

EXHIBIT A TO FIRST SUPPLEMENTAL INDENTURE

REGISTERED \$

No. _____

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP NO.

THE PRINCIPAL OF THIS TRANCHE [] SENIOR SECURED TRANSITION BOND, SERIES A WILL BE PAID IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS TRANCHE [] SENIOR SECURED TRANSITION BOND, SERIES A AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. THE HOLDER OF THIS TRANCHE [] SENIOR SECURED TRANSITION BOND, SERIES A HEREBY COVENANTS AND AGREES THAT PRIOR TO THE DATE THAT IS ONE YEAR AND ONE DAY AFTER THE PAYMENT IN FULL OF THE TRANCHE [] SENIOR SECURED TRANSITION BONDS, SERIES A, 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 TRANSITION BOND COMPANY II, LLC

SENIOR SECURED TRANSITION BONDS, SERIES A, Tranche [].

Bond Rate	Initial Principal Amount	Expected Final Payment Date	Tranche Final Maturity Date
----- ____%	----- \$ _____	----- _____	----- _____

CenterPoint Energy Transition Bond Company II, 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, 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 [] Senior Secured Transition Bond, Series A, to pay the entire unpaid principal hereof on such Final Maturity Date and to pay Interest, at the Bond Rate shown above, on each February 1 and August 1, or if any such day is not a Business Day, the next succeeding Business Day, commencing on August 1, 2006 and continuing until the earlier of the payment of the Principal hereof and the Final Maturity Date of this Tranche [] Senior Secured Transition Bond, Series A

A-1

(each a "Payment Date"), on the Principal amount of this Tranche ☐ Senior Secured Transition Bond, Series A outstanding from time to time. Interest on this Tranche ☐ Senior Secured Transition Bond, Series A will accrue for each Payment Date from the most recent Payment Date on which Interest has been paid to but excluding such Payment Date or, if no Interest has yet been paid, from December 16, 2005. 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 ☐ Senior Secured Transition Bond, Series A shall be paid in the manner specified on the reverse hereof.

The Principal of and Interest on this Tranche ☐ Senior Secured Transition Bond, Series A 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 ☐ Senior Secured Transition Bond, Series A shall be applied first to Interest due and payable on this Tranche ☐ Senior Secured Transition Bond, Series A as provided above and then to the unpaid Principal of and premium, if any, on this Tranche ☐ Senior Secured Transition Bond, Series A, all in the manner set forth in Section 8.02(d) of the Indenture.

This Tranche ☐ Senior Secured Transition Bond, Series A is a "transition bond" as such term is defined in the Texas Electric Choice Plan. Principal and Interest on this Tranche ☐ Senior Secured Transition Bond, Series A are payable from and secured primarily by the transition property authorized by the Financing Order. The Texas Electric Choice Plan 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 ☐ Senior Secured Transition Bond, Series A set forth on the reverse hereof, which shall have the same effect as though fully set forth on the face of this Tranche ☐ Senior Secured Transition Bond, Series A.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Tranche ☐ Senior Secured Transition Bond, Series A shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

A-2

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.

A-3

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 TRANSITION BOND
COMPANY II, LLC**

By: _____

Name: _____

Title: _____

A-4

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: _____, 200_

This is one of the Tranche [] Senior Secured Transition Bonds, Series A designated above and referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Trustee on behalf of the
Transition Bondholders

By: DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Authenticating Agent

By: _____

Name:

Title:

A-5

REVERSE OF TRANSITION BOND

This Tranche [] Senior Secured Transition Bond, Series A is one of a duly authorized issue of Transition Bonds of the Issuer, designated as its Transition Bonds, Series A (herein called the "Senior Secured Transition Bonds, Series A"), issued and to be issued in one or more Series, which Series are issuable in one or more Tranches, and this Series, in which this Tranche [] Senior Secured Transition Bond, Series A represents an interest, consists of Tranches, including the Tranche [] Senior Secured Transition Bonds, Series A (herein called the "Tranche [] Senior Secured Transition Bonds, Series A"), all issued and to be issued under an indenture dated as of December 16, 2005, and a supplemental indenture thereto dated as of even date therewith (such supplemental indenture, as supplemented or amended, the "Series A Supplement" and, collectively with such indenture, as supplemented or amended, the "Indenture"), each among the Issuer, Wilmington Trust Company, as Trustee (the "Trustee," which term includes any successor trustee under the Indenture), and Deutsche Bank Trust Company Americas, as Securities Intermediary, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the Series Trust Estate pledged, the nature and extent of the security, the respective rights, obligations and immunities thereunder of the Issuer, the Trustee and the Transition Bondholders and the terms and conditions under which additional Transition Bonds may be issued. All terms used in this Tranche [] Transition Bond that are defined in the Indenture, as supplemented or amended, shall have the meanings assigned to them in the Indenture.

The Tranche [] Senior Secured Transition Bonds, Series A, the other Tranches of Senior Secured Transition Bonds, Series A and any other Series of Transition Bonds issued by the Issuer are and will be equally and ratably secured by the Series Trust Estate pledged as security therefor as provided in the Indenture or the Series A Supplement.

The Principal of this Tranche [] Senior Secured Transition Bond, Series A 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 Series A Supplement as Schedule A, unless payable earlier because an Event of Default shall have occurred and be continuing and the Trustee or the Transition Bondholders representing not less than a majority of the Outstanding Amount of the Transition Bonds of all Series have declared the Transition 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 Series A Supplement. The entire unpaid Principal amount of this Tranche [] Senior Secured Transition Bond, Series A shall be due and payable on the Final Maturity Date of this Tranche [] Senior Secured Transition Bond, Series A. Notwithstanding the foregoing, the entire unpaid Principal amount of the Transition 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 Transition Bondholders representing a majority of the Outstanding Amount of the Transition Bonds have declared the Transition Bonds to be immediately due and payable in the manner provided in Section 5.02 of the Indenture. All

Principal payments on the Tranche [] Senior Secured Transition Bonds, Series A shall be made pro rata to the Tranche [] Transition Bondholders entitled thereto based on the respective Principal amounts of the Senior Secured Transition Bonds, Series A held by them.

Payments of Interest on this Tranche [] Senior Secured Transition Bond, Series A due and payable on each Payment Date, together with the installment of Principal or premium, if any, due on this Tranche [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A in the Transition Bond Register as of the close of business on the Record Date or in such other manner as may be provided in the Series A Supplement, except that with respect to Tranche [] Senior Secured Transition Bonds, Series A 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 [] Senior Secured Transition Bond, Series A 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 Transition Bond Register as of the applicable Record Date without requiring that this Tranche [] Senior Secured Transition Bond, Series A be submitted for notation of payment. Any reduction in the Principal amount of this Tranche [] Senior Secured Transition Bond, Series A (or any one or more predecessors to such Transition Bond) effected by any payments made on any Payment Date shall be binding upon all future Transition Bondholders of this Tranche [] Senior Secured Transition Bond, Series A and of any Tranche [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A 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 second 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 [] Senior Secured Transition Bond, Series A and shall specify the place where this Tranche [] Senior Secured Transition Bond, Series A may be presented and surrendered for payment of such installment.

The Issuer shall pay Interest on overdue installments of Interest on this Tranche [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A may be registered in the Transition Bond Register upon surrender of this Tranche [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bonds, Series A 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 ☐ Transition 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 ☐ Senior Secured Transition Bond, Series A, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Tranche ☐ Senior Secured Transition Bond, Series A 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 ☐ Senior Secured Transition Bond, Series A and for all other purposes whatsoever, whether or not this Tranche ☐ Senior Secured Transition Bond, Series A 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 Transition Bondholders under the Indenture at any time by the Issuer with the consent of the Transition Bondholders representing a majority of the Outstanding Amount of all Transition Bonds at the time Outstanding of each Series or Tranche to be affected. The Indenture also contains provisions permitting the Transition Bondholders representing specified percentages of the Outstanding Amount of the Transition Bonds of all Series, on behalf of all Transition 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 Transition Bondholders of this Tranche ☐ Senior Secured Transition Bond, Series A (or any one or more predecessors of such Transition Bonds) shall be conclusive and binding upon such Transition Bondholder and upon all future Transition Bondholders of this Tranche ☐ Senior Secured Transition Bond, Series A and of any Tranche ☐ Senior Secured Transition Bond, Series A 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 ☐ Senior Secured Transition Bond, Series A. The Indenture also permits the Trustee to amend or waive certain terms and conditions set forth in the Indenture without the consent of the Transition Bondholders.

The term "Issuer" as used in this Tranche ☐ Senior Secured Transition Bond, Series A 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 ☐ Senior Secured Transition Bonds, Series A are issuable only in registered form in Authorized Denominations as provided in the Indenture and the Series A Supplement, subject to certain limitations therein set forth.

This Tranche ☐ Senior Secured Transition Bond, Series A, the Indenture and the Series A 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 [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A and all rights thereunder, and hereby irrevocably constitutes and appoints

(name and address of appointee)

attorney, to transfer said Tranche [] Senior Secured Transition Bond, Series A 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 [] Senior Secured Transition Bond, Series A in every particular, without alteration, enlargement or any change whatsoever.

A-9

Exhibit 5.1

[Letterhead of Baker Botts L.L.P.]

December 16, 2005

CenterPoint Energy Transition Bond Company II, LLC 1111 Louisiana, Suite 4655B
Houston, Texas 77002

Ladies and Gentlemen:

We have acted as counsel for CenterPoint Energy Transition Bond Company II, LLC, a Delaware limited liability company (the "Company"), in connection with its offering and sale of \$1,851,000,000 aggregate principal amount of its Senior Secured Transition Bonds, Series A (the "Bonds"), which offering and sale have been registered by the Company's Registration Statement on Form S-3 (Registration No. 333-121505, as amended to date, the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the proposed issuance and sale of up to \$1,857,000,000 in aggregate principal amount of transition bonds of the Company to be offered from time to time. Capitalized terms used in this letter and not defined herein have the meanings given to such terms in that certain Indenture (the "Indenture") dated as of December 16, 2005 by and among the Company, Wilmington Trust Company, as Trustee, and Deutsche Bank Trust Company Americas, as Securities Intermediary, governing the issuance of the Bonds. At your request, this opinion is being furnished to you for filing as Exhibit 5.1 to your Current Report on Form 8-K of even date herewith.

In our capacity as your counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others and such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein, including the Issuer Certificate of Formation, the Issuer LLC Agreement, the Registration Statement, the Indenture, the Series Supplement, the Administration Agreement, the Intercreditor Agreement, the Sale Agreement and the Bill of Sale relating thereto, the Servicing Agreement, the DTC Agreement, the Financing Order, the Underwriting Agreement and a Certificate of Good Standing for the Company, dated December 16, 2005, obtained from the Secretary of State of the State of Delaware.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or

photostatic copies and the authenticity of the originals of such latter documents. In making our examination of documents, we have assumed that the parties thereto, other than the Company, had or will have the power, limited liability company or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, limited liability company or other, and execution and delivery by such parties of such documents and the validity and binding effect thereof on such parties. As to any facts material to the opinions expressed herein which we have not independently established or verified, we have relied upon statements and representations of managers, officers and other representatives of the Company, CenterPoint Houston and others. We have not reviewed any document (other than the documents listed above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

Based on and subject to the foregoing, we are of the opinion that:

1. The Company has been duly formed and is validly existing and in good standing as a limited liability company under the Delaware Limited Liability Company Act (the "Act").
2. Under the Act and the Issuer LLC Agreement, the Company has all necessary limited liability company power and authority to execute and deliver the Indenture and to issue the Bonds, and to perform its obligations under the Indenture and the Bonds.
3. Under the Act and the Issuer LLC Agreement, the execution and delivery by the Company of the Indenture and the Bonds, and the performance by the Company of its obligations under the Indenture and the Bonds, have been duly authorized by all necessary limited liability company action on the part of the Company.
4. When properly executed, authenticated and issued in accordance with the Indenture and delivered against payment of the purchase price provided for in the Underwriting Agreement, and upon satisfaction of all other conditions contained in the Indenture and the Underwriting Agreement, the Bonds will constitute valid and binding obligations of the Company and will be enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect relating to creditor's rights generally and (2) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

The opinions set forth above are limited in all respects to matters of Texas law and the Delaware Limited Liability Company Act as in effect on the day hereof. We consent to

the filing of this opinion as an Exhibit to your Current Report on Form 8-K of even date herewith and to the references to this Firm under the heading "Legal Matters" in the Prospectus, dated December 6, 2005, as supplemented by the Prospectus Supplement, dated December 9, 2005 relating to the Bonds. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Baker Botts L.L.P.

TRANSITION PROPERTY SALE AGREEMENT

between

CENTERPOINT ENERGY TRANSITION BOND COMPANY II, LLC

Issuer

and

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Seller

Dated as of December 16, 2005

TABLE OF CONTENTS

ARTICLE I DEFINITIONS.....	1
Section 1.01 Definitions.....	1
Section 1.02 Other Definitional Provisions.....	1
ARTICLE II CONVEYANCE OF THE TRANSITION PROPERTY.....	2
Section 2.01 Conveyance of the Transition Property.....	2
Section 2.02 Conditions to Conveyance of the Transition Property.....	3
ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER.....	4
Section 3.01 Organization and Good Standing.....	4
Section 3.02 Due Qualification.....	4
Section 3.03 Power and Authority.....	4
Section 3.04 Binding Obligation.....	4
Section 3.05 No Violation.....	4
Section 3.06 No Proceedings.....	5
Section 3.07 Approvals.....	5
Section 3.08 The Transition Property.....	5
Section 3.09 Solvency.....	6
Section 3.10 The Financing Order.....	7
Section 3.11 State Action.....	7
Section 3.12 No Court Order.....	8
Section 3.13 Approvals Concerning the Transition Property.....	8
Section 3.14 Assumptions.....	8
Section 3.15 Creation of the Transition Property.....	8
Section 3.16 Prospectus.....	9
Section 3.17 Nature of Representations and Warranties.....	9
ARTICLE IV COVENANTS OF THE SELLER.....	9
Section 4.01 Seller's Existence.....	9
Section 4.02 No Liens or Conveyances.....	9
Section 4.03 Delivery of Collections.....	10
Section 4.04 Notice of Liens.....	10
Section 4.05 Compliance With Law.....	10
Section 4.06 Covenants Related to the Transition Property.....	10
Section 4.07 Protection of Title.....	11
Section 4.08 Taxes.....	12
Section 4.09 Filings Pursuant to Financing Order.....	12
ARTICLE V ADDITIONAL UNDERTAKINGS OF SELLER.....	12
Section 5.01 Liability of the Seller; Indemnities.....	12
Section 5.02 Merger or Consolidation of, or Assumption of the Obligations of, the Seller	14
Section 5.03 Limitation on Liability of the Seller And Others.....	16
ARTICLE VI MISCELLANEOUS PROVISIONS.....	16
Section 6.01 Amendment.....	16

Section 6.02	Notices.....	17
Section 6.03	Assignment by the Seller.....	18
Section 6.04	Assignment to the Indenture Trustee.....	18
Section 6.05	Limitations on Rights of Others.....	18
Section 6.06	Severability.....	18
Section 6.07	Separate Counterparts.....	18
Section 6.08	Headings.....	19
Section 6.09	Governing Law.....	19
Section 6.10	Nonpetition Covenants.....	19

APPENDIX A

DEFINITIONS

SCHEDULE 1

TRANSITION PROPERTY SALE AGREEMENT (this "Agreement") dated as of December 16, 2005, between CENTERPOINT ENERGY TRANSITION BOND COMPANY II, 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 Transition Property created pursuant to the Texas Electric Choice Plan 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 Transition Property;

WHEREAS, the Issuer, in order to finance the purchase of the Transition Property, will issue the Transition Bonds under the Indenture; and

WHEREAS, the Issuer, to secure its obligations under the Transition Bonds and the Indenture, will pledge its right, title and interest in the Transition Property and this Agreement to the Indenture Trustee for the benefit of the Transition 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 Transition 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 Texas Electric Choice Plan, as the context requires, have the meanings assigned to such terms in the Texas Electric Choice Plan, but without giving effect to amendments to the Texas Electric Choice Plan after the date hereof which have a material adverse effect on the Issuer or the Transition 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 TRANSITION PROPERTY

Section 2.01 Conveyance of the Transition Property.

(a) In consideration of the Issuer's payment to or upon the order of the Seller of \$1,837,990,612 (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 Transition Property (such sale, transfer, assignment, setting over and conveyance of the Transition Property to include, to the fullest extent permitted by the Texas Electric Choice Plan, the right to impose, collect and receive the Transition Charges, as the same may be adjusted from time to time). Such sale, transfer, assignment, setting over and conveyance of the Transition Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 39.308 of the Texas Electric Choice Plan 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 Texas Electric Choice Plan. 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 Transition Property.

(b) Subject to the satisfaction or waiver of conditions specified in Section 2.02, the Issuer does hereby purchase the Transition Property from the Seller for the consideration set forth in paragraph (a) above.

(c) The Seller and the Issuer each acknowledge and agree that the purchase price for the Transition 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 Transition 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 Texas Electric Choice Plan, then such sale, transfer, assignment, setting over and conveyance shall be treated as a pledge of and grant of a security interest in the Transition Property under Section 39.309 of the Texas Electric

Choice Plan and under Articles 8 and 9 of 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 Transition Property to secure a payment obligation incurred by the Seller in the amount paid by the Issuer for the Transition Property.

Section 2.02 Conditions to Conveyance of the Transition Property . The obligation of the Seller to sell, and the obligation of the Issuer to purchase the Transition 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 Transition 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 for the Transition Property to be purchased on such date, and

(B) all conditions set forth in the Indenture to the issuance of the Transition 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 Texas Electric Choice Plan, the Financing Order and other applicable law for the Issuer to have ownership of the Transition 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 Texas Electric Choice Plan, 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 Transition 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 Transition 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 Transition 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 Transition Bondholders pursuant to Section 39.309 of the Texas Electric Choice Plan 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 December 6, 2005 and the related prospectus supplement dated December 9, 2005 relating to the Transition 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 Transition Bonds, the Texas Electric Choice Plan or the Financing Order;

(ii) seeking to prevent the issuance of the Transition 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 Transition Bonds; or

(iv) challenging the Seller's treatment of the Transition 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 Texas Electric Choice Plan, 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 Transition 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 Transition Property (including the Financing Order and the Issuance Advice Letter) is correct in all material respects.

(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 Transition 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 Transition Property; and that such Transition 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 Transition 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 Transition Bondholders pursuant to Section 39.309 of the Texas Electric Choice Plan 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 Texas Electric Choice Plan and the UCC) necessary in any jurisdiction to give the Issuer a perfected ownership interest (subject to any Lien created in favor of the Transition Bondholders pursuant to Section 39.309 of the Texas Electric Choice Plan or any Lien created by the Issuer under the Basic Documents) in the Transition Property and to grant to the Indenture Trustee a first priority perfected security interest in the Transition Property, free and clear of all Liens of the Seller or anyone else (except for any Lien created in favor of the Transition Bondholders pursuant to Section 39.309 of the Texas Electric Choice Plan 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 Transition 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,

(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 believe 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 March 16, 2005 in accordance with the Texas Electric Choice Plan; 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 Transition Bonds, the Transition Bonds will be entitled to the protections provided by the Texas Electric Choice Plan and the Financing Order, and the Financing Order and the Transition 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 Texas Electric Choice Plan, 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 Transition Bonds do not comply with Ordering Paragraph Four of the Financing Order and the initial Transition Charges and the final terms of the Transition Bonds set forth in the Issuance Advice Letter have become effective.

Section 3.11 State Action.

(a) Under the Texas Electric Choice Plan, the State of Texas has pledged that it will not take or permit any action that would impair the value of the Transition Property or, except as permitted in Section 39.307 of the Texas Electric Choice Plan, reduce, alter or impair the Transition Charges until the principal, interest and premium, if any, and any other charges incurred and contracts to be performed in connection with the Transition 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 Texas Electric Choice Plan, which would substantially limit, alter or impair the Transition Property or other rights vested in the Transition Bondholders pursuant to the Financing Order, or substantially limit, alter, impair or reduce the value or amount of the Transition 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 Texas Electric Choice Plan or take any other action in contravention of its pledge quoted above without paying just compensation to the Transition Bondholders, as determined by a court of competent jurisdiction, if doing so

would constitute a permanent appropriation of a substantial property interest of the Transition Bondholders in the Transition Property and deprive the Transition Bondholders of their reasonable expectations arising from their investments in the Transition 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 Transition 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 Texas Electric Choice Plan, the Financing Order, the Issuance Advice Letter, the Transition Property or the Transition 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 Transition 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 Transition 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 Transition 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 TRANSITION CHARGES WILL IN FACT BE SUFFICIENT TO MEET THE PAYMENT OBLIGATIONS ON THE TRANSITION BONDS OR THAT THE ASSUMPTIONS USED IN CALCULATING SUCH TRANSITION CHARGES WILL IN FACT BE REALIZED.

Section 3.15 Creation of the Transition 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 Transition Bonds and the Issuer's purchase of the Transition Property from the Seller pursuant to this Agreement, the Transition 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 Transition Property from the Seller pursuant to this Agreement, the Transition Property includes:

(1) the right to impose, collect and receive the Transition Charges, including the right to receive Transition Charges in amounts and at times sufficient to pay principal and interest on the Transition Bonds,

(2) all rights and interest of the Seller under the Financing Order,

(3) the rights to file for periodic adjustments of the Transition Charges as provided in the Financing Order, and

(4) all revenues and collections resulting from Transition 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 Transition Property from the Seller on such Transfer Date pursuant to this Agreement, the Transition 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 Servicer of the Transition 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 Transition Bondholders are purchasing the Transition 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 Transition 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 transmission and distribution system in order to provide electric services to retail electric customers in the Seller's certificated service area, provided that this clause (ii) shall not prohibit Seller from selling, assigning or otherwise divesting its transmission and 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 Texas Electric Choice Plan for the benefit of the Issuer, the Indenture Trustee and the Transition 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 Transition 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 Transition 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 Transition 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 Transition 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 Transition Property, other than the conveyance hereunder, any Lien created in favor of the Transition Bondholders pursuant to Section 39.309 of the Texas Electric Choice Plan 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 Transition Property or under any of the Basic Documents or the Seller's performance of its obligations hereunder.

Section 4.06 Covenants Related to the Transition Property.

(a) So long as any of the Transition Bonds are outstanding, the Seller shall:

(i) treat the Transition Bonds as debt of the Issuer and not of the Seller, except for financial reporting or tax purposes or as required in connection with the SEC's administration of the 1935 Act,

(ii) disclose in its financial statements that it is not the owner of the Transition 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 Transition Bonds.

(b) So long as any of the Transition Bonds is outstanding,

(i) in all proceedings relating directly or indirectly to the Transition 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 or as required in connection with the SEC's

administration of the 1935 Act), and (B) not make any statement or reference in respect of the Transition Property that is inconsistent with the ownership thereof by the Issuer (other than for financial reporting or tax purposes or as required in connection with the SEC's administration of the 1935 Act);

(ii) the Seller shall not take any action in respect of the Transition 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; and

(iii) the Issuer shall not sell transition bonds under a separate financing order in connection with the issuance of additional transition bonds unless the Rating Agency Condition shall have been satisfied with respect to the Transition Bonds outstanding.

(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 Transition Charges to the Servicer under the terms of the Financing Order or the Texas Electric Choice Plan or applicable tariff shall discharge such Person's obligations in respect of the Transition 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 Transition Property, including all filings required under the Texas Electric Choice Plan 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 Transition 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 Texas Electric Choice Plan, 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 Transition 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 Texas Electric Choice Plan, the Financing Order, the Issuance Advice Letter or the rights of Transition Bondholders by

legislative enactment or constitutional amendment that would be materially adverse to the Issuer, the Indenture Trustee or the Transition Bondholders.

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, 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 Transition 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 Transition 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 Transition 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 TRANSITION 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 TRANSITION BONDHOLDERS SOLELY AS A RESULT OF THEIR OWNERSHIP OF TRANSITION 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 TRANSITION PROPERTY BY THE ISSUER OR THE ISSUANCE AND SALE BY THE ISSUER OF THE TRANSITION 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 TRANSITION BOND, IN THE EVENT AND TO THE EXTENT SUCH TAXES ARE NOT RECOVERABLE AS QUALIFIED COSTS, IT BEING UNDERSTOOD THAT THE TRANSITION 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 TRANSITION 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 TRANSITION 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 TRANSITION 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 TRANSITION 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 LEGISLATIVE ENACTMENT, CONSTITUTIONAL AMENDMENT OR VOTER INITIATIVE, OR FOR ANY LIABILITY RESULTING SOLELY FROM A DOWNGRADE IN ANY RATING OF THE TRANSITION 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 TRANSITION CHARGES FROM ANY PERSON RESPONSIBLE FOR REMITTING TRANSITION CHARGES TO THE SERVICER UNDER THE TERMS OF THE FINANCING ORDER, THE TEXAS ELECTRIC CHOICE PLAN 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 transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999),

(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 transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999),

(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 transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999),

(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 transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999), or

(e) which may otherwise purchase or succeed to all or substantially all of the electric transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999),

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,

(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 Texas Electric Choice Plan and the UCC, that are necessary fully to preserve and protect the respective interests of the Issuer and the Indenture Trustee in the Transition 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 (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 Transition 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

transmission and distribution business of the Seller (or, if the transmission and 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 May 1, 1999), 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.

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. 30485 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.

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, Houston, Texas 77002, Attention: Treasurer,

(b) in the case of the Issuer, to CenterPoint Energy Transition Bond Company II, LLC, 1111 Louisiana, Suite 4655B, Houston, Texas 77002, Attention: Manager,

(c) in the case of Moody's, to Moody's Investors Service, Inc., ABS Monitoring Department, 99 Church Street, New York, New York 10007,

(d) in the case of Standard & Poor's, to Standard & Poor's, a Division of the McGraw-Hill Companies, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department,

(e) in the case of Fitch, to Fitch Ratings, 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;

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 Transition Bondholders of all right, title and interest of the Issuer in, to and under the Transition 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 Transition 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 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 TRANSITION BOND
COMPANY II, LLC,
as Issuer,**

By: /s/ MARC KILBRIDE

Name: Marc Kilbride
Title: Manager

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC,
as Seller,**

By: /s/ MARC KILBRIDE

Name: Marc Kilbride
Title: Vice President and Treasurer

-20-

APPENDIX A - DEFINITIONS

The definitions contained in this Appendix A are applicable to the singular as well as the plural forms of such terms.

"1935 Act" means the Public Utility Holding Company Act of 1935, as amended.

"Administration Agreement" means the Administration Agreement, dated as of December 16, 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" or the "Sale Agreement" means this Transition 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 December 3, 2004, as amended and restated on December 14, 2005, the Amended and Restated Limited Liability Company Agreement of the Issuer dated as of December 16, 2005, 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 any bill of sale issued by the Seller to the Issuer pursuant to the Sale Agreement evidencing the sale of the Transition Property by the Seller to the Issuer.

"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 March 16, 2005 in Docket No. 30485 pursuant to the Texas Electric Choice Plan.

"Fitch" means Fitch Ratings, or its successor.

"Governmental Authority" means any court or any federal or state regulatory body, administrative agency or governmental instrumentality.

"Indenture" means the Indenture, dated as of December 16, 2005, among the Issuer, the Indenture Trustee and the Securities Intermediary (as defined therein) and the Series Supplement

(including the forms and terms of the Transition Bonds established thereunder), as the same may be amended and supplemented with respect to the Transition Bonds from time to time.

"Indenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, or its successor or any successor Indenture Trustee under the Indenture.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of December 16, 2005, among the Indenture Trustee, Deutsche Bank Trust Company Americas, the Issuer, the Seller and CenterPoint Energy Transition Bond Company, LLC, 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 December 12, 2005 by the Seller pursuant to the Financing Order in connection with the issuance of the Transition Bonds.

"Issuer" means CenterPoint Energy Transition Bond Company II, 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.

"Purchase Price" has the meaning specified in Section 2.01(a) hereof.

"Qualified Costs" has the meaning assigned to that term in the Texas Electric Choice Plan and the Financing Order.

"Rating Agency" means any rating agency rating the Transition 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 Transition Bonds.

"SEC" means the Securities and Exchange Commission.

"Seller" means CenterPoint Houston, or its successor, in its capacity as seller of the Transition Property to the Issuer pursuant to the Sale Agreement.

"Series Supplement" means the Supplemental Indenture dated as of December 16, 2005, which authorizes the issuance of the Transition 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 an event specified in Section 6.01 of the Servicing Agreement.

"Servicing Agreement" means the Transition Property Servicing Agreement, dated as of December 16, 2005, 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, a division of The McGraw-Hill Companies, or its successor.

"Supplemental Indenture" means a supplemental indenture entered into by the Issuer and the Indenture Trustee pursuant to Article IX of the Indenture.

"Texas Commission" means the Public Utility Commission of Texas or any successor.

"Texas Electric Choice Plan" means the Act of May 21, 1999, 76th Leg. R.S. ch. 405, 1999 (codified at Texas Utilities Code Section 39.001 et seq.).

"Transfer Date" means the date on which the Transition Bonds are to be originally issued in accordance with Section 2.10 of the Indenture.

"Transition Bond" means any of the Senior Secured Transition Bonds, Series A issued by the Issuer pursuant to the Indenture and one or more Supplemental Indentures authorizing such series and also has the meaning given such term in the Texas Electric Choice Plan, as applicable to such series.

"Transition Bondholder" means the Person in whose name a Transition Bond is registered on the Transition Bond Register.

"Transition Bond Register" has the meaning specified in Section 2.05 of the Indenture.

"Transition Charges" means the nonbypassable amounts to be charged for the use or availability 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.

"Transition 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 Transition Bonds, including the right to impose, collect and receive through Transition Charges payable by retail electric customers within Seller's certificated service area as it existed on May 1, 1999, an amount sufficient to cover the Qualified Costs of the Seller authorized in the Financing Order, the right to receive Transition Charges in amounts and at times sufficient to pay principal and interest and make other deposits in connection with the Transition Bonds and all revenues and collections resulting from Transition Charges.

"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.

A-4

EXHIBIT A

BILL OF SALE

1. This Bill of Sale is being delivered pursuant to the Transition Property Sale Agreement, dated as of December 16, 2005 (the "Sale Agreement"), between CenterPoint Energy Houston Electric, LLC (the "Seller") and CenterPoint Energy Transition Bond Company II, 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 \$1,837,990,612, 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 Transition Property identified on Schedule 1 hereto (such sale, transfer, assignment, setting over and conveyance of the Transition Property includes, to the fullest extent permitted by the Texas Electric Choice Plan, the right to impose, collect and receive the Transition Charges related to the Transition 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 Texas Electric Choice Plan 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 Texas Electric Choice Plan. 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 Transition Property.
3. The Issuer does hereby purchase the Transition 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 Transition 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 16th day of December, 2005.

**CENTERPOINT ENERGY TRANSITION BOND
COMPANY II, LLC,
as Issuer,**

By: /s/ Marc Kilbride

Marc Kilbride
Manager

**CENTERPOINT ENERGY HOUSTON
ELECTRIC, LLC,
as Seller,**

By: /s/ Marc Kilbride

Marc Kilbride
Vice President and Treasurer

Exhibit A-2

SCHEDULE 1
to
BILL OF SALE

Transition Property

All of the Seller's rights, title and interest in, to and under the Financing Order issued by the Texas Commission on March 16, 2005 (PUC Docket No. 30485), pursuant to the Texas Electric Choice Plan, including rights to impose, collect and receive the "transition charges" (as defined in the Texas Electric Choice Plan) approved in such Financing Order.

EXHIBIT 10.2

TRANSITION PROPERTY SERVICING AGREEMENT

between

CENTERPOINT ENERGY TRANSITION BOND COMPANY II, LLC

Issuer

and

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Servicer

Dated as of December 16, 2005

TABLE OF CONTENTS

ARTICLE I DEFINITIONS.....	2
SECTION 1.01. DEFINITIONS.....	2
SECTION 1.02. OTHER DEFINITIONAL PROVISIONS.....	2
ARTICLE II APPOINTMENT AND AUTHORIZATION OF SERVICER.....	2
SECTION 2.01. APPOINTMENT OF THE SERVICER; ACCEPTANCE OF APPOINTMENT.....	2
SECTION 2.02. AUTHORIZATION.....	2
SECTION 2.03. DOMINION AND CONTROL OVER TRANSITION PROPERTY.....	3
ARTICLE III BILLING AND OTHER SERVICES.....	3
SECTION 3.01. DUTIES OF THE SERVICER.....	3
SECTION 3.02. COLLECTION AND ALLOCATION OF TRANSITION CHARGES.....	5
SECTION 3.03. PAYMENT OF TC COLLECTIONS.....	6
SECTION 3.04. SERVICING AND MAINTENANCE STANDARDS.....	6
SECTION 3.05. SERVICER'S CERTIFICATES.....	7
SECTION 3.06. ANNUAL STATEMENT AS TO COMPLIANCE; NOTICE OF DEFAULT.....	7
SECTION 3.07. ANNUAL REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM REPORT.....	7
SECTION 3.08. TRANSITION PROPERTY DOCUMENTATION.....	8
SECTION 3.09. COMPUTER RECORDS; AUDITS OF DOCUMENTATION.....	8
SECTION 3.10. DEFENDING TRANSITION PROPERTY AGAINST CLAIMS.....	9
SECTION 3.11. OPINIONS OF COUNSEL.....	9
ARTICLE IV SERVICES RELATED TO TRANSITION CHARGE ADJUSTMENTS AND PBRAP ADJUSTMENTS.....	10
SECTION 4.01. TRANSITION CHARGE ADJUSTMENTS AND PBRAP ADJUSTMENTS.....	10
ARTICLE V THE SERVICER.....	10
SECTION 5.01. REPRESENTATIONS AND WARRANTIES OF THE SERVICER.....	10
SECTION 5.02. INDEMNITIES OF THE SERVICER; RELEASE OF CLAIMS.....	12
SECTION 5.03. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, THE SERVICER.....	15
SECTION 5.04. ASSIGNMENT OF THE SERVICER'S OBLIGATIONS.....	17
SECTION 5.05. LIMITATION ON LIABILITY OF THE SERVICER AND OTHERS.....	17
SECTION 5.06. CENTERPOINT HOUSTON NOT TO RESIGN AS SERVICER.....	17
SECTION 5.07. SERVICING FEE.....	18
SECTION 5.08. SERVICER EXPENSES.....	19
SECTION 5.09. APPOINTMENTS.....	19
SECTION 5.10. NO SERVICER ADVANCES.....	19
SECTION 5.11. REMITTANCES.....	19
SECTION 5.12. PROTECTION OF TITLE.....	19

ARTICLE VI SERVICER DEFAULT.....	19
SECTION 6.01. SERVICER DEFAULT.....	19
SECTION 6.02. NOTICE OF SERVICER DEFAULT.....	21
SECTION 6.03. WAIVER OF PAST DEFAULTS.....	21
SECTION 6.04. APPOINTMENT OF SUCCESSOR.....	21
SECTION 6.05. COOPERATION WITH SUCCESSOR.....	22
ARTICLE VII MISCELLANEOUS PROVISIONS.....	23
SECTION 7.01. AMENDMENT.....	23
SECTION 7.02. NOTICES.....	23
SECTION 7.03. ASSIGNMENT.....	23
SECTION 7.04. LIMITATIONS ON RIGHTS OF OTHERS.....	24
SECTION 7.05. SEVERABILITY.....	24
SECTION 7.06. SEPARATE COUNTERPARTS.....	24
SECTION 7.07. HEADINGS.....	24
SECTION 7.08. GOVERNING LAW.....	24
SECTION 7.09. ASSIGNMENT TO THE TRUSTEE.....	24
SECTION 7.10. NONPETITION COVENANTS.....	25
SECTION 7.11. TERMINATION.....	25
SECTION 7.12. PUCT CONSENT.....	25
SECTION 7.13. EFFECT OF SUBSEQUENT PUCT REGULATIONS.....	26

SCHEDULE A TO SERVICING AGREEMENT

ANNEX 1 TO SERVICING AGREEMENT

APPENDIX A - MASTER DEFINITIONS

EXHIBIT A - SERVICER PROCEDURES

TRANSITION PROPERTY SERVICING AGREEMENT dated as of December 16, 2005 (this "Agreement") between CENTERPOINT ENERGY TRANSITION BOND COMPANY II, 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 Transition Property hereunder (together with each successor to CenterPoint Houston in such capacity pursuant to Section 5.03 or 6.04, the "Servicer").

WHEREAS, pursuant to the Texas Electric Choice Plan 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 Transition Property created pursuant to the Texas Electric Choice Plan and the Financing Order;

WHEREAS the Servicer is willing to service the Transition Property purchased from the Seller by the Issuer;

WHEREAS the Issuer, in connection with ownership of the Transition Property, desires to engage the Servicer to carry out the functions described herein;

WHEREAS, the Transition Charges may not be itemized on Customers' bills and the TC Collections initially will be commingled with other funds collected from Customers and REPs (as applicable);

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 applicable Transition Charges for the benefit and account of the Issuer, to make periodic Transition Charge Adjustments required or allowed by the Financing Order, and to account for and remit the applicable Transition Charges to or for the account of the Issuer in accordance with the remittance procedures contained in the Servicing Agreement without any charge, deduction or surcharge of any kind (other than the Servicing Fee specified in the Servicing 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, acting through its authorized legal representative and for the benefit of Texas ratepayers, will enforce the Servicer's obligations imposed under this Agreement pursuant to the Financing Order 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:

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 Transition 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

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 TRANSITION PROPERTY. Notwithstanding any other provision contained herein, the Servicer and the Issuer agree that the Issuer shall have dominion and control over the Transition 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 Transition Property. The Servicer hereby agrees that it shall not take any action that is not authorized by this Agreement, the Texas Electric Choice Plan 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 Transition 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 Transition Property. The Servicer's duties will include:

(i) calculating and billing the Transition 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 Texas Electric Choice Plan);

(iii) collecting payments of Transition Charges and payments with respect to Transition Property from all persons or entities responsible for remitting Transition Charges and other payments with respect to Transition Property to the Servicer under the Financing Order, the Texas Electric Choice Plan, 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 Transition Charges and Transition 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 Replacement Servicer or Designated Account Holder as those terms are defined and as set forth more fully in the Intercreditor Agreement;

(iv) posting all TC Collections remitted to the Servicer and posting all late-payment penalties assessed against REPs (as described in Section 3.02);

(v) responding to inquiries by Customers, REPs, the PUCT or any other State, local or federal governmental authority with respect to the Transition Property and the Transition Charges;

(vi) accounting for TC Collections and late-payment penalties of REPs, investigating and resolving delinquencies (including, where permitted by the Financing Order, Schedule TC2 and/or PUCT Regulations, terminating transmission and distribution service for nonpayment of charges), 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 Transition Charges and Transition 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 TC2, and enforcing against such REP at the earliest date permitted by the Financing Order and Schedule TC2 any remedies provided by such Schedule TC2, 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 Series 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 Transition Charge Adjustments and PBRAF Adjustments as is set forth herein; and

(xiv) any other duties specified for a servicer under the Financing Order, Schedule TC2, the Texas Electric Choice Plan or other applicable law.

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 Texas Electric Choice Plan and any PUCT Regulations, orders or directions 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 Exhibit A hereto.

(b) 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.

(c) 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 Transition 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 Transition 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 Transition Charges applicable to each Customer Class.

SECTION 3.02. COLLECTION AND ALLOCATION OF TRANSITION CHARGES.

(a) The Servicer shall use all reasonable efforts, subject to applicable law, to collect all amounts owed in respect of Transition Charges and late-payment penalties (as set forth in Section 3.02(c) below) as and when the same shall become due and shall follow such collection procedures 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 Transition 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 Transition Charges of each REP and each other Person owing or collecting Transition Charges, provided that any REP shall be entitled to hold back from its payment of Transition Charges to the Servicer an allowance for charge-offs according to the procedure and calculations set forth in the Financing Order, Schedule TC2 and the Issuer Annex.

(b) If an REP does not pay the full amount it has been billed by the Servicer, the amount paid by the REP will first be proportioned between the Transition Charges and other fees and charges (including amounts billed and due in respect of transition charges associated with transition bonds issued under other financing orders), other than late fees, and second, any remaining portion of the payment will be attributed to late fees owed to CenterPoint Houston or any successor.

(c) Each REP must pay Transition 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-