreement and to carry out its terms; the Seller has the limited liability company power and authority to own the rights and interests under the Financing Order, and to sell and assign the rights and interests under the Financing Order to the Issuer, whereupon (subject to the effectiveness of the Issuance Advice Letter) such rights and interests will become the System Restoration Property; and the execution, delivery and performance of this Agreement have been duly authorized by the Seller by all necessary limited liability company action.

Section 3.04 *Binding Obligation*. This Agreement constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' or secured parties' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

Section 3.05 *No Violation*. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not:

(i) conflict with or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a

default under, the articles of organization or limited liability company regulations of the Seller, or any indenture, mortgage, credit agreement or other agreement or instrument to which the Seller is a party or by which it or its properties is bound; (ii) result in the creation or imposition of any Lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (except for any Lien created in favor of the Bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any Lien created by the Issuer under the Basic Documents); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Seller of any Governmental Authority having jurisdiction over the Seller or its properties.

Section 3.06 *No Proceedings*. Except as disclosed in the Issuer's prospectus dated [ ], 2009 and the related prospectus supplement dated [ ], 2009 relating to the Bonds (together, the "Prospectus"), there are no proceedings pending and, to the Seller's knowledge, (x) there are no proceedings threatened and (y) there are no investigations pending or threatened before any Governmental Authority having jurisdiction over the Seller or its properties involving or relating to the Seller or the Issuer or, to the Seller's knowledge, any other Person:

(i) asserting the invalidity of this Agreement, any of the other Basic Documents, the Bonds, the System Restoration Amendments, the securitization provisions of the Public Utility Regulatory Act or the Financing Order;

(ii) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents;

(iii) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement, any of the other Basic Documents or the Bonds; or

(iv) challenging the Seller's treatment of the Bonds as debt of CenterPoint Energy, Inc. for federal or state income, gross receipts or franchise tax purposes.

Section 3.07 *Approvals*. Except for filings under the UCC and the Public Utility Regulatory Act, no approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required under an applicable law, rule or regulation in connection with the execution and delivery by the Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement.

Section 3.08 *The System Restoration Property*.

(a) Information. Subject to Section 3.14, all written information, as amended or supplemented from time to time prior to the date this representation is made, provided by the Seller to the Issuer with respect to the System Restoration Property (including the Financing Order and the Issuance Advice Letter) is correct in all material respects.

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(b) Effect of Transfer. It is the intention of the parties hereto that (other than for United States federal income tax purposes and, to the extent consistent with applicable state tax laws, state income and franchise tax purposes) the sale, transfer, assignment, setting over and conveyance herein contemplated constitutes a sale or other absolute transfer of all right, title and interest of the Seller in, to and under the Financing Order from the Seller to the Issuer whereupon (subject to the effectiveness of the Issuance Advice Letter) such rights and interests shall become the System Restoration Property; upon execution and delivery of this Agreement and the Bill of Sale and payment of the Purchase Price, the Seller will have no right, title or interest in, to or under the System Restoration Property; and that the System Restoration Property would not be a part of the estate of the Seller as debtor in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law.

(c) Transfer Filings.

- (i) The Seller is the sole owner of the rights and interests under the Financing Order to be sold to the Issuer on the Transfer Date.
- (ii) On the Transfer Date, immediately upon the sale hereunder, the System Restoration Property will have been validly sold, assigned, transferred, set over and conveyed to the Issuer free and clear of all Liens (except for any Lien created in favor of the Bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any Lien created by the Issuer under the Basic Documents).
- (iii) All actions or filings (including filings with the Texas Secretary of State in accordance with the rules prescribed under the Public Utility Regulatory Act and the UCC) necessary in any jurisdiction to give the Issuer a perfected ownership interest (subject to any Lien created in favor of the Bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any Lien created by the Issuer under the Basic Documents) in the System Restoration Property and to grant to the Indenture Trustee a first priority perfected security interest in the System Restoration Property, free and clear of all Liens of the Seller or anyone else (except for any Lien created in favor of the Bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any Lien created by the Issuer under the Basic Documents), have been taken or made.

Section 3.09 *Solvency*. After giving effect to the sale of the System Restoration Property hereunder, the Seller:

- (i) is solvent and expects to remain solvent,
- (ii) is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purposes,
- (iii) is not engaged and does not expect to engage in a business for which its remaining property represents an unreasonably small portion of its capital,

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(iv) reasonably believes that it will be able to pay its debts as they come due, and

(v) is able to pay its debts as they come due and does not intend to incur, or believes that it will incur, indebtedness that it will not be able to repay at its maturity.

Section 3.10 *The Financing Order.*

(a) The Financing Order was issued by the Texas Commission on August 26, 2009 in accordance with the Public Utility Regulatory Act and the System Restoration Amendments; the Financing Order and the process by which it was issued comply with all applicable laws, rules and regulations of the State of Texas and the federal laws of the United States, and the Financing Order is final, non-appealable and in full force and effect.

(b) As of the date of issuance of the Bonds, the Bonds will be entitled to the protections provided by the Public Utility Regulatory Act and the Financing Order, and the Financing Order and the System Restoration Charges authorized therein will have become irrevocable and not subject to reduction, impairment or adjustment by further action of the Texas Commission, except as permitted by Section 39.307 of the Public Utility Regulatory Act, and the Issuance Advice Letter has been filed in accordance with the Financing Order. The Texas Commission has not issued any order prior to noon on the fourth business day after submission of the Issuance Advice Letter that the Bonds do not comply with Ordering Paragraph Six of the Financing Order and the initial System Restoration Charges and the final terms of the Bonds set forth in the Issuance Advice Letter have become effective.

Section 3.11 *State Action.*

(a) Under the Public Utility Regulatory Act, the State of Texas has pledged that it will not take or permit any action that would impair the value of the System Restoration Property or, except as permitted in Section 39.307 of the Public Utility Regulatory Act, reduce, alter or impair the System Restoration Charges until the principal, interest and premium, if any, and any other charges incurred and contracts to be performed in connection with the Bonds, have been paid and performed in full.

(b) Under the laws of the State of Texas and the federal laws of the United States, the State of Texas could not constitutionally take any action of a legislative character, including the repeal or amendment of the securitization provisions of the Public Utility Regulatory Act or the System Restoration Amendments, which would substantially limit, alter or impair the System Restoration Property or other rights vested in the Bondholders pursuant to the Financing Order, or substantially limit, alter, impair or reduce the value or amount of the System Restoration Property, unless such action is a reasonable exercise of the State of Texas' sovereign powers and of a character reasonable and appropriate to the important public purpose justifying such action, and, under the takings clauses of the State of Texas and United States Constitutions, the State of Texas could not repeal or amend the securitization provisions of the Public Utility Regulatory

Act or the System Restoration Amendments, or take any other action in contravention of its pledge quoted above without paying just compensation to the Bondholders, as determined by a court of competent jurisdiction, if doing so would constitute a permanent appropriation of a substantial property interest of the Bondholders in the System Restoration Property and deprive the Bondholders of their reasonable expectations arising from their investments in the Bonds; however, there is no assurance that, even if a court were to award just compensation, it would be sufficient to pay the full amount of principal of and interest on the Bonds.

Section 3.12 *No Court Order*. There is no order by any court providing for the revocation, alteration, limitation or other impairment of the securitization provisions of the Public Utility Regulatory Act, the System Restoration Amendments, the Financing Order, the Issuance Advice Letter, the System Restoration Property or the System Restoration Charges or any rights arising under any of them or that seeks to enjoin the performance of any obligations under the Financing Order.

Section 3.13 *Approvals Concerning the System Restoration Property*. Under the laws of the State of Texas and the federal laws of the United States, no other approval, authorization, consent, order or other action of, or filing with any Governmental Authority is required in connection with the creation or transfer of the Seller's rights and interests under the Financing Order and the Issuer's purchase of the System Restoration Property from the Seller, except those that have been obtained or made.

Section 3.14 *Assumptions*. Based on information available to the Seller on the date hereof, the assumptions used in calculating the System Restoration Charges in the Issuance Advice Letter are reasonable and made in good faith; however, notwithstanding the foregoing, **THE SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, THAT AMOUNTS ACTUALLY COLLECTED ARISING FROM THE SYSTEM RESTORATION CHARGES WILL IN FACT BE SUFFICIENT TO MEET THE PAYMENT OBLIGATIONS ON THE BONDS OR THAT THE ASSUMPTIONS USED IN CALCULATING SUCH SYSTEM RESTORATION CHARGES WILL IN FACT BE REALIZED.**

Section 3.15 *Creation of the System Restoration Property*.

(a) Upon the effectiveness of the Issuance Advice Letter, the transfer of the Seller's rights and interests under the Financing Order related to the Bonds and the Issuer's purchase of the System Restoration Property from the Seller pursuant to this Agreement, the System Restoration Property will constitute a present property right.

(b) Upon the effectiveness of the Issuance Advice Letter, the transfer of the Seller's rights and interests under the Financing Order and the Issuer's purchase of the System Restoration Property from the Seller pursuant to this Agreement, the System Restoration Property includes:

- (1) the right to impose, collect and receive the System Restoration Charges, including the right to receive System Restoration Charges in amounts and at times sufficient to pay principal and interest on the Bonds,

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- (2) all rights and interest of the Seller under the Financing Order,
  - (3) the rights to file for periodic adjustments of the System Restoration Charges as provided in the Financing Order, and
  - (4) all revenues and collections resulting from the System Restoration Charges.

(c) Upon the effectiveness of the Issuance Advice Letter, the transfer of the Seller's rights and interests under the Financing Order and the Issuer's purchase of the System Restoration Property from the Seller on such Transfer Date pursuant to this Agreement, the System Restoration Property will not be subject to any Lien created by a previous indenture.

Section 3.16 *Prospectus*. As of the date hereof, the information describing the Seller under the caption "The Seller, Initial Servicer and Sponsor of the System Restoration Property" in the Prospectus is true and correct in all material respects.

Section 3.17 *Nature of Representations and Warranties*. The representations and warranties set forth in Section 3.08 and Section 3.10 through Section 3.16, insofar as they involve conclusions of law, are made not on the basis that the Seller purports to be a legal expert or to be rendering legal advice, but rather to reflect the parties' good faith understanding of the legal basis on which the parties are entering into this Agreement and the other Basic Documents and the basis on which the Bondholders are purchasing the Bonds, and to reflect the parties' agreement that, if such understanding turns out to be incorrect or inaccurate, the Seller will be obligated to indemnify the Issuer and its permitted assigns (to the extent required by and in accordance with Section 5.01), and that the Issuer and its permitted assigns will be entitled to enforce any rights and remedies under the Basic Documents on account of such inaccuracy to the same extent as if the Seller had breached any other representations or warranties hereunder.

#### ARTICLE IV

##### COVENANTS OF THE SELLER

Section 4.01 *Seller's Existence*. Subject to Section 5.02, so long as any of the Bonds are outstanding, the Seller (i) shall keep in full force and effect its existence and remain in good standing under the laws of the state of its organization, and shall obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of this Agreement and each other instrument or agreement to which the Seller is a party necessary to the proper administration of this Agreement and the transactions contemplated hereby and (ii) hereby agrees to continue to operate its distribution system in order to provide electric services to retail electric customers served at distribution voltage in the Seller's certificated service area, provided that this clause (ii) shall not prohibit Seller from selling, assigning or otherwise divesting its distribution system or any part thereof in accordance with this Agreement and the Financing Order.

Section 4.02 *No Liens or Conveyances*. Except for the conveyances hereunder or any Lien under Section 39.309 of the Public Utility Regulatory Act for the benefit of the Issuer, the Indenture Trustee and the Bondholders, the Seller shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on, any of the System Restoration Property, whether now existing or hereafter created, or any interest therein. The Seller shall not at any time assert any Lien against or with respect to the System Restoration Property, and shall defend the right, title and interest of the Issuer and the Indenture Trustee, as assignee of the Issuer, in, to and under the System Restoration Property against all claims of third parties claiming through or under the Seller.

Section 4.03 *Delivery of Collections*. In the event that the Seller receives any payment under the terms and provisions of the Intercreditor Agreement in respect of the System Restoration Charges or the proceeds thereof other than in its capacity as the Servicer, the Seller shall pay the Servicer all payments received by the Seller in respect thereof, in accordance with the Intercreditor Agreement, as soon as practicable after receipt thereof by the Seller.

Section 4.04 *Notice of Liens*. The Seller shall notify the Issuer and the Indenture Trustee promptly after becoming aware of any Lien on the System Restoration Property, other than the conveyance hereunder, any Lien created in favor of the Bondholders pursuant to Section 39.309 of the Public Utility Regulatory Act or any Lien created by the Issuer under the Indenture.

Section 4.05 *Compliance With Law*. The Seller shall comply with its organizational or governing documents and all laws, treaties, rules, regulations and determinations of any Governmental Authority applicable to the Seller, except to the extent that failure to so comply would not materially adversely affect the Issuer's or the Indenture Trustee's interests in the System Restoration Property or under any of the Basic Documents or the Seller's performance of its obligations hereunder.

Section 4.06 *Covenants Related to the System Restoration Property*.

(a) So long as any of the Bonds are outstanding, the Seller shall:

- (i) treat the Bonds as debt of the Issuer and not of the Seller, except for financial reporting or tax purposes,
- (ii) disclose in its financial statements that it is not the owner of the System Restoration Property and that the assets of the Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Issuer),
- (iii) disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles, and
- (iv) not own or purchase any Bonds.

(b) So long as any of the Bonds are outstanding,



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(i) in all proceedings relating directly or indirectly to the System Restoration Property, the Seller shall: (A) affirmatively certify and confirm that it has sold all of its rights and interests under the Financing Order to the Issuer (other than for financial reporting or tax purposes), and (B) not make any statement or reference in respect of the System Restoration Property that is inconsistent with the ownership thereof by the Issuer (other than for financial reporting or tax purposes); and

(ii) the Seller shall not take any action in respect of the System Restoration Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as contemplated by the Basic Documents, including the Intercreditor Agreement.

(c) The Seller agrees that upon the sale by the Seller of all of its rights and interests under the Financing Order to the Issuer pursuant to this Agreement, any payment to the Servicer by any Person responsible for remitting System Restoration Charges to the Servicer under the terms of the Financing Order or the Public Utility Regulatory Act or applicable tariff shall discharge such Person's obligations in respect of the System Restoration Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

Section 4.07 *Protection of Title*. The Seller shall execute and file such filings, and cause to be executed and filed such filings, in such manner and in such places as may be required by law fully to preserve, maintain and protect the interests of the Issuer and the Indenture Trustee in the System Restoration Property, including all filings required under the Public Utility Regulatory Act and the UCC relating to the transfer of the ownership of the rights and interests under the Financing Order by the Seller to the Issuer and the pledge of the System Restoration Property by the Issuer to the Indenture Trustee. The Seller shall deliver (or cause to be delivered) to the Issuer and the Indenture Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding reasonably necessary to compel performance by the Texas Commission or the State of Texas of any of their obligations or duties under the Public Utility Regulatory Act, the Financing Order or the Issuance Advice Letter relating to the transfer of the rights and interests under the Financing Order by the Seller to the Issuer, and the Seller agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, in each case as may be reasonably necessary:

(a) to protect the Issuer and the Bondholders from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Article III; or

(b) so long as the Seller is also the Servicer, to block or overturn any attempts to cause a repeal of, modification of or supplement to the securitization provisions of the Public Utility Regulatory Act, the System Restoration Amendments, the Financing Order, the Issuance Advice Letter or the rights of Bondholders by legislative enactment or constitutional amendment that would be materially adverse to the Issuer, the Indenture Trustee or the Bondholders.

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The costs of any such actions or proceedings shall be reimbursed by the Issuer to the Seller from amounts on deposit in the Collection Account as an Operating Expense (as such terms are defined in the Indenture) in accordance with the terms of the Indenture. The Seller's obligations pursuant to this Section 4.07 shall survive and continue notwithstanding that the payment of Operating Expenses pursuant to the Indenture may be delayed (it being understood that the Seller may be required to advance its own funds to satisfy its obligation hereunder). The Seller designates the Issuer as its agent and attorney-in-fact to execute any filings of financing statements, continuation statements or other instruments required of the Seller pursuant to this Section 4.07, it being understood that the Issuer shall have no obligation to execute any such instruments.

Section 4.08 *Taxes*. So long as any of the Bonds are outstanding, the Seller shall pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, businesses, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the System Restoration Property; provided that no such tax need be paid if the Seller or any of its Affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such Affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

Section 4.09 *Filings Pursuant to Financing Order*. The Seller shall comply with all filing requirements imposed upon the Seller in its capacity as such by the Financing Order, including making any such post-closing filings.

## **ARTICLE V**

### **ADDITIONAL UNDERTAKINGS OF SELLER**

The Seller hereby undertakes the obligations contained in this Article V and acknowledges that the Issuer shall have the right to assign its rights with respect to such obligations to the Indenture Trustee for the benefit of the Bondholders.

#### **SECTION 5.01 LIABILITY OF THE SELLER; INDEMNITIES.**

**(a) THE SELLER SHALL BE LIABLE IN ACCORDANCE HERewith ONLY TO THE EXTENT OF THE OBLIGATIONS SPECIFICALLY UNDERTAKEN BY THE SELLER UNDER THIS AGREEMENT.**

**(b) THE SELLER SHALL INDEMNIFY THE ISSUER AND THE INDENTURE TRUSTEE, FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS, AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL TAXES (OTHER THAN ANY TAXES IMPOSED ON BONDHOLDERS SOLELY AS A RESULT OF THEIR OWNERSHIP OF BONDS) THAT MAY AT ANY TIME BE IMPOSED ON OR ASSERTED**

AGAINST ANY SUCH PERSON UNDER EXISTING LAW AS OF THE TRANSFER DATE AS A RESULT OF THE SALE AND ASSIGNMENT OF THE SELLER'S RIGHTS AND INTERESTS UNDER THE FINANCING ORDER BY THE SELLER TO THE ISSUER, THE ACQUISITION OR HOLDING OF THE SYSTEM RESTORATION PROPERTY BY THE ISSUER OR THE ISSUANCE AND SALE BY THE ISSUER OF THE BONDS, INCLUDING ANY SALES, GROSS RECEIPTS, TANGIBLE PERSONAL PROPERTY, PRIVILEGE, FRANCHISE OR LICENSE TAXES, BUT EXCLUDING ANY TAXES IMPOSED AS A RESULT OF A FAILURE OF SUCH PERSON TO PROPERLY WITHHOLD OR REMIT TAXES IMPOSED WITH RESPECT TO PAYMENTS ON ANY BOND, IN THE EVENT AND TO THE EXTENT SUCH TAXES ARE NOT RECOVERABLE AS QUALIFIED COSTS, IT BEING UNDERSTOOD THAT THE BONDHOLDERS SHALL BE ENTITLED TO ENFORCE THEIR RIGHTS AGAINST THE SELLER UNDER THIS SECTION 5.01(B) SOLELY THROUGH A CAUSE OF ACTION BROUGHT FOR THEIR BENEFIT BY THE INDENTURE TRUSTEE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE.

(c) THE SELLER SHALL INDEMNIFY THE ISSUER AND THE INDENTURE TRUSTEE, FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS, AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL AMOUNTS OF PRINCIPAL OF AND INTEREST ON THE BONDS NOT PAID WHEN DUE OR WHEN SCHEDULED TO BE PAID IN ACCORDANCE WITH THEIR TERMS AND THE AMOUNT OF ANY DEPOSITS TO THE ISSUER REQUIRED TO HAVE BEEN MADE IN ACCORDANCE WITH THE TERMS OF THE BASIC DOCUMENTS WHICH ARE NOT MADE WHEN SO REQUIRED, IN EACH CASE AS A RESULT OF THE SELLER'S BREACH OF ANY OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS CONTAINED IN THIS AGREEMENT.

(d) THE SELLER SHALL INDEMNIFY THE ISSUER AND THE INDENTURE TRUSTEE, FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS, AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL LIABILITIES, OBLIGATIONS, CLAIMS, ACTIONS, SUITS OR PAYMENTS OF ANY KIND WHATSOEVER THAT MAY BE IMPOSED ON OR ASSERTED AGAINST ANY SUCH PERSON (OTHER THAN ANY LIABILITIES, OBLIGATIONS OR CLAIMS FOR OR PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS) TOGETHER WITH ANY REASONABLE COSTS AND EXPENSES INCURRED BY SUCH PERSON, IN EACH CASE AS A RESULT OF THE SELLER'S BREACH OF ANY OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS CONTAINED IN THIS AGREEMENT.

(e) THE INDEMNIFICATION OBLIGATIONS OF THE SELLER UNDER THIS SECTION 5.01 SHALL RANK *PARI PASSU* WITH ALL OTHER GENERAL UNSECURED OBLIGATIONS OF THE SELLER.

(f) INDEMNIFICATION UNDER THIS SECTION 5.01 SHALL SURVIVE THE RESIGNATION OR REMOVAL OF THE INDENTURE TRUSTEE AND THE TERMINATION OF THIS AGREEMENT AND SHALL INCLUDE REASONABLE FEES AND EXPENSES OF INVESTIGATION AND LITIGATION (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES). THE SELLER SHALL NOT INDEMNIFY ANY PARTY UNDER THIS SECTION 5.01 FOR ANY CHANGES IN LAW AFTER THE TRANSFER DATE, INCLUDING BY MEANS OF

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LEGISLATIVE ENACTMENT, CONSTITUTIONAL AMENDMENT OR VOTER INITIATIVE, OR FOR ANY LIABILITY RESULTING SOLELY FROM A DOWNGRADE IN ANY RATING OF THE BONDS BY ANY RATING AGENCY. THE SELLER SHALL NOT INDEMNIFY THE INDENTURE TRUSTEE OR ITS OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES OR AGENTS UNDER THIS SECTION 5.01 AGAINST ANY LIABILITY, OBLIGATION, CLAIM, ACTION, SUIT OR PAYMENT OF ANY KIND ARISING OUT OF THE WILLFUL MISCONDUCT, NEGLIGENCE OR BAD FAITH OF ANY SUCH PERSON.

NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL ANY SUCH FOREGOING INDEMNITY EXTEND TO THE COLLECTIBILITY OF THE SYSTEM RESTORATION CHARGES FROM ANY PERSON RESPONSIBLE FOR REMITTING SYSTEM RESTORATION CHARGES TO THE SERVICER UNDER THE TERMS OF THE FINANCING ORDER, THE PUBLIC UTILITY REGULATORY ACT OR AN APPLICABLE TARIFF, OR THE CREDITWORTHINESS OF ANY SUCH PERSON. THE REMEDIES PROVIDED IN THIS AGREEMENT ARE THE SOLE AND EXCLUSIVE REMEDIES AGAINST THE SELLER FOR BREACH OF ITS REPRESENTATIONS, WARRANTIES OR COVENANTS IN THIS AGREEMENT.

Section 5.02 *Merger or Consolidation of, or Assumption of the Obligations of, the Seller.*

Any Person:

- (a) into which the Seller may be merged, converted or consolidated and which succeeds to all or substantially all of the electric distribution business of the Seller,
- (b) which results from the division of the Seller into two or more Persons and which succeeds to all or substantially all of the electric distribution business of the Seller,
- (c) which may result from any merger, conversion or consolidation to which the Seller shall be a party and which succeeds to all or substantially all of the electric distribution business of the Seller,
- (d) which may purchase or otherwise succeed to the properties and assets of the Seller substantially as a whole and which purchases or otherwise succeeds to all or substantially all of the electric distribution business of the Seller, or
- (e) which may otherwise purchase or succeed to all or substantially all of the electric distribution business of the Seller,

which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Seller under this Agreement, shall be the successor to the Seller hereunder without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that

- (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Article III shall have been breached in any material respect and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing,

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(ii) the Rating Agencies shall have received prior written notice of such transaction,

(iii) the Seller shall have delivered to the Issuer and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, conversion, merger, division or succession and such agreement of assumption comply with this Section 5.02 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with,

(iv) the Seller shall have delivered to the Issuer and the Indenture Trustee an Opinion of Counsel either

(A) stating that, in the opinion of such counsel, all filings to be made by the Seller, including filings with the Texas Commission pursuant to the securitization provisions of the Public Utility Regulatory Act and the UCC, that are necessary fully to preserve and protect the respective interests of the Issuer and the Indenture Trustee in the System Restoration Property have been executed and filed, and reciting the details of such filings, or

(B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests, and

(v) the Seller shall have delivered to the Issuer, the Indenture Trustee and the Rating Agencies an opinion of independent tax counsel (as selected by, and in form and substance satisfactory to the Seller, and which may be based on a ruling from the Internal Revenue Service) to the effect that, for federal income tax purposes, such transaction will not result in a material adverse federal income tax consequence to the Issuer, the Indenture Trustee or the Bondholders.

The Seller shall not consummate any transaction referred to in clauses (a), (b), (c), (d) or (e) above except upon execution of the above described agreement of assumption and compliance with clauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the properties and assets of the Seller substantially as a whole and succeeds to all or substantially all of the electric distribution business of the Seller, or otherwise becomes the successor to the Seller in accordance with the terms of this Section 5.02, then upon the satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from its obligations hereunder.

Section 5.03 *Limitation on Liability of the Seller and Others*. The Seller and any manager, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder. Subject to Section 4.07, the Seller shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability.

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## ARTICLE VI

### MISCELLANEOUS PROVISIONS

#### Section 6.01 *Amendment.*

(a) This Agreement may be amended in writing by the Seller and the Issuer, provided that (i) the Rating Agency Condition has been satisfied in connection therewith, (ii) the Indenture Trustee has consented thereto and (iii) in the case of any amendment that increases ongoing qualified costs as defined in the Financing Order, the Texas Commission has consented thereto or shall be conclusively deemed to have consented thereto. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies. With respect to the Texas Commission's consent to any amendment to this Agreement,

(i) the Seller may request the consent of the Texas Commission by delivering to the Texas Commission's executive director and general counsel a written request for such consent, which request shall contain:

(A) a reference to Docket No. 37200 and a statement as to the possible effect of the amendment on ongoing qualified costs;

(B) an Officer's Certificate stating that the proposed amendment has been approved by all relevant parties; and

(C) a statement identifying the person to whom the Texas Commission or its staff is to address its consent to the proposed amendment or request additional time;

(ii) The Texas Commission shall, within 30 days of receiving the request for consent complying with Section 6.01(a)(i) above, either

(A) provide notice of its consent or lack of consent to the person specified in Section 6.01(a)(i)(C) above, or

(B) be conclusively deemed to have consented to the proposed amendment,

unless, within 30 days of receiving the request for consent complying with Section 6.01(a)(i) above, the Texas Commission or its staff delivers to the office of the person specified in Section 6.01(a)(i)(C) above a written statement requesting an additional amount of time not to exceed 30 days in which to consider whether to consent to the proposed amendment. If the Texas Commission or its staff requests an extension of time in the manner set forth in the preceding sentence, then the Texas Commission shall either provide notice of its consent or lack of consent to the person specified in 6.01(a)(i)(C) above no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment as of the last day of such extension of time.

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Any amendment requiring the consent of the Texas Commission as provided in this Section 6.01(a) shall become effective on the later of (i) the date proposed by the parties to such amendment and (ii) the first day after the expiration of the 30 day period provided for in Section 6.01(a)(ii), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended.

(b) Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment that affects their own rights, duties or immunities under this Agreement or otherwise. Following delivery of a notice to the Texas Commission by the Seller under Section 6.01(a) above, the Seller and Issuer may at any time withdraw from the Texas Commission further consideration of any notification of a proposed amendment.

Section 6.02 *Notices*. Unless otherwise specifically provided herein, all demands, notices and communications upon or to the Seller, the Issuer, the Indenture Trustee, the Texas Commission or the Rating Agencies under this Agreement shall be in writing, delivered personally, via facsimile, reputable overnight courier or by certified mail, return-receipt requested, and shall be deemed to have been duly given upon receipt

(a) in the case of the Seller, to CenterPoint Energy Houston Electric, LLC, 1111 Louisiana Street, Houston, Texas 77002, Attention: Treasurer,

(b) in the case of the Issuer, to CenterPoint Energy Restoration Bond Company, LLC, 1111 Louisiana Street, Suite 4664B, Houston, Texas 77002, Attention: Manager,

(c) in the case of Moody's, to Moody's Investors Service, Inc., ABS Monitoring Department, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007,

(d) in the case of Standard & Poor's, to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department,

(e) in the case of Fitch, to Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance,

(f) in the case the Indenture Trustee, at the address provided for notices or communications to the Indenture Trustee in the Indenture, and

(g) in the case of the Texas Commission, to 1701 N. Congress Avenue, Austin, Texas 78711-3326, Attention: Executive Director and General Counsel;

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or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 6.03 *Assignment by the Seller*. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Agreement may not be assigned by the Seller.

Section 6.04 *Assignment to the Indenture Trustee*. The Seller hereby acknowledges and consents to any pledge, assignment and grant of a security interest by the Issuer to the Indenture Trustee pursuant to the Indenture for the benefit of the Bondholders of all right, title and interest of the Issuer in, to and under the System Restoration Property and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee. Notwithstanding such assignment, in no event shall the Indenture Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Issuer.

Section 6.05 *Limitations on Rights of Others*. The provisions of this Agreement are solely for the benefit of the Seller, the Issuer and the Indenture Trustee, on behalf of itself and the Bondholders, and nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Trust Estate or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 6.06 *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 6.07 *Separate Counterparts*. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 6.08 *Headings*. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 6.09 *Governing Law*. **THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

Section 6.10 *Nonpetition Covenants*. (a) Notwithstanding any prior termination of this Agreement or the Indenture, the Seller shall not, prior to the date which is one year and one day after the termination of the Indenture, petition or otherwise invoke or cause the Issuer to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar



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law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding-up or liquidation of the affairs of the Issuer.

(b) Notwithstanding any prior termination of this Agreement or the Indenture, the Issuer shall not, prior to the date which is one year and one day after the termination of the Indenture, petition or otherwise invoke or cause the Seller to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Seller under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Seller or any substantial part of the property of the Seller, or ordering the winding-up or liquidation of the affairs of the Seller.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:

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## APPENDIX A - DEFINITIONS

The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms.

“Administration Agreement” means the Administration Agreement, dated as of [ ], 2009, between the Issuer and the Seller, as the same may be amended and supplemented from time to time.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, control, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

“Agreement” or this “Sale Agreement” means this System Restoration Property Sale Agreement, as the same may be amended and supplemented from time to time.

“Basic Documents” means the Certificate of Formation of the Issuer which was filed with the Secretary of State of the State of Delaware on August 6, 2009, as amended and restated on [ ], 2009, the Amended and Restated Limited Liability Company Agreement of the Issuer dated as of [ ], 2009, this Sale Agreement, the Bill of Sale, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement, the Indenture and the Series Supplement.

“Bill of Sale” means the Bill of Sale, dated as of [ ], 2009, issued by the Seller to the Issuer pursuant to the Sale Agreement evidencing the sale of the System Restoration Property by the Seller to the Issuer.

“Bond” means any of the system restoration bonds issued by the Issuer pursuant to the Indenture and the Series Supplement.

“Bondholder” means a Person in whose name a Bond is registered on the Bond Register.

“Bond Register” has the meaning specified in Section 2.05 of the Indenture.

“Business Day” means any day other than a Saturday or Sunday or a day on which banking institutions in the City of Houston, Texas, or in the City of New York, New York, are required or authorized by law or executive order to remain closed.

“CenterPoint Houston” means CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, or its successor.

“Financing Order” means the Financing Order issued by the Texas Commission on August 26, 2009 in Docket No. 37200 pursuant to the System Restoration Amendments to the Public Utility Regulatory Act.

“Fitch” means Fitch, Inc., or its successor.

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“Governmental Authority” means any court or any federal or state regulatory body, administrative agency or governmental instrumentality.

“Indenture” means the Indenture, dated as of [ ], 2009, among the Issuer and the Indenture Trustee, and the Series Supplement (including the forms and terms of the Bonds), as the same may be amended and supplemented with respect to the Bonds from time to time.

“Indenture Trustee” means Deutsche Bank Trust Company Americas, or its successor or any successor Indenture Trustee under the Indenture.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of [ ], 2009, among the Indenture Trustee, the Issuer, the Seller, CenterPoint Energy Transition Bond Company, LLC, CenterPoint Energy Transition Bond Company II, LLC, CenterPoint Energy Transition Bond Company III, LLC and the other parties thereto, each in the capacities stated therein, as the same may be amended and supplemented from time to time.

“Issuance Advice Letter” means the issuance advice letter submitted to the Texas Commission on [ ], 2009 by the Seller pursuant to the Financing Order in connection with the issuance of the Bonds.

“Issuer” means CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company, or its successor under the Indenture.

“Lien” means a security interest, lien, charge, pledge, equity or encumbrance of any kind.

“Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.

“Officer’s Certificate” means a certificate signed, in the case of the Seller, by any manager, the chairman of the board, the chief executive officer, the president, any vice chairman, any executive vice president, senior vice president or vice president, the treasurer, assistant treasurer, the secretary or any assistant secretary of the Seller.

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to the Issuer or the Seller, which counsel shall be reasonably acceptable to the Indenture Trustee, the Issuer or the Rating Agencies, as applicable, and which shall be in form reasonably satisfactory to the Indenture Trustee, if applicable.

“Person” means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

“proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Prospectus” has the meaning specified in Section 3.06 hereof.

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“Public Utility Regulatory Act” means the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code.

“Purchase Price” has the meaning specified in Section 2.01(a) hereof.

“Qualified Costs” has the meaning assigned to that term in the System Restoration Amendments to the Public Utility Regulatory Act and the Financing Order.

“Rating Agency” means any rating agency rating the Bonds at the time of issuance thereof at the request of the Issuer, which initially shall be Moody’s, Fitch and S&P. If no such organization or successor is any longer in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, written notice of which designation shall be given to the Indenture Trustee, the Texas Commission and the Servicer.

“Rating Agency Condition” means, with respect to any action, the notification in writing to each Rating Agency of such action, and confirmation from S&P to the Indenture Trustee and the Issuer that such action will not result in a reduction or withdrawal of the then current rating by such Rating Agency of any outstanding class or tranche of Bonds.

“Restructuring Amendments” means the 1999 utility restructuring amendments to the Public Utility Regulatory Act, as subsequently amended.

“Seller” means CenterPoint Houston, or its successor, in its capacity as seller of the System Restoration Property to the Issuer pursuant to this Agreement.

“Series Supplement” means the First Supplemental Indenture, dated as of [ ], 2009, among the Issuer and the Indenture Trustee, which specifies the terms of the Bonds.

“Servicer” means CenterPoint Houston, in its capacity as the servicer under the Servicing Agreement, and each successor to or assignee of CenterPoint Houston (in the same capacity) pursuant to the relevant sections of the Servicing Agreement.

“Servicer Default” means the occurrence and continuation of one of the events specified in Section 7.01 of the Servicing Agreement.

“Servicing Agreement” means the System Restoration Property Servicing Agreement, dated as of [ ], 2009, between the Issuer and the Servicer and acknowledged by the Indenture Trustee, as the same may be amended and supplemented from time to time.

“Standard & Poor’s” or “S&P,” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or its successor.

“System Restoration Amendments” means Act of April 16, 2009, 81st Leg., R.S., S.B. 769, § 1 (to be codified at TEX UTIL. CODE ANN. §§ 36.401-.406). The provisions of the Public Utility Regulatory Act as amended by the provisions of the Restructuring Amendments relating to the securitization in Chapter 39 Subchapter G of the Public Utility Regulatory Act are further amended and supplemented by the System Restoration Amendments.

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“System Restoration Charges” means the nonbypassable amounts to be charged for the use of electric services, approved by the Texas Commission in the Financing Order to recover Qualified Costs that may be collected by the Seller, its successors, assignees or other collection agents as provided for in the Financing Order.

“System Restoration Property” means the rights and interests of the Seller or its successor under the Financing Order once those rights are first transferred to the Issuer or pledged in connection with the issuance of the Bonds, including the right to impose, collect and receive through System Restoration Charges payable by retail electric customers which take service at distribution voltage within Seller’s certificated service area as it existed on August 26, 2009, an amount sufficient to cover the Qualified Costs of the Seller authorized in the Financing Order, the right to receive System Restoration Charges in amounts and at times sufficient to pay principal and interest and make other deposits in connection with the Bonds and all revenues and collections resulting from System Restoration Charges. System Restoration Property is known as “transition property” in the Public Utility Regulatory Act.

“Texas Commission” means the Public Utility Commission of Texas or any successor thereto.

“Transfer Date” means the date on which the Bonds are to be originally issued in accordance with Section 2.10 of the Indenture.

“Trust Estate” has the meaning specified in the Series Supplement.

“UCC” means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended from time to time.

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EXHIBIT A

BILL OF SALE

1. This Bill of Sale is being delivered pursuant to the System Restoration Property Sale Agreement, dated as of [ ], 2009 (the "Sale Agreement"), between CenterPoint Energy Houston Electric, LLC (the "Seller") and CenterPoint Energy Restoration Bond Company, LLC (the "Issuer"). All capitalized terms used but not defined herein have the respective meanings ascribed thereto in the Sale Agreement.

2. In consideration of the Issuer's payment to the Seller of \$[ ], receipt of which is hereby acknowledged, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, without recourse or warranty, except as set forth in the Sale Agreement, all right, title and interest of the Seller in, to and under the System Restoration Property identified on Schedule 1 hereto (such sale, transfer, assignment, setting over and conveyance of the System Restoration Property includes, to the fullest extent permitted by the Public Utility Regulatory Act, the right to impose, collect and receive the System Restoration Charges related to the System Restoration Property, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 39.308 of the Public Utility Regulatory Act and other applicable law, is a true sale and is not a secured transaction and title, legal and equitable, has passed to the Issuer. The preceding sentence is the statement referred to in Section 39.308 of the Public Utility Regulatory Act. The Seller agrees and confirms that, after giving effect to the sale evidenced by this Bill of Sale, the Seller has no right, title or interest in, to or under the System Restoration Property.

3. The Issuer does hereby purchase the System Restoration Property identified on Schedule 1 hereto from the Seller for the consideration set forth in paragraph 2 above.

4. The Seller and the Issuer each acknowledge and agree that the purchase price for the System Restoration Property sold pursuant to this Bill of Sale and the Sale Agreement is equal to its fair market value on the date hereof.

5. The Seller confirms that each of the representations and warranties on the part of the Seller contained in the Sale Agreement are true and correct in all respects on the date hereof as if made on the date hereof.

6. This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

7. This Bill of Sale shall be construed in accordance with the laws of the State of Texas, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Exhibit A-1

IN WITNESS WHEREOF, the Seller and the Issuer have duly executed this Bill of Sale as of the [ ] day of [ ] 2009.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC,  
as Seller

By: \_\_\_\_\_  
Name:  
Title:



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SCHEDULE 1  
to  
BILL OF SALE

System Restoration Property

All of the Seller's rights, title and interest in, to and under the Financing Order issued by the Texas Commission on August 26, 2009 (PUC Docket No. 37200), pursuant to the System Restoration Amendments to the Public Utility Regulatory Act, including rights to impose, collect and receive the "transition charges" approved in such Financing Order.

SYSTEM RESTORATION PROPERTY SERVICING AGREEMENT

between

CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC

Issuer

and

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Servicer

Dated as of [        ], 2009

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SYSTEM RESTORATION PROPERTY SERVICING AGREEMENT dated as of [ ], 2009 (this "Agreement") between CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC, a Delaware limited liability company (the "Issuer"), and CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a Texas limited liability company ("CenterPoint Houston"), as the servicer of the System Restoration Property hereunder (together with each successor to CenterPoint Houston in such capacity pursuant to Section 6.03 or 7.04, the "Servicer").

WHEREAS, pursuant to the Public Utility Regulatory Act and the Financing Order, the Seller and the Issuer are concurrently entering into the Sale Agreement dated as of the date hereof pursuant to which the Seller is selling and the Issuer is purchasing the System Restoration Property created pursuant to the Public Utility Regulatory Act and the Financing Order;

WHEREAS, the Servicer is willing to service the System Restoration Property purchased from the Seller by the Issuer;

WHEREAS, the Issuer, in connection with ownership of the System Restoration Property, desires to engage the Servicer to carry out the functions described herein;

WHEREAS, the System Restoration Charges may not be itemized on Customers' bills and the SRC Collections initially will be commingled with other funds Servicer collects from Customers and REPs;

WHEREAS, the Financing Order calls for the Servicer to execute a servicing agreement with the Issuer pursuant to which the Servicer will be required, among other things, to impose and collect the System Restoration Charges for the benefit and account of the Issuer, to make periodic System Restoration Charge Adjustments required or allowed by the Financing Order, and to account for and remit the System Restoration Charges to or for the account of the Issuer in accordance with the remittance procedures contained in this Agreement without any charge, deduction or surcharge of any kind (other than the Servicing Fee specified in this Agreement);

WHEREAS, a number of parties may have an interest in such commingled collections, and such parties have entered into an Intercreditor Agreement as of the date hereof that allows the party acting as the Utility (as defined therein) to allocate the collected, commingled funds according to each interested party's interest; and

WHEREAS, the Financing Order provides that the PUCT, or its attorney, will enforce the Servicer's obligations imposed under this Agreement for the benefit of Texas ratepayers to the extent permitted by law.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

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## **ARTICLE I**

### **DEFINITIONS**

SECTION 1.01. DEFINITIONS. Capitalized terms used but not otherwise defined in this Agreement have the respective meanings set forth in Appendix A hereto.

#### **SECTION 1.02. OTHER DEFINITIONAL PROVISIONS.**

(a) The words “hereof,” “herein,” “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; Section, Appendix, Annex, Exhibit and Schedule references contained in this Agreement are references to Sections, Appendices, Annexes, Exhibits and Schedules in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(b) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(c) All terms defined in this Agreement have the same defined meanings when used in any certificate or other document made or delivered pursuant to this Agreement unless otherwise defined therein.

## **ARTICLE II**

### **APPOINTMENT AND AUTHORIZATION OF SERVICER**

SECTION 2.01. APPOINTMENT OF THE SERVICER; ACCEPTANCE OF APPOINTMENT. The Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer’s obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and the Servicer’s acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

SECTION 2.02. AUTHORIZATION. With respect to all or any portion of the System Restoration Property, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to:

(a) execute and deliver, on behalf of itself or the Issuer, as the case may be, any and all instruments, documents or notices, and

(b) on behalf of itself or the Issuer, as the case may be, make any filing and participate in Proceedings related to the duties of the Servicer hereunder with any governmental authorities, including with the PUCT.

The Issuer shall furnish the Servicer with all executed documents as have been prepared by the Servicer for execution by the Issuer, and with such other documents as may be in the Issuer’s possession, as necessary or appropriate to enable the Servicer to carry out its servicing

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and administrative duties hereunder. Upon the written request of the Servicer, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

SECTION 2.03. DOMINION AND CONTROL OVER SYSTEM RESTORATION PROPERTY. Notwithstanding any other provision contained herein, the Servicer and the Issuer agree that the Issuer shall have dominion and control over the System Restoration Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent of and custodian for the Issuer with respect to the System Restoration Property and System Restoration Property Documentation. The Servicer hereby agrees that it shall not take any action that is not authorized by this Agreement, the Public Utility Regulatory Act, PUCT Regulations or the Financing Order, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer with respect to the System Restoration Property, in each case unless such action is required by law or court or regulatory order.

### ARTICLE III

#### BILLING AND OTHER SERVICES

SECTION 3.01. DUTIES OF THE SERVICER. The Servicer, as agent for the Issuer (to the extent provided herein), shall have the following duties:

(a) Duties of Servicer Generally. The Servicer shall manage, service, administer and make collections in respect of the System Restoration Property. The Servicer's duties will include:

(i) calculating and billing the System Restoration Charges;

(ii) obtaining meter reads and providing such metering information to the REPs, as necessary (unless another entity assumes metering responsibilities in accordance with the Financing Order, applicable tariffs or the Public Utility Regulatory Act);

(iii) collecting payments of System Restoration Charges and payments with respect to System Restoration Property from all persons or entities responsible for remitting System Restoration Charges and other payments with respect to System Restoration Property to the Servicer under the Financing Order, the Public Utility Regulatory Act, PUCT Regulations or applicable tariffs; provided, however, the Issuer and the Servicer acknowledge and agree that pursuant to the Intercreditor Agreement, payments in respect of System Restoration Charges and System Restoration Property may be deposited initially into an account held and processed by CenterPoint Houston in its capacity as the Utility for the benefit of the Servicer, and that CenterPoint Houston in its individual capacity may be replaced as the holder of such account by a Successor Servicer or Designated Account Holder as those terms are defined and as set forth more fully in the Intercreditor Agreement;

(iv) posting all SRC Collections remitted to the Servicer and posting all late-payment penalties assessed against REPs (as described in Section 3.05(c)(ii));

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(v) responding to inquiries by Customers, REPs, the PUCT or any other State, local or federal governmental authority with respect to the System Restoration Property and the System Restoration Charges;

(vi) accounting for SRC Collections and late-payment penalties received from REPs, investigating and resolving delinquencies (including, where permitted by the Financing Order, Schedule SRC and/or PUCT Regulations, terminating distribution service for nonpayment of charges by end-use customers), processing and depositing collections, making periodic remittances to the Trustee and furnishing periodic reports to the Issuer, the PUCT, the Trustee and each Rating Agency;

(vii) providing certified calculations and other information reasonably requested by agents appointed by the Servicer to collect the charges to enable the agents to perform collection services properly under the Intercreditor Agreement and monitoring the collections of the agents for compliance with the Intercreditor Agreement;

(viii) providing information reasonably requested by CenterPoint Houston in connection with the allocation of collections between System Restoration Charges and System Restoration Property on one hand, and other charges and fees on the other;

(ix) monitoring payments by each REP, reviewing reports provided by each REP and monitoring compliance by each REP with the credit standards and deposit obligations set forth in the Financing Order;

(x) notifying each REP of any defaults by such REP in its payment obligations and other obligations (including its credit standards) under Schedule SRC, and enforcing against such REP at the earliest date permitted by the Financing Order and Schedule SRC any remedies provided by such Schedule SRC, the Financing Order or other applicable law and regulations;

(xi) making all filings with the PUCT and taking all other actions necessary to perfect the Issuer's ownership interests in and the Trustee's Lien on the Trust Estate;

(xii) selling, as the agent for the Issuer, as its interest may appear, defaulted or written-off accounts in accordance with the Servicer's usual and customary practices;

(xiii) taking action in connection with System Restoration Charge Adjustments and PBRAF Adjustments as is set forth herein;

(xiv) any other duties specified for a servicer under the Financing Order, Schedule SRC, the Public Utility Regulatory Act or other applicable law; and

(xv) reconciling, within 30 calendar days after bank statement cutoff date or such later time as is consistent with the Servicer's usual and customary practices that does not materially impair the ability of the Servicer to correct errors, all bank account debits and credits for bank accounts that are held in the name of the Servicer (as Servicer hereunder) or of the Issuer that relate to the Trust Estate or the Bonds.



Anything to the contrary notwithstanding, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by, and the Servicer shall at all times comply with, the Financing Order, the Public Utility Regulatory Act and any PUCT Regulations, orders or directions and the federal securities laws and the rules and regulations promulgated thereunder, including Regulation AB, as in effect at the time such duties are to be performed. Without limiting the generality of this Section 3.01(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collections, payment processing and remittance set forth in the Issuer Annex hereto, as it may be amended from time to time. For the avoidance of doubt, the term “usage” when used herein refers to both kilowatt hour consumption and kilowatt demand.

**(b) Reporting Functions.**

(i) **Notification of Laws and Regulations.** The Servicer shall immediately notify the Issuer, the PUCT, the Trustee and each Rating Agency in writing of any laws or PUCT Regulations, orders or directions hereafter promulgated that have a material adverse effect on the Servicer’s ability to perform its duties under this Agreement.

(ii) **Other Information.** Upon the reasonable request of the Issuer, the Trustee, the PUCT or any Rating Agency, the Servicer shall provide to the Issuer, the Trustee, the PUCT or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the System Restoration Property to the extent it is reasonably available to the Servicer, that may be reasonably necessary and permitted by law for the Issuer, the Trustee, the PUCT or such Rating Agency to monitor the performance by the Servicer hereunder. In addition, so long as any of the Bonds are Outstanding, the Servicer shall provide to the Issuer, to the PUCT and to the Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the System Restoration Charges applicable to each Customer Class.

(iii) **Preparation of Reports.** The Servicer shall prepare and deliver such additional reports as required under this Agreement, including a copy of each Semi-Annual Servicer’s Certificate described in Section 6.13, the annual Servicer’s Regulation AB Compliance Certificate and Certificate of Compliance described in Section 3.03, and the Annual Accountant’s Report described in Section 3.04. In addition, the Servicer shall prepare, procure, deliver and/or file, or cause to be prepared, procured, delivered or filed, any reports, attestations, exhibits, certificates or other documents required to be delivered or filed with the SEC (and/or any other Governmental Authority) by the Issuer or the Sponsor under the federal securities or other applicable laws or in accordance with the Basic Documents, including, but without limiting the generality of foregoing, filing with the SEC, if applicable, a copy or copies of (i) the Semi-Annual Servicer’s Certificates described in Section 6.13 (under Form 10-D or any other applicable form), (iii) the annual statements of compliance, attestation reports and other certificates described in Section 3.03, and (iv) the Annual Accountant’s Report (and any attestation required under Regulation AB) described in Section 3.04. In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Servicer) sign the Sponsor’s

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annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the federal securities law and/or any other applicable law.

(c) Opinions of Counsel.

The Servicer shall deliver to the Issuer and the Trustee:

(i) promptly after the execution and delivery of this Agreement and of each amendment hereto, and promptly after the execution of the Sale Agreement and of each amendment thereto, an Opinion of Counsel from Independent counsel of the Issuer either

(A) to the effect that, in the opinion of such counsel, all filings, including filings with the PUCT and the Secretary of State of the State of Texas and all filings pursuant to the UCC, that are necessary under the UCC and the Public Utility Regulatory Act to fully preserve, protect and perfect the Liens of the Trustee in the System Restoration Property have been authorized, executed and filed, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or

(B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such Liens; and

(ii) within ninety (90) days after the beginning of each calendar year beginning with the first calendar year beginning more than three (3) months after the date hereof, an Opinion of Counsel from Independent counsel of the Issuer, dated as of a date during such ninety (90)-day period, either

(A) to the effect that, in the opinion of such counsel, all filings, including filings with the PUCT and the Secretary of State of the State of Texas and all filings pursuant to the UCC, have been executed and filed that are necessary under the UCC and the Public Utility Regulatory Act to fully preserve, protect and perfect the Liens of the Trustee in the System Restoration Property, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or

(B) to the effect that, in the opinion of such counsel, no such action shall be necessary to preserve, protect and perfect such Liens.

Each Opinion of Counsel referred to in clause (i) or (ii) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to preserve and protect such interest or Lien.

SECTION 3.02. SERVICING AND MAINTENANCE STANDARDS. The Servicer shall, on behalf of the Issuer:

(a) manage, service, administer and make collections in respect of the System Restoration Property with reasonable care and in material compliance with applicable law,

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including all applicable PUCT Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to billing and collection activities that the Servicer conducts for itself and others;

(b) follow standards, policies and procedures in performing its duties as Servicer that are customary in the electric transmission and distribution industry or that the PUCT has mandated and that are consistent with the terms and provisions of the Financing Order, Schedule SRC and existing law;

(c) use all reasonable efforts, consistent with its customary servicing procedures, to enforce and maintain the Issuer's and the Trustee's rights in respect of the System Restoration Property;

(d) calculate System Restoration Charges and PBRAFs in compliance with the Public Utility Regulatory Act, the Financing Order, any PUCT order related to System Restoration Charge allocation and any applicable tariffs;

(e) provide all reports to such parties to the Intercreditor Agreement regarding the System Restoration Charges and PBRAFs as are necessary to effect collection, allocation and remittance of payments in respect of System Restoration Charges and other collected funds in accordance with this Agreement and the Intercreditor Agreement; and

(f) make all filings required under the Public Utility Regulatory Act or the UCC to maintain the perfected security interest of the Trustee in the Trust Estate and use all reasonable efforts to otherwise enforce and maintain the Trustee's rights in respect of the System Restoration Property and the Trust Estate,

except where the failure to comply with any of the foregoing would not materially and adversely affect the Issuer's or the Trustee's respective interests in the System Restoration Property.

The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the System Restoration Property, which, in the Servicer's judgment, may include the taking of legal action pursuant to Section 5.02(d) and 5.02(e) hereof or otherwise.

The Servicer shall petition the PUCT for adjustments to the System Restoration Charges and PBRAF that the servicer determines to be necessary in accordance with the Financing Order.

#### SECTION 3.03. ANNUAL REPORTS ON COMPLIANCE WITH REGULATION AB.

(a) The Servicer shall deliver to the Issuer, the PUCT, the Trustee and the Rating Agencies, on or before the earlier of (i) March 31 of each year beginning March 31, 2010, or (ii) with respect to each calendar year during which CenterPoint Houston's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, certificates from a Responsible Officer of the Servicer (A) containing, and certifying as to, the statements of compliance required by Item 1123 (or any successor or similar items or rule) of Regulation AB,

as then in effect (the "Regulation AB Compliance Certificate"), and (B) containing, and certifying as to, the statements and assessment of compliance required by Item 1122(a) (or any successor or similar items or rule) of Regulation AB, as then in effect (the "Certificate of Compliance"). These certificates may be in the form of, or shall include the forms attached hereto as, Exhibit B-1 and Exhibit B-2 hereto, with, in the case of Exhibit B-1, such changes as may be required to conform to applicable securities law.

(b) The Servicer shall use commercially reasonable efforts to obtain from each other party participating in the servicing function any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the extent required in connection with the filing of the annual report on Form 10-K referred to above; provided, however, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Trustee's certifications shall be limited to the Item 1122 certifications described in Exhibit A of the Indenture.

#### SECTION 3.04. ANNUAL REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM REPORT.

(a) The Servicer shall cause a registered independent public accounting firm (which may also provide other services to the Servicer or the Seller) to prepare annually, and the Servicer shall deliver annually to the Issuer, the PUCT, the Trustee and each Rating Agency, on or before the earlier of (a) March 31 of each year, beginning March 31, 2010, to and including the March 31 succeeding the retirement of all Bonds or (b) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which the annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, to the effect that such firm has performed certain procedures, agreed between the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under this Agreement during the preceding calendar year ended December 31 (or, in the case of the first Annual Accountant's Report, the period of time from the Sale Date through December 31, 2009), identifying the results of such procedures and including any exceptions noted. In the event such accounting firm requires the Trustee or the Issuer to agree or consent to the procedures performed by such firm, the Issuer shall direct the Trustee in writing to so agree; it being understood and agreed that the Trustee shall deliver such letter of agreement or consent in conclusive reliance upon the direction of the Issuer, and the Trustee shall not make any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer in accordance with the Rules of the Public Company Accounting Oversight Board, and shall include the attestation report required under Item 1122(b) of Regulation AB (or any successor or similar items or rule), as then in effect. The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

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SECTION 3.05. MONITORING OF THIRD-PARTY COLLECTORS. From time to time, until the Retirement of the Bonds, the Servicer shall, in accordance with the Servicing Standard, take all actions with respect to Third-Party Collectors required to be taken by the Servicer as set forth, if applicable, in any agreement with the Servicer, the Financing Order, the Tariff and any other PUCT Regulations in effect from time to time and implement such additional procedures and policies as are necessary to ensure that the obligations of all Third-Party Collectors in connection with System Restoration Charges are properly enforced in accordance with, if applicable, the terms of any agreement with the Servicer, the Financing Order, the Tariff and any other PUCT Regulations in effect from time to time. Such procedures and policies shall include the following:

(a) Maintenance of Records and Information. In addition to any actions required by the Tariff, PUCT Regulations or other applicable law, the Servicer shall:

- (i) maintain adequate records for promptly identifying and contacting each Third-Party Collector;
- (ii) maintain records of end-user Customers which are billed by Third-Party Collectors to permit prompt transfer of the customers to another Third-Party Collector in the event of default by the defaulting Third-Party Collector;
- (iii) maintain adequate records for enforcing compliance by all Third-Party Collectors with their obligations with respect to System Restoration Charges, including compliance with all Remittance Requirements and REP Credit Requirements;
- (iv) provide to each Third-Party Collector such information necessary for such Third-Party Collector to confirm the Servicer's calculation of System Restoration Charges and remittances, including, if applicable, charge-off amounts; and
- (v) cause payments in respect of System Restoration Property to be posted to such records as Servicer maintains that identify obligations of end-user Customers and Third-Party Collectors, generally within two Business Days of receipt of same, subject to extension of time to segregate and identify payments where necessary because of the manner of payment or aggregation of payments with other payment, and reflect such payments in such records as the Servicer maintains that identify allocation of funds to obligations under the Bonds.

The Servicer shall update the records described above no less frequently than quarterly.

(b) Credit and Collection Policies. The Servicer shall, to the fullest extent permitted under the Financing Order, Utilities Code and PUCT regulations, apply such terms with respect to credit and collection policies applicable to Bills submitted to Third-Party Collectors as may be reasonably necessary to prevent the then-current rating of the Bonds from being downgraded, withdrawn or suspended. The Servicer shall periodically review the need for modified or additional terms based upon, among other things, (i) the amount of SRC Collections received through REPs relative to the Periodic Billing Requirement, (ii) the historical payment and default experience of each REP and (iii) such other credit and collection policies to which the REPs are subject, and if permitted by the Financing Order and applicable law, will set out any such modified or additional terms in a supplemental tariff filed with the PUCT.

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(c) Monitoring of Performance and Payment by REPs. In addition to any actions required by the Tariff, PUCT Regulations or other applicable law, the Servicer shall undertake to do the following:

(i) The Servicer shall use all reasonable efforts, subject to applicable law, to collect all amounts owed in respect of System Restoration Charges and late-payment penalties (as set forth in Section 3.05(c)(ii) below) as and when the same shall become due) to the extent permitted by the Financing Order, shall follow procedures no less stringent as it follows with respect to collection activities that the Servicer conducts for itself or others. The Servicer shall not change the amount of or reschedule the due date of any scheduled payment of System Restoration Charges, except as contemplated in this Agreement or as required by law or court or PUCT order. The Servicer shall enforce at the earliest possible date the obligations with respect to the System Restoration Charges of each REP and each other Person owing or collecting System Restoration Charges, provided that any REP shall be entitled to hold back from its payment of System Restoration Charges to the Servicer an allowance for charge-offs according to the procedure and calculations set forth in the Financing Order, Schedule SRC and the Issuer Annex.

(ii) Each REP must pay System Restoration Charges within 35 days following the date of each billing by the Servicer to such REP ("REP Billing Day"), without regard to whether or when the REP receives payment from its retail customers. The Servicer shall accept payment by electronic funds transfer, wire transfer, and/or check. Payment will be considered received the date the electronic funds transfer or wire transfer is received by the Servicer or, if payment is made by check, the date the check clears. The Servicer shall assess and collect a 5% late-payment penalty (the "Penalty") on all System Restoration Charges billed to an REP but not paid by that REP by the close of business on the 35th day after the REP Billing Day. Any and all such Penalty payments that are collected shall be transferred to the Trustee for deposit in the Collection Account and shall be applied against system restoration charge obligations. An REP shall not be obligated to pay the overdue System Restoration Charges of another REP. If an REP agrees to assume the responsibility for the payment of overdue System Restoration Charges as a condition of receiving the customers of another REP that has decided to terminate service to those customers for any reason, the new REP shall not be assessed the Penalty upon such System Restoration Charges; provided, however, that the prior REP shall not be relieved of the previously assessed Penalties.

(iii) The Servicer shall work with REPs to resolve any disputes using the dispute resolution procedures established in Schedule SRC and any PUCT Regulations, in accordance with the Servicing Standard.

(d) Enforcement of REP Obligations. The Servicer shall, in accordance with the terms of Schedule SRC, ensure that each REP remits all System Restoration Charges which it is obligated to remit to the Servicer. If an REP fails to remit payment in full of all System

Restoration Charges which it is obligated to remit by the day that is 45 calendar days after the REP Billing Day, the Servicer shall, in addition to assessing the Penalty against such REP described in Section 3.05(c)(ii) of this Agreement, direct the Trustee by written instruction to deliver to Servicer from such REP's REP Deposit (by making a withdrawal from a deposit account, a demand under a surety bond or a guarantee, and/or a draw under a letter of credit, as applicable) the lesser of the amount of System Restoration Charges such REP has failed to remit or the amount of the REP Deposit. Upon receipt of same, Servicer shall cause the amount received from the Trustee to be deposited in the Collection Account. The Servicer shall notify the REP of such withdrawal, demand and/or draw from the REP Deposit to the Collection Account and instruct the REP to remit, or otherwise restore, immediately the amount of such withdrawal, demand and/or draw to the Trustee for replenishment of such REP's REP Deposit. The Servicer shall avail itself of such legal remedies as may be appropriate to collect any remaining unpaid System Restoration Charges and associated penalties due to the Servicer after application of the REP Deposit, in accordance with the Financing Order and Schedule SRC.

(i) If an REP is in default pursuant to Section 9 of Schedule SRC and Finding of Fact 53 of the Financing Order (such default an "REP Default"), the Servicer shall perform such duties as are required of the Servicer therein, including but not limited to the following:

(A) in the event the REP in REP Default seeks to implement alternative arrangements with the Servicer regarding the billing and collection of System Restoration Charges pursuant to Section 9 of Schedule SRC and Finding of Fact 53 of the Financing Order, the Servicer shall consider proposals from such REP but shall not accept any proposal, and no proposal shall be deemed mutually suitable and agreeable, other than the options set forth in Section 9 of Schedule SRC unless (i) the Servicer is directed promptly in writing by the Trustee to accept a proposal of such REP following the written direction of such approval of such proposal by the Majority Holders, (ii) such proposal would not materially and adversely affect the interests of the Bondholders and (iii) the Rating Agency Condition has been satisfied; and

(B) in the event the REP in REP Default fails to immediately select and implement an alternative method of billing and collecting System Restoration Charges as specified in Section 9 of Schedule SRC and Finding of Fact 53 of the Financing Order or fails to adequately meet its responsibilities thereunder, the Servicer shall immediately allow the appropriate Provider of Last Resort or another qualified REP of a Customer's choosing to immediately assume responsibility for the billing and collection of System Restoration Charges from such Customer.

(ii) In the event the appropriate Provider of Last Resort defaults or is ineligible to provide billing and collection of System Restoration Charges when requested by a Customer or the Servicer, as applicable, the Servicer shall assume responsibility for billing and collection of System Restoration Charges until a new Provider of Last Resort is named by the PUCT or the Customer requests the services of another REP, in accordance with Schedule SRC and PUCT Regulations. In any case, the

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Servicer shall enforce the obligations, and exercise its remedies against, each REP including any Provider of Last Resort, as permitted under the Financing Order and Schedule SRC.

(ii) In addition to the obligations set forth in 3.05(g) below, the Servicer shall have the rights and obligations to terminate electric service for non-payment of System Restoration Charges under the circumstances set forth in Schedule SRC and PUCT Regulations.

(e) Maintenance of REP Deposit Accounts. In the event an REP provides any of (A) a cash deposit to the Trustee in the form of up to two months' maximum expected system restoration charge collections, (B) a surety bond or affiliate guarantee or (C) a letter of credit (each, an "REP Deposit") pursuant to the Financing Order and Schedule SRC,

(i) the Servicer shall agree with the REP as to the size of the initial REP Deposit,

(ii) no more frequently than quarterly, upon the request of either the REP or the Servicer, the Servicer shall cooperate with the REP as required by the Financing Order and Schedule SRC to ensure that the REP Deposit accurately reflects up to two months' maximum system restoration charge collections. Within 10 days following the review by the REP and Servicer of the size of the REP Deposit, either the REP shall remit to the Trustee the amount of any shortfall in the REP Deposit as confirmed to the Trustee by the Servicer or the Servicer shall instruct the Trustee to remit or release to the REP any portion of the REP Deposit no longer required to be on deposit, and

(iii) The Servicer shall instruct the Trustee in writing to remit to the REP the REP Deposit, plus any investment earnings thereon, except such portion of the REP Deposit as was utilized in satisfaction of the REP's obligations to remit billed System Restoration Charges within 30 days of the date on which the REP Deposit is no longer required under the Financing Order or Schedule SRC.

(f) In the event an REP disputes any amount of billed System Restoration Charges, the Servicer shall require the REP to pay the disputed amount under protest within the time for payment set forth in Section 3.05(c)(ii) of this Agreement. The Servicer shall attempt to resolve informally the dispute with the REP, or any dispute related to the date of receipt of System Restoration Charge payments, Penalties, or the size of the required REP Deposit. If the REP and the Servicer cannot reach an informal resolution to the dispute, either party may file a complaint with the PUCT as set forth in the Financing Order and Schedule SRC. If the REP prevails in the informal dispute process or before the PUCT, the Servicer shall provide the REP with a refund of the disputed amount paid to the Servicer plus interest at a rate approved by the PUCT. As provided in the Financing Order, Schedule SRC and Section 4.01(b)(i)(C) of this Agreement, interest paid by the Servicer shall be recoverable through System Restoration Charges if the Servicer's claim to the funds is not clearly unfounded. In addition, as provided in the Financing Order and Schedule SRC, the Servicer shall not be required to pay interest to the REP if the Servicer has received inaccurate metering data from another entity providing competitive metering services pursuant to the Public Utility Regulatory Act.



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(g) The Servicer shall adhere to the instructions of an REP that bills Customers for System Restoration Charges to terminate transmission and distribution service to a Customer for nonpayment by the Customer pursuant to the Financing Order and Schedule SRC.

(h) Affiliated Third-Party Collectors. In performing its obligations under this Section 3.05, the Servicer shall deal with any Third-Party Collectors which are Affiliates of the Servicer on terms which are no more favorable in the aggregate to such affiliated Third-Party Collector than those used by the Servicer in its dealings with Third-Party Collectors that are not affiliates of the Servicer.

#### ARTICLE IV

##### SERVICES RELATED TO SYSTEM RESTORATION CHARGE ADJUSTMENTS AND PBRAF ADJUSTMENTS

SECTION 4.01. SYSTEM RESTORATION CHARGE ADJUSTMENTS. From time to time, until the Retirement of the Bonds, the Servicer shall identify the need for annual System Restoration Charge Adjustments and interim System Restoration Charge Adjustments and shall take all reasonable action to obtain and implement such System Restoration Charge Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the Bonds is provided in the Supplement.

(b) System Restoration Charge Adjustments.

(i) Annual System Restoration Charge Adjustments and Filings. Prior to each Calculation Date, the Servicer shall calculate

(A) the PBRAF Adjustments to be made in accordance with the methodology set forth in Schedule SRC, as may be modified from time to time by order from the PUCT,

(B) the Bond Balance as of each Calculation Date (a written copy of which shall be delivered by the Servicer to the Trustee and the PUCT within five business days following such Calculation Date), and

(C) the System Restoration Charge Adjustment with respect to the System Restoration Property for the twelve-month period preceding and including the next upcoming Adjustment Date, such that the Servicer projects that SRC Collections therefrom will be sufficient so that:

1. the Bond Balance on the Payment Date immediately preceding the next Adjustment Date will equal the Projected Bond Balance as of such date or, if earlier with respect to any Tranche of Bonds, by the Expected Final Payment Date therefor, taking into account any amounts on deposit in the Excess Funds Subaccount,

2. the amount on deposit in the Capital Subaccount on the Payment Date immediately preceding the next Adjustment Date, or if earlier with respect to the Bonds or any Tranche thereof, by the Expected Final Payment Date therefor, will equal the Required Capital Amount, taking into account any amounts on deposit in the Excess Funds Subaccount and taking into account any prior withdrawals of interest or earnings on deposits in the Capital Subaccount used to meet payment obligations on the Bonds,
3. the SRC Collections will provide for amortization of the remaining outstanding principal amount of the Bonds in accordance with the Expected Amortization Schedule therefor and payment of interest on the Bonds when due,
4. the Servicer can reconcile past overpayments and underpayments by all REPs of System Restoration Charges arising out of hold-backs for charge-offs in accordance with Section 6 of the Issuer Annex,
5. the Servicer can recover out of SRC Collections the interest paid to all REPs arising out of a dispute between the Servicer and any REP resolved pursuant to Section 3.05(f) of this Agreement for which the Servicer's claim to the funds in dispute was not clearly unfounded, and
6. the fees and expenses of the Servicer, the Trustee, the independent manager of the Issuer and the Administrator and other fees, expenses, charges and costs authorized in the Financing Order will be paid.

(ii) Prior to each Calculation Date, the Servicer shall make annual reconciliation filings with the PUCT for that Calculation Date. The Servicer shall promptly thereafter provide notice and a copy of such filings to each Rating Agency. The Servicer's Calculation Date filings shall include:

(A) any PBRAF Adjustments to take effect on the next Adjustment Date (in which case, the Servicer shall provide notice of such filing to all parties in PUCT Docket No. 37200 and shall participate in a contested case proceeding at the PUCT, the purpose of which will be to determine whether any proposed adjustment complies with the Financing Order, as set forth therein), and

(B) a tariff supplement setting forth System Restoration Charge Adjustments to become effective on the next Adjustment Date and supporting data, including the calculation of the System Restoration Charge Adjustments.

(c) Interim System Restoration Charge Adjustments and Filings. The Servicer shall calculate any interim System Restoration Charge Adjustments to be requested between Calculation Dates to correct under-collection or over-collection of System Restoration Charges, as set forth in the Financing Order and Schedule SRC, in order to provide for the timely payment of the Bonds. As provided for in the Financing Order, the Servicer shall file for interim System Restoration Charge Adjustments:

(i) to correct any undercollection or overcollection in order to assure timely payment of the Bonds based on Rating Agency and Bondholder considerations;

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(ii) the Servicer determines that expected collection of System Restoration Charges for the upcoming payment date would result in a difference that is greater than 5% in absolute value, between (i) the actual outstanding principal balances of the Bonds plus amounts on deposit in the Excess Funds Subaccount and (ii) the outstanding principal balances anticipated in the target amortization schedule; or

(iii) to meet a Rating Agency requirement that any tranche of the Bonds be paid in full by its Expected Final Payment Date.

In the event an interim System Restoration Charge Adjustment is necessary, the interim System Restoration Charge Adjustment should be filed on the fifteenth day of the current month for implementation in the first billing cycle of the following month. In no event would such interim System Restoration Charge Adjustments occur more frequently than every three months if quarterly Bond payments are required or every six months if Semi-Annual Bond payments are required; provided, however, that interim System Restoration Charge Adjustments for any Bonds remaining outstanding during the fourteenth and fifteenth year after the Bonds are issued may occur quarterly.

(d) On each Adjustment Date and Interim Adjustment Date, the Servicer shall

(i) take all reasonable actions and make all reasonable efforts in order to effectuate all adjustments approved by the PUCT to the System Restoration Charges and/or PBRAFs, and

(ii) promptly send to the Trustee copies of all material notices and documents relating to such adjustments.

(e) Reports.

(i) For each Calculation Date, the Servicer shall provide to the Issuer, the PUCT, the Trustee and the Rating Agencies a statement indicating:

(A) the Bond Balance and the Projected Bond Balance as of the immediately preceding Payment Date,

(B) the amount on deposit in the Capital Subaccount and the Required Capital Amount as of the immediately preceding Payment Date;

(C) the amount on deposit in the Excess Funds Subaccount as of the immediately preceding Payment Date;

(D) the Projected Bond Balance and the Servicer's projection of the Bond Balance on the Payment Date immediately preceding the next succeeding Adjustment Date;

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(E) the required Capital Subaccount balance and the Servicer's projection of the amount on deposit in the Capital Subaccount for the Payment Date immediately preceding the next succeeding Adjustment Date; and

(F) the Servicer's projection of the amount on deposit in the Excess Funds Subaccount for the Payment Date immediately preceding the next succeeding Adjustment Date.

(ii) Reports to Customers.

(A) After each revised System Restoration Charge has gone into effect pursuant to a System Restoration Charge Adjustment, the Servicer shall, to the extent and in the manner and time frame required by applicable PUCT Regulations, if any, cause to be prepared and delivered to Customers any required notices announcing such revised System Restoration Charges.

(B) The Servicer shall comply with the requirements of the Financing Order and Tariff with respect to the identification of System Restoration Charges on Bills. In addition, at least once each year, the Servicer shall (to the extent that it does not separately identify the System Restoration Charges as being owned by the Issuer in the Bills regularly sent to Customers or REPs) cause to be prepared and delivered to such Customers and REPs a notice stating, in effect, that the System Restoration Property and the System Restoration Charges are owned by the Issuer and not the Seller. Unless prohibited by applicable PUCT Regulations, the Servicer shall use reasonable efforts to cause each REP, at least once each year, to include similar notices in the bills sent by such REP to Customers indicating additionally that the System Restoration Charges are not owned by such REP (to the extent that such REP does not include such information in the Bills regularly sent to Customers). Such notice shall be included either as an insert to or in the text of the Bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as the Servicer or the REPs may from time to time use to communicate with its respective Customers.

(C) Except to the extent that applicable PUCT Regulations make the REPs responsible for such costs, or the REPs have otherwise agreed to pay such costs, the Servicer shall pay from its own funds all costs of preparation and delivery incurred in connection with clauses (A) and (B) above, including printing and postage costs.

(iii) REP Reports. The Servicer shall provide to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the PUCT (or otherwise made publicly available by the Servicer) relating to REPs and any other non-confidential and non-proprietary information relating to REPs reasonably requested by the Rating Agencies to the extent such information is reasonably available to the Servicer.

#### SECTION 4.02. LIMITATION OF LIABILITY

(a) The Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any System Restoration Charge Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

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(ii) Neither the Servicer nor the Issuer nor the Trustee is responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to make any filings required by Section 4.01 in a timely and correct manner or any breach by the Servicer of its duties under this Agreement that adversely affects the System Restoration Property or the System Restoration Charge Adjustments), by the PUCT in any way related to the System Restoration Property or in connection with any System Restoration Charge Adjustment, the subject of any filings under Section 4.01, any proposed System Restoration Charge Adjustment, or the approval of any revised System Restoration Charges and the scheduled adjustments thereto.

(iii) Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of any revised System Restoration Charges and the scheduled adjustments thereto, including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected energy usage volume and the weighted average days outstanding, write-offs and estimated expenses and fees of the Issuer, so long as the Servicer has acted in good faith and has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Bondholders, not receiving any payment, amount or return anticipated or expected or in respect of any Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of liability for any misrepresentation by the Servicer under Section 6.01 or for any breach by the Servicer of its other obligations under this Agreement.

## **ARTICLE V**

### **THE SYSTEM RESTORATION PROPERTY**

SECTION 5.01. CUSTODY OF SYSTEM RESTORATION PROPERTY RECORDS. To assure uniform quality in servicing the System Restoration Property and to reduce administrative costs, the Servicer shall keep on file, in accordance with its customary procedures, all System Restoration Property Documentation, it being understood that the Servicer is acting only as the servicing agent and custodian for the Issuer with respect to the System Restoration Property Documentation.

#### **SECTION 5.02. DUTIES OF SERVICER AS CUSTODIAN.**

(a) Safekeeping. The Servicer shall maintain accurate and complete accounts, records and computer systems pertaining to the System Restoration Property and the System Restoration Property Documentation in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between payments or recoveries on (or with respect

to) System Restoration Charges and the SRC Collections from time to time remitted to the Trustee pursuant to Section 6.12 and to enable the Issuer to comply with this Agreement and the Indenture. The Servicer shall conduct, or cause to be conducted, periodic audits of the System Restoration Property Documentation held by it under this Agreement and of the related accounts, records and computer systems, in such a manner as shall enable the Issuer and the Trustee, as pledgee of the Issuer, to verify the accuracy of the Servicer's record keeping. The Servicer shall promptly report to the Issuer, to the PUCT, and to the Trustee any failure on the Servicer's part to hold the System Restoration Property Documentation and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the System Restoration Property Documentation. The Servicer's duties to hold the System Restoration Property Documentation on behalf of the Issuer set forth in this Section 5.02, to the extent such System Restoration Property Documentation has not been previously transferred to a Successor Servicer, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a Successor Servicer pursuant to the provisions of this Agreement or (ii) no Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain the System Restoration Property Documentation at 1111 Louisiana Street, Houston, Texas or at such other office as shall be specified to the Issuer, to the PUCT and to the Trustee by written notice not later than 30 days prior to any change in location. The Servicer shall permit the Issuer and the Trustee or their respective duly authorized representatives, attorneys, agents or auditors at any time during normal business hours to inspect, audit and make copies of and abstracts from the Servicer's records regarding the System Restoration Property, the System Restoration Charges and the System Restoration Property Documentation. The failure of the Servicer to provide access to such information as a result of an obligation or applicable law (including PUCT Regulations) prohibiting disclosure of information regarding customers shall not constitute a breach of this Section 5.02(b).

(c) Release of Documents. Upon written instruction from the Trustee in accordance with the Indenture, the Servicer shall release any System Restoration Property Documentation to the Trustee, the Trustee's agent or the Trustee's designee, as the case may be, and to the PUCT at such place or places as the Trustee may designate, as soon as practicable.

(d) Defending System Restoration Property Against Claims. The Servicer shall, subject to applicable law, institute any action or Proceeding necessary to compel performance by each REP and each party to the Intercreditor Agreement (and in the case of each REP at the earliest possible time) of any of their respective obligations or duties under the Public Utility Regulatory Act, the Financing Order or the Intercreditor Agreement with respect to the System Restoration Property, and the Servicer agrees, subject to applicable law, to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of, or supplement to, the Public Utility Regulatory Act or the Financing Order, the Issuance Advice Letter or the rights of Bondholders by legislative enactment or constitutional amendment that would be materially adverse to the Issuer, the Trustee or the Bondholders. The costs of any such action shall be payable from SRC Collections as an Operating Expense (and shall not be deemed to

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constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 5.02 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to the Indenture may be delayed (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

(e) Additional Litigation to Defend System Restoration Property. In addition to the above, the Servicer shall, at its own expense, institute any action or proceeding necessary to compel performance by the PUCT or the State of Texas of any of their respective obligations or duties under the Public Utility Regulatory Act or the Financing Order with respect to the System Restoration Property, and to compel performance by REPs with any of their respective obligations or duties under the Tariff or any agreement with the Servicer entered into pursuant to the Tariff. In any proceedings related to the exercise of the power of eminent domain by any municipality to acquire a portion of CenterPoint Houston's electric distribution facilities, the Servicer shall assert that the court ordering such condemnation must treat such municipality as a successor to CenterPoint Houston under the Public Utility Regulatory Act and the Financing Order.

SECTION 5.03. CUSTODIAN'S INDEMNIFICATION. The Servicer as custodian shall indemnify the Issuer, the Independent Managers and the Trustee (for itself and for the benefit of the Bondholders) and each of their respective officers, directors, employees and agents for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against each such Person as the result of any negligent act or omission in any way relating to the maintenance and custody by the Servicer, as custodian, of the System Restoration Property Documentation; provided, however, that the Servicer shall not be liable for any portion of any such amount resulting from the willful misconduct, bad faith or negligence of the Issuer, the Independent Managers or the Trustee, as the case may be.

Indemnification under this Section 5.03 shall survive resignation or removal of the Trustee or any Independent Manager and shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable attorney's fees and expenses).

SECTION 5.04. EFFECTIVE PERIOD AND TERMINATION. The Servicer's appointment as custodian shall become effective as of the Issuance Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If the Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of the Servicer shall have been terminated under Section 7.01, the appointment of the Servicer as custodian shall be terminated effective as of the date on which the termination or resignation of the Servicer is effective. Additionally, if not sooner terminated as provided above, the Servicer's obligations as custodian shall terminate one year and one day after the date on which no Bonds are Outstanding.

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## ARTICLE VI

### THE SERVICER

SECTION 6.01. REPRESENTATIONS AND WARRANTIES OF THE SERVICER. The Servicer makes the following representations and warranties as of the Sale Date, on which the Issuer has relied in acquiring the System Restoration Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any of the System Restoration Property to the Issuer and the pledge thereof to the Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Texas, with the limited liability company power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Agreement and the Intercreditor Agreement and has the power, authority and legal right to service the System Restoration Property and to hold the System Restoration Property Documentation as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business and is in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the System Restoration Property as required by this Agreement and the Intercreditor Agreement) requires such qualifications, licenses or approvals (except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or adversely affect the servicing of the System Restoration Property).

(c) Power and Authority. The Servicer has the limited liability company power and authority to execute and deliver this Agreement and the Intercreditor Agreement and to carry out the terms of each; and the execution, delivery and performance of this Agreement and the Intercreditor Agreement have been duly authorized by the Servicer by all necessary limited liability company action.

(d) Binding Obligation. This Agreement and the Intercreditor Agreement both constitute legal, valid and binding obligations of the Servicer enforceable against the Servicer in accordance with their terms subject to applicable bankruptcy, receivership, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' or secured parties' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a Proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the Intercreditor Agreement (to the extent applicable to the Servicer's responsibilities thereunder) and the fulfillment of the terms of each will not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of organization or limited liability company regulations of



the Servicer, or any material agreement to which the Servicer is a party or by which it is bound or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such agreement (other than any Lien that may be granted under the Basic Documents or any Lien created pursuant to Section 39.309 of the Public Utility Regulatory Act); or violate any existing law or any existing order, rule or regulation applicable to the Servicer of any Governmental Authority having jurisdiction over the Servicer or its properties.

(f) Approvals. No approval, authorization, consent, order or other action of, or filing with, any Governmental Authority is required under an applicable law, rule or regulation in connection with the execution and delivery by the Servicer of this Agreement or the Intercreditor Agreement, the performance by the Servicer of the transactions contemplated hereby or thereby or the fulfillment by the Servicer of the terms of each, except those that have been obtained or made or that are required by this Agreement to be made in the future by the Servicer, including the Issuance Advice Letter, filings with the PUCT for adjusting System Restoration Charges and PBRAFs pursuant to Section 4.01 and the Issuer Annex and filings with the Secretary of State of the State of Texas under the Public Utility Regulatory Act and Article 9 of the UCC.

(g) No Proceedings. Except as disclosed by the Servicer on Schedule A hereto, there are no Proceedings pending or, to the Servicer's knowledge, threatened before any Governmental Authority having jurisdiction over the Servicer or its properties:

(i) asserting the invalidity of this Agreement or any of the other Basic Documents;

(ii) seeking any determination or ruling that might materially and adversely affect the System Restoration Property or the performance by the Servicer of its obligations under, or the validity or enforceability against the Servicer of, this Agreement;

(iii) relating to the Servicer and which might materially and adversely affect the federal income tax or State income, gross receipts or franchise tax attributes of the System Restoration Property or the Bonds; or

(iv) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to the PUCT by the Servicer on behalf of the Issuer with respect to System Restoration Charges, System Restoration Charge Adjustments or PBRAF Adjustments will be true and correct in all material respects; provided, however, that to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance.

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SECTION 6.02. INDEMNITIES OF THE SERVICER; RELEASE OF CLAIMS.

(a) **THE SERVICER SHALL BE LIABLE IN ACCORDANCE HERewith ONLY TO THE EXTENT OF THE OBLIGATIONS SPECIFICALLY UNDERTAKEN BY THE SERVICER UNDER THIS AGREEMENT AND THE INTERCREDITOR AGREEMENT.**

(b) **THE SERVICER SHALL INDEMNIFY THE ISSUER AND THE TRUSTEE (FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS) AND EACH OF THEIR RESPECTIVE TRUSTEES, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL LOSSES THAT MAY BE IMPOSED UPON, INCURRED BY OR ASSERTED AGAINST ANY SUCH PERSON AS A RESULT OF:**

(i) **THE SERVICER'S WILLFUL MISCONDUCT, BAD FAITH OR NEGLIGENCE IN THE PERFORMANCE OF ITS DUTIES OR OBSERVANCE OF ITS COVENANTS UNDER THIS AGREEMENT OR THE SERVICER'S RECKLESS DISREGARD OF ITS OBLIGATIONS AND DUTIES UNDER THIS AGREEMENT OR THE INTERCREDITOR AGREEMENT;**

(ii) **THE SERVICER'S BREACH OF ANY OF ITS REPRESENTATIONS OR WARRANTIES IN THIS AGREEMENT OR THE INTERCREDITOR AGREEMENT; OR**

(iii) **LITIGATION AND RELATED EXPENSES RELATING TO ITS STATUS AND OBLIGATIONS AS SERVICER (OTHER THAN ANY PROCEEDINGS THE SERVICER IS REQUIRED TO INSTITUTE UNDER THIS AGREEMENT);**

**PROVIDED, HOWEVER, THAT THE SERVICER SHALL NOT BE LIABLE FOR ANY LOSSES RESULTING FROM THE BAD FAITH, WILLFUL MISCONDUCT OR NEGLIGENCE OF ANY PERSON INDEMNIFIED PURSUANT TO THIS SECTION 6.02 (EACH, AN "INDEMNIFIED PERSON") OR RESULTING FROM A BREACH OF A REPRESENTATION OR WARRANTY MADE BY SUCH INDEMNIFIED PERSON TO THE SERVICER IN ANY BASIC DOCUMENT THAT GIVES RISE TO THE SERVICER'S BREACH.**

(c) **PROMPTLY AFTER RECEIPT BY AN INDEMNIFIED PERSON OF WRITTEN NOTICE OF ITS INVOLVEMENT IN ANY ACTION, PROCEEDING OR INVESTIGATION, SUCH INDEMNIFIED PERSON SHALL, IF A CLAIM FOR INDEMNIFICATION IN RESPECT THEREOF IS TO BE MADE AGAINST THE SERVICER UNDER THIS SECTION 6.02, NOTIFY THE SERVICER IN WRITING OF SUCH INVOLVEMENT. FAILURE BY AN INDEMNIFIED PERSON TO SO NOTIFY THE SERVICER SHALL RELIEVE THE SERVICER FROM THE OBLIGATION TO INDEMNIFY AND HOLD HARMLESS SUCH INDEMNIFIED PERSON UNDER THIS SECTION 6.02 ONLY TO THE EXTENT THAT THE SERVICER SUFFERS ACTUAL PREJUDICE AS DETERMINED BY A COURT OF COMPETENT JURISDICTION AS A RESULT OF SUCH FAILURE. WITH RESPECT TO ANY ACTION, PROCEEDING**

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OR INVESTIGATION BROUGHT BY A THIRD PARTY FOR WHICH INDEMNIFICATION MAY BE SOUGHT BY AN INDEMNIFIED PERSON UNDER THIS SECTION 6.02, THE SERVICER SHALL BE ENTITLED TO ASSUME THE DEFENSE OF ANY SUCH ACTION, PROCEEDING OR INVESTIGATION UNLESS (X) SUCH ACTION, PROCEEDING OR INVESTIGATION EXPOSES THE INDEMNIFIED PERSON TO A RISK OF CRIMINAL LIABILITY OR FORFEITURE, (Y) THE SERVICER AND SUCH INDEMNIFIED PERSON HAVE A CONFLICT OF INTEREST IN THEIR RESPECTIVE DEFENSES OF SUCH ACTION, PROCEEDING OR INVESTIGATION OR (Z) THERE EXISTS AT THE TIME THE SERVICER WOULD ASSUME SUCH DEFENSE AN ONGOING SERVICER DEFAULT. UPON ASSUMPTION BY THE SERVICER OF THE DEFENSE OF ANY SUCH ACTION, PROCEEDING OR INVESTIGATION, THE INDEMNIFIED PERSON SHALL HAVE THE RIGHT TO PARTICIPATE IN SUCH ACTION OR PROCEEDING AND TO RETAIN ITS OWN COUNSEL (INCLUDING LOCAL COUNSEL), AND THE SERVICER SHALL BEAR THE REASONABLE FEES, COSTS AND EXPENSES OF SUCH SEPARATE COUNSEL. THE INDEMNIFIED PERSON SHALL NOT SETTLE OR COMPROMISE OR CONSENT TO THE ENTRY OF ANY JUDGMENT WITH RESPECT TO ANY PENDING OR THREATENED CLAIM, ACTION, SUIT OR PROCEEDING IN RESPECT OF WHICH INDEMNIFICATION MAY BE SOUGHT UNDER THIS SECTION 6.02 (WHETHER OR NOT THE SERVICER IS AN ACTUAL OR POTENTIAL PARTY TO SUCH CLAIM OR ACTION) UNLESS THE SERVICER AGREES IN WRITING TO SUCH SETTLEMENT, COMPROMISE OR CONSENT AND SUCH SETTLEMENT, COMPROMISE OR CONSENT INCLUDES AN UNCONDITIONAL RELEASE OF THE SERVICER FROM ALL LIABILITY ARISING OUT OF SUCH CLAIM, ACTION, SUIT OR PROCEEDING.

(d) THE SERVICER SHALL INDEMNIFY THE TRUSTEE AND ITS RESPECTIVE TRUSTEES, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL LOSSES THAT MAY BE IMPOSED UPON, INCURRED BY OR ASSERTED AGAINST ANY SUCH PERSON AS A RESULT OF THE ACCEPTANCE OR PERFORMANCE OF THE TRUSTS AND DUTIES CONTAINED HEREIN AND IN THE INDENTURE, EXCEPT TO THE EXTENT THAT ANY SUCH LOSS (I) SHALL BE DUE TO THE WILLFUL MISCONDUCT, BAD FAITH OR NEGLIGENCE OF THE TRUSTEE OR (II) SHALL ARISE FROM THE TRUSTEE'S BREACH OF ANY OF ITS REPRESENTATIONS OR WARRANTIES SET FORTH IN THE INDENTURE; PROVIDED, HOWEVER, THAT THE FOREGOING INDEMNITY IS EXTENDED TO THE TRUSTEE SOLELY IN ITS INDIVIDUAL CAPACITY AND NOT FOR THE BENEFIT OF THE BONDHOLDERS OR ANY OTHER PERSON. SUCH AMOUNTS WITH RESPECT TO THE TRUSTEE SHALL BE DEPOSITED AND DISTRIBUTED IN ACCORDANCE WITH THE INDENTURE.

(e) THE SERVICER'S INDEMNIFICATION OBLIGATIONS UNDER SECTION 6.02(b) AND (d) FOR EVENTS OCCURRING PRIOR TO THE REMOVAL OR RESIGNATION OF THE TRUSTEE OR THE TERMINATION OF THIS AGREEMENT SHALL SURVIVE THE RESIGNATION OR REMOVAL OF THE TRUSTEE OR THE TERMINATION OF THIS AGREEMENT AND SHALL INCLUDE

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REASONABLE COSTS, FEES AND EXPENSES OF INVESTIGATION AND LITIGATION (INCLUDING THE ISSUER'S AND THE TRUSTEE'S REASONABLE ATTORNEYS' FEES AND EXPENSES).

(f) EXCEPT TO THE EXTENT EXPRESSLY PROVIDED FOR IN THIS AGREEMENT, THE SALE AGREEMENT OR THE FORMATION DOCUMENTS (INCLUDING THE SERVICER'S CLAIMS WITH RESPECT TO THE SERVICING FEES AND THE SELLER'S CLAIM FOR PAYMENT OF THE PURCHASE PRICE OF SYSTEM RESTORATION PROPERTY), THE SERVICER HEREBY RELEASES AND DISCHARGES THE ISSUER (INCLUDING ITS MEMBERS, MANAGERS, EMPLOYEES AND AGENTS, IF ANY), AND THE TRUSTEE (INCLUDING ITS RESPECTIVE OFFICERS, DIRECTORS AND AGENTS) (COLLECTIVELY, THE "RELEASED PARTIES") FROM ANY AND ALL ACTIONS, CLAIMS AND DEMANDS WHATSOEVER, WHICH THE SERVICER, IN ITS CAPACITY AS SERVICER, SHALL OR MAY HAVE AGAINST ANY SUCH PERSON RELATING TO THE SYSTEM RESTORATION PROPERTY OR THE SERVICER'S ACTIVITIES WITH RESPECT THERETO OTHER THAN ANY ACTIONS, CLAIMS AND DEMANDS ARISING OUT OF THE WILLFUL MISCONDUCT, BAD FAITH OR NEGLIGENCE OF THE RELEASED PARTIES.

(g) THE SERVICER AND THE ISSUER HEREBY ACKNOWLEDGE THAT, NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE TRUSTEE IS A THIRD-PARTY BENEFICIARY OF THIS SECTION 6.02 AND IS ENTITLED TO THE BENEFITS OF THE INDEMNITY FROM THE SERVICER CONTAINED HEREIN AND TO BRING ANY ACTION TO ENFORCE SUCH INDEMNIFICATION DIRECTLY AGAINST THE SERVICER.

(h) THE SERVICER SHALL INDEMNIFY THE PUCT (FOR THE BENEFIT OF CUSTOMERS), THE ISSUER, THE TRUSTEE (FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS), AND EACH OF THEIR RESPECTIVE TRUSTEES, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FOR, AND DEFEND AND HOLD HARMLESS EACH SUCH PERSON FROM AND AGAINST, ANY AND ALL LOSSES THAT MAY BE IMPOSED UPON, INCURRED BY OR ASSERTED AGAINST ANY SUCH PERSON AS A RESULT OF ANY INCREASE IN THE SERVICING FEE THAT BECOMES PAYABLE PURSUANT TO SECTION 6.07(b) OF THIS AGREEMENT AS A RESULT OF A DEFAULT RESULTING FROM THE SERVICER'S WILLFUL MISCONDUCT, BAD FAITH OR NEGLIGENCE IN PERFORMANCE OF ITS DUTIES OR OBSERVANCE OF ITS COVENANTS UNDER THIS AGREEMENT. THE INDEMNIFICATION OBLIGATION SET FORTH IN THIS PARAGRAPH MAY BE ENFORCED BY THE PUCT BUT IS NOT ENFORCEABLE BY ANY REP OR ANY CUSTOMER. ANY INDEMNITY PAYMENTS MADE TO THE PUCT UNDER THIS PARAGRAPH FOR THE BENEFIT OF CUSTOMERS SHALL BE REMITTED TO THE TRUSTEE PROMPTLY FOR DEPOSIT INTO THE COLLECTION ACCOUNT.

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SECTION 6.03. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, THE SERVICER. Any Person:

(a) into which the Servicer may be merged, converted or consolidated and which succeeds to all or substantially all of the electric distribution business of the Servicer (or, if the Servicer's distribution business is split, which provides distribution service directly to a majority of the retail electric customers in the Seller's certificated service area as it existed on August 26, 2009),

(b) which results from the division of the Servicer into two or more Persons and which succeeds to all or substantially all of the electric distribution business of the Servicer (or, if the Servicer's distribution business is split, which provides distribution service directly to a majority of the retail electric customers in the Seller's certificated service area as it existed on August 26, 2009),

(c) which may result from any merger, conversion or consolidation to which the Servicer shall be a party and which succeeds to all or substantially all of the electric distribution business of the Servicer (or, if the Servicer's distribution business is split, which provides distribution service directly to a majority of the retail electric customers in the Seller's certificated service area as it existed on August 26, 2009),

(d) which may purchase or otherwise succeed to the properties and assets of the Servicer substantially as a whole and which purchases or otherwise succeeds to all or substantially all of the electric distribution business of the Servicer (or, if the Servicer's distribution business is split, which provides distribution service directly to a majority of the retail electric customers in the Seller's certificated service area as it existed on August 26, 2009), or

(e) which may otherwise purchase or succeed to all or substantially all of the electric distribution business of the Servicer (or, if the Servicer's distribution business is split, which provides distribution service directly to a majority of the retail electric customers in the Seller's certificated service area as it existed on August 26, 2009),

which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer under this Agreement, shall be the successor to the Servicer under this Agreement without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that:

(i) immediately after giving effect to such transaction, the representations and warranties made pursuant to Section 6.01 shall be true and correct and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing;

(ii) the Servicer shall have delivered to the Issuer, the PUCT and the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conversion, division or succession and such agreement of assumption comply with this Section 6.03 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with;

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(iii) the Servicer shall have delivered to the Issuer, the PUCT, the Trustee and the Rating Agencies an Opinion of Counsel either

(A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including filings with the PUCT pursuant to the Public Utility Regulatory Act and the UCC, that are necessary fully to preserve and protect the interests of each of the Issuer and the Trustee in the System Restoration Property have been executed and filed and are in full force and effect, and reciting the details of such filings or

(B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests;

(iv) the Rating Agencies shall have received prior written notice of such transaction and, if such Person is not an Affiliate of CenterPoint Houston, the Rating Agency Condition shall be satisfied; and

(v) the Servicer shall have delivered to the Issuer, the PUCT, the Trustee and the Rating Agencies an opinion of Independent tax counsel (as selected by, and in form and substance satisfactory to, the Servicer, and which may be based on a ruling from the Internal Revenue Service) to the effect that, for federal income tax purposes, such transaction will not result in a material adverse federal income tax consequence to the Issuer or the Bondholders.

The Servicer shall not consummate any transaction referred to in clauses (a), (b), (c), (d) or (e) above except upon execution of the above-described agreement of assumption and compliance with clauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor to the Servicer in accordance with the terms of this Section 6.03, then upon the satisfaction of all of the other conditions of this Section 6.03, the Servicer shall automatically and without further notice be released from its obligations hereunder.

SECTION 6.04. ASSIGNMENT OF THE SERVICER'S OBLIGATIONS. Upon written notice to the Trustee, the PUCT and the Rating Agencies, the Servicer may assign a portion of its obligations hereunder to an assignee (A) in accordance with the Intercreditor Agreement with respect to the obligations to maintain and process any account into which initial collections may be deposited and process payments in respect of System Restoration Charges or (B) subject to the satisfaction of Section 6.03.

SECTION 6.05. LIMITATION ON LIABILITY OF THE SERVICER AND OTHERS. The Servicer shall not be liable to the Issuer, its managers, the Bondholders, the Trustee or any other person, except as provided under this Agreement, for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; provided, however, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under this Agreement or the Intercreditor Agreement. The Servicer and any director or officer or

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employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, reasonably believed to be genuine and to have been signed by the proper party respecting any matters arising under this Agreement.

Except as provided in this Agreement (including but not limited to Section 5.02(d) of this Agreement), the Servicer shall not be under any obligation to appear in, prosecute or defend any Proceeding that is not directly related to one of the Servicer's enumerated duties in this Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability; provided, however, that the Servicer may, in respect of any Proceeding, undertake any reasonable action that is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer may deem necessary or desirable in respect of this Agreement and the rights and duties of the parties to this Agreement and the interests of the Bondholders under this Agreement. The Servicer's costs and expenses incurred in connection with any such Proceeding shall be payable from SRC Collections as an Operating Expense (and shall not be deemed to constitute a portion of the Servicing Fee) in accordance with the Indenture. The Servicer's obligations pursuant to this Section 6.05 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to the Indenture may be delayed (it being understood that the Servicer may be required initially to advance its own funds to satisfy its obligations hereunder).

SECTION 6.06. CENTERPOINT HOUSTON NOT TO RESIGN AS SERVICER. Subject to the provisions of Sections 6.03 and 6.04, CenterPoint Houston shall not resign from the obligations and duties imposed on it as Servicer under this Agreement unless the Servicer delivers to the Issuer, the Trustee, the PUCT and each Rating Agency written notice of such resignation at the earliest practicable time and, concurrently therewith or promptly thereafter, an opinion of Independent legal counsel that the Servicer's performance of its duties under this Agreement shall no longer be permissible under applicable law. No such resignation shall become effective until a Successor Servicer shall have assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.04.

SECTION 6.07. SERVICING FEE. (a) The Issuer agrees to pay the Servicer on each Payment Date, solely to the extent amounts are available therefor in accordance with the Indenture, the Servicing Fee with respect to the Bonds. For so long as:

- (i) CenterPoint Houston or one of its Affiliates is the Servicer,
- (ii) a successor to CenterPoint Houston or one of its Affiliates is the Servicer due to the operation of the provisions of Section 6.03, or
- (iii) any Person is the Successor Servicer hereunder pursuant to the provisions of Section 6.03 if the predecessor Servicer was CenterPoint Houston or one of its Affiliates,

the amount of the Servicing Fee paid to the Servicer annually shall equal 0.05% of the Bond Balance on the Issuance Date and shall be prorated based on the fraction of a calendar year during which the Servicer provides any of the services set forth in this Agreement.

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(b) In the event that a Successor Servicer not an Affiliate of CenterPoint Houston is appointed in accordance with Section 7.04, the amount of Servicing Fee paid to the Servicer annually shall be agreed upon by the Successor Servicer and the Trustee but shall in no event exceed 0.60% of the Bond Balance on the Issuance Date without the consent of the PUCT and shall be prorated based on the fraction of a calendar year during which the Successor Servicer provides any of the services set forth in this Agreement. The foregoing fees set forth in Section 6.07(a) and this Section 6.07(b) constitute a fair and reasonable price for the obligations to be performed by the Servicer. The Servicer and any Successor Servicer agrees to pay from amounts received as the Servicing Fee all fees due and owing pursuant to the Intercreditor Agreement, and neither the Servicer nor any Successor Servicer shall seek or be entitled to any other or additional reimbursement therefor. The Trustee shall not be responsible or liable for the Servicing Fee or any fees arising from the Intercreditor Agreement or for any increase or differential in such fees.

SECTION 6.08. SERVICER EXPENSES. Except as otherwise expressly provided in Sections 5.02(d) and 6.05, the Servicer shall be required to pay all expenses incurred by it in connection with its activities hereunder and under the Intercreditor Agreement, including fees and disbursements of independent accountants and counsel, taxes imposed on the Servicer and expenses incurred in connection with reports to Bondholders.

SECTION 6.09. COMPLIANCE WITH APPLICABLE LAW. The Servicer covenants and agrees, in servicing the System Restoration Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such System Restoration Property the noncompliance with which would have a material adverse effect on the value of the System Restoration Property; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any Requirement of Law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

SECTION 6.10. APPOINTMENTS. The Servicer, with written notice to the Trustee and the PUCT, may at any time appoint a subservicer or agent to perform all or any portion of its obligations as Servicer hereunder; provided, however, that the Rating Agency Condition shall have been satisfied in connection therewith; provided further that the Servicer shall remain obligated and be liable to the Issuer for the servicing and administering of the System Restoration Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such subservicer or agent and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the System Restoration Property. The fees and expenses of the subservicer or agent shall be as agreed between the Servicer and its subservicer or agent from time to time, and none of the Issuer, the Trustee or the Bondholders shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 6.06. The Designated Account Holder shall constitute a subservicer for purposes of this Section 6.10.

SECTION 6.11. NO SERVICER ADVANCES. The Servicer shall not make any advances of interest on or principal of the Bonds.



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SECTION 6.12. REMITTANCES.

(a) The Servicer shall collect and remit to the Trustee on a daily basis, for deposit in the Collection Account in accordance with Section 6.12(c) below, the System Restoration Charges plus any Accrued Interest thereon from the date or dates such System Restoration Charges were actually received (the "Daily Remittance"). The Daily Remittance shall be made as soon as reasonably practicable but in no event later than the second Business Day after the Servicer receives those SRC Collections

(b) The Servicer agrees and acknowledges that it will hold all SRC Collections and other System Restoration Property collected by it for the benefit of the Issuer and the Trustee and that all amounts will be remitted by the Servicer in accordance with this Agreement without any surcharge, fee, offset, charge or other deduction other than as expressly permitted in the Financing Order and without making any claim to reduce its obligation to remit all SRC Collections and any other proceeds of the System Restoration Property collected by it.

(c) On or before each remittance by the Servicer to the Trustee, the Servicer shall prepare and furnish to the Issuer, the PUCT and the Trustee a statement setting forth the aggregate amount remitted or to be remitted by the Servicer to the Trustee for deposit on such date pursuant to the Indenture.

(d) On or before each Payment Date, the Servicer shall prepare and furnish to the Issuer and the Trustee a statement setting forth the transfers and payments to be made on that Payment Date and the amounts thereof.

(e) On or before each Payment Date for the Bonds, the Servicer shall prepare and furnish to the Issuer, the PUCT and the Trustee a statement setting forth the amounts to be paid to the Holders of Bonds.

SECTION 6.13. SERVICER'S CERTIFICATE. Not later than two (2) Business Days prior to each Payment Date, the Servicer shall deliver a written report, for the Bonds, substantially in the form of Exhibit A hereto (the "Semi-Annual Servicer's Certificate") to the Issuer, the PUCT, the Trustee and the Rating Agencies setting forth the transfers and payments to be made in respect of such Payment Date pursuant to the Indenture and the amounts thereof and the amounts to be paid to Holders of Bonds pursuant to the Indenture.

SECTION 6.14. PROTECTION OF TITLE. The Servicer shall execute and file all filings, including filings with the Secretary of State of the State of Texas pursuant to the Public Utility Regulatory Act and Article 9 of the UCC, and cause to be executed and filed all filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the interests of the Issuer and the Trustee in the System Restoration Property, including all filings required under the Public Utility Regulatory Act and Article 9 of the UCC relating to the transfer of the ownership or security interest in the System Restoration Property by the Seller to the Issuer or any security interest granted by the Issuer in the System Restoration Property. The Servicer shall deliver (or cause to be delivered) to the Issuer, the PUCT and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

SECTION 6.15. MAINTENANCE OF OPERATIONS. To the extent that any interest in the System Restoration Property is assigned, sold, or transferred to an assignee, CenterPoint Houston shall enter into a contract with that assignee that requires CenterPoint Houston to continue to operate its transmission and distribution system in order to provide electric services to CenterPoint Houston's customers; provided, however, that this provision shall not prohibit CenterPoint Houston from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof so long as the entity or entities acquiring such system agree to continue operating the facilities to provide electric service to CenterPoint Houston's customers.

## **ARTICLE VII**

### **SERVICER DEFAULT**

SECTION 7.01. SERVICER DEFAULT. If any one of the following events (a "Servicer Default") occurs and is continuing:

(a) any failure by the Servicer to remit to the Trustee, on behalf of the Issuer, any required remittance by the date that such remittance must be made that continues unremedied for a period of five Business Days;

(b) any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement of the Servicer set forth in this Agreement (other than as provided in Section 7.01(a) or (c)) or any other Basic Document to which it is a party in such capacity, which failure

(i) materially and adversely affects the System Restoration Property or the timely collection of the System Restoration Charges or the rights of the Trustee or the Bondholders, and

(ii) continues unremedied for a period of 60 days after the earlier to occur of (A) the Trustee, the PUCT or the Issuer delivers written notice of such failure to the Servicer or (B) an officer of the Servicer discovers such failure;

(c) any failure by the Servicer duly to perform its obligations under Section 4.01 of this Agreement in the time and manner set forth therein, which failure continues unremedied for a period of five business days;

(d) any representation or warranty made by the Servicer in this Agreement or any Basic Document proves to have been incorrect when made, which has a material adverse effect on the System Restoration Property or the Issuer's ownership interest therein, the security interest of the Trustee in the System Restoration Property, the PUCT, the Issuer, the Bondholders or the investment of the Bondholders in the Bonds, and which material adverse effect continues unremedied for a period of 60 days after the date on which written notice thereof shall have been given to the Servicer (with a copy to the Trustee) by the Issuer, the PUCT or the Trustee or after discovery of such failure by an officer of the Servicer, as the case may be; or

(e) an Insolvency Event occurs with respect to the Servicer;

then, so long as the Servicer Default shall not have been remedied, and in no other circumstances, the Trustee may, or shall upon the written instruction of the Majority Holders, terminate all the rights and obligations (other than the indemnification obligations set forth in Section 6.02 hereof and the obligation under Section 7.04 to continue performing its functions as Servicer until a Successor Servicer is appointed) of the Servicer under this Agreement by notice then given in writing to the Servicer (a "Termination Notice") and the Trustee shall comply with the provisions of the Intercreditor Agreement. The Servicer shall notify each Rating Agency promptly upon the Servicer's receipt of a Termination Notice.

In addition, upon a Servicer Default, the Issuer and the Trustee shall be entitled to (x) apply to a state district court located in Travis County, Texas, for sequestration and payment to the Trustee of revenues arising with respect to the System Restoration Property, (y) foreclose on or otherwise enforce the Lien on and security interests in the System Restoration Property and (z) apply to the PUCT for an order that amounts arising from the System Restoration Charges be transferred to a separate account for the benefit of the Bondholders, in accordance with the Public Utility Regulatory Act.

On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the System Restoration Property, the related System Restoration Charges or otherwise, shall, upon appointment of a Successor Servicer pursuant to Section 7.04 and pursuant to the provisions of the Intercreditor Agreement, without further action, pass to and be vested in such Successor Servicer and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the System Restoration Property Documentation and related documents, or otherwise. The predecessor Servicer shall cooperate with the Successor Servicer, the Trustee and the Issuer in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement and the Intercreditor Agreement, including the transfer to the Successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the System Restoration Property or the related System Restoration Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the System Restoration Property Documentation to the Successor Servicer. All reasonable costs and expenses (including attorneys' fees and expenses) incurred in connection with transferring the System Restoration Property Documentation to the Successor Servicer and amending this Agreement or the Intercreditor Agreement to reflect such succession as Servicer pursuant to this Section shall be paid by the predecessor Servicer upon presentation of documentation of such costs and expenses. All costs and expenses (including attorneys' fees and expenses) incurred in connection with transferring the System Restoration Property Documentation to the Successor Servicer and amending this Agreement or the Intercreditor Agreement to reflect the succession as Servicer other than pursuant to this Section shall be paid by the party incurring such costs and expenses. Termination of CenterPoint Houston's rights as a Servicer shall not terminate CenterPoint Houston's rights or obligations in its individual capacity under the Sale Agreement or the Intercreditor Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

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SECTION 7.02. NOTICE OF SERVICER DEFAULT. The Servicer shall deliver to the Issuer, to the Trustee, to the PUCT, and to each Rating Agency promptly after having obtained actual knowledge thereof, but in no event later than two Business Days thereafter, written notice in an Officers' Certificate of any event or circumstance which, with the giving of notice or the passage of time, would become a Servicer Default under Section 7.01.

SECTION 7.03. WAIVER OF PAST DEFAULTS. The Trustee, with the written consent of the Majority Holders, may waive in writing in whole or in part any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required remittances to the Trustee of SRC Collections from System Restoration Property in accordance with Section 6.12 of this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

SECTION 7.04. APPOINTMENT OF SUCCESSOR.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation in accordance with the terms of this Agreement, the Servicer shall continue to perform its functions as Servicer under this Agreement and shall be entitled to receive the requisite portion of the Servicing Fee, until a Successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Trustee may, and at the written direction and with the consent of the Majority Holders, shall, appoint a Successor Servicer, and the Successor Servicer shall accept its appointment by a written assumption in form acceptable to the Issuer and the Trustee. In no event shall the Trustee be liable for its appointment of a Successor Servicer appointed with due care or responsible in its individual capacity for payment of the fee paid to a Successor Servicer. If, within 30 days after the delivery of the Termination Notice, a new Servicer shall not have been appointed and accepted such appointment, the Trustee may petition the PUCT or a court of competent jurisdiction to appoint a Successor Servicer under this Agreement. A Person shall qualify as a Successor Servicer only if:

(i) such Person is permitted under PUCT Regulations to perform the duties of the Servicer pursuant to the Public Utility Regulatory Act, the Financing Order and this Agreement,

(ii) either (A) the PUCT has approved the appointment of the Successor Servicer or (B) 45 days have lapsed since the PUCT received notice of appointment of the Successor Servicer and the PUCT has neither approved nor disapproved that appointment,

(iii) the Rating Agency Condition shall have been satisfied, and

(iv) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement and into the Intercreditor Agreement (as Additional SRC Servicer).

(b) Upon appointment, the Successor Servicer shall be the successor in all respects to the predecessor Servicer under this Agreement and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

(c) The Successor Servicer may not resign unless it is prohibited from serving as such by law.

SECTION 7.05. COOPERATION WITH SUCCESSOR. The predecessor Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the Successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the Successor Servicer in performing its obligations hereunder.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

SECTION 8.01. AMENDMENT. (a) This Agreement may be amended by the Servicer and the Issuer, with the prior written consent of the Trustee, the consent of the PUCT pursuant to Section 8.12 if the contemplated amendment increases ongoing qualified costs as defined in the Financing Order and the satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies.

Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement and the Opinion of Counsel referred to in Section 3.01(c). The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) Notwithstanding Section 8.01(a) or anything to the contrary in this Agreement, the Servicer and the Issuer may amend the Issuer Annex in writing with prior written notice given to the Trustee and the Rating Agencies, but without the consent of the Trustee, any Rating Agency or any Holder, solely to address changes to the Servicer's method of calculating SRC Collections as a result of changes to the Servicer's current computerized customer information system; provided that any such amendment shall not have a material adverse effect on the Holders of then Outstanding Bonds.

SECTION 8.02. NOTICES. All demands, notices and communications upon or to the Servicer, the Issuer, the PUCT, the Trustee or the Rating Agencies under this Agreement shall be in writing, delivered personally, via facsimile, by reputable overnight courier or by first class mail, and shall be deemed to have been duly given upon receipt

(a) in the case of the Servicer, to CenterPoint Energy Houston Electric, LLC, 1111 Louisiana Street, Houston, Texas 77002, Attention: Treasurer;

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(b) in the case of the Issuer, to CenterPoint Energy Restoration Bond Company, LLC, 1111 Louisiana Street, Suite 4664B, Houston, Texas 77002, Attention: Manager;

(c) in the case of the Trustee, at its Corporate Trust Office;

(d) in the case of Moody's, to Moody's Investors Service, Inc., ABS Monitoring Department, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007;

(e) in the case of Standard & Poor's, to Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department; and

(f) in the case of Fitch, to Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance;

(g) in the case of the PUCT, to 1701 N. Congress Avenue, Austin, Texas 78711-3326, Attention: Executive Director and General Counsel;

or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 8.03. ASSIGNMENT. Notwithstanding anything to the contrary contained herein, except as provided in Sections 6.03 and 6.04 and as provided in the provisions of this Agreement concerning the resignation or termination of the Servicer, this Agreement may not be assigned by the Servicer. Any purported assignment not in compliance with this Agreement shall be void.

SECTION 8.04. LIMITATIONS ON RIGHTS OF OTHERS. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer and, to the extent provided herein or in the other Basic Documents, Customers and the other Persons expressly referred to herein and the Trustee, on behalf of itself and the Bondholders, and nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Trust Estate or under or in respect of this Agreement or any covenants, conditions or provisions contained herein. Notwithstanding anything to the contrary contained herein, for the avoidance of doubt, any right, remedy or claim to which any Customer may be entitled pursuant to the Financing Order and this Agreement may be asserted or exercised only by the PUCT (or by the Attorney General of the State of Texas in the name of the PUCT) for the benefit of such Customer.

SECTION 8.05. 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 8.06. SEPARATE COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 8.07. HEADINGS. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 8.08. GOVERNING LAW. **THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

SECTION 8.09. ASSIGNMENT TO THE TRUSTEE. The Servicer hereby acknowledges and consents to any pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture for the benefit of any Bondholders of all right, title and interest of the Issuer in, to and under the System Restoration Property owned by the Issuer and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder and under the Intercreditor Agreement to the Trustee. Notwithstanding such assignment, in no event shall the Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer, hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Issuer.

SECTION 8.10. NONPETITION COVENANTS. Notwithstanding any prior termination of this Agreement or the Indenture, but subject to a court's rights to order the sequestration and payment of revenues arising with respect to the System Restoration Property pursuant to Section 39.309(f) of the Public Utility Regulatory Act, the Servicer shall not, prior to the date which is one year and one day after the termination of the Indenture, petition or otherwise invoke or cause the Issuer to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

SECTION 8.11. TERMINATION. This Agreement shall terminate when all Bonds have been retired or redeemed in full.

SECTION 8.12. PUCT CONSENT. Except as specifically set forth in Section 7.04, to the extent the consent of the PUCT is required to effect any amendment to or modification of this Agreement or any provision of this Agreement,

(a) the Servicer may request the consent of the PUCT by delivering to the PUCT's executive director and general counsel a written request for such consent, which request shall contain:

(i) a reference to Docket No. 37200 and a statement as to the possible effect of the amendment on ongoing qualified costs;

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(ii) an Officer's Certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement; and  
(iii) a statement identifying the person to whom the PUCT or its staff is to address its consent to the proposed amendment or modification or request additional time;

(b) The PUCT shall, within 30 days of receiving the request for consent complying with Section 8.12(a) above, either

(i) provide notice of its consent or lack of consent to the person specified in Section 8.12(a)(iii) above, or

(ii) be conclusively deemed, on the 31st day after receiving the request for consent, to have consented to the proposed amendment or modification,

unless, within 30 days of receiving the request for consent complying with Section 8.12(a) above, the PUCT or its staff delivers to the office of the person specified in Section 8.12(a)(iii) above a written statement requesting an additional amount of time not to exceed thirty days in which to consider whether to consent to the proposed amendment or modification. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent to the person specified in Section 8.12(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have consented to the proposed amendment or modification on the last day of such extension of time.

Any amendment or modification requiring the consent of the PUCT as provided in this Section 8.12 shall become effective on the later of (i) the date proposed by the parties to such amendment or modification and (ii) the first day after the expiration of the 30-day period provided for in this Section 8.12(b) (ii), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended.

SECTION 8.13. EFFECT OF SUBSEQUENT PUCT REGULATIONS. Notwithstanding anything to the contrary contained in this Agreement (including the Issuer Annex hereto), to the extent the PUCT promulgates any PUCT Regulation permitted by the Financing Order or the Public Utility Regulatory Act whose effect is to modify or supplement any provision of this Agreement relating to REP standards, this Agreement shall be deemed to have been so modified or supplemented on the effective date of such regulation, and all other provisions contained herein shall be deemed modified accordingly without the necessity of any further action by any party hereto. The Servicer will notify the Issuer, the Rating Agencies and the Trustee of any such PUCT Regulation and the corresponding modification of or supplement to this Agreement promptly upon obtaining knowledge thereof.

SECTION 8.14. LIMITATION OF LIABILITY. It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Trustee, not



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individually or personally but solely as Trustee in the exercise of the powers and authority conferred and vested in it, and that the Trustee, in acting hereunder, is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC

By: \_\_\_\_\_  
Name:  
Title:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, as  
Servicer

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged and Accepted:  
Deutsche Bank Trust Company Americas,  
not in its individual capacity but solely as  
Trustee on behalf of the Holders  
of the Bonds

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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SCHEDULE A  
TO  
SYSTEM RESTORATION PROPERTY SERVICING AGREEMENT

Proceedings pending or, to the Servicer's best knowledge, threatened before any court, federal or State regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties seeking any determination or ruling that might materially and adversely affect the System Restoration Property or the performance by the Servicer of its obligations under, or the validity or enforceability against the Servicer of, this Agreement:

[None.]

**EXHIBIT A**

**FORM OF SEMI-ANNUAL SERVICER'S CERTIFICATE**  
**CenterPoint Energy Restoration Bond Company, LLC**  
**\$[ ] 2009 Senior Secured System Restoration Bonds**

**Semiannual Servicer's Certificate**  
**CenterPoint Energy Restoration Bond Company, LLC**  
**\$[ ] 2009 Senior Secured System Restoration Bonds**

Pursuant to Section 6.13 of the System Restoration Property Servicing Agreement (the "Agreement"), dated as of [ ], 2009, between CenterPoint Energy Houston Electric, LLC, as Servicer, and CenterPoint Energy Restoration Bond Company, LLC, as Issuer, the Servicer does hereby certify as follows:

Capitalized terms used in this Semiannual Servicer's Certificate have their respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections and subsections of the Agreement.

Collection Periods: [ ] through [ ]

Payment Date: [ ]

Today's Date: [ ]

**1. Collections Allocable and Aggregate Amounts Available for Current Payment Date:**

i.	Remittances for the [ ] through [ ] Collection Period	0.00
ii.	Remittances for the [ ] through [ ] Collection Period	0.00
iii.	Remittances for the [ ] through [ ] Collection Period	0.00
iv.	Remittances for the [ ] through [ ] Collection Period	0.00
v.	Remittances for the [ ] through [ ] Collection Period	0.00
vi.	Remittances for the [ ] through [ ] Collection Period	0.00
vii.	Net Earnings on General Subaccount	0.00
viii.	General Subaccount Balance (sum of i through vii above)	0.00
ix.	Excess Funds Subaccount Balance as of Current Payment Date	0.00
x.	Capital Subaccount Balance as of Current Payment Date	0.00
xi.	Collection Account Balance (sum of viii through x above)	0.00

**2. Outstanding Amounts as of Prior Payment Date:**

i.	Tranche A-1 Principal Balance	0.00
ii.	Tranche A-2 Principal Balance	0.00
iii.	Tranche A-3 Principal Balance	0.00
iv.	Aggregate Principal Balance of all Bonds	0.00

**3. Required Funding/Payments as of Current Payment Date:**

	<u>Principal</u>	<u>Projected Principal Balance</u>	<u>Semiannual Principal Due</u>
i.	Tranche A-1	0.00	0.00
ii.	Tranche A-2	0.00	0.00
iii.	Tranche A-3	0.00	0.00
iv.	For all Bonds	0.00	0.00

Exhibit A

		System Restoration Bond Interest Rate	Days in Interest Period (1)	Interest Due
v.	Required Tranche A-1 Interest	%	0	0.00
vi.	Required Tranche A-2 Interest	%	0	0.00
vii.	Required Tranche A-3 Interest	%	0	0.00

(1) On 30/360 Day basis.

		Required Level (Including Replenishment of Amounts Previously Withdrawn for 4.i.-4.viii.)	Funding Required
viii.	Capital Subaccount		0.00

**4. Allocation of Remittances as of Current Payment Date Pursuant to Section 8.02(d) of Indenture:**

i.	Trustee Fees and Expenses	0.00
ii.	Servicing Fee	0.00
iii.	Administration Fee and Independent Manager Fee	0.00
iv.	Operating Expenses	0.00
v.	Semiannual Interest (including any past-due Semiannual Interest for prior periods)	

	Aggregate	Per \$1,000 of Original Principal Amount
1. Tranche A-1 Interest Payment	0.00	0.00
2. Tranche A-2 Interest Payment	0.00	0.00
3. Tranche A-3 Interest Payment	0.00	0.00

vi. Principal Due and Payable as a result of (A) Event of Default or (B) on Final Maturity Date

	Aggregate	Per \$1,000 of Original Principal Amount
1. Tranche A-1 Principal Payment	0.00	0.00
2. Tranche A-2 Principal Payment	0.00	0.00
3. Tranche A-3 Principal Payment	0.00	0.00

vii. Principal Scheduled to be Paid on Current Payment Date

Exhibit A

	Aggregate	Per \$1,000 of Original Principal Amount
1. Tranche A-1 Principal Payment	0.00	0.00
2. Tranche A-2 Principal Payment	0.00	0.00
3. Tranche A-3 Principal Payment	0.00	0.00
viii. Operating Expenses not Paid under Clause (iv) above	0.00	
ix. Replenishment of Any Amounts Drawn from Capital Subaccount	0.00	
x. Amount calculated at 11.075% per annum on the amount contributed to the Capital Subaccount in excess of 0.5% of the initial outstanding principal balance of the Bonds released to Issuer	0.00	
xi. Net Earnings in Capital Subaccount relating to the initial contribution of 0.5% of the initial outstanding principal balance of the Bonds released to Issuer	0.00	
xii. Deposit to Excess Funds Subaccount	0.00	
xiii. Released to Issuer upon Series Retirement: Collection Account	0.00	
xiv. Aggregate Remittances as of Current Payment Date	0.00	

**5. Subaccount Release or Withdrawals as of Current Payment Date Pursuant to Section 8.02(d) of Indenture:**

i. Capital Subaccount Release (available for 4.xi.)	0.00
ii. Excess Funds Subaccount Withdrawal (available for 4.i. through 4.x.)	0.00
iii. Capital Subaccount Withdrawal (available for 4.i. through 4.viii.)	0.00
iv. Total Release or Withdrawals	0.00

**6. Outstanding Amounts and Collection Account Balance as of Current Payment Date  
(after giving effect to payments to be made on such Payment Date):**

i. Tranche A-1 Principal Balance	0.00
ii. Tranche A-2 Principal Balance	0.00
iii. Tranche A-3 Principal Balance	0.00
iv. Aggregate Principal Balance for all Bonds	0.00
v. Excess Funds Subaccount Balance	0.00
vi. Capital Subaccount Balance	0.00
vii. Aggregate Collection Account Balance	0.00

**7. Shortfalls In Interest and Principal Payments as of Current Payment Date  
(after giving effect to payments to be made on such Payment Date):**

i. Semiannual Interest	
1. Tranche A-1 Bond Interest Payment	0.00
2. Tranche A-2 Bond Interest Payment	0.00
3. Tranche A-3 Bond Interest Payment	0.00
ii. Semiannual Principal	
1. Tranche A-1 Principal Payment	0.00
2. Tranche A-2 Principal Payment	0.00
3. Tranche A-3 Principal Payment	0.00

**8. Shortfall in Required Subaccount Level as of Current Payment Date  
(after giving effect to payments to be made on such Payment Date):**

i. Capital Subaccount	0.00
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IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semiannual Servicer's Certificate this            day of           , 20   .

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, as Servicer

by: \_\_\_\_\_  
[Name]  
[Title]

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**EXHIBIT B-1****FORM OF SERVICER'S REGULATION AB COMPLIANCE CERTIFICATE**

The undersigned hereby certifies that he/she is the duly elected and acting [ ] of CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, as servicer (the "Servicer") under the System Restoration Property Servicing Agreement dated as of [ ], 2009 (the "Servicing Agreement") between the Servicer and CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC (the "Issuer") and further that:

1. The undersigned is responsible for assessing the Servicer's compliance with the servicing criteria set forth in Item 1122(d) of Regulation AB (the "Servicing Criteria").

2. With respect to each of the Servicing Criteria, the undersigned has made the following assessment of the Servicing Criteria in accordance with Item 1122(d) of Regulation AB, with such discussion regarding the performance of such Servicing Criteria during the fiscal year ended , and covered by CenterPoint Houston's annual report on Form 10-K (such fiscal year, the "Assessment Period"):

<u>Regulation AB Reference</u>	<u>Servicing Criteria</u>	<u>Applicable Servicing Criteria</u>
	<b>General Servicing Considerations</b>	
1122(d)(1)(i)	Policies and procedures are instituted to monitor any performance or other triggers and events of default in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(1)(ii)	If any material servicing activities are outsourced to third parties, policies and procedures are instituted to monitor the third party's performance and compliance with such servicing activities.	Not applicable; no servicing activities were outsourced.
1122(d)(1)(iii)	Any requirements in the transaction agreements to maintain a back-up servicer for pool assets are maintained.	Not applicable; documents do not provide for a back-up servicer.
1122(d)(1)(iv)	A fidelity bond and errors and omissions policy is in effect on the party participating in the servicing function throughout the reporting period in the amount of coverage required by and otherwise in accordance with the terms of the transaction agreements.	Not applicable; PUCT rules impose credit standards on retail electric providers who handle customer collections and govern performance requirements of utilities.

Exhibit B-1

Regulation AB Reference	Servicing Criteria	Applicable Servicing Criteria
<b>Cash Collection and Administration</b>		
1122(d)(2)(i)	Payments on pool assets are deposited into the appropriate custodial bank accounts and related bank clearing accounts no more than two business days of receipt, or such other number of days specified in the transaction agreements.	Applicable
1122(d)(2)(ii)	Disbursements made via wire transfer on behalf of an obligor or to an investor are made only by authorized personnel.	Not applicable; no disbursements on behalf of obligors or to investors are made by Servicer by means of wire transfer
1122(d)(2)(iii)	Advances of funds or guarantees regarding collections, cash flows or distributions, and any interest or other fees charged for such advances, are made, reviewed and approved as specified in the transaction agreements.	Applicable, but no current assessment required; no advances by the Servicer are permitted under the transaction agreements.
1122(d)(2)(iv)	The related accounts for the transaction, such as cash reserve accounts or accounts established as a form of overcollateralization, are separately maintained (e.g., with respect to commingling of cash) as set forth in the transaction agreements.	Applicable, but no current assessment is required since transaction accounts are maintained by and in the name of the Trustee.
1122(d)(2)(v)	Each custodial account is maintained at a federally insured depository institution as set forth in the transaction agreements. For purposes of this criterion, “federally insured depository institution” with respect to a foreign financial institution means a foreign financial institution that meets the requirements of Rule 13k-1(b)(1) of the Exchange Act.	Applicable, but no current assessment required; all “custodial accounts” are maintained by the Trustee.
1122(d)(2)(vi)	Unissued checks are safeguarded so as to prevent unauthorized access.	Not applicable; all transfers made by wire transfer.

Exhibit B-1



Regulation AB Reference	Servicing Criteria	Applicable Servicing Criteria
1122(d)(2)(vii)	<p>Reconciliations are prepared on a monthly basis for all asset-backed securities related bank accounts, including custodial accounts and related bank clearing accounts. These reconciliations are (A) mathematically accurate; (B) prepared within 30 calendar days after the bank statement cutoff date, or such other number of days specified in the transaction agreements; (C) reviewed and approved by someone other than the person who prepared the reconciliation; and (D) contain explanations for reconciling items. These reconciling items are resolved within 90 calendar days of their original identification, or such other number of days specified in the transaction agreements.</p>	<p>Applicable; assessment below. Reconciliations as to REP accounts are limited to confirming that the funds in any REP's account known to Servicer are at least in the amount required by Servicer.</p>
1122(d)(3)(i)	<p><b>Investor Remittances and Reporting</b></p> <p>Reports to investors, including those to be filed with the Commission, are maintained in accordance with the transaction agreements and applicable Commission requirements. Specifically, such reports (A) are prepared in accordance with timeframes and other terms set forth in the transaction agreements; (B) provide information calculated in accordance with the terms specified in the transaction agreements; (C) are filed with the Commission as required by its rules and regulations; and (D) agree with investors' or the trustee's records as to the total unpaid principal balance and number of pool assets serviced by the Servicer.</p>	<p>Applicable; assessment below.</p>
1122(d)(3)(ii)	<p>Amounts due to investors are allocated and remitted in accordance with timeframes, distribution priority and other terms set forth in the transaction agreements.</p>	<p>Not applicable; trustee allocates among, and remits to, investors.</p>

Regulation AB Reference	Servicing Criteria	Applicable Servicing Criteria
1122(d)(3)(iii)	Disbursements made to an investor are posted within two business days to the Servicer's investor records, or such other number of days specified in the transaction agreements.	Not applicable; disbursements are made by Trustee and Trustee maintains investor records; for the purposes of this criteria, servicer's investor records are the trustee's records of the investors.
1122(d)(3)(iv)	Amounts remitted to investors per the investor reports agree with cancelled checks, or other form of payment, or custodial bank statements.	Applicable; assessment below, based on Semi-Annual Servicer's Certificate.
<b>Pool Asset Administration</b>		
1122(d)(4)(i)	Collateral or security on pool assets is maintained as required by the transaction agreements or related pool asset documents.	Applicable; assessment below.
1122(d)(4)(ii)	Pool assets and related documents are safeguarded as required by the transaction agreements.	Applicable; assessment below.
1122(d)(4)(iii)	Any additions, removals or substitutions to the asset pool are made, reviewed and approved in accordance with any conditions or requirements in the transaction agreements.	Not applicable; no removals or substitutions of system restoration property are contemplated or allowed under the transaction documents.
1122(d)(4)(iv)	Payments on pool assets, including any payoffs, made in accordance with the related pool asset documents are posted to the Servicer's obligor records maintained no more than two business days after receipt, or such other number of days specified in the transaction agreements, and allocated to principal, interest or other items (e.g., escrow) in accordance with the related pool asset documents.	Applicable; assessment below. Payments received from REPs are posted to Servicer's records and funds transferred to Trustee.
1122(d)(4)(v)	The Servicer's records regarding the pool assets agree with the Servicer's records with respect to an obligor's unpaid principal balance.	Not applicable; because underlying obligation (system restoration charge) is not an interest bearing instrument

Regulation AB Reference	Servicing Criteria	Applicable Servicing Criteria
1122(d)(4)(vi)	Changes with respect to the terms or status of an obligor's pool asset (e.g., loan modifications or re-agings) are made, reviewed and approved by authorized personnel in accordance with the transaction agreements and related pool asset documents.	Applicable; assessment below. The only changes relate to true-up under the financing order.
1122(d)(4)(vii)	Loss mitigation or recovery actions (e.g., forbearance plans, modifications and deeds in lieu of foreclosure, foreclosures and repossessions, as applicable) are initiated, conducted and concluded in accordance with the timeframes or other requirements established by the transaction agreements.	Applicable, to the extent required by the transaction agreements; assessment below.
1122(d)(4)(viii)	Records documenting collection efforts are maintained during the period pool asset is delinquent in accordance with the transaction agreements. Such records are maintained on at least a monthly basis, or such other period specified in the transaction agreements, and describe the entity's activities in monitoring delinquent pool assets including, for example, phone calls, letters and payment rescheduling plans in cases where delinquency is deemed temporary (e.g., illness or unemployment).	Applicable, but does not require assessment since no explicit documentation requirements with respect to delinquent accounts are imposed under the transactional documents due to availability of "true-up" mechanism.
1122(d)(4)(ix)	Adjustments to interest rates or rates of return for pool assets with variable rates are computed based on the related pool asset documents.	Not applicable; system restoration charges are not interest bearing instruments.

Exhibit B-1

Regulation AB Reference	Servicing Criteria	Applicable Servicing Criteria
1122(d)(4)(x)	Regarding any funds held in trust for an obligor (such as escrow accounts): (A) such funds are analyzed, in accordance with the obligor's pool asset documents, on at least an annual basis, or such other period specified in the transaction agreements; (B) interest on such funds is paid, or credited, to obligors in accordance with applicable pool asset documents and state laws; and (C) such funds are returned to the obligor within 30 calendar days of full repayment of the related pool assets, or such other number of days specified in the transaction agreements.	Applicable; assessment below.
1122(d)(4)(xi)	Payments made on behalf of an obligor (such as tax or insurance payments) are made on or before the related penalty or expiration dates, as indicated on the appropriate bills or notices for such payments, provided that such support has been received by the Servicer at least 30 calendar days prior to these dates, or such other number of days specified in the transaction agreements.	Not applicable; Servicer does not make payments on behalf of obligors.
1122(d)(4)(xii)	Any late payment penalties in connection with any payment to be made on behalf of an obligor are paid from the Servicer's funds and not charged to the obligor, unless the late payment was due to the obligor's error or omission.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers under the transaction documents.
1122(d)(4)(xiii)	Disbursements made on behalf of an obligor are posted within two business days to the obligor's records maintained by the Servicer, or such other number of days specified in the transaction agreements.	Not applicable; Servicer cannot make advances of its own funds on behalf of customers to pay principal or interest on the bonds.
1122(d)(4)(xiv)	Delinquencies, charge-offs and uncollectible accounts are recognized and recorded in accordance with the transaction agreements.	Applicable; assessment below.
1122(d)(4)(xv)	Any external enhancement or other support, identified in Item 1114(a)(1) through (3) or Item 1115 of Regulation AB, is maintained as set forth in the transaction agreements.	Not applicable; no external enhancement is required under the transaction documents.

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3. To the best of the undersigned's knowledge, based on such review, the Servicer is in compliance in all material respects with the applicable servicing criteria set forth above as of and for the period ending the end of the fiscal year ended \_\_\_\_\_, \_\_\_\_\_ and covered by CenterPoint Houston's annual report on Form 10-K. [If not true, include description of any material instance of noncompliance.]

4. A registered independent public accounting firm has issued to us an attestation report in accordance with Section 1122(b) of Regulation AB on its assessment of compliance with the applicable servicing criteria as of and for the period ending the end of the fiscal year ended \_\_\_\_\_, \_\_\_\_\_ and covered by CenterPoint Houston's annual report on Form 10-K.

Executed as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: \_\_\_\_\_  
Name:  
Title:

Exhibit B-1

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**EXHIBIT B-2**  
**FORM OF CERTIFICATE OF COMPLIANCE**

The undersigned hereby certifies that he/she is the duly elected and acting [ ] of CenterPoint Energy Houston Electric, LLC as servicer (the “Servicer”) under the System Restoration Property Servicing Agreement dated as of [ ], 2009 (the “Servicing Agreement”) between the Servicer and CenterPoint Energy Restoration Bond Company, LLC (the “Issuer”) and further that:

1. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the twelve months ended [ ], [ ] has been made under the supervision of the undersigned pursuant to Section 3.03 of the Servicing Agreement; and

2. To the best of the undersigned’s knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under the Servicing Agreement throughout the twelve months ended [ ], [ ], except as set forth on Annex A hereto.

Executed as of this            day of            , \_\_\_\_\_

CenterPoint Energy Houston Electric, LLC

By: \_\_\_\_\_  
Name:  
Title:

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**ANNEX A**

**to Certificate of Compliance**

**LIST OF SERVICER DEFAULTS**

The following Servicer Defaults, or events which with the giving of notice, the lapse of time, or both, would become Servicer Defaults known to the undersigned occurred during the year ended [ ]:

Nature of Default

Status

Exhibit B-2

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ANNEX 1  
TO  
SERVICING AGREEMENT

The Servicer agrees to comply with the following servicing procedures:

**SECTION 1. DEFINITIONS.**

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in Appendix A of the System Restoration Property Servicing Agreement (the "Agreement").

**SECTION 2. DATA ACQUISITION.**

(a) Installation, Maintenance of Meters and Data Acquisition. Except to the extent that another entity is responsible for such services, the Servicer shall cause to be installed, replaced and maintained meters in such places and in such condition as will enable the Servicer to obtain usage measurements for each Customer at least once every Billing Period. To the extent another entity is responsible for such services, such other entity may obtain usage measurements for each Customer less frequently than once every Billing Period in accordance with its current practices so long as the PUCT Regulations so permit. To the extent another entity is responsible for such services, but not performing such services, the Servicer shall take all reasonably necessary actions to obtain usage measurements for each Customer at least once every Billing Period.

(b) Cost of Data Acquisition. The Issuer shall not be obligated to pay any costs associated with the data acquisition set forth in this Section 2, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any REP as a result of new metering and/or billing technologies.

(c) ERCOT. The Servicer shall take all reasonable actions available under PUCT Regulations to obtain timely information from ERCOT (or, if such information is not available from ERCOT, directly from the Applicable MDMA) which is necessary for the Servicer to fulfill its obligations under the Servicing Agreement.

**SECTION 3. USAGE AND BILL CALCULATION.**

The Servicer, from the usage measurements obtained pursuant to Section 2, shall determine each Customer's individual System Restoration Charges to be included on Bills issued by it to such Customer or to the REP responsible for billing such Customer.

**SECTION 4. BILLING.**

The Servicer shall implement the System Restoration Charges as of the Issuance Date and shall thereafter bill each Customer or, with respect to Customers billed by a REP, for the respective Customer's outstanding current and past due System Restoration Charges accruing through the date on which such System Restoration Charges may no longer be billed under the Tariff, all in accordance with the following:

(a) Frequency of Bills; Billing Practices. In accordance with the Servicer's then-existing policies and practices for its own charges, as such policies and practices may be modified from time to time, the Servicer shall generate and issue a Bill to each Customer, or, where the REP is responsible for billing the Customers, to the REP, for such Customers' System Restoration Charges once every applicable Billing Period, at the same time, with the same frequency and on the same Bill as that containing the Servicer's own charges to such Customers or REPs, as the case may be.



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(b) Format.

(i) Each Bill issued by the Servicer to a Customer shall contain the charge corresponding to the System Restoration Charges owed by such Customer for the applicable Billing Period. The System Restoration Charges shall be separately identified if required by and in accordance with the terms of the Financing Order and Tariff.

(ii) Where a REP is responsible for billing the Customers, the Servicer shall deliver to the REP itemized charges for each Customer setting forth such Customer's System Restoration Charges. If such charges are not separately identified, the Servicer shall provide the REP, (and unless prohibited by applicable PUCT Regulations, shall cause each REP to provide the REP's Customers) with the annual notice required by Section 4.01(e)(ii) of the Servicing Agreement.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to Customers and REPs in accordance with, if applicable, the Financing Order, Tariff and PUCT Regulations. To the extent that Bill format, structure and text are not prescribed by the Utilities Code or by applicable PUCT Regulations, the Servicer shall, subject to clauses (i) and (ii) above, determine the format, structure and text of all Bills in accordance with its reasonable business judgment, its policies and practices with respect to its own charges and prevailing industry standards.

(c) Delivery. The Servicer shall deliver all Bills issued by it by any means, whether electronic or otherwise, that the Servicer may from time to time use to present its own charges to the REPs or to Servicer's other customers, as applicable. The Servicer or each REP, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills, including but not limited to printing and postage costs.

**SECTION 5. CUSTOMER SERVICE FUNCTIONS.**

The Servicer shall handle all Customer or REP inquiries and other customer service matters according to the same procedures it uses with respect to its own charges.

**SECTION 6. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE.**

(a) Collection Efforts, Policies, Procedures.

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(i) The Servicer shall use reasonable efforts to collect all Billed SRCs from Customers and REPs as and when the same become due and shall follow such collection procedures as it follows with respect to comparable assets that it services for itself or others, including with respect to the following:

- (A) The Servicer shall prepare and deliver overdue notices to its Customers and REPs in accordance with applicable PUCT Regulations.
- (B) The Servicer shall apply late payment charges to its outstanding Customer and REP balances in accordance with applicable PUCT Regulations and as required by the Financing Order.
- (C) In circumstances where the Servicer bills Customers directly, the Servicer shall deliver final notices of delinquency and possible disconnection in accordance with applicable PUCT Regulations.
- (D) The Servicer shall adhere to and carry out disconnection policies and termination of REP billing in accordance with the Utilities Code, the Financing Order and applicable PUCT Regulations.
- (E) The Servicer may employ the assistance of collection agents to collect any past-due System Restoration Charges from its Customers and REPs in accordance with applicable PUCT Regulations and the Tariff.
- (F) The Servicer shall apply its Customer and REP deposits to the payment of delinquent accounts in accordance with the Tariff, the Financing Order and applicable PUCT Regulations and according to the priorities set forth in Section 6(b)(ii) and (iii) of this Annex I.

(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by its Customer or an REP, in each case unless such waiver or action: (A) would be in accordance with the Servicer's customary practices or those of any successor Servicer with respect to comparable assets that it services for itself and for others; (B) would not materially adversely affect the rights of the Bondholders; and (C) would comply with applicable law.

(iii) The Servicer shall accept payment in respect of Billed SRCs in such forms and methods and at such times and places as the Servicer accepts payments of its own charges in accordance with, if applicable, the Financing Order, the Tariff and any other PUCT Regulations.

**(b) Payment Processing; Allocation; Priority of Payments.**

(i) The Servicer shall post all payments received to customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two (2) Business Days after receipt.

(ii) Subject to clause (iii) below, the Servicer shall apply payments received to each Customer's or each REP's account in proportion to the charges contained on the outstanding Bill to such Customer or REP.

(iii) If a Customer or REP does not pay the full amount of any bill by the Servicer, the amount paid by the Customer or REP will first be apportioned between the System Restoration Charges and other fees and charges (including amounts billed and due in respect of system restoration or transition charges associated with system restoration or transition bonds issued under other financing orders), other than late fees, and second, any remaining portion of the payment will be allocated to late fees.

(c) Accounts; Records.

The Servicer shall maintain accounts and records as to the System Restoration Property accurately and in accordance with its standard accounting procedures and in sufficient detail (i) to permit reconciliation between payments or recoveries with respect to the System Restoration Property and the amounts from time to time remitted to the Collection Account in respect of the System Restoration Property and (ii) to permit the SRC Collections held by the Servicer to be accounted for separately from the funds with which they may be commingled, so that the dollar amounts of SRC Collections commingled with the Servicer's funds may be properly identified and traced.

(d) Charge-Offs.

In accordance with the Financing Order and Schedule SRC, each REP will be permitted to hold back an allowance for charge-offs in its System Restoration Charge payments to the Servicer. Such charge-off rate will be recalculated each year in connection with the annual System Restoration Charge Adjustment. Until the first Calculation Date, each REP that has chosen to hold back an allowance for charge-offs in its payments of Billed SRCs to the Servicer will remit to the Servicer System Restoration Charges based on the charge-off percentage in effect for the then most recently established transition charges related to the transition bonds issued by CenterPoint Energy Transition Bond Company, LLC on October 24, 2001, by CenterPoint Energy Transition Bond Company II, LLC on December 16, 2005 and CenterPoint Energy Transition Bond Company III, LLC on February 12, 2008. Thereafter, on or about each Calculation Date, the REP and the Servicer will be responsible for reconciling the amounts held back with amounts actually written off as uncollectible in accordance with the terms agreed to by the REP and the Servicer, provided that:

(i) The REP's right to reconciliation for write-offs will be limited to customers whose service has been permanently terminated and whose entire accounts (i.e., all amounts due the REP for its own account as well as the portion representing all System Restoration Charges) have been written off.

(ii) The REP's recourse will be limited to a credit against future System Restoration Charge payments unless the REP and the Servicer agree to alternative arrangements, but, in accordance with the Financing Order and Schedule SRC, in no event will the REP have recourse to the Trustee, the Issuer or the Issuer's funds for such payments.

(iii) In accordance with the Financing Order and Schedule SRC, the REP shall provide information on a timely basis to the Servicer so that the Servicer can include the REP's default experience and any subsequent credits into its calculation of the adjusted System Restoration Charge rates for the next System Restoration Charge billing period. The REP's rights to credits will not take effect until after such adjusted System Restoration Charges have been implemented.

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(iv) If the REP has held back less than the amount actually written off as uncollectible during the time period, the REP shall be entitled to a credit against future System Restoration Charge payments over the twelve-month period immediately following the next Adjustment Date in the amount of the hold-back shortfall and no other remedy. If the REP has held back more than the amount actually written off as uncollectible during the time period, the permitted charge-off percentage shall be adjusted so that it is projected that the REP will remit to the Servicer the amount of such underpayment of SRC Collections over the twelve-month period immediately following the next Adjustment Date.

(v) The Servicer will incorporate the REPs' Customer default information and any subsequent credits to the REPs for System Restoration Charges already paid by the REPs to the Servicer in its calculation of the System Restoration Charge Adjustments on the Calculation Date. The REPs' right described in this Section 4 to receive a credit against future payments of Billed SRCs to the Servicer shall not take effect until after the next Adjustment Date.

(e) Investment of SRC Collections Received.

Prior to each Daily Remittance, the Servicer may invest SRC Collections received at its own risk and for its own benefit, provided however, that the Servicer shall pay Accrued Interest as provided in Section 6.12 of the Agreement. So long as the Servicer complies with its obligations under Section 6(c), neither such investments nor such funds shall be required to be segregated from the other investments and funds of the Servicer.

(f) Remittances.

(i) The Issuer shall cause to be established the Collection Account in the name of the Trustee in accordance with the Indenture.

(ii) The Servicer shall make remittances to the Collection Account in accordance with Section 6.12 of the Agreement.

(iii) In the event of any change of account or change of institution affecting the Collection Account, the Issuer shall provide written notice thereof to the Servicer not later than five (5) Business Days from the effective date of such change.

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## APPENDIX A

### DEFINITIONS

The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms.

“Accrued Interest” means interest accrued at the Federal Funds Rate on amounts held by the Servicer prior to, on, or after the date such amounts are due and payable to the Trustee under this Agreement.

“Act” has the meaning specified in Section 11.03 of the Indenture.

“Additional SRC Servicer” has the meaning specified in the Intercreditor Agreement.

“Adjustment Date” means the date other than an Interim Adjustment Date on which any System Restoration Charge Adjustment (other than an interim (non-annual) System Restoration Charge Adjustment) and/or any PBRAF Adjustment, as applicable, becomes effective. The first Adjustment Date will be on or about [ ], 2010, and all subsequent Adjustment Dates shall be on or about the same day of the year in subsequent years.

“Administration Agreement” means the Administration Agreement dated as of [ ], 2009, between CenterPoint Houston, as Administrator, and the Issuer, as the same may be amended and supplemented from time to time.

“Administrator” means CenterPoint Houston as administrator under the Administration Agreement and each successor to or assignee of CenterPoint Houston in the same capacity.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, control, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

“Annual Accountant’s Report” has the meaning assigned to that term in Section 3.04 of the Servicing Agreement.

“Applicable MDMA” means with respect to each Customer, the meter data management agent providing meters or meter reading services for that Customer’s account.

“Basic Documents” means the Issuer LLC Agreement, the Issuer Certificate of Formation, the Sale Agreement, the Servicing Agreement, the Intercreditor Agreement, the Administration Agreement, the Indenture, the Supplement and any other Supplemental Indentures, the DTC Agreement, the Underwriting Agreement and the Bill of Sale.

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“Bill” means each of the regular monthly bills, summary bills, opening bills and closing bills issued to Customers by CenterPoint Houston or REPs or to REPs by CenterPoint Houston on its own behalf and in its capacity as Servicer.

“Billed SRCs” means the amounts of System Restoration Charges billed by the Servicer, whether billed directly to Customers by the Servicer or indirectly through REPs.

“Billing Period” means the period of approximately thirty (30) days for which the Servicer renders Bills.

“Bill of Sale” has the meaning assigned to that term in the Sale Agreement.

“Bond” means any of the Senior Secured System Restoration Bonds, issued by the Issuer pursuant to the Indenture.

“Bond Balance” means, as of any date, the aggregate Outstanding Amount of Bonds, on such date.

“Bond Owner” means, with respect to a Book-Entry Bond, the Person who is the beneficial owner of such Book-Entry Bond, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

“Bond Register” has the meaning specified in Section 2.05 of the Indenture.

“Bond Registrar” means the Trustee, in its capacity as keeper of the Bond Register, or any successor to the Trustee in such capacity.

“Book-Entry Bonds” means beneficial interests in the Bonds, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture.

“Business Day” means any day other than a Saturday or Sunday or a day on which banking institutions in the City of Houston, Texas, or in the City of New York, New York, are required or authorized by law or executive order to remain closed.

“Calculation Date” means, with respect to the Bonds, the date on which the calculations and filings set forth in Section 4 and the Issuer Annex will be made each year. The first Calculation Date will be no later than [ ], 2010, if the Servicer requests only System Restoration Charge Adjustments, and no later than [ ], 2010, if the Servicer requests any PBRAF Adjustments (whether or not the Servicer also requests System Restoration Charge Adjustments). Subsequent Calculation Dates will be on or about the same applicable day of the year in subsequent years.

“Capital Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

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“CenterPoint Houston” means CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, or its successor.

“Clearing Agency” means an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act.

“Clearing Agency Participant” means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

“Collection Account” has the meaning specified in Section 8.02(a) of the Indenture.

“Collection Period” means the period from and including the first day of a calendar month to but excluding the first day of the next calendar month.

“Corporate Trust Office” has the meaning specified in Appendix A to the Indenture.

“Customer Class” means each of the System Restoration Charge classes specified in the Financing Order.

“Customer” means each Person from whom CenterPoint Houston is authorized to recover Qualified Costs as defined in and pursuant to the Public Utility Regulatory Act, any PUCT Regulation or the Financing Order, but shall not include REPs.

“Daily Remittance” has the meaning specified in Section 6.12(a).

“Default” means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

“Designated Account Holder” has the meaning specified in the Intercreditor Agreement.

“DTC” means The Depository Trust Company.

“DTC Agreement” means the Letter of Representations among the Issuer, the Bond Registrar and DTC or other applicable Clearing Agency, relating to the Clearing Agency’s rights and obligations (in its capacity as Clearing Agency) with respect to any Book-Entry Bonds, as the same may be amended and supplemented from time to time.

“ERCOT” means the Electric Reliability Council of Texas or any successor thereto.

“Event of Default” has the meaning specified in Section 5.01 of the Indenture.

“Excess Funds Subaccount” has the meaning specified in Section 8.02(a) of the Indenture.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expected Amortization Schedule” means, with respect to the Bonds, or any Tranche thereof, the expected amortization schedule for principal thereof, as specified in the Supplement.

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“Expected Final Payment Date” means, with respect to the Bonds, or, if applicable, each Tranche thereof, the date when all interest and principal is scheduled to be paid for that Tranche in accordance with the Expected Amortization Schedule, as specified in the Supplement.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period 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 Servicer from three federal funds brokers of recognized standing selected by it.

“Final Maturity Date” means, for the Bonds, or, if applicable, each Tranche thereof, the date by which all principal and interest on the Bonds is required to be paid, as specified in the Supplement.

“Financing Order” means the Financing Order issued by the PUCT on August 26, 2009 in Docket No. 37200.

“Fitch” means Fitch, Inc. or any successor thereto.

“Formation Documents” means, collectively, the Issuer Certificate of Formation, the Issuer LLC Agreement and any other document pursuant to which the Issuer is formed or governed, as the same may be amended and supplemented from time to time.

“Governmental Authority” means any court or any federal or state regulatory body, administrative agency or governmental instrumentality.

“Holder” or “Bondholder” means the Person in whose name a Bond of any Tranche is registered on the Bond Register.

“Indenture” means the Indenture, dated as of [ ], 2009, between the Issuer and the Trustee, and the Supplement (including the forms and terms of the Bonds, established thereunder), as the same may be amended and supplemented with respect to the Bonds, from time to time.

“Independent” means, when used with respect to any specified Person, that the Person

(a) is in fact independent of the Issuer, any other obligor upon the Bonds, the Servicer and any Affiliate of any of the foregoing Persons,

(b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Servicer or any Affiliate of any of the foregoing Persons, and

(c) is not connected with the Issuer, any such other obligor, the Servicer or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.



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“Insolvency Event” means, with respect to a specified Person,

(a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or State bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days, or

(b) the commencement by such Person of a voluntary case under any applicable federal or State bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of [ ], 2009, among the Issuer, CenterPoint Houston, CenterPoint Energy Transition Bond Company, LLC, CenterPoint Energy Transition Bond Company II, LLC, CenterPoint Energy Transition Bond Company III, LLC, the Trustee and the other parties thereto, each in the capacities stated therein, as the same may be amended from time to time.

“Interim Adjustment Date” means the effective date of any interim (non-annual) System Restoration Charge Adjustment.

“Issuance Advice Letter” means the issuance advice letter submitted to the PUCT by CenterPoint Houston pursuant to the Financing Order in connection with the issuance of the Bonds.

“Issuance Date” means the date on which the Bonds are to be originally issued in accordance with the Indenture and the Supplement.

“Issuer” means CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company, or any successor thereto pursuant to the Indenture.

“Issuer Annex” means Annex 1 of the Servicing Agreement.

“Issuer Certificate of Formation” means the Certificate of Formation of the Issuer that was filed with the Delaware Secretary of State on August 6, 2009, as the same may be amended and restated from time to time.

“Issuer LLC Agreement” means the Limited Liability Company Agreement between the Issuer and CenterPoint Houston, as sole Member, effective as of September 28, 2009, as amended and restated on [ ], 2009, as the same may be amended or supplemented from time to time.

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“Lien” means a security interest, lien, charge, pledge, equity or encumbrance of any kind.

“Losses” means collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

“Majority Holders” means the Holders of a majority of the Outstanding Amount of the Bonds.

“Moody’s” means Moody’s Investors Service Inc., or any successor thereto.

“Officers’ Certificate” means a certificate signed, in the case of CenterPoint Houston, by:

(a) any manager, the chairman of the board, the chief executive officer, the president, the vice chairman or any executive vice president, senior vice president or vice president; and

(b) the treasurer, any assistant treasurer, the secretary or any assistant secretary.

“Operating Expenses” means, with respect to the Issuer, all fees, costs and expenses owed by the Issuer with respect to the Bonds, including all amounts owed by the Issuer to the Trustee, the Servicing Fee, the fees and expenses relating to the Bonds, payable by the Issuer to the Administrator under the Administration Agreement, the fees and expenses relating to the Bonds, payable by the Issuer to the Independent manager of the Issuer, legal fees and expenses of the Servicer pursuant to this Servicing Agreement, and legal and accounting fees, costs and expenses of the Issuer relating to the Bonds.

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to the Servicer or the Issuer, which counsel shall be reasonably acceptable to the Trustee, the Issuer or the Rating Agencies, as applicable, and which shall be in form reasonably satisfactory to the Trustee, if applicable.

“Outstanding” with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture except:

(a) Bonds theretofore canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Bonds or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee; and

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(c) Bonds in exchange for or in lieu of other Bonds which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser;

provided that in determining whether the Holders of the requisite Outstanding Amount of the Bonds or any Tranche thereof have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any Basic Document, Bonds owned by the Issuer, any other obligor upon the Bonds, CenterPoint Houston or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be fully protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, any other obligor upon the Bonds, the Servicer or any Affiliate of any of the foregoing Persons.

"Outstanding Amount" means the aggregate principal amount of all Outstanding Bonds, or, if the context requires, all Outstanding Bonds of a Tranche of Bonds, Outstanding at the date of determination.

"Paying Agent" means the Trustee or any other Person that meets the eligibility standards for the Trustee specified in Section 6.11 of the Indenture and is authorized by the Issuer to make the payments of principal of or premium, if any, or interest on the Bonds on behalf of the Issuer.

"Payment Date" means, with respect to the Bonds, or, if applicable, each Tranche thereof, the date or dates specified as Payment Dates for each Tranche in the Supplement, provided that if any such date is not a Business Day, the Payment Date shall be the Business Day immediately succeeding such date.

"PBRAF" means the periodic billing requirement allocation factor used to allocate System Restoration Charges among different classes of Customers, as set forth in Schedule SRC and any other applicable tariff or order.

"PBRAF Adjustment" means each adjustment to any PBRAF made in accordance with Section 4.01 of the Servicing Agreement, Schedule SRC and any other applicable tariff, any order issued by the PUCT pursuant to Section 39.253 of the Public Utility Regulatory Act, and the Issuer Annex.

"Penalty" means a late-fee penalty assessed by the Servicer against an REP or other Person for such REP's or such other Person's failure to remit timely payments of System Restoration Charges as set forth in Section 3.05(c) of this Servicing Agreement.

"Periodic Billing Requirement" means, for any calculation period, the aggregate amount of System Restoration Charges calculated by the Servicer as necessary to be billed during such period in order to collect the Periodic Payment Requirements on or before the end of the Collection Period immediately preceding the next annual System Restoration Charge Adjustment Date.

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“Periodic Payment Requirement” for any calculation period means the total dollar amount (after giving effect to the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and which will be available for payments on the Bonds at the end of such calculation period and including any shortfalls in Periodic Payment Requirements for any prior calculation period) sufficient to ensure that, as of the last Payment Date occurring in such calculation period, (1) all accrued and unpaid interest on the Bonds then due shall have been paid in full, (2) the Outstanding Amount of the Bonds is equal to the Projected Bond Balance, (3) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level and (4) all other fees and expenses due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full; provided that, with respect to any annual System Restoration Charge Adjustment or interim System Restoration Charge Adjustment occurring after the last Scheduled Final Payment Date for any Bonds, the Periodic Payment Requirements shall be calculated to ensure that sufficient System Restoration Charges will be collected to retire such Bonds in full as of the earlier of (x) the Payment Date preceding the next annual System Restoration Charge Adjustment Date and (y) the Final Maturity Date for such Bonds.

“Person” means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

“Proceeding” means any suit in equity, action at law or other judicial or administrative proceeding.

“Projected Bond Balance” means, as of any date, the anticipated Outstanding Amount of Bonds, after giving effect to payment of the sum of the payment amounts provided for in the Expected Amortization Schedules for the Bonds, to be paid on or before such date.

“Provider of Last Resort” has the meaning specified in Section 39.106 of the Public Utility Regulatory Act.

“Public Utility Regulatory Act” means the Texas Public Utility Regulatory Act, as codified in Title II of the Texas Utilities Code.

“PUCT” means the Public Utility Commission of Texas or any successor entity thereto.

“PUCT Regulation” means any regulation, rule, order or directive promulgated, issued or adopted by the PUCT.

“Qualified Costs” has the meaning assigned to that term in Section 36.403(d) of the Public Utility Regulatory Act and the Financing Order.

“Rating Agency” means any rating agency rating the Bonds, at the time of issuance at the request of the Issuer, which initially shall be Moody’s, Fitch and Standard & Poor’s. If no such organization or successor is any longer in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, written notice of which designation shall be given to the Trustee, the PUCT and the Servicer.

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“Rating Agency Condition” means, with respect to any action, the notification in writing to each Rating Agency of such action, and confirmation from S&P to the Trustee and the Issuer that such action will not result in a reduction or withdrawal of the then current rating by such Rating Agency of the Bonds.

“Regulation AB” means the rules of the SEC promulgated under Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time.

“Released Parties” has the meaning specified in Section 6.02(f) of the Servicing Agreement.

“Remittance Requirement” means, with respect to any REP, the requirement that such REP remit System Restoration Charges to the Servicer within a prescribed number of days of billing by the Servicer in accordance with, if applicable, the Financing Order, the Tariff and any other PUCT Regulations.

“REP” means a retail electric provider under the Financing Order or any other entity which, under the terms of the Financing Order or the Utilities Code, may be obligated to pay, bill or collect the System Restoration Charges, other than Customers.

“REP Billing Day” has the meaning specified in Section 3.05(c) of the Servicing Agreement.

“REP Credit Requirement” means the credit and collection policies applicable to REPs under the Financing Order, the Tariff and other PUCT Regulations.

“REP Default” has the meaning specified in Section 3.05(d) of the Servicing Agreement.

“REP Deposit” has the meaning specified in Section 3.05(e) of the Servicing Agreement.

“Required Capital Amount” means a capital contribution in an amount equal to the amount specified in the Supplement, representing a capital contribution from CenterPoint Houston.

“Requirement of Law” means any foreign, federal, state or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law.

“Responsible Officer” means, with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee, including any Vice President, Director, Managing Officer, associate, Assistant Vice President, Secretary, Assistant Secretary, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

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“Retirement” means any day on which the final distribution is made to the Trustee in respect of the last Outstanding Amount.

“Retiring Trustee” means a Trustee that resigns or vacates the office of Trustee for any reason.

“Sale Agreement” means the System Restoration Property Sale Agreement dated as of [ ], 2009 relating to the System Restoration Property, between the Seller and the Issuer, as the same may be amended and supplemented from time to time.

“Sale Date” means the date on which the Seller sells, transfers, assigns and conveys to the issuer the System Restoration Property to which this Agreement relates.

“Schedule SRC” means the tariff on the form entitled “Schedule SRC” approved by the PUCT in the Financing Order and filed by CenterPoint Houston prior to the issuance of any Bonds.

“SEC” means the U.S. Securities and Exchange Commission.

“Seller” means CenterPoint Houston, or its successor, in its capacity as seller of the System Restoration Property to the Issuer pursuant to the Sale Agreement.

“Semiannual Servicer’s Certificate” means the statement prepared by the Servicer and delivered to the Trustee with respect to the Bonds, on or prior to each Payment Date therefor, the form of which is attached to the Servicing Agreement as Exhibit A.

“Servicer” means CenterPoint Houston, as the servicer of the System Restoration Property, and each successor to or assignee of CenterPoint Houston (in the same capacity) pursuant to Section 6.03, 6.04, or 7.04 of the Servicing Agreement.

“Servicer Default” means the occurrence and continuation of one of the events specified in Section 7.01 of the Servicing Agreement.

“Servicing Agreement” or “this Agreement” means the System Restoration Property Servicing Agreement dated as of [ ], 2009, between the Issuer and the Servicer, and acknowledged by the Trustee, relating to the System Restoration Property as the same may be amended and supplemented from time to time.

“Servicing Fee” means the fee payable by the Issuer to the Servicer on each Payment Date with respect to the Bonds, in an amount specified in Section 6.07 of the Servicing Agreement.

“Servicing Standard” means the obligation of the Servicer to calculate, apply, remit and reconcile proceeds of the System Restoration Property, including SRC Collections and REP Deposits for the benefit of the Issuer and the Holders (i) with the same degree of care and diligence as the Servicer applies with respect to payments owed to it for its own account, (ii) in accordance with all applicable procedures and requirements set forth in the Financing Order and Schedule SRC and (iii) in accordance with the other terms of the Servicing Agreement.

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“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business, or any successor thereto.

“State” means any one of the 50 states of the United States of America or the District of Columbia.

“SRC Collections” means amounts constituting good funds collected by the Servicer in respect of System Restoration Charges and System Restoration Property.

“Successor Servicer” means (i) a successor to CenterPoint Houston pursuant to Section 6.03 of the Servicing Agreement or (ii) a successor Servicer appointed by the Trustee pursuant to Section 7.04 of the Servicing Agreement which in each case will succeed to all the rights and duties of the Servicer under the Servicing Agreement.

“Supplement” means the First Supplemental Indenture dated of even date herewith to the Indenture that authorizes the Bonds.

“Supplemental Indenture” means a supplemental indenture entered into by the Issuer and the Trustee pursuant to Article IX of the Indenture.

“System Restoration Charge Adjustment” means each adjustment to System Restoration Charges related to the System Restoration Property made in accordance with Section 4.01 of the Servicing Agreement and the Issuer Annex.

“System Restoration Charges” means the nonbypassable amounts to be charged for the use of electric services, approved by the PUCT in the Financing Order to recover Qualified Costs that may be collected by CenterPoint Houston, its successors, assignees or other collection agents as provided for in the Financing Order.

“System Restoration Property” means the rights and interests of the Seller or its successor under the Financing Order, once those rights are first transferred to the Issuer or pledged in connection with the issuance of the Bonds, including the right to impose, collect and receive through System Restoration Charges payable by retail electric customers within the Seller’s certificated service area as it existed on August 26, 2009, an amount sufficient to cover the Qualified Costs of the Seller authorized in the Financing Order, the right to receive System Restoration Charges in amounts and at times sufficient to pay principal and interest and make other deposits in connection with the Bonds and all revenues and collections resulting from System Restoration Charges. System Restoration Property is known as “Transition Property” in the Public Utility Regulatory Act.

“System Restoration Property Documentation” means all documents relating to the System Restoration Property, including copies of the Financing Order and all documents filed with the PUCT in connection with any System Restoration Charge Adjustment.

“Tariff” means any rate tariff filed with the PUCT pursuant to the Public Utility Regulatory Act to evidence any System Restoration Charges.

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“Termination Notice” has the meaning specified in Section 7.01 of the Servicing Agreement.

“Third-Party Collector” means each third party, including each REP, which, pursuant to any Tariff filed with the PUCT, or any agreement with CenterPoint Houston, is obligated to bill, pay or collect System Restoration Charges.

“Tranche” means any one of the tranches of Bonds, as specified in the Supplement.

“Trust Estate” has the meaning specified in the Supplement.

“Trustee” means Deutsche Bank Trust Company Americas, as trustee, or its successor or any successor Trustee under the Indenture.

“UCC” means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended from time to time.

“Underwriting Agreement” has the meaning specified in the Indenture.

“Utilities Code” means the Texas Utilities Code, as amended from time to time.

“Utility” has the meaning specified in the Intercreditor Agreement.



## ADMINISTRATION AGREEMENT

ADMINISTRATION AGREEMENT, dated as of [ ], 2009 (this "Administration Agreement"), is by and between CENTERPOINT ENERGY RESTORATION BOND COMPANY, LLC, a Delaware limited liability company, as Issuer (the "Issuer"), and CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, a Texas limited liability company ("CenterPoint Houston"), as Administrator (in such capacity, the "Administrator"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture more fully described below.

## WITNESSETH:

WHEREAS, the Issuer is issuing Bonds pursuant to the Indenture, dated as of the date hereof and a First Supplemental Indenture thereto, also dated as of the date hereof (the "First Supplement") (as amended, supplemented or otherwise modified and in effect from time to time, the "Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as the Trustee;

WHEREAS, the Issuer has entered into certain agreements in connection with the issuance of the Bonds, including (i) the Indenture and the First Supplement, (ii) the System Restoration Property Servicing Agreement, dated as of the date hereof (the "Servicing Agreement"), between the Issuer and CenterPoint Houston, as Servicer, (iii) the System Restoration Property Sale Agreement, dated as of the date hereof (the "Sale Agreement"), between the Issuer and CenterPoint Houston, as Seller, and (iv) the Letter of Representations, dated as of [ ], 2009 (the "Depository Agreement"), among the Issuer, the Trustee and The Depository Trust Company relating to the Bonds (the Indenture, the First Supplement, the Servicing Agreement, the Sale Agreement and the Depository Agreement, as such agreements may be amended and supplemented from time to time, being referred to hereinafter collectively as the "Initial Related Agreements");

WHEREAS, pursuant to the Initial Related Agreements, the Issuer is required to perform certain duties in connection with the Initial Related Agreements, the Bonds and the Trust Estate pledged to the Trustee pursuant to the Indenture;

WHEREAS, the Issuer may from time to time enter into and be required to perform certain duties under additional agreements similar to the Initial Related Agreements (together with the Initial Related Agreements, the "Related Agreements");

WHEREAS, the Issuer has no employees, other than its officers, and does not intend to hire any employees, and consequently desires to have the Administrator perform certain of the duties of the Issuer referred to in the preceding clauses and to provide such additional services consistent with the terms of this Administration Agreement and the Related Agreements as the Issuer may from time to time request; and

WHEREAS, the Administrator has the capacity to provide the services and the facilities required thereby and is willing to perform such services and provide such facilities for the Issuer on the terms set forth herein;

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NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Duties of the Administrator: Management Services. The Administrator hereby agrees to provide the following corporate management services to the Issuer and to cause third parties to provide professional services required for or contemplated by such services in accordance with the provisions of this Administration Agreement:

(i) furnish the Issuer with ordinary clerical, bookkeeping and other corporate administrative services necessary and appropriate for the Issuer, including, without limitation, the following services:

(A) maintain at the Premises (as defined below) general accounting records of the Issuer (the "Account Records"), subject to year-end audit, in accordance with generally accepted accounting principles, separate and apart from its own accounting records, prepare or cause to be prepared such quarterly and annual financial statements as may be necessary or appropriate and arrange for year-end audits of the Issuer's financial statements by the Issuer's independent accountants;

(B) prepare and, after execution by the Issuer, file with the Securities and Exchange Commission (the "Commission") and any applicable state agencies documents required to be filed with the Commission and any applicable state agencies, including, without limitation, periodic reports required to be filed under the Securities Exchange Act of 1934, as amended;

(C) prepare for execution by the Issuer and cause to be filed such income, franchise or other tax returns of the Issuer as shall be required to be filed by applicable law (the "Tax Returns") and cause to be paid on behalf of the Issuer from the Issuer's funds any taxes required to be paid by the Issuer under applicable law;

(D) prepare or cause to be prepared for execution by the Issuer's Managers minutes of the meetings of the Issuer's Managers and such other documents deemed appropriate by the Issuer to maintain the separate limited liability company existence and good standing of the Issuer (the "Company Minutes") or otherwise required under the Related Agreements (together with the Account Records, the Tax Returns, the Company Minutes, the Issuer LLC Agreement, and the Issuer Certificate of Formation, the "Issuer Documents"); and any other documents deliverable by the Issuer thereunder or in connection therewith; and

(E) hold, maintain and preserve at the Premises (or such other place as shall be required by any of the Related Agreements) executed copies (to the extent applicable) of the Issuer Documents and other documents executed by the Issuer thereunder or in connection therewith;

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(ii) take such actions on behalf of the Issuer, as are necessary or desirable for the Issuer to keep in full effect its existence, rights and franchises as a limited liability company under the laws of the state of Delaware and obtain and preserve its qualification to do business in each jurisdiction in which it becomes necessary to be so qualified;

(iii) provide for the issuance and delivery of the Bonds;

(iv) provide for the performance by the Issuer of its obligations under each of the Related Agreements, and prepare, or cause to be prepared, all documents, reports, filings, instruments, notices, certificates and opinions that it shall be the duty of the Issuer to prepare, file or deliver pursuant to the Related Agreements;

(v) enforce each of the rights of the Issuer under the Related Agreements, at the direction of the Trustee;

(vi) provide for the defense, at the direction of the Issuer's Managers, of any action, suit or proceeding brought against the Issuer or affecting the Issuer or any of its assets;

(vii) provide office space (the "Premises") for the Issuer and such reasonable ancillary services as are necessary to carry out the obligations of the Administrator hereunder, including telecopying, duplicating and word processing services;

(viii) obtaining, maintaining or facilitating one or more letters of credit or obtaining, maintaining or facilitating other credit support for the obligations of the Issuer contemplated by any Related Agreement;

(ix) undertake such other administrative services as may be appropriate, necessary or requested by the Issuer; and

(x) provide such other services as are incidental to the foregoing or as the Issuer and the Administrator may agree.

In providing the services under this Section 1 and as otherwise provided under this Administration Agreement, the Administrator will not knowingly take any actions on behalf of the Issuer which (i) the Issuer is prohibited from taking under the Related Agreements, or (ii) would cause the Issuer to be in violation of any federal, state or local law or the Issuer LLC Agreement.

**2. Compensation.** As compensation for the performance of the Administrator's obligations under this Administration Agreement (including the compensation of Persons serving as Managers, other than the independent managers, and officers of the Issuer, but, for the avoidance of doubt, excluding the performance by CenterPoint Houston of its obligations in its capacity as Servicer), the Administrator shall be entitled to \$100,000 annually (the "Administration Fee"), payable by the Issuer in arrears proportionately on each Payment Date. In addition, the Administrator shall be entitled to be reimbursed by the Issuer for all costs and expenses of services performed by unaffiliated third parties and actually incurred by the Administrator in connection with the performance of its obligations under this Administration

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Agreement in accordance with Section 3 (but, for the avoidance of doubt, excluding any such costs and expenses incurred by CenterPoint Houston in its capacity as Servicer), to the extent that such costs and expenses are supported by invoices or other customary documentation and reasonably allocated to the Issuer ("Reimbursable Expenses").

3. Third Party Services. Any services or fees required for or contemplated by the performance of the above-referenced services by the Administrator to be provided by unaffiliated third parties (including independent auditors' fees and counsel fees) may, if provided for or otherwise contemplated by any related financing order issued by the PUCT and if the Issuer deems it necessary or desirable, be arranged by the Issuer or by the Administrator at the direction (which may be general or specific) of the Issuer. Costs and expenses associated with the contracting for such third-party services may be paid directly by the Issuer or paid by the Administrator and reimbursed by the Issuer in accordance with Section 2, or otherwise as the Administrator and the Issuer may mutually arrange.

4. Additional Information to be Furnished to the Issuer. The Administrator shall furnish to the Issuer from time to time such additional information regarding the Trust Estate as the Issuer shall reasonably request.

5. Independence of the Administrator. For all purposes of this Administration Agreement, the Administrator shall be an independent contractor and shall not be subject to the supervision of the Issuer with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by the Issuer, the Administrator shall have no authority, and shall not hold itself out as having the authority, to act for or represent the Issuer in any way and shall not otherwise be deemed an agent of the Issuer.

6. No Joint Venture. Nothing contained in this Administration Agreement (a) shall constitute the Administrator and the Issuer as partners or co-members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity, (b) shall be construed to impose any liability as such on either of them or (c) shall be deemed to confer on either of them any express, implied or apparent authority to incur any obligation or liability on behalf of the other.

7. Other Activities of Administrator. Nothing herein shall prevent the Administrator or any of its members, managers, officers, employees, subsidiaries or affiliates from engaging in other businesses or, in its sole discretion, from acting in a similar capacity as an Administrator for any other person or entity even though such person or entity may engage in business activities similar to those of the Issuer.

8. Term of Agreement; Resignation and Removal of Administrator. (a) This Administration Agreement shall continue in force until the payment in full of the Bonds and any other amount which may become due and payable under the Indenture, upon which event this Administration Agreement shall automatically terminate.

(b) Subject to Sections 8(e) and 8(f), the Administrator may resign its duties hereunder by providing the Issuer with at least sixty (60) days' prior written notice.

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(c) Subject to Sections 8(e) and 8(f), the Issuer may remove the Administrator without cause by providing the Administrator with at least sixty (60) days' prior written notice.

(d) Subject to Sections 8(e) and 8(f), at the sole option of the Issuer, the Administrator may be removed immediately upon written notice of termination from the Issuer to the Administrator if any of the following events shall occur:

(i) The Administrator shall default in the performance of any of its duties under this Administration Agreement and, after notice of such default, shall fail to cure such default within ten (10) days (or, if such default cannot be cured in such time, shall (A) fail to give within ten (10) days such assurance of cure as shall be reasonably satisfactory to the Issuer and (B) fail to cure such default within 30 days thereafter);

(ii) a court of competent jurisdiction shall enter a decree or order for relief, and such decree or order shall not have been vacated within sixty (60) days, in respect of the Administrator in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such court shall appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Administrator or any substantial part of its property or order the winding-up or liquidation of its affairs; or

(iii) the Administrator shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, shall consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Administrator or any substantial part of its property, shall consent to the taking of possession by any such official of any substantial part of its property, shall make any general assignment for the benefit of creditors or shall fail generally to pay its debts as they become due.

The Administrator agrees that if any of the events specified in clauses (ii) or (iii) of this Section 8(d) shall occur, it shall give written notice thereof to the Issuer and the Trustee as soon as practicable but in any event within seven (7) days after the happening of such event.

(e) No resignation or removal of the Administrator pursuant to this Section shall be effective until a successor Administrator has been appointed by the Issuer, and such successor Administrator has agreed in writing to be bound by the terms of this Administration Agreement in the same manner as the Administrator is bound hereunder.

(f) The appointment of any successor Administrator shall be effective only after satisfaction of the Rating Agency Condition with respect to the proposed appointment.

9. Action upon Termination, Resignation or Removal. Promptly upon the effective date of termination of this Administration Agreement pursuant to Section 8(a), the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or 8(d), the Administrator shall be entitled to be paid a pro-rated portion of the annual fee described in Section 2 hereof through the date of termination and all Reimbursable Expenses incurred by it through the date of such termination, resignation or removal. The

Administrator shall forthwith upon such termination pursuant to Section 8(a) deliver to the Issuer all property and documents of or relating to the Trust Estate then in the custody of the Administrator. In the event of the resignation of the Administrator pursuant to Section 8(b) or the removal of the Administrator pursuant to Section 8(c) or 8(d), the Administrator shall cooperate with the Issuer and take all reasonable steps requested to assist the Issuer in making an orderly transfer of the duties of the Administrator.

10. Administrator's Liability. Except as otherwise provided herein, the Administrator assumes no liability other than to render or stand ready to render the services called for herein, and neither the Administrator nor any of its members, managers, officers, employees, subsidiaries or affiliates shall be responsible for any action of the Issuer or any of the members, managers, officers, employees, subsidiaries or affiliates of the Issuer (other than the Administrator itself). The Administrator shall not be liable for nor shall it have any obligation with regard to any of the liabilities, whether direct or indirect, absolute or contingent of the Issuer or any of the members, managers, officers, employees, subsidiaries or affiliates of the Issuer (other than the Administrator itself).

#### **11. INDEMNITY.**

**(A) SUBJECT TO THE PRIORITY OF PAYMENTS SET FORTH IN THE INDENTURE, THE ISSUER SHALL INDEMNIFY THE ADMINISTRATOR, ITS MEMBERS, MANAGERS, OFFICERS, EMPLOYEES AND AFFILIATES AGAINST ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR WHETHER OR NOT THE ADMINISTRATOR IS A PARTY THERETO) WHICH ANY OF THEM MAY PAY OR INCUR ARISING OUT OF OR RELATING TO THIS ADMINISTRATION AGREEMENT AND THE SERVICES CALLED FOR HEREIN; PROVIDED, HOWEVER, THAT SUCH INDEMNITY SHALL NOT APPLY TO ANY SUCH LOSS, CLAIM, DAMAGE, PENALTY, JUDGMENT, LIABILITY OR EXPENSE RESULTING FROM THE ADMINISTRATOR'S NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER.**

**(B) THE ADMINISTRATOR SHALL INDEMNIFY THE ISSUER, ITS MEMBERS, MANAGERS, OFFICERS AND EMPLOYEES AGAINST ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ALL EXPENSES OF LITIGATION OR PREPARATION THEREFOR WHETHER OR NOT THE ISSUER IS A PARTY THERETO) WHICH ANY OF THEM MAY INCUR AS A RESULT OF THE ADMINISTRATOR'S NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER.**

12. Notices. Any notice, report or other communication given hereunder shall be in writing and addressed as follows:

(a) if to the Issuer, to:

CenterPoint Energy Restoration Bond Company, LLC  
1111 Louisiana Street, Suite 4664B  
Houston, Texas 77002  
Attention: Manager

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- (b) if to the Administrator, to:

CenterPoint Energy Houston Electric, LLC  
1111 Louisiana Street  
Houston, Texas 77002  
Attention: Treasurer

or to such other address as either party shall have provided to the other party in writing. Any notice required to be in writing hereunder shall be deemed given if such notice is mailed by certified mail, postage prepaid, or hand-delivered to the address of such party as provided above.

13. Amendments. This Administration Agreement may be amended from time to time by a written amendment duly executed and delivered by each of the Issuer and the Administrator, provided that (i) the Rating Agency Condition has been satisfied in connection therewith, (ii) the Trustee shall have consented and (iii) in the case of any amendment that increases ongoing qualified costs as defined in the applicable financing order of the PUCT, the PUCT shall have consented thereto or shall be conclusively deemed to have consented thereto. With respect to the PUCT's consent to any amendment to this Administration Agreement,

(a) the Administrator may request the consent of the PUCT by delivering to the PUCT's executive director and general counsel a written request for such consent, which request shall contain:

(i) a reference to Docket No. 37200 and a statement as to the possible effect of the amendment on ongoing qualified costs;

(ii) an Officer's Certificate stating that the proposed amendment has been approved by all parties to this Administration Agreement; and

(iii) a statement identifying the person to whom the PUCT or its staff is to address its consent to the proposed amendment or request additional time;

(b) The PUCT shall, within 30 days of receiving the request for consent complying with Section 13(a) above, either:

(i) provide notice of its consent or lack of consent to the person specified in Section 13(a)(iii) above, or

(ii) be conclusively deemed to have consented to the proposed amendment,

unless, within 30 days of receiving the request for consent complying with Section 13(a) above, the PUCT or its staff delivers to the office of the person specified in Section 13(a)(iii) above a written statement requesting an additional amount of time not to exceed 30 days in which to consider whether to consent to the proposed amendment. If the PUCT or its staff requests an extension of time in the manner set forth in the preceding sentence, then the PUCT shall either provide notice of its consent or lack of consent to the person specified in Section 13(a)(iii) above no later than the last day of such extension of time or be conclusively deemed to have consented

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to the proposed amendment as of the last day of such extension of time. Following delivery of a notice to the PUCT by the Administrator under Section 13(a) above, the Administrator and Issuer may at any time withdraw from the PUCT further consideration of any notification of a proposed amendment.

(c) Any amendment requiring the consent of the PUCT as provided in this Section 13 shall become effective on the later of (i) the date proposed by the parties to such amendment and (ii) the first day after the expiration of the 30 day period provided for in Section 13(b), or, if such period has been extended pursuant thereto, the first day after the expiration of such period as so extended.

14. Successors and Assigns. This Administration Agreement may not be assigned by the Administrator unless such assignment is previously consented to in writing by the Issuer and the Trustee and subject to the satisfaction of the Rating Agency Condition in connection therewith. Any assignment with such consent and satisfaction, if accepted by the assignee, shall bind the assignee hereunder in the same manner as the Administrator is bound hereunder. Notwithstanding the foregoing, this Administration Agreement may be assigned by the Administrator without the consent of the Issuer or the Trustee to a corporation or other organization that is a successor (by merger, consolidation or purchase of assets) to the Administrator; provided that such successor organization executes and delivers to the Issuer an Agreement in which such corporation or other organization agrees to be bound hereunder by the terms of said assignment in the same manner as the Administrator is bound hereunder. Subject to the foregoing, this Administration Agreement shall bind any successors or assigns of the parties hereto.

15. Governing Law. This Administration Agreement shall be construed in accordance with the laws of the State of Texas, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

16. Headings. The Section headings hereof have been inserted for convenience of reference only and shall not be construed to affect the meaning, construction or effect of this Administration Agreement.

17. Counterparts. This Administration Agreement may be executed in counterparts, each of which when so executed shall be an original, but all of which together shall constitute but one and the same Administration Agreement.

18. Severability. Any provision of this Administration Agreement that is prohibited or unenforceable in any jurisdiction shall 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.

19. Nonpetition Covenant. Notwithstanding any prior termination of this Administration Agreement, the Administrator covenants that it shall not, prior to the date which is one year and one day after payment in full of the Bonds, acquiesce, petition or otherwise



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invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer.

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IN WITNESS WHEREOF, the parties have caused this Administration Agreement to be duly executed and delivered as of the day and year first above written.

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC,  
as Administrator

By: \_\_\_\_\_  
Name:  
Title:

## INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT dated as of [ ], 2009 among:

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company and a successor to Reliant Energy, Incorporated (in its individual capacity, the “**Company**”),

CenterPoint Energy Transition Bond Company, LLC, a Delaware limited liability company (the “**Initial Transition Bond Issuer**”),

Deutsche Bank Trust Company Americas, successor to Bankers Trust Company, a New York banking corporation, in its capacity as transition bond trustee under the Indenture dated October 24, 2001 (the “**Initial Transition Bond Trustee**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, and successor to Reliant Energy, Incorporated, in its capacity as the initial servicer of the Initial Transition Property referred to below (including any successor in such capacity, the “**Initial TC Servicer**”),

Wilmington Trust Company, a Delaware banking corporation, in its capacity as transition bond trustee under the Indenture dated as of December 16, 2005 (the “**Additional Transition Bond Trustee**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, in its capacity as the initial servicer of the Additional Transition Property referred to below (including any successor in such capacity, the “**Additional TC Servicer**”),

CenterPoint Energy Transition Bond Company II, LLC, a Delaware limited liability company (the “**Additional Transition Bond Issuer**”),

Deutsche Bank Trust Company Americas, a New York banking corporation, in its capacity as transition bond trustee under the Indenture dated as of February 12, 2008 (the “**Third Transition Bond Trustee**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, in its capacity as initial servicer of the Transition (III) Property referred to below (the “**Third TC Servicer**”),

CenterPoint Energy Transition Bond Company III, LLC, a Texas limited liability company (the “**Third Transition Bond Issuer**”),

Deutsche Bank Trust Company Americas, a New York banking corporation, in its capacity as trustee under the Indenture dated [ ], 2009 (the “**Restoration Bond Trustee**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, in its capacity as the initial servicer of the System Restoration Property referred to below (including any successor in such capacity, the “**Restoration Servicer**”),

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CenterPoint Energy Restoration Bond Company, LLC, a Delaware limited liability company (the “**Restoration Bond Issuer**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company and a successor to Reliant Energy, Incorporated, in its capacity as collection agent for the benefit of the Initial TC Servicer, the Additional TC Servicer, the Third TC Servicer and the Restoration Servicer (the “**Utility**”),

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, in its capacity as the collection agent of the Decommissioning Collections referred to below (including any successor in such capacity, the “**Decommissioning Collection Agent**”), and

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, in its capacity as the collection agent of the System Benefit Fee referred to below (including any successor in such capacity, the “**SBF Collection Agent**”).

WHEREAS, pursuant to the terms of the Transition Property Sale Agreement dated October 24, 2001, among the Initial Transition Bond Issuer and Reliant Energy, Incorporated, in its capacity as Seller (as it may hereafter from time to time be amended, restated or modified, the “**Initial Sale Agreement**”), the Company has sold to the Initial Transition Bond Issuer certain assets known as “Transition Property” which includes the “Transition Charges” (hereinafter, the “**Initial Transition Property**” and the “**Initial Transition Charges**”); and

WHEREAS, pursuant to the terms of the Indenture dated October 24, 2001, among the Initial Transition Bond Issuer, the Initial Transition Bond Trustee, and Bankers Trust Company (now known as Deutsche Bank Trust Company Americas) in its capacity as Securities Intermediary (as it may hereafter from time to time be amended, restated or modified and as supplemented from time to time by one or more Series Supplements, such Series Supplements and Indenture being collectively referred to herein as the “**Initial Indenture**”), the Initial Transition Bond Issuer, among other things, has granted to the Initial Transition Bond Trustee a security interest in certain of its assets, including the Initial Transition Property, to secure the Transition Bonds issued pursuant to the Indenture (the “**Initial Transition Bonds**”); and

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of October 24, 2001, between the Initial Transition Bond Issuer and the Initial TC Servicer (as it may hereafter from time to time be amended, restated or modified, the “**Initial Servicing Agreement**”), the Initial TC Servicer has agreed to provide for the benefit of the Initial Transition Bond Issuer servicing functions with respect to the Initial Transition Charges; and

WHEREAS, pursuant to the terms of the Transition Property Sale Agreement dated as of December 16, 2005, among the Additional Transition Bond Issuer and Company, in its capacity as Seller (as it may hereafter from time to time be amended, restated or modified, the “**Additional Sale Agreement**”), the Company has sold to the Additional Transition Bond Issuer certain assets known as “Transition Property” which includes the “Transition Charges” (hereinafter, the “**Additional Transition Property**” and the “**Additional Transition Charges**”); and

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WHEREAS, pursuant to the terms of the Indenture dated as of December 16, 2005, among the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, and Deutsche Bank Trust Company Americas, in its capacity as Securities Intermediary (as it may hereafter from time to time be amended, restated or modified and as supplemented from time to time by one or more Series Supplements, such Series Supplements and Indenture being collectively referred to herein as the “**Additional Indenture**”), the Additional Transition Bond Issuer, among other things, has granted to the Additional Transition Bond Trustee a security interest in certain of its assets, including the Additional Transition Property, to secure the Transition Bonds issued pursuant to the Additional Indenture (“**Additional Transition Bonds**”); and

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of December 16, 2005, between the Additional Transition Bond Issuer and the Additional TC Servicer (as it may hereafter from time to time be amended, restated or modified, the “**Additional Servicing Agreement**”), the Additional TC Servicer has agreed to provide for the benefit of the Additional Transition Bond Issuer servicing functions with respect to the Additional Transition Charges; and

WHEREAS, pursuant to the terms of the Transition Property Sale Agreement dated as of February 12, 2008, among the Third Transition Bond Issuer and Company, in its capacity as Seller (as it may hereafter from time to time be amended, restated or modified, the “**Third Sale Agreement**”), the Company has sold to the Third Transition Bond Issuer certain assets known as “Transition Property” which includes the “Transition Charges” (hereinafter, the “**Transition (III) Property**” and the “**Transition (III) Charges**”); and

WHEREAS, pursuant to the terms of the Indenture dated as of February 12, 2008, among the Third Transition Bond Issuer and the Third Transition Bond Trustee (as it may hereafter from time to time be amended, restated or modified and as supplemented from time to time by one or more Supplements, such Supplements and Indenture being collectively referred to herein as the “**Third Indenture**”), the Third Transition Bond Issuer, among other things, has granted to the Third Transition Bond Trustee a security interest in certain of its assets, including the Transition (III) Property, to secure the Transition Bonds issued pursuant to the Third Indenture (“**Third Transition Bonds**”); and

WHEREAS, pursuant to the terms of the Transition Property Servicing Agreement dated as of February 12, 2008, between the Third Transition Bond Issuer and the Third TC Servicer (as it may hereafter from time to time be amended, restated or modified, the “**Third Servicing Agreement**”), the Third TC Servicer has agreed to provide for the benefit of the Third Transition Bond Issuer servicing functions with respect to the Transition (III) Charges; and

WHEREAS, pursuant to the terms of the [System Restoration Property Sale Agreement] dated as of [ ], 2009, among the Restoration Bond Issuer and Company, in its capacity as Seller (as it may hereafter from time to time be amended, restated or modified, the “**Restoration Sale Agreement**”), the Company has sold to the Restoration Bond Issuer certain assets known as “System Restoration Property” which includes the “System Restoration Charges” (hereinafter, the “**Restoration Property**” and the “**Restoration Charges**”); and

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WHEREAS, pursuant to the terms of the Indenture dated as of [ ], 2009, among the Restoration Bond Issuer and the Restoration Bond Trustee (as it may hereafter from time to time be amended, restated or modified and as supplemented from time to time by one or more Supplements, such Supplements and Indenture being collectively referred to herein as the “**Restoration Indenture**”, and together with the Initial Indenture, the Additional Indenture, and the Third Indenture, the “**Indentures**”), the Restoration Bond Issuer, among other things, has granted to the Restoration Bond Trustee a security interest in certain of its assets, including the Restoration Property, to secure the Restoration Bonds issued pursuant to the Restoration Indenture (“**Restoration Bonds**”); and

WHEREAS, pursuant to the terms of the System Restoration Property Servicing Agreement dated as of [ ], 2009, between the Restoration Bond Issuer and the Restoration Servicer (as it may hereafter from time to time be amended, restated or modified, the “**Restoration Servicing Agreement**”), the Restoration Servicer has agreed to provide for the benefit of the Restoration Bond Issuer servicing functions with respect to the Restoration Charges; and

WHEREAS, pursuant to the terms of that certain Third Amended and Restated Master Trust Agreement for the South Texas Project dated as of July 10, 2006 (the “**Decommissioning Trust Agreement**”), Mellon Bank, N.A., a national banking association, as Trustee (the “**Decommissioning Trustee**”) of “NRG South Texas LP Decommissioning Master Trust for the South Texas Project” (the “**Decommissioning Trust**”), is designated to receive and hold in trust for the benefit of NRG South Texas LP (or for the benefit of the Decommissioning Trust for the benefit of NRG South Texas LP) all Contributions (as that term is defined in the Decommissioning Trust Agreement) from the Company for decommissioning funds required by federal regulation that are included in the Company’s cost of service and collections; and

WHEREAS, pursuant to the terms of the Decommissioning Funds Collection Agreement dated as of June 9, 2005, between Texas Genco, LP (now known as NRG South Texas LP) and the Decommissioning Collection Agent (as it may hereafter from time to time be amended, restated or modified, the “**Decommissioning Collection Agreement**”), the Decommissioning Collection Agent has agreed to provide for the benefit of the Decommissioning Trust collection functions with respect to collections of nuclear decommissioning charges from retail customers (“**Decommissioning Collections**”); and

WHEREAS, pursuant to Section 39.903 of the Texas Utilities Code and Substantive Rule 25.451 promulgated thereunder by the Public Utility Commission of Texas, the SBF Collection Agent must provide for the benefit of the System Benefit Fund (as defined in Substantive Rule 25.451) collection functions with respect to the system benefit fee established by Section 39.903 of the Texas Utilities Code (the “**System Benefit Fee**”); and

WHEREAS, the parties hereto wish to agree upon their respective rights relating to such collections and any bank accounts into which the same may be deposited, as well as other matters of common interest to them which arise under or result from the coexistence of the Initial Sale Agreement, the Initial Indenture, the Initial Servicing Agreement, the Additional Sale Agreement, the Additional Indenture, the Additional Servicing Agreement, the Third Sale Agreement, the Third Indenture, the Third Servicing Agreement, the Decommissioning Collection Agreement and the statutory and regulatory obligations relating to the System Benefit Fee;

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

**SECTION 1. Acknowledgment of Ownership Interests and Security Interests.** The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Initial TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Third TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, the Decommissioning Collection Agent and the SBF Collection Agent hereby acknowledge the ownership interest of the Additional Transition Bond Issuer in the Additional Transition Property, including the Additional Transition Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the Additional Transition Bond Trustee for the benefit of itself, the holders of the Additional Transition Bonds and any credit enhancement provider (as defined in the Additional Indenture) in the Additional Transition Property.

The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Initial TC Servicer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, the Decommissioning Collection Agent and the SBF Collection Agent hereby acknowledge the ownership interest of the Third Transition Bond Issuer in the Transition (III) Property, including the Transition (III) Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the Third Transition Bond Trustee for the benefit of itself, the holders of the Third Transition Bonds and any credit enhancement provider (as defined in the Third Indenture) in the Transition (III) Property.

The Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Third TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, the Decommissioning Collection Agent and the SBF Collection Agent hereby acknowledge the ownership interest of the Initial Transition Bond Issuer in the Initial Transition Property, including the Initial Transition Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the Initial Transition Bond Trustee for the benefit of itself, the holders of the Initial Transition Bonds and any credit enhancement provider (as defined in the Initial Indenture) in the Initial Transition Property.

The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Initial TC Servicer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Third TC Servicer, the Decommissioning Collection Agent and the SBF Collection Agent hereby acknowledge the ownership interest of the Restoration Bond Issuer in the Restoration Property, including the Restoration Charges and the revenues, collections, claims, rights, payments, money and proceeds arising therefrom, and the security interests in favor of the Restoration Bond Trustee for the benefit of itself, the holders of the Restoration Bonds and any credit enhancement provider (as defined in the Restoration Indenture) in the Restoration Property.

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The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Initial TC Servicer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Third TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, and the SBF Collection Agent hereby acknowledge the ownership interest of NRG South Texas LP or the Decommissioning Trustee for the benefit of NRG South Texas LP in the Decommissioning Collections, including the revenues, collections, claims, rights, payments, money and proceeds arising therefrom.

The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Initial TC Servicer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Third TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, and the Decommissioning Collection Agent hereby acknowledge the ownership interest of the SBF Collection Agent for the benefit of the System Benefit Fund in the System Benefit Fees, including the revenues, collections, claims, rights, payments, money and proceeds arising therefrom.

SECTION 2. Deposit Accounts. The Initial Transition Bond Issuer, the Initial Transition Bond Trustee, the Initial TC Servicer, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, the Additional TC Servicer, the Third Transition Bond Issuer, the Third Transition Bond Trustee, the Third TC Servicer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Restoration Servicer, the Decommissioning Collection Agent and the SBF Collection Agent each acknowledge that collections with respect to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property, the Restoration Property, the Decommissioning Collections and System Benefit Fees may from time to time be deposited into one or more designated accounts of the Utility (the “*Deposit Accounts*”). Subject to Section 4 below, the Utility agrees to:

- (i) maintain the Deposit Accounts for the benefit of the Initial TC Servicer, the Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Additional TC Servicer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Third TC Servicer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Restoration Issuer, the Restoration Bond Trustee, the Restoration Bond Issuer and the Decommissioning Collection Agent for the benefit of NRG South Texas LP (or for the benefit of the Decommissioning Trustee for the benefit of NRG South Texas LP) and the SBF Collection Agent for the benefit of the System Benefit Fund as their respective interests may appear;
- (ii) allocate and remit funds from the Deposit Accounts: (a) at the times specified in the respective Indentures and Servicing Agreements to the Initial Transition Bond Trustee in the case of collections relating to the Initial Transition Property, to the Additional Transition Bond Trustee in the case of collections relating to the Additional Transition Property, to the Third Transition Bond Trustee in the case of collections relating to the



Transition (III) Property and to the Restoration Bond Trustee in the case of collections relating to Restoration Property, (b) on a weekly basis to the Decommissioning Trustee in the case of the Decommissioning Collections, and (c) on a monthly basis to the Texas Comptroller of Public Accounts in the case of collections relating to System Benefit Fees; provided that: (a) to the extent the amount remitted by a retail electric provider is insufficient to satisfy any bill in respect of the Initial Transition Charges, the Additional Transition Charges, the Transition (III) Charges, the Restoration Charges, the Decommissioning Collections, the System Benefit Fees and the transmission and distribution charges and any late-payment penalties associated with any of the foregoing, such remittance shall first be allocated on a pro rata basis as between the Initial Transition Charges, the Additional Transition Charges, the Transition (III) Charges, the Restoration Charges, the Decommissioning Collections, the System Benefit Fees and the applicable transmission and distribution charges (other than late-payment penalties associated with any of the foregoing); and (b) any amount remaining from such remittance shall be applied pro rata against the late-payment penalties attributable to the Initial Transition Charges, the Additional Transition Charges, the Transition (III) Charges, the Restoration Charges, the Decommissioning Collections, the System Benefit Fees and the applicable transmission and distribution charges; and

(iii) maintain records as to the amounts deposited into the Deposit Accounts, the amounts remitted therefrom and the allocation as provided in clause (ii) above.

The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Restoration Bond Trustee, the Restoration Bond Issuer, the Decommissioning Collection Agent for the benefit of NRG South Texas LP (or for the benefit of the Decommissioning Trustee for the benefit of NRG South Texas LP) and the SBF Collection Agent shall each have the right to require an accounting from time to time of collections, allocations and remittances by the Utility relating to the Deposit Accounts.

Each of the parties hereto acknowledges the respective security interests of the others in amounts on deposit in the Deposit Accounts to the extent of their respective interests as described in this Agreement.

SECTION 3. Time or Order of Attachment. The acknowledgments contained in Sections 1 and 2 of this Agreement are applicable irrespective of the time or order of attachment or perfection of security or ownership interests or the time or order of filing or recording of financing statements or mortgages or filings under the Texas Electric Choice Plan (as defined in the Initial Indenture) or the Public Utility Regulatory Act (as defined in the Restoration Indenture).

SECTION 4. Servicing. (a) (i) Pursuant to Section 2 above, the Company, in its role as Initial TC Servicer, Additional TC Servicer, Third TC Servicer and Restoration Servicer, shall allocate and remit funds received from retail electric providers for the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds, and the Restoration Bonds, respectively, and shall control the movement of such funds out of the Deposit Accounts (such allocation, remittance and deposits hereafter called the “*Allocation Services*”). The same entity

must always act as servicer in the performance of the Allocation Services as to all of the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds and the Restoration Bonds. In the event that the Initial Transition Bond Trustee, Additional Transition Bond Trustee, Third Transition Bond Trustee or Restoration Bond Trustee is entitled to and desires to exercise its right to replace the Company as Initial TC Servicer, Additional TC Servicer, Third TC Servicer or Restoration Servicer, respectively, in its role as the provider of the Allocation Services, the party desiring to exercise such right shall promptly give written notice to the other (the “**Servicer Notice**”) and consult with the others with respect to the Person who would replace the Company in such capacities. Any successor in such capacities shall be agreed to by the Initial Transition Bond Trustee, Additional Transition Bond Trustee, Third Transition Bond Trustee and Restoration Bond Trustee within ten Business Days of the date of the Servicer Notice, and such successor shall be subject to satisfaction of the Rating Agency Condition (as defined below). “**Business Day**” means any day other than a Saturday, Sunday, or any holiday for national banks or any New York banking corporation in Dallas, Texas, New York, New York or Houston, Texas. The Person named as replacement Initial TC Servicer, Additional TC Servicer, Third TC Servicer or Restoration Servicer (as the case may be) in accordance with this Section 4 is referred to herein as the “**Replacement Servicer**”.

(ii) In the event that the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee or the Restoration Bond Trustee is entitled to and desires to exercise its rights to redirect collections relating to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property or the Restoration Property (as the case may be), any redirection of funds shall be either to (A) the Replacement Servicer or (B) if there is no Replacement Servicer, to the Designated Account with the Designated Account Holder chosen in accordance with the provisions set forth below, on or before the tenth Business Day occurring from and after the date of the Servicer Notice. The “**Designated Account**” shall be an “**Eligible Securities Account**” (as defined in the Initial Indenture, the Additional Indenture, the Third Indenture and the Restoration Indenture) and shall be held for the benefit of the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee, and the Restoration Bond Trustee, as their interests may appear. The “**Designated Account Holder**” shall be a financial institution selected by the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee and the Restoration Bond Trustee, subject to satisfaction of the Rating Agency Condition, to hold and allocate amounts in the Designated Account for the benefit of the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee and the Restoration Bond Trustee as their interests may appear as provided in paragraph (b) below. In the event that the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee and the Restoration Bond Trustee are unable to agree upon a Designated Account Holder on or before the tenth Business Day occurring from and after the date of the Servicer Notice, a Designated Account Holder shall be promptly selected by the independent registered public accounting firm engaged by the Utility at such time, subject to the satisfaction of the Rating Agency Condition.

(b) Upon exercise by the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee or the Restoration Bond Trustee of its rights to

redirect collections relating to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property or the Restoration Property, and in the absence of a Replacement Servicer, the parties agree that all collections relating to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property and the Restoration Property shall be deposited into the Designated Account and that the Designated Account Holder shall be instructed by the Utility to (i) allocate and remit funds from such Designated Account, in amounts calculated by the Utility, with such calculations provided to the Designated Account Holder on a daily basis to the persons entitled thereto, being the Initial Transition Bond Trustee in the case of all collections relating to the Initial Transition Property, the Additional Transition Bond Trustee in the case of all collections relating to the Additional Transition Property, the Third Transition Bond Trustee in the case of all collections relating to the Transition (III) Property and the Restoration Bond Trustee in the case of all collections relating to the Restoration Property; and (ii) maintain records as to the amounts deposited into such account, the amounts remitted therefrom and the allocation as provided in clause (i). The fees and expenses of the Designated Account Holder shall be payable from amounts deposited into the Designated Account on a pro rata basis as between collections relating to the Initial Transition Property, Additional Transition Property, Transition (III) Property and the Restoration Property, provided that portion of those fees and expenses allocable to collections relating to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property, and the Restoration Property shall be payable by the Initial TC Servicer, the Additional TC Servicer, the Third TC Servicer and the Restoration Servicer, respectively, from the servicer fees ("**Servicer Fees**") provided for in the Initial Servicing Agreement, the Additional Servicing Agreement, the Third Servicing Agreement and the Restoration Servicing Agreement, such payments to be made on the Payment Dates (as defined in the initial Indenture, the Additional Indenture, the Third Indenture and the Restoration Indenture) related to such Servicer Fees. The Initial Transition Bond Trustee, the Initial Transition Bond Issuer, the Additional Transition Bond Trustee, the Additional Transition Bond Issuer, the Third Transition Bond Trustee, the Third Transition Bond Issuer, the Restoration Bond Trustee and the Restoration Bond Issuer shall each have the right to require an accounting from time to time of collections, allocations and remittances by the Designated Account Holder.

(c) If a Replacement Servicer cannot be appointed in accordance with Section 4(a)(i) above, then any of the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee or the Restoration Bond Trustee may exercise its rights under Section 4(a)(ii)(B) above.

(d) Anything in this Agreement to the contrary notwithstanding, any action taken by any of the Initial Transition Bond Trustee, the Additional Transition Bond Trustee, the Third Transition Bond Trustee or the Restoration Bond Trustee to appoint a Replacement Servicer or designate the Designated Account pursuant to this paragraph 4 shall be subject to the Rating Agency Condition and the consent, if required by law or the Financing Order (as defined in the Initial Indenture or the Additional Indenture), of the Public Utility Commission of Texas. For the purposes of this Agreement, the "**Rating Agency Condition**" means, with respect to any such action, notification to each rating agency then rating any class or series of the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds or the Restoration Bonds of such action, and the receipt of confirmation from S&P (as defined in the Initial Indenture, the Additional Indenture and the Third Indenture), that such action will not result in a reduction or

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withdrawal of its then current rating on the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds or the Restoration Bonds. The parties hereto acknowledge and agree that the approval or the consent of S&P which is required in order to satisfy the Rating Agency Condition is not subject to any standard of commercial reasonableness, and the parties are bound to satisfy this condition whether or not S&P is unreasonable or arbitrary.

SECTION 5. Sharing of Information. The parties hereto agree to cooperate with each other and make available to each other or any Replacement Servicer any and all records and other data relevant to the Initial Transition Property, the Additional Transition Property, the Transition (III) Property and the Restoration Property which it may have in its possession or may from time to time receive from the Company or any predecessor Initial TC Servicer, Additional TC Servicer, Third TC Servicer or Restoration Servicer, including, without limitation, any and all computer programs, data files, documents, instruments, files and records and any receptacles and cabinets containing the same. The Company hereby consents to the release of information regarding the Company pursuant to this Section 5.

SECTION 6. No Joint Venture. Nothing herein contained shall be deemed as effecting a joint venture among any of the Initial Transition Bond Issuer, the Initial Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, the Third Transition Bond Issuer, the Third Transition Bond Trustee, the Restoration Bond Issuer, the Restoration Bond Trustee, the Decommissioning Collection Agent, the Decommissioning Trustee, NRG South Texas LP, the SBF Collection Agent and the Company.

SECTION 7. Method of Adjustment and Allocation. Notwithstanding any provision herein to the contrary, for the purpose of this Agreement only, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, the Third Transition Bond Issuer, the Third Transition Bond Trustee, the Restoration Bond Issuer and the Restoration Bond Trustee hereby consent and agree to (a) the method of adjustment of the Initial Transition Charge in accordance with Section 7 of Annex I to the Initial Servicing Agreement in the form attached thereto, and (b) the method of calculation and allocation of payments in accordance with Sections 3.02 and 3.03 of the Initial Servicing Agreement in the form attached thereto. Notwithstanding any provision herein to the contrary, for the purpose of this Agreement only, the Initial Transition Bond Issuer, the Initial Transition Bond Trustee, the Third Transition Bond Issuer, the Third Transition Bond Trustee, the Restoration Bond Issuer and the Restoration Bond Trustee hereby consent and agree to (a) the method of adjustment of the Additional Transition Charge in accordance with Section 7 of Annex I to the Additional Servicing Agreement in the form attached thereto, and (b) the method of calculation and allocation of payments in accordance with Sections 3.02 and 3.03 of the Additional Servicing Agreement in the form attached thereto and irrevocably waive any right to object to or enjoin such adjustment, calculation, payment or allocation. Notwithstanding any provision herein to the contrary, for the purpose of this Agreement only, the Initial Transition Bond Issuer, the Initial Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, the Restoration Bond Issuer and the Restoration Bond Trustee hereby consent and agree to (a) the method of adjustment of the Transition (III) Charge in accordance with Section 4.01 of the Third Servicing Agreement in the form attached thereto, and (b) the method of calculation and allocation of payments in accordance with Section 6 of Annex I to the Third Servicing Agreement in the form attached thereto and irrevocably waive any right to object to or enjoin such adjustment, calculation, payment or allocation.

Notwithstanding any provision herein to the contrary, for the purpose of this Agreement only, the Initial Transition Bond Issuer, the Initial Transition Bond Trustee, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee, the Third Transition Bond Issuer and the Third Transition Bond Trustee hereby consent and agree to (a) the method of adjustment of the Restoration Charge in accordance with Section 4.01 of the Restoration Servicing Agreement in the form attached thereto, and (b) the method of calculation and allocation of payments in accordance with Section 6 of Annex I to the Restoration Servicing Agreement in the form attached thereto and irrevocably waive any right to object to or enjoin such adjustment, calculation, payment or allocation. Such consent and agreement shall not relieve the Company of any of its obligations to make payments in accordance with the terms of the Initial Sale Agreement, the Additional Sale Agreement and the Third Sale Agreement.

SECTION 8. Termination. This Agreement shall terminate upon the payment in full of the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds and the Restoration Bonds, except that the understandings and acknowledgments contained in paragraphs 1, 2 and 3 shall survive the termination of this Agreement.

SECTION 9. Governing Law. This Agreement shall be governed by the laws of the State of Texas.

SECTION 10. Further Assurances. Each of the parties hereto agrees to execute any and all agreements, instruments, financing statements, releases and any and all other documents reasonably requested by any of the other parties hereto in order to effectuate the intent of this Agreement. In each case where a release is to be given pursuant to this Agreement, the term release shall include any documents or instruments necessary to effect a release, as contemplated by this Agreement. All releases, subordinations and other instruments submitted to the executing party are to be prepared at no expense to such party.

SECTION 11. Limitation on Rights of Others. This Agreement is solely for the benefit of the Initial Transition Bond Issuer, the Initial Transition Bond Trustee for the benefit of itself, the Additional Transition Bond Issuer, the Additional Transition Bond Trustee for the benefit of itself, the Third Transition Bond Issuer, the Third Transition Bond Trustee for the benefit of itself, the Restoration Bond Issuer, the Restoration Bond Trustee for the benefit of itself, the holders of the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds and the Restoration Bonds, the Decommissioning Collection Agent for the benefit of NRG South Texas LP or the Decommissioning Trustee for the benefit of NRG South Texas LP, the SBF Collection Agent for the benefit of the System Benefit Fund and any credit enhancement provider, and the Company and no other person or entity shall have any rights, benefits, priority or interest under or because of the existence of this Agreement.

SECTION 12. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

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SECTION 13. Nonpetition Covenant. Notwithstanding any prior termination of this Agreement, the Initial Indenture, the Additional Indenture, the Third Indenture or the Restoration Indenture, each of the parties covenants that it shall not, prior to the date which is one year and one day after payment in full of the Initial Transition Bonds, the Additional Transition Bonds, the Third Transition Bonds and the Restoration Bonds, acquiesce, petition or otherwise invoke or cause any of the Initial Transition Bond Issuer, the Additional Transition Bond Issuer, the Third Transition Bond Issuer or the Restoration Bond Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Initial Transition Bond Issuer, the Additional Transition Bond Issuer, the Third Transition Bond Issuer or the Restoration Bond Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Initial Transition Bond Issuer, the Additional Transition Bond Issuer, the Third Transition Bond Issuer or the Restoration Bond Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Initial Transition Bond Issuer, the Additional Transition Bond Issuer, the Third Transition Bond Issuer or the Restoration Bond Issuer.

SECTION 14. Trustees. Deutsche Bank Trust Company Americas, as Initial Transition Bond Trustee, in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Initial Indenture. Wilmington Trust Company, as Additional Transition Bond Trustee, in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Additional Indenture. Deutsche Bank Trust Company Americas, as Third Transition Bond Trustee, in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Third Indenture. Deutsche Bank Trust Company Americas, as Restoration Bond Trustee, in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Restoration Indenture.

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

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Initial TC Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Additional TC Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Third TC Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Restoration Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Decommissioning Collection Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
SBF Collection Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC as  
Utility

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY TRANSITION BOND COMPANY,  
LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY TRANSITION BOND COMPANY  
II, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



CENTERPOINT ENERGY TRANSITION BOND COMPANY  
III, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CENTERPOINT ENERGY RESTORATION BOND  
COMPANY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS  
(successor to Bankers Trust Company), as Initial Transition  
Bond Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILMINGTON TRUST COMPANY,  
as Additional Transition Bond Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Third  
Transition Bond Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS, as  
Restoration Bond Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_