

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 1-31447

CENTERPOINT ENERGY, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of incorporation or organization)

74-0694415
(I.R.S. Employer Identification No.)

1111 Louisiana
Houston, Texas 77002
(Address and zip code of principal executive offices)

(713) 207-1111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2007, CenterPoint Energy, Inc. had 321,181,040 shares of common stock outstanding, excluding 166 shares held as treasury stock.

CENTERPOINT ENERGY, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2007

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

- the timing and amount of our recovery of the true-up components, including, in particular, the results of appeals to the courts of determinations on rulings obtained to date;
- state and federal legislative and regulatory actions or developments, including deregulation, re-regulation, and changes in or application of laws or regulations applicable to the various aspects of our business;
- timely and appropriate rate actions and increases, allowing recovery of costs and a reasonable return on investment;
- industrial, commercial and residential growth in our service territory and changes in market demand and demographic patterns;
- the timing and extent of changes in commodity prices, particularly natural gas;
- the timing and extent of changes in the supply of natural gas;
- the timing and extent of changes in natural gas basis differentials;
- changes in interest rates or rates of inflation;
- weather variations and other natural phenomena;
- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by rating agencies;
- effectiveness of our risk management activities;
- inability of various counterparties to meet their obligations to us;
- non-payment for our services due to financial distress of our customers, including Reliant Energy, Inc. (RRI);
- the ability of RRI and its subsidiaries to satisfy their other obligations to us, including indemnity obligations, or in connection with the contractual arrangements pursuant to which we are their guarantor;
- the outcome of litigation brought by or against us;
- our ability to control costs;

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- the investment performance of our employee benefit plans;
- our potential business strategies, including acquisitions or dispositions of assets or businesses, which we cannot assure will be completed or will have the anticipated benefits to us;
- acquisition and merger activities in respect of us or our competitors by third parties; and
- other factors we discuss in “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference, in “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q, and in other reports we file from time to time with the Securities and Exchange Commission.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Millions of Dollars, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 1,843	\$ 2,033	\$ 4,920	\$ 5,139
Expenses:				
Natural gas	1,035	1,208	3,228	3,358
Operation and maintenance	340	330	671	682
Depreciation and amortization	153	160	293	305
Taxes other than income taxes	95	93	202	199
Total	<u>1,623</u>	<u>1,791</u>	<u>4,394</u>	<u>4,544</u>
Operating Income	<u>220</u>	<u>242</u>	<u>526</u>	<u>595</u>
Other Income (Expense):				
Gain (loss) on Time Warner investment	11	28	(3)	(16)
Gain (loss) on indexed debt securities	(11)	(27)	(1)	14
Interest and other finance charges	(118)	(119)	(233)	(242)
Interest on transition bonds	(33)	(32)	(66)	(63)
Other, net	9	6	15	12
Total	<u>(142)</u>	<u>(144)</u>	<u>(288)</u>	<u>(295)</u>
Income Before Income Taxes	78	98	238	300
Income tax (expense) benefit	116	(28)	44	(100)
Net Income	<u>\$ 194</u>	<u>\$ 70</u>	<u>\$ 282</u>	<u>\$ 200</u>
Basic Earnings Per Share	<u>\$ 0.62</u>	<u>\$ 0.22</u>	<u>\$ 0.91</u>	<u>\$ 0.62</u>
Diluted Earnings Per Share	<u>\$ 0.61</u>	<u>\$ 0.20</u>	<u>\$ 0.89</u>	<u>\$ 0.58</u>

See Notes to the Company's Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions of Dollars)
(Unaudited)

ASSETS

	December 31, 2006	June 30, 2007
Current Assets:		
Cash and cash equivalents	\$ 127	\$ 112
Investment in Time Warner common stock	471	455
Accounts receivable, net	1,017	828
Accrued unbilled revenues	451	236
Natural gas inventory	305	288
Materials and supplies	94	93
Non-trading derivative assets	98	42
Prepaid expenses and other current assets	432	343
Total current assets	<u>2,995</u>	<u>2,397</u>
Property, Plant and Equipment:		
Property, plant and equipment	12,567	12,927
Less accumulated depreciation and amortization	<u>(3,363)</u>	<u>(3,378)</u>
Property, plant and equipment, net	<u>9,204</u>	<u>9,549</u>
Other Assets:		
Goodwill	1,709	1,709
Regulatory assets	3,290	3,209
Non-trading derivative assets	21	16
Other	414	395
Total other assets	<u>5,434</u>	<u>5,329</u>
Total Assets	<u>\$ 17,633</u>	<u>\$ 17,275</u>

See Notes to the Company's Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS – (continued)
(Millions of Dollars)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>December 31,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>
Current Liabilities:		
Short-term borrowings	\$ 187	\$ 225
Current portion of transition bond long-term debt	147	152
Current portion of other long-term debt	1,051	994
Indexed debt securities derivative	372	358
Accounts payable	1,010	619
Taxes accrued	364	207
Interest accrued	159	171
Non-trading derivative liabilities	141	71
Accumulated deferred income taxes, net	316	322
Other	474	342
Total current liabilities	<u>4,221</u>	<u>3,461</u>
Other Liabilities:		
Accumulated deferred income taxes, net	2,323	2,260
Unamortized investment tax credits	39	35
Non-trading derivative liabilities	80	21
Benefit obligations	545	528
Regulatory liabilities	792	822
Other	275	291
Total other liabilities	<u>4,054</u>	<u>3,957</u>
Long-term Debt:		
Transition bonds	2,260	2,183
Other	5,542	5,988
Total long-term debt	<u>7,802</u>	<u>8,171</u>
Commitments and Contingencies (Note 10)		
Shareholders' Equity:		
Common stock (313,651,639 shares and 321,160,863 shares outstanding at December 31, 2006 and June 30, 2007, respectively)	3	3
Additional paid-in capital	2,977	3,022
Accumulated deficit	(1,355)	(1,262)
Accumulated other comprehensive loss	(69)	(77)
Total shareholders' equity	<u>1,556</u>	<u>1,686</u>
Total Liabilities and Shareholders' Equity	<u>\$ 17,633</u>	<u>\$ 17,275</u>

See Notes to the Company's Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Millions of Dollars)
(Unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Net income	\$ 282	\$ 200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	293	305
Amortization of deferred financing costs	28	33
Deferred income taxes	(105)	16
Tax and interest reserves reductions related to ZENS and ACES	(119)	—
Investment tax credit	(4)	(4)
Unrealized loss on Time Warner investment	3	16
Unrealized loss (gain) on indexed debt securities	1	(14)
Write-down of natural gas inventory	30	6
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues, net	743	404
Inventory	62	12
Taxes receivable	53	—
Accounts payable	(697)	(294)
Fuel cost over (under) recovery	76	(39)
Non-trading derivatives, net	13	17
Margin deposits, net	(113)	80
Interest and taxes accrued	36	(149)
Net regulatory assets and liabilities	54	31
Other current assets	(86)	(43)
Other current liabilities	(34)	(77)
Other assets	—	(17)
Other liabilities	(14)	(66)
Other, net	15	10
Net cash provided by operating activities	<u>517</u>	<u>427</u>
Cash Flows from Investing Activities:		
Capital expenditures	(381)	(664)
Decrease (increase) in restricted cash of transition bond companies	(6)	1
Other, net	(9)	(46)
Net cash used in investing activities	<u>(396)</u>	<u>(709)</u>
Cash Flows from Financing Activities:		
Increase in short-term borrowings, net	—	38
Long-term revolving credit facilities, net	(3)	—
Proceeds from commercial paper, net	—	353
Proceeds from issuance of long-term debt	324	400
Payments of long-term debt	(28)	(434)
Debt issuance costs	(4)	(4)
Payment of common stock dividends	(93)	(109)
Proceeds from issuance of common stock, net	6	19
Other	—	4
Net cash provided by financing activities	<u>202</u>	<u>267</u>
Net Increase (Decrease) in Cash and Cash Equivalents	323	(15)
Cash and Cash Equivalents at Beginning of Period	74	127
Cash and Cash Equivalents at End of Period	<u>\$ 397</u>	<u>\$ 112</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest, net of capitalized interest	\$ 226	\$ 285
Income taxes	112	178

See Notes to the Company's Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Background and Basis of Presentation

General. Included in this Quarterly Report on Form 10-Q (Form 10-Q) of CenterPoint Energy, Inc. are the condensed consolidated interim financial statements and notes (Interim Condensed Financial Statements) of CenterPoint Energy, Inc. and its subsidiaries (collectively, CenterPoint Energy, or the Company). The Interim Condensed Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CenterPoint Energy for the year ended December 31, 2006.

Background. CenterPoint Energy is a public utility holding company, created on August 31, 2002 as part of a corporate restructuring of Reliant Energy, Incorporated (Reliant Energy) that implemented certain requirements of the Texas Electric Choice Plan (Texas electric restructuring law).

The Company's operating subsidiaries own and operate electric transmission and distribution facilities, natural gas distribution facilities, interstate pipelines and natural gas gathering, processing and treating facilities. As of June 30, 2007, the Company's indirect wholly owned subsidiaries included:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp., and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems in six states. Wholly owned subsidiaries of CERC Corp. own interstate natural gas pipelines and gas gathering systems and provide various ancillary services. Another wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities.

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

The Company's Interim Condensed Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the respective periods. Amounts reported in the Company's Condensed Statements of Consolidated Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) the timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests. In addition, business segment information for the three and six months ended June 30, 2006 has been recast to conform to the 2007 presentation due to the change in reportable business segments in the fourth quarter of 2006. The business segment detail revised as a result of the new reportable business segments did not affect consolidated operating income for any period presented.

For a description of the Company's reportable business segments, reference is made to Note 13.

(2) New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertain income tax positions and requires the Company to recognize management's best estimate of the impact of a tax position if it is considered "more likely than not," as defined in Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies," of being sustained on audit based solely on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The cumulative effect of adopting FIN 48 as

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of January 1, 2007 was an approximately \$2 million credit to accumulated deficit. The Company recognizes interest and penalties as a component of income taxes.

The implementation of FIN 48 also impacted other balance sheet accounts. The balance sheet as of January 1, 2007, upon adoption, would have reflected approximately \$72 million of total unrecognized tax benefits in "Other Liabilities." This amount includes \$48 million reclassified from accumulated deferred income taxes to the liability for uncertain tax positions. The remaining \$24 million represents amounts accrued for uncertain tax positions that, if recognized, would reduce the effective income tax rate. In addition to these amounts, the Company, at January 1, 2007, accrued approximately \$4 million for the payment of interest for these uncertain tax positions.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a framework for measuring fair value and requires expanded disclosure about the information used to measure fair value. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. The statement does not expand the use of fair value accounting in any new circumstances and is effective for the Company for the year ended December 31, 2008 and for interim periods included in that year, with early adoption encouraged. The Company is currently evaluating the effect of adoption of this new standard on its financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (SFAS No. 159). SFAS No. 159 permits the Company to choose, at specified election dates, to measure eligible items at fair value (the "fair value option"). The Company would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting period. This accounting standard is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the effect of adoption of this new standard on its financial position, results of operations and cash flows.

(3) Employee Benefit Plans

The Company's net periodic cost includes the following components relating to pension and postretirement benefits:

	Three Months Ended June 30,			
	2006		2007	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
	(in millions)			
Service cost	\$ 9	\$ —	\$ 9	\$ 1
Interest cost	25	7	25	6
Expected return on plan assets	(36)	(3)	(37)	(3)
Amortization of prior service cost	(2)	1	(2)	1
Amortization of net loss	13	—	9	—
Amortization of transition obligation	—	2	—	1
Net periodic cost	<u>\$ 9</u>	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 6</u>

	Six Months Ended June 30,			
	2006		2007	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
	(in millions)			
Service cost	\$ 18	\$ 1	\$ 18	\$ 1
Interest cost	50	13	50	13
Expected return on plan assets	(71)	(6)	(74)	(6)
Amortization of prior service cost	(4)	1	(4)	2
Amortization of net loss	25	—	18	—
Amortization of transition obligation	—	4	—	3
Benefit enhancement	8	1	—	—
Net periodic cost	<u>\$ 26</u>	<u>\$ 14</u>	<u>\$ 8</u>	<u>\$ 13</u>

The Company expects to contribute approximately \$7 million in order to pay benefits under its nonqualified pension plan in 2007, of which \$4 million had been contributed as of June 30, 2007.

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The Company expects to contribute approximately \$29 million to its postretirement benefits plan in 2007, of which \$13 million had been contributed as of June 30, 2007.

(4) Regulatory Matters

(a) Recovery of True-Up Balance

In March 2004, CenterPoint Houston filed its true-up application with the Public Utility Commission of Texas (Texas Utility Commission), requesting recovery of \$3.7 billion, excluding interest, as allowed under the Texas electric restructuring law. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately \$2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately \$650 million, plus interest, of the \$1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. CenterPoint Houston and other parties appealed the district court's judgment. Oral arguments before the Texas 3rd Court of Appeals were held in January 2007, but no prediction can be made as to when the court will issue a decision in this matter. No amounts related to the district court's judgment have been recorded in the Company's consolidated financial statements.

Among the issues raised in CenterPoint Houston's appeal of the True-Up Order is the Texas Utility Commission's reduction of CenterPoint Houston's stranded cost recovery by approximately \$146 million for the present value of certain deferred tax benefits associated with its former electric generation assets. Such reduction was considered in the Company's recording of an after-tax extraordinary loss of \$977 million in the last half of 2004. The Company believes that the Texas Utility Commission based its order on proposed regulations issued by the Internal Revenue Service (IRS) in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities owning assets that were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITC) and Excess Deferred Federal Income Taxes (EDFIT) back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. In a May 2006 Private Letter Ruling (PLR) issued to a Texas utility on facts similar to CenterPoint Houston's, the IRS, without referencing its proposed regulations, ruled that a normalization violation would occur if ADITC and EDFIT were required to be returned to customers. CenterPoint Houston has requested a PLR asking the IRS whether the Texas Utility Commission's order reducing CenterPoint Houston's stranded cost recovery by \$146 million for ADITC and EDFIT would cause a normalization violation. If the IRS determines that such reduction would cause a normalization violation with respect to the ADITC and the Texas Utility Commission's order relating to such reduction is not reversed or otherwise modified, the IRS could require the Company to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation is deemed to have occurred. In addition, if a normalization violation with respect to EDFIT is deemed to have occurred and the Texas Utility Commission's order relating to such reduction is not reversed or otherwise modified, the IRS could deny CenterPoint Houston the ability to elect accelerated tax depreciation benefits beginning in the taxable year that the normalization violation is deemed to have occurred. If a normalization violation should ultimately be found to exist, it could have a material adverse impact on the Company's results of operations, financial condition and cash flows. However, the Company and CenterPoint Houston are vigorously pursuing the appeal of this issue and will seek other relief from the Texas Utility Commission to avoid a normalization violation. Although the Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation, no prediction can be made as to the ultimate action the Texas Utility Commission may take on this issue.

Pursuant to a financing order issued by the Texas Utility Commission in March 2005 and affirmed in August 2005 by a Travis County district court, in December 2005, a subsidiary of CenterPoint Houston issued \$1.85 billion in transition bonds with interest rates ranging from 4.84 percent to 5.30 percent and final maturity dates ranging from February 2011 to August 2020. Through issuance of the transition bonds, CenterPoint Houston recovered

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approximately \$1.7 billion of the true-up balance determined in the True-Up Order plus interest through the date on which the bonds were issued.

In July 2005, CenterPoint Houston received an order from the Texas Utility Commission allowing it to implement a competition transition charge (CTC) designed to collect approximately \$596 million over 14 years plus interest at an annual rate of 11.075 percent (CTC Order). The CTC Order authorizes CenterPoint Houston to impose a charge on retail electric providers to recover the portion of the true-up balance not covered by the financing order. The CTC Order also allows CenterPoint Houston to collect approximately \$24 million of rate case expenses over three years without a return through a separate tariff rider (Rider RCE). CenterPoint Houston implemented the CTC and Rider RCE effective September 13, 2005 and began recovering approximately \$620 million. Effective September 13, 2005, the return on the CTC portion of the true-up balance is included in CenterPoint Houston's tariff-based revenues.

Certain parties appealed the CTC Order to a district court in Travis County, Texas. In May 2006, the district court issued a judgment reversing the CTC Order in three respects. First, the court ruled that the Texas Utility Commission had improperly relied on provisions of its rule dealing with the interest rate applicable to CTC amounts. The district court reached that conclusion on the grounds that the Texas Supreme Court had previously invalidated that entire section of the rule. Second, the district court reversed the Texas Utility Commission's ruling that allows CenterPoint Houston to recover through the Rider RCE the costs (approximately \$5 million) for a panel appointed by the Texas Utility Commission in connection with the valuation of the Company's electric generation assets. Finally, the district court accepted the contention of one party that the CTC should not be allocated to retail customers that have switched to new on-site generation. The Texas Utility Commission and CenterPoint Houston disagree with the district court's conclusions and, in May 2006, appealed the judgment to the Texas 3rd Court of Appeals and, if required, plan to seek further review from the Texas Supreme Court. All briefs in the appeal have been filed. Oral arguments were held in December 2006. Pending completion of judicial review and any action required by the Texas Utility Commission following a remand from the courts, the CTC remains in effect. The 11.075 percent interest rate in question was applicable from the implementation of the CTC Order on September 13, 2005 until August 1, 2006, the effective date of the implementation of a new CTC in compliance with the new rule discussed below. The ultimate outcome of this matter cannot be predicted at this time. However, the Company does not expect the disposition of this matter to have a material adverse effect on the Company's or CenterPoint Houston's financial condition, results of operations or cash flows.

In June 2006, the Texas Utility Commission adopted a revised rule governing the carrying charges on unrecovered true-up balances as recommended by its staff (Staff). The rule, which applies to CenterPoint Houston, reduced the allowed interest rate on the unrecovered CTC balance prospectively from 11.075 percent to a weighted average cost of capital of 8.06 percent. The annualized impact on operating income is a reduction of approximately \$18 million per year for the first year with lesser impacts in subsequent years. In July 2006, CenterPoint Houston made a compliance filing necessary to implement the rule changes effective August 1, 2006 per the settlement agreement entered into in connection with CenterPoint Houston's rate proceeding.

During the three months ended June 30, 2006 and 2007, CenterPoint Houston recognized approximately \$15 million and \$10 million, respectively, in operating income from the CTC. During the six months ended June 30, 2006 and 2007, CenterPoint Houston recognized approximately \$31 million and \$21 million, respectively, in operating income from the CTC. Additionally, during each of the three months ended June 30, 2006 and 2007, CenterPoint Houston recognized approximately \$3 million of the allowed equity return not previously recorded. During the six months ended June 30, 2006 and 2007, CenterPoint Houston recognized approximately \$5 million and \$6 million, respectively, of the allowed equity return not previously recorded. As of June 30, 2007, the Company had not recorded an allowed equity return of \$228 million on CenterPoint Houston's true-up balance because such return will be recognized as it is recovered in rates.

In June 2007, the Texas legislature amended certain statutes authorizing amounts that can be securitized by utilities. On June 28, 2007, CenterPoint Houston filed a request with the Texas Utility Commission for a financing order that would allow the securitization of more than \$500 million, representing the remaining balance of the CTC, as well as the fuel reconciliation settlement amount discussed below. The request also included provisions for deduction of the environmental refund if that is the method selected for refund and provisions for settlement of any issues associated with the True-Up Order pending in the courts that might be resolved prior to issuance of the bonds. CenterPoint Houston has reached substantial agreement with other parties to this proceeding which,

if approved by the Texas Utility Commission, would result in a financing order that would authorize issuance of transition bonds by a new special purpose subsidiary of CenterPoint Houston. Assuming that order is issued, CenterPoint Houston expects to issue bonds prior to the end of 2007.

(b) Final Fuel Reconciliation

The results of the Texas Utility Commission's final decision related to CenterPoint Houston's final fuel reconciliation were a component of the True-Up Order. CenterPoint Houston has appealed certain portions of the True-Up Order involving a disallowance of approximately \$67 million relating to the final fuel reconciliation in 2003 plus interest of \$10 million. CenterPoint Houston has fully reserved for the disallowance and related interest accrual. A judgment was entered by a Travis County district court in May 2005 affirming the Texas Utility Commission's decision. CenterPoint Houston filed an appeal to the Texas 3rd Court of Appeals in June 2005, but in April 2006 that court issued a judgment affirming the Texas Utility Commission's decision. CenterPoint Houston filed an appeal with the Texas Supreme Court in August 2006, but in February 2007 CenterPoint Houston asked the Texas Supreme Court to hold that appeal in abeyance pending consideration by the Texas Utility Commission of a tentative settlement reached by the parties. The Texas Supreme Court granted the abatement of the appeal, and in June 2007 the Texas Utility Commission approved that settlement. Following a request by CenterPoint Houston and the other parties to the appeal, the Texas Supreme Court vacated the lower court decisions and remanded the case to the Texas Utility Commission. The Texas Utility Commission is expected to issue a final order consistent with the terms of the approved settlement agreement. The settlement allows CenterPoint Houston recovery of \$12.5 million plus interest from January 2002. As a result of the settlement, CenterPoint Houston recorded a regulatory asset of \$17 million in the second quarter of 2007.

(c) Refund of Environmental Retrofit Costs

The True-Up Order allowed recovery of approximately \$699 million of environmental retrofit costs related to CenterPoint Houston's generation assets. The sale of CenterPoint Houston's interest in its generation assets was completed in early 2005. The True-Up Order required CenterPoint Houston to provide evidence by January 31, 2007 that the entire \$699 million was actually spent by December 31, 2006 on environmental programs. The Texas Utility Commission will determine the appropriate manner to return to customers any unused portion of these funds, including interest on the funds. In January 2007, the Company was notified by the successor in interest to CenterPoint Houston's generation assets that, as of December 31, 2006, it had only spent approximately \$664 million. On January 31, 2007, CenterPoint Houston made the required filing with the Texas Utility Commission, identifying approximately \$35 million in unspent funds to be refunded to customers along with approximately \$7 million of interest and requesting permission to refund these amounts through a reduction of the CTC. Such amounts were recorded as regulatory liabilities as of December 31, 2006. Certain parties have requested a hearing and the Texas Utility Commission has requested briefing on certain issues. In May 2007, all parties in the proceeding filed a letter with the Texas Utility Commission stipulating that the total amount of the refund, including all principal and interest, was \$45 million as of May 31, 2007, and that interest will continue to accrue after May 31, 2007 on any unrefunded balance at a rate of 5.4519% per year. In July 2007, CenterPoint Houston, the Staff and the other parties filed a settlement agreement incorporating the May 2007 letter agreement and agreeing that the refund should be used to offset the principal amount proposed in CenterPoint Houston's application to securitize the CTC and other amounts. At this time, no party remaining in the proceeding is contesting the settlement, and CenterPoint Houston expects an order consistent with the terms of the settlement agreement to be presented to the Texas Utility Commission for approval in August or September 2007. As of June 30, 2007, CenterPoint Houston has recorded a regulatory liability of \$45 million related to this matter.

(d) Rate Cases

Arkansas. In January 2007, CERC Corp.'s natural gas distribution business (Gas Operations) filed an application with the Arkansas Public Service Commission (APSC) to change its natural gas distribution rates. This filing seeks approval to change the base rate portion of a customer's natural gas bill, which makes up about 30 percent of the total bill and covers the cost of distributing natural gas. The filing does not apply to the gas supply rate, which makes up the remaining approximately 70 percent of the bill.

The January filing requested an increase in annual base revenues of approximately \$51 million. Gas Operations has since agreed to reduce its request to approximately \$40 million. As part of the base rate filing, Gas Operations is

also proposing a decoupling mechanism that, if approved, would help stabilize revenues and eliminate the potential conflict between its efforts to earn a reasonable return on invested capital while promoting energy efficiency initiatives, because decoupling mitigates the negative effects of declining customer usage. As part of the revenue stabilization mechanism, Gas Operations proposed to reduce the requested return on equity by 35 basis points which would reduce the base rate increase by \$1 million. The mechanism would be in place through December 31, 2010. In July 2007, the APSC staff filed direct testimony proposing an increase of approximately \$13 million and implementation of the rate stabilization mechanism.

Texas. In September 2006, Gas Operations filed statements of intent with 47 cities in its Texas coast service territory to increase miscellaneous service charges and to allow recovery of the costs of financial hedging transactions through its purchased gas cost adjustment. In November 2006, these changes became effective as all 47 cities either approved the filings or took no action, thereby allowing rates to go into effect by operation of law. In December 2006, Gas Operations filed a statement of intent with the Railroad Commission of Texas (Railroad Commission) seeking to implement such changes in the environs of the Texas coast service territory. The Railroad Commission approved the filing in April 2007. The new service charges were implemented in the second quarter of 2007.

Minnesota. As of September 30, 2006, Gas Operations had recorded approximately \$45 million as a regulatory asset related to prior years' unrecovered purchased gas costs in its Minnesota service territory. Of the total, approximately \$24 million related to the period from July 1, 2004 through June 30, 2006, and approximately \$21 million related to the period from July 1, 2000 through June 30, 2004. The amounts related to periods prior to July 1, 2004 arose as a result of revisions to the calculation of unrecovered purchased gas costs previously approved by the Minnesota Public Utilities Commission (MPUC). Recovery of this regulatory asset was dependent upon obtaining a waiver from the MPUC rules. In November 2006, the MPUC considered the request and voted to deny the waiver. Accordingly, the Company recorded a \$21 million adjustment to reduce pre-tax earnings in the fourth quarter of 2006 and reduced the regulatory asset by an equal amount. In February 2007, the MPUC denied reconsideration. In March 2007, the Company petitioned the Minnesota Court of Appeals for review of the MPUC's decision. No prediction can be made as to the ultimate outcome of this matter.

In November 2005, Gas Operations filed a request with the MPUC to increase annual base rates by approximately \$41 million. In December 2005, the MPUC approved an interim rate increase of approximately \$35 million that was implemented January 1, 2006. Any excess of amounts collected under the interim rates over the amounts approved as final rates was subject to refund to customers. In October 2006, the MPUC considered the request and indicated that it would grant a rate increase of approximately \$21 million. In addition, the MPUC approved a \$5 million affordability program to assist low-income customers, the actual cost of which will be recovered in rates in addition to the \$21 million rate increase. A final order was issued in January 2007, and final rates were implemented beginning May 1, 2007. Gas Operations completed refunding the proportional share of the excess of the amounts collected in interim rates over the amount allowed by the final order to customers in the second quarter of 2007.

(e) APSC Affiliate Transaction Rulemaking Proceeding

In December 2006, the APSC adopted new rules governing affiliate transactions involving public utilities operating in Arkansas. In February 2007, in response to requests by CERC and other gas and electric utilities operating in Arkansas, the APSC granted reconsideration of the rules and stayed their operation in order to permit additional consideration. In May 2007, the APSC adopted revised rules, which incorporated many revisions proposed by the utilities, the Arkansas Attorney General and the APSC staff. The revised rules prohibit affiliated financing transactions for purposes not related to utility operations, but would permit the continuation of existing money pool and multi-jurisdictional financing arrangements such as those currently in place at CERC. Non-financial affiliate transactions would generally have to be priced under an asymmetrical pricing formula under which utilities would benefit from any difference between the cost of providing goods and services to or from the utility operations and the market value of those goods or services. However, corporate services provided at fully allocated cost such as those provided by service companies would be exempt. The rules also would restrict utilities from engaging in businesses other than utility and utility-related businesses if the total book value of non-utility businesses were to exceed 10 percent of the book value of the utility and its affiliates. However, existing businesses would be grandfathered under the revised rules. The revised rules would also permit utilities to petition for waivers of financing and non-financial rules that would otherwise be applicable to their transactions.

The APSC's revised rules impose record keeping, record access, employee training and reporting requirements related to affiliate transactions, including notification to the APSC of the formation of new affiliates that will engage in transactions with the utility and annual certification by the utility's president or chief executive officer and its chief financial officer of compliance with the rules. In addition, the revised rules require a report to the APSC in the event the utility's bond rating is downgraded in certain circumstances. Although the revised rules impose new requirements on CERC's operations in Arkansas, at this time neither CERC nor the Company anticipates that the revised rules will have an adverse effect on existing operations in Arkansas.

(5) Derivative Instruments

The Company is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. The Company utilizes derivative instruments such as physical forward contracts, swaps and options (energy derivatives) to mitigate the impact of changes in its natural gas businesses on its operating results and cash flows.

Non-Trading Activities

Cash Flow Hedges. The Company enters into certain derivative instruments that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). The objective of these derivative instruments is to hedge the price risk associated with natural gas purchases and sales to reduce cash flow variability related to meeting the Company's wholesale and retail customer obligations. During the six months ended June 30, 2006 and 2007, hedge ineffectiveness resulted in a gain of less than \$1 million and a loss of less than \$1 million, respectively, from derivatives that qualify for and are designated as cash flow hedges. No component of the derivative instruments' gain or loss was excluded from the assessment of effectiveness. If it becomes probable that an anticipated transaction being hedged will not occur, the Company realizes in net income the deferred gains and losses previously recognized in accumulated other comprehensive loss. When an anticipated transaction being hedged affects earnings, the accumulated deferred gain or loss recognized in accumulated other comprehensive loss is reclassified and included in the Condensed Statements of Consolidated Income under the "Expenses" caption "Natural gas." Cash flows resulting from these transactions in non-trading energy derivatives are included in the Condensed Statements of Consolidated Cash Flows in the same category as the item being hedged. As of June 30, 2007, the Company expects \$6.1 million (\$3.9 million after-tax) in accumulated other comprehensive income to be reclassified as a decrease in natural gas expense during the next twelve months.

The length of time the Company is hedging its exposure to the variability in future cash flows using financial instruments is primarily two years, with a limited amount up to four years. The Company's policy is not to exceed ten years in hedging its exposure.

Other Derivative Instruments. The Company enters into certain derivative instruments to manage physical commodity price risks that do not qualify or are not designated as cash flow or fair value hedges under SFAS No. 133. The Company utilizes these financial instruments to manage physical commodity price risks and does not engage in proprietary or speculative commodity trading. During the three months ended June 30, 2006 and 2007, the Company recognized unrealized net gains of \$8.5 million and net losses of \$5.8 million, respectively. These derivative gains and losses are included in the Condensed Statements of Consolidated Income under the "Expenses" caption "Natural gas." During the six months ended June 30, 2006 and 2007, the Company recognized unrealized net gains of \$12.7 million and net losses of \$13.5 million, respectively.

Interest Rate Swaps. During 2002, the Company settled forward-starting interest rate swaps having an aggregate notional amount of \$1.5 billion at a cost of \$156 million, which was recorded in other comprehensive loss and is being amortized into interest expense over the five-year life of the designated fixed-rate debt. Amortization of amounts deferred in accumulated other comprehensive loss for each of the six months ended June 30, 2006 and 2007 was \$15 million. As of June 30, 2007, the Company expects the remaining \$5 million (\$3 million after-tax) in accumulated other comprehensive loss related to interest rate swaps to be amortized into interest expense during the third quarter of 2007.

Embedded Derivative. The Company's 3.75% convertible senior notes contain contingent interest provisions. The contingent interest component is an embedded derivative as defined by SFAS No. 133, and accordingly must be

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split from the host instrument and recorded at fair value on the balance sheet. The value of the contingent interest component was not material at issuance or at June 30, 2007.

(6) Goodwill

Goodwill by reportable business segment as of both December 31, 2006 and June 30, 2007 is as follows (in millions):

Natural Gas Distribution	\$ 746
Interstate Pipelines	579
Competitive Natural Gas Sales and Services	339
Field Services	25
Other Operations	20
Total	<u>\$ 1,709</u>

(7) Comprehensive Income

The following table summarizes the components of total comprehensive income (net of tax):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2007	2006	2007
	(in millions)			
Net income	\$ 194	\$ 70	\$ 282	\$ 200
Other comprehensive income (loss):				
Adjustment to pension and other postretirement plans (net of tax of \$1 and \$3)	—	2	—	4
Net deferred gain (loss) from cash flow hedges (net of tax of (\$1), \$4, (\$2) and \$4)	(2)	5	(5)	5
Reclassification of deferred loss (gain) from cash flow hedges realized in net income (net of tax of \$2, \$3, \$-0- and (\$12))	9	5	6	(17)
Total	<u>7</u>	<u>12</u>	<u>1</u>	<u>(8)</u>
Comprehensive income	<u>\$ 201</u>	<u>\$ 82</u>	<u>\$ 283</u>	<u>\$ 192</u>

The following table summarizes the components of accumulated other comprehensive loss:

	December 31, 2006	June 30, 2007
	(in millions)	
SFAS No. 158 incremental effect	\$ (79)	\$ (75)
Minimum pension liability adjustment	(3)	(3)
Net deferred gain from cash flow hedges	13	1
Total accumulated other comprehensive loss	<u>\$ (69)</u>	<u>\$ (77)</u>

(8) Capital Stock

CenterPoint Energy has 1,020,000,000 authorized shares of capital stock, comprised of 1,000,000,000 shares of \$0.01 par value common stock and 20,000,000 shares of \$0.01 par value preferred stock. At December 31, 2006, 313,651,805 shares of CenterPoint Energy common stock were issued and 313,651,639 shares of CenterPoint Energy common stock were outstanding. At June 30, 2007, 321,161,029 shares of CenterPoint Energy common stock were issued and 321,160,863 shares of CenterPoint Energy common stock were outstanding. See Note 9(b) describing the conversion of the 2.875% Convertible Senior Notes in January 2007. Outstanding common shares exclude 166 treasury shares at both December 31, 2006 and June 30, 2007.

(9) Short-term Borrowings and Long-term Debt

(a) Short-term Borrowings

In 2006, CERC amended its receivables facility and extended the termination date to October 30, 2007. The facility size was \$375 million until May 2007 and will range from \$150 million to \$325 million during the period from May 2007 to the October 30, 2007 termination date. The variable size of the facility was designed to track the seasonal pattern of receivables in CERC's natural gas businesses. At June 30, 2007, the facility size was \$225 million. Under the terms of the amended receivables facility, the provisions for sale accounting under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," were no longer met. Accordingly, advances received by CERC upon the sale of receivables are accounted for as short-term borrowings as of December 31, 2006 and June 30, 2007. As of December 31, 2006 and June 30, 2007, \$187 million and \$225 million, respectively, was advanced for the purchase of receivables under CERC's receivables facility.

(b) Long-term Debt

Senior Notes. In February 2007, the Company issued \$250 million aggregate principal amount of senior notes due in February 2017 with an interest rate of 5.95%. The proceeds from the sale of the senior notes were used to repay debt incurred in satisfying the Company's \$255 million cash payment obligation in connection with the conversion and redemption of its 2.875% Convertible Notes.

In February 2007, CERC Corp. issued \$150 million aggregate principal amount of senior notes due in February 2037 with an interest rate of 6.25%. The proceeds from the sale of the senior notes were used to repay advances for the purchase of receivables under CERC Corp.'s receivables facility. Such repayment provided increased liquidity and capital resources for CERC's general corporate purposes.

Revolving Credit Facilities. In June 2007, the Company, CenterPoint Houston and CERC Corp. entered into amended and restated bank credit facilities. The Company's amended credit facility is a \$1.2 billion five-year senior unsecured revolving credit facility. The facility has a first drawn cost of London Interbank Offered Rate (LIBOR) plus 55 basis points based on the Company's current credit ratings, versus the previous rate of LIBOR plus 60 basis points.

The amended facility at CenterPoint Houston is a \$300 million five-year senior unsecured revolving credit facility. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CenterPoint Houston's current credit ratings.

The amended facility at CERC Corp. is a \$950 million five-year senior unsecured revolving credit facility versus a \$550 million facility prior to the amendment. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CERC Corp.'s current credit ratings.

Under each of the credit facilities, an additional utilization fee of 5 basis points applies to borrowings any time more than 50% of the facility is utilized. The spread to LIBOR and the utilization fee fluctuate based on the borrower's credit rating.

As of June 30, 2007, the Company had no borrowings and approximately \$28 million of outstanding letters of credit under its \$1.2 billion credit facility, CenterPoint Houston had no borrowings and approximately \$4 million of outstanding letters of credit under its \$300 million credit facility and CERC Corp. had no borrowings and approximately \$19 million of outstanding letters of credit under its \$950 million credit facility. The Company also had approximately \$353 million of commercial paper outstanding at June 30, 2007, which is supported by its \$1.2 billion credit facility. The Company, CenterPoint Houston and CERC Corp. were in compliance with all covenants as of June 30, 2007.

Convertible Debt. On May 19, 2003, the Company issued \$575 million aggregate principal amount of convertible senior notes due May 15, 2023 with an interest rate of 3.75%. As of June 30, 2007, holders could convert each of their notes into shares of CenterPoint Energy common stock at a conversion rate of 88.3833 shares of common stock per \$1,000 principal amount of notes at any time prior to maturity under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days

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during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% or, following May 15, 2008, 110% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. The notes originally had a conversion rate of 86.3558 shares of common stock per \$1,000 principal amount of notes. However, the conversion rate has increased to 88.3833, in accordance with the terms of the notes, due to quarterly common stock dividends in excess of \$0.10 per share.

Holders have the right to require the Company to purchase all or any portion of the notes for cash on May 15, 2008, May 15, 2013 and May 15, 2018 for a purchase price equal to 100% of the principal amount of the notes. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after May 15, 2008, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

In August 2005, the Company accepted for exchange approximately \$572 million aggregate principal amount of its 3.75% convertible senior notes due 2023 (Old Notes) for an equal amount of its new 3.75% convertible senior notes due 2023 (New Notes). Old Notes of approximately \$3 million remain outstanding. Under the terms of the New Notes, which are substantially similar to the Old Notes, settlement of the principal portion will be made in cash rather than stock.

As of December 31, 2006 and June 30, 2007, the 3.75% convertible senior notes are included as current portion of long-term debt in the Consolidated Balance Sheets because the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the quarter was greater than or equal to 120% of the conversion price of the 3.75% convertible senior notes and therefore, the 3.75% convertible senior notes meet the criteria that make them eligible for conversion at the option of the holders of these notes.

In December 2006, the Company called its 2.875% Convertible Senior Notes due 2024 (2.875% Convertible Notes) for redemption on January 22, 2007 at 100% of their principal amount. The 2.875% Convertible Notes became immediately convertible at the option of the holders upon the call for redemption and were convertible through the close of business on the redemption date. Substantially all the \$255 million aggregate principal amount of the 2.875% Convertible Notes were converted in January 2007. The \$255 million principal amount of the 2.875% Convertible Notes was settled in cash and the excess value due converting holders of \$97 million was settled by delivering approximately 5.6 million shares of the Company's common stock.

Junior Subordinated Debentures (Trust Preferred Securities). In February 2007, the Company's 8.257% Junior Subordinated Deferrable Interest Debentures having an aggregate principal amount of \$103 million were redeemed at 104.1285% of their principal amount and the related 8.257% capital securities issued by HL&P Capital Trust II were redeemed at 104.1285% of their aggregate liquidation value of \$100 million.

(10) Commitments and Contingencies

(a) Natural Gas Supply Commitments

Natural gas supply commitments include natural gas contracts related to the Company's Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments, which have various quantity requirements and durations, that are not classified as non-trading derivative assets and liabilities in the Company's Consolidated Balance Sheets as of December 31, 2006 and June 30, 2007 as these contracts meet the SFAS No. 133 exception to be classified as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas supply commitments also include natural gas transportation contracts that do not meet the definition of a derivative. As of June 30, 2007, minimum payment obligations for natural gas supply commitments are approximately \$518 million for the remaining six months in 2007, \$598 million in 2008, \$283 million in 2009, \$276 million in 2010, \$274 million in 2011 and \$1.4 billion in 2012 and thereafter.

(b) Legal, Environmental and Other Regulatory Matters

Legal Matters

RRI Indemnified Litigation

The Company, CenterPoint Houston or their predecessor, Reliant Energy, and certain of their former subsidiaries are named as defendants in several lawsuits described below. Under a master separation agreement between the Company and Reliant Energy, Inc. (formerly Reliant Resources, Inc.) (RRI), the Company and its subsidiaries are entitled to be indemnified by RRI for any losses, including attorneys' fees and other costs, arising out of the lawsuits described below under "*Electricity and Gas Market Manipulation Cases*" and "*Other Class Action Lawsuits*." Pursuant to the indemnification obligation, RRI is defending the Company and its subsidiaries to the extent named in these lawsuits. The ultimate outcome of these matters cannot be predicted at this time.

Electricity and Gas Market Manipulation Cases. A large number of lawsuits have been filed against numerous market participants and remain pending in federal court in Wisconsin and Nevada and in state court in California, Missouri and Nevada in connection with the operation of the electricity and natural gas markets in California and certain other states in 2000-2001, a time of power shortages and significant increases in prices. These lawsuits, many of which have been filed as class actions, are based on a number of legal theories, including violation of state and federal antitrust laws, laws against unfair and unlawful business practices, the federal Racketeer Influenced Corrupt Organization Act, false claims statutes and similar theories and breaches of contracts to supply power to governmental entities. Plaintiffs in these lawsuits, which include state officials and governmental entities as well as private litigants, are seeking a variety of forms of relief, including recovery of compensatory damages (in some cases in excess of \$1 billion), a trebling of compensatory damages and punitive damages, injunctive relief, restitution, interest due, disgorgement, civil penalties and fines, costs of suit and attorneys' fees. The Company's former subsidiary, RRI, was a participant in the California markets, owning generating plants in the state and participating in both electricity and natural gas trading in that state and in western power markets generally.

The Company and/or Reliant Energy have been named in approximately 35 of these lawsuits, which were instituted between 2001 and 2007 and are pending in California state court in San Diego County, in Nevada state court in Clark County, in federal district court in Nevada and before the Ninth Circuit Court of Appeals. However, the Company, CenterPoint Houston and Reliant Energy were not participants in the electricity or natural gas markets in California. The Company and Reliant Energy have been dismissed from certain of the lawsuits, either voluntarily by the plaintiffs or by order of the court, and the Company believes it is not a proper defendant in the remaining cases and will continue to seek dismissal from such remaining cases.

To date, several of the electricity complaints have been dismissed, and several of the dismissals have been affirmed by appellate courts. Others have been resolved by the settlement described in the following paragraph. Four of the gas complaints have also been dismissed based on defendants' claims of federal preemption and the filed rate doctrine, and these dismissals either have been appealed or are expected to be appealed. In June 2005, a San Diego state court refused to dismiss other gas complaints on the same basis. In October 2006, RRI reached a tentative

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settlement of 11 class action natural gas cases pending in state court in California. The court approved this settlement in June 2007. The other gas cases remain in the early procedural stages.

In August 2005, RRI reached a settlement with the Federal Energy Regulatory Commission (FERC) enforcement staff, the states of California, Washington and Oregon, California's three largest investor-owned utilities, classes of consumers from California and other western states, and a number of California city and county government entities that resolves their claims against RRI related to the operation of the electricity markets in California and certain other western states in 2000-2001. The settlement also resolves the claims of the three states and the investor-owned utilities related to the 2000-2001 natural gas markets. The settlement has been approved by the FERC, by the California Public Utilities Commission and by the courts in which the electricity class action cases are pending. Two parties have appealed the courts' approval of the settlement to the California Court of Appeals. A party in the FERC proceedings filed a motion for rehearing of the FERC's order approving the settlement, which the FERC denied on May 30, 2006. That party has filed for review of the FERC's orders in the Ninth Circuit Court of Appeals. The Company is not a party to the settlement, but may rely on the settlement as a defense to any claims brought against it related to the time when the Company was an affiliate of RRI. The terms of the settlement do not require payment by the Company.

Other Class Action Lawsuits. In May 2002, three class action lawsuits were filed in federal district court in Houston on behalf of participants in various employee benefits plans sponsored by the Company. Two of the lawsuits were dismissed without prejudice. In the remaining lawsuit, the Company and certain current and former members of its benefits committee are defendants. That lawsuit alleged that the defendants breached their fiduciary duties to various employee benefits plans, directly or indirectly sponsored by the Company, in violation of the Employee Retirement Income Security Act of 1974 by permitting the plans to purchase or hold securities issued by the Company when it was imprudent to do so, including after the prices for such securities became artificially inflated because of alleged securities fraud engaged in by the defendants. The complaint sought monetary damages for losses suffered on behalf of the plans and a putative class of plan participants whose accounts held CenterPoint Energy or RRI securities, as well as restitution. In January 2006, the federal district judge granted a motion for summary judgment filed by the Company and the individual defendants. The plaintiffs appealed the ruling to the Fifth Circuit Court of Appeals. The Company believes that this lawsuit is without merit and will continue to vigorously defend the case. However, the ultimate outcome of this matter cannot be predicted at this time.

Other Legal Matters

Natural Gas Measurement Lawsuits. CERC Corp. and certain of its subsidiaries are defendants in a lawsuit filed in 1997 under the Federal False Claims Act alleging mismeasurement of natural gas produced from federal and Indian lands. The suit seeks undisclosed damages, along with statutory penalties, interest, costs and fees. The complaint is part of a larger series of complaints filed against 77 natural gas pipelines and their subsidiaries and affiliates. An earlier single action making substantially similar allegations against the pipelines was dismissed by the federal district court for the District of Columbia on grounds of improper joinder and lack of jurisdiction. As a result, the various individual complaints were filed in numerous courts throughout the country. This case has been consolidated, together with the other similar False Claims Act cases, in the federal district court in Cheyenne, Wyoming. On October 20, 2006, the judge considering this matter granted the defendants' motion to dismiss the suit on the ground that the court lacked subject matter jurisdiction over the claims asserted, but the plaintiff has sought review of that dismissal from the Tenth Circuit Court of Appeals.

In addition, CERC Corp. and certain of its subsidiaries are defendants in two mismeasurement lawsuits brought against approximately 245 pipeline companies and their affiliates pending in state court in Stevens County, Kansas. In one case (originally filed in May 1999 and amended four times), the plaintiffs purport to represent a class of royalty owners who allege that the defendants have engaged in systematic mismeasurement of the volume of natural gas for more than 25 years. The plaintiffs amended their petition in this suit in July 2003 in response to an order from the judge denying certification of the plaintiffs' alleged class. In the amendment the plaintiffs dismissed their claims against certain defendants (including two CERC Corp. subsidiaries), limited the scope of the class of plaintiffs they purport to represent and eliminated previously asserted claims based on mismeasurement of the British thermal unit (Btu) content of the gas. The same plaintiffs then filed a second lawsuit, again as representatives of a putative class of royalty owners, in which they assert their claims that the defendants have engaged in systematic mismeasurement of the Btu content of natural gas for more than 25 years. In both lawsuits, the plaintiffs seek compensatory damages, along with statutory penalties, treble damages, interest, costs and fees. CERC believes that there has been no systematic mismeasurement of gas and that the lawsuits are without merit. CERC does not

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expect the ultimate outcome of the lawsuits to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Gas Cost Recovery Litigation. In October 2002, a suit was filed in state district court in Wharton County, Texas against the Company, CERC, Entex Gas Marketing Company, and certain non-affiliated companies alleging fraud, violations of the Texas Deceptive Trade Practices Act, violations of the Texas Utilities Code, civil conspiracy and violations of the Texas Free Enterprise and Antitrust Act with respect to rates charged to certain consumers of natural gas in the State of Texas. Subsequently, the plaintiffs added as defendants CenterPoint Energy Marketing Inc., CenterPoint Energy Gas Transmission Company (CEGT), United Gas, Inc., Louisiana Unit Gas Transmission Company, CenterPoint Energy Pipeline Services, Inc., and CenterPoint Energy Trading and Transportation Group, Inc., all of which are subsidiaries of the Company. The plaintiffs alleged that defendants inflated the prices charged to certain consumers of natural gas. In February 2003, a similar lawsuit was filed in state court in Caddo Parish, Louisiana against CERC with respect to rates charged to a purported class of certain consumers of natural gas and gas service in the State of Louisiana. In February 2004, another suit was filed in state court in Calcasieu Parish, Louisiana against CERC seeking to recover alleged overcharges for gas or gas services allegedly provided by CERC to a purported class of certain consumers of natural gas and gas service without advance approval by the Louisiana Public Service Commission (LPSC). In October 2004, a similar case was filed in district court in Miller County, Arkansas against the Company, CERC, Entex Gas Marketing Company, CEGT, CenterPoint Energy Field Services, CenterPoint Energy Pipeline Services, Inc., Mississippi River Transmission Corp. (MRT) and other non-affiliated companies alleging fraud, unjust enrichment and civil conspiracy with respect to rates charged to certain consumers of natural gas in at least the states of Arkansas, Louisiana, Mississippi, Oklahoma and Texas. Subsequently, the plaintiffs dropped CEGT and MRT as defendants, but in July 2007, plaintiffs amended their complaint to allege, among other things, that the alleged conduct affected rates charged to consumers in Minnesota. At the time of the filing of each of the Caddo and Calcasieu Parish cases, the plaintiffs in those cases filed petitions with the LPSC relating to the same alleged rate overcharges. The Caddo and Calcasieu Parish cases have been stayed pending the resolution of the respective proceedings by the LPSC. The plaintiffs in the Miller County case are seeking class certification, but the proposed class has not been certified. In June 2007, the Arkansas Supreme Court issued an opinion addressing the Miller County district court's jurisdiction over the plaintiffs' claims and ruled that the complaint was a challenge to gas rates over which the APSC has exclusive jurisdiction with regard to Arkansas customers. The Arkansas Supreme Court declined to adjudicate the issue of the jurisdiction of the Railroad Commission over Texas customers. Following the decision by the Arkansas Supreme Court, the Miller County court ruled that the Arkansas consumer claims would be stayed pending action by the APSC to consider the commission's jurisdiction over the claims, but denied other motions to dismiss that had been urged by the defendants. In June 2007, CERC and other defendants in the Miller County case filed a petition for declaratory judgment in a district court in Travis County, Texas, seeking a determination that the Railroad Commission has exclusive jurisdiction over the Texas claims asserted by the plaintiffs. In February 2005, the Wharton County case was removed to federal district court in Houston, and in March 2005, the plaintiffs voluntarily moved to dismiss the case and agreed not to refile the claims asserted unless the Miller County case is not certified as a class action or is later decertified. The range of relief sought by the plaintiffs in these cases includes injunctive and declaratory relief, restitution for the alleged overcharges, disgorgement of illegal profits, exemplary damages or trebling of actual damages, civil penalties and attorney's fees. In these cases, the Company, CERC and their affiliates deny that they have overcharged any of their customers for natural gas and believe that the amounts recovered for purchased gas have been in accordance with what is permitted by state and municipal regulatory authorities. The Company and CERC do not expect the outcome of these matters to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Storage Facility Litigation. In February 2007, an Oklahoma district court in Coal County, Oklahoma, granted a summary judgment against CEGT in a case, *Deka Exploration, Inc. v. CenterPoint Energy*, filed by holders of oil and gas leaseholds and some mineral interest owners in lands underlying CEGT's Chiles Dome Storage Facility. The dispute concerns "native gas" that may have been in the Wapanucka formation underlying the Chiles Dome facility when that facility was constructed in 1979 by a CERC entity that was the predecessor in interest of CEGT. The court ruled that the plaintiffs own native gas underlying those lands, since neither CEGT nor its predecessors had condemned those ownership interests. The court rejected CEGT's contention that the claim should be barred by the statute of limitations, since suit was filed over 25 years after the facility was constructed. The court also rejected CEGT's contention that the suit is an impermissible attack on the determinations the FERC and Oklahoma Corporation Commission made regarding the absence of native gas in the lands when the facility was constructed. The summary judgment ruling was only on the issue of liability, though the court did rule that CEGT has the burden of proving that any gas in the Wapanucka formation is gas that has been injected and is not native gas. Further

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hearings and orders of the court are required to specify the appropriate relief for the plaintiffs. CEGT plans to appeal through the Oklahoma court system any judgment which imposes liability on CEGT in this matter. The Company and CERC do not expect the outcome of this matter to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Environmental Matters

Hydrocarbon Contamination. CERC Corp. and certain of its subsidiaries are among the defendants in lawsuits filed beginning in August 2001 in Caddo Parish and Bossier Parish, Louisiana. The suits allege that, at some unspecified date prior to 1985, the defendants allowed or caused hydrocarbon or chemical contamination of the Wilcox Aquifer, which lies beneath property owned or leased by certain of the defendants and which is the sole or primary drinking water aquifer in the area. The primary source of the contamination is alleged by the plaintiffs to be a gas processing facility in Houghton, Bossier Parish, Louisiana known as the "Sligo Facility," which was formerly operated by a predecessor in interest of CERC Corp. This facility was purportedly used for gathering natural gas from surrounding wells, separating liquid hydrocarbons from the natural gas for marketing, and transmission of natural gas for distribution.

Beginning about 1985, the predecessors of certain CERC Corp. defendants engaged in a voluntary remediation of any subsurface contamination of the groundwater below the property they owned or leased. This work has been done in conjunction with and under the direction of the Louisiana Department of Environmental Quality. The plaintiffs seek monetary damages for alleged damage to the aquifer underlying their property, including the cost of restoring their property to its original condition and damages for diminution of value of their property. In addition, plaintiffs seek damages for trespass, punitive, and exemplary damages. The parties have reached an agreement on terms of a settlement in principle of this matter. Among other things, that settlement requires approval from the Louisiana Department of Environmental Quality (LDEQ) of an acceptable remediation framework that could be implemented by CERC. In May 2007, the LDEQ executed a cooperative agreement with a CERC Corp. subsidiary, pursuant to which CERC Corp.'s subsidiary will work with the LDEQ to develop a remediation plan. In July 2007, pursuant to the terms previously agreed, the parties implemented the terms of their settlement and resolved this matter. CERC made a settlement payment within the amounts previously reserved for this matter. The Company and CERC do not expect the ultimate cost associated with resolving this matter to have a material impact on the financial condition, results of operations or cash flows of either the Company or CERC.

Manufactured Gas Plant Sites. CERC and its predecessors operated manufactured gas plants (MGP) in the past. In Minnesota, CERC has completed remediation on two sites, other than ongoing monitoring and water treatment. There are five remaining sites in CERC's Minnesota service territory. CERC believes that it has no liability with respect to two of these sites.

At June 30, 2007, CERC had accrued \$14 million for remediation of these Minnesota sites and the estimated range of possible remediation costs for these sites was \$4 million to \$35 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRP), if any, and the remediation methods used. CERC has utilized an environmental expense tracker mechanism in its rates in Minnesota to recover estimated costs in excess of insurance recovery. As of June 30, 2007, CERC had collected \$13 million from insurance companies and rate payers to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC has been named as a defendant in a lawsuit filed in the United States District Court, District of Maine, under which contribution is sought by private parties for the cost to remediate former MGP sites based on the previous ownership of such sites by former affiliates of CERC or its divisions. CERC has also been identified as a PRP by the State of Maine for a site that is the subject of the lawsuit. In June 2006, the federal district court in Maine ruled that the current owner of the site is responsible for site remediation but that an additional evidentiary hearing is required to determine if other potentially responsible parties, including CERC, would have to contribute to that remediation. The Company is investigating details regarding the site and the range of environmental

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expenditures for potential remediation. However, CERC believes it is not liable as a former owner or operator of the site under the Comprehensive Environmental, Response, Compensation and Liability Act of 1980, as amended, and applicable state statutes, and is vigorously contesting those suits and its designation as a PRP.

Mercury Contamination. The Company's pipeline and distribution operations have in the past employed elemental mercury in measuring and regulating equipment. It is possible that small amounts of mercury may have been spilled in the course of normal maintenance and replacement operations and that these spills may have contaminated the immediate area with elemental mercury. The Company has found this type of contamination at some sites in the past, and the Company has conducted remediation at these sites. It is possible that other contaminated sites may exist and that remediation costs may be incurred for these sites. Although the total amount of these costs is not known at this time, based on the Company's experience and that of others in the natural gas industry to date and on the current regulations regarding remediation of these sites, the Company believes that the costs of any remediation of these sites will not be material to the Company's financial condition, results of operations or cash flows.

Asbestos. Some facilities owned by the Company contain or have contained asbestos insulation and other asbestos-containing materials. The Company or its subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by the Company, but most existing claims relate to facilities previously owned by the Company or its subsidiaries. The Company anticipates that additional claims like those received may be asserted in the future. In 2004, the Company sold its generating business, to which most of these claims relate, to Texas Genco LLC, which is now known as NRG Texas LP (NRG). Under the terms of the arrangements regarding separation of the generating business from the Company and its sale to Texas Genco LLC, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by Texas Genco LLC and its successor, but the Company has agreed to continue to defend such claims to the extent they are covered by insurance maintained by the Company, subject to reimbursement of the costs of such defense from the purchaser. Although their ultimate outcome cannot be predicted at this time, the Company intends to continue vigorously contesting claims that it does not consider to have merit and does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Environmental. From time to time the Company has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, the Company does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Proceedings

The Company is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings involve substantial amounts. The Company regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Company does not expect the disposition of these matters to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

On July 25, 2007, CenterPoint Energy Investment Management, Inc. (Investment Management), an indirect, wholly-owned subsidiary of the Company, was notified of acceptance of its claim in connection with the 2002 AOL Time Warner, Inc. securities and ERISA class action litigation by receipt of approximately \$32 million from the independent settlement administrator appointed by the United States District Court, Southern District of New York. This amount represents the portion of a settlement fund to which Investment Management has been determined to be entitled by the settlement administrator and will be recorded in the third quarter of 2007.

Guaranties

Prior to the Company's distribution of its ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guaranty obligations prior to separation, but at the time of separation in September 2002, RRI had been unable to extinguish all obligations. To secure the Company and CERC against obligations under the remaining guaranties, RRI agreed to provide cash or letters of credit for the benefit of CERC and the Company, and undertook to use commercially reasonable efforts to extinguish the remaining guaranties. CERC currently holds letters of credit in the amount of \$33.3 million issued on behalf of RRI against guaranties that have not been released. The Company's current exposure under the guaranties relates to CERC's

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guaranty of the payment by RRI of demand charges related to transportation contracts with one counterparty. RRI has advised the Company and CERC that it anticipates completing assignments of a portion of the capacity its trading subsidiary holds under those transportation contracts. If those transactions are completed as planned, the reduced level of demand charges will be approximately \$23 million per year through 2015, \$20 million in 2016, \$10 million in 2017 and \$3 million in 2018. RRI continues to meet its obligations under the transportation contracts, and the Company believes current market conditions make those contracts valuable for transportation services in the near term and that additional security is not needed at this time. However, changes in market conditions could affect the value of those contracts. If RRI should fail to perform its obligations under the transportation contracts, the Company's exposure to the counterparty under the guaranty could exceed the security provided by RRI.

In June 2006, the RRI trading subsidiary and CERC jointly filed a complaint at the FERC against the counterparty on the CERC guaranty. In the complaint, the RRI trading subsidiary sought a determination by the FERC that the security demanded by the counterparty exceeded the level permitted by the FERC's policies. The complaint asked the FERC to require the counterparty to release CERC from its guaranty obligation and, in its place, accept substitute security provided by RRI. In July 2007, the FERC ruled on that complaint. In the case of one of the four transportation contracts, the FERC directed the counterparty either to permit the RRI trading subsidiary to substitute as collateral three months of demand charges for the CERC guaranty, or to show within thirty days why such substitution is not appropriate. In all other respects, the FERC denied the complaint. In addition to the FERC proceeding, in February 2007, the Company and CERC made a formal demand on RRI under procedures provided by the Master Separation Agreement, dated as of December 31, 2000, between Reliant Energy and RRI. That demand seeks to resolve a disagreement with RRI over the amount of security RRI is obligated to provide with respect to this guaranty. In conjunction with discussion of that demand, the Company and RRI entered into an agreement in March 2007 to delay further proceedings regarding this dispute until October 2007 in order to permit further discussions.

(11) Income Taxes

During the three months and six months ended June 30, 2006, the effective tax rate was a net benefit. During the three months and six months ended June 30, 2007, the effective tax rate was 29% and 33%, respectively. The most significant items affecting comparability of the effective tax rates were a decrease to the tax reserve of approximately \$119 million relating to the Zero Premium Exchangeable Subordinated Notes and Automatic Common Exchange Securities issues as a result of an agreement reached with the IRS in July 2006 and the settlement of other tax issues, which reduced tax expense by \$21 million in the second quarter of 2006 and \$6 million in the second quarter of 2007.

The following table summarizes the Company's liability for uncertain tax positions in accordance with FIN 48 at January 1 and June 30, 2007 (in millions):

	<u>January 1, 2007</u>	<u>June 30, 2007</u>
Liability for uncertain tax positions	\$72	\$79
Portion of liability for uncertain tax positions that, if recognized, would reduce the effective income tax rate	24	17
Interest accrued on uncertain tax positions	4	5

(12) Earnings Per Share

The following table reconciles numerators and denominators of the Company's basic and diluted earnings per share calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2007	2006	2007
	(in millions, except share and per share amounts)			
Basic earnings per share calculation:				
Net income	\$ 194	\$ 70	\$ 282	\$ 200
Weighted average shares outstanding	311,440,000	320,927,000	311,145,000	319,501,000
Basic earnings per share	\$ 0.62	\$ 0.22	\$ 0.91	\$ 0.62
Diluted earnings per share calculation:				
Net income	\$ 194	\$ 70	\$ 282	\$ 200
Weighted average shares outstanding	311,440,000	320,927,000	311,145,000	319,501,000
Plus: Incremental shares from assumed conversions:				
Stock options (1)	1,098,000	1,204,000	1,150,000	1,157,000
Restricted stock	1,160,000	1,543,000	1,160,000	1,543,000
2.875% convertible senior notes	—	—	—	586,000
3.75% convertible senior notes	3,118,000	20,096,000	4,289,000	19,237,000
Weighted average shares assuming dilution	316,816,000	343,770,000	317,744,000	342,024,000
Diluted earnings per share	\$ 0.61	\$ 0.20	\$ 0.89	\$ 0.58

(1) Options to purchase 7,137,644 shares were outstanding for both the three and six months ended June 30, 2006, and options to purchase 2,609,420 shares and 3,313,479 shares were outstanding for the three and six months ended June 30, 2007, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares for the respective periods.

In accordance with Emerging Issues Task Force Issue No. 04-8, because all of the 2.875% contingently convertible senior notes and approximately \$572 million of the 3.75% contingently convertible senior notes (subsequent to the August 2005 exchange discussed in Note 9) provide for settlement of the principal portion in cash rather than stock, the Company excludes the portion of the conversion value of these notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations. The Company includes the conversion spread in the calculation of diluted earnings per share when the average market price of the Company's common stock in the respective reporting period exceeds the conversion price. The conversion price for the 3.75% contingently convertible senior notes at June 30, 2007 was \$11.31 and the conversion price of the 2.875% convertible senior notes at the time of their extinguishment was \$12.52.

(13) Reportable Business Segments

The Company's determination of reportable business segments considers the strategic operating units under which the Company manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies except that some executive benefit costs have not been allocated to business segments. The Company uses operating income as the measure of profit or loss for its business segments.

The Company's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines, Field Services and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for residential, commercial, industrial and institutional customers.

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Competitive Natural Gas Sales and Services represents the Company's non-rate regulated gas sales and services operations, which consist of three operational functions: wholesale, retail and intrastate pipelines. Beginning in the fourth quarter of 2006, the Company began reporting its interstate pipelines and field services businesses as two separate business segments, the Interstate Pipelines business segment and the Field Services business segment. These business segments were previously aggregated and reported as the Pipelines and Field Services business segment. The Interstate Pipelines business segment includes the interstate natural gas pipeline operations. The Field Services business segment includes the natural gas gathering operations. Other Operations consists primarily of other corporate operations which support all of the Company's business operations. All prior periods have been recast to conform to the 2007 presentation.

Long-lived assets include net property, plant and equipment, net goodwill and equity investments in unconsolidated subsidiaries. Intersegment sales are eliminated in consolidation.

Financial data for business segments and products and services are as follows (in millions):

	For the Three Months Ended June 30, 2006		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
Electric Transmission & Distribution	\$ 456 ⁽¹⁾	\$ —	\$ 151
Natural Gas Distribution	546	3	(2)
Competitive Natural Gas Sales and Services	742	8	7
Interstate Pipelines	69	35	40
Field Services	27	7	21
Other Operations	3	2	3
Eliminations	—	(55)	—
Consolidated	<u>\$ 1,843</u>	<u>\$ —</u>	<u>\$ 220</u>

	For the Three Months Ended June 30, 2007		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
Electric Transmission & Distribution	\$ 465 ⁽¹⁾	\$ —	\$ 157
Natural Gas Distribution	573	3	8
Competitive Natural Gas Sales and Services	874	7	(4)
Interstate Pipelines	88	33	52
Field Services	30	12	27
Other Operations	3	—	2
Eliminations	—	(55)	—
Consolidated	<u>\$ 2,033</u>	<u>\$ —</u>	<u>\$ 242</u>

	For the Six Months Ended June 30, 2006			Total Assets as of December 31, 2006
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	
Electric Transmission & Distribution	\$ 841 ⁽¹⁾	\$ —	\$ 261	\$ 8,463
Natural Gas Distribution	2,023	6	101	4,463
Competitive Natural Gas Sales and Services	1,868	45	32	1,501
Interstate Pipelines	125	68	89	2,738
Field Services	58	17	45	608
Other Operations	5	4	(2)	2,047 ⁽²⁾
Eliminations	—	(140)	—	(2,187)
Consolidated	<u>\$ 4,920</u>	<u>\$ —</u>	<u>\$ 526</u>	<u>\$ 17,633</u>

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	For the Six Months Ended June 30, 2007			
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	Total Assets as of June 30, 2007
Electric Transmission & Distribution	\$ 871 ⁽¹⁾	\$ —	\$ 261	\$ 8,501
Natural Gas Distribution	2,137	6	137	4,050
Competitive Natural Gas Sales and Services	1,921	24	52	1,256
Interstate Pipelines	147	64	96	2,836
Field Services	58	23	49	618
Other Operations	5	—	—	1,876 ⁽²⁾
Eliminations	—	(117)	—	(1,862)
Consolidated	<u>\$ 5,139</u>	<u>\$ —</u>	<u>\$ 595</u>	<u>\$ 17,275</u>

- (1) Sales to subsidiaries of RRI in the three months ended June 30, 2006 and 2007 represented approximately \$182 million and \$151 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to subsidiaries of RRI in the six months ended June 30, 2006 and 2007 represented approximately \$344 million and \$300 million, respectively.
- (2) Included in total assets of Other Operations as of December 31, 2006 and June 30, 2007 is a pension asset of \$109 million and \$117 million, respectively. Also included in total assets of Other Operations as of December 31, 2006 and June 30, 2007, is a pension related regulatory asset of \$420 million and \$411 million, respectively, that resulted from the Company's adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — An Amendment of FASB Statements No. 87, 88, 106 and 132(R)."

(14) Subsequent Event

On July 26, 2007, the Company's board of directors declared a regular quarterly cash dividend of \$0.17 per share of common stock payable on September 10, 2007, to shareholders of record as of the close of business on August 16, 2007.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

The following discussion and analysis should be read in combination with our Interim Condensed Financial Statements contained in this Form 10-Q.

EXECUTIVE SUMMARY

Recent Events

Refinancing Transactions

In June 2007, we, CenterPoint Houston and CERC Corp. entered into amended and restated bank credit facilities. Our amended credit facility is a \$1.2 billion five-year senior unsecured revolving credit facility. The facility has a first drawn cost of London Interbank Offered Rate (LIBOR) plus 55 basis points based on our current credit ratings, versus the previous rate of LIBOR plus 60 basis points. The amended facility at CenterPoint Houston is a \$300 million five-year senior unsecured revolving credit facility. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CenterPoint Houston's current credit ratings. The amended facility at CERC Corp. is a \$950 million five-year senior unsecured revolving credit facility versus a \$550 million facility prior to the amendment. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CERC Corp.'s current credit ratings.

Interstate Pipeline Expansion

Carthage to Perryville. In April 2007, CenterPoint Energy Gas Transmission (CEGT), a wholly owned subsidiary of CERC Corp., completed construction of a 172-mile, 42-inch diameter pipeline and related compression facilities for the transportation of gas from Carthage, Texas to CEGT's Perryville hub in Northeast Louisiana. On May 1, 2007, CEGT began service under its firm transportation agreements with shippers of approximately 960 million cubic feet per day. This completes the first phase of the Carthage to Perryville project. CEGT's second phase of the project, which involves adding compression that will increase the total capacity of the pipeline to approximately 1.25 billion cubic feet (Bcf) per day, is expected to go into service in August 2007. CEGT has signed firm contracts for the full capacity of phases one and two.

Based on interest expressed during an open season held in 2006, and subject to Federal Energy Regulatory Commission (FERC) approval, CEGT will add a phase three which will expand capacity of the pipeline to 1.5 Bcf per day by adding additional compression. In September 2006, CEGT filed for approval to increase the maximum allowable operating pressure with the U.S. Department of Transportation (DOT). In December 2006, CEGT filed for the necessary certificate to expand capacity of the pipeline with the FERC. In May 2007, CEGT received FERC approval for the third phase of the project and in July 2007, CEGT received DOT approval. The third phase is projected to be in-service in the first quarter of 2008.

CONSOLIDATED RESULTS OF OPERATIONS

All dollar amounts in the tables that follow are in millions, except for per share amounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 1,843	\$ 2,033	\$ 4,920	\$ 5,139
Expenses	1,623	1,791	4,394	4,544
Operating Income	220	242	526	595
Interest and Other Finance Charges	(118)	(119)	(233)	(242)
Interest on Transition Bonds	(33)	(32)	(66)	(63)
Other Income, net	9	7	11	10
Income Before Income Taxes	78	98	238	300
Income Tax (Expense) Benefit	116	(28)	44	(100)
Net Income	<u>\$ 194</u>	<u>\$ 70</u>	<u>\$ 282</u>	<u>\$ 200</u>
Basic Earnings Per Share	<u>\$ 0.62</u>	<u>\$ 0.22</u>	<u>\$ 0.91</u>	<u>\$ 0.62</u>
Diluted Earnings Per Share	<u>\$ 0.61</u>	<u>\$ 0.20</u>	<u>\$ 0.89</u>	<u>\$ 0.58</u>

Three months ended June 30, 2007 compared to three months ended June 30, 2006

We reported consolidated net income of \$70 million (\$0.20 per diluted share) for the three months ended June 30, 2007 as compared to \$194 million (\$0.61 per diluted share) for the same period in 2006. The decrease in net income of \$124 million was primarily due to:

- increased income tax expense of \$144 million as discussed below; and
- decreased operating income of \$11 million in our Competitive Natural Gas Sales and Services business segment.

These decreases in consolidated net income were partially offset by:

- increased operating income of \$12 million in our Interstate Pipelines business segment;
- increased operating income of \$10 million in our Natural Gas Distribution business segment;
- increased operating income of \$9 million from our Electric Transmission & Distribution utility; and
- increased operating income of \$6 million in our Field Services business segment.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

We reported consolidated net income of \$200 million (\$0.58 per diluted share) for the six months ended June 30, 2007 as compared to \$282 million (\$0.89 per diluted share) for the same period in 2006. The decrease in net income of \$82 million was primarily due to:

- increased income tax expense of \$144 million as discussed below; and
- increased interest expense, excluding interest on transition bonds, of \$9 million due to higher borrowing levels.

These decreases in consolidated net income were partially offset by:

- increased operating income of \$36 million in our Natural Gas Distribution business segment;
- increased operating income of \$20 million in our Competitive Natural Gas Sales and Services business segment;

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- increased operating income of \$7 million in our Interstate Pipelines business segment;
- increased operating income of \$4 million from our Electric Transmission & Distribution utility; and
- increased operating income of \$4 million in our Field Services business segment.

Income Tax Expense

During the three months and six months ended June 30, 2006, our effective tax rate was a net benefit. During the three months and six months ended June 30, 2007, our effective tax rate was 29% and 33%, respectively. The most significant items affecting comparability of our effective tax rates were a decrease to the tax reserve of approximately \$119 million relating to the Zero Premium Exchangeable Subordinated Notes (ZENS) and Automatic Common Exchange Securities issues as a result of an agreement reached with the Internal Revenue Service in July 2006 and the settlement of other tax issues, which reduced tax expense by \$21 million in the second quarter of 2006 and \$6 million in the second quarter of 2007.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income (in millions) for each of our business segments for the three and six months ended June 30, 2006 and 2007. Due to the change in reportable segments in the fourth quarter of 2006, we have recast our segment information for 2006, as discussed in Note 13 to our Interim Condensed Financial Statements, to conform to the new presentation. The segment detail revised as a result of the new reportable business segments did not affect consolidated operating income for any period.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
	(in millions)			
Electric Transmission & Distribution:				
Transmission & Distribution Utility	\$ 119	\$ 128	\$ 197	\$ 201
Transition Bond Companies	32	29	64	60
Total Electric Transmission & Distribution	151	157	261	261
Natural Gas Distribution	(2)	8	101	137
Competitive Natural Gas Sales and Services	7	(4)	32	52
Interstate Pipelines	40	52	89	96
Field Services	21	27	45	49
Other Operations	3	2	(2)	—
Total Consolidated Operating Income	<u>\$ 220</u>	<u>\$ 242</u>	<u>\$ 526</u>	<u>\$ 595</u>

Electric Transmission & Distribution

For information regarding factors that may affect the future results of operations of our Electric Transmission & Distribution business segment, please read “Risk Factors — Risk Factors Affecting Our Electric Transmission & Distribution Business,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Business and Other Risks” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2006 (2006 Form 10-K) and “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

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The following tables provide summary data of our Electric Transmission & Distribution business segment for the three and six months ended June 30, 2006 and 2007 (in millions, except throughput and customer data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues:				
Electric transmission and distribution utility	\$ 386	\$ 395	\$ 717	\$ 742
Transition bond companies	70	70	124	129
Total revenues	456	465	841	871
Expenses:				
Operation and maintenance	147	150	281	304
Depreciation and amortization, excluding transition bond companies	61	61	124	124
Taxes other than income taxes, excluding transition bond companies	59	56	115	113
Transition bond companies	38	41	60	69
Total expenses	305	308	580	610
Operating Income	\$ 151	\$ 157	\$ 261	\$ 261
Operating Income — Electric transmission and distribution utility	\$ 119	\$ 128	\$ 197	\$ 201
Operating Income – Transition bond companies (1)	32	29	64	60
Total segment operating income	\$ 151	\$ 157	\$ 261	\$ 261
Throughput (in gigawatt-hours (GWh)):				
Residential	6,808	6,021	10,794	10,679
Total	20,422	19,175	36,409	35,835
Average number of metered customers:				
Residential	1,730,130	1,767,749	1,723,983	1,760,006
Total	1,965,180	2,006,840	1,958,005	1,998,291

(1) Represents the amount necessary to pay interest on the transition bonds.

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Our Electric Transmission & Distribution business segment reported operating income of \$157 million for the three months ended June 30, 2007, consisting of \$118 million from the regulated electric transmission and distribution utility (TDU), exclusive of an additional \$10 million from the competition transition charge (CTC), and \$29 million related to transition bond companies. For the three months ended June 30, 2006, operating income totaled \$151 million, consisting of \$104 million from the TDU, exclusive of an additional \$15 million from the CTC, and \$32 million related to transition bond companies. Revenues for the TDU increased due to customer growth, with over 43,000 metered customers added since June 30, 2006 (\$6 million), increased miscellaneous service charges (\$4 million), settlement of the final fuel reconciliation (\$4 million) and a one-time settlement in the second quarter of 2006 related to the resolution of the unbundled cost of service (UCOS) order (\$32 million). The increases were partially offset by lower usage due primarily to milder weather (\$21 million), the rate reduction resulting from the 2006 rate case settlement that was implemented in October 2006 (\$8 million), lower CTC return resulting from the August 2006 reduction in our allowed rate of return (\$5 million) and lower transmission revenue (\$3 million). Operation and maintenance expense increased primarily due to higher transmission costs (\$7 million) and increased expenses related to low income programs as required by the 2006 rate case settlement (\$3 million), partially offset by settlement of the final fuel reconciliation (\$13 million).

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Our Electric Transmission & Distribution business segment reported operating income of \$261 million for the six months ended June 30, 2007, consisting of \$180 million from the TDU, exclusive of an additional \$21 million from the CTC, and \$60 million related to transition bond companies. For the six months ended June 30, 2006, operating income also totaled \$261 million, consisting of \$166 million from the TDU, exclusive of an additional \$31 million from the CTC, and \$64 million related to transition bond companies. Revenues for the TDU increased due to

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customer growth, with over 43,000 metered customers added since June 30, 2006 (\$10 million), increased miscellaneous service charges (\$7 million), settlement of the final fuel reconciliation (\$4 million) and a one-time settlement in the second quarter of 2006 related to the resolution of the UCOS order (\$32 million). These increases were partially offset by the rate reduction resulting from the 2006 rate case settlement that was implemented in October 2006 (\$19 million) and lower CTC return resulting from the August 2006 reduction in our allowed rate of return (\$10 million). Operation and maintenance expense increased primarily due to a gain on the sale of property in 2006 (\$14 million), higher transmission costs (\$14 million), and increased expenses related to low income programs as required by the 2006 rate case settlement (\$5 million), partially offset by settlement of the final fuel reconciliation (\$13 million).

Natural Gas Distribution

For information regarding factors that may affect the future results of operations of our Natural Gas Distribution business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Business and Other Risks” in Item 1A of Part I of our 2006 Form 10-K and “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Natural Gas Distribution business segment for the three and six months ended June 30, 2006 and 2007 (in millions, except throughput and customer data):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Revenues	\$ 549	\$ 576	\$ 2,029	\$ 2,143
Expenses:				
Natural gas	343	366	1,489	1,578
Operation and maintenance	142	135	292	282
Depreciation and amortization	37	38	75	76
Taxes other than income taxes	29	29	72	70
Total expenses	<u>551</u>	<u>568</u>	<u>1,928</u>	<u>2,006</u>
Operating Income (Loss)	<u>\$ (2)</u>	<u>\$ 8</u>	<u>\$ 101</u>	<u>\$ 137</u>
Throughput (in Bcf):				
Residential	17	20	84	106
Commercial and industrial	44	44	116	126
Total Throughput	<u>61</u>	<u>64</u>	<u>200</u>	<u>232</u>
Average number of customers:				
Residential	2,871,107	2,925,120	2,882,008	2,935,661
Commercial and industrial	243,420	247,550	244,475	246,564
Total	<u>3,114,527</u>	<u>3,172,670</u>	<u>3,126,483</u>	<u>3,182,225</u>

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Our Natural Gas Distribution business segment reported operating income of \$8 million for the three months ended June 30, 2007 compared to an operating loss of \$2 million for the three months ended June 30, 2006. Operating income improved as a result of customer growth (\$2 million) from the addition of nearly 60,000 customers since June 30, 2006 and reduced operation and maintenance expenses, primarily as a result of costs associated with staff reductions incurred in 2006 (\$6 million) and the 2006 write-off of certain rate case expenses (\$3 million). The increase in operating income was partially offset by higher expenses associated with initiatives undertaken to improve customer service (\$3 million).

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Our Natural Gas Distribution business segment reported operating income of \$137 million for the six months ended June 30, 2007 compared to operating income of \$101 million for the six months ended June 30, 2006. Operating income improved as a result of increased usage primarily due to unusually mild weather in 2006 (\$17 million) and growth from the addition of nearly 60,000 customers since June 30, 2006 (\$6 million) and reduced operation and maintenance expenses, primarily as a result of costs associated with staff reductions incurred in 2006.

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(\$11 million), reduced employee benefit costs (\$4 million) and the 2006 write-off of certain rate case expenses (\$3 million). The increase in operating income was partially offset by higher expenses associated with initiatives undertaken to improve customer service (\$4 million).

Competitive Natural Gas Sales and Services

For information regarding factors that may affect the future results of operations of our Competitive Natural Gas Sales and Services business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Business,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Business and Other Risks” in Item 1A of Part I of our 2006 Form 10-K and “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Competitive Natural Gas Sales and Services business segment for the three and six months ended June 30, 2006 and 2007 (in millions, except throughput and customer data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 750	\$ 881	\$ 1,913	\$ 1,945
Expenses:				
Natural gas	735	877	1,864	1,875
Operation and maintenance	7	7	15	16
Depreciation and amortization	1	1	1	1
Taxes other than income taxes	—	—	1	1
Total expenses	743	885	1,881	1,893
Operating Income (Loss)	\$ 7	\$ (4)	\$ 32	\$ 52
Throughput (in Bcf):				
Wholesale – third parties	72	74	161	168
Wholesale – affiliates	8	2	19	5
Retail and Pipeline	41	44	99	102
Total Throughput	121	120	279	275
Average number of customers:				
Wholesale	132	248	138	235
Retail and Pipeline	6,604	6,829	6,639	6,797
Total	6,736	7,077	6,777	7,032

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Our Competitive Natural Gas Sales and Services business segment reported an operating loss of \$4 million for the three months ended June 30, 2007 compared to operating income of \$7 million for the three months ended June 30, 2006. The decrease in operating income of \$11 million in the second quarter of 2007 was primarily due to a reduction in locational and seasonal natural gas price differentials (\$9 million). In addition, the second quarter of 2007 included the loss from mark-to-market accounting for non-trading financial derivatives (\$6 million) and a write-down of natural gas inventory to the lower of average cost or market (\$5 million), compared to the gain from mark-to-market accounting (\$8 million) and an inventory write-down (\$17 million) for the same period of 2006. Natural gas that is purchased for inventory is accounted for at the lower of average cost or market price at each balance sheet date.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Our Competitive Natural Gas Sales and Services business segment reported operating income of \$52 million for the six months ended June 30, 2007 compared to \$32 million for the six months ended June 30, 2006. The increase in operating income of \$20 million was primarily due to increased operating margins (revenues less natural gas costs) related to sales of gas from inventory and improved asset utilization (\$48 million) partially offset by an unfavorable change resulting from mark-to-market accounting for non-trading financial derivatives (\$27 million).

[Table of Contents](#)**Interstate Pipelines**

For information regarding factors that may affect the future results of operations of our Interstate Pipelines business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Business and Other Risks” in Item 1A of Part I of our 2006 Form 10-K and “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Interstate Pipelines business segment for the three and six months ended June 30, 2006 and 2007 (in millions, except throughput data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 104	\$ 121	\$ 193	\$ 211
Expenses:				
Natural gas	14	24	12	28
Operation and maintenance	38	29	65	56
Depreciation and amortization	8	11	18	21
Taxes other than income taxes	4	5	9	10
Total expenses	64	69	104	115
Operating Income	\$ 40	\$ 52	\$ 89	\$ 96
Throughput (in Bcf):				
Transportation	240	274	514	568

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Our Interstate Pipeline business segment reported operating income of \$52 million for the three months ended June 30, 2007 compared to \$40 million for the three months ended June 30, 2006. The increase in operating income was primarily due to the new Carthage to Perryville pipeline, which went into commercial service in May 2007 (\$9 million), and other transportation and ancillary services (\$6 million).

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Our Interstate Pipeline business segment reported operating income of \$96 million for the six months ended June 30, 2007 compared to \$89 million for the six months ended June 30, 2006. The increase in operating income was primarily due to the new Carthage to Perryville pipeline, which went into commercial service in May 2007 (\$9 million), other transportation and ancillary services (\$6 million) and the sale of excess gas from our storage enhancement project (\$3 million). These increases were partially offset by increased operating expenses (\$6 million) and the absence of a favorable storage adjustment recorded in the first quarter of 2006 (\$3 million).

Field Services

For information regarding factors that may affect the future results of operations of our Field Services business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Business and Other Risks” in Item 1A of Part I of our 2006 Form 10-K and “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

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The following table provides summary data of our Field Services business segment for the three and six months ended June 30, 2006 and 2007 (in millions, except throughput data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 34	\$ 42	\$ 75	\$ 81
Expenses:				
Natural gas	(4)	(4)	(3)	(7)
Operation and maintenance	14	16	27	32
Depreciation and amortization	2	3	5	6
Taxes other than income taxes	1	—	1	1
Total expenses	13	15	30	32
Operating Income	\$ 21	\$ 27	\$ 45	\$ 49
Throughput (in Bcf):				
Gathering	94	100	182	193

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Our Field Services business segment reported operating income of \$27 million for the three months ended June 30, 2007 compared to \$21 million for the three months ended June 30, 2006. Increased revenues due to higher throughput and ancillary services (\$9 million) was partially offset by increased operation and maintenance expenses related to cost increases and expanded operations (\$2 million).

In addition, this business segment recorded equity income of \$2 million in each of the three months ended June 30, 2006 and 2007 from its 50 percent interest in the Waskom plant. These amounts are included in Other – net under the Other Income (Expense) caption.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Our Field Services business segment reported operating income of \$49 million for the six months ended June 30, 2007 compared to \$45 million for the six months ended June 30, 2006. Continued increased demand for gas gathering and ancillary services (\$16 million) was partially offset by lower commodity prices (\$6 million) and increased operation and maintenance expenses related to cost increases and expanded operations (\$5 million).

In addition, this business segment recorded equity income of \$5 million and \$4 million in the six months ended June 30, 2006 and 2007, respectively, from its 50 percent interest in the Waskom plant. These amounts are included in Other – net under the Other Income (Expense) caption.

Other Operations

The following table shows the operating income (loss) of our Other Operations business segment for the three and six months ended June 30, 2006 and 2007 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenues	\$ 5	\$ 3	\$ 9	\$ 5
Expenses	2	1	11	5
Operating Income (Loss)	\$ 3	\$ 2	\$ (2)	\$ —

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on our future earnings, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings” in Item 7 of Part II; “Risk Factors” in Item 1A of Part I of our 2006 Form 10-K, “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q and “Cautionary Statement Regarding Forward-Looking Information.”

LIQUIDITY AND CAPITAL RESOURCES

Historical Cash Flows

The following table summarizes the net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, 2006 and 2007:

	Six Months Ended June 30,	
	2006	2007
	(in millions)	
Cash provided by (used in):		
Operating activities	\$ 517	\$ 427
Investing activities	(396)	(709)
Financing activities	202	267

Cash Provided by Operating Activities

Net cash provided by operating activities in the first six months of 2007 decreased \$90 million compared to the same period in 2006 primarily due to fuel under-recovery (\$115 million), increased tax payments (\$66 million), increased interest payments (\$59 million), increased gas storage inventory (\$50 million) and a decrease in other liabilities related to levelized customer payment plans (\$44 million). These decreases were partially offset by increased net accounts receivable/payable (\$64 million), decreased reductions in customer margin deposit requirements (\$77 million) and decreases in our margin deposit requirements (\$116 million).

Cash Used in Investing Activities

Net cash used in investing activities increased \$313 million in the first six months of 2007 as compared to the same period in 2006 primarily due to increased capital expenditures of \$283 million primarily related to pipeline projects for our Interstate Pipelines business segment.

Cash Provided by Financing Activities

Net cash provided by financing activities in the first six months of 2007 increased \$65 million compared to the same period in 2006 primarily due to increased short-term borrowings (\$38 million), increased net proceeds from commercial paper (\$353 million) and increased proceeds from long-term debt (\$76 million), which were partially offset by increased repayments of long-term debt (\$406 million).

Future Sources and Uses of Cash

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments, working capital needs, various regulatory actions and appeals relating to such regulatory actions. Our principal cash requirements for the remaining six months of 2007 include the following:

- approximately \$565 million of capital requirements;
- an investment in the Southeast Supply Header (SESH) pipeline project of approximately \$150 million;
- dividend payments on CenterPoint Energy common stock and debt service payments; and
- \$75 million of maturing transition bonds.

We expect that borrowings under our credit facilities and anticipated cash flows from operations will be sufficient to meet our cash needs for the remaining six months of 2007. Cash needs or discretionary financing or refinancing may also result in the issuance of equity or debt securities in the capital markets.

Securitization Bonds. In June 2007, the Texas legislature amended certain statutes authorizing amounts that can be securitized by utilities. On June 28, 2007, CenterPoint Houston filed a request with the Texas Utility Commission for a financing order that would allow the securitization of more than \$500 million, representing the

remaining balance of the Competition Transition Charge, or CTC, as well as the amount of fuel reconciliation settlement. The request also included provisions for deduction of the environmental refund if that is the method selected for refund and provisions for addressing the settlement of any issues associated with the True-Up Order pending in the courts that might be resolved prior to issuance of the bonds. CenterPoint Houston has reached substantial agreement with other parties to this proceeding which, if approved by the Texas Utility Commission, would result in a financing order that would authorize issuance of transition bonds by a new special purpose subsidiary of CenterPoint Houston. Assuming that order is issued, CenterPoint Houston expects to issue bonds prior to the end of 2007.

Convertible Debt. As of June 30, 2007, the 3.75% convertible senior notes discussed in Note 9(b) to our consolidated financial statements have been included as current portion of long-term debt in our Condensed Consolidated Balance Sheets because the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the second quarter of 2007 was greater than or equal to 120% of the conversion price of the 3.75% convertible senior notes and therefore, during the third quarter of 2007, the 3.75% convertible senior notes meet the criteria that make them eligible for conversion at the option of the holders of these notes.

Arkansas Public Service Commission (APSC), Affiliate Transaction Rulemaking Proceeding. In December 2006, the APSC adopted new rules governing affiliate transactions involving public utilities operating in Arkansas. In February 2007, in response to requests by CERC and other gas and electric utilities operating in Arkansas, the APSC granted reconsideration of the rules and stayed their operation in order to permit additional consideration. In May 2007, the APSC adopted revised rules, which incorporated many revisions proposed by the utilities, the Arkansas Attorney General and the APSC staff. The revised rules prohibit affiliated financing transactions for purposes not related to utility operations, but would permit the continuation of existing money pool and multi-jurisdictional financing arrangements such as those currently in place at CERC. Non-financial affiliate transactions would generally have to be priced under an asymmetrical pricing formula under which utilities would benefit from any difference between the cost of providing goods and services to or from the utility operations and the market value of those goods or services. However, corporate services provided at fully allocated cost such as those provided by service companies would be exempt. The rules also would restrict utilities from engaging in businesses other than utility and utility-related businesses if the total book value of non-utility businesses were to exceed 10 percent of the book value of the utility and its affiliates. However, existing businesses would be grandfathered under the revised rules. The revised rules would also permit utilities to petition for waivers of financing and non-financial rules that would otherwise be applicable to their transactions.

The APSC's revised rules impose record keeping, record access, employee training and reporting requirements related to affiliate transactions, including notification to the APSC of the formation of new affiliates that will engage in transactions with the utility and annual certification by the utility's president or chief executive officer and its chief financial officer of compliance with the rules. In addition, the revised rules require a report to the APSC in the event the utility's bond rating is downgraded in certain circumstances. Although the revised rules impose new requirements on CERC's operations in Arkansas, at this time neither we nor CERC anticipate that the revised rules will have an adverse effect on existing operations in Arkansas.

Off-Balance Sheet Arrangements. Other than operating leases and the guaranties described below, we have no off-balance sheet arrangements.

Prior to the distribution of our ownership in Reliant Energy, Inc. (RRI) to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guaranty obligations prior to separation, but at the time of separation in September 2002, RRI had been unable to extinguish all obligations. To secure us and CERC against obligations under the remaining guaranties, RRI agreed to provide cash or letters of credit for the benefit of CERC and us, and undertook to use commercially reasonable efforts to extinguish the remaining guaranties. CERC currently holds letters of credit in the amount of \$33.3 million issued on behalf of RRI against guaranties that have not been released. Our current exposure under the guaranties relates to CERC's guaranty of the payment by RRI of demand charges related to transportation contracts with one counterparty. RRI has advised us and CERC that it anticipates completing assignments of a portion of the capacity its trading subsidiary holds under those transportation contracts. If those transactions are completed as planned, the reduced level of demand charges will be approximately \$23 million per year through 2015, \$20 million in 2016, \$10 million

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in 2017 and \$3 million in 2018. RRI continues to meet its obligations under the transportation contracts, and we believe current market conditions make those contracts valuable for transportation services in the near term and that additional security is not needed at this time. However, changes in market conditions could affect the value of those contracts. If RRI should fail to perform its obligations under the transportation contracts, our exposure to the counterparty under the guaranty could exceed the security provided by RRI.

In June 2006, the RRI trading subsidiary and CERC jointly filed a complaint at the FERC against the counterparty on the CERC guaranty. In the complaint, the RRI trading subsidiary sought a determination by the FERC that the security demanded by the counterparty exceeded the level permitted by the FERC's policies. The complaint asked the FERC to require the counterparty to release CERC from its guaranty obligation and, in its place, accept substitute security provided by RRI. In July 2007, the FERC ruled on that complaint. In the case of one of the four transportation contracts, the FERC directed the counterparty either to permit the RRI trading subsidiary to substitute as collateral three months of demand charges for the CERC guaranty, or to show within thirty days why such substitution is not appropriate. In all other respects, the FERC denied the complaint. In addition to the FERC proceeding, in February 2007, we and CERC made a formal demand on RRI under procedures provided by the Master Separation Agreement, dated as of December 31, 2000, between Reliant Energy, Incorporated (Reliant Energy) and RRI. That demand seeks to resolve a disagreement with RRI over the amount of security RRI is obligated to provide with respect to this guaranty. In conjunction with discussion of that demand, we and RRI entered into an agreement in March 2007 to delay further proceedings regarding this dispute until October 2007 in order to permit further discussions.

Credit and Receivables Facilities. In June 2007, we, CenterPoint Houston and CERC Corp. entered into amended and restated bank credit facilities. Our amended credit facility is a \$1.2 billion five-year senior unsecured revolving credit facility. The facility has a first drawn cost of LIBOR plus 55 basis points based on our current credit ratings, versus the previous rate of LIBOR plus 60 basis points. The facility contains covenants, including a debt (excluding transition bonds) to earnings before interest, taxes, depreciation and amortization covenant.

The amended facility at CenterPoint Houston is a \$300 million five-year senior unsecured revolving credit facility. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CenterPoint Houston's current credit ratings. The facility contains covenants, including a debt (excluding transition bonds) to total capitalization covenant.

The amended facility at CERC Corp. is a \$950 million five-year senior unsecured revolving credit facility versus a \$550 million facility prior to the amendment. The facility's first drawn cost remains at LIBOR plus 45 basis points based on CERC Corp.'s current credit ratings. The facility contains covenants, including a debt to total capitalization covenant.

As of July 31, 2007, we had the following facilities (in millions):

<u>Date Executed</u>	<u>Company</u>	<u>Type of Facility</u>	<u>Size of Facility</u>	<u>Amount Utilized at July 31, 2007</u>	<u>Termination Date</u>
June 29, 2007	CenterPoint Energy	Revolver	\$1,200	\$537 ⁽¹⁾	June 29, 2012
June 29, 2007	CenterPoint Houston	Revolver	300	4 ⁽²⁾	June 29, 2012
June 29, 2007	CERC Corp.	Revolver	950	19 ⁽²⁾	June 29, 2012
October 31, 2006	CERC	Receivables	200	198	October 30, 2007

(1) Includes \$509 million of commercial paper supported by the credit facility and \$28 million of outstanding letters of credit.

(2) Represents outstanding letters of credit.

Under each of the credit facilities, an additional utilization fee of 5 basis points applies to borrowings any time more than 50% of the facility is utilized. The spread to LIBOR and the utilization fee fluctuate based on the borrower's credit rating. Borrowings under each of the facilities are subject to customary terms and conditions. However, there is no requirement that we, CenterPoint Houston or CERC Corp. make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under each of the credit facilities are subject to acceleration upon the occurrence of events of default that we, CenterPoint Houston or CERC Corp. consider customary.

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CERC's receivables facility terminates in October 2007. The facility size ranges from \$150 million to \$250 million during the period from June 30, 2007 to the October 30, 2007 termination date of the facility. At June 30, 2007, the \$225 million facility was fully utilized.

We, CenterPoint Houston and CERC Corp. are currently in compliance with the various business and financial covenants contained in the respective receivables and credit facilities.

The \$1.2 billion CenterPoint Energy credit facility backstops a \$1.0 billion commercial paper program under which we began issuing commercial paper in June 2005. As of June 30, 2007, there was approximately \$353 million of commercial paper outstanding. The commercial paper is rated "Not Prime" by Moody's Investors Service, Inc. (Moody's), "A-2" by Standard & Poor's Rating Services (S&P), a division of The McGraw-Hill Companies, and "F3" by Fitch, Inc. (Fitch) and, as a result, we do not expect to be able to rely on the sale of commercial paper to fund all of our short-term borrowing requirements. We cannot assure you that these ratings, or the credit ratings set forth below in "— Impact on Liquidity of a Downgrade in Credit Ratings," will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings and the execution of our commercial strategies.

Securities Registered with the SEC. As of June 30, 2007, CenterPoint Energy had a shelf registration statement covering senior debt securities, preferred stock and common stock aggregating \$750 million and CERC Corp. had a shelf registration statement covering \$350 million principal amount of senior debt securities.

Temporary Investments. As of June 30, 2007, we had no external temporary investments.

Money Pool. We have a money pool through which the holding company and participating subsidiaries can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of our commercial paper.

Impact on Liquidity of a Downgrade in Credit Ratings. As of July 31, 2007, Moody's, S&P, and Fitch had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

Company/Instrument	Moody's		S&P		Fitch	
	Rating	Outlook(1)	Rating	Outlook(2)	Rating	Outlook(3)
CenterPoint Energy Senior Unsecured Debt	Ba1	Stable	BBB-	Positive	BBB-	Stable
CenterPoint Houston Senior Secured Debt (First Mortgage Bonds)	Baa2	Stable	BBB	Positive	A-	Stable
CERC Corp. Senior Unsecured Debt	Baa3	Stable	BBB	Positive	BBB	Stable

- (1) A "stable" outlook from Moody's indicates that Moody's does not expect to put the rating on review for an upgrade or downgrade within 18 months from when the outlook was assigned or last affirmed.
- (2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.
- (3) A "stable" outlook from Fitch encompasses a one-to-two-year horizon as to the likely ratings direction.

A decline in credit ratings could increase borrowing costs under our \$1.2 billion credit facility, CenterPoint Houston's \$300 million credit facility and CERC Corp.'s \$950 million credit facility. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact our ability to complete capital market transactions. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce margins of our Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments.

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In September 1999, we issued 2.0% ZENS having an original principal amount of \$1.0 billion of which \$840 million remain outstanding. Each ZENS note is exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. common stock (TW Common) attributable to each ZENS note. If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS note holders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common that we own or from other sources. We own shares of TW Common equal to approximately 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because deferred tax liabilities related to the ZENS notes and TW Common shares become current tax obligations when ZENS notes are exchanged or otherwise retired and TW Common shares are sold. A tax obligation of approximately \$138 million relating to our "original issue discount" deductions on the ZENS would have been payable if all of the ZENS had been exchanged for cash on June 30, 2007. The ultimate tax obligation related to the ZENS notes continues to increase by the amount of the tax benefit realized each year and there could be a significant cash outflow when the taxes are paid as a result of the retirement of the ZENS notes.

CenterPoint Energy Services, Inc. (CES), a wholly owned subsidiary of CERC Corp. operating in our Competitive Natural Gas Sales and Services business segment, provides comprehensive natural gas sales and services primarily to commercial and industrial customers and electric and gas utilities throughout the central and eastern United States. In order to economically hedge its exposure to natural gas prices, CES uses derivatives with provisions standard for the industry, including those pertaining to credit thresholds. Typically, the credit threshold negotiated with each counterparty defines the amount of unsecured credit that such counterparty will extend to CES. To the extent that the credit exposure that a counterparty has to CES at a particular time does not exceed that credit threshold, CES is not obligated to provide collateral. Mark-to-market exposure in excess of the credit threshold is routinely collateralized by CES. As of June 30, 2007, the amount posted as collateral amounted to approximately \$32 million. Should the credit ratings of CERC Corp. (the credit support provider for CES) fall below certain levels, CES would be required to provide additional collateral on two business days' notice up to the amount of its previously unsecured credit limit. We estimate that as of June 30, 2007, unsecured credit limits extended to CES by counterparties aggregate \$149 million; however, utilized credit capacity is significantly lower. In addition, CERC Corp. and its subsidiaries purchase natural gas under supply agreements that contain an aggregate credit threshold of \$100 million based on CERC Corp.'s S&P Senior Unsecured Long-Term Debt rating of BBB. Upgrades and downgrades from this BBB rating will increase and decrease the aggregate credit threshold accordingly.

In connection with the development of SESH's 270-mile pipeline project, CERC Corp. has committed that it will advance funds to the joint venture or cause funds to be advanced for its 50 percent share of the cost to construct the pipeline. CERC Corp. also agreed to provide a letter of credit in an amount up to \$400 million for its share of funds that have not been advanced in the event S&P reduces CERC Corp.'s bond rating below investment grade before CERC Corp. has advanced the required construction funds. However, CERC Corp. is relieved of these commitments (i) to the extent of 50 percent of any borrowing agreements that the joint venture has obtained and maintains for funding the construction of the pipeline and (ii) to the extent CERC Corp. or its subsidiary participating in the joint venture obtains committed borrowing agreements pursuant to which funds may be borrowed and used for the construction of the pipeline. A similar commitment has been provided by the other party to the joint venture. As of June 30, 2007, CERC Corp.'s subsidiary, CenterPoint Energy Southeastern Pipelines Holding, LLC, has contributed \$52 million to SESH.

Cross Defaults. Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$50 million by us or any of our significant subsidiaries will cause a default. In addition, six outstanding series of our senior notes, aggregating \$1.4 billion in principal amount as of June 30, 2007, provide that a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of \$50 million, will cause a default. A default by CenterPoint Energy would not trigger a default under our subsidiaries' debt instruments or bank credit facilities.

Other Factors that Could Affect Cash Requirements. In addition to the above factors, our liquidity and capital resources could be affected by:

- cash collateral requirements that could exist in connection with certain contracts, including gas purchases, gas

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price hedging and gas storage activities of our Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments, particularly given gas price levels and volatility;

- acceleration of payment dates on certain gas supply contracts under certain circumstances, as a result of increased gas prices and concentration of natural gas suppliers;
- increased costs related to the acquisition of natural gas;
- increases in interest expense in connection with debt refinancings and borrowings under credit facilities;
- various regulatory actions;
- the ability of RRI and its subsidiaries to satisfy their obligations as the principal customers of CenterPoint Houston and in respect of RRI's indemnity obligations to us and our subsidiaries or in connection with the contractual obligations to a third party pursuant to which CERC is a guarantor;
- slower customer payments and increased write-offs of receivables due to higher gas prices or changing economic conditions;
- cash payments in connection with the exercise of contingent conversion rights of holders of convertible debt;
- the outcome of litigation brought by and against us;
- contributions to benefit plans;
- restoration costs and revenue losses resulting from natural disasters such as hurricanes; and
- various other risks identified in "Risk Factors" in Item 1A of our 2006 Form 10-K and "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q.

Certain Contractual Limits on Our Ability to Issue Securities and Borrow Money. CenterPoint Houston's credit facility limits CenterPoint Houston's debt (excluding transition bonds) as a percentage of its total capitalization to 65 percent. CERC Corp.'s bank facility and its receivables facility limit CERC's debt as a percentage of its total capitalization to 65 percent. Our \$1.2 billion credit facility contains a debt, excluding transition bonds, to EBITDA covenant. Additionally, CenterPoint Houston is contractually prohibited, subject to certain exceptions, from issuing additional first mortgage bonds.

CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the presentation of our financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates. An accounting estimate is an approximation made by management of a financial statement element, item or account in the financial statements. Accounting estimates in our historical consolidated financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. The accounting estimates described below require us to make assumptions about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that we could have used or changes in an accounting estimate that are reasonably likely to occur could have a material impact on the presentation of our financial condition or results of operations. The circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. Estimates and assumptions about future events and their effects cannot be predicted with certainty. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Our significant accounting policies are discussed in Note 2 to our consolidated financial statements in our 2006 Form 10-K. We believe the following accounting policies involve the application of critical accounting estimates. Accordingly, these accounting estimates have been reviewed and discussed with the audit committee of the board of directors.

Accounting for Rate Regulation

SFAS No. 71, “Accounting for the Effects of Certain Types of Regulation” (SFAS No. 71), provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Our Electric Transmission & Distribution business applies SFAS No. 71, which results in our accounting for the regulatory effects of recovery of stranded costs and other regulatory assets resulting from the unbundling of the transmission and distribution business from our former electric generation operations in our consolidated financial statements. Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Significant accounting estimates embedded within the application of SFAS No. 71 with respect to our Electric Transmission & Distribution business segment relate to \$300 million of recoverable electric generation-related regulatory assets as of June 30, 2007. These costs are recoverable under the provisions of the 1999 Texas Electric Choice Plan. Based on our analysis of the final order issued by the Public Utility Commission of Texas (Texas Utility Commission), we recorded an after-tax charge to earnings in 2004 of approximately \$977 million to write down our electric generation-related regulatory assets to their realizable value, which was reflected as an extraordinary loss. Based on subsequent orders received from the Texas Utility Commission, we recorded an extraordinary gain of \$30 million after-tax in the second quarter of 2005 related to the regulatory asset. Additionally, a district court in Travis County, Texas issued a judgment that would have the effect of restoring approximately \$650 million, plus interest, of disallowed costs. CenterPoint Houston and other parties appealed the district court judgment. Oral arguments before the Texas 3rd Court of Appeals were held in January 2007, but no prediction can be made as to when the court will issue a decision in this matter. No amounts related to the district court’s judgment have been recorded in our consolidated financial statements.

Impairment of Long-Lived Assets and Intangibles

We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually for goodwill as required by SFAS No. 142, “Goodwill and Other Intangible Assets.” No impairment of goodwill was indicated based on our annual analysis as of July 1, 2006. Unforeseen events and changes in circumstances and market conditions and material differences in the value of long-lived assets and intangibles due to changes in estimates of future cash flows, regulatory matters and operating costs could negatively affect the fair value of our assets and result in an impairment charge.

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations by third parties, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques.

Asset Retirement Obligations

We account for our long-lived assets under SFAS No. 143, “Accounting for Asset Retirement Obligations” (SFAS No. 143), and Financial Accounting Standards Board Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations — An Interpretation of SFAS No. 143” (FIN 47). SFAS No. 143 and FIN 47 require that an asset retirement obligation be recorded at fair value in the period in which it is incurred if a reasonable estimate of fair value can be made. In the same period, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. Rate-regulated entities may recognize regulatory assets or liabilities as a result of timing differences between the recognition of costs as recorded in accordance with SFAS No. 143 and FIN 47, and costs recovered through the ratemaking process.

We estimate the fair value of asset retirement obligations by calculating the discounted cash flows which are dependent upon the following components:

- Inflation adjustment — The estimated cash flows are adjusted for inflation estimates for labor, equipment, materials, and other disposal costs;
- Discount rate — The estimated cash flows include contingency factors that were used as a proxy for the market

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risk premium; and

- Third-party markup adjustments — Internal labor costs included in the cash flow calculation were adjusted for costs that a third party would incur in performing the tasks necessary to retire the asset.

Changes in these factors could materially affect the obligation recorded to reflect the ultimate cost associated with retiring the assets under SFAS No. 143 and FIN 47. For example, if the inflation adjustment increased 25 basis points, this would increase the balance for asset retirement obligations by approximately 3.0%. Similarly, an increase in the discount rate by 25 basis points would decrease asset retirement obligations by approximately the same percentage. At June 30, 2007, our estimated cost of retiring these assets is approximately \$87 million.

Unbilled Energy Revenues

Revenues related to the sale and/or delivery of electricity or natural gas (energy) are generally recorded when energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. Unbilled electricity delivery revenue is estimated each month based on daily supply volumes, applicable rates and analyses reflecting significant historical trends and experience. Unbilled natural gas sales are estimated based on estimated purchased gas volumes, estimated lost and unaccounted for gas and tariffed rates in effect. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Pension and Other Retirement Plans

We sponsor pension and other retirement plans in various forms covering all employees who meet eligibility requirements. We use several statistical and other factors that attempt to anticipate future events in calculating the expense and liability related to our plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as estimated by management, within certain guidelines. In addition, our actuarial consultants use subjective factors such as withdrawal and mortality rates. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded. Please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Other Significant Matters — Pension Plan” in Item 7 of our 2006 Form 10-K for further discussion.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to our Interim Condensed Financial Statements for a discussion of new accounting pronouncements that affect us.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk From Non-Trading Activities

We measure the commodity risk of our non-trading derivatives (Non-Trading Energy Derivatives) using a sensitivity analysis.

The sensitivity analysis performed on our non-trading energy derivatives measures the potential loss in fair value based on a hypothetical 10% movement in energy prices. At June 30, 2007, the recorded fair value of our non-trading energy derivatives was a net liability of \$34 million. The net liability consisted of a \$14 million net liability associated with price stabilization activities of our Natural Gas Distribution business segment and a net liability of \$20 million related to our Competitive Natural Gas Sales and Services business segment. Net assets or liabilities related to the price stabilization activities correspond directly with net over/under recovered gas cost liabilities or assets on the balance sheet. A decrease of 10% in the market prices of energy commodities from their June 30, 2007 levels would have decreased the fair value of our non-trading energy derivatives by \$85 million.

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

Interest Rate Risk

We have outstanding long-term debt, bank loans, some lease obligations and our obligations under the ZENS that subject us to the risk of loss associated with movements in market interest rates.

Our floating-rate obligations aggregated \$578 million at June 30, 2007. If the floating interest rates were to increase by 10% from June 30, 2007 rates, our annual interest expense would increase by approximately \$3 million.

At June 30, 2007, we had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$8.9 billion in principal amount and having a fair value of \$9.3 billion. These instruments are fixed-rate and, therefore, do not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$334 million if interest rates were to decline by 10% from their levels at June 30, 2007. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

Upon adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), effective January 1, 2001, the ZENS obligation was bifurcated into a debt component and a derivative component. The debt component of \$113 million at June 30, 2007 is a fixed-rate obligation and, therefore, does not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of the debt component would increase by approximately \$18 million if interest rates were to decline by 10% from levels at June 30, 2007. Changes in the fair value of the derivative component will be recorded in our Condensed Statements of Consolidated Income and, therefore, we are exposed to changes in the fair value of the derivative component as a result of changes in the underlying risk-free interest rate. If the risk-free interest rate were to increase by 10% from June 30, 2007 levels, the fair value of the derivative component would increase by approximately \$6 million, which would be recorded as a loss in our Condensed Statements of Consolidated Income.

Equity Market Value Risk

We are exposed to equity market value risk through our ownership of 21.6 million shares of TW Common, which we hold to facilitate our ability to meet our obligations under the ZENS. A decrease of 10% from the June 30, 2007 market value of TW Common would result in a net loss of approximately \$4 million, which would be recorded as a loss in our Condensed Statements of Consolidated Income.

Item 4. CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2007 to provide assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There has been no change in our internal controls over financial reporting that occurred during the three months ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of certain legal and regulatory proceedings affecting CenterPoint Energy, please read Notes 4 and 10 to our Interim Condensed Financial Statements, each of which is incorporated herein by reference. See also “Business — Regulation” and “ — Environmental Matters” in Item 1 and “Legal Proceedings” in Item 3 of our 2006 Form 10-K.

Item 1A. RISK FACTORS

Other than with respect to the risk factors set forth below, there have been no material changes from the risk factors disclosed in our 2006 Form 10-K.

The states in which CERC provides regulated local gas distribution may, either through legislation or rules, adopt restrictions similar to those under the Public Utility Holding Company Act of 1935 Act (1935 Act) regarding organization, financing and affiliate transactions that could have significant adverse effects on CERC's ability to operate its utility operations.

The 1935 Act provided a comprehensive regulatory structure governing the organization, capital structure, intracompany relationships and lines of business that could be pursued by registered holding companies and their member companies. Following repeal of that Act, some states have sought to expand their own regulatory frameworks to give their regulatory authorities increased jurisdiction and scrutiny over similar aspects of the utilities that operate in their states. Some of these frameworks attempt to regulate financing activities, acquisitions and divestitures, and arrangements between the utilities and their affiliates, and to restrict the level of non-utility businesses that can be conducted within the holding company structure. Additionally they may impose record keeping, record access, employee training and reporting requirements related to affiliate transactions and reporting in the event of certain downgrading of the utility's bond rating.

These regulatory frameworks could have adverse effects on CERC's ability to operate its utility operations, to finance its business and to provide cost-effective utility service. In addition, if more than one state adopts restrictions over similar activities, it may be difficult for CenterPoint Energy and CERC to comply with competing regulatory requirements.

We, CenterPoint Houston and CERC could incur liabilities associated with businesses and assets that we have transferred to others.

Under some circumstances, we and CenterPoint Houston could incur liabilities associated with assets and businesses we and CenterPoint Houston no longer own. These assets and businesses were previously owned by Reliant Energy, a predecessor of CenterPoint Houston, directly or through subsidiaries and include:

- those transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001; and
- those transferred to Texas Genco Holdings, Inc. (Texas Genco) in connection with its organization and capitalization.

In connection with the organization and capitalization of RRI, RRI and its subsidiaries assumed liabilities associated with various assets and businesses Reliant Energy transferred to them. RRI also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston and CERC, with respect to liabilities associated with the transferred assets and businesses. These indemnity provisions were intended to place sole financial responsibility on RRI and its subsidiaries for all liabilities associated with the current and historical businesses and operations of RRI, regardless of the time those liabilities arose. If RRI were unable to satisfy a liability that has been so assumed in circumstances in which Reliant Energy and its subsidiaries were not released from the liability in connection with the transfer, we, CenterPoint Houston or CERC could be responsible for satisfying the liability.

Prior to the Company's distribution of its ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guaranty obligations prior to separation, but at the time of separation in September 2002, RRI had been unable to extinguish all obligations. To secure the Company and CERC against obligations under the remaining guaranties, RRI agreed to provide cash or letters of credit for the benefit of CERC and the Company, and undertook to use commercially reasonable efforts to extinguish the remaining guaranties. CERC currently holds letters of credit in the amount of \$33.3 million issued on behalf of RRI against guaranties that have not been released. RRI may be unable to obtain a release of CERC under some of the remaining guarantees, and one of those guarantees has been issued to support long-term transportation contracts that extend to 2018. There can be no assurance that the letters of credit held by CERC will be sufficient to satisfy CERC's obligations on the remaining guaranties if RRI were to fail to perform its obligation to the counterparties, and RRI may be unable or unwilling to provide increased security from time to time to protect CERC if CERC's exposures on such guarantees were to exceed the amount of the letters of credit held as security.

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RRI's unsecured debt ratings are currently below investment grade. If RRI were unable to meet its obligations, it would need to consider, among various options, restructuring under the bankruptcy laws, in which event RRI might not honor its indemnification obligations and claims by RRI's creditors might be made against us as its former owner.

Reliant Energy and RRI are named as defendants in a number of lawsuits arising out of energy sales in California and other markets and financial reporting matters. Although these matters relate to the business and operations of RRI, claims against Reliant Energy have been made on grounds that include the effect of RRI's financial results on Reliant Energy's historical financial statements and liability of Reliant Energy as a controlling shareholder of RRI. We or CenterPoint Houston could incur liability if claims in one or more of these lawsuits were successfully asserted against us or CenterPoint Houston and indemnification from RRI were determined to be unavailable or if RRI were unable to satisfy indemnification obligations owed with respect to those claims.

In connection with the organization and capitalization of Texas Genco, Texas Genco assumed liabilities associated with the electric generation assets Reliant Energy transferred to it. Texas Genco also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston, with respect to liabilities associated with the transferred assets and businesses. In many cases the liabilities assumed were obligations of CenterPoint Houston and CenterPoint Houston was not released by third parties from these liabilities. The indemnity provisions were intended generally to place sole financial responsibility on Texas Genco and its subsidiaries for all liabilities associated with the current and historical businesses and operations of Texas Genco, regardless of the time those liabilities arose. In connection with the sale of Texas Genco's fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC, the separation agreement we entered into with Texas Genco in connection with the organization and capitalization of Texas Genco was amended to provide that all of Texas Genco's rights and obligations under the separation agreement relating to its fossil generation assets, including Texas Genco's obligation to indemnify us with respect to liabilities associated with the fossil generation assets and related business, were assigned to and assumed by Texas Genco LLC. In addition, under the amended separation agreement, Texas Genco is no longer liable for, and we have assumed and agreed to indemnify Texas Genco LLC against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies or other similar agreements held by us. If Texas Genco or Texas Genco LLC were unable to satisfy a liability that had been so assumed or indemnified against, and provided Reliant Energy had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations we own, but most existing claims relate to facilities previously owned by our subsidiaries but currently owned by Texas Genco LLC, which is now known as NRG Texas LP. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the arrangements regarding separation of the generating business from us and its sale to Texas Genco LLC, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by Texas Genco LLC and its successor, but we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by Texas Genco LLC.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In 2007, we have issued 1,726 shares of our common stock upon conversion of \$56,000 aggregate principal amount of our 3.75% Convertible Senior Notes due 2023, as set forth in the table below:

Settlement Date of Conversion	Principal Amount of Notes Converted	Number of Shares of Common Stock Issued*
March 6, 2007	\$ 2,000	66
July 13, 2007	54,000	1,660
TOTAL:	\$ 56,000	1,726

* The number of shares issued in respect of any principal amount of notes converted is in addition to payment of cash in an amount equal to the principal amount of such notes and cash in lieu of fractional shares.

The shares of our common stock were issued solely to former holders of our 3.75% Convertible Senior Notes due 2023 upon conversion pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended. This exemption is available because the shares of our common stock were exchanged by us with our existing security holders exclusively where no commission or other remunerations was paid or given directly or indirectly for soliciting such an exchange.

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

At the annual meeting of our shareholders held on May 24, 2007, the matters voted upon and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes as to such matters (including a separate tabulation with respect to each nominee for office), were as stated below:

The following nominee for Class I Director was elected to serve a two-year term expiring at the 2009 annual meeting of shareholders (there were no abstentions or broker non-votes):

Nominee	For	Withheld
Michael E. Shannon	196,934,549	78,107,852

The following nominees for Class II Directors were elected to serve three-year terms expiring at the 2010 annual meeting of shareholders (there were no abstentions or broker non-votes):

Nominees	For	Withheld
Donald R. Campbell	197,198,318	77,844,083
Milton Carroll	185,813,861	89,228,540
Peter S. Wareing	197,747,261	77,295,140

O. Holcombe Crosswell, Janiece M. Longoria, Thomas F. Madison, Derrill Cody, David M. McClanahan and Robert T. O'Connell all continue as directors of CenterPoint Energy.

The appointment of Deloitte & Touche LLP as independent registered public accountants for CenterPoint Energy for 2007 was ratified with 267,445,892 votes for, 4,669,418 votes against, 2,927,088 abstentions and no broker non-votes.

The shareholder proposal regarding the future elections of directors annually and not by classes received the required affirmative vote of a majority of the shares of common stock represented at the meeting. The proposal received 154,930,145 votes for, 67,746,400 votes against, 4,049,922 abstentions and 48,315,933 broker non-votes. As a result, our board of directors intends, subject to the proper exercise of its fiduciary duties, to introduce a

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binding proposal at the 2008 annual meeting of shareholders to amend our Restated Articles of Incorporation in order to eliminate our board of directors' classified structure.

Item 5. OTHER INFORMATION

The ratio of earnings to fixed charges for the six months ended June 30, 2006 and 2007 was 1.76 and 1.87, respectively. We do not believe that the ratios for these six month periods are necessarily indicators of the ratios for the twelve-month periods due to the seasonal nature of our business. The ratios were calculated pursuant to applicable rules of the Securities and Exchange Commission.

Item 6. EXHIBITS

The following exhibits are filed herewith:

Exhibits not incorporated by reference to a prior filing are designated by a cross (+); all exhibits not so designated are incorporated by reference to a prior filing of CenterPoint Energy, Inc.

<u>Exhibit Number</u>	<u>Description</u>	<u>Report or Registration Statement</u>	<u>SEC File or Registration Number</u>	<u>Exhibit Reference</u>
3.1.1	— Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Registration Statement on Form S-4	3-69502	3.1
3.1.2	— Articles of Amendment to Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.1.1
3.2	— Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.2
3.3	— Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.3
4.1	— Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
4.2	— Rights Agreement dated January 1, 2002, between CenterPoint Energy and JPMorgan Chase Bank, as Rights Agent	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.2
+4.3	— \$1,200,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CenterPoint Energy, as Borrower, and the banks named therein			
+4.4	— \$300,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CenterPoint Houston, as Borrower, and the banks named therein			
+4.5	— \$950,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CERC Corp., as Borrower, and the banks named therein			
4.6	— Indenture, dated as of February 1, 1998, between Reliant Energy Resources Corp. and Chase Bank of Texas, National Association, as Trustee	CERC Corp.'s Form 8-K dated February 5, 1998	1-13265	4.1

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<u>Exhibit Number</u>	<u>Description</u>	<u>Report or Registration Statement</u>	<u>SEC File or Registration Number</u>	<u>Exhibit Reference</u>
4.7	— Supplemental Indenture No. 10 to Exhibit 4.6, dated as of February 6, 2007, providing for the issuance of CERC Corp.'s 6.25% Senior Notes due 2037	CenterPoint Energy's Form 10-K for the year ended December 31, 2006	1-31447	4(f)(11)
4.8	— Indenture, dated as of May 19, 2003, between CenterPoint Energy and JPMorgan Chase Bank, as Trustee	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.1
4.9	— Supplemental Indenture No. 7 to Exhibit 4.8, dated as of February 6, 2007, providing for the issuance of CenterPoint Energy's 5.95% Senior Notes due 2017	CenterPoint Energy's Form 10-K for the year ended December 31, 2006	1-31447	4(g)(8)
10.1	— Letter Agreement dated May 31, 2007 between CenterPoint Energy, Inc. and Milton Carroll, Non-Executive Chairman of the Board of Directors of CenterPoint Energy, Inc.	CenterPoint Energy's Form 8-K dated May 31, 2007	1-31447	10.1
+12	— Computation of Ratios of Earnings to Fixed Charges			
+31.1	— Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	— Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	— Section 1350 Certification of David M. McClanahan			
+32.2	— Section 1350 Certification of Gary L. Whitlock			
+99.1	— Items incorporated by reference from the CenterPoint Energy Form 10-K. Item 1A "Risk Factors"			

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Report or Registration Statement</u>	<u>SEC File or Registration Number</u>	<u>Exhibit Reference</u>
3.1.1	— Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Registration Statement on Form S-4	3-69502	3.1
3.1.2	— Articles of Amendment to Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.1.1
3.2	— Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.2
3.3	— Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.3
4.1	— Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
4.2	— Rights Agreement dated January 1, 2002, between CenterPoint Energy and JPMorgan Chase Bank, as Rights Agent	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.2
+4.3	— \$1,200,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CenterPoint Energy, as Borrower, and the banks named therein			
+4.4	— \$300,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CenterPoint Houston, as Borrower, and the banks named therein			
+4.5	— \$950,000,000 Second Amended and Restated Credit Agreement dated as of June 29, 2007, among CERC Corp., as Borrower, and the banks named therein			
4.6	— Indenture, dated as of February 1, 1998, between Reliant Energy Resources Corp. and Chase Bank of Texas, National Association, as Trustee	CERC Corp.'s Form 8-K dated February 5, 1998	1-13265	4.1

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<u>Exhibit Number</u>	<u>Description</u>	<u>Report or Registration Statement</u>	<u>SEC File or Registration Number</u>	<u>Exhibit Reference</u>
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+32.2	— Section 1350 Certification of Gary L. Whitlock			
+99.1	— Items incorporated by reference from the CenterPoint Energy Form 10-K. Item 1A "Risk Factors"			

\$1,200,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2007

Among

CENTERPOINT ENERGY, INC.,

as Borrower,

THE BANKS PARTIES HERETO,

CITIBANK, N.A.,

as Syndication Agent,

BARCLAYS BANK PLC,

BANK OF AMERICA, NATIONAL ASSOCIATION

and

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,

as Co-Documentation Agents

and

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent

**J.P. MORGAN SECURITIES INC. and
CITIGROUP GLOBAL MARKETS INC.,**

as Joint Lead Arrangers and Bookrunners

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- Exhibit B - Notice of Interest Conversion/Continuation
- Exhibit C - Assignment and Acceptance
- Exhibit D-1 - Note
- Exhibit D-2 - Swingline Note
- Exhibit E - Assumption Agreement

This Second Amended and Restated Credit Agreement (this "Agreement"), dated as of June 29, 2007, among CenterPoint Energy, Inc., a Texas corporation (the "Borrower"), the banks and other financial institutions from time to time parties hereto (individually, a "Bank" and, collectively, the "Banks"), Citibank, N.A., as syndication agent (in such capacity, the "Syndication Agent"), Barclays Bank PLC, Bank of America, National Association and Credit Suisse, Cayman Islands Branch, as co-documentation agents (in such capacities, the "Documentation Agents") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, together with any successors thereto in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower entered into that certain Existing Credit Agreement (as defined below); and

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated in its entirety as provided herein;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto agree that on the Closing Date, the Existing Credit Agreement shall be, and hereby is, amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR" means for any day, a rate per annum (rounded upwards, if necessary, to the next 1/64 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" means the rate of per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank, N.A. in connection with extensions of credit to debtors). Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loan" means a Loan that bears interest at the ABR as provided in Section 3.3.

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

"Affiliate" means any Person that, directly or indirectly, Controls or is Controlled by or is under common Control with another Person.

“Agents” means the collective reference to the Syndication Agent, the Documentation Agents and the Administrative Agent.

“Agreement” has the meaning specified in the introduction to this Agreement.

“Applicable Margin” means the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due:

<u>Designated Rating</u>	<u>LIBOR Rate Margin</u>	<u>ABR Margin</u>
Higher than BBB+/Baa1/BBB+	0.25%	0.00%
BBB+/Baa1/BBB+	0.35%	0.00%
BBB/Baa2/BBB	0.45%	0.00%
BBB-/Baa3/BBB-	0.55%	0.00%
BB+/Ba1/BB+	0.70%	0.00%
Lower than BB+/Ba1/BB+	1.00%	0.00%

The Designated Ratings referred to above are issued by S&P, Moody’s and Fitch, respectively.

“Application” means an application, in such form as an Issuing Bank may specify from time to time, requesting such Issuing Bank to issue a Letter of Credit.

“Assignment and Acceptance” has the meaning specified in Section 10.6(c).

“Assuming Bank” has the meaning specified in Section 2.6(d).

“Assumption Agreement” has the meaning specified in Section 2.6(d).

“Available Commitment” means, as to any Bank at any time, an amount equal to the excess, if any, of (a) such Bank’s Commitment then in effect over (b) such Bank’s Outstanding Extensions of Credit then outstanding; provided, that in calculating any Bank’s Outstanding Extensions of Credit for the purpose of determining such Bank’s Available Commitment pursuant to Section 3.2, the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Bank” and “Banks” have the meanings specified in the introduction to this Agreement. Unless the context otherwise requires, the term “Banks” includes the Swingline Lender.

“Bank Affiliate” means, (a) with respect to any Bank, (i) an Affiliate of such Bank that is a bank or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Bank or an Affiliate of such Bank and (b) with respect to

any Bank that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by such Bank, an Affiliate of such Bank or the same investment advisor as such Bank or by an Affiliate of such investment advisor.

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

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

“Borrower” has the meaning specified in the introduction to this Agreement.

“Borrowing” means a borrowing consisting of Loans under Section 2.1 (or Swingline Loans made pursuant to Section 2.4) of the same Type, and having, in the case of LIBOR Rate Loans, the same Interest Period, made on the same day by the Banks.

“Borrowing Date” means any Business Day specified by the Borrower as a date on which the Borrower requests the Banks to make Loans hereunder.

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

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

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person (other than a corporation), including without limitation, partnership interests in partnerships and member interests in limited liability companies, and any and all warrants or options to purchase any of the foregoing or securities convertible into any of the foregoing.

“CEHE Facility” means the \$300,000,000 Second Amended and Restated Credit Agreement, dated as of the date hereof, among CenterPoint Electric, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions and agents parties thereto, as amended, modified or supplemented from time to time.

“CenterPoint Electric” means CenterPoint Energy Houston Electric, LLC, a Texas limited liability company, and a Wholly-Owned Subsidiary of the Borrower.

“Change in Control” means, with respect to the Borrower, the acquisition by any Person or “group” (within the meaning of Rule 13d-5 of the Exchange Act) of beneficial ownership (determined in accordance with Rule 13d-3 of the Exchange Act) of Capital Stock of the Borrower, the result of which is that such Person or group beneficially owns 50% or more of the aggregate voting power of all then issued and outstanding Capital Stock of the Borrower. For purposes of the foregoing, the phrase “voting power” means, with respect to an issuer, the power under ordinary circumstances to vote for the election of members of the board of directors of such issuer.

“Closing Date” means the date, on or before July 31, 2007, all the conditions set forth in Section 6.1 are satisfied (or waived) in accordance with the terms hereof.

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

“Commitment” means, as to any Bank, the obligation of such Bank, if any, to make Loans and participate in L/C Obligations and Swingline Loans in an aggregate principal and/or face amount not to exceed the amount set forth under the heading “Commitment” opposite such Bank’s name on Schedule 1.1(A) and/or in the Assignment and Acceptance pursuant to which such Bank became a party hereto, as the same may be changed from time to time pursuant to the terms hereof, including, without limitation, the terms of Section 2.6 and Section 4.5; and “Commitments” shall be the collective reference to the Commitments of all of the Banks. The original amount of the Total Commitments is \$1,200,000,000.

“Commitment Date” has the meaning specified in Section 2.6(b).

“Commitment Fee” means, as to any Bank, the fee equal to the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due on the Available Commitment of such Bank:

<u>Designated Rating</u>	<u>Commitment Fee</u>
Higher than BBB+/Baa1/BBB+	0.06%
BBB+/Baa1/BBB+	0.07%
BBB/Baa2/BBB	0.09%
BBB-Baa3/BBB-	0.125%
BB+/Ba1/BB+	0.175%
Lower than BB+/Ba1/BB+	0.20%

The Designated Ratings referred to above are issued by S&P, Moody's and Fitch, respectively.

“Commitment Increase” has the meaning specified in Section 2.6(a).

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

“Communications” has the meaning specified in Section 10.2(b).

“Confidential Information Memorandum” means the Confidential Information Memorandum, dated May 2007.

“Consolidated EBITDA” means, for any twelve-month period ending on the date of determination, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, distributions on Hybrid Equity Securities (to the extent not included in interest expense and to the extent deducted to arrive at Consolidated Net Income), amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans) of the Borrower and its Consolidated Subsidiaries (other than a Project Financing Subsidiary) and amortization of settlement payments previously made on forward-starting Swap Agreements, (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business or losses on the extinguishment of the ZENS), and (f) any other non-cash charges, and minus, to the extent included as income in the statement of such Consolidated Net Income for such period, the sum of (a) interest income, (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business or gains on the extinguishment of the ZENS), (c) any other non-cash income, (d) Transition Charges Principal and Interest, and (e) the aggregate pre-tax principal amount of CTC Recoveries, all as determined on a consolidated basis. For purposes of this definition, (a) any results of operations classified as “discontinued operations” in accordance with GAAP will be included in the manner set forth above and (b) the Consolidated Net Income and the additions and subtractions set forth above shall not include such amounts in respect of any Project Finance Subsidiaries.

“Consolidated Indebtedness” means, as of any date of determination, the sum of

(i) the total Indebtedness for Borrowed Money of the Borrower and its Consolidated Subsidiaries as shown on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, determined without duplication of any Guarantee of Indebtedness of the Borrower by any of its Consolidated Subsidiaries or of any Guarantee of Indebtedness of any such Consolidated Subsidiary by the Borrower or any other Consolidated Subsidiary of the Borrower, plus

(ii) any Mandatory Payment Preferred Stock, less

(iii) the amount of Indebtedness described in clause (i) attributable to amounts then outstanding under receivables facilities or arrangements to the extent that such amounts would not have been shown as Indebtedness on a balance sheet prepared in accordance with GAAP prior to January 1, 1997, less

(iv) the aggregate amount of liabilities constituting Indebtedness for Borrowed Money in respect of any Indexed Debt Security as shown on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, less

(v) the amount of CTC Recoveries of the Borrower and its Consolidated Subsidiaries approved by the PUC, less

(vi) Non-Recourse Debt.

“Consolidated Net Income” means, for any period, the consolidated net income (or loss) of the Borrower and its Consolidated Subsidiaries (other than a Project Financing Subsidiary), determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Consolidated Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Consolidated Subsidiaries and (b) the income (or deficit) of any Person (other than a Consolidated Subsidiary of the Borrower) in which the Borrower or any of its Consolidated Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Consolidated Subsidiary in the form of dividends or similar distributions.

“Consolidated Subsidiary” means, with respect to a specified Person at any date, any Subsidiary or any other Person (other than with respect to the Borrower, any Securitization Subsidiary or any Unrestricted Subsidiary), the accounts of which under GAAP would be consolidated with those of such specified Person in its consolidated financial statements as of such date.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any written agreement, instrument or other written undertaking to which such Person is a party or by which it or any of its property is bound.

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

“CTC Recoveries” means the principal balance remaining to be collected from retail electric providers in respect of stranded costs and certain power market price and fuel cost recovery true-ups.

“Declining Lender” has the meaning specified in Section 2.7.

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

“Default Rate” means with respect to any overdue amount owed hereunder, a rate per annum equal to (a) in the case of overdue principal with respect to any Loan, the sum of the interest rate in effect at such time with respect to such Loan under Section 3.3, plus 2%; provided that in the case of overdue principal with respect to any LIBOR Rate Loan, after the end of the Interest Period with respect to such Loan, the Default Rate shall equal the rate set forth in clause (c) below, (b) in the case of overdue principal with respect to any Reimbursement Obligations, the sum of the interest rate per annum in effect at such time with respect to ABR Loans under Section 3.3, plus 2%, and (c) in the case of overdue interest with respect to any Loan, Commitment Fees, Utilization Fees or other amounts payable hereunder, the sum of the interest rate per annum in effect at such time with respect to ABR Loans, plus 2%.

“Designated Rating” means (a) if the Ratings are split and all three Ratings fall in different levels, the level indicated by the middle Rating; (b) if the Ratings are split and two of the Ratings fall in the same level (the “Majority Level”) and the third Rating is in a different level, the Majority Level; (c) if only two of the Rating Agencies issue a Rating, the higher of such Ratings, provided that if the higher Rating is two or more levels above the lower Rating, the rating next above the lower of the two Ratings shall be the Designated Rating; and (d) if only one Rating Agency issues a Rating, such Rating. Any change in the calculation of the Applicable Margin with respect to the Borrower that is caused by a change in the Designated Rating will become effective on the date of the change in the Designated Rating. If the rating system of any Rating Agency shall change, or if any of S&P, Moody’s or Fitch shall cease to be in the business of rating corporate debt obligations, the Borrower and the Administrative Agent shall negotiate in good faith if necessary to amend this definition and the definitions of “Rating” and “Rating Agencies” to reflect such changed rating system or the unavailability of Ratings from such Rating Agencies and, pending the effectiveness of any such amendment, the Designated Rating shall be determined by reference to the Rating most recently in effect prior to such change or cessation.

“Disposition” means with respect to any Property (excluding cash and cash equivalents), any sale, lease, sale and leaseback, assignment, conveyance, transfer or

other disposition thereof outside the ordinary course of business. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Documentation Agents” has the meaning specified in the introduction to this Agreement.

“Dollars” and the symbol “\$” mean the lawful currency of the United States.

“Early Funding ABR Loan” has the meaning specified in Section 2.2(a).

“Eligible Assignee” means (i) a Bank; (ii) an Affiliate of a Bank; and (iii) any other financial institution that is a “qualified purchaser” as defined under the Investment Company Act of 1940 and is approved by the Administrative Agent, each Issuing Bank and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 10.6, the Borrower, such approval not to be unreasonably withheld or delayed.

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

“Event of Default” has the meaning specified in Section 8.1.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Existing Credit Agreement” means the \$1,200,000,000 Amended and Restated Credit Agreement, dated as of March 31, 2006, among the Borrower, the Administrative Agent and other financial institutions parties thereto, as heretofore amended, modified or supplemented.

“Existing Credit Facility” means the credit facility provided under the Existing Credit Agreement.

“Existing Issuing Banks” means each of JPMorgan Chase Bank, N.A. and Citibank, N.A., in their respective capacities as issuers of the Existing Letters of Credit.

“Existing Letters of Credit” means the letters of credit issued under the Existing Credit Facility described on Schedule 1.1(B).

“Extended Termination Date” has the meaning specified in Section 2.7.

“Extending Lender” has the meaning specified in Section 2.7.

“Facility” means the Commitments and the extensions of credit made thereunder.

“Federal Funds Effective Rate” means, for any day, a fluctuating rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if

such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Borrower.

“Fitch” means Fitch Ratings and any successor rating agency.

“Funding Office” means the office of the Administrative Agent specified in Section 10.2(a) or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Banks.

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

“General Mortgage Indenture” means the General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Electric and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as trustee, as amended, modified or supplemented from time to time.

“Global Coordinators” means J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., in their capacities as global coordinators.

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

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

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

“Hybrid Equity Securities” means, on any date (the “determination date”), any securities issued by the Borrower or a Restricted Subsidiary, other than common stock, that meet the following criteria: (a) the Borrower demonstrates that such securities are classified, at the time they are issued, as possessing a minimum of “intermediate equity content” by S&P and “Basket C equity credit” by Moody’s (or the equivalent classifications then in effect by such agencies) and (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the later of the termination of the Commitments and the repayment in full of the Obligations. As used in this definition, “mandatory redemption” shall not include conversion of a security into common stock.

“Increase Date” has the meaning specified in Section 2.6(a).

“Increasing Bank” has the meaning specified in Section 2.6(b).

“Indebtedness” of any Person means the sum of (a) all items (other than Capital Stock, capital surplus, retained earnings, other comprehensive income, treasury stock and any other items that would properly be included in shareholder equity) that, in accordance with GAAP consistently applied, would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date on which the Indebtedness is to be determined, (b) all obligations of such Person, contingent or otherwise, as account party or applicant (or equivalent status) in respect of any standby letters of credit or equivalent instruments, and (c) without duplication, the amount of Guarantees by such Person of items described in clauses (a) and (b); provided, however, that Indebtedness of a Person shall not include (i) any Junior Subordinated Debt owned by any issuer of Hybrid Equity Securities, (ii) any Guarantee by the Borrower or its Subsidiaries of payments with respect to any Hybrid Equity Securities, (iii) any Securitization Securities or (iv) any Hybrid Equity Securities.

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

“Indexed Debt Securities” means (i) the ZENS and (ii) any other security issued by the Borrower or any Consolidated Subsidiary of the Borrower that (a) (x) in

accordance with GAAP, is shown on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as Indebtedness or a liability and (y) the obligations at maturity of which may under certain circumstances be satisfied completely by the delivery of, or the amount of such obligations are determined by reference to, (1) an equity security owned by the Borrower or any of its Consolidated Subsidiaries which is issued by an issuer other than the Borrower or any such Consolidated Subsidiary or (2) an underlying commodity or security owned by the Borrower or any of its Consolidated Subsidiaries, (b) with respect to which the Borrower or any Consolidated Subsidiary of the Borrower either (x) owns or has in effect rights providing substantially the economic effect, in such context, of owning, a sufficient amount of the Indexed Asset relating thereto to satisfy completely its obligations at maturity thereof or (y) has in effect a hedging arrangement sufficient to enable it to satisfy completely its obligations at maturity thereof and (c) with respect to which the liabilities have increased from the amount of liabilities in respect thereof at the time of their issuance by reason of an increase in the price of the Indexed Asset relating thereto, the excess of (x) the aggregate amount of liabilities in respect of such Indexed Debt Securities at the time of determination over (y) the initial amount of liabilities in respect of such Indexed Debt Securities at the time of their issuance, provided that at the time of determination such increase in the price of the Indexed Asset relating to such Indexed Debt Securities has not been recorded in such consolidated balance sheet.

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

“Interest Period” means, for each LIBOR Rate Loan comprising part of the same Borrowing, the period commencing on the date of such LIBOR Rate Loan or the date of the conversion of any Loan into such LIBOR Rate Loan, as the case may be, and ending on the last day of the period selected by the Borrower pursuant to Section 2.2 or 3.6, as the case may be, and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to Section 3.6. The duration of each such Interest Period shall be two weeks or one, two, three or six months (or such other period as may be approved by the Administrative Agent), as Borrower may select by notice pursuant to Section 2.2 or 3.6 hereof, provided, however, that:

- (i) any Interest Period in respect of a Loan that would otherwise extend beyond the Termination Date shall end on the Termination Date;
- (ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day, and
- (iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar

month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

“Investment” has the meaning specified in Section 7.2(g).

“Issuing Bank” means (i) the Existing Issuing Banks, (ii) JPMorgan Chase Bank, N.A., and SunTrust Bank, each in its capacity as issuer of any Letter of Credit, provided, however, that neither JPMorgan Chase Bank, N.A. nor SunTrust Bank shall be required, without the consent of such Issuing Bank, to issue Letters of Credit in excess of \$100,000,000 at any time outstanding for each such Issuing Bank, and (iii) any other Bank, in such capacity, selected to be an Issuing Bank by the Borrower with the consent of the Administrative Agent, which shall not be unreasonably withheld, and such Bank. Any reference to an Issuing Bank herein means the applicable institution issuing the applicable Letter of Credit.

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

“L/C Commitment” means the amount of \$200,000,000.

“L/C Fee Payment Date” means the last day of each March, June, September and December, commencing on June 30, 2007 while the L/C Commitment remains in effect and the Termination Date.

“L/C Obligations” means, at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired face amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 2.5.

“L/C Participants” means the collective reference to all the Banks other than the Issuing Bank in their respective capacities as participants in L/C Obligations.

“Lead Arrangers” means J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., in their capacities as joint lead arrangers and bookrunners.

“Letters of Credit” has the meaning assigned to such term in Section 2.5(a)(ii).

“LIBOR Rate” means, with respect to each day during each Interest Period pertaining to a LIBOR Rate Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first days of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise

on such screen), the “LIBOR Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“LIBOR Rate Loan” means a Loan that bears interest at the LIBOR Rate as provided in Section 3.3(b).

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

“Loans” means the loans made by the Banks to the Borrower pursuant to this Agreement.

“Loan Documents” means this Agreement, any Notes and any document or instrument executed in connection with the foregoing.

“Local Distribution Company” means a company that owns and/or operates the equipment and facilities for distributing natural gas or electric energy within a local region and delivers it to end-user customers.

“Majority Banks” means, at any time, Banks having in excess of 50% of the Total Commitments then in effect or, if the Commitments shall have terminated, the Total Outstanding Extensions of Credit then outstanding.

“Mandatory Payment Preferred Stock” means any preference or preferred stock of the Borrower or of any Consolidated Subsidiary (other than (x) any preference or preferred stock issued to the Borrower or its Subsidiaries, (y) Hybrid Equity Securities, and (z) Junior Subordinated Debt) that is subject to mandatory redemption, sinking fund or retirement provisions (regardless of whether any portion thereof is due and payable within one year).

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Material Adverse Effect” means any material adverse effect on the ability of the Borrower to perform its obligations under the Loan Documents on a timely basis (it being understood that Material Adverse Effect shall not include the effect of any True-Up Litigation).

“Maturity Date” means June 29, 2012.

“MLP” means one or more master limited partnerships formed by the Borrower or its Subsidiaries.

“MLP GP” means any general partner of any MLP and any general partner of the general partner of any MLP.

“MLP LP” means any limited partner in an MLP.

“MLP Subsidiary” means a Subsidiary of any MLP.

“MLP Unrestricted Subsidiary” means any MLP, MLP GP, MLP LP, or MLP Subsidiary.

“Money Market Rate” means (a) the “ASK” rate for Federal Funds appearing on Page 5 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Swingline Lender from time to time for purposes of providing quotations of the offer rates applicable to Federal Funds for a term of one Business Day) at the time reviewed by the Swingline Lender plus (b) the Applicable Margin for LIBOR Rate Loans. In the event that part (a) of such rate is not available at such time for any reason, then part (a) of such rate will be the rate agreed to between the Swingline Lender and the Borrower. The Borrower understands and agrees that the rate quoted from Page 5 of the Dow Jones Market Service is a real-time rate that changes from time to time. The rate quoted by the Swingline Lender and used for the purpose of setting the interest rate for a Swingline Loan will be the rate on the screen of the Swingline Lender at the time of setting the rate and will not be an average or composite of rates for that day.

“Money Market Rate Loan” means a Swingline Loan the rate of interest applicable to which is based upon the Money Market Rate.

“Moody’s” means Moody’s Investors Service, Inc. and any successor rating agency.

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

“Net Tangible Assets” means the total assets of the Borrower, its Consolidated Subsidiaries and the Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries), minus goodwill and other intangible assets as shown on the balance sheet of the Borrower, its Consolidated Subsidiaries and the Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries) delivered pursuant to Section 7.1(a) in respect of the most recently ended fiscal quarter of the Borrower.

“Non-Recourse Debt” means (i) any Indebtedness for Borrowed Money incurred by any Project Financing Subsidiary to finance the acquisition, improvement, installation, design, engineering, construction, development, completion, maintenance or operation of, or otherwise to pay costs and expenses relating to or providing financing for any project, which Indebtedness for Borrowed Money does not provide for recourse against the Borrower or any Subsidiary of the Borrower (other than a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) or any property or asset of the

Borrower or any Subsidiary of the Borrower (other than Capital Stock of, or the property or assets of, a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) and (ii) any refinancing of such Indebtedness for Borrowed Money that does not increase the outstanding principal amount thereof (other than to pay costs incurred in connection therewith and the capitalization of any interest, fees, premium or penalties) at the time of the refinancing or increase the property subject to any Lien securing such Indebtedness for Borrowed Money or otherwise add additional security or support for such Indebtedness for Borrowed Money.

“Notes” means the collective reference to any promissory note evidencing Loans.

“Notice Date” has the meaning specified in Section 2.7.

“Notice of Borrowing” has the meaning specified in Section 2.2.

“Notice of Interest Conversion/Continuation” has the meaning specified in Section 3.6(a).

“Original Mortgage” means the Mortgage and Deed of Trust, dated as of November 1, 1944, by CenterPoint Electric to South Texas Commercial National Bank of Houston, as Trustee (The Bank of New York Trust Company, N.A., as successor Trustee), as amended, modified or supplemented from time to time.

“Other Taxes” has the meaning specified in Section 4.3(b).

“Outstanding Extensions of Credit” means, as to any Bank at any time, an amount equal to the sum of (a) the aggregate principal amount of all Loans made by such Bank then outstanding, (b) such Bank’s Revolving Percentage of the L/C Obligations then outstanding and (c) such Bank’s Swingline Exposure at such time.

“Participant” has the meaning specified in Section 10.6(b).

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

“Performance Guaranty” means any guaranty issued in connection with any Non-Recourse Debt that (i) if secured, is secured only by assets of or Capital Stock of a Project Financing Subsidiary, and (ii) guarantees to the provider of such Non-Recourse Debt or any other Person (a) performance of the improvement, installment, design, engineering, construction, acquisition, development, completion, maintenance or operation of, or otherwise affects any such act in respect of, all or any portion of the project that is financed by such Non-Recourse Debt, (b) completion of the minimum agreed equity or other contributions or support to the relevant Project Financing Subsidiary, or (c) performance by a Project Financing Subsidiary of obligations to Persons other than the provider of such Non-Recourse Debt.

“Permitted Liens” means with respect to any Person:

(a) Liens for current taxes, assessments or other governmental charges that are not delinquent or remain payable without any penalty, or the validity or amount of which is contested in good faith by appropriate proceedings, provided, however, that adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP, and provided, further, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(b) landlord Liens for rent not yet due and payable and Liens for materialmen, mechanics, warehousemen, carriers, employees, workmen, repairmen and other similar nonconsensual Liens imposed by operation of law, for current wages or accounts payable or other sums not yet delinquent, in each case arising in the ordinary course of business or if overdue, that are being contested in good faith by appropriate proceedings, provided, however, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(c) Liens (other than any Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Code, ERISA or any environmental law, order, rule or regulation) incurred or deposits made, in each case, in the ordinary course of business, (i) in connection with workers' compensation, unemployment insurance and other types of social security or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance or payment bonds, purchase, construction, sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of property;

(d) Liens arising out of or in connection with any litigation or other legal proceeding that is being contested in good faith by appropriate proceedings; provided, however, that adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP; and provided, further, that, subject to Section 8.1(i) (so long as such Lien is discharged or released within 60 days of attachment thereof), any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(e) precautionary filings under the applicable Uniform Commercial Code made by a lessor with respect to personal property leased to such Person or any Subsidiary of such Person;

(f) other non-material Liens or encumbrances none of which secures Indebtedness for Borrowed Money of the Borrower or any of its Subsidiaries or interferes materially with the use of the Property affected in the ordinary conduct of Borrower's or its Subsidiaries' business and which individually or in the aggregate do not have a Material Adverse Effect;

(g) easements, rights-of-way, restrictions and other similar encumbrances and exceptions to title existing or incurred in the ordinary course of business that, in the aggregate, do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries, taken as a whole;

(h) (i) Liens created by Capital Leases, provided that the Liens created by any such Capital Lease attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto, (ii) purchase money Liens securing Indebtedness of the Borrower or any of its Subsidiaries (including such Liens securing such Indebtedness incurred within twelve months of the date on which such Property was acquired), provided that all such Liens attach only to the Property purchased with the proceeds of the Indebtedness secured thereby and only secure the Indebtedness incurred to finance such purchase, (iii) Liens on receivables, customer charges, notes, ownership interests, contracts or contract rights created in connection with a sale, securitization or monetization of such receivables, customer charges, notes, ownership interests, contracts or contract rights, and Liens on rights of the Borrower or any Subsidiary related to such receivables, customer charges, notes, ownership interests, contracts or contract rights which are transferred to the purchaser of such receivables, customer charges, notes, ownership interests, contracts or contract rights in connection with such sale, securitization or monetization, provided that such Liens secure only the obligations of the Borrower or any of its Subsidiaries in connection with such sale, securitization or monetization and (iv) Liens created by leases that do not constitute Capital Leases at the time such leases are entered into, provided that the Liens created thereby attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto;

(i) Liens on cash and short-term investments (i) deposited by the Borrower or any of its Subsidiaries in accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by the Borrower or any of its Subsidiaries, in the case of clause (i) or (ii) to secure its obligations with respect to contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and futures contracts) for the purchase or sale of any energy-related commodity or interest rate or currency rate management contracts;

(j) Liens on (i) Property owned by a Project Financing Subsidiary or (ii) equity interests in a Project Financing Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a

limited liability company) securing Indebtedness of the Borrower or any of its Subsidiaries incurred in connection with a Project Financing; and

(k) Liens on equity interests in an Unrestricted Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company) securing, subject to Section 7.2(g), Indebtedness of such Unrestricted Subsidiary.

“Permitted MLP Asset Transfer” means any contribution, disposition, merger or other transfer of property or assets (including equity securities of any Person) to any MLP or one or more MLP Subsidiaries by the Borrower or any Subsidiaries of its natural gas pipeline Subsidiaries or field services Subsidiaries, excluding however any Local Distribution Companies; provided that, after any such contribution, disposition, merger or transfer, the Borrower and its Significant Subsidiaries, own directly at least one of the following:

(a) CenterPoint Energy Gas Transmission Company’s interstate natural gas pipeline that provides services to customers principally in Arkansas, Louisiana, Oklahoma and Texas;

(b) CenterPoint Energy-Mississippi River Transmission Corporation’s interstate natural gas pipeline that provides services to customers principally in Arkansas and Missouri; and

(c) The Carthage to Perryville natural gas pipeline segment owned as the date hereof by CenterPoint Energy Gas Transmission Company;

unless the disposition or transfer thereof is permitted under this Agreement (other than under Section 7.2(c)).

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

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

“Platform” has the meaning specified in Section 10.2(b).

“Project Financing” means any Indebtedness or lease obligations that do not constitute Capital Leases at the time such leases are entered into, in each case that are incurred to finance a project or group of projects (including any construction financing) to the extent that such Indebtedness (or other obligations) expressly are not recourse to the Borrower or any of its Restricted Subsidiaries (other than a Project Financing Subsidiary) or any of their respective Property other than the Property of a Project Financing Subsidiary and equity interests in a Project Financing Subsidiary (including in

each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company).

“Project Financing Subsidiary” means any Restricted Subsidiary of the Borrower (or any other Person in which Borrower directly or indirectly owns a 50% or less interest) whose principal purpose is to incur Project Financing or to become an owner of interests in a Person so created to conduct the business activities for which such Project Financing was incurred, and substantially all the fixed assets of which Subsidiary or Person are those fixed assets being financed (or to be financed) in whole or in part by one or more Project Financings.

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

“Public Lender” has the meaning specified in Section 10.2(b).

“Purchasing Banks” has the meaning specified in Section 10.6(c).

“PUC” means the Public Utility Commission of Texas.

“Rating” means the Borrower’s corporate credit rating or its equivalent (or if such rating is discontinued or unavailable, the senior unsecured long-term debt rating or its equivalent) issued by the Rating Agencies (it being understood that a change in outlook status (e.g., watch status, negative outlook status) is not a change in Rating as contemplated hereby).

“Rating Agencies” means (a) S&P, (b) Moody’s and (c) Fitch.

“Register” has the meaning specified in Section 10.6(d) hereof.

“Regulation U” means Regulation U of the Board or any other regulation hereafter promulgated by the Board to replace the prior Regulation U and having substantially the same function.

“Reimbursement Obligation” means the obligation of the Borrower to reimburse the Issuing Bank pursuant to Section 2.5(e) for amounts drawn under Letters of Credit.

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

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA and PBGC Reg. § 4043, other than those events as to which the thirty-day notice period is waived under PBGC Reg. § 4043 or other regulations, notices or rulings issued by the PBGC.

“Requirement of Law” means, as to any Person, any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation of any Governmental Authority.

“Resources” means CenterPoint Energy Resources Corp., a Delaware corporation, and a Wholly-Owned Subsidiary of the Borrower.

“Resources Facility” means the \$950,000,000 Second Amended and Restated Credit Agreement, dated as of the date hereof, among Resources, as borrower, Citibank, N.A., as administrative agent, and the other financial institutions and agents parties thereto, as amended, modified or supplemented from time to time.

“Responsible Officer” means, with respect to any Person, its chief financial officer, chief accounting officer, assistant treasurer, treasurer or controller of such Person or any other officer of such Person whose primary duties are similar to the duties of any of the previously listed officers of such Person.

“Restricted Subsidiaries” means all Subsidiaries of the Borrower other than Securitization Subsidiaries and Unrestricted Subsidiaries.

“Revolving Percentage” means, as to any Bank at any time, a fraction (expressed as a percentage) the numerator of which is the amount of such Bank’s Commitment or, if the Commitments shall have terminated, the Outstanding Extensions of Credit of such Bank then outstanding, and the denominator of which is the Total Commitments then in effect or, if the Commitments shall have terminated, the Total Outstanding Extensions of Credit then outstanding.

“S&P” means Standard & Poor’s Ratings Group and any successor rating agency.

“SEC” means the Securities and Exchange Commission and any successor thereto.

“Second Extended Termination Date” has the meaning specified in Section 2.7.

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

“Securitization Securities” means transition bonds issued pursuant to the Texas Electric Choice Plan if (and only if) no recourse may be had to the Borrower or any of its Subsidiaries (or to their respective assets) for the payment of such obligations, other than the issuer of the bonds and its assets, provided that payment of transition charges by any retail electric provider (“REP”) in accordance with such legislation, whether or not such REP has collected such charges from the retail electric customers, shall not be deemed “recourse” hereunder, including any REP that is a Subsidiary of the Borrower or a division of an Affiliate of the Borrower or any Affiliate of the Borrower.

“Securitization Subsidiary” means a special purpose subsidiary created to issue Securitization Securities.

“Significant Subsidiary” means (i) for the purposes of determining what constitutes an “Event of Default” under Sections 8.1(f), (g), (h), (i) and (j), a Subsidiary of the Borrower (other than a Project Financing Subsidiary) whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower, on a consolidated basis, as determined in accordance with GAAP and (ii) for all other purposes the “Significant Subsidiaries” shall be those Subsidiaries of the Borrower whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower on a consolidated basis, as determined in accordance with GAAP for the Borrower’s most recently completed fiscal year and identified in the certificate most recently delivered pursuant to Section 7.1(a)(iv)(C); provided that no Securitization Subsidiary or Unrestricted Subsidiary shall be deemed to be a Significant Subsidiary or subject to the restrictions, covenants or Events of Default under this Agreement.

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

“Subsidiary” means, as to any Person, a corporation, partnership, limited liability company or other entity of which more than 50% of the outstanding shares of Capital Stock or other ownership interests having ordinary voting power (other than Capital Stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly, through one or more Subsidiaries of such Person, by such Person; provided, however, that no Securitization Subsidiary shall be deemed to be a Subsidiary for purposes of this Agreement.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or any of its Subsidiaries shall be a “Swap Agreement”.

“Swingline Commitment” has the meaning specified in Section 2.4(a).

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time.

“Swingline Lender” means JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

“Swingline Loan” means a Loan made pursuant to Section 2.4.

“Syndication Agent” has the meaning specified in the introduction to this Agreement.

“Taxes” has the meaning specified in Section 4.3(a).

“Termination Date” means the Maturity Date as the same may be extended pursuant to Section 2.7, or any earlier date on which (a) the Commitments have been terminated in accordance with this Agreement or (b) all unpaid principal amounts of the Loans hereunder have been declared due and payable in accordance with this Agreement.

“Total Commitments” means, at any time, the aggregate amount of the Commitments of all Banks then in effect.

“Total Outstanding Extensions of Credit” means, at any time, the aggregate amount of the Outstanding Extensions of Credit of all Banks outstanding at such time.

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

“Transferee” has the meaning specified in Section 10.6(f).

“Transfer Effective Date” has the meaning specified in Section 10.6(c).

“Transition Charges Principal and Interest” means the non-bypassable transition charges billed to customers for payment of debt service on Securitization Securities.

“Triggering Event” has the meaning specified in Section 4.8(b).

“True-Up Litigation” means any litigation or other proceeding in connection with the determination by the PUC of the recovery by the Borrower and its Subsidiaries of stranded costs and other amounts to be recovered in the true-up process.

“True-Up Order” means the Order on Rehearing issued by the PUC on December 17, 2004 in PUC Docket No. 29526.

“TW Stock” means shares of common stock of Time Warner Inc. (and its successors).

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

“Uniform Customs” means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

“United States” means the United States of America.

“Unrestricted Subsidiary” means any Subsidiary of the Borrower and its direct or indirect Subsidiaries that is an MLP Unrestricted Subsidiary or is designated by a Responsible Officer of the Borrower as an Unrestricted Subsidiary, but only if (x) the

aggregate amount of net tangible assets of all Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries) at the time of designation does not exceed, or would not exceed as a result of such designation, 10% of the Net Tangible Assets, (y) such designation and the Investment of the Borrower in such Subsidiary complies with the limitations in Section 7.2(g) and (z) such Subsidiary: (i) has no Indebtedness with recourse to the Borrower and the Restricted Subsidiaries except that permitted under Section 7.2(g); (ii) is not party to any agreement, contract, arrangement or understanding with the Borrower or any Significant Subsidiary of the Borrower unless the terms of any such agreement, contract, arrangement or understanding and related transactions are substantially no less favorable to the Borrower or such Significant Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Borrower; (iii) is a Person with respect to which neither the Borrower nor any of its Significant Subsidiaries has any direct or indirect obligation that violates Section 7.2(g) (a) to subscribe for additional Capital Stock of such Person or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (iv) does not, either alone or in the aggregate, operate, directly or indirectly, all or substantially all of the business of the Borrower and its Subsidiaries.

Any designation of a Subsidiary of the Borrower as an Unrestricted Subsidiary shall be evidenced by a certificate of a Responsible Officer of the Borrower giving effect to such designation and a certificate executed by a Responsible Officer certifying that such designation complied with the preceding conditions and was permitted by Section 7.2(g) delivered to the Administrative Agent. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Borrower as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 7.2(g), the Borrower shall be in default of such covenant. A Responsible Officer of the Borrower may at any time designate any Unrestricted Subsidiary to be a Subsidiary of the Borrower that is not an Unrestricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by such Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under this Agreement calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

“Utility Holding, LLC” means Utility Holding, LLC, a Delaware limited liability company, a Wholly-Owned Subsidiary of the Borrower.

“Utilization Fee” means, as to any Bank, the fee equal to the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due on the Outstanding Extensions of Credit of such Bank:

Designated Rating	Utilization Fee
Higher than BBB+/Baa1/BBB+	0.05%
BBB+/Baa1/BBB+	0.05%
BBB/Baa2/BBB	0.05%
BBB-Baa3/BBB-	0.05%
BB+/Ba1/BB+	0.10%
Lower than BB+/Ba1/BB+	0.10%

The Designated Ratings referred to above are issued by S&P, Moody's and Fitch, respectively

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

“ZENS” means the 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 issued pursuant to the ZENS Indenture by the Borrower in an initial aggregate face amount of \$999,999,943.25 and the obligations at maturity of which may be determined by reference to _____ shares of TW Stock.

“ZENS Indenture” means the Indenture entered into by the Borrower in connection with the issuance of the ZENS, together with all instruments and other agreements entered into by the Borrower in connection therewith.

SECTION 1.2. Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have such defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to the Borrower or any of its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (iii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words “incurred” and “incurrence” shall have correlative meanings), (iv) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time.

(c) The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS AND LETTERS OF CREDIT

SECTION 2.1. The Commitments. (a) Each Bank severally agrees, on the terms and subject to the conditions hereinafter set forth, to make revolving credit Loans to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate principal amount outstanding, which, when added to such Bank’s Revolving Percentage of the sum of (i) then outstanding L/C Obligations and (ii) the then outstanding principal amount of the Swingline Loans, does not exceed at any time such Bank’s Commitment; provided that no Loan shall be made as a LIBOR Rate Loan with an Interest Period ending after the Termination Date; and provided, further, that in no event shall the Total Outstanding Extensions of Credit at any time exceed the Total Commitments at such time.

(b) Each Borrowing by the Borrower shall be in an aggregate principal amount not less than \$10,000,000 (in the case of LIBOR Rate Loans) or \$5,000,000 (in the case of ABR Loans), or an integral multiple of \$1,000,000 in excess thereof and shall consist of Loans of the same Type made on the same day by the Banks ratably according to their respective Revolving Percentages. Each Swingline Loan shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Within the limits of the applicable Commitments, the Borrower may borrow, prepay pursuant to Section 4.6 and reborrow under this Section 2.1. The principal amount outstanding on the Loans shall be due and payable on the Termination Date, together with accrued and unpaid interest thereon.

SECTION 2.2. Procedure for Revolving Loan Borrowing. (a) The Borrower may borrow under the Commitments on any Business Day during the period from and including the Closing Date to and excluding the Termination Date, provided that the Borrower shall give the Administrative Agent irrevocable oral notice or written notice pursuant to a notice of borrowing, in substantially the form of Exhibit A hereto (“Notice of Borrowing”) which shall be signed by the Borrower and shall specify therein the requested (i) date of such Borrowing, (ii) Type of Loans comprising such Borrowing, (iii) aggregate amount of such Borrowing and (iv) the Interest Period for each such Loan, in the case of any LIBOR Rate Loan:

(i) not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a LIBOR Rate Loan;

(ii) not later than 11:00 A.M. (New York City time) on the Business Day immediately preceding the date of the proposed Borrowing in the case of an Early Funding ABR Loan; and

(iii) not later than 11:00 A.M. (New York City time) on the same Business Day of the proposed Borrowing in the case of any other ABR Loan.

With respect to any oral notice of borrowing given by the Borrower, the Borrower shall promptly thereafter confirm such notice in writing pursuant to a Notice of Borrowing. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Bank thereof. Each Bank shall, before 1:00 P.M. (New York City time) on the date of such Borrowing, make available to the Administrative Agent at the Funding Office, in immediately available funds, such Bank's applicable Revolving Percentage of such Borrowing; provided, however, that, in the event of a requested ABR Loan with respect to which the Borrower has delivered its Notice of Borrowing on the Business Day immediately preceding the requested Borrowing Date (an "Early Funding ABR Loan"), each Bank shall make its applicable Revolving Percentage of such Borrowing available before 10:00 A.M. (New York City time) on the requested Borrowing Date. The Administrative Agent shall, no later than 2:00 P.M. (New York City time) on such date (or no later than 11:00 A.M. (New York City time), in the case of an Early Funding ABR Loan), make available to the Borrower the proceeds of the Loans received by the Administrative Agent hereunder by crediting such account of the Borrower which the Administrative Agent and the Borrower shall from time to time designate. Each Notice of Borrowing shall be irrevocable and binding on the Borrower.

(b) Unless the Administrative Agent shall have received notice from a Bank at least two hours prior to the applicable time described in clause (a) above by which such Bank is required to deliver its funds to the Administrative Agent with respect to any Borrowing that such Bank will not make available to the Administrative Agent such Bank's applicable Revolving Percentage of such Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.2(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such date of Borrowing, such Bank shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Bank's applicable Revolving Percentage of such Borrowing, times (iii) a fraction, the numerator of which is the number of days that elapse from and including such date of Borrowing to the date on which such Bank's applicable Revolving Percentage of such Borrowing shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent submitted to any Bank with respect to any amounts owing under this Section 2.2(b) shall be conclusive in the absence of manifest error. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement. If such Bank's applicable Revolving Percentage of such Borrowing is not in fact made available to the Administrative Agent by such Bank within one (1) Business Day of such date of Borrowing, the Administrative Agent shall be entitled to recover such amount with interest thereon at the rate per annum, equal to (i) the ABR (in the case of ABR Loans) or (ii) the Federal Funds Effective Rate (in the case of LIBOR Rate Loans), on demand, from the Borrower.

(c) The failure of any Bank to make the Loan to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Loan on the date

of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on the date of any Borrowing.

SECTION 2.3. Minimum Tranches. All Borrowings, prepayments, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Tranche of LIBOR Rate Loans shall be equal to \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.4. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the period from the Closing Date until the Termination Date, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$100,000,000 (the "Swingline Commitment") or (ii) the Total Outstanding Extensions of Credit exceeding the Total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. The Swingline Loans may from time to time be (i) ABR Loans, (ii) Money Market Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent and the Swingline Lender in accordance herewith (and shall not be entitled to be converted into LIBOR Rate Loans). Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. The Borrower hereby unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is made, the Borrower shall repay all Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent and the Swingline Lender of such request by telephone (confirmed pursuant to a Notice of Borrowing by telecopy or email), not later than (i) 12:00 noon, New York City time, in the case of ABR Loans, or (ii) 2:00 p.m., New York City time, in the case of Money Market Rate Loans, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount of the requested Swingline Loan, and whether the requested Swingline Loan shall be an ABR Loan, a Money Market Rate Loan or a combination thereof. Each Borrowing under the Swingline Commitment shall be in an amount equal to \$1,000,000 or a whole multiple in excess thereof. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of any payment that an Issuing Bank makes under a Letter of Credit as provided in Section 2.5(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Banks to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Banks will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice

thereof to each Bank, specifying in such notice such Bank's Revolving Percentage of such Swingline Loan or Loans. Each Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Bank's Revolving Percentage of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Bank shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.2 with respect to Loans made by such Bank (and Section 2.2 shall apply, mutatis mutandis, to the payment obligations of the Bank), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Bank. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Banks that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.5. Letters of Credit. (a) L/C Commitment.

(i) Prior to the Closing Date, the Existing Issuing Banks have issued the Existing Letters of Credit which from and after the Closing Date shall constitute Letters of Credit hereunder.

(ii) Subject to the terms and conditions hereof, each Issuing Bank (other than the Existing Issuing Banks), in reliance on the agreements of the other Banks set forth in Section 2.5(d), agrees to issue standby letters of credit (together with the Existing Letters of Credit, the "Letters of Credit") for the account of the Borrower in support of obligations (including, without limitation, performance, bid and similar bonding obligations and credit enhancement) of the Borrower and its Affiliates on any Business Day on or after the Closing Date and prior to the Termination Date in such form as may be approved from time to time by such Issuing Bank; provided that no Issuing Bank shall issue any Letter of Credit if, after giving effect to such issuance, (A) the L/C Obligations would exceed the L/C Commitment or (B) the Total Outstanding Extensions of Credit then outstanding would exceed the Total Commitments then in effect and provided, further, that neither JPMorgan Chase Bank, N.A. nor SunTrust Bank shall be required,

without the consent of such Issuing Bank, to issue Letters of Credit in excess of \$100,000,000 at any time outstanding for each such Issuing Bank.

(iii) Each Letter of Credit shall be denominated in Dollars and shall be a standby letter of credit issued to support obligations of the Borrower or any of its Affiliates, contingent or otherwise, and expire no later than the Maturity Date.

(iv) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(v) No Issuing Bank shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause such Issuing Bank or any L/C Participant to exceed any limits imposed on such Issuing Bank by, any applicable Requirement of Law.

(b) Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that an Issuing Bank issue a Letter of Credit by delivering to such Issuing Bank at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Bank, and such other certificates, documents and other papers and information as such Issuing Bank may reasonably request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall any Issuing Bank be required to issue any Letter of Credit earlier than two Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit in a form satisfactory to the Borrower to the beneficiary thereof or as otherwise may be agreed by such Issuing Bank and Borrower. The relevant Issuing Bank shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof and notify the Banks of the amount thereof.

(c) Fees, Commissions and Other Charges.

(i) The Borrower shall pay to the Administrative Agent, for the account of the relevant Issuing Bank and the L/C Participants, a letter of credit commission fee with respect to each Letter of Credit, computed for the period from the last L/C Fee Payment Date (or, if later, the date of issuance thereof) to the date upon which such payment is due hereunder at the rate per annum equal to the Applicable Margin for LIBOR Rate Loans then in effect, calculated on the basis of a 365- (or 366-, as the case may be) day year, of the aggregate amount available to be drawn under such Letter of Credit on the date on which such fee is calculated. The Borrower shall pay to the Administrative Agent, for the account of the relevant Issuing Bank, a fronting fee with respect to each Letter of Credit, computed for the period from the last L/C Fee Payment Date to the date upon which such payment is due hereunder at the rate per annum equal to 0.125%, calculated on the basis of a 365- (or 366-, as the case may be) day year, of the aggregate amount available to be drawn under such Letter of Credit on the date on which such fee is calculated. Such commissions and fronting fees shall be payable in arrears on each L/C Fee Payment Date and shall be nonrefundable.

(ii) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse each Issuing Bank for such normal and customary costs and reasonable expenses as are incurred or charged by such Issuing Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(iii) The Administrative Agent shall, promptly following its receipt thereof, distribute to the relevant Issuing Bank and the L/C Participants all fees and commissions received by the Administrative Agent for their respective accounts pursuant to this Section 2.5(c).

(d) L/C Participations.

(i) Each Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Bank to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from such Issuing Bank, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in each Issuing Bank's obligations and rights under each Letter of Credit issued hereunder and the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 2.5(e). Each L/C Participant unconditionally and irrevocably agrees with each Issuing Bank that, if a draft is paid under any Letter of Credit for which such Issuing Bank is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Bank upon demand at such Issuing Bank's address for notices specified herein an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, which is not so reimbursed. Each Bank acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.5(d)(i) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(ii) If any amount required to be paid by any L/C Participant to an Issuing Bank pursuant to Section 2.5(d)(i) in respect of any unreimbursed portion of any payment made by such Issuing Bank under any Letter of Credit is not paid to such Issuing Bank within one Business Day after the date such payment is due, such L/C Participant shall pay to such Issuing Bank on demand an amount equal to the product of (A) such amount, times (B) the daily average Federal Funds Effective Rate as quoted by the relevant Issuing Bank, during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Bank, times (C) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 2.5(d)(i) is not in fact made available to the relevant Issuing Bank by such L/C Participant within three (3) Business Days after the date such payment is due, such Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date

at the ABR. A certificate of the relevant Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(iii) Whenever, at any time after any Issuing Bank has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 2.5(d)(i), such Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Bank), or any payment of interest on account thereof, such Issuing Bank will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by such Issuing Bank shall be required to be returned by such Issuing Bank, such L/C Participant shall return to such Issuing Bank the portion thereof previously distributed by such Issuing Bank to it.

(e) Reimbursement Obligation of the Borrower. (i) The Borrower shall reimburse each Issuing Bank for any payment that such Issuing Bank makes under a Letter of Credit on or before the date of such payment if the Borrower receives notice of such payment on or before 10:00 a.m. (New York City time) on the date such payment is made by such Issuing Bank; provided, however, that, if the Borrower does not receive timely notice or reimburse such Issuing Bank under this Section 2.5(e)(i), then Section 2.5(e)(ii) shall apply. Each such payment shall be made to the relevant Issuing Bank at its address for notices specified herein in Dollars and in immediately available funds.

(ii) Notwithstanding Section 5.2, each drawing under any Letter of Credit shall be deemed to constitute a Borrowing of ABR Loans in the amount of such drawing unless the Borrower has reimbursed the relevant Issuing Bank under Section 2.5(e)(i). The Borrowing Date with respect to each such borrowing shall be deemed to be the date of such drawing.

(f) Obligations Absolute.

(i) The Borrower's payment obligations under Section 2.5(e) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment that the Borrower may have or have had against the relevant Issuing Bank or any beneficiary of a Letter of Credit other than a defense based upon the gross negligence or willful misconduct of such Issuing Bank or violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(ii) The Borrower also agrees with each Issuing Bank that no Issuing Bank shall be responsible for, and the Borrower's Reimbursement Obligations under Section 2.5(e) shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of

Credit may be transferred or (iii) any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee.

(iii) No Issuing Bank shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by such Issuing Bank's gross negligence or willful misconduct or in violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(iv) The Borrower agrees that any action taken or omitted by any Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of such Issuing Bank to the Borrower.

(g) Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Bank shall promptly notify the Borrower by telephone (confirmed in writing) of the date and amount thereof and whether such Issuing Bank has made or will make a payment thereunder. The responsibility of such Issuing Bank to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

(h) Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 2.5, the provisions of this Section 2.5 shall control.

(i) Replacement of the Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Banks of any such replacement of such Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of such replaced Issuing Bank pursuant to Section 2.5(c). From and after the effective date of any such replacement, (i) the applicable successor Issuing Bank shall have all the rights and obligations of such Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the applicable replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

SECTION 2.6. Increase in the Aggregate Commitments. (a) The Borrower may, at any time, whether or not the Commitments have been reduced pursuant to Section 4.5, by notice to

the Administrative Agent, request that the aggregate amount of the Commitments be increased by an amount of \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof (a "Commitment Increase") to be effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the "Increase Date") as specified in the related notice to the Administrative Agent; provided, however, that (i) in no event shall the aggregate amount of the Commitments at any time exceed \$1,800,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in Section 5.2 shall be satisfied.

(b) The Administrative Agent shall promptly notify the Banks of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which the Banks wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Commitments (the "Commitment Date"). Each Bank that is willing, in its sole discretion, to participate in such requested Commitment Increase (each an "Increasing Bank") shall give written notice to the Administrative Agent and the Borrower on or prior to the Commitment Date of the amount by which it is willing to increase its Commitment. If the Banks notify the Administrative Agent and the Borrower that they are willing to increase the amount of their respective Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Banks willing to participate therein in such amounts as are agreed between the Borrower and the Administrative Agent.

(c) Promptly following each Commitment Date, the Administrative Agent shall notify the Borrower as to the amount, if any, by which the Banks are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Banks are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may request Banks to increase their participation and extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Commitment of each such Eligible Assignee shall be in an amount not less than \$10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.6(b) (each such Eligible Assignee, an "Assuming Bank") shall become a Bank party to this Agreement as of such Increase Date and the Commitment of each Increasing Bank for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Bank pursuant to the last sentence of Section 2.6(b)) as of such Increase Date; provided, however, that the Administrative Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Borrower or the Executive Committee of such Board approving the Commitment Increase and the corresponding modifications to this Agreement and (B) opinions of counsel for the Borrower (which may be in-house counsel), in form and

substance reasonably acceptable to the Administrative Agent, covering the matters covered by the opinions of counsel delivered pursuant to Section 5.1(c);

(ii) an assumption agreement from each Assuming Bank, if any, substantially in the form of Exhibit E hereto (each an “Assumption Agreement”), duly executed by such Eligible Assignee, the Administrative Agent and the Borrower; and

(iii) confirmation from each Increasing Bank of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Administrative Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.6(d), the Administrative Agent shall notify the Banks (including, without limitation, each Assuming Bank) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Bank and each Assuming Bank on such date.

(e) The Administrative Agent shall promptly notify the Borrower and the Banks of any increase in the amount of the aggregate Commitments pursuant to this Section and of the respective adjusted Commitment and Revolving Percentage of each Bank after giving effect thereto. The Borrower acknowledges that, in order to maintain the Revolving Percentage of each Bank, a non-pro-rata increase in the aggregate Commitments may require prepayment or funding of all or portions of certain Loans on the date of such increase (and any such prepayment or funding shall be subject to the other provisions of this Agreement). Effective upon such increase, the amount of the participations held by each Bank in each Letter of Credit then outstanding shall be adjusted such that, after giving effect to such adjustments, each Bank shall hold participations in each such Letter of Credit in accordance with the Revolving Percentage of such Bank after giving effect to such increase.

SECTION 2.7. Extension Option. The Borrower may request that the Commitments be extended for additional one year periods by providing not less than 30 days’ written notice (the date of such notice, a “Notice Date”) to the Administrative Agent prior to any anniversary of the Closing Date. If a Lender agrees, in its individual and sole discretion, to extend its Commitment (such Lender, an “Extending Lender”), it will notify the Administrative Agent, in writing, of its decision to do so no later than 20 days after the applicable Notice Date. The Administrative Agent will notify the Borrower, in writing, of the Lenders’ decisions no later than 25 days after such Notice Date. The Extending Lenders’ Commitments will be extended for an additional year from the Termination Date (the “Extended Termination Date”) or the Extended Termination Date (the “Second Extended Termination Date”); provided that (i) more than 50% of the Commitments is extended or otherwise committed to by Extending Lenders and any new Lenders and (ii) on the date of any request by the Borrower to extend the Commitments, the applicable conditions set forth in Section 5.2 shall be satisfied. No Lender shall be required to consent to any such extension request and any Lender that declines or does not respond to the Borrower’s request for commitment renewal (a “Declining Lender”) will have its Commitment terminated on the then existing Termination Date (without regard to any renewals by other

Lenders). The Borrower will have the right to accept commitments from Eligible Assignees in an amount equal to the amount of the Commitments of any Declining Lenders; provided that the Extending Lenders will have the right to increase their Commitments up to the amount of the Declining Lenders' Commitments before the Borrower will be permitted to substitute any Eligible Assignees for the Declining Lenders. The Borrower may only extend the Termination Date twice during the term of this Agreement pursuant to this Section 2.7.

ARTICLE III

PROVISIONS RELATING TO ALL LOANS

SECTION 3.1. Evidence of Loans. (a) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Bank resulting from each Loan made by such Bank from time to time, including, without limitation, the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement.

(b) The Administrative Agent shall maintain the Register pursuant to Section 10.6(d) and a subaccount therein for each Bank, in which shall be recorded (i) the amount of each Loan made by each Bank through the Administrative Agent hereunder, the type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Bank's share thereof.

(c) The entries made in the Register and the accounts of each Bank maintained pursuant to Section 3.1(a) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amount of the obligations of the Borrower therein recorded; provided, however, that the failure of any Bank or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans actually made to the Borrower by such Bank in accordance with the terms of this Agreement.

SECTION 3.2. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Bank the Commitment Fee, from the date hereof until such date that the Loans and other obligations under this Agreement have been paid in full, payable quarterly in arrears on the last day of each March, June, September and December until such date that the Loans and other obligations under this Agreement have been paid in full and on such date of payment in full.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Bank the applicable Utilization Fee on the Outstanding Extensions of Credit of such Bank at any time that the Total Outstanding Extensions of Credit outstanding shall exceed 50% of the Total Commitments then in effect, payable quarterly in arrears on the last day of each March, June, September and December.

(c) The fees payable under Sections 3.2(a) and 3.2(b) shall be calculated by the Administrative Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period for which such fee is payable.

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

SECTION 3.3. Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan made by each Bank from the date of such Loan until such principal amount shall be paid in full, at the times and at the rates per annum set forth below:

(a) ABR Loans. Each ABR Loan (excluding each Swingline Loan) shall bear interest at a rate per annum equal at all times to the lesser of (i) the ABR plus the Applicable Margin and (ii) the Highest Lawful Rate, payable quarterly in arrears on the last day of each March, June, September and December and on the Termination Date.

(b) LIBOR Rate Loans. Each LIBOR Rate Loan shall bear interest at a rate per annum equal at all times to, in the case of each LIBOR Rate Loan, the lesser of (A) the sum of the LIBOR Rate for the applicable Interest Period for such Loan plus the Applicable Margin and (B) the Highest Lawful Rate, payable on the last day of such Interest Period and, with respect to Interest Periods of six months or longer, on the ninetieth (90th) day after the commencement of the Interest Period and on each succeeding ninetieth (90th) day during such Interest Period, and on the Termination Date.

(c) Swingline Loans. Each Swingline Loan shall bear interest at a rate per annum equal to the lesser of (i)(A) the ABR plus that Applicable Margin or (B) the Money Market Rate, at the election of the Borrower pursuant to Section 2.4, and (ii) the Highest Lawful Rate, payable quarterly in arrears on the last day of each March, June, September and December and on the date of payment of such Swingline Loan.

(d) Calculations. Interest that is determined by reference to the ABR shall be calculated by the Administrative Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period in which such interest is payable and otherwise shall be calculated by the Administrative Agent on the basis of a 360-day year for the actual days (including the first day and excluding the last day) occurring in the period for which such interest is payable.

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

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

SECTION 3.4. Reserve Requirements. (a) The Borrower agrees to pay to each Bank that requests compensation under this Section 3.4 in accordance with the provisions set forth in Section 4.8(b), so long as such Bank shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board (or, so long as such Bank shall be required by the Board or by any other Governmental Authority to maintain reserves against any other category of liabilities that includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank that includes any LIBOR Rate Loans), an additional amount (determined by such Bank and notified to the Borrower pursuant to the provisions set forth in Section 4.8(b)) representing such Bank's calculation or, if an accurate calculation is impracticable, reasonable estimate (using such method of allocation to such Loans of the Borrower as such Bank shall determine in accordance with Section 4.8(a)) of the actual costs, if any, incurred by such Bank during the relevant Interest Period as a result of the applicability of the foregoing reserves to such LIBOR Rate Loans, which amount in any event shall not exceed the product of the following for each day of such Interest Period:

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

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

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

(b) The agreements in this Section 3.4 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 3.4 for any period prior to the date that is 90 days before the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 3.5. Interest Rate Determination and Protection. (a) The rate of interest for each LIBOR Rate Loan shall be determined by the Administrative Agent two Business Days before the first day of each Interest Period applicable to such Loan. The Administrative Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Administrative Agent for purposes of Sections 3.3(a) and (b) hereof.

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

SECTION 3.6. Voluntary Interest Conversion or Continuation of Loans. (a) The Borrower may on any Business Day, upon the Borrower's irrevocable oral or written notice of interest conversion/continuation given by the Borrower to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed interest conversion or continuation in the case of a LIBOR Rate Loan, (i) convert Loans of one Type into Loans of another Type; (ii) convert LIBOR Rate Loans for a specified Interest Period into LIBOR Rate Loans for a different Interest Period; or (iii) continue LIBOR Rate Loans for a specified Interest Period as LIBOR Rate Loans for the same Interest Period; provided, however, that (A) any conversion of any LIBOR Rate Loans into LIBOR Rate Loans for a different Interest Period, or into ABR Loans, or any continuation of LIBOR Rate Loans for the same Interest Period shall be made on, and only on, the last day of an Interest Period for such LIBOR Rate Loans; (B) no Loan may be converted into or continued as a LIBOR Rate Loan by the Borrower so long as an Event of Default has occurred and is continuing, and (C) no Loan may be converted into or continued as a LIBOR Rate Loan if after giving effect thereto, Section 2.3 would be contravened. With respect to any oral notice of interest conversion/continuation given by the Borrower under this Section 3.6(a), the Borrower shall promptly thereafter confirm such notice in writing. Each written notice of interest conversion/continuation given by the Borrower under this Section 3.6(a) and each confirmation of an oral notice of interest conversion/continuation given by the Borrower under this Section 3.6(a) shall be in substantially the form of Exhibit B hereto ("Notice of Interest Conversion/Continuation"). Each such Notice of Interest Conversion/Continuation shall specify therein the requested (x) date of such interest conversion or continuation; (y) the Loans to be converted or continued; and (z) if such interest conversion or continuation is into LIBOR Rate Loans, the duration of the Interest Period for each such LIBOR Rate Loan. Upon receipt of any such Notice of Interest Conversion/Continuation, the Administrative Agent shall promptly notify each Bank thereof. Each Notice of Interest Conversion/Continuation shall be irrevocable and binding on the Borrower. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) If the Borrower shall fail to deliver to the Administrative Agent a Notice of Interest Conversion/Continuation in accordance with Section 3.6(a) hereof, or to select the duration of any Interest Period for the principal amount outstanding under any LIBOR Rate Loan by 11:00 A.M. (New York City time) on the third Business Day prior to the last day of the Interest Period applicable to such Loan in accordance with Section 3.6(a), the Administrative Agent will forthwith so notify the Borrower and the Banks (provided that the failure to give such notice shall not affect the conversion referred to below) and such Loans will automatically, on the last day of the then existing Interest Period therefor, convert into LIBOR Rate Loans with a one month Interest Period.

SECTION 3.7. Funding Losses Relating to LIBOR Rate Loans. (a) The Borrower agrees, without duplication of any other provision under this Agreement, to indemnify each Bank and to hold each Bank harmless from any loss or expense that such Bank may sustain or incur as a consequence of (i) default by the Borrower in payment when due of the principal amount of or interest on any LIBOR Rate Loan, (ii) default by the Borrower in making a borrowing of, conversion into or continuation of any LIBOR Rate Loan after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (iii) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (iv) the making of a prepayment of LIBOR Rate Loans or the conversion of LIBOR Rate Loans into ABR Loans, on a day that is not the last day of an Interest Period with respect thereto (excluding any prepayment made pursuant to Section 3.8) on a day that is not the scheduled maturity date with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. The calculation of all amounts payable to a Bank under this Section 3.7(a) shall be made pursuant to the method described in Section 4.8(a), but in no event shall such amounts payable with respect to any LIBOR Rate Loan exceed the amounts that would have been payable assuming such Bank had actually funded its relevant LIBOR Rate Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of such LIBOR Rate Loan and having a maturity comparable to, with respect to any LIBOR Rate Loan, the relevant Interest Period, provided, that each Bank may fund each of its LIBOR Rate Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 3.7(a).

(b) The agreements in this Section 3.7 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 3.7 for amounts accruing prior to the date that is 90 days prior to the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 3.8. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if any Bank shall notify the Administrative Agent that it has determined in good faith that the introduction of or any change in or in the interpretation or application of any law or regulation by any Governmental Authority (in each case occurring after the date of this Agreement) makes it unlawful, or any central bank or other Governmental Authority asserts after the date of this Agreement that it is unlawful, for any Bank or its applicable lending office to perform its obligations hereunder to make LIBOR Rate Loans or to fund or maintain LIBOR

Rate Loans hereunder, (i) the obligation of such Bank to make, or to convert Loans into, or to continue LIBOR Rate Loans as, LIBOR Rate Loans shall be suspended until the Administrative Agent shall notify the Borrower that the circumstances causing such suspension no longer exist; (ii) the Borrower shall, at its option, either prepay in full all LIBOR Rate Loans of such Bank then outstanding, or convert all such Loans to ABR Loans, on the respective last days of the then current Interest Periods with respect to such Loans (or within such earlier period as required by law), accompanied, in the case of any prepayments, by interest accrued thereon and any amounts payable under Section 3.7(a). Each Bank agrees that it will use reasonable efforts to designate a different lending office for the LIBOR Rate Loans due to it affected by this Section 3.8, if such designation will avoid the illegality described in this Section 3.8 so long as such designation will not be disadvantageous to such Bank as determined by such Bank in its sole discretion acting in good faith.

(b) For purposes of this Section 3.8, a notice to the Borrower (with a copy to the Administrative Agent) by any Bank pursuant to paragraph (a) above shall be effective on the date of receipt thereof by the Borrower.

ARTICLE IV
INCREASED COSTS, TAXES, PAYMENTS
AND PREPAYMENTS

SECTION 4.1. Increased Costs; Capital Adequacy. (a) If after the date of this Agreement the adoption of or any change in any law or regulation or in the interpretation or application thereof by any Governmental Authority or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date of this Agreement:

(i) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Bank that is not otherwise included in the determination of the LIBOR Rate hereunder (except for amounts covered by Section 3.4 or any other Section hereof); or

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

and the result of any of the foregoing is to increase the actual cost to such Bank, by an amount that such Bank deems to be material, of making, converting into, continuing or maintaining LIBOR Rate Loans or issuing or participating in Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Bank, upon its demand in the manner set forth in Section 4.8(b), any additional amounts, computed by such Bank in accordance with Section 4.8(a), necessary to compensate such Bank for such actual increased cost or reduced amount receivable that is attributable to Loans or Commitments (to the extent that such Bank has not already been compensated or reimbursed for such amounts pursuant to any other provision of this Agreement). If any Bank becomes entitled

to claim any additional amounts pursuant to this Section 4.1(a) from the Borrower, it shall promptly notify the Borrower, through the Administrative Agent, of the event by reason of which it has become so entitled in the manner set forth in Section 4.8(b).

(b) If any Bank determines in good faith that the introduction of or any change in or in the interpretation or application by any Governmental Authority of any law or regulation regarding capital adequacy after the date of this Agreement or compliance by such Bank or any corporation controlling such Bank with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) made or issued after the date of this Agreement does or shall have the effect, as a result of such Bank's obligations under this Agreement or under any Letter of Credit, of reducing the rate of return on such Bank's or such corporation's capital to a level below that which such Bank or such corporation could have achieved but for such change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, the Borrower shall pay to the Administrative Agent for the account of such Bank, from time to time as specified by such Bank in the manner set forth in Section 4.8(b), additional amounts, computed by such Bank in accordance with Section 4.8(a), sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such reduction in rate of return is allocable to the existence of such Bank's obligations hereunder.

(c) The agreements contained in this Section 4.1 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 4.1 for any period prior to the date that is 90 days prior to the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 4.2. Pro Rata Treatment and Payments and Computations. (a) Each Borrowing of Loans by the Borrower from the Banks hereunder, each payment by the Borrower on account of any commitment or other fee, any reduction of the Commitments of the Banks and any prepayment on account of principal and interest on the Loans shall be made pro rata according to the respective Revolving Percentages of the Banks.

(b) The Borrower shall make each payment (including each prepayment) hereunder, whether on account of principal, interest, fees or otherwise, without setoff or counterclaim, not later than 12:00 Noon (New York City time) on the day when due in Dollars to the Administrative Agent at the Funding Office in immediately available funds, except payments to be made directly to the Swingline Lender as expressly provided herein. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, Letter of Credit fees or commitment or other fees (to the extent received by the Administrative Agent) ratably to the Banks according to the amounts of their respective Loans, L/C Obligations and Commitments in respect of which such payment is made, and like funds relating to the payment of any other amount payable to any Bank (to the extent received by the Administrative Agent) to such Bank, in each case to be applied in accordance with the terms of this Agreement.

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

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Bank's Revolving Percentage of such payment, times (iii) a fraction, the numerator of which is the number of days that elapse from and including the date such amount is distributed to such Bank to the date on which such Bank's Revolving Percentage of such payment shall have become immediately available to the Administrative Agent and the denominator of which is 360.

SECTION 4.3. Taxes. (a) Any and all payments by the Borrower hereunder or under the Loan Documents shall be made free and clear of and without deduction or withholding for or on account of any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, net income taxes, branch profits taxes and franchise taxes imposed on it as a result of a present or former connection between the jurisdiction (or political subdivision thereof) of the government or taxing authority imposing such tax and the Administrative Agent or such Bank other than a connection arising solely from the Administrative Agent or such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.3) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made; (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law; provided, however, that the Borrower shall not be required to increase any such sums payable to any Bank with respect to any Taxes (i) that are attributable to such Bank's failure to comply with the requirements of Section 4.3(d) or (ii) that are United States withholding taxes imposed on sums payable to such Bank at the time such Bank becomes a party to this Agreement (or maintains a lending office), except to the extent that any such Bank's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to this Section 4.3. Whenever any Taxes or Other Taxes (as defined in Section 4.3(b)) are payable by the Borrower, as promptly as

possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Bank or Administrative Agent, as the case may be, either (A) official tax receipts or notarized copies of such receipts to such Bank within thirty (30) days after payment of any applicable tax or (B) a certificate executed by a Responsible Officer of the Borrower confirming that such Taxes or Other Taxes have been paid, together with evidence of such payment.

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

(c) The Borrower will indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.3) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, including, without limitation or duplication, any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Bank as a result of any failure by the Borrower to pay any Taxes or Other Taxes when due to the appropriate taxing authority or to remit to any Bank the receipts or other evidence of payment of Taxes or Other Taxes.

(d) Each Bank registered in the Register that is not a U.S. Person as defined in Section 7701(a)(30) of the Code agrees that it will deliver to the Borrower and the Administrative Agent on the date hereof, or on the date which it becomes a party to this Agreement, two duly completed copies of United States Internal Revenue Service Form W-8BEN, W-8ECI W-8EXP or W-8IMY (or other appropriate corresponding form) or any successor applicable form, as the case may be. Each such Bank also agrees to deliver to the Borrower and the Administrative Agent two further copies of the said Form W-8BEN, W-8ECI, W-8EXP, or W-8IMY or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Administrative Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank so advises the Borrower and the Administrative Agent. Each such Bank shall certify in the case of a Form W-8BEN, W-8ECI, W-8EXP, or W-8IMY that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, subject to notification to the Borrower otherwise pursuant to this Section 4.3(d). In the event that any such Bank fails to deliver any forms required under this Section 4.3(d), the Borrower's obligation to pay additional amounts shall be reduced to the amount that it would have been obligated to pay had such forms been provided.

(e) If any Taxes or Other Taxes are not correctly or legally asserted and the Administrative Agent or any Bank determines, in its reasonable discretion, that it has received a refund of those Taxes or Other Taxes as to which it has been indemnified by the Borrower, the Administrative Agent or such Bank shall within 20 days after such refund pay to the Borrower the amount of such refund to the extent that the Borrower indemnified the Administrative Agent or such Bank for such Taxes or Other Taxes pursuant to this Section 4.3, net of any out-of-pocket costs of the Administrative Agent or such Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Bank, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Bank in the event the Administrative Agent or such Bank is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Bank to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(f) The agreements in this Section 4.3 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that (i) in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 4.3 for any period before the date that is 120 days before the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower (other than any amounts as to which the ultimate amount of the reimbursement due could not then be determined) and (ii) nothing contained in this Section 4.3 shall require the Borrower to pay any amount to any Bank or the Administrative Agent in addition to that for which it has already reimbursed any Bank or the Administrative Agent under any other provision of this Agreement.

SECTION 4.4. Sharing of Payments, Etc. If any Bank (a “Benefitted Bank”) shall at any time receive any payment (other than pursuant to Section 2.7, 3.4, 3.7, 4.1 or 4.3) of all or part of its Loans, Reimbursement Obligations or participations in Swingline Loans owing to it or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, pursuant to events or proceedings of the nature referred to in Section 8.1(g) or 8.1(h), or otherwise), in a greater proportion than any such payment to or collateral received by any other Bank, if any, in respect of such other Bank’s Loans, Reimbursement Obligations owing to it, respectively, or interest thereon, such benefitted Bank shall purchase for cash from the other Banks a participating interest in such portion of each such other Bank’s Loans or Reimbursement Obligations owing to it, respectively, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 4.4 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 4.5. Optional Termination or Reduction of the Commitments. (a) Unless previously terminated, the Commitments of the Banks to make Loans shall terminate on the Termination Date.

(b) The Borrower shall have the right, without penalty or premium, upon at least three (3) Business Days' irrevocable written notice to the Administrative Agent (which shall give prompt notice to each Bank), to terminate in whole the Commitments or permanently, from time to time, to reduce ratably in part the unused portion of the Commitments, provided that (i) each partial reduction shall be in the aggregate principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (ii) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 4.6 by the Borrower on the effective date thereof, the Total Outstanding Extensions of Credit then outstanding would exceed the Total Commitments then in effect.

Each reduction of Commitments pursuant to this Section 4.5 shall be applied pro rata to the Commitments of each Bank. If at any time, including after giving effect to any reduction of Commitments pursuant to this Section 4.5, the Total Outstanding Extensions of Credit exceed the Total Commitments, the Borrower shall be obligated, first, to prepay the Loans in the amount of such excess, second, to cash collateralize Letters of Credit to the extent that the aggregate amount of the L/C Obligations exceeds such Total Commitments after prepayment of all Loans.

SECTION 4.6. Voluntary Prepayments. The Borrower may, upon written notice delivered to the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) not later than 11:00 A.M. (New York City time) on the same Business Day (or in the case of LIBOR Rate Loans, two (2) Business Days (or such shorter or no notice as may be satisfactory to the Administrative Agent), and in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment) before the date of prepayment stating the aggregate principal amount of the prepayment and the Loans to be prepaid, prepay the outstanding principal amounts of such Loans comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that losses incurred by any Bank under Section 3.7 shall be payable with respect to each such prepayment in the manner set forth in Section 3.7. Any such notice provided pursuant to this Section 4.6 shall be irrevocable, and the payment amount specified in such notice shall be due and payable on the prepayment date described in such notice, together with accrued and unpaid interest on the amount prepaid. Partial prepayments pursuant to this Section 4.6 with respect to any Tranche of LIBOR Rate Loans shall be in an aggregate principal amount equal to the lesser of (a) \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (b) the aggregate principal amount of such Tranche of LIBOR Rate Loans then outstanding, as the case may be; provided that no partial prepayment of any Tranche of LIBOR Rate Loans may be made if, after giving effect thereto, Section 2.3 would be contravened. Partial prepayments with respect to the ABR Loans shall be made in an aggregate principal amount equal to the lesser of (i) \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof or (ii) the aggregate principal amount of ABR Loans then outstanding, as the case may be.

SECTION 4.7. Mitigation of Losses and Costs. Any Bank claiming reimbursement from the Borrower under any of Sections 3.4, 3.7, 4.1 and 4.3 hereof shall use reasonable efforts (including, without limitation, if requested by the Borrower, reasonable efforts to designate a different lending office of such Bank) to mitigate the amount of such losses, costs, expenses and liabilities, if such efforts can be made and such mitigation can be accomplished without such Bank suffering (i) any economic disadvantage for which such Bank does not receive full indemnity from the Borrower under this Agreement or (ii) any legal or regulatory disadvantage.

SECTION 4.8. Determination and Notice of Additional Costs and Other Amounts. (a) In determining the amount of any claim for reimbursement or compensation under Sections 3.4, 3.7 and 4.1, each Bank may use any reasonable averaging, attribution and allocation methods consistent with such methods customarily employed by such Bank in similar situations.

(b) Each Bank or, with respect to compensation claimed by it pursuant to Section 4.3, the Administrative Agent, as the case may be, will (i) use its best efforts to notify the Borrower through the Administrative Agent (in the case of each Bank) of any event occurring after the date of this Agreement promptly after the occurrence thereof and (ii) notify the Borrower through the Administrative Agent (in the case of each Bank) promptly after such Bank or the Administrative Agent, as the case may be, becomes aware of any event occurring after the date of this Agreement, in either case if such event (for purposes of this Section 4.8(b), a “Triggering Event”) will entitle such Bank or the Administrative Agent, as the case may be, to compensation pursuant to Section 3.4, 3.7, 4.1 or 4.3, as the case may be. Each such notification of a Triggering Event shall be accompanied by a certificate of such Bank or the Administrative Agent, as the case may be, setting forth the calculations and justification in reasonable detail such amount or amounts as shall be necessary to compensate such Bank or the Administrative Agent, as the case may be, as specified in Section 3.4, 3.7, 4.1 or 4.3, as the case may be, and certifying that such costs are generally being charged by such Bank to other similarly situated borrowers under similar credit facilities, which certificate shall be conclusive absent manifest error. The Borrower shall pay to the Administrative Agent for the account of such Bank or to the Administrative Agent for its own account, as the case may be, the amount shown as due on any such certificate within ten Business Days after its receipt of the same.

ARTICLE V CONDITIONS OF LENDING

SECTION 5.1. Conditions Precedent to Loans and Letters of Credit. The agreement of each Bank to make the initial extension of credit requested to be made by it is subject to the satisfaction, prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

- (a) The Administrative Agent (or its counsel) shall have received this Agreement duly executed by the Borrower and each other party hereto.
- (b) The Administrative Agent (or its counsel) shall have received a certificate dated as of the Closing Date of the Secretary or an Assistant Secretary of the Borrower certifying (i) the names and true signatures of the Responsible

Officers of the Borrower authorized to sign each Loan Document to which the Borrower is a party and the notices and other documents to be delivered by the Borrower pursuant to any such Loan Document; (ii) the bylaws and articles of incorporation of the Borrower as in effect on the date of such certification; (iii) the resolutions of the Board of Directors of the Borrower approving and authorizing the execution, delivery and performance by the Borrower of each Loan Document to which it is a party and any Notes from time to time issued hereunder and authorizing the borrowings and other transactions contemplated hereunder and (iv) that all material authorizations, approvals and consents by any Governmental Authority or other Person necessary in connection with the execution, delivery and performance of the Loan Documents and any other regulatory approvals in respect thereof required to be obtained prior to the Closing Date, have been obtained and are in full force and effect.

(c) The Administrative Agent shall have received an executed legal opinion, dated the Closing Date, of (i) Baker Botts LLP, special counsel to the Borrower and (ii) Rufus Scott, Esq., deputy general counsel of the Borrower. Each such legal opinion shall cover such matters incident to the transactions contemplated by the Loan Documents as the Administrative Agent may reasonably require and shall otherwise be in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent (or its counsel) shall have received a certificate dated on or about the Closing Date of the Secretary of State of the State of Texas as to the existence and good standing of the Borrower.

(e) The Administrative Agent shall have received, for the benefit of the lenders under the Existing Credit Agreement, all accrued interest and fees, including any commitment fees, utilization fees and letter of credit fees, due and payable under the Existing Credit Agreement as of the Closing Date.

(f) The effectiveness, substantially concurrent with the effectiveness of this Agreement, of (i) the CEHE Facility and (ii) the Resources Facility.

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

(h) The Administrative Agent shall have received all financial statements and other information as the Administrative Agent shall reasonably request, including projections and pro forma balance sheets adjusted to give effect to the financing contemplated hereby and the other financings described in clause (f) above, and such financial statements shall not, in the reasonable judgment of the Banks, reflect any material adverse change in the consolidated financial condition of the Borrower and its Subsidiaries, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(i) Detailed consolidated projections through the 2011 fiscal year of the Borrower (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of each such fiscal year, the related consolidated statements of projected cash flow, and projected income and a description of the underlying assumptions applicable thereto) in each case to the extent provided in the Confidential Information Memorandum.

(j) The Administrative Agent shall have received all fees required to be paid on or before the Closing Date.

(k) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the Facility shall be in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall notify the Borrower and the Banks of the Closing Date, and such notice shall be conclusive and binding.

SECTION 5.2. Conditions Precedent to Each Borrowing. The obligation of each Bank to make each extension of credit (including, to the extent relevant, the initial extensions of credit hereunder) and each extension of the Commitments pursuant to Section 2.7 hereof is subject to the satisfaction of the following conditions precedent:

(a) On or prior to the date of the making of such extension of credit, the Administrative Agent shall have received from the Borrower a Notice of Borrowing or an Application, as the case may be, in accordance with the terms of this Agreement, or, in the case of the issuance, extension or increase of any Letter of Credit, the instruments required under Section 2.5 in respect thereof.

(b) The representations and warranties of the Borrower contained in Section 6.1 of this Agreement and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit (except for (i) those representations or warranties or parts thereof that, by their terms, expressly relate solely to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date and (ii) at any time after the Closing Date, the representations and warranties contained in Sections 6.1(j) and (k)), before and after giving effect to such extension of credit, and to the application of the proceeds therefrom, as though made on and as of such date.

(c) No Default or Event of Default shall have occurred and be continuing or would result from such extension of credit.

(d) Each of the giving of any applicable Notice of Borrowing or Application, as the case may be, the acceptance by the Borrower of the proceeds of each Borrowing, and each Letter of Credit issued on behalf of the Borrower, shall constitute a representation and warranty by the Borrower that on the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

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

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

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

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

require, the creation or imposition of any material Lien upon any of the Properties of the Borrower or any Significant Subsidiary not permitted under this Agreement.

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

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

(g) Use of Proceeds, Margin Stock. The proceeds of the Loans will be used by the Borrower (i) to support commercial paper issued by the Borrower, and (ii) for other general corporate purposes. Neither the Borrower nor any Restricted Subsidiary of the Borrower is principally engaged in, or has as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan made to the Borrower will be used for any purpose that would violate the provisions of the margin regulations of the Board.

(h) Title to Properties. The issued and outstanding Capital Stock owned by the Borrower of each of its Significant Subsidiaries whether such stock is owned directly or indirectly through one or more of its Subsidiaries, is owned free and clear of any Lien. In addition, each of the Borrower and each Significant Subsidiary has good title to the Properties reflected in the financial statements referred to in Section 6.1(m) and in any financial statements delivered pursuant to Section 7.1(a), except for such Properties that have been disposed of subsequent to the dates of the balance sheets included in such financial statements and that are no longer used or useful in the conduct of the business of the Borrower or any Significant Subsidiary or that have been disposed of pursuant to Section 7.2(c) or (e) or that have been disposed of in the ordinary course of their respective business, and all such Properties are free and clear of any Lien except Liens permitted under this Agreement.

(i) Investment Company Act. Neither the Borrower nor any Restricted Subsidiary of the Borrower is an "investment company" as defined in, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

(j) Material Adverse Change. Since December 31, 2006, there has been no event, development or circumstance that, as of the Closing Date, has or would reasonably be expected to have a Material Adverse Effect.

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

(l) ERISA. There is no event or events, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect, arising out of or in connection with (i) any Reportable Event or “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) with respect to any Plan that has occurred during the five-year period immediately preceding the date on which this representation is made or deemed made, (ii) any failure of a Plan to comply with the applicable provisions of ERISA and the Code, (iii) any termination of a Single Employer Plan, (iv) any complete or partial withdrawal by the Borrower or any Commonly Controlled Entity from any Multiemployer Plan, (v) any Lien in favor of the PBGC or any Plan that has arisen during the five-year period referred to in clause (i) above or (vi) a Multiemployer Plan being in Reorganization or being Insolvent.

(m) Financial Statements. The consolidated financial statements of the Borrower as of and for the twelve months ended December 31, 2006 filed with the SEC with the Borrower’s 10-K for the period then ended, copies of which have been delivered to the Banks, present fairly in all material respects the consolidated financial condition and results of operations of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of such date and for the period then ended, in conformity with, as applicable, GAAP and, except as otherwise stated therein, consistently applied (in the case of such unaudited statements, subject to year-end adjustments and the exclusion of detailed footnotes).

(n) Accuracy of Information. None of the documents or written information (excluding estimates, financial projections and forecasts) provided by the Borrower to the Banks in connection with or pursuant to this Agreement or the other Loan Documents contains as of the date thereof or will contain as of the date thereof any untrue statement of a material fact or omits or will omit to state as of the date thereof a material fact (other than industry-wide risks normally associated with the types of businesses conducted by the Borrower and its Subsidiaries) necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading, as a whole. The estimates, financial projections and forecasts furnished to the Banks by the Borrower with respect to the transactions contemplated under this Agreement were prepared in good faith and on the basis of information and assumptions that the Borrower believed to be reasonable as of the date of such information; it being recognized by the Banks that such estimates, financial projections and forecasts as they relate to future events are not to be viewed as fact and that actual results during the period or periods covered by such estimates, financial projections and forecasts may differ from the projected results set forth therein by a material amount.

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

(p) Subsidiaries. Schedule 6.1(p) attached hereto sets forth each Significant Subsidiary as of the date hereof. Except as disclosed on Schedule 6.1(p), as of the date hereof the Borrower owns, directly or indirectly through one or more of its Subsidiaries, all of the outstanding Capital Stock of each Significant Subsidiary, in each case free and clear of any Liens not permitted under this Agreement.

(q) Senior Indebtedness. The obligations under this Agreement and the other Loan Documents constitute "Senior Debt" of the Borrower under and as defined in the ZENS Indenture and under any indenture governing any Junior Subordinated Debt.

(r) Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries), except where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charges (other than any Liens or claims that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect).

ARTICLE VII

AFFIRMATIVE AND NEGATIVE COVENANTS

SECTION 7.1. Affirmative Covenants. The Borrower covenants that, as long as any amount is owing hereunder or under any other Loan Documents, any Letter of Credit is outstanding or any Bank shall have any Commitment outstanding under this Agreement:

(a) Delivery of Financial Statements, Notices and Certificates. The Borrower shall deliver to the Administrative Agent for distribution to the Banks sufficient copies for each of the Banks of the following:

(i) as soon as practicable and in any event within 90 days after the end of each fiscal year of the Borrower (beginning with fiscal 2007), a consolidated balance sheet of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of the end of such fiscal year and the related statements of consolidated income, retained earnings and cash flows prepared in conformity with GAAP consistently applied, setting forth in comparative form the figures for the previous fiscal year, together with a report thereon by independent certified public accountants of nationally recognized standing selected by the Borrower (which requirement may be satisfied by delivering the Borrower's Annual Report on Form 10-K with respect to such fiscal year as filed with the SEC);

(ii) as soon as practicable and in any event within 55 days after the end of each of the first three quarters of each fiscal year of the Borrower (beginning with the quarter ending June 30, 2007), unaudited consolidated financial statements of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries consisting of at least consolidated balance sheets as at the close of such quarter and statements of consolidated income, retained earnings and cash flows for such quarter and for the period from the beginning of such fiscal year to the close of such quarter (which requirement may be satisfied by delivering the Borrower's Quarterly Report on Form 10-Q with respect to such fiscal quarter as filed with the SEC); such financial statements shall be accompanied by a certificate of a Responsible Officer of the Borrower to the effect that such unaudited financial statements present fairly in all material respects the consolidated financial condition and results of operations of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of such date for the period then ending, and have been prepared in conformity with GAAP in a manner consistent with the financial statements referred to in paragraph (a)(i) above (subject to year-end adjustments and exclusion of detailed footnotes);

(iii) with each set of statements to be delivered pursuant to Sections 7.1(a)(i) and (ii) above, a certificate in a form reasonably satisfactory to the Administrative Agent, signed by a Responsible Officer of the Borrower confirming compliance with Section 7.2(a) and setting out in reasonable detail the calculations necessary to demonstrate such compliance as at the date of the most recent balance sheet included in such financial statements and stating that no Default or Event of Default has occurred and is continuing or, if there is any Default or Event of Default, describing it and the steps, if any, being taken to cure it; and

(iv) (A) within ten days of the filing thereof, copies of all periodic reports (other than (x) reports on Form 11-K or any successor form, (y) Current Reports on Form 8-K that contain no information other than exhibits filed therewith and (z) reports on Form 10-Q or 10-K or any successor forms) under the Exchange Act (in each case other than exhibits thereto and documents incorporated by reference therein) filed by the Borrower with the SEC; (B) promptly, and in any event within seven (7) Business Days after a Responsible Officer of the Borrower becomes aware of the occurrence thereof, written notice of (x) any Event of Default or any Default, (y) the institution of (I) any litigation, action, suit or other legal or governmental proceeding involving the Borrower or any Restricted Subsidiary of the Borrower as to which there is a reasonable possibility of an adverse decision that would have a Material Adverse Effect on the Borrower or (II) any other final adverse determination in any litigation, action, suit or other legal or governmental proceeding involving the Borrower or any Significant Subsidiary of the Borrower (1) in the True-Up Litigation or (2) that would have a Material Adverse Effect or (z) the existence of an event or events, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect, arising out of or in connection with (1) any Reportable Event with respect to any Plan, (2) the failure to make any required contribution to a Plan, (3) the creation of any Lien in favor of the PBGC or a Plan, (4) any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (5) the institution of proceedings or the taking of any other action

by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; (C) with each set of statements delivered pursuant to Section 7.1(a)(i), a certificate signed by a Responsible Officer of the Borrower identifying those Subsidiaries which, determined as of the date of such financial statements, are Significant Subsidiaries and Unrestricted Subsidiaries; and (D) such other information relating to the Borrower or its business, properties, condition and operations as the Administrative Agent (or any Bank through the Administrative Agent) may reasonably request.

Information required to be delivered pursuant to the foregoing Sections 7.1(a)(i), (ii), and (iv)(A) shall be deemed to have been delivered on the date on which the Borrower provides notice (including notice by e-mail) to the Administrative Agent (which notice the Administrative Agent will convey promptly to the Banks) that such information has been posted on the SEC website on the Internet at sec.gov/edgar/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 7.1(a)(iii) and (ii) the Borrower shall deliver paper copies of such information to the Administrative Agent, and the Administrative Agent shall deliver paper copies of such information to any Bank that requests such delivery.

(b) Use of Proceeds. The Borrower will use the proceeds of any Loan or Letter of Credit made or issued by the Banks or any Issuing Bank to it for the purposes set forth in Section 6.1(g), and it will not use the proceeds of any Loan or Letter of Credit made or issued by the Banks or any Issuing Bank for any purpose that would violate the provisions of the margin regulations of the Board. The Borrower will not, and will not permit any of its Subsidiaries to engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying, within the meaning of Regulation U, any Margin Stock.

(c) Existence; Laws. The Borrower will and will cause each of its Significant Subsidiaries to, do or cause to be done all things necessary (i) to preserve, renew and keep in full force and effect its legal existence and all rights, licenses, permits and franchises (except to the extent otherwise permitted by Sections 7.2(c) or 7.2(d)) and (ii) to comply with all laws and regulations applicable to it, except in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(d) Maintenance of Properties. The Borrower will, and will cause each Significant Subsidiary to, preserve and maintain all of its Property that is material to the conduct of its business, provided, however, that nothing in this Section 7.1(d) shall prevent (a) the Borrower or any of its Significant Subsidiaries from selling, abandoning or otherwise disposing of any Properties (including the Capital Stock of any Subsidiary of the Borrower that is not a Significant Subsidiary), the retention of which in the good faith judgment of the Borrower or such Significant Subsidiary is inadvisable or unnecessary to the business of the Borrower and its Subsidiaries, taken as a whole, or the failure to maintain would not reasonably be expected to have a Material Adverse Effect or (b) any other transaction that is expressly permitted by the terms of any other provision of this Agreement.

(e) Maintenance of Business Line. The Borrower will maintain its fundamental business of providing services and products in the energy market.

(f) Books and Records; Access. The Borrower will, and will cause each Significant Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities as required by GAAP. The Borrower will, and will cause each of its Significant Subsidiaries to, at any reasonable time and from time to time, permit up to six representatives of the Banks designated by the Majority Banks, or representatives of the Administrative Agent, on not less than five Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and each Significant Subsidiary and to discuss the general business affairs of the Borrower and each of its Significant Subsidiaries with their respective officers and independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the Borrower and each of its Significant Subsidiaries shall deem necessary based on reasonable considerations of safety and security; provided, however, that neither the Borrower nor any of its Significant Subsidiaries shall be required to disclose to any Agent, any Bank or any agents or representatives thereof any information which is the subject of attorney-client privilege or attorney work-product privilege properly asserted by the applicable Person to prevent the loss of such privilege in connection with such information or which is prevented from disclosure pursuant to a confidentiality agreement with third parties. Notwithstanding the foregoing, none of the conditions precedent to the exercise of the right of access described in the preceding sentence that relate to notice requirements or limitations on the Persons permitted to exercise such right shall apply at any time when a Default or an Event of Default shall have occurred and be continuing.

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

(h) Corporate Rating. The Borrower will deliver to the Administrative Agent notice of any change by a Rating Agency in its credit or corporate rating promptly upon the effectiveness of such change.

SECTION 7.2. Negative Covenants. The Borrower covenants that, so long as any amount is owing to the Banks hereunder or under any other Loan Documents to which it is a party or any Letter of Credit is outstanding under this Agreement, the Borrower will not:

(a) Financial Ratios. Permit at any time the ratio of Consolidated Indebtedness at such time to Consolidated EBITDA for the most recently ended twelve-month period ending during any period set forth below to exceed the ratio set forth below opposite such period:

<u>Period</u>	<u>Ratio</u>
Closing Date through December 31, 2007	5.25:1.00
January 1, 2008 through December 31, 2008	5.00:1.00
January 1, 2009 through the Maturity Date	4.50:1.00

(b) Certain Liens. And will not permit any of its Restricted Subsidiaries to, pledge, mortgage, hypothecate or grant a Lien upon, or permit any mortgage, pledge, security interest or other Lien upon, any Property of the Borrower or any Restricted Subsidiary of the Borrower now or hereafter owned directly or indirectly by the Borrower; provided, however, that this restriction shall neither apply to nor prevent the creation or existence of:

(i) Permitted Liens;

(ii) any Lien in existence on the date hereof; provided that no such Lien described in this clause (ii) encumbers any additional Property after the date hereof and that the principal amount of Indebtedness of the Borrower and its Subsidiaries secured thereby is not increased;

(iii) Liens securing bonds issued after the Closing Date pursuant to the Original Mortgage (to the extent the proceeds thereof are used to replace, refund or refinance first mortgage bonds outstanding on the date hereof) or the General Mortgage Indenture (or second or subordinated, as the case may be, Liens in lieu thereof);

(iv) Liens required to be granted pursuant to "equal and ratable" clauses existing on the date hereof under Contractual Obligations of the Borrower and its Restricted Subsidiaries (and extensions and renewals thereof);

(v) Liens arising in connection with the securitization of accounts receivable of Resources and its Subsidiaries or any Securitization Subsidiary, in the case of Resources and its Subsidiaries, to the extent affecting only the accounts receivable of Resources and its Subsidiaries and assets customarily related thereto;

(vi) Liens securing Indebtedness of Resources and/or its Subsidiaries; provided that such Liens shall be limited to the Property of Resources and/or its Subsidiaries;

(vii) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Restricted Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or of its Restricted Subsidiaries (other than repairs, renewals, replacements, additions, accessions, improvements and betterments thereto);

(viii) Liens on Property and repairs, renewals, replacements, additions, accessions, improvements and betterments thereto existing at the time such Property is acquired by the Borrower or any Restricted Subsidiary and not created in contemplation of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the Property of any Person at the time such Person becomes a Restricted Subsidiary of the Borrower and not created in contemplation of such Person becoming a Restricted Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto);

(ix) rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license or permit, or by any Requirements of Law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Property of the Borrower or any of its Restricted Subsidiaries;

(x) rights reserved to or vested in (or exercised by) any Governmental Authority to control, regulate or use any Property of a Person or its activities, including zoning, planning and environmental laws and ordinances and municipal regulations;

(xi) Liens on Property of the Borrower or any of its Restricted Subsidiaries securing non-recourse Indebtedness of the Borrower or any such Restricted Subsidiary;

(xii) Liens on the stock or assets of Securitization Subsidiaries;

(xiii) any extension, renewal or refunding of any Lien permitted by clauses (i) through (xii) above on the same Property previously subject thereto; provided that no extension, renewal or refunding of any such Lien shall increase the principal amount of any Indebtedness secured thereby immediately prior to such extension, renewal or refunding, unless such Indebtedness is permitted under Section 7.2(a);

(xiv) Liens on cash collateral to secure obligations of the Borrower and its Restricted Subsidiaries in respect of cash management arrangements with any Bank or Affiliate thereof; and

(xv) Liens not otherwise permitted by this Section 7.2(b) securing Indebtedness of the Borrower and its Restricted Subsidiaries so long as the aggregate outstanding principal amount of the obligations secured thereby does not at any time exceed at the time of incurrence of such obligations (including any such incurrence resulting from any extension, renewal or refunding of such obligations), as to the Borrower and all of its Restricted Subsidiaries, 10% of Net Tangible Assets.

(c) Consolidation, Merger or Disposal of Assets. And will not permit any Significant Subsidiary to, (i) consolidate with, or merge into or amalgamate with or into, any other Person; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (iii) convey, sell, transfer, lease or otherwise dispose of all or substantially all of its Properties to any Person; provided, however, that nothing contained in this Section 7.2(c) shall prohibit (A) a merger involving a Subsidiary of the Borrower (including mergers to reincorporate or change the domicile of such Subsidiary) if any Wholly-Owned Significant Subsidiary of the Borrower is the

surviving entity thereof; (B) the liquidation, winding up or dissolution of a Significant Subsidiary of the Borrower if all of the Properties of such Significant Subsidiary are conveyed, transferred or distributed to the Borrower or a Person that after giving effect to such transaction is a Wholly-Owned Significant Subsidiary of the Borrower; (C) the conveyance, sale, transfer or other disposal of all or substantially all (or any lesser portion) of the Properties of any Significant Subsidiary of the Borrower to the Borrower or a Person that after giving effect to such transaction is a Wholly-Owned Significant Subsidiary of the Borrower; (D) the transfer of assets in connection with the issuance of Securitization Securities; or (E) any Permitted MLP Asset Transfer; provided that, in each case, immediately before and after giving effect to any such merger, dissolution or liquidation, or conveyance, sale, transfer, lease or other disposition, no Default or Event of Default shall have occurred and be continuing.

(d) Takeover Bids. Use the proceeds of any Loan made to it to participate in any unsolicited control bid for any other Person.

(e) Sale of Significant Subsidiary Stock. And will not permit the sale, assignment, transfer or other disposal of any of the Capital Stock of any Significant Subsidiary. Notwithstanding the foregoing provisions of Section 7.2(c) or this Section 7.2(e), (x) the Borrower or any Significant Subsidiary may sell, assign, transfer or otherwise dispose of (i) any of the Capital Stock of any Significant Subsidiary to the Borrower or to a Wholly-Owned Subsidiary of the Borrower that constitutes a Significant Subsidiary after giving effect to such transaction and (ii) any of the Capital Stock of any Subsidiary that is not a Significant Subsidiary and (y) any Significant Subsidiary shall have the right to issue, sell, assign, transfer or otherwise dispose of for value its preference or preferred stock in one or more bona fide transactions to any Person; provided that immediately before and after giving effect to any such Disposition described in the foregoing clauses (x) and (y), no Event of Default or Default shall have occurred and be continuing.

(f) Agreements Restricting Dividends. And will not permit any Significant Subsidiary to enter into, incur or permit to exist any agreement or other consensual arrangement that explicitly prohibits or restricts the payment by any Significant Subsidiary of dividends or other distributions with respect to any shares of its Capital Stock; provided that the foregoing shall not prohibit financial incurrence, maintenance and similar covenants that indirectly have the practical effect of prohibiting or restricting the ability of a Significant Subsidiary to make such payments or provisions that require that a certain amount of capital be maintained, or prohibit the return of capital to shareholders above certain dollar limits; provided further, that the foregoing shall not apply to (i) restrictions and conditions imposed by law or by this Agreement, (ii) restrictions and conditions existing on the date hereof, any amendment or modification thereof (other than an amendment or modification expanding the scope of any such restriction or condition and any restrictions or conditions) that (x) replace restrictions or conditions existing on the date hereof and (y) are substantially similar to such existing restriction or condition, (iii) restrictions (including any extension of such restrictions that does not expand the scope of any such restrictions) existing at the time at which any such Subsidiary first becomes a Significant Subsidiary, so long as such restriction was in existence prior to such time in accordance with the other provisions of this Agreement and was not agreed to or incurred in contemplation of such change of status, (iv) any restrictions with respect to a Significant Subsidiary imposed pursuant to an agreement that has been entered into in connection with a

disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (v) any restrictions in respect of preferred or preference stock permitted to be incurred by Significant Subsidiaries under Section 7.2(e) and (vi) restrictions in respect of Project Financings permitted hereunder.

(g) Certain Investments, Loans, Advances, Guarantees and Acquisitions. And will not permit any of its Significant Subsidiaries to (i) purchase or acquire (including pursuant to any merger) any Capital Stock, evidence of indebtedness or other securities of or other interest in (including any option, warrant or other right to acquire any of the foregoing), make any loans or advances to, Guarantee any obligations of, or make any investment or other interest in or capital contribution to any Unrestricted Subsidiary or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any Unrestricted Subsidiary constituting a business unit, (any of the foregoing, an “Investment”) at any time other than (A) Investments in MLP Unrestricted Subsidiaries and (B) other Investments such that the aggregate amount of net tangible assets of all Unrestricted Subsidiaries (excluding assets that are the subject of Permitted MLP Asset Transfers, replacements thereof, receivables, inventory and accretions in value of the MLP Unrestricted Subsidiaries) at such time does not exceed, or would not exceed as a result of any such Investment, 10% of the Net Tangible Assets and (ii) make Investments in Project Finance Subsidiaries at any time if the aggregate amount of Investments at such time exceeds, or would exceed as a result of any such Investments, \$400,000,000.

(h) Indebtedness of Holding Companies. Permit Utility Holding, LLC and any other of its Subsidiaries that directly or indirectly own CenterPoint Electric or Resources and which do not conduct, transact or otherwise engage in any business or operations other than those incidental to their ownership of the Capital Stock of CenterPoint Electric or Resources to incur, create, assume or suffer to exist any Indebtedness for Borrowed Money, except (i) Indebtedness for Borrowed Money owed to the Borrower or any Subsidiary of the Borrower, (ii) Guarantees of Indebtedness for Borrowed Money owed by the Borrower or any Subsidiary of the Borrower and (iii) Indebtedness for Borrowed Money owed by such Subsidiary on the date hereof and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof).

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1. Events of Default. The occurrence of any of the following events shall constitute an “Event of Default”:

(a) Non-Payment of Principal, Interest and Commitment Fee. The Borrower fails to pay, in the manner provided in this Agreement, (i) any principal or Reimbursement Obligations payable by it hereunder when due or (ii) any interest payment, any Commitment Fee, any Utilization Fee or any Letter of Credit fee payable by it hereunder within five (5) Business Days after its due date; or

(b) Non-Payment of Other Amounts. The Borrower fails to pay, in the manner provided in this Agreement, any other amount (other than the amounts set forth in Section 8.1(a) above)

payable by it hereunder within ten (10) Business Days after notice of such payment is received by the Borrower from the Administrative Agent; or

(c) Breach of Representation or Warranty. Any representation or warranty by the Borrower in Section 6.1, in any other Loan Document or in any certificate, document or instrument delivered by the Borrower under this Agreement shall have been incorrect in any material respect when made or when deemed hereunder to have been made; or

(d) Breach of Certain Covenants. Borrower fails to perform or comply with any one or more of its obligations under Section 7.1(a)(iv)(B)(x) or 7.2; or

(e) Breach of Other Obligations. Borrower does not perform or comply with any one or more of its other obligations under this Agreement (other than those set forth in Section 8.1(a), (b) or (d) above) or under any other Loan Document and such failure to perform or comply shall not have been remedied within 30 days after the earlier of notice thereof to it by the Administrative Agent or the Majority Banks or discovery thereof by a Responsible Officer of the Borrower; or

(f) Other Indebtedness. (i) The Borrower or any Significant Subsidiary fails to pay when due (either at stated maturity or by acceleration or otherwise but subject to applicable grace periods) any principal or interest in respect of any Indebtedness for Borrowed Money, Secured Indebtedness, or Junior Subordinated Debt (other than Indebtedness of the Borrower under this Agreement) if the aggregate principal amount of all such Indebtedness for which such failure to pay shall have occurred and be continuing exceeds \$50,000,000 or (ii) any default, event or condition shall have occurred and be continuing with respect to any Indebtedness for Borrowed Money, Secured Indebtedness, or Junior Subordinated Debt of the Borrower or any Significant Subsidiary (other than Indebtedness of the Borrower under this Agreement), the effect of which default, event or condition is to cause, or to permit the holder thereof to cause, (A) such Indebtedness to become due prior to its stated maturity (other than in respect of mandatory prepayments required thereby) or (B) in the case of any Guarantee by the Borrower or any Significant Subsidiary of Indebtedness for Borrowed Money of any Person or Junior Subordinated Debt of the Borrower or any of its Significant Subsidiaries the primary obligation (as such term is defined in the definition of "Guarantee" in Section 1.1) to which such Guarantee relates to become due prior to its stated maturity, if the aggregate amount of all such Indebtedness or primary obligations (as the case may be) that is or could be caused to be due prior to its stated maturity exceeds \$50,000,000; or

(g) Involuntary Bankruptcy, Etc. (i) There shall be commenced against the Borrower or any Significant Subsidiary any case, proceeding or other action (A) seeking a decree or order for relief in respect of the Borrower or any Significant Subsidiary under any applicable domestic or foreign bankruptcy, insolvency, reorganization or other similar law, (B) seeking a decree or order adjudging the Borrower or any Significant Subsidiary a bankrupt or insolvent, (C) except as permitted by Section 7.2(c)(ii), seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief of or in respect of the Borrower or any Significant Subsidiary or their respective debts under any applicable domestic or foreign law or (D) seeking the appointment of a custodian, receiver, conservator, liquidator, assignee, trustee, sequestrator or other similar official of the Borrower or any Significant Subsidiary or of any

substantial part of their respective Properties, or the liquidation of their respective affairs, and such petition is not dismissed within 90 days or (ii) a decree, order or other judgment is entered in respect of any of the remedies, reliefs or other matters for which any petition referred to in (i) above is presented or (iii) there shall be commenced against the Borrower or any Significant Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged or stayed or bonded pending appeal within 90 days from the entry thereof; or

(h) Voluntary Bankruptcy, Etc. (i) The commencement by the Borrower or any Significant Subsidiary of a voluntary case, proceeding or other action under any applicable domestic or foreign bankruptcy, insolvency, reorganization or other similar law (A) seeking to have an order of relief entered with respect to it, (B) seeking to be adjudicated a bankrupt or insolvent, (C) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief with respect to it or its debts under any applicable domestic or foreign law or (D) seeking the appointment of or the taking possession by a custodian, receiver, conservator, liquidator, assignee, trustee, sequestrator or similar official of the Borrower or any Significant Subsidiary of any substantial part of its Properties; or (ii) the making by the Borrower or any Significant Subsidiary of a general assignment for the benefit of creditors; or (iii) the Borrower or any Significant Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in clause (i) or (ii) above or in Section 8.1(g); or (iv) the admission by the Borrower or any Significant Subsidiary in writing of its inability to pay its debts generally as they become due or the failure by the Borrower or any Significant Subsidiary generally to pay its debts as such debts become due; or

(i) Enforcement Proceedings. A final judgment or decree for the payment of money (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) which, together with all other such judgments or decrees against the Borrower or any Significant Subsidiary then outstanding and unsatisfied, exceeds \$50,000,000 in aggregate amount not covered by insurance shall be rendered against the Borrower or any Significant Subsidiary and the same shall remain undischarged for a period of 60 days, during which the execution thereon shall not effectively be stayed, released, bonded or vacated; or

(j) ERISA Events. The existence of an event or events, individually or, in the aggregate, that could reasonably be expected to have a Material Adverse Effect arising out of or in connection with (A) any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (B) the occurrence of any “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) by a Plan, whether or not waived, or any Lien in favor of the PBGC or a Plan on the assets of the Borrower or any Commonly Controlled Entity, (C) the occurrence of a Reportable Event with respect to, or the commencement of proceedings under Section 4042 of ERISA to have a trustee appointed, or the appointment of a trustee under Section 4042 of ERISA, to administer or to terminate any Single Employer Plan, which Reportable Event, commencement of proceedings or appointment of a trustee which would reasonably be expected to result in the termination of such Plan for purposes of Title IV of ERISA, (D) the termination of any Single Employer Plan for purposes of Title IV of ERISA, (E) withdrawal from, or the Insolvency or Reorganization of, a

Multiemployer Plan or (F) the occurrence of any other event or condition with respect to a Plan; or

(k) Change in Control. A Change in Control shall have occurred.

SECTION 8.2. Cancellation/Acceleration. If at any time and for any reason (whether within or beyond the control of any party to this Agreement):

(a) either of the Events of Default specified in Section 8.1(g) or 8.1(h) occurs with respect to the Borrower, then automatically:

(i) the Commitments shall immediately be cancelled; and

(ii) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become immediately due and payable; or

(b) any other Event of Default specified in Section 8.1 occurs and, while such Event of Default is continuing, the Administrative Agent, having been so instructed by the Majority Banks, by notice to the Borrower shall so declare that:

(i) the Commitments shall immediately be cancelled; and/or

(ii) either (A) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become immediately due and payable or (B) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become due and payable at any time thereafter immediately on demand by the Administrative Agent (acting on the instructions of the Majority Banks).

With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph or on the Termination Date, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent cash or cash equivalents in an amount equal to the aggregate then undrawn and unexpired face amount of such Letters of Credit. The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the L/C Participants, a security interest in such cash collateral to secure all obligations of the Borrower under this Agreement and the other Loan Documents. Interest shall accrue on such account for the benefit of the Borrower at a rate equal to the Federal Funds Effective Rate. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the

Borrower hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower. The Borrower shall execute and deliver to the Administrative Agent, for the account of each Issuing Bank and the L/C Participants, such further documents and instruments as the Administrative Agent may reasonably request to evidence the creation and perfection of the within security interest in such cash collateral account.

Except as expressly provided above in this Section 8.2, presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of any kind whatsoever are hereby expressly waived by the Borrower.

ARTICLE IX

THE ADMINISTRATIVE AGENT

SECTION 9.1. Appointment. Each Bank hereby irrevocably designates and appoints JPMorgan Chase Bank, N.A. as the Administrative Agent of such Bank under this Agreement and the other Loan Documents, and each such Bank irrevocably authorizes JPMorgan Chase Bank, N.A., as the Administrative Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, (a) the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent and (b) the other Agents and the Lead Arrangers shall not have any duties or responsibilities hereunder, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the other Agents or the Lead Arrangers.

SECTION 9.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 9.3. Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other

document referred to or provided for in, or received by the Administrative Agent or any other Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any Note or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

SECTION 9.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note or any loan account in the Register as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks (or, if so specified by this Agreement, all Banks) as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Majority Banks (or, if so specified by this Agreement, all Banks), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the amounts owing hereunder.

SECTION 9.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Banks; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

SECTION 9.6. Non-Reliance on Administrative Agent and Other Banks. Each Bank expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representations or warranties to it and that no act by any Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by any Agent to any Bank. Each Bank represents to the Agents that it has, independently and without reliance upon

any Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower that may come into the possession of the Administrative Agent or any of its officers, directors, employees, attorneys-in-fact or Affiliates.

SECTION 9.7. Indemnification. The Banks agree to indemnify the Agents and the Lead Arrangers in their respective capacities as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective applicable Revolving Percentages in effect on the date on which indemnification is sought under this Section 9.7, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of all amounts owing hereunder and the termination of the Commitments) be imposed on, incurred by or asserted against the Agents or the Lead Arrangers, as the case may be, in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agents or the Lead Arrangers, as the case may be, under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agents' or the Lead Arrangers', as the case may be, gross negligence or willful misconduct. The agreements in this Section 9.7 shall survive the payment of all amounts payable hereunder.

SECTION 9.8. Agent in Its Individual Capacity. Each Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though such Agent were not an Agent hereunder and under the other Loan Documents. With respect to its Loans made or renewed by it, any Letter of Credit issued or participated in by it and its Commitment hereunder, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Bank and may exercise the same as though it were not an Agent, and the terms "Bank" and "Banks" shall include the each Agent in its individual capacity.

SECTION 9.9. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Banks and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Majority Banks shall appoint from among the Banks a successor

agent for the Banks, which successor agent shall be approved by the Borrower, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Administrative Agent” shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of any amounts payable hereunder; provided that if an Event of Default has occurred and is continuing, no consent of the Borrower shall be required. If a successor Administrative Agent shall not have been so appointed within said 30-day period, the Administrative Agent may then appoint a successor Administrative Agent who shall be a financial institution engaged or licensed to conduct banking business under the laws of the United States with an office in New York City and that has total assets in excess of \$500,000,000 and who shall serve as Administrative Agent until such time, if any, as an Administrative Agent shall have been appointed as provided above. After any retiring Administrative Agent’s resignation or removal as Administrative Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

Notwithstanding anything to the contrary contained herein, no Bank identified as an “Agent”, “Arranger” or “Global Coordinator” other than the Administrative Agent, shall have the right, power, obligation, liability, responsibility or duty under this Agreement or any Loan Document other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or not taking action hereunder.

ARTICLE X MISCELLANEOUS

SECTION 10.1. Amendments and Waivers. Neither this Agreement, any Note, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except pursuant to an instrument or instruments in writing executed in accordance with the provisions of this Section 10.1. The Majority Banks may, or, with the written consent of the Majority Banks, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to any Notes and the other Loan Documents for the purpose of adding any provisions to this Agreement or any Notes or the other Loan Documents or changing in any manner the rights of the Banks or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Banks or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or any Notes or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(i) reduce the amount or extend the scheduled date of maturity of any Note or Loan, or reduce the stated rate of any interest or fee (including the prepayment premium provided for in Section 4.6) payable hereunder or extend the scheduled date of any

payment thereof, or increase the amount or extend the expiration date of any Bank's Commitments, in each case without the consent of each Bank directly affected thereby;

(ii) amend, modify or waive any provision of this Section or of Section 4.2 in a manner that would alter the pro rata sharing of payments required thereby, or reduce the percentage specified in the definition of Majority Banks, or consent to the assignment or transfer by the Borrower of any of its respective rights and obligations under this Agreement and the other Loan Documents, in each case without the written consent of all the Banks;

(iii) amend, modify or waive any provision of Article IX without the written consent of the then Administrative Agent;

(iv) amend, modify or waive any provision of Section 2.5 in a manner that adversely affects any Issuing Bank without the written consent of the then Issuing Bank or Issuing Banks; or

(v) amend, modify or waive any provision of Section 2.4 in a manner that adversely affects any Swingline Lender without the written consent of the then Swingline Lender or Swingline Lenders.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Borrower, the Banks, the Issuing Bank or Issuing Banks, the Administrative Agent and all future holders of the amounts payable hereunder. In the case of any waiver (to the extent specified therein), the Borrower, the Banks, the Issuing Bank or Issuing Banks, and the Administrative Agent shall be restored to their former position and rights hereunder and under any outstanding Notes and any other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

SECTION 10.2. Notices. (a) Unless otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile followed by any original sent by mail or delivery), and, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule 1.1(A) in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the amounts payable hereunder:

Borrower: 1111 Louisiana
Houston, Texas 77002
Attention: Linda Geiger
Assistant Treasurer
Telecopy: (713) 207-3301

With a copy to: Marc Kilbride

Telecopy: Treasurer
(713) 207-3301

Administrative Agent: JPMorgan Chase Bank, N.A. Loan and Agency Services Group
1111 Fannin Street
Houston, Texas 77002

Attention: Regina Harmon
Telecopy: (713) 427-6307

With a copy to: JP Morgan Chase Bank, N.A.
600 Travis, 20th Floor
Houston, Texas 77002

Attention: Robert Traband
Telecopy: (713) 216-8870

Swingline Lender: JPMorgan Chase Bank, N.A. Loan and Agency Services Group
1111 Fannin Street
Houston, Texas 77002

Attention: Regina Harmon
Telecopy: (713) 427-6307

With a copy to: JP Morgan Chase Bank, N.A.
600 Travis, 20th Floor
Houston, Texas 77002

Attention: Robert Traband
Telecopy: (713) 216-8870

provided that any notice, request or demand to or upon the Administrative Agent or the Banks shall not be effective until received.

(b) The Borrower hereby acknowledges that (i) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “**Public Lender**”) and (ii) the Administrative Agent will make available to the Lenders certain notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that initiates or responds to the legal process (all such non-excluded information being referred to herein collectively as the “**Communications**”) on IntraLinks or another relevant website (whether a commercial, third-party website or whether sponsored by the Administrative Agent) (the “**Platform**”). The Borrower hereby agrees that all Communications that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof, (ii) by marking Communications “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Banks and the Lenders to treat such Communications as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws, it being

understood that certain of such Communications may be subject to the confidentiality requirements hereof, (iii) all Communications marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor,” and (iv) the Administrative Agent shall be entitled to treat any Communications that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor.” Notwithstanding the foregoing, (A) the Borrower shall be under no obligation to mark any Communications “PUBLIC,” and each Public Lender hereby waives its right to receive any Communications that are not marked “PUBLIC”; and (B) the Administrative Agent shall treat Communications that are deemed to have been delivered based on notice pursuant to the last sentence of Section 7.1(a) as “PUBLIC.”

SECTION 10.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 10.4. Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement.

SECTION 10.5. Payment of Expenses and Taxes; Indemnity. The Borrower agrees (a) to pay all reasonable out-of-pocket expenses of the Global Coordinators associated with the syndication of the Facility, (b) to pay or reimburse the Administrative Agent and its Affiliates for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution and delivery of, and any amendment, supplement or modification to, this Agreement and any Notes and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of Simpson Thacher & Bartlett LLP, special counsel to the Administrative Agent (but excluding the fees or expenses of any other counsel), (c) to pay or reimburse the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, any Notes, the other Loan Documents and any such other documents, including, without limitation, the reasonable fees and disbursements of the special counsel to the Administrative Agent, (d) to pay or reimburse each Bank for all its costs and expenses incurred in connection with the enforcement, or at any time after the occurrence and during the continuance of a Default or an Event of Default the preservation, of any rights under this Agreement, any Notes, the other Loan Documents and any such other documents, including, without limitation, the reasonable fees and disbursements of counsel to such Bank, (e) without duplication of any other provision contained in this Agreement or any Notes, to pay, indemnify, and hold each Bank and the Administrative Agent harmless from, any and all recording and filing fees, if any, and any and all liabilities (for which each Bank has not been otherwise reimbursed under this Agreement) with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or

administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, any Notes, the other Loan Documents and any such other documents, and (f) without duplication of any other provision contained in this Agreement or any Notes, to pay, indemnify, and hold each Global Coordinator, each Lead Arranger, each Bank, each Swingline Lender and each Agent together with their respective directors, officers, employees, agents, trustees, advisors and affiliates (collectively, “Indemnified Persons”) harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including without limitation, all fees and expenses of counsel to any indemnified person) with respect to the execution, delivery, enforcement, performance and administration of this Agreement, any Notes or the other Loan Documents, the transactions contemplated by this Agreement, any Notes or the other Loan Documents, or the use, or proposed use, of proceeds of the Loans (all the foregoing in this clause (f), collectively, the “Indemnified Liabilities”); provided that the Borrower shall have no obligation hereunder to an Indemnified Person with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of such Indemnified Person, AND PROVIDED FURTHER THAT IT IS THE INTENTION OF THE BORROWER TO INDEMNIFY THE INDEMNIFIED PERSONS AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

SECTION 10.6. Effectiveness, Successors and Assigns, Participations; Assignments. (a) This Agreement shall become effective on the date hereof and thereafter shall be binding upon and inure to the benefit of the Borrower, the Banks, each Issuing Bank, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions or Bank Affiliates (a “Participant”) participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank hereunder and under the other Loan Documents. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank’s obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Loan and Commitment or other interest for all purposes under this Agreement and the other Loan Documents, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank’s rights and obligations under this Agreement and the other Loan Documents and except with respect to the matters set forth in Section 10.1, the amendment of which requires the consent of all of the Banks, the participation agreement between the selling Bank and the Participant may not restrict such Bank’s voting rights hereunder. The Borrower agrees that each Participant, to the extent provided in its participation, shall be entitled to the benefits of Sections 3.4, 3.7, 4.1 and 4.3 with respect to its participation in the Commitments and the Loans outstanding from time to time; provided that (i) no Participant shall be entitled to receive any greater amount pursuant to such Sections than the selling Bank would have been entitled to receive in respect of the amount of the participation sold by such selling Bank to such

Participant had no such sale occurred and (ii) each such sale of participating interests shall be to a “qualified purchaser”, as such term is defined under the Investment Company Act of 1940. Except as expressly provided in this Section 10.6(b), no Participant shall be a third-party beneficiary of or have any rights under this Agreement or under any of the other Loan Documents.

(c) Except as set forth below, the Banks shall be permitted to assign all or a portion of their Loans and Commitments to one or more financial institutions (“Purchasing Banks”) with the consent, not to be unreasonably withheld, of (a) the Borrower, unless (i) the Purchasing Bank is a Bank or a Bank Affiliate or (ii) an Event of Default has occurred and is continuing, (b) the Administrative Agent, unless the assignment is from a Bank to its Bank Affiliate, and (c) each Issuing Bank, unless the assignment is from a Bank to its Bank Affiliate pursuant to an Assignment and Acceptance, substantially in the form of Exhibit C (an “Assignment and Acceptance”), executed by such Purchasing Bank and such transferor Bank (and by the Borrower, the Administrative Agent and each Issuing Bank, as applicable) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that (i) such Purchasing Bank is a “qualified purchaser” as defined under the Investment Company Act of 1940, (ii) each such sale shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of the Commitment of such Bank, (iii) each such sale shall be in an aggregate amount of not less than \$5,000,000 (or such lesser amount representing the entire Commitment of such transferor Bank) if such sale is not to an existing Bank and (iv) after giving effect to such sale, the transferor Bank shall (to the extent that it continues to have any Commitment hereunder) have a Commitment of not less than \$5,000,000, provided that such amounts shall be aggregated in respect of each Bank and its Bank Affiliates, if any. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance (the “Transfer Effective Date”), (i) the Purchasing Bank thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder with the Commitments as set forth therein and (ii) the transferor Bank thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of a transferor Bank’s rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the resulting adjustment of Revolving Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement. On or prior to the Transfer Effective Date determined pursuant to such Assignment and Acceptance, (i) appropriate entries shall be made in the accounts of the transferor Bank and the Register evidencing such assignment and releasing the Borrower from any and all obligations to the transferor Bank in respect of the assigned Loan or Loans and (ii) appropriate entries evidencing the assigned Loan or Loans shall be made in the accounts of the Purchasing Bank and the Register as required by Section 3.1 hereof. In the event that any Notes have been issued in respect of the assigned Loan or Loans, such Notes shall be marked “cancelled” and surrendered by the transferor Bank to the Administrative Agent for return to the Borrower.

(d) The Administrative Agent shall maintain at its address referred to in Section 10.2(a) a copy of each Assignment and Acceptance delivered to it and a register (the “Register”) for the

recordation of the names and addresses of the Banks and the Commitments of, and principal amount of the Loans owing to, each Bank from time to time. To the extent permitted by applicable law, the entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Banks may (and, in the case of any Loan or other obligations hereunder not evidenced by a Note, shall) treat, each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Bank and Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank Affiliate, by the Borrower and the Administrative Agent) together with payment to the Administrative Agent of a registration and processing fee of \$3,500, the Administrative Agent shall promptly accept such Assignment and Acceptance on the Transfer Effective Date determined pursuant thereto, record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Borrower.

(f) Each of the Banks and the Administrative Agent agrees to exercise its best efforts to keep, and to cause any third party recipient of the information described in this Section 10.6(f) to keep, any information delivered or made available by the Borrower to it (including any information obtained pursuant to Section 7.1), confidential from anyone other than Persons employed or retained by such party who are or are expected to become engaged in evaluating, approving, structuring or administering the transactions contemplated hereunder; provided that nothing shall prevent any Bank or the Administrative Agent from disclosing such information (i) to any other Bank or any Affiliate of any Bank, (ii) pursuant to subpoena or upon the order of any court or administrative agency, (iii) upon the request or demand of any Governmental Authority having jurisdiction over such Bank, (iv) if such information has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which either the Administrative Agent, any Bank, the Borrower or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to the Administrative Agent's or such Bank's, as the case may be, legal counsel, independent auditors and other professional advisors, or (viii) to any actual or proposed Participant, Purchasing Bank or pledgee (each, a "Transferee") that has agreed in writing to be bound by the provisions of this Section 10.6(f). To the extent permitted by applicable law, in the event that any Bank or the Administrative Agent is legally requested or required to disclose any confidential information pursuant to clause (ii), (iii), or (v) of this Section 10.6(f), such party shall promptly notify the Borrower of such request or requirement prior to disclosure so that Borrower may seek an appropriate protective order and/or waive compliance with the terms of this Agreement. If, however, in the opinion of counsel for such party, such party is nonetheless, in the absence of such order or waiver, compelled to disclose such confidential information or otherwise stand liable for contempt or suffer possible censure or other penalty or liability, then such party may disclose such confidential information without liability to the Borrower; provided, however, that such party will use its best efforts to minimize the disclosure of such information. Subject to the exceptions above to disclosure of information, each of the Banks and

the Administrative Agent agrees that it shall not publish, publicize, or otherwise make public any information regarding this Agreement or the transactions contemplated hereby without the written consent of the Borrower, in its sole discretion.

(g) If, pursuant to this Section 10.6, any interest in this Agreement or any Loan or L/C Obligation is transferred to any Transferee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to deliver to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and the Borrower) either U.S. Internal Revenue Service Form W-8BEN or U.S. Internal Revenue Service Form W-8ECI, or successor applicable forms (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (ii) to agree (for the benefit of the transferor Bank, the Administrative Agent and the Borrower) to deliver to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and Borrower) a new Form duly executed and completed W-8BEN or W-8ECI, or successor applicable forms or other manner of certification, as the case may be, upon the expiration or obsolescence of any previously delivered form in accordance with applicable U.S. laws and regulations and amendments, unless in any such case any change in treaty, law or regulation has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Transferee from duly completing and delivering any such form with respect to it and such Transferee so advises the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and the Borrower).

(h) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Bank from any of its obligations hereunder or substitute any such pledgee or Purchasing Bank for such Bank as a party hereto. The Borrower hereby agrees that, upon request of any Bank at any time and from time to time after the Borrower has made its initial Borrowing hereunder, the Borrower shall provide to such Bank, at the Borrower's own expense, a promissory note, substantially in the form of Exhibit D-1 or D-2 evidencing the Loans or L/C Obligations, as the case may be, owing to such Bank.

SECTION 10.7. Setoff. In addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder or under the Loans to which it is a party (whether at the stated maturity, by acceleration or otherwise) to setoff and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of the Borrower. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10.8. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be maintained with Borrower and the Administrative Agent.

SECTION 10.9. 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 10.10. Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Banks with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Bank relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 10.11. GOVERNING LAW. (a) THIS AGREEMENT AND ANY NOTES OR OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND ANY NOTES AND ANY OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) Notwithstanding anything in Section 10.11(a) to the contrary, nothing in this Agreement or in any Note or any other Loan Documents shall be deemed to constitute a waiver of any rights which any Bank may have under applicable federal law relating to the amount of interest which any Bank may contract for, take, receive or charge in respect of any Loans, including any right to take, receive, reserve and charge interest at the rate allowed by the laws of the state where such Bank is located. To the extent that Texas law is applicable to the determination of the Highest Lawful Rate, the Banks and the Borrower agree that (i) if Chapter 303 of the Texas Finance Code, as amended, is applicable to such determination, the weekly rate ceiling (formerly known as the indicated (weekly) rate ceiling in Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, as amended) as computed from time to time shall apply, provided that, to the extent permitted by such Article, the Administrative Agent may from time to time by notice to the Borrower revise the election of such interest rate ceiling as such ceiling affects the then current or future balances of the Loans; and (ii) the provisions of Chapter 346 of the Texas Finance Code, as amended (formerly found in Chapter 15 of Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended) shall not apply to this Agreement or any Note issued hereunder.

SECTION 10.12. Submission to Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the

Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

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

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid to the Borrower at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

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

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

SECTION 10.13. Acknowledgments. The Borrower hereby acknowledges that:

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

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

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

SECTION 10.14. Limitation on Agreements. All agreements between the Borrower, the Administrative Agent or any Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made in respect of an amount due under any Loan Document or otherwise, shall the amount paid, or agreed to be paid, to the Administrative Agent or any Bank for the use, forbearance, or detention of the money to be loaned under this Agreement, any Notes or any other Loan Document or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Administrative Agent or any Bank shall ever receive interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount

owing on account of such Bank's Loans or the amounts owing on other obligations of the Borrower to the Administrative Agent or any Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of such Bank's Loans and the amounts owing on other obligations of the Borrower to the Administrative Agent or any Bank under any Loan Document, as the case may be, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Administrative Agent or any Bank for the use, forbearance or detention of the indebtedness of the Borrower to the Administrative Agent or any Bank shall, to the fullest extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. Notwithstanding anything to the contrary contained in any Loan Document, it is understood and agreed that if at any time the rate of interest that accrues on the outstanding principal balance of any Loan shall exceed the Highest Lawful Rate, the rate of interest that accrues on the outstanding principal balance of any Loan shall be limited to the Highest Lawful Rate, but any subsequent reductions in the rate of interest that accrues on the outstanding principal balance of any Loan shall not reduce the rate of interest that accrues on the outstanding principal balance of any Loan below the Highest Lawful Rate until the total amount of interest accrued on the outstanding principal balance of any Loan equals the amount of interest that would have accrued if such interest rate had at all times been in effect. The terms and provisions of this Section 10.14 shall control and supersede every other provision of all Loan Documents.

SECTION 10.15. Removal of Bank. Notwithstanding anything herein to the contrary, the Borrower may, at any time in its sole discretion, remove any Bank upon 15 Business Days' written notice to such Bank and the Administrative Agent (the contents of which notice shall be promptly communicated by the Administrative Agent to each other Bank), such removal to be effective at the expiration of such 15-day notice period; provided, however, that no Bank may be removed hereunder at a time when an Event of Default shall have occurred and be continuing. Each notice by the Borrower under this Section 10.15 shall constitute a representation by the Borrower that the removal described in such notice is permitted under this Section 10.15. Concurrently with such removal, the Borrower shall pay to such removed Bank all amounts owing to such Bank hereunder and under any other Loan Document in immediately available funds. Upon full and final payment hereunder of all amounts owing to such removed Bank, such Bank shall make appropriate entries in its accounts evidencing payment of all Loans hereunder and releasing the Borrower from all obligations owing to the removed Bank in respect of the Loans hereunder and surrender to the Administrative Agent for return to the Borrower any Notes of the Borrower then held by it. Effective immediately upon such full and final payment, such removed Bank will not be considered to be a "Bank" for purposes of this Agreement except for the purposes of any provision hereof that by its terms survives the termination of this Agreement and the payment of the amounts payable hereunder. Effective immediately upon such removal, the Commitments of such removed Bank shall immediately terminate and such Bank's participation share in any outstanding Letters of Credit shall immediately terminate and such participation share shall be divided among the remaining Banks according to their Revolving Percentages. Such removal will not, however, affect the Commitments of any other Bank hereunder.

SECTION 10.16. Officer's Certificates. It is not intended that any certificate of any officer of the Borrower delivered to the Administrative Agent or any Bank pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

SECTION 10.17. USA Patriot Act. Each Bank and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by each Bank and the Administrative Agent to maintain compliance with the Patriot Act.

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

CENTERPOINT ENERGY, INC.

By: /s/ Marc Kilbride

Name: Marc Kilbride

Title: Vice President and Treasurer

CNP Credit Agreement — Signature Page

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and as a Bank

By: /s/ Robert Traband
Name: Robert Traband
Title: Executive Director

CNP Credit Agreement — Signature Page

CITIBANK, N.A.,
as Syndication Agent and as a Bank

By: /s/ Nietzsche Rodricks
Name: Nietzsche Rodricks
Title: Vice President

CNP Credit Agreement — Signature Page

BARCLAYS BANK PLC,
as Co-Documentation Agent and as a Bank

By: /s/ Sydney Dennis
Name: Sydney Dennis
Title: Director

CNP Credit Agreement — Signature Page

BANK OF AMERICA, NATIONAL ASSOCIATION,
as Co-Documentation Agent and as a Bank

By: /s/ John P. Wofford
Name: John P. Wofford
Title: Vice President

CNP Credit Agreement — Signature Page

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
as Co-Documentation Agent and as a Bank

By: /s/ Vanessa Gomez

Name: Vanessa Gomez

Title: Vice President

CNP Credit Agreement — Signature Page

**DEUTSCHE BANK AG NEW YORK
BRANCH as a Bank**

By: /s/ Ming K. Chu _____
Name: Ming K. Chu
Title: Vice President

By: /s/ Rainer Meier _____
Name: Rainer Meier
Title: Vice President

CNP Credit Agreement — Signature Page

Wachovia Bank, NA

By: /s/ Henry R. Biedrzycki

Name: HENRY R. BIEDRZYCKI

Title: DIRECTOR

CNP Credit Agreement - Signature Page

ABN AMRO Bank N.V.

By: /s/ Jim Moyes

Name: Jim Moyes

Title: Managing Director

By: /s/ Scott Donaldson

Name: Scott Donaldson

Title: Director

CNP Credit Agreement - Signature Page

[The Bank of Nova Scotia]

By: /s/ Thane Rattew

Name: Thane Rattew

Title: Managing Director

CNP Credit Agreement — Signature Page

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Emily Freedman

Name: Emily Freedman

Title: Vice President

CNP Credit Agreement — Signature Page

UBS LOAN FINANCE LLC

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director

UBS LOAN FINANCE LLC

By: /s/ Mary E. Evans

Name: Mary E. Evans

Title: Associate Director

**The Bank of Tokyo-Mitsubishi UFJ
Limited, New York Branch**

By: /s/ Alan Reiter

Name: Alan Reiter

Title: Authorized Signatory

CNP Credit Agreement — Signature Page

MORGAN STANLEY BANK

By: /s/ Daniel Twenge

Name: Daniel Twenge

Title: Authorized Signatory
Morgan Stanley Bank

CNP Credit Agreement — Signature Page

LEHMAN BROTHERS BANK, FSB

By: /s/ Errington Hibbert

Name: Errington Hibbert

Title: Managing Director

CNP Credit Agreement — Signature Page

SunTrust Bank

By: /s/ Yann Pirio

Name: Yann Pirio

Title: Vice President

CNP Credit Agreement — Signature Page

HSBC Bank USA, N.A.

By: /s/ Jennifer Diedzic

Name: Jennifer Diedzic

Title: Assistant Vice President

CNP Credit Agreement — Signature Page

ROYAL BANK OF CANADA

By: /s/ David A. McCluskey

Name: David A. McCluskey

Title: Authorized Signatory

CNP Credit Agreement — Signature Page

Comerica Bank

By: /s/ Chuck Johnson

Name: Chuck Johnson

Title: Vice President

CNP Credit Agreement — Signature Page

The Northern Trust Company

By: /s/ Peter Hallan
Peter Hallan
Vice President

CNP Credit Agreement – Signature Page

Wells Fargo Bank, N.A.

By: /s/ Jo Ann Vasquez
Name: Jo Ann Vasquez
Title: Vice President

CNP Credit Agreement — Signature Page

Schedule 1.1(A).

SCHEDULE OF COMMITMENTS AND ADDRESSES

Names and Address of Banks	Commitment
JPMorgan Chase Bank, N.A. 600 Travis, 20 th Floor Houston, TX 77002 Attn: Robert Traband Tel: 713-216-1081 Telecopy: 713-216-8870 Robert.trabank@jpmorgan.com	\$88,163,265.31
Citibank, N.A. 388 Greenwich Street, 21 st Floor New York, NY 10013 Attn: Sandip Sen Tel: 212-816-8609 Telecopy: 212-816-8098 sandip.l.sen@citigroup.com	\$88,163,265.31
Bank of America, N.A. 100 North Tryon Street Charlotte, NC 28255 Attn: Kevin Bertelsen Tel: 704-386-4668 Telecopy: 704-386-1319 kevin.p.bertelsen@bankofamerica.com	\$85,714,285.71
Barclays Bank plc 200 Park Avenue New York, NY 10166 Attn: Sydney Dennis Tel: 212-412-2470 Telecopy: 212-412-2441 sydney.dennis@barcap.com	\$85,714,285.71
Deutsche Bank AG New York Branch 60 Wall Street, 11 th Floor New York, NY 10005 Attn: Joel Makowsky Tel: 212-250-7896 Telecopy: 212-797-4346 joel.makowsky@db.com	\$85,714,285.71

Schedule 1.1 (A) to the CenterPoint Energy, Inc. Second Amended and Restated Credit Agreement

Names and Address of Banks	Commitment
HSBC Bank USA, N.A. 1105 North Market St., Suite 1 Wilmington, DE 19801 Attn: Richard Ward Tel: 212-525-6476 Telecopy: 212-525-6581 richard.ward@us.hsbc.com	\$ 36,734,693.88
Royal Bank of Canada 5700 Williams Tower 2800 Post Oak Blvd Houston, TX 77056 Attn: Linda Stephens Tel: 713-403-5669 Telecopy: 713-403-5624 linda.stephens@rbc.com	\$ 36,734,693.88
Comerica Bank 910 Louisiana St. Ste 400 Houston, TX 77002 Attn: Charles T. Johnson Tel: 713-220-5662 Telecopy: 713-220-5631 ctjohnson@comerica.com	\$ 24,489,795.92
The Northern Trust Company 50 South LaSalle Street Chicago, IL 60690 Attn: Preeti Sullivan Tel: 312-444-2376 Telecopy: 312-444-4906 pj22@ntrs.com	\$ 19,591,836.73
Wells Fargo Bank, N.A. 201 3rd Street, 8th Floor San Francisco, CA 94103 Attn: C.E.Gerndt Jr. Tel: 415-477-5294 Telecopy: 415-979-0675 CEGerndt@wellsfargo.com	\$ 19,591,836.73
Total:	\$ 1,200,000,000.00

Schedule 1.1(A) to the Center Point Energy, Inc. Second Amended and Restated Credit Agreement

\$300,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2007

Among

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC,

as Borrower,

THE BANKS PARTIES HERETO,

BARCLAYS BANK PLC and
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agents,

UBS SECURITIES LLC and
DEUTSCHE BANK SECURITIES INC.,
as Co-Documentation Agents
and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

BARCLAYS CAPITAL and
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Joint Lead Arrangers and Bookrunners

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- Exhibit C - Assignment and Acceptance
- Exhibit D-1 - Note
- Exhibit D-2 - Swingline Note
- Exhibit E - Assumption Agreement

This Second Amended and Restated Credit Agreement (this "Agreement"), dated as of June 29, 2007, among CenterPoint Energy Houston Electric, LLC, a Texas limited liability company (the "Borrower"), the banks and other financial institutions from time to time parties hereto (individually, a "Bank" and, collectively, the "Banks"), Barclays Bank PLC and Wachovia Bank, National Association, as co-syndication agents (in such capacities, the "Syndication Agents"), UBS Securities LLC and Deutsche Bank Securities Inc., as co-documentation agents (in such capacity, the "Documentation Agents") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, together with any successors thereto in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower entered into that certain Existing Credit Agreement (as defined below); and

WHEREAS, the Borrower has requested that the Existing Credit Agreement be amended and restated in its entirety as provided herein;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto agree that on the Closing Date, the Existing Credit Agreement shall be, and hereby is, amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR" means for any day, a rate per annum (rounded upwards, if necessary, to the next 1/64 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" means the rate of per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank, N.A. in connection with extensions of credit to debtors). Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loan" means a Loan that bears interest at the ABR as provided in Section 3.3.

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

“Affiliate” means any Person that, directly or indirectly, Controls or is Controlled by or is under common Control with another Person.

“Agents” means the collective reference to the Syndication Agent, the Documentation Agents and the Administrative Agent.

“Agreement” has the meaning specified in the introduction to this Agreement.

“Applicable Margin” means the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due:

Designated Rating	LIBOR Rate Margin	ABR Margin
Higher than BBB+/Baa1/BBB+	0.25%	0.00%
BBB+/Baa1/BBB+	0.35%	0.00%
BBB/Baa2/BBB	0.45%	0.00%
BBB-/Baa3/BBB-	0.55%	0.00%
BB+/Ba1/BB+	0.70%	0.00%
Lower than BB+/Ba1/BB+	1.00%	0.00%

The Designated Ratings referred to above are issued by S&P, Moody’s and Fitch, respectively.

“Application” means an application, in such form as an Issuing Bank may specify from time to time, requesting such Issuing Bank to issue a Letter of Credit.

“Assignment and Acceptance” has the meaning specified in Section 10.6(c).

“Assuming Bank” has the meaning specified in Section 2.6(d).

“Assumption Agreement” has the meaning specified in Section 2.6(d).

“Available Commitment” means, as to any Bank at any time, an amount equal to the excess, if any, of (a) such Bank’s Commitment then in effect over (b) such Bank’s Outstanding Extensions of Credit then outstanding; provided, that in calculating any Bank’s Outstanding Extensions of Credit for the purpose of determining such Bank’s Available Commitment pursuant to Section 3.2, the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Bank” and “Banks” have the meanings specified in the introduction to this Agreement. Unless the context otherwise requires, the term “Banks” includes the Swingline Lender.

“Bank Affiliate” means, (a) with respect to any Bank, (i) an Affiliate of such Bank that is a bank or (ii) any entity (whether a corporation, partnership, trust or

otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Bank or an Affiliate of such Bank and (b) with respect to any Bank that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by such Bank, an Affiliate of such Bank or the same investment advisor as such Bank or by an Affiliate of such investment advisor.

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

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

“Borrower” has the meaning specified in the introduction to this Agreement.

“Borrowing” means a borrowing consisting of Loans under Section 2.1 (or Swingline Loans made pursuant to Section 2.4) of the same Type, and having, in the case of LIBOR Rate Loans, the same Interest Period, made on the same day by the Banks.

“Borrowing Date” means any Business Day specified by the Borrower as a date on which the Borrower requests the Banks to make Loans hereunder.

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

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

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person (other than a corporation), including without limitation, partnership interests in partnerships and member interests in limited liability

companies, and any and all warrants or options to purchase any of the foregoing or securities convertible into any of the foregoing.

“CenterPoint” means CenterPoint Energy, Inc., a Texas corporation and utility holding company, and the indirect parent of the Borrower.

“CenterPoint Facility” means the \$1,200,000,000 Second Amended and Restated Credit Agreement, dated as of the date hereof, among CenterPoint, JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions and agents parties thereto, as amended, modified or supplemented from time to time.

“Change in Control” means (i) with respect to CenterPoint, the acquisition by any Person or “group” (within the meaning of Rule 13d-5 of the Exchange Act) of beneficial ownership (determined in accordance with Rule 13d-3 of the Exchange Act) of Capital Stock of CenterPoint, the result of which is that such Person or group beneficially owns 50% or more of the aggregate voting power of all then issued and outstanding Capital Stock of CenterPoint or (ii) CenterPoint shall cease to own and control beneficially, directly or indirectly, 100% of the outstanding common Capital Stock of the Borrower free and clear of all Liens. For purposes of the foregoing, the phrase “voting power” means, with respect to an issuer, the power under ordinary circumstances to vote for the election of members of the board of directors or other governing body of such issuer.

“Closing Date” means the date, on or before July 31, 2007, all the conditions set forth in Section 6.1 are satisfied (or waived) in accordance with the terms hereof.

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

“Commitment” means, as to any Bank, the obligation of such Bank, if any, to make Loans and participate in L/C Obligations and Swingline Loans in an aggregate principal and/or face amount not to exceed the amount set forth under the heading “Commitment” opposite such Bank’s name on Schedule 1.1(A) and/or in the Assignment and Acceptance pursuant to which such Bank became a party hereto, as the same may be changed from time to time pursuant to the terms hereof, including, without limitation, the terms of Section 2.6 and Section 4.5; and “Commitments” shall be the collective reference to the Commitments of all of the Banks. The original amount of the Total Commitments is \$300,000,000.

“Commitment Date” has the meaning specified in Section 2.6(b).

“Commitment Fee” means, as to any Bank, the fee equal to the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due on the Available Commitment of such Bank:

<u>Designated Rating</u>	<u>Commitment Fee</u>
Higher than BBB+/Baa1/BBB+	0.06%
BBB+/Baa1/BBB+	0.07%
BBB/Baa2/BBB	0.09%
BBB-/Baa3/BBB-	0.125%
BB+/Ba1/BB+	0.175%
Lower than BB+/Ba1/BB+	0.20%

The Designated Ratings referred to above are issued by S&P, Moody's and Fitch, respectively.

“Commitment Increase” has the meaning specified in Section 2.6(a).

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

“Communications” has the meaning specified in Section 10.2(b).

“Confidential Information Memorandum” means the Confidential Information Memorandum, dated May 2007.

“Consolidated Capitalization” means, as of any date of determination, the sum of (a) Consolidated Shareholders' Equity, (b) Consolidated Indebtedness for Borrowed Money and, without duplication, (c) Mandatory Payment Preferred Stock; provided that for the purpose of calculating compliance with Section 7.2(a), Consolidated Capitalization shall be determined excluding any adjustment, non-cash charge to net income or other non-cash charges or writeoffs resulting thereto from application of SFAS No. 142.

“Consolidated Indebtedness” means, as of any date of determination, the sum of

(i) the total Indebtedness for Borrowed Money of the Borrower and its Consolidated Subsidiaries as shown on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, determined without duplication of any Guarantee of Indebtedness of the Borrower by any of its Consolidated Subsidiaries or of any Guarantee of Indebtedness of any such Consolidated Subsidiary by the Borrower or any other Consolidated Subsidiary of the Borrower, plus

(ii) any Mandatory Payment Preferred Stock, less

(iii) the amount of Indebtedness described in clause (i) attributable to amounts then outstanding under receivables facilities or arrangements to the

extent that such amounts would not have been shown as Indebtedness on a balance sheet prepared in accordance with GAAP prior to January 1, 1997, less

(iv) Non-Recourse Debt.

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

“Consolidated Subsidiary” means, with respect to a specified Person at any date, any Subsidiary or any other Person (other than with respect to the Borrower, any Securitization Subsidiary or any Unrestricted Subsidiary), the accounts of which under GAAP would be consolidated with those of such specified Person in its consolidated financial statements as of such date.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any written agreement, instrument or other written undertaking to which such Person is a party or by which it or any of its property is bound.

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

“CTC Recoveries” means the principal balance remaining to be collected from retail electric providers in respect of stranded costs and certain power market price and fuel cost recovery true-ups.

“Declining Lender” has the meaning specified in Section 2.7.

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

“Default Rate” means with respect to any overdue amount owed hereunder, a rate per annum equal to (a) in the case of overdue principal with respect to any Loan, the sum of the interest rate in effect at such time with respect to such Loan under Section 3.3, plus 2%; provided that in the case of overdue principal with respect to any LIBOR Rate Loan, after the end of the Interest Period with respect to such Loan, the Default Rate shall equal the rate set forth in clause (c) below, (b) in the case of overdue principal with respect to any Reimbursement Obligations, the sum of the interest rate per annum in effect at such

time with respect to ABR Loans under Section 3.3, plus 2%, and (c) in the case of overdue interest with respect to any Loan, Commitment Fees, Utilization Fees or other amounts payable hereunder, the sum of the interest rate per annum in effect at such time with respect to ABR Loans, plus 2%.

“Designated Rating” means (a) if the Ratings are split and all three Ratings fall in different levels, the level indicated by the middle Rating; (b) if the Ratings are split and two of the Ratings fall in the same level (the “Majority Level”) and the third Rating is in a different level, the Majority Level; (c) if only two of the Rating Agencies issue a Rating, the higher of such Ratings, provided that if the higher Rating is two or more levels above the lower Rating, the rating next above the lower of the two Ratings shall be the Designated Rating; and (d) if only one Rating Agency issues a Rating, such Rating. Any change in the calculation of the Applicable Margin with respect to the Borrower that is caused by a change in the Designated Rating will become effective on the date of the change in the Designated Rating. If the rating system of any Rating Agency shall change, or if any of S&P, Moody’s or Fitch shall cease to be in the business of rating corporate debt obligations, the Borrower and the Administrative Agent shall negotiate in good faith if necessary to amend this definition and the definitions of “Rating” and “Rating Agencies” to reflect such changed rating system or the unavailability of Ratings from such Rating Agencies and, pending the effectiveness of any such amendment, the Designated Rating shall be determined by reference to the Rating most recently in effect prior to such change or cessation.

“Disposition” means with respect to any Property (excluding cash and cash equivalents), any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof outside the ordinary course of business. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Documentation Agents” has the meaning specified in the introduction to this Agreement.

“Dollars” and the symbol “\$” mean the lawful currency of the United States.

“Early Funding ABR Loan” has the meaning specified in Section 2.2(a).

“Eligible Assignee” means (i) a Bank; (ii) an Affiliate of a Bank; and (iii) any other financial institution that is a “qualified purchaser” as defined under the Investment Company Act of 1940 and is approved by the Administrative Agent, each Issuing Bank and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 10.6, the Borrower, such approval not to be unreasonably withheld or delayed.

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

“Event of Default” has the meaning specified in Section 8.1.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Existing Credit Agreement” means the \$300,000,000 Amended and Restated Credit Agreement, dated as of March 31, 2006, among the Borrower, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions and agents parties thereto, as heretofore amended, modified or supplemented from time to time.

“Existing Credit Facility” means the credit facility provided under the Existing Credit Agreement.

“Existing Issuing Banks” means each of JPMorgan Chase Bank, N.A. and Citibank, N.A., in their respective capacities as issuers of the Existing Letters of Credit.

“Existing Letters of Credit” means the letters of credit issued under the Existing Credit Facility described on Schedule 1.1(B).

“Extended Termination Date” has the meaning specified in Section 2.7.

“Extending Lender” has the meaning specified in Section 2.7.

“Facility” means the Commitments and the extensions of credit made thereunder.

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

“Fitch” means Fitch Ratings and any successor rating agency.

“Funding Office” means the office of the Administrative Agent specified in Section 10.2(a) or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Banks.

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

“General Mortgage Indenture” means the General Mortgage Indenture, dated as of October 10, 2002, between the Borrower and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as trustee, as amended, modified or supplemented from time to time.

“Global Coordinators” means J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., in their capacities as global coordinators.

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

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

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

“Hybrid Equity Securities” means, on any date (the “determination date”), any securities issued by the Borrower or a Restricted Subsidiary, other than common stock, that meet the following criteria: (a) the Borrower demonstrates that such securities are classified, at the time they are issued, as possessing a minimum of “intermediate equity content” by S&P and “Basket C equity credit” by Moody’s (or the equivalent classifications then in effect by such agencies) and (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the later of the termination of the Commitments and the repayment in full of the Obligations. As used in this definition, “mandatory redemption” shall not include conversion of a security into common stock.

“Increase Date” has the meaning specified in Section 2.6(a).

“Increasing Bank” has the meaning specified in Section 2.6(b).

“Indebtedness” of any Person means the sum of (a) all items (other than Capital Stock, capital surplus, retained earnings, other comprehensive income, treasury stock and any other items that would properly be included in shareholder equity) that, in accordance with GAAP consistently applied, would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date on which the Indebtedness is to be determined, (b) all obligations of such Person, contingent or otherwise, as account party or applicant (or equivalent status) in respect of any standby letters of credit or equivalent instruments, and (c) without duplication, the amount of Guarantees by such Person of items described in clauses (a) and (b); provided, however, that Indebtedness of a Person shall not include (i) any Junior Subordinated Debt owned by any issuer of Hybrid Equity Securities, (ii) any Guarantee by the Borrower or its Subsidiaries of payments with respect to any Hybrid Equity Securities, (iii) any Securitization Securities or (iv) any Hybrid Equity Securities.

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

“Interest Period” means, for each LIBOR Rate Loan comprising part of the same Borrowing, the period commencing on the date of such LIBOR Rate Loan or the date of the conversion of any Loan into such LIBOR Rate Loan, as the case may be, and ending on the last day of the period selected by the Borrower pursuant to Section 2.2 or 3.6, as the case may be, and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to Section 3.6. The duration of each such Interest Period shall be two weeks or one, two, three or six months (or such other period as may be approved by the Administrative Agent), as Borrower may select by notice pursuant to Section 2.2 or 3.6 hereof, provided, however, that:

(i) any Interest Period in respect of a Loan that would otherwise extend beyond the Termination Date shall end on the Termination Date;

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

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

“Investment” has the meaning specified in Section 7.2(f).

“Issuing Bank” means (i) the Existing Issuing Banks, (ii) JPMorgan Chase Bank, N.A., and Wachovia Bank, National Association, each in its capacity as issuer of any Letter of Credit; provided, however, that neither JPMorgan Chase Bank, N.A. nor Wachovia Bank, National Association shall be required, without the consent of such Issuing Bank, to issue Letters of Credit in excess of \$37,500,000 at any time outstanding for each such Issuing Bank, and (iii) any other Bank, in such capacity, selected to be an Issuing Bank by the Borrower with the consent of the Administrative Agent, which shall not be unreasonably withheld, and such Bank. Any reference to an Issuing Bank herein means the applicable institution issuing the applicable Letter of Credit.

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

“L/C Commitment” means the amount of \$75,000,000.

“L/C Fee Payment Date” means the last day of each March, June, September and December, commencing on June 30, 2007 while the L/C Commitment remains in effect and the Termination Date.

“L/C Obligations” means, at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired face amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 2.5.

“L/C Participants” means the collective reference to all the Banks other than the Issuing Bank in their respective capacities as participants in L/C Obligations.

“Lead Arrangers” means Barclays Capital and Wachovia Bank, National Association, in their capacities as joint lead arrangers and bookrunners.

“Letters of Credit” has the meaning assigned to such term in Section 2.5(a)(ii).

“LIBOR Rate” means, with respect to each day during each Interest Period pertaining to a LIBOR Rate Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first days of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the “LIBOR Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in

the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“LIBOR Rate Loan” means a Loan that bears interest at the LIBOR Rate as provided in Section 3.3(b).

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

“Loans” means the loans made by the Banks to the Borrower pursuant to this Agreement.

“Loan Documents” means this Agreement, any Notes and any document or instrument executed in connection with the foregoing.

“Majority Banks” means, at any time, Banks having in excess of 50% of the Total Commitments then in effect or, if the Commitments shall have terminated, the Total Outstanding Extensions of Credit then outstanding.

“Mandatory Payment Preferred Stock” means any preference or preferred stock of the Borrower or of any Consolidated Subsidiary (other than (x) any preference or preferred stock issued to the Borrower or its Subsidiaries, (y) Hybrid Equity Securities, and (z) Junior Subordinated Debt) that is subject to mandatory redemption, sinking fund or retirement provisions (regardless of whether any portion thereof is due and payable within one year).

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Material Adverse Effect” means any material adverse effect on the ability of the Borrower to perform its obligations under the Loan Documents on a timely basis (it being understood that Material Adverse Effect shall not include the effect of any True-Up Litigation).

“Maturity Date” means June 29, 2012.

“Money Market Rate” means (a) the “ASK” rate for Federal Funds appearing on Page 5 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Swingline Lender from time to time for purposes of providing quotations of the offer rates applicable to Federal Funds for a term of one Business Day) at the time reviewed by the Swingline Lender plus (b) the Applicable Margin for LIBOR Rate Loans. In the event that part (a) of such rate is not available at such time for any reason, then part (a) of such rate will be the rate agreed to between the Swingline Lender and the Borrower. The Borrower understands and agrees that the rate quoted from Page 5 of the Dow Jones Market Service is a real-time rate that changes from time to time. The rate quoted by the

Swingline Lender and used for the purpose of setting the interest rate for a Swingline Loan will be the rate on the screen of the Swingline Lender at the time of setting the rate and will not be an average or composite of rates for that day.

“Money Market Rate Loan” means a Swingline Loan the rate of interest applicable to which is based upon the Money Market Rate.

“Moody’s” means Moody’s Investors Service, Inc. and any successor rating agency.

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

“Net Tangible Assets” means the total assets of the Borrower, its Consolidated Subsidiaries and the Unrestricted Subsidiaries, minus goodwill and other intangible assets as shown on the balance sheet of the Borrower, its Consolidated Subsidiaries and the Unrestricted Subsidiaries delivered pursuant to Section 7.1(a) in respect of the most recently ended fiscal quarter of the Borrower.

“Non-Recourse Debt” means (i) any Indebtedness for Borrowed Money incurred by any Project Financing Subsidiary to finance the acquisition, improvement, installation, design, engineering, construction, development, completion, maintenance or operation of, or otherwise to pay costs and expenses relating to or providing financing for any project, which Indebtedness for Borrowed Money does not provide for recourse against the Borrower or any Subsidiary of the Borrower (other than a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) or any property or asset of the Borrower or any Subsidiary of the Borrower (other than Capital Stock of, or the property or assets of, a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) and (ii) any refinancing of such Indebtedness for Borrowed Money that does not increase the outstanding principal amount thereof (other than to pay costs incurred in connection therewith and the capitalization of any interest, fees, premium or penalties) at the time of the refinancing or increase the property subject to any Lien securing such Indebtedness for Borrowed Money or otherwise add additional security or support for such Indebtedness for Borrowed Money.

“Notes” means the collective reference to any promissory note evidencing Loans.

“Notice Date” has the meaning specified in Section 2.7.

“Notice of Borrowing” has the meaning specified in Section 2.2.

“Notice of Interest Conversion/Continuation” has the meaning specified in Section 3.6(a).

“Original Mortgage” means the Mortgage and Deed of Trust, dated as of November 1, 1944, by the Borrower to South Texas Commercial National Bank of Houston, as Trustee (The Bank of New York Trust Company, N.A., as successor Trustee), as amended, modified or supplemented from time to time.

“Other Taxes” has the meaning specified in Section 4.3(b).

“Outstanding Extensions of Credit” means, as to any Bank at any time, an amount equal to the sum of (a) the aggregate principal amount of all Loans made by such Bank then outstanding, (b) such Bank’s Revolving Percentage of the L/C Obligations then outstanding and (c) such Bank’s Swingline Exposure at such time.

“Participant” has the meaning specified in Section 10.6(b).

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

“Performance Guaranty” means any guaranty issued in connection with any Non-Recourse Debt that (i) if secured, is secured only by assets of or Capital Stock of a Project Financing Subsidiary, and (ii) guarantees to the provider of such Non-Recourse Debt or any other Person (a) performance of the improvement, installment, design, engineering, construction, acquisition, development, completion, maintenance or operation of, or otherwise affects any such act in respect of, all or any portion of the project that is financed by such Non-Recourse Debt, (b) completion of the minimum agreed equity or other contributions or support to the relevant Project Financing Subsidiary, or (c) performance by a Project Financing Subsidiary of obligations to Persons other than the provider of such Non-Recourse Debt.

“Permitted Liens” means with respect to any Person:

(a) Liens for current taxes, assessments or other governmental charges that are not delinquent or remain payable without any penalty, or the validity or amount of which is contested in good faith by appropriate proceedings, provided, however, that adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP, and provided, further, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(b) landlord Liens for rent not yet due and payable and Liens for materialmen, mechanics, warehousemen, carriers, employees, workmen, repairmen and other similar nonconsensual Liens imposed by operation of law, for current wages or accounts payable or other sums not yet delinquent, in each case arising in the ordinary course of business or if overdue, that are being contested in good faith by appropriate proceedings, provided, however, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(c) Liens (other than any Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Code, ERISA or any environmental law, order, rule or regulation)

incurred or deposits made, in each case, in the ordinary course of business, (i) in connection with workers' compensation, unemployment insurance and other types of social security or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance or payment bonds, purchase, construction, sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of property;

(d) Liens arising out of or in connection with any litigation or other legal proceeding that is being contested in good faith by appropriate proceedings; provided, however, that adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP; and provided, further, that, subject to Section 8.1(i) (so long as such Lien is discharged or released within 60 days of attachment thereof), any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(e) precautionary filings under the applicable Uniform Commercial Code made by a lessor with respect to personal property leased to such Person or any Subsidiary of such Person;

(f) other non-material Liens or encumbrances none of which secures Indebtedness for Borrowed Money of the Borrower or any of its Subsidiaries or interferes materially with the use of the Property affected in the ordinary conduct of Borrower's or its Subsidiaries' business and which individually or in the aggregate do not have a Material Adverse Effect;

(g) easements, rights-of-way, restrictions and other similar encumbrances and exceptions to title existing or incurred in the ordinary course of business that, in the aggregate, do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries, taken as a whole;

(h) (i) Liens created by Capital Leases, provided that the Liens created by any such Capital Lease attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto, (ii) purchase money Liens securing Indebtedness of the Borrower or any of its Subsidiaries (including such Liens securing such Indebtedness incurred within twelve months of the date on which such Property was acquired), provided that all such Liens attach only to the Property purchased with the proceeds of the Indebtedness secured thereby and only secure the Indebtedness incurred to finance such purchase, (iii) Liens on receivables, customer charges, notes, ownership interests, contracts or contract rights created in connection with a sale, securitization or monetization of such receivables, customer charges, notes, ownership interests, contracts or contract rights, and Liens on rights of the Borrower or any Subsidiary related to such

receivables, customer charges, notes, ownership interests, contracts or contract rights which are transferred to the purchaser of such receivables, customer charges, notes, ownership interests, contracts or contract rights in connection with such sale, securitization or monetization, provided that such Liens secure only the obligations of the Borrower or any of its Subsidiaries in connection with such sale, securitization or monetization and (iv) Liens created by leases that do not constitute Capital Leases at the time such leases are entered into, provided that the Liens created thereby attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto;

(i) Liens on cash and short-term investments (i) deposited by the Borrower or any of its Subsidiaries in accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by the Borrower or any of its Subsidiaries, in the case of clause (i) or (ii) to secure its obligations with respect to contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and futures contracts) for the purchase or sale of any energy-related commodity or interest rate or currency rate management contracts;

(j) Liens on (i) Property owned by a Project Financing Subsidiary or (ii) equity interests in a Project Financing Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company) securing Indebtedness of the Borrower or any of its Subsidiaries incurred in connection with a Project Financing; and

(k) Liens on equity interests in an Unrestricted Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company) securing, subject to Section 7.2(f), Indebtedness of such Unrestricted Subsidiary.

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

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

“Platform” has the meaning specified in Section 10.2(b).

“Project Financing” means any Indebtedness or lease obligations that do not constitute Capital Leases at the time such leases are entered into, in each case that are incurred to finance a project or group of projects (including any construction financing) to the extent that such Indebtedness (or other obligations) expressly are not recourse to the Borrower or any of its Restricted Subsidiaries (other than a Project Financing Subsidiary) or any of their respective Property other than the Property of a Project

Financing Subsidiary and equity interests in a Project Financing Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company).

“Project Financing Subsidiary” means any Restricted Subsidiary of the Borrower (or any other Person in which Borrower directly or indirectly owns a 50% or less interest) whose principal purpose is to incur Project Financing or to become an owner of interests in a Person so created to conduct the business activities for which such Project Financing was incurred, and substantially all the fixed assets of which Subsidiary or Person are those fixed assets being financed (or to be financed) in whole or in part by one or more Project Financings.

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

“Public Lender” has the meaning specified in Section 10.2(b).

“Purchasing Banks” has the meaning specified in Section 10.6(c).

“PUC” means the Public Utility Commission of Texas.

“Rating” means the Borrower’s corporate credit rating or its equivalent (or if such rating is discontinued or unavailable, the senior unsecured long-term debt rating or its equivalent) issued by the Rating Agencies (it being understood that a change in outlook status (e.g., watch status, negative outlook status) is not a change in Rating as contemplated hereby).

“Rating Agencies” means (a) S&P, (b) Moody’s and (c) Fitch.

“Register” has the meaning specified in Section 10.6(d) hereof.

“Regulation U” means Regulation U of the Board or any other regulation hereafter promulgated by the Board to replace the prior Regulation U and having substantially the same function.

“Reimbursement Obligation” means the obligation of the Borrower to reimburse the Issuing Bank pursuant to Section 2.5(e) for amounts drawn under Letters of Credit.

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

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA and PBGC Reg. § 4043, other than those events as to which the thirty-day notice period is waived under PBGC Reg. § 4043 or other regulations, notices or rulings issued by the PBGC.

“Requirement of Law” means, as to any Person, any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation of any Governmental Authority.

“Resources” means CenterPoint Energy Resources Corp., a Delaware corporation, and a Wholly-Owned Subsidiary of CenterPoint.

“Resources Facility” means the \$950,000,000 Second Amended and Restated Credit Agreement, dated as of the date hereof, among Resources, as borrower, Citibank, N.A., as administrative agent, the other financial institutions, and agents parties thereto, as amended, modified or supplemented from time to time.

“Responsible Officer” means, with respect to any Person, its chief financial officer, chief accounting officer, assistant treasurer, treasurer or controller of such Person or any other officer of such Person whose primary duties are similar to the duties of any of the previously listed officers of such Person.

“Restricted Subsidiaries” means all Subsidiaries of the Borrower other than Securitization Subsidiaries and Unrestricted Subsidiaries.

“Revolving Percentage” means, as to any Bank at any time, a fraction (expressed as a percentage) the numerator of which is the amount of such Bank’s Commitment or, if the Commitments shall have terminated, the Outstanding Extensions of Credit of such Bank then outstanding, and the denominator of which is the Total Commitments then in effect or, if the Commitments shall have terminated, the Total Outstanding Extensions of Credit then outstanding.

“S&P” means Standard & Poor’s Ratings Group and any successor rating agency.

“SEC” means the Securities and Exchange Commission and any successor thereto.

“Second Extended Termination Date” has the meaning specified in Section 2.7.

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

“Securitization Securities” means transition bonds issued pursuant to the Texas Electric Choice Plan if (and only if) no recourse may be had to the Borrower or any of its Subsidiaries (or to their respective assets) for the payment of such obligations, other than the issuer of the bonds and its assets, provided that payment of transition charges by any retail electric provider (“REP”) in accordance with such legislation, whether or not such REP has collected such charges from the retail electric customers, shall not be deemed “recourse” hereunder, including any REP that is a Subsidiary of the Borrower or a division of an Affiliate of the Borrower or any Affiliate of the Borrower.

“Securitization Subsidiary” means a special purpose subsidiary created to issue Securitization Securities.

“Significant Subsidiary” means (i) for the purposes of determining what constitutes an “Event of Default” under Sections 8.1(f), (g), (h), (i) and (j), a Subsidiary of the Borrower (other than a Project Financing Subsidiary) whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower, on a consolidated basis, as determined in accordance with GAAP and (ii) for all other purposes the “Significant Subsidiaries” shall be those Subsidiaries of the Borrower whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower on a consolidated basis, as determined in accordance with GAAP for the Borrower’s most recently completed fiscal year and identified in the certificate most recently delivered pursuant to Section 7.1(a)(iv)(C); provided that no Securitization Subsidiary or Unrestricted Subsidiary shall be deemed to be a Significant Subsidiary or subject to the restrictions, covenants or Events of Default under this Agreement.

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

“Subsidiary” means, as to any Person, a corporation, partnership, limited liability company or other entity of which more than 50% of the outstanding shares of Capital Stock or other ownership interests having ordinary voting power (other than Capital Stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly, through one or more Subsidiaries of such Person, by such Person; provided, however, that no Securitization Subsidiary shall be deemed to be a Subsidiary for purposes of this Agreement.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or any of its Subsidiaries shall be a “Swap Agreement”.

“Swingline Commitment” has the meaning specified in Section 2.4(a).

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time.

“Swingline Lender” means JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

“Swingline Loan” means a Loan made pursuant to Section 2.4.

“Syndication Agent” has the meaning specified in the introduction to this Agreement.

“Taxes” has the meaning specified in Section 4.3(a).

“Termination Date” means the Maturity Date as the same may be extended pursuant to Section 2.7, or any earlier date on which (a) the Commitments have been terminated in accordance with this Agreement or (b) all unpaid principal amounts of the Loans hereunder have been declared due and payable in accordance with this Agreement.

“Total Commitments” means, at any time, the aggregate amount of the Commitments of all Banks then in effect.

“Total Outstanding Extensions of Credit” means, at any time, the aggregate amount of the Outstanding Extensions of Credit of all Banks outstanding at such time.

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

“Transferee” has the meaning specified in Section 10.6(f).

“Transfer Effective Date” has the meaning specified in Section 10.6(c).

“Transition Charges Principal and Interest” means the non-bypassable transition charges billed to customers for payment of debt service on Securitization Securities.

“Triggering Event” has the meaning specified in Section 4.8(b).

“True-Up Litigation” means any litigation or other proceeding in connection with the determination by the PUC of the recovery by CenterPoint and its Subsidiaries of stranded costs and other amounts to be recovered in the true-up process.

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

“Uniform Customs” means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

“United States” means the United States of America.

“Unrestricted Subsidiary” means any Subsidiary of the Borrower and its direct or indirect Subsidiaries that is designated by a Responsible Officer of the Borrower as an Unrestricted Subsidiary, but only if (x) the aggregate amount of net tangible assets of all Unrestricted Subsidiaries at the time of designation does not exceed, or would not exceed as a result of such designation, 10% of the Net Tangible Assets, (y) such designation and the Investment of the Borrower in such Subsidiary complies with the limitations in

Section 7.2(f) and (z) such Subsidiary: (i) has no Indebtedness with recourse to the Borrower and the Restricted Subsidiaries except that permitted under Section 7.2(f); (ii) is not party to any agreement, contract, arrangement or understanding with the Borrower or any Significant Subsidiary of the Borrower unless the terms of any such agreement, contract, arrangement or understanding and related transactions are substantially no less favorable to the Borrower or such Significant Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Borrower; (iii) is a Person with respect to which neither the Borrower nor any of its Significant Subsidiaries has any direct or indirect obligation that violates Section 7.2(f) (a) to subscribe for additional Capital Stock of such Person or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (iv) does not, either alone or in the aggregate, operate, directly or indirectly, all or substantially all of the business of the Borrower and its Subsidiaries.

Any designation of a Subsidiary of the Borrower as an Unrestricted Subsidiary shall be evidenced by a certificate of a Responsible Officer of the Borrower giving effect to such designation and a certificate executed by a Responsible Officer certifying that such designation complied with the preceding conditions and was permitted by Section 7.2(f) delivered to the Administrative Agent. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Borrower as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 7.2(f), the Borrower shall be in default of such covenant. A Responsible Officer of the Borrower may at any time designate any Unrestricted Subsidiary to be a Subsidiary of the Borrower that is not an Unrestricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by such Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under this Agreement calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"Utilization Fee" means, as to any Bank, the fee equal to the rate per annum set forth below opposite the Designated Rating from time to time in effect during the period for which payment is due on the Outstanding Extensions of Credit of such Bank:

Designated Rating	Utilization Fee
Higher than BBB+/Baa1/BBB+	0.05%
BBB+/Baa1/BBB+	0.05%
BBB/Baa2/BBB	0.05%
BBB-/Baa3/BBB-	0.05%
BB+/Ba1/BB+	0.10%
Lower than BB+/Ba1/BB+	0.10%

The Designated Ratings referred to above are issued by S&P, Moody's and Fitch, respectively.

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

SECTION 1.2. Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have such defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to the Borrower or any of its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (iii) the word "incur" shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings), (iv) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time.

(c) The words "hereof", "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS AND LETTERS OF CREDIT

SECTION 2.1. The Commitments. (a) Each Bank severally agrees, on the terms and subject to the conditions hereinafter set forth, to make revolving credit Loans to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate principal amount outstanding, which, when added to such Bank's Revolving Percentage of the sum of (i) then outstanding L/C Obligations and (ii) the then outstanding principal amount of the Swingline Loans, does not exceed at any time such Bank's

Commitment; provided that no Loan shall be made as a LIBOR Rate Loan with an Interest Period ending after the Termination Date; and provided, further, that in no event shall the Total Outstanding Extensions of Credit at any time exceed the Total Commitments at such time.

(b) Each Borrowing by the Borrower shall be in an aggregate principal amount not less than \$10,000,000 (in the case of LIBOR Rate Loans) or \$5,000,000 (in the case of ABR Loans), or an integral multiple of \$1,000,000 in excess thereof and shall consist of Loans of the same Type made on the same day by the Banks ratably according to their respective Revolving Percentages. Each Swingline Loan shall be in an amount that is equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Within the limits of the applicable Commitments, the Borrower may borrow, prepay pursuant to Section 4.6 and reborrow under this Section 2.1. The principal amount outstanding on the Loans shall be due and payable on the Termination Date, together with accrued and unpaid interest thereon.

SECTION 2.2. Procedure for Revolving Loan Borrowing. (a) The Borrower may borrow under the Commitments on any Business Day during the period from and including the Closing Date to and excluding the Termination Date, provided that the Borrower shall give the Administrative Agent irrevocable oral notice or written notice pursuant to a notice of borrowing, in substantially the form of Exhibit A hereto ("Notice of Borrowing") which shall be signed by the Borrower and shall specify therein the requested (i) date of such Borrowing, (ii) Type of Loans comprising such Borrowing, (iii) aggregate amount of such Borrowing and (iv) the Interest Period for each such Loan, in the case of any LIBOR Rate Loan:

(i) not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a LIBOR Rate Loan;

(ii) not later than 11:00 A.M. (New York City time) on the Business Day immediately preceding the date of the proposed Borrowing in the case of an Early Funding ABR Loan; and

(iii) not later than 11:00 A.M. (New York City time) on the same Business Day of the proposed Borrowing in the case of any other ABR Loan.

With respect to any oral notice of borrowing given by the Borrower, the Borrower shall promptly thereafter confirm such notice in writing pursuant to a Notice of Borrowing. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Bank thereof. Each Bank shall, before 1:00 P.M. (New York City time) on the date of such Borrowing, make available to the Administrative Agent at the Funding Office, in immediately available funds, such Bank's applicable Revolving Percentage of such Borrowing; provided, however, that, in the event of a requested ABR Loan with respect to which the Borrower has delivered its Notice of Borrowing on the Business Day immediately preceding the requested Borrowing Date (an "Early Funding ABR Loan"), each Bank shall make its applicable Revolving Percentage of such Borrowing available before 10:00 A.M. (New York City time) on the requested Borrowing Date. The Administrative Agent shall, no later than 2:00 P.M. (New York City time) on such date (or no later than 11:00 A.M. (New York City time), in the case of an Early Funding ABR Loan), make available to the Borrower the proceeds of the Loans received by the Administrative Agent hereunder by crediting such account of the Borrower which the Administrative Agent and the

Borrower shall from time to time designate. Each Notice of Borrowing shall be irrevocable and binding on the Borrower.

(b) Unless the Administrative Agent shall have received notice from a Bank at least two hours prior to the applicable time described in clause (a) above by which such Bank is required to deliver its funds to the Administrative Agent with respect to any Borrowing that such Bank will not make available to the Administrative Agent such Bank's applicable Revolving Percentage of such Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.2(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such date of Borrowing, such Bank shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Bank's applicable Revolving Percentage of such Borrowing, times (iii) a fraction, the numerator of which is the number of days that elapse from and including such date of Borrowing to the date on which such Bank's applicable Revolving Percentage of such Borrowing shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent submitted to any Bank with respect to any amounts owing under this Section 2.2(b) shall be conclusive in the absence of manifest error. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan as part of such Borrowing for purposes of this Agreement. If such Bank's applicable Revolving Percentage of such Borrowing is not in fact made available to the Administrative Agent by such Bank within one (1) Business Day of such date of Borrowing, the Administrative Agent shall be entitled to recover such amount with interest thereon at the rate per annum, equal to (i) the ABR (in the case of ABR Loans) or (ii) the Federal Funds Effective Rate (in the case of LIBOR Rate Loans), on demand, from the Borrower.

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

SECTION 2.3. Minimum Tranches. All Borrowings, prepayments, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Tranche of LIBOR Rate Loans shall be equal to \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof.

SECTION 2.4. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the period from the Closing Date until the Termination Date, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$50,000,000 (the "Swingline Commitment") or (ii) the Total Outstanding Extensions of Credit exceeding the Total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. The Swingline Loans may from time to time be (i) ABR Loans, (ii) Money

Market Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent and the Swingline Lender in accordance herewith (and shall not be entitled to be converted into LIBOR Rate Loans). Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. The Borrower hereby unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is made, the Borrower shall repay all Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent and the Swingline Lender of such request by telephone (confirmed pursuant to a Notice of Borrowing by telecopy or email), not later than (i) 12:00 noon, New York City time, in the case of ABR Loans, or (ii) 2:00 p.m., New York City time, in the case of Money Market Rate Loans, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount of the requested Swingline Loan, and whether the requested Swingline Loan shall be an ABR Loan, a Money Market Rate Loan or a combination thereof. Each Borrowing under the Swingline Commitment shall be in an amount equal to \$1,000,000 or a whole multiple in excess thereof. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of any payment that an Issuing Bank makes under a Letter of Credit as provided in Section 2.5(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Banks to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Banks will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Bank, specifying in such notice such Bank's Revolving Percentage of such Swingline Loan or Loans. Each Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Bank's Revolving Percentage of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Bank shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.2 with respect to Loans made by such Bank (and Section 2.2 shall apply, mutatis mutandis, to the payment obligations of the Bank), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Bank. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline

Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Banks that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.5. Letters of Credit. (a) L/C Commitment.

(i) Prior to the Closing Date, the Existing Issuing Banks have issued the Existing Letters of Credit which from and after the Closing Date shall constitute Letters of Credit hereunder.

(ii) Subject to the terms and conditions hereof, each Issuing Bank (other than the Existing Issuing Banks), in reliance on the agreements of the other Banks set forth in Section 2.5(d), agrees to issue standby letters of credit (together with the Existing Letters of Credit, the "Letters of Credit") for the account of the Borrower in support of obligations (including, without limitation, performance, bid and similar bonding obligations and credit enhancement) of the Borrower and its Affiliates on any Business Day on or after the Closing Date and prior to the Termination Date in such form as may be approved from time to time by such Issuing Bank; provided that no Issuing Bank shall issue any Letter of Credit if, after giving effect to such issuance, (A) the L/C Obligations would exceed the L/C Commitment or (B) the Total Outstanding Extensions of Credit then outstanding would exceed the Total Commitments then in effect and provided, further, that neither JPMorgan Chase Bank, N.A. nor Wachovia Bank, National Association shall be required, without the consent of such Issuing Bank, to issue Letters of Credit in excess of \$37,500,000 at any time outstanding for each such Issuing Bank.

(iii) Each Letter of Credit shall be denominated in Dollars and shall be a standby letter of credit issued to support obligations of the Borrower or any of its Affiliates, contingent or otherwise, and expire no later than the Maturity Date.

(iv) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(v) No Issuing Bank shall at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause such Issuing Bank or any L/C Participant to exceed any limits imposed on such Issuing Bank by any applicable Requirement of Law.

(b) Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that an Issuing Bank issue a Letter of Credit by delivering to such Issuing Bank at its address for notices specified herein an Application therefor, completed to the satisfaction of such

Issuing Bank, and such other certificates, documents and other papers and information as such Issuing Bank may reasonably request. Upon receipt of any Application, the Issuing Bank will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall any Issuing Bank be required to issue any Letter of Credit earlier than two Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit in a form satisfactory to the Borrower to the beneficiary thereof or as otherwise may be agreed by such Issuing Bank and Borrower. The relevant Issuing Bank shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof and notify the Banks of the amount thereof.

(c) Fees, Commissions and Other Charges.

(i) The Borrower shall pay to the Administrative Agent, for the account of the relevant Issuing Bank and the L/C Participants, a letter of credit commission fee with respect to each Letter of Credit, computed for the period from the last L/C Fee Payment Date (or, if later, the date of issuance thereof) to the date upon which such payment is due hereunder at the rate per annum equal to the Applicable Margin for LIBOR Rate Loans then in effect, calculated on the basis of a 365- (or 366-, as the case may be) day year, of the aggregate amount available to be drawn under such Letter of Credit on the date on which such fee is calculated. The Borrower shall pay to the Administrative Agent, for the account of the relevant Issuing Bank, a fronting fee with respect to each Letter of Credit, computed for the period from the last L/C Fee Payment Date to the date upon which such payment is due hereunder at the rate per annum equal to 0.125%, calculated on the basis of a 365- (or 366-, as the case may be) day year, of the aggregate amount available to be drawn under such Letter of Credit on the date on which such fee is calculated. Such commissions and fronting fees shall be payable in arrears on each L/C Fee Payment Date and shall be nonrefundable.

(ii) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse each Issuing Bank for such normal and customary costs and reasonable expenses as are incurred or charged by such Issuing Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(iii) The Administrative Agent shall, promptly following its receipt thereof, distribute to the relevant Issuing Bank and the L/C Participants all fees and commissions received by the Administrative Agent for their respective accounts pursuant to this Section 2.5(c).

(d) L/C Participations.

(i) Each Issuing Bank irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Bank to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from such Issuing Bank, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C

Participant's Revolving Percentage in each Issuing Bank's obligations and rights under each Letter of Credit issued hereunder and the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 2.5(e). Each L/C Participant unconditionally and irrevocably agrees with each Issuing Bank that, if a draft is paid under any Letter of Credit for which such Issuing Bank is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Bank upon demand at such Issuing Bank's address for notices specified herein an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, which is not so reimbursed. Each Bank acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.5(d)(i) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(ii) If any amount required to be paid by any L/C Participant to an Issuing Bank pursuant to Section 2.5(d)(i) in respect of any unreimbursed portion of any payment made by such Issuing Bank under any Letter of Credit is not paid to such Issuing Bank within one Business Day after the date such payment is due, such L/C Participant shall pay to such Issuing Bank on demand an amount equal to the product of (A) such amount, times (B) the daily average Federal Funds Effective Rate as quoted by the relevant Issuing Bank, during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Bank, times (C) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 2.5(d)(i) is not in fact made available to the relevant Issuing Bank by such L/C Participant within three (3) Business Days after the date such payment is due, such Issuing Bank shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the ABR. A certificate of the relevant Issuing Bank submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(iii) Whenever, at any time after any Issuing Bank has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 2.5(d)(i), such Issuing Bank receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Bank), or any payment of interest on account thereof, such Issuing Bank will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by such Issuing Bank shall be required to be returned by such Issuing Bank, such L/C Participant shall return to such Issuing Bank the portion thereof previously distributed by such Issuing Bank to it.

(e) Reimbursement Obligation of the Borrower. (i) The Borrower shall reimburse each Issuing Bank for any payment that such Issuing Bank makes under a Letter of Credit on or

before the date of such payment if the Borrower receives notice of such payment on or before 10:00 a.m. (New York City time) on the date such payment is made by such Issuing Bank; provided, however, that, if the Borrower does not receive timely notice or reimburse such Issuing Bank under this Section 2.5(e)(i), then Section 2.5(e)(ii) shall apply. Each such payment shall be made to the relevant Issuing Bank at its address for notices specified herein in Dollars and in immediately available funds.

(ii) Notwithstanding Section 5.2, each drawing under any Letter of Credit shall be deemed to constitute a Borrowing of ABR Loans in the amount of such drawing unless the Borrower has reimbursed the relevant Issuing Bank under Section 2.5(e)(i). The Borrowing Date with respect to each such borrowing shall be deemed to be the date of such drawing.

(f) Obligations Absolute.

(i) The Borrower's payment obligations under Section 2.5(e) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment that the Borrower may have or have had against the relevant Issuing Bank or any beneficiary of a Letter of Credit other than a defense based upon the gross negligence or willful misconduct of such Issuing Bank or violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(ii) The Borrower also agrees with each Issuing Bank that no Issuing Bank shall be responsible for, and the Borrower's Reimbursement Obligations under Section 2.5(e) shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee.

(iii) No Issuing Bank shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by such Issuing Bank's gross negligence or willful misconduct or in violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(iv) The Borrower agrees that any action taken or omitted by any Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of such Issuing Bank to the Borrower.

(g) Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Bank shall promptly notify the Borrower by telephone (confirmed in writing) of the date and amount thereof and whether such Issuing Bank has made or will make a payment thereunder. The responsibility of such Issuing Bank to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

(h) Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 2.5, the provisions of this Section 2.5 shall control.

(i) Replacement of the Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Banks of any such replacement of such Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of such replaced Issuing Bank pursuant to Section 2.5(c). From and after the effective date of any such replacement, (i) the applicable successor Issuing Bank shall have all the rights and obligations of such Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the applicable replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

SECTION 2.6. Increase in the Aggregate Commitments. (a) The Borrower may, at any time, whether or not the Commitments have been reduced pursuant to Section 4.5, by notice to the Administrative Agent, request that the aggregate amount of the Commitments be increased by an amount of \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof (a "Commitment Increase") to be effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the "Increase Date") as specified in the related notice to the Administrative Agent; provided, however, that (i) in no event shall the aggregate amount of the Commitments at any time exceed \$450,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in Section 5.2 shall be satisfied.

(b) The Administrative Agent shall promptly notify the Banks of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which the Banks wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Commitments (the "Commitment Date"). Each Bank that is willing, in its sole discretion, to participate in such requested Commitment Increase (each an "Increasing Bank") shall give written notice to the Administrative Agent and the Borrower on or prior to the Commitment Date of the amount by which it is willing to increase its Commitment. If the Banks

notify the Administrative Agent and the Borrower that they are willing to increase the amount of their respective Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Banks willing to participate therein in such amounts as are agreed between the Borrower and the Administrative Agent.

(c) Promptly following each Commitment Date, the Administrative Agent shall notify the Borrower as to the amount, if any, by which the Banks are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Banks are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may request Banks to increase their participation and extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Commitment of each such Eligible Assignee shall be in an amount not less than \$10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.6(b) (each such Eligible Assignee, an "Assuming Bank") shall become a Bank party to this Agreement as of such Increase Date and the Commitment of each Increasing Bank for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Bank pursuant to the last sentence of Section 2.6(b)) as of such Increase Date; provided, however, that the Administrative Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors (or other governing body) of the Borrower or the Executive Committee of such Board (or other governing body) approving the Commitment Increase and the corresponding modifications to this Agreement and (B) opinions of counsel for the Borrower (which may be in-house counsel), in form and substance reasonably acceptable to the Administrative Agent, covering the matters covered by the opinions of counsel delivered pursuant to Section 5.1(c);

(ii) an assumption agreement from each Assuming Bank, if any, substantially in the form of Exhibit E hereto (each an "Assumption Agreement"), duly executed by such Eligible Assignee, the Administrative Agent and the Borrower; and

(iii) confirmation from each Increasing Bank of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Administrative Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.6(d), the Administrative Agent shall notify the Banks (including, without limitation, each Assuming Bank) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Bank and each Assuming Bank on such date.

(e) The Administrative Agent shall promptly notify the Borrower and the Banks of any increase in the amount of the aggregate Commitments pursuant to this Section and of the respective adjusted Commitment and Revolving Percentage of each Bank after giving effect thereto. The Borrower acknowledges that, in order to maintain the Revolving Percentage of each Bank, a non-pro-rata increase in the aggregate Commitments may require prepayment or funding of all or portions of certain Loans on the date of such increase (and any such prepayment or funding shall be subject to the other provisions of this Agreement). Effective upon such increase, the amount of the participations held by each Bank in each Letter of Credit then outstanding shall be adjusted such that, after giving effect to such adjustments, each Bank shall hold participations in each such Letter of Credit in accordance with the Revolving Percentage of such Bank after giving effect to such increase.

SECTION 2.7. Extension Option. The Borrower may request that the Commitments be extended for additional one year periods by providing not less than 30 days' written notice (the date of such notice, a "Notice Date") to the Administrative Agent prior to any anniversary of the Closing Date. If a Lender agrees, in its individual and sole discretion, to extend its Commitment (such Lender, an "Extending Lender"), it will notify the Administrative Agent, in writing, of its decision to do so no later than 20 days after the applicable Notice Date. The Administrative Agent will notify the Borrower, in writing, of the Lenders' decisions no later than 25 days after such Notice Date. The Extending Lenders' Commitments will be extended for an additional year from the Termination Date (the "Extended Termination Date") or the Extended Termination Date (the "Second Extended Termination Date"); provided that (i) more than 50% of the Commitments is extended or otherwise committed to by Extending Lenders and any new Lenders and (ii) on the date of any request by the Borrower to extend the Commitments, the applicable conditions set forth in Section 5.2 shall be satisfied. No Lender shall be required to consent to any such extension request and any Lender that declines or does not respond to the Borrower's request for commitment renewal (a "Declining Lender") will have its Commitment terminated on the then existing Termination Date (without regard to any renewals by other Lenders). The Borrower will have the right to accept commitments from Eligible Assignees in an amount equal to the amount of the Commitments of any Declining Lenders; provided that the Extending Lenders will have the right to increase their Commitments up to the amount of the Declining Lenders' Commitments before the Borrower will be permitted to substitute any Eligible Assignees for the Declining Lenders. The Borrower may only extend the Termination Date twice during the term of this Agreement pursuant to this Section 2.7.

ARTICLE III

PROVISIONS RELATING TO ALL LOANS

SECTION 3.1. Evidence of Loans. (a) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Bank resulting from each Loan made by such Bank from time to time, including, without limitation, the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement.

(b) The Administrative Agent shall maintain the Register pursuant to Section 10.6(d) and a subaccount therein for each Bank, in which shall be recorded (i) the amount of each Loan made

by each Bank through the Administrative Agent hereunder, the type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Bank's share thereof.

(c) The entries made in the Register and the accounts of each Bank maintained pursuant to Section 3.1(a) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amount of the obligations of the Borrower therein recorded; provided, however, that the failure of any Bank or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans actually made to the Borrower by such Bank in accordance with the terms of this Agreement.

SECTION 3.2. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Bank the Commitment Fee, from the date hereof until such date that the Loans and other obligations under this Agreement have been paid in full, payable quarterly in arrears on the last day of each March, June, September and December until such date that the Loans and other obligations under this Agreement have been paid in full and on such date of payment in full.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Bank the applicable Utilization Fee on the Outstanding Extensions of Credit of such Bank at any time that the Total Outstanding Extensions of Credit outstanding shall exceed 50% of the Total Commitments then in effect, payable quarterly in arrears on the last day of each March, June, September and December.

(c) The fees payable under Sections 3.2(a) and 3.2(b) shall be calculated by the Administrative Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period for which such fee is payable.

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

SECTION 3.3. Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan made by each Bank from the date of such Loan until such principal amount shall be paid in full, at the times and at the rates per annum set forth below:

(a) ABR Loans. Each ABR Loan (excluding each Swingline Loan) shall bear interest at a rate per annum equal at all times to the lesser of (i) the ABR plus the Applicable Margin and (ii) the Highest Lawful Rate, payable quarterly in arrears on the last day of each March, June, September and December and on the Termination Date.

(b) LIBOR Rate Loans. Each LIBOR Rate Loan shall bear interest at a rate per annum equal at all times to, in the case of each LIBOR Rate Loan, the lesser of (A) the sum of the LIBOR Rate for the applicable Interest Period for such Loan plus the Applicable Margin and

(B) the Highest Lawful Rate, payable on the last day of such Interest Period and, with respect to Interest Periods of six months or longer, on the ninetieth (90th) day after the commencement of the Interest Period and on each succeeding ninetieth (90th) day during such Interest Period, and on the Termination Date.

(c) Swingline Loans. Each Swingline Loan shall bear interest at a rate per annum equal to the lesser of (i)(A) the ABR plus the Applicable Margin or (B) the Money Market Rate, at the election of the Borrower pursuant to Section 2.4, and (ii) the Highest Lawful Rate, payable quarterly in arrears on the last day of each March, June, September and December and on the date of payment of such Swingline Loan.

(d) Calculations. Interest that is determined by reference to the ABR shall be calculated by the Administrative Agent on the basis of a 365- or 366-day year, as the case may be, for the actual days (including the first day but excluding the last day) occurring in the period in which such interest is payable and otherwise shall be calculated by the Administrative Agent on the basis of a 360-day year for the actual days (including the first day and excluding the last day) occurring in the period for which such interest is payable.

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

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

SECTION 3.4. Reserve Requirements. (a) The Borrower agrees to pay to each Bank that requests compensation under this Section 3.4 in accordance with the provisions set forth in Section 4.8(b), so long as such Bank shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board (or, so long as such Bank shall be required by the Board or by any other Governmental Authority to maintain reserves against any other category of liabilities that includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank that includes any LIBOR Rate Loans), an additional amount (determined by such Bank and notified to the Borrower pursuant to the provisions set forth in Section 4.8(b)) representing such Bank's calculation or, if an accurate calculation is impracticable, reasonable estimate (using such method of allocation to such Loans of the Borrower as such Bank shall determine in accordance with Section 4.8(a)) of the actual costs, if any, incurred by such Bank during the relevant Interest Period as a result of the

applicability of the foregoing reserves to such LIBOR Rate Loans, which amount in any event shall not exceed the product of the following for each day of such Interest Period:

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

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

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

(b) The agreements in this Section 3.4 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 3.4 for any period prior to the date that is 90 days before the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 3.5. Interest Rate Determination and Protection. (a) The rate of interest for each LIBOR Rate Loan shall be determined by the Administrative Agent two Business Days before the first day of each Interest Period applicable to such Loan. The Administrative Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Administrative Agent for purposes of Sections 3.3(a) and (b) hereof.

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

SECTION 3.6. Voluntary Interest Conversion or Continuation of Loans. (a) The Borrower may on any Business Day, upon the Borrower's irrevocable oral or written notice

of interest conversion/continuation given by the Borrower to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed interest conversion or continuation in the case of a LIBOR Rate Loan, (i) convert Loans of one Type into Loans of another Type; (ii) convert LIBOR Rate Loans for a specified Interest Period into LIBOR Rate Loans for a different Interest Period; or (iii) continue LIBOR Rate Loans for a specified Interest Period as LIBOR Rate Loans for the same Interest Period; provided, however, that (A) any conversion of any LIBOR Rate Loans into LIBOR Rate Loans for a different Interest Period, or into ABR Loans, or any continuation of LIBOR Rate Loans for the same Interest Period shall be made on, and only on, the last day of an Interest Period for such LIBOR Rate Loans; (B) no Loan may be converted into or continued as a LIBOR Rate Loan by the Borrower so long as an Event of Default has occurred and is continuing, and (C) no Loan may be converted into or continued as a LIBOR Rate Loan if after giving effect thereto, Section 2.3 would be contravened. With respect to any oral notice of interest conversion/continuation given by the Borrower under this Section 3.6(a), the Borrower shall promptly thereafter confirm such notice in writing. Each written notice of interest conversion/continuation given by the Borrower under this Section 3.6(a) and each confirmation of an oral notice of interest conversion/continuation given by the Borrower under this Section 3.6(a) shall be in substantially the form of Exhibit B hereto (“Notice of Interest Conversion/Continuation”). Each such Notice of Interest Conversion/Continuation shall specify therein the requested (x) date of such interest conversion or continuation; (y) the Loans to be converted or continued; and (z) if such interest conversion or continuation is into LIBOR Rate Loans, the duration of the Interest Period for each such LIBOR Rate Loan. Upon receipt of any such Notice of Interest Conversion/Continuation, the Administrative Agent shall promptly notify each Bank thereof. Each Notice of Interest Conversion/Continuation shall be irrevocable and binding on the Borrower. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) If the Borrower shall fail to deliver to the Administrative Agent a Notice of Interest Conversion/Continuation in accordance with Section 3.6(a) hereof, or to select the duration of any Interest Period for the principal amount outstanding under any LIBOR Rate Loan by 11:00 A.M. (New York City time) on the third Business Day prior to the last day of the Interest Period applicable to such Loan in accordance with Section 3.6(a), the Administrative Agent will forthwith so notify the Borrower and the Banks (provided that the failure to give such notice shall not affect the conversion referred to below) and such Loans will automatically, on the last day of the then existing Interest Period therefor, convert into LIBOR Rate Loans with a one month Interest Period.

SECTION 3.7. Funding Losses Relating to LIBOR Rate Loans. (a) The Borrower agrees, without duplication of any other provision under this Agreement, to indemnify each Bank and to hold each Bank harmless from any loss or expense that such Bank may sustain or incur as a consequence of (i) default by the Borrower in payment when due of the principal amount of or interest on any LIBOR Rate Loan, (ii) default by the Borrower in making a borrowing of, conversion into or continuation of any LIBOR Rate Loan after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (iii) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (iv) the making of a prepayment of LIBOR Rate Loans or the conversion of LIBOR Rate Loans into ABR Loans, on a day that is not the last day of an Interest Period with respect thereto (excluding any prepayment made pursuant to Section 3.8) on

a day that is not the scheduled maturity date with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. The calculation of all amounts payable to a Bank under this Section 3.7(a) shall be made pursuant to the method described in Section 4.8(a), but in no event shall such amounts payable with respect to any LIBOR Rate Loan exceed the amounts that would have been payable assuming such Bank had actually funded its relevant LIBOR Rate Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of such LIBOR Rate Loan and having a maturity comparable to, with respect to any LIBOR Rate Loan, the relevant Interest Period, provided, that each Bank may fund each of its LIBOR Rate Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 3.7(a).

(b) The agreements in this Section 3.7 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 3.7 for amounts accruing prior to the date that is 90 days prior to the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 3.8. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if any Bank shall notify the Administrative Agent that it has determined in good faith that the introduction of or any change in or in the interpretation or application of any law or regulation by any Governmental Authority (in each case occurring after the date of this Agreement) makes it unlawful, or any central bank or other Governmental Authority asserts after the date of this Agreement that it is unlawful, for any Bank or its applicable lending office to perform its obligations hereunder to make LIBOR Rate Loans or to fund or maintain LIBOR Rate Loans hereunder, (i) the obligation of such Bank to make, or to convert Loans into, or to continue LIBOR Rate Loans as, LIBOR Rate Loans shall be suspended until the Administrative Agent shall notify the Borrower that the circumstances causing such suspension no longer exist; (ii) the Borrower shall, at its option, either prepay in full all LIBOR Rate Loans of such Bank then outstanding, or convert all such Loans to ABR Loans, on the respective last days of the then current Interest Periods with respect to such Loans (or within such earlier period as required by law), accompanied, in the case of any prepayments, by interest accrued thereon and any amounts payable under Section 3.7(a). Each Bank agrees that it will use reasonable efforts to designate a different lending office for the LIBOR Rate Loans due to it affected by this Section 3.8, if such designation will avoid the illegality described in this Section 3.8 so long as such designation will not be disadvantageous to such Bank as determined by such Bank in its sole discretion acting in good faith.

(b) For purposes of this Section 3.8, a notice to the Borrower (with a copy to the Administrative Agent) by any Bank pursuant to paragraph (a) above shall be effective on the date of receipt thereof by the Borrower.

ARTICLE IV
INCREASED COSTS, TAXES, PAYMENTS
AND PREPAYMENTS

SECTION 4.1. Increased Costs; Capital Adequacy. (a) If after the date of this Agreement the adoption of or any change in any law or regulation or in the interpretation or application thereof by any Governmental Authority or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date of this Agreement:

(i) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Bank that is not otherwise included in the determination of the LIBOR Rate hereunder (except for amounts covered by Section 3.4 or any other Section hereof); or

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

and the result of any of the foregoing is to increase the actual cost to such Bank, by an amount that such Bank deems to be material, of making, converting into, continuing or maintaining LIBOR Rate Loans or issuing or participating in Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Bank, upon its demand in the manner set forth in Section 4.8(b), any additional amounts, computed by such Bank in accordance with Section 4.8(a), necessary to compensate such Bank for such actual increased cost or reduced amount receivable that is attributable to Loans or Commitments (to the extent that such Bank has not already been compensated or reimbursed for such amounts pursuant to any other provision of this Agreement). If any Bank becomes entitled to claim any additional amounts pursuant to this Section 4.1(a) from the Borrower, it shall promptly notify the Borrower, through the Administrative Agent, of the event by reason of which it has become so entitled in the manner set forth in Section 4.8(b).

(b) If any Bank determines in good faith that the introduction of or any change in or in the interpretation or application by any Governmental Authority of any law or regulation regarding capital adequacy after the date of this Agreement or compliance by such Bank or any corporation controlling such Bank with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) made or issued after the date of this Agreement does or shall have the effect, as a result of such Bank's obligations under this Agreement or under any Letter of Credit, of reducing the rate of return on such Bank's or such corporation's capital to a level below that which such Bank or such corporation could have achieved but for such change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, the Borrower shall pay to the Administrative Agent for the account of such Bank, from time to time as specified by such Bank in the manner set forth in Section 4.8(b), additional amounts, computed by such Bank in accordance with Section 4.8(a),

sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such reduction in rate of return is allocable to the existence of such Bank's obligations hereunder.

(c) The agreements contained in this Section 4.1 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 4.1 for any period prior to the date that is 90 days prior to the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower.

SECTION 4.2. Pro Rata Treatment and Payments and Computations. (a) Each Borrowing of Loans by the Borrower from the Banks hereunder, each payment by the Borrower on account of any commitment or other fee, any reduction of the Commitments of the Banks and any prepayment on account of principal and interest on the Loans shall be made pro rata according to the respective Revolving Percentages of the Banks.

(b) The Borrower shall make each payment (including each prepayment) hereunder, whether on account of principal, interest, fees or otherwise, without setoff or counterclaim, not later than 12:00 Noon (New York City time) on the day when due in Dollars to the Administrative Agent at the Funding Office in immediately available funds, except payments to be made directly to the Swingline Lender as expressly provided herein. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, Letter of Credit fees or commitment or other fees (to the extent received by the Administrative Agent) ratably to the Banks according to the amounts of their respective Loans, L/C Obligations and Commitments in respect of which such payment is made, and like funds relating to the payment of any other amount payable to any Bank (to the extent received by the Administrative Agent) to such Bank, in each case to be applied in accordance with the terms of this Agreement.

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

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate during such period, times (ii) the amount of such Bank's Revolving Percentage of such payment, times (iii) a fraction, the numerator of which is the number of days that elapse from

and including the date such amount is distributed to such Bank to the date on which such Bank's Revolving Percentage of such payment shall have become immediately available to the Administrative Agent and the denominator of which is 360.

SECTION 4.3. Taxes. (a) Any and all payments by the Borrower hereunder or under the Loan Documents shall be made free and clear of and without deduction or withholding for or on account of any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, net income taxes, branch profits taxes and franchise taxes imposed on it as a result of a present or former connection between the jurisdiction (or political subdivision thereof) of the government or taxing authority imposing such tax and the Administrative Agent or such Bank other than a connection arising solely from the Administrative Agent or such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.3) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made; (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law; provided, however, that the Borrower shall not be required to increase any such sums payable to any Bank with respect to any Taxes (i) that are attributable to such Bank's failure to comply with the requirements of Section 4.3(d) or (ii) that are United States withholding taxes imposed on sums payable to such Bank at the time such Bank becomes a party to this Agreement (or maintains a lending office), except to the extent that any such Bank's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to this Section 4.3. Whenever any Taxes or Other Taxes (as defined in Section 4.3(b)) are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Bank or Administrative Agent, as the case may be, either (A) official tax receipts or notarized copies of such receipts to such Bank within thirty (30) days after payment of any applicable tax or (B) a certificate executed by a Responsible Officer of the Borrower confirming that such Taxes or Other Taxes have been paid, together with evidence of such payment.

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

(c) The Borrower will indemnify each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.3) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and

expenses) arising therefrom or with respect thereto, including, without limitation or duplication, any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Bank as a result of any failure by the Borrower to pay any Taxes or Other Taxes when due to the appropriate taxing authority or to remit to any Bank the receipts or other evidence of payment of Taxes or Other Taxes.

(d) Each Bank registered in the Register that is not a U.S. Person as defined in Section 7701(a)(30) of the Code agrees that it will deliver to the Borrower and the Administrative Agent on the date hereof, or on the date which it becomes a party to this Agreement, two duly completed copies of United States Internal Revenue Service Form W-8BEN, W-8ECI W-8EXP or W-8IMY (or other appropriate corresponding form) or any successor applicable form, as the case may be. Each such Bank also agrees to deliver to the Borrower and the Administrative Agent two further copies of the said Form W-8BEN, W-8ECI, W-8EXP, or W-8IMY or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Administrative Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank so advises the Borrower and the Administrative Agent. Each such Bank shall certify in the case of a Form W-8BEN, W-8ECI, W-8EXP, or W-8IMY that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, subject to notification to the Borrower otherwise pursuant to this Section 4.3(d). In the event that any such Bank fails to deliver any forms required under this Section 4.3(d), the Borrower's obligation to pay additional amounts shall be reduced to the amount that it would have been obligated to pay had such forms been provided.

(e) If any Taxes or Other Taxes are not correctly or legally asserted and the Administrative Agent or any Bank determines, in its reasonable discretion, that it has received a refund of those Taxes or Other Taxes as to which it has been indemnified by the Borrower, the Administrative Agent or such Bank shall within 20 days after such refund pay to the Borrower the amount of such refund to the extent that the Borrower indemnified the Administrative Agent or such Bank for such Taxes or Other Taxes pursuant to this Section 4.3, net of any out-of-pocket costs of the Administrative Agent or such Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Bank, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Bank in the event the Administrative Agent or such Bank is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Bank to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(f) The agreements in this Section 4.3 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that (i) in no event shall

the Borrower be obligated to reimburse or compensate any Bank for amounts contemplated by this Section 4.3 for any period before the date that is 120 days before the date upon which such Bank requests in writing such reimbursement or compensation from the Borrower (other than any amounts as to which the ultimate amount of the reimbursement due could not then be determined) and (ii) nothing contained in this Section 4.3 shall require the Borrower to pay any amount to any Bank or the Administrative Agent in addition to that for which it has already reimbursed any Bank or the Administrative Agent under any other provision of this Agreement.

SECTION 4.4. Sharing of Payments, Etc. If any Bank (a “Benefitted Bank”) shall at any time receive any payment (other than pursuant to Section 2.7, 3.4, 3.7, 4.1 or 4.3) of all or part of its Loans, Reimbursement Obligations or participations in Swingline Loans owing to it or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, pursuant to events or proceedings of the nature referred to in Section 8.1(g) or 8.1(h), or otherwise), in a greater proportion than any such payment to or collateral received by any other Bank, if any, in respect of such other Bank’s Loans, Reimbursement Obligations owing to it, respectively, or interest thereon, such benefitted Bank shall purchase for cash from the other Banks a participating interest in such portion of each such other Bank’s Loans or Reimbursement Obligations owing to it, respectively, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 4.4 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 4.5. Optional Termination or Reduction of the Commitments. (a) Unless previously terminated, the Commitments of the Banks to make Loans shall terminate on the Termination Date.

(b) The Borrower shall have the right, without penalty or premium, upon at least three (3) Business Days’ irrevocable written notice to the Administrative Agent (which shall give prompt notice to each Bank), to terminate in whole the Commitments or permanently, from time to time, to reduce ratably in part the unused portion of the Commitments, provided that (i) each partial reduction shall be in the aggregate principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (ii) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 4.6 by the Borrower on the effective date thereof, the Total Outstanding Extensions of Credit then outstanding would exceed the Total Commitments then in effect.

Each reduction of Commitments pursuant to this Section 4.5 shall be applied pro rata to the Commitments of each Bank. If at any time, including after giving effect to any reduction of Commitments pursuant to this Section 4.5, the Total Outstanding Extensions of Credit exceed the Total Commitments, the Borrower shall be obligated, first, to prepay the Loans in the amount of such excess, second, to cash collateralize Letters of Credit to the extent that the

aggregate amount of the L/C Obligations exceeds such Total Commitments after prepayment of all Loans.

SECTION 4.6. Voluntary Prepayments. The Borrower may, upon written notice delivered to the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) not later than 11:00 A.M. (New York City time) on the same Business Day (or in the case of LIBOR Rate Loans, two (2) Business Days (or such shorter or no notice as may be satisfactory to the Administrative Agent), and in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment) before the date of prepayment stating the aggregate principal amount of the prepayment and the Loans to be prepaid, repay the outstanding principal amounts of such Loans comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that losses incurred by any Bank under Section 3.7 shall be payable with respect to each such prepayment in the manner set forth in Section 3.7. Any such notice provided pursuant to this Section 4.6 shall be irrevocable, and the payment amount specified in such notice shall be due and payable on the prepayment date described in such notice, together with accrued and unpaid interest on the amount prepaid. Partial prepayments pursuant to this Section 4.6 with respect to any Tranche of LIBOR Rate Loans shall be in an aggregate principal amount equal to the lesser of (a) \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (b) the aggregate principal amount of such Tranche of LIBOR Rate Loans then outstanding, as the case may be; provided that no partial prepayment of any Tranche of LIBOR Rate Loans may be made if, after giving effect thereto, Section 2.3 would be contravened. Partial prepayments with respect to the ABR Loans shall be made in an aggregate principal amount equal to the lesser of (i) \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof or (ii) the aggregate principal amount of ABR Loans then outstanding, as the case may be.

SECTION 4.7. Mitigation of Losses and Costs. Any Bank claiming reimbursement from the Borrower under any of Sections 3.4, 3.7, 4.1 and 4.3 hereof shall use reasonable efforts (including, without limitation, if requested by the Borrower, reasonable efforts to designate a different lending office of such Bank) to mitigate the amount of such losses, costs, expenses and liabilities, if such efforts can be made and such mitigation can be accomplished without such Bank suffering (i) any economic disadvantage for which such Bank does not receive full indemnity from the Borrower under this Agreement or (ii) any legal or regulatory disadvantage.

SECTION 4.8. Determination and Notice of Additional Costs and Other Amounts. (a) In determining the amount of any claim for reimbursement or compensation under Sections 3.4, 3.7 and 4.1, each Bank may use any reasonable averaging, attribution and allocation methods consistent with such methods customarily employed by such Bank in similar situations.

(b) Each Bank or, with respect to compensation claimed by it pursuant to Section 4.3, the Administrative Agent, as the case may be, will (i) use its best efforts to notify the Borrower through the Administrative Agent (in the case of each Bank) of any event occurring after the date of this Agreement promptly after the occurrence thereof and (ii) notify the Borrower through the Administrative Agent (in the case of each Bank) promptly after such Bank or the Administrative Agent, as the case may be, becomes aware of any event occurring after the date of this Agreement, in either case if such event (for purposes of this Section 4.8(b), a "Triggering

Event”) will entitle such Bank or the Administrative Agent, as the case may be, to compensation pursuant to Section 3.4, 3.7, 4.1 or 4.3, as the case may be. Each such notification of a Triggering Event shall be accompanied by a certificate of such Bank or the Administrative Agent, as the case may be, setting forth the calculations and justification in reasonable detail such amount or amounts as shall be necessary to compensate such Bank or the Administrative Agent, as the case may be, as specified in Section 3.4, 3.7, 4.1 or 4.3, as the case may be, and certifying that such costs are generally being charged by such Bank to other similarly situated borrowers under similar credit facilities, which certificate shall be conclusive absent manifest error. The Borrower shall pay to the Administrative Agent for the account of such Bank or to the Administrative Agent for its own account, as the case may be, the amount shown as due on any such certificate within ten Business Days after its receipt of the same.

ARTICLE V

CONDITIONS OF LENDING

SECTION 5.1. Conditions Precedent to Loans and Letters of Credit. The agreement of each Bank to make the initial extension of credit requested to be made by it is subject to the satisfaction, prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

(a) The Administrative Agent (or its counsel) shall have received this Agreement duly executed by the Borrower and each other party hereto.

(b) The Administrative Agent (or its counsel) shall have received a certificate dated as of the Closing Date of the Secretary or an Assistant Secretary of the Borrower certifying (i) the names and true signatures of the Responsible Officers of the Borrower authorized to sign each Loan Document to which the Borrower is a party and the notices and other documents to be delivered by the Borrower pursuant to any such Loan Document; (ii) the operating agreement and certificate of formation of the Borrower as in effect on the date of such certification; (iii) the resolutions of the Board of Directors or equivalent thereof of the Borrower approving and authorizing the execution, delivery and performance by the Borrower of each Loan Document to which it is a party and any Notes from time to time issued hereunder and authorizing the borrowings and other transactions contemplated hereunder and (iv) that all material authorizations, approvals and consents by any Governmental Authority or other Person necessary in connection with the execution, delivery and performance of the Loan Documents and any other regulatory approvals in respect thereof required to be obtained prior to the Closing Date, have been obtained and are in full force and effect.

(c) The Administrative Agent shall have received an executed legal opinion, dated the Closing Date, of (i) Baker Botts LLP, special counsel to the Borrower and (ii) Rufus Scott, Esq., deputy general counsel of the Borrower. Each such legal opinion shall cover such matters incident to the transactions contemplated by the Loan Documents as the Administrative Agent may reasonably require and shall otherwise be in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent (or its counsel) shall have received a certificate dated on or about the Closing Date of the Secretary of State of the State of Texas as to the existence and good standing of the Borrower.

(e) The Administrative Agent shall have received, for the benefit of the lenders under the Existing Credit Agreement, all accrued interest and fees, including any commitment fees, utilization fees and letter of credit fees, due and payable under the Existing Credit Agreement as of the Closing Date.

(f) The effectiveness, substantially concurrent with the effectiveness of this Agreement, of (i) the CenterPoint Facility and (ii) the Resources Facility.

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

(h) The Administrative Agent shall have received all financial statements and other information as the Administrative Agent shall reasonably request, including projections and pro forma balance sheets adjusted to give effect to the financing contemplated hereby and the other financings described in clause (f) above, and such financial statements shall not, in the reasonable judgment of the Banks, reflect any material adverse change in the consolidated financial condition of the Borrower and its Subsidiaries, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(i) Detailed consolidated projections through the 2011 fiscal year of the Borrower (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of each such fiscal year, the related consolidated statements of projected cash flow, and projected income and a description of the underlying assumptions applicable thereto) in each case to the extent provided in the Confidential Information Memorandum.

(j) The Administrative Agent shall have received all fees required to be paid on or before the Closing Date.

(k) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the Facility shall be in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall notify the Borrower and the Banks of the Closing Date, and such notice shall be conclusive and binding.

SECTION 5.2. Conditions Precedent to Each Borrowing. The obligation of each Bank to make each extension of credit (including, to the extent relevant, the initial extensions of credit hereunder) and each extension of the Commitments pursuant to Section 2.7 hereof is subject to the satisfaction of the following conditions precedent:

(a) On or prior to the date of the making of such extension of credit, the Administrative Agent shall have received from the Borrower a Notice of Borrowing or an Application, as the case may be, in accordance with the terms of this Agreement, or, in the case of the issuance,

extension or increase of any Letter of Credit, the instruments required under Section 2.5 in respect thereof.

(b) The representations and warranties of the Borrower contained in Section 6.1 of this Agreement and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit (except for (i) those representations or warranties or parts thereof that, by their terms, expressly relate solely to a specific date, in which case such representations and warranties shall be true and correct in all material respects as of such specific date and (ii) at any time after the Closing Date, the representations and warranties contained in Sections 6.1(j) and (k)), before and after giving effect to such extension of credit, and to the application of the proceeds therefrom, as though made on and as of such date.

(c) No Default or Event of Default shall have occurred and be continuing or would result from such extension of credit.

(d) Each of the giving of any applicable Notice of Borrowing or Application, as the case may be, the acceptance by the Borrower of the proceeds of each Borrowing, and each Letter of Credit issued on behalf of the Borrower, shall constitute a representation and warranty by the Borrower that on the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

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

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

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

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

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

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

(g) Use of Proceeds, Margin Stock. The proceeds of the Loans will be used by the Borrower (i) to support commercial paper issued by the Borrower and (ii) for other general corporate purposes. Neither the Borrower nor any Restricted Subsidiary of the Borrower is principally engaged in, or has as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any Margin Stock, and no part of the proceeds of any Loan made to the Borrower will be used for any purpose that would violate the provisions of the margin regulations of the Board.

(h) Title to Properties. The issued and outstanding Capital Stock owned by the Borrower of each of its Significant Subsidiaries whether such stock is owned directly or indirectly through one or more of its Subsidiaries, is owned free and clear of any Lien. In addition, each of the Borrower and each Significant Subsidiary has good title to the Properties reflected in the financial statements referred to in Section 6.1(m) and in any financial statements delivered pursuant to Section 7.1(a), except for such Properties that have been disposed of subsequent to the dates of the balance sheets included in such financial statements and that are no longer used or useful in the conduct of the business of the Borrower or any Significant Subsidiary or that have been disposed of pursuant to Section 7.2(c) or (d) or that have been disposed of in the ordinary course of their respective business, and all such Properties are free and clear of any Lien except Liens permitted under this Agreement.

(i) Investment Company Act. Neither the Borrower nor any Restricted Subsidiary of the Borrower is an “investment company” as defined in, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

(j) Material Adverse Change. Since December 31, 2006, there has been no event, development or circumstance that, as of the Closing Date, has or would reasonably be expected to have a Material Adverse Effect.

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

(l) ERISA. There is no event or events, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect, arising out of or in connection with (i) any Reportable Event or “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) with respect to any Plan that has occurred during the five-year period immediately preceding the date on which this representation is made or deemed made, (ii) any failure of a Plan to comply with the applicable provisions of ERISA and the Code, (iii) any termination of a Single Employer Plan, (iv) any complete or partial withdrawal by the Borrower or any Commonly Controlled Entity from any Multiemployer Plan, (v) any Lien in favor of the PBGC or any Plan that has arisen during the five-year period referred to in clause (i) above or (vi) a Multiemployer Plan being in Reorganization or being Insolvent.

(m) Financial Statements. The consolidated financial statements of the Borrower as of and for the twelve months ended December 31, 2006 filed with the SEC with the Borrower’s 10-K for the period then ended, copies of which have been delivered to the Banks, present fairly in all material respects the consolidated financial condition and results of operations of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of such date and for the period then ended, in conformity with, as applicable, GAAP and, except as otherwise stated therein, consistently applied (in the case of such unaudited statements, subject to year-end adjustments and the exclusion of detailed footnotes).

(n) Accuracy of Information. None of the documents or written information (excluding estimates, financial projections and forecasts) provided by the Borrower to the Banks in connection with or pursuant to this Agreement or the other Loan Documents contains as of the date thereof or will contain as of the date thereof any untrue statement of a material fact or omits or will omit to state as of the date thereof a material fact (other than industry-wide risks normally associated with the types of businesses conducted by the Borrower and its Subsidiaries) necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading, as a whole. The estimates, financial projections and forecasts furnished to the Banks by the Borrower with respect to the transactions contemplated under this Agreement were prepared in good faith and on the basis of information and assumptions that the Borrower believed to be reasonable as of the date of such information; it being recognized by the Banks that such estimates, financial projections and forecasts as they relate to future events are not to be viewed as fact and that actual results during the period or periods covered by such estimates, financial projections and forecasts may differ from the projected results set forth therein by a material amount.

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

(p) Subsidiaries. Schedule 6.1(p) attached hereto sets forth each Significant Subsidiary as of the date hereof. Except as disclosed on Schedule 6.1(p), as of the date hereof the Borrower owns, directly or indirectly through one or more of its Subsidiaries, all of the outstanding Capital Stock of each Significant Subsidiary, in each case free and clear of any Liens not permitted under this Agreement.

(q) Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries), except where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charges (other than any Liens or claims that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect).

ARTICLE VII

AFFIRMATIVE AND NEGATIVE COVENANTS

SECTION 7.1. Affirmative Covenants. The Borrower covenants that, as long as any amount is owing hereunder or under any other Loan Documents, any Letter of Credit is outstanding or any Bank shall have any Commitment outstanding under this Agreement:

(a) Delivery of Financial Statements, Notices and Certificates. The Borrower shall deliver to the Administrative Agent for distribution to the Banks sufficient copies for each of the Banks of the following:

(i) as soon as practicable and in any event within 90 days after the end of each fiscal year of the Borrower (beginning with fiscal 2007), a consolidated balance sheet of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of the end of such fiscal year and the related statements of consolidated income, retained earnings and cash flows prepared in conformity with GAAP consistently applied, setting forth in comparative form the figures for the previous fiscal year, together with a report thereon by independent certified public accountants of nationally recognized standing selected by the Borrower (which requirement may be satisfied by delivering the Borrower's Annual Report on Form 10-K with respect to such fiscal year as filed with the SEC);

(ii) as soon as practicable and in any event within 55 days after the end of each of the first three quarters of each fiscal year of the Borrower (beginning with the quarter ending June 30, 2007), unaudited consolidated financial statements of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries consisting of at least consolidated balance sheets as at the close of such quarter and statements of consolidated income, retained earnings and cash flows for such quarter and for the period from the beginning of such fiscal year to the close of such quarter (which requirement may be satisfied by delivering the Borrower's Quarterly Report on Form 10-Q with respect to such fiscal quarter as filed with the SEC); such financial statements shall be accompanied by a certificate of a Responsible Officer of the Borrower to the effect that such unaudited financial statements present fairly in all material respects the consolidated financial condition and results of operations of the Borrower, its Consolidated Subsidiaries, Securitization Subsidiaries and the Unrestricted Subsidiaries as of such date for the period then ending, and have been prepared in conformity with GAAP in a manner consistent with the financial statements referred to in paragraph (a)(i) above (subject to year-end adjustments and exclusion of detailed footnotes);

(iii) with each set of statements to be delivered pursuant to Sections 7.1(a)(i) and (ii) above, a certificate in a form reasonably satisfactory to the Administrative Agent, signed by a Responsible Officer of the Borrower confirming compliance with Section 7.2(a) and setting out in reasonable detail the calculations necessary to demonstrate such compliance as at the date of the most recent balance sheet included in such financial statements and stating that no Default or Event of Default has occurred and is continuing or, if there is any Default or Event of Default, describing it and the steps, if any, being taken to cure it; and

(iv) (A) within ten days of the filing thereof, copies of all periodic reports (other than (x) reports on Form 11-K or any successor form, (y) Current Reports on Form 8-K that contain no information other than exhibits filed therewith and (z) reports on Form 10-Q or 10-K or any successor forms) under the Exchange Act (in each case other than exhibits thereto and documents incorporated by reference therein) filed by the

Borrower with the SEC; (B) promptly, and in any event within seven (7) Business Days after a Responsible Officer of the Borrower becomes aware of the occurrence thereof, written notice of (x) any Event of Default or any Default, (y) the institution of (I) any litigation, action, suit or other legal or governmental proceeding involving the Borrower or any Restricted Subsidiary of the Borrower as to which there is a reasonable possibility of an adverse decision that would have a Material Adverse Effect on the Borrower or (II) any other final adverse determination in any litigation, action, suit or other legal or governmental proceeding involving the Borrower or any Significant Subsidiary of the Borrower (1) in the True-Up Litigation or (2) that would have a Material Adverse Effect or (z) the existence of an event or events, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect, arising out of or in connection with (1) any Reportable Event with respect to any Plan, (2) the failure to make any required contribution to a Plan, (3) the creation of any Lien in favor of the PBGC or a Plan, (4) any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (5) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; (C) with each set of statements delivered pursuant to Section 7.1(a)(i), a certificate signed by a Responsible Officer of the Borrower identifying those Subsidiaries which, determined as of the date of such financial statements, are Significant Subsidiaries and Unrestricted Subsidiaries; and (D) such other information relating to the Borrower or its business, properties, condition and operations as the Administrative Agent (or any Bank through the Administrative Agent) may reasonably request.

Information required to be delivered pursuant to the foregoing Sections 7.1(a)(i), (ii), and (iv)(A) shall be deemed to have been delivered on the date on which the Borrower provides notice (including notice by e-mail) to the Administrative Agent (which notice the Administrative Agent will convey promptly to the Banks) that such information has been posted on the SEC website on the Internet at sec.gov/edgar/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 7.1(a)(iii) and (ii) the Borrower shall deliver paper copies of such information to the Administrative Agent, and the Administrative Agent shall deliver paper copies of such information to any Bank that requests such delivery.

(b) Use of Proceeds. The Borrower will use the proceeds of any Loan or Letter of Credit made or issued by the Banks or any Issuing Bank to it for the purposes set forth in Section 6.1(g), and it will not use the proceeds of any Loan or Letter of Credit made or issued by the Banks or any Issuing Bank for any purpose that would violate the provisions of the margin regulations of the Board. The Borrower will not, and will not permit any of its Subsidiaries to engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying, within the meaning of Regulation U, any Margin Stock.

(c) Existence; Laws. The Borrower will and will cause each of its Significant Subsidiaries to, do or cause to be done all things necessary (i) to preserve, renew and keep in full force and effect its legal existence and all rights, licenses, permits and franchises (except to the extent otherwise permitted by Sections 7.2(c) or 7.2(d)) and (ii) to comply with all laws and

regulations applicable to it, except in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(d) Maintenance of Properties. The Borrower will, and will cause each Significant Subsidiary to, preserve and maintain all of its Property that is material to the conduct of its business, provided, however, that nothing in this Section 7.1(d) shall prevent (a) the Borrower or any of its Significant Subsidiaries from selling, abandoning or otherwise disposing of any Properties (including the Capital Stock of any Subsidiary of the Borrower that is not a Significant Subsidiary), the retention of which in the good faith judgment of the Borrower or such Significant Subsidiary is inadvisable or unnecessary to the business of the Borrower and its Subsidiaries, taken as a whole, or the failure to maintain would not reasonably be expected to have a Material Adverse Effect or (b) any other transaction that is expressly permitted by the terms of any other provision of this Agreement.

(e) Maintenance of Business Line. The Borrower will maintain its fundamental business of providing services and products in the energy market.

(f) Books and Records; Access. The Borrower will, and will cause each Significant Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities as required by GAAP. The Borrower will, and will cause each of its Significant Subsidiaries to, at any reasonable time and from time to time, permit up to six representatives of the Banks designated by the Majority Banks, or representatives of the Administrative Agent, on not less than five Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and each Significant Subsidiary and to discuss the general business affairs of the Borrower and each of its Significant Subsidiaries with their respective officers and independent certified public accountants; subject, however, in all cases to the imposition of such conditions as the Borrower and each of its Significant Subsidiaries shall deem necessary based on reasonable considerations of safety and security; provided, however, that neither the Borrower nor any of its Significant Subsidiaries shall be required to disclose to any Agent, any Bank or any agents or representatives thereof any information which is the subject of attorney-client privilege or attorney work-product privilege properly asserted by the applicable Person to prevent the loss of such privilege in connection with such information or which is prevented from disclosure pursuant to a confidentiality agreement with third parties. Notwithstanding the foregoing, none of the conditions precedent to the exercise of the right of access described in the preceding sentence that relate to notice requirements or limitations on the Persons permitted to exercise such right shall apply at any time when a Default or an Event of Default shall have occurred and be continuing.

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

(h) Corporate Rating. The Borrower will deliver to the Administrative Agent notice of any change by a Rating Agency in its credit or corporate rating promptly upon the effectiveness of such change.

SECTION 7.2. Negative Covenants. The Borrower covenants that, so long as any amount is owing to the Banks hereunder or under any other Loan Documents to which it is a party or any Letter of Credit is outstanding under this Agreement, the Borrower will not:

(a) Financial Ratios. Permit at any time the ratio of Consolidated Indebtedness at such time to Consolidated Capitalization for the most recently ended fiscal quarter to exceed 65%.

(b) Certain Liens. And will not permit any of its Restricted Subsidiaries to, pledge, mortgage, hypothecate or grant a Lien upon, or permit any mortgage, pledge, security interest or other Lien upon, any Property of the Borrower or any Restricted Subsidiary of the Borrower now or hereafter owned directly or indirectly by the Borrower; provided, however, that this restriction shall neither apply to nor prevent the creation or existence of:

(i) Permitted Liens;

(ii) (A) any Lien in existence on the date hereof; provided that no such Lien described in this clause (ii) encumbers any additional Property after the date hereof and that the principal amount of Indebtedness of the Borrower and its Subsidiaries secured thereby is not increased;

(iii) Liens securing bonds issued after the Closing Date pursuant to the Original Mortgage (to the extent the proceeds thereof are used to replace, refund or refinance first mortgage bonds outstanding on the date hereof) or the General Mortgage Indenture (or second or subordinated, as the case may be, Liens in lieu thereof);

(iv) Liens required to be granted pursuant to "equal and ratable" clauses existing on the date hereof under Contractual Obligations of the Borrower and its Restricted Subsidiaries (and extensions and renewals thereof);

(v) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Restricted Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or of its Restricted Subsidiaries (other than repairs, renewals, replacements, additions, accessions, improvements and betterments thereto);

(vi) Liens on Property and repairs, renewals, replacements, additions, accessions, improvements and betterments thereto existing at the time such Property is acquired by the Borrower or any Restricted Subsidiary and not created in contemplation

of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the Property of any Person at the time such Person becomes a Restricted Subsidiary of the Borrower and not created in contemplation of such Person becoming a Restricted Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto);

(vii) rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license or permit, or by any Requirements of Law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Property of the Borrower or any of its Restricted Subsidiaries;

(viii) rights reserved to or vested in (or exercised by) any Governmental Authority to control, regulate or use any Property of a Person or its activities, including zoning, planning and environmental laws and ordinances and municipal regulations;

(ix) Liens on Property of the Borrower or any of its Restricted Subsidiaries securing non-recourse Indebtedness of the Borrower or any such Restricted Subsidiary;

(x) Liens on the stock or assets of Securitization Subsidiaries;

(xi) any extension, renewal or refunding of any Lien permitted by clauses (i) through (x) above on the same Property previously subject thereto; provided that no extension, renewal or refunding of any such Lien shall increase the principal amount of any Indebtedness secured thereby immediately prior to such extension, renewal or refunding, unless such Indebtedness is permitted under Section 7.2(a);

(xii) Liens on cash collateral to secure obligations of the Borrower and its Restricted Subsidiaries in respect of cash management arrangements with any Bank or Affiliate thereof; and

(xiii) Liens not otherwise permitted by this Section 7.2(b) securing Indebtedness of the Borrower and its Restricted Subsidiaries so long as the aggregate outstanding principal amount of the obligations secured thereby does not at any time exceed at the time of incurrence of such obligations (including any such incurrence resulting from any extension, renewal or refunding of such obligations), as to the Borrower and all of its Restricted Subsidiaries, 10% of Net Tangible Assets.

(c) Consolidation, Merger or Disposal of Assets. And will not permit any Significant Subsidiary to, (i) consolidate with, or merge into or amalgamate with or into, any other Person; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (iii) convey, sell, transfer, lease or otherwise dispose of all or substantially all of its Properties to any Person; provided, however, that nothing contained in this Section 7.2(c) shall prohibit (A) a merger involving a Subsidiary of the Borrower (including mergers to reincorporate or change the domicile of such Subsidiary) if any Wholly-Owned Significant Subsidiary of the Borrower is the surviving entity thereof; (B) the liquidation, winding up or dissolution of a Significant Subsidiary of the Borrower if all of the Properties of such Significant Subsidiary are conveyed, transferred or distributed to the Borrower or a Person that after giving effect to such transaction is a Wholly-

Owned Significant Subsidiary of the Borrower; (C) the conveyance, sale, transfer or other disposal of all or substantially all (or any lesser portion) of the Properties of any Significant Subsidiary of the Borrower to the Borrower or a Person that after giving effect to such transaction is a Wholly-Owned Significant Subsidiary of the Borrower; or (D) the transfer of assets in connection with the issuance of Securitization Securities; provided that, in each case, immediately before and after giving effect to any such merger, dissolution or liquidation, or conveyance, sale, transfer, lease or other disposition, no Default or Event of Default shall have occurred and be continuing.

(d) Sale of Significant Subsidiary Stock. And will not permit the sale, assignment, transfer or other disposal of any of the Capital Stock of any Significant Subsidiary. Notwithstanding the foregoing provisions of Section 7.2(c) or this Section 7.2(d), (x) the Borrower or any Significant Subsidiary may sell, assign, transfer or otherwise dispose of (i) any of the Capital Stock of any Significant Subsidiary to the Borrower or to a Wholly-Owned Subsidiary of the Borrower that constitutes a Significant Subsidiary after giving effect to such transaction and (ii) any of the Capital Stock of any Subsidiary that is not a Significant Subsidiary and (y) any Significant Subsidiary shall have the right to issue, sell, assign, transfer or otherwise dispose of for value its preference or preferred stock in one or more bona fide transactions to any Person; provided that immediately before and after giving effect to any such Disposition described in the foregoing clauses (x) and (y), no Event of Default or Default shall have occurred and be continuing.

(e) Agreements Restricting Dividends. And will not permit any Significant Subsidiary to enter into, incur or permit to exist any agreement or other consensual arrangement that explicitly prohibits or restricts the payment by any Significant Subsidiary of dividends or other distributions with respect to any shares of its Capital Stock; provided that the foregoing shall not prohibit financial incurrence, maintenance and similar covenants that indirectly have the practical effect of prohibiting or restricting the ability of a Significant Subsidiary to make such payments or provisions that require that a certain amount of capital be maintained, or prohibit the return of capital to shareholders above certain dollar limits; provided further, that the foregoing shall not apply to (i) restrictions and conditions imposed by law or by this Agreement, (ii) restrictions and conditions existing on the date hereof, any amendment or modification thereof (other than an amendment or modification expanding the scope of any such restriction or condition and any restrictions or conditions) that (x) replace restrictions or conditions existing on the date hereof and (y) are substantially similar to such existing restriction or condition, (iii) restrictions (including any extension of such restrictions that does not expand the scope of any such restrictions) existing at the time at which any such Subsidiary first becomes a Significant Subsidiary, so long as such restriction was in existence prior to such time in accordance with the other provisions of this Agreement and was not agreed to or incurred in contemplation of such change of status, (iv) any restrictions with respect to a Significant Subsidiary imposed pursuant to an agreement that has been entered into in connection with a disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (v) any restrictions in respect of preferred or preference stock permitted to be incurred by Significant Subsidiaries under Section 7.2(d) and (vi) restrictions in respect of Project Financings permitted hereunder.

(f) Certain Investments, Loans, Advances, Guarantees and Acquisitions. And will not permit any of its Significant Subsidiaries to (i) purchase or acquire (including pursuant to any merger) any Capital Stock, evidence of indebtedness or other securities of or other interest in (including any option, warrant or other right to acquire any of the foregoing), make any loans or advances to, Guarantee any obligations of, or make any investment or other interest in or capital contribution to any Unrestricted Subsidiary or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any Unrestricted Subsidiary constituting a business unit, (any of the foregoing, an “Investment”) at any time if the aggregate amount of net tangible assets of all Unrestricted Subsidiaries at such time exceeds, or would exceed as a result of any such Investment, 10% of the Net Tangible Assets and (ii) make Investments in Project Finance Subsidiaries at any time if the aggregate amount of Investments at such time exceeds, or would exceed as a result of any such Investments, \$400,000,000.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1. Events of Default. The occurrence of any of the following events shall constitute an “Event of Default”:

(a) Non-Payment of Principal, Interest and Commitment Fee. The Borrower fails to pay, in the manner provided in this Agreement, (i) any principal or Reimbursement Obligations payable by it hereunder when due or (ii) any interest payment, any Commitment Fee, any Utilization Fee or any Letter of Credit fee payable by it hereunder within five (5) Business Days after its due date; or

(b) Non-Payment of Other Amounts. The Borrower fails to pay, in the manner provided in this Agreement, any other amount (other than the amounts set forth in Section 8.1(a) above) payable by it hereunder within ten (10) Business Days after notice of such payment is received by the Borrower from the Administrative Agent; or

(c) Breach of Representation or Warranty. Any representation or warranty by the Borrower in Section 6.1, in any other Loan Document or in any certificate, document or instrument delivered by the Borrower under this Agreement shall have been incorrect in any material respect when made or when deemed hereunder to have been made; or

(d) Breach of Certain Covenants. Borrower fails to perform or comply with any one or more of its obligations under Section 7.1(a)(iv)(B)(x) or 7.2; or

(e) Breach of Other Obligations. Borrower does not perform or comply with any one or more of its other obligations under this Agreement (other than those set forth in Section 8.1(a), (b) or (d) above) or under any other Loan Document and such failure to perform or comply shall not have been remedied within 30 days after the earlier of notice thereof to it by the Administrative Agent or the Majority Banks or discovery thereof by a Responsible Officer of the Borrower; or

(f) Other Indebtedness. (i) The Borrower or any Significant Subsidiary fails to pay when due (either at stated maturity or by acceleration or otherwise but subject to applicable grace periods) any principal or interest in respect of any Indebtedness for Borrowed Money, Secured Indebtedness, or Junior Subordinated Debt (other than Indebtedness of the Borrower under this Agreement) if the aggregate principal amount of all such Indebtedness for which such failure to pay shall have occurred and be continuing exceeds \$50,000,000 or (ii) any default, event or condition shall have occurred and be continuing with respect to any Indebtedness for Borrowed Money, Secured Indebtedness, or Junior Subordinated Debt of the Borrower or any Significant Subsidiary (other than Indebtedness of the Borrower under this Agreement), the effect of which default, event or condition is to cause, or to permit the holder thereof to cause, (A) such Indebtedness to become due prior to its stated maturity (other than in respect of mandatory prepayments required thereby) or (B) in the case of any Guarantee by the Borrower or any Significant Subsidiary of Indebtedness for Borrowed Money of any Person or Junior Subordinated Debt of the Borrower or any of its Significant Subsidiaries the primary obligation (as such term is defined in the definition of “Guarantee” in Section 1.1) to which such Guarantee relates to become due prior to its stated maturity, if the aggregate amount of all such Indebtedness or primary obligations (as the case may be) that is or could be caused to be due prior to its stated maturity exceeds \$50,000,000; or

(g) Involuntary Bankruptcy, Etc. (i) There shall be commenced against the Borrower or any Significant Subsidiary any case, proceeding or other action (A) seeking a decree or order for relief in respect of the Borrower or any Significant Subsidiary under any applicable domestic or foreign bankruptcy, insolvency, reorganization or other similar law, (B) seeking a decree or order adjudging the Borrower or any Significant Subsidiary a bankrupt or insolvent, (C) except as permitted by Section 7.2(c)(ii), seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief of or in respect of the Borrower or any Significant Subsidiary or their respective debts under any applicable domestic or foreign law or (D) seeking the appointment of a custodian, receiver, conservator, liquidator, assignee, trustee, sequestrator or other similar official of the Borrower or any Significant Subsidiary or of any substantial part of their respective Properties, or the liquidation of their respective affairs, and such petition is not dismissed within 90 days or (ii) a decree, order or other judgment is entered in respect of any of the remedies, reliefs or other matters for which any petition referred to in (i) above is presented or (iii) there shall be commenced against the Borrower or any Significant Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged or stayed or bonded pending appeal within 90 days from the entry thereof; or

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

making by the Borrower or any Significant Subsidiary of a general assignment for the benefit of creditors; or (iii) the Borrower or any Significant Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in clause (i) or (ii) above or in Section 8.1(g); or (iv) the admission by the Borrower or any Significant Subsidiary in writing of its inability to pay its debts generally as they become due or the failure by the Borrower or any Significant Subsidiary generally to pay its debts as such debts become due; or

(i) Enforcement Proceedings. A final judgment or decree for the payment of money (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) which, together with all other such judgments or decrees against the Borrower or any Significant Subsidiary then outstanding and unsatisfied, exceeds \$50,000,000 in aggregate amount not covered by insurance shall be rendered against the Borrower or any Significant Subsidiary and the same shall remain undischarged for a period of 60 days, during which the execution thereon shall not effectively be stayed, released, bonded or vacated; or

(j) ERISA Events. The existence of an event or events, individually or, in the aggregate, that could reasonably be expected to have a Material Adverse Effect arising out of or in connection with (A) any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (B) the occurrence of any “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) by a Plan, whether or not waived, or any Lien in favor of the PBGC or a Plan on the assets of the Borrower or any Commonly Controlled Entity, (C) the occurrence of a Reportable Event with respect to, or the commencement of proceedings under Section 4042 of ERISA to have a trustee appointed, or the appointment of a trustee under Section 4042 of ERISA, to administer or to terminate any Single Employer Plan, which Reportable Event, commencement of proceedings or appointment of a trustee which would reasonably be expected to result in the termination of such Plan for purposes of Title IV of ERISA, (D) the termination of any Single Employer Plan for purposes of Title IV of ERISA, (E) withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (F) the occurrence of any other event or condition with respect to a Plan; or

(k) Change in Control. A Change in Control shall have occurred.

SECTION 8.2. Cancellation/Acceleration. If at any time and for any reason (whether within or beyond the control of any party to this Agreement):

(a) either of the Events of Default specified in Section 8.1(g) or 8.1(h) occurs with respect to the Borrower, then automatically:

(i) the Commitments shall immediately be cancelled; and

(ii) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become immediately due and payable; or

(b) any other Event of Default specified in Section 8.1 occurs and, while such Event of Default is continuing, the Administrative Agent, having been so instructed by the Majority Banks, by notice to the Borrower shall so declare that:

(i) the Commitments shall immediately be cancelled; and/or

(ii) either (A) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become immediately due and payable or (B) all Loans made hereunder, all amounts of L/C Obligations (whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required for draws thereunder), all unpaid accrued interest or fees and any other sum payable under this Agreement or any other Loan Document shall become due and payable at any time thereafter immediately on demand by the Administrative Agent (acting on the instructions of the Majority Banks).

With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph or on the Termination Date, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent cash or cash equivalents in an amount equal to the aggregate then undrawn and unexpired face amount of such Letters of Credit. The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the L/C Participants, a security interest in such cash collateral to secure all obligations of the Borrower under this Agreement and the other Loan Documents. Interest shall accrue on such account for the benefit of the Borrower at a rate equal to the Federal Funds Effective Rate. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower. The Borrower shall execute and deliver to the Administrative Agent, for the account of each Issuing Bank and the L/C Participants, such further documents and instruments as the Administrative Agent may reasonably request to evidence the creation and perfection of the within security interest in such cash collateral account.

Except as expressly provided above in this Section 8.2, presentment, demand, protest, notice of intent to accelerate, notice of acceleration and all other notices of any kind whatsoever are hereby expressly waived by the Borrower.

ARTICLE IX

THE ADMINISTRATIVE AGENT

SECTION 9.1. Appointment. Each Bank hereby irrevocably designates and appoints JPMorgan Chase Bank, N.A. as the Administrative Agent of such Bank under this Agreement and the other Loan Documents, and each such Bank irrevocably authorizes JPMorgan Chase Bank, N.A., as the Administrative Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, (a) the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent and (b) the other Agents and the Lead Arrangers shall not have any duties or responsibilities hereunder, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the other Agents or the Lead Arrangers.

SECTION 9.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 9.3. Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent or any other Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any Note or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

SECTION 9.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed,

sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note or any loan account in the Register as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks (or, if so specified by this Agreement, all Banks) as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Majority Banks (or, if so specified by this Agreement, all Banks), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the amounts owing hereunder.

SECTION 9.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Banks; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

SECTION 9.6. Non-Reliance on Administrative Agent and Other Banks. Each Bank expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representations or warranties to it and that no act by any Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by any Agent to any Bank. Each Bank represents to the Agents that it has, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon any Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness

of the Borrower that may come into the possession of the Administrative Agent or any of its officers, directors, employees, attorneys-in-fact or Affiliates.

SECTION 9.7. Indemnification. The Banks agree to indemnify the Agents and the Lead Arrangers in their respective capacities as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective applicable Revolving Percentages in effect on the date on which indemnification is sought under this Section 9.7, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of all amounts owing hereunder and the termination of the Commitments) be imposed on, incurred by or asserted against the Agents or the Lead Arrangers, as the case may be, in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agents or the Lead Arrangers, as the case may be, under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agents' or the Lead Arrangers', as the case may be, gross negligence or willful misconduct. The agreements in this Section 9.7 shall survive the payment of all amounts payable hereunder.

SECTION 9.8. Agent in Its Individual Capacity. Each Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though such Agent were not an Agent hereunder and under the other Loan Documents. With respect to its Loans made or renewed by it, any Letter of Credit issued or participated in by it and its Commitment hereunder, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Bank and may exercise the same as though it were not an Agent, and the terms "Bank" and "Banks" shall include the each Agent in its individual capacity.

SECTION 9.9. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Banks and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Majority Banks shall appoint from among the Banks a successor agent for the Banks, which successor agent shall be approved by the Borrower, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of any amounts payable hereunder; provided that if an Event of Default has occurred and is continuing, no consent of the Borrower shall be required. If a successor Administrative Agent shall not have been so appointed within said 30-day period, the Administrative Agent may then appoint a successor Administrative Agent who shall be a financial institution engaged or licensed to conduct banking business under the laws of the United States with an office in New York City and that has total assets in excess of \$500,000,000 and who shall serve as Administrative Agent until such time, if any, as an Administrative Agent shall have been appointed as provided above. After any retiring

Administrative Agent's resignation or removal as Administrative Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

Notwithstanding anything to the contrary contained herein, no Bank identified as an "Agent", "Arranger" or "Global Coordinator" other than the Administrative Agent, shall have the right, power, obligation, liability, responsibility or duty under this Agreement or any Loan Document other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on any of the Banks so identified in deciding to enter into this Agreement or not taking action hereunder.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Amendments and Waivers. Neither this Agreement, any Note, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except pursuant to an instrument or instruments in writing executed in accordance with the provisions of this Section 10.1. The Majority Banks may, or, with the written consent of the Majority Banks, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to any Notes and the other Loan Documents for the purpose of adding any provisions to this Agreement or any Notes or the other Loan Documents or changing in any manner the rights of the Banks or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Banks or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or any Notes or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(i) reduce the amount or extend the scheduled date of maturity of any Note or Loan, or reduce the stated rate of any interest or fee (including the prepayment premium provided for in Section 4.6) payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Bank's Commitments, in each case without the consent of each Bank directly affected thereby;

(ii) amend, modify or waive any provision of this Section or of Section 4.2 in a manner that would alter the pro rata sharing of payments required thereby, or reduce the percentage specified in the definition of Majority Banks, or consent to the assignment or transfer by the Borrower of any of its respective rights and obligations under this Agreement and the other Loan Documents, in each case without the written consent of all the Banks;

(iii) amend, modify or waive any provision of Article IX without the written consent of the then Administrative Agent; or

(iv) amend, modify or waive any provision of Section 2.5 in a manner that adversely affects any Issuing Bank without the written consent of the then Issuing Bank or Issuing Banks; or

(v) amend, modify or waive any provision of Section 2.4 in a manner that adversely affects any Swingline Lender without the written consent of the then Swingline Lender or Swingline Lenders.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Borrower, the Banks, the Issuing Bank or Issuing Banks, the Administrative Agent and all future holders of the amounts payable hereunder. In the case of any waiver (to the extent specified therein), the Borrower, the Banks, the Issuing Bank or Issuing Banks, and the Administrative Agent shall be restored to their former position and rights hereunder and under any outstanding Notes and any other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

SECTION 10.2. Notices. (a) Unless otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile followed by any original sent by mail or delivery), and, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule 1.1(A) in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the amounts payable hereunder:

Borrower:	1111 Louisiana Houston, Texas 77002
Attention:	Linda Geiger Assistant Treasurer
Telecopy:	(713) 207-3301
With a copy to:	Marc Kilbride Treasurer
Telecopy:	(713) 207-3301
Administrative Agent:	JPMorgan Chase Bank, N.A. Loan and Agency Services Group 1111 Fannin Street Houston, Texas 77002
Attention:	Regina Harmon
Telecopy:	(713) 427-6307
With a copy to:	JP Morgan Chase Bank, N.A. 600 Travis, 20th Floor Houston, Texas 77002

Attention: Robert Trabant
Telecopy: (713) 216-8870

Swingline JPMorgan Chase Bank, N.A. Loan and Agency Services
Lender: Group
1111 Fannin Street
Houston, Texas 77002

Attention: Regina Harmon
Telecopy: (713) 427-6307

With a copy to: JP Morgan Chase Bank, N.A.
600 Travis, 20th Floor
Houston, Texas 77002

Attention: Robert Trabant
Telecopy: (713) 216-8870

provided that any notice, request or demand to or upon the Administrative Agent or the Banks shall not be effective until received.

(b) The Borrower hereby acknowledges that (i) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “Public Lender”) and (ii) the Administrative Agent will make available to the Lenders certain notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that initiates or responds to the legal process (all such non-excluded information being referred to herein collectively as the “Communications”) on IntraLinks or another relevant website (whether a commercial, third-party website or whether sponsored by the Administrative Agent) (the “Platform”). The Borrower hereby agrees that all Communications that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof, (ii) by marking Communications “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Issuing Banks and the Lenders to treat such Communications as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws, it being understood that certain of such Communications may be subject to the confidentiality requirements hereof, (iii) all Communications marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor,” and (iv) the Administrative Agent shall be entitled to treat any Communications that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor.” Notwithstanding the foregoing, (A) the Borrower shall be under no obligation to mark any Communications “PUBLIC,” and each Public Lender hereby waives its right to receive any Communications that are not marked “PUBLIC”; and (B) the Administrative Agent shall treat Communications that are deemed to have been delivered based on notice pursuant to the last sentence of Section 7.1(a) as “PUBLIC.”

SECTION 10.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 10.4. Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement.

SECTION 10.5. Payment of Expenses and Taxes; Indemnity. The Borrower agrees (a) to pay all reasonable out-of-pocket expenses of the Global Coordinators associated with the syndication of the Facility, (b) to pay or reimburse the Administrative Agent and its Affiliates for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution and delivery of, and any amendment, supplement or modification to, this Agreement and any Notes and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of Simpson Thacher & Bartlett LLP, special counsel to the Administrative Agent (but excluding the fees or expenses of any other counsel), (c) to pay or reimburse the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, any Notes, the other Loan Documents and any such other documents, including, without limitation, the reasonable fees and disbursements of the special counsel to the Administrative Agent, (d) to pay or reimburse each Bank for all its costs and expenses incurred in connection with the enforcement, or at any time after the occurrence and during the continuance of a Default or an Event of Default the preservation, of any rights under this Agreement, any Notes, the other Loan Documents and any such other documents, including, without limitation, the reasonable fees and disbursements of counsel to such Bank, (e) without duplication of any other provision contained in this Agreement or any Notes, to pay, indemnify, and hold each Bank and the Administrative Agent harmless from, any and all recording and filing fees, if any, and any and all liabilities (for which each Bank has not been otherwise reimbursed under this Agreement) with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, any Notes, the other Loan Documents and any such other documents, and (f) without duplication of any other provision contained in this Agreement or any Notes, to pay, indemnify, and hold each Global Coordinator, each Lead Arranger, each Bank, each Swingline Lender and each Agent together with their respective directors, officers, employees, agents, trustees, advisors and affiliates (collectively, "Indemnified Persons") harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including without limitation, all fees and expenses of counsel to any indemnified person) with respect to the execution, delivery, enforcement, performance and administration of this Agreement, any Notes or the other Loan

Documents, the transactions contemplated by this Agreement, any Notes or the other Loan Documents, or the use, or proposed use, of proceeds of the Loans (all the foregoing in this clause (f), collectively, the “Indemnified Liabilities”); provided that the Borrower shall have no obligation hereunder to an Indemnified Person with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of such Indemnified Person, AND PROVIDED FURTHER THAT IT IS THE INTENTION OF THE BORROWER TO INDEMNIFY THE INDEMNIFIED PERSONS AGAINST THE CONSEQUENCES OF THEIR OWN NEGLIGENCE. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

SECTION 10.6. Effectiveness, Successors and Assigns, Participations; Assignments. (a) This Agreement shall become effective on the date hereof and thereafter shall be binding upon and inure to the benefit of the Borrower, the Banks, each Issuing Bank, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions or Bank Affiliates (a “Participant”) participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank hereunder and under the other Loan Documents. In the event of any such sale by a Bank of a participating interest to a Participant, such Bank’s obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Loan and Commitment or other interest for all purposes under this Agreement and the other Loan Documents, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank’s rights and obligations under this Agreement and the other Loan Documents and except with respect to the matters set forth in Section 10.1, the amendment of which requires the consent of all of the Banks, the participation agreement between the selling Bank and the Participant may not restrict such Bank’s voting rights hereunder. The Borrower agrees that each Participant, to the extent provided in its participation, shall be entitled to the benefits of Sections 3.4, 3.7, 4.1 and 4.3 with respect to its participation in the Commitments and the Loans outstanding from time to time; provided that (i) no Participant shall be entitled to receive any greater amount pursuant to such Sections than the selling Bank would have been entitled to receive in respect of the amount of the participation sold by such selling Bank to such Participant had no such sale occurred and (ii) each such sale of participating interests shall be to a “qualified purchaser”, as such term is defined under the Investment Company Act of 1940. Except as expressly provided in this Section 10.6(b), no Participant shall be a third-party beneficiary of or have any rights under this Agreement or under any of the other Loan Documents.

(c) Except as set forth below, the Banks shall be permitted to assign all or a portion of their Loans and Commitments to one or more financial institutions (“Purchasing Banks”) with the consent, not to be unreasonably withheld, of (a) the Borrower, unless (i) the Purchasing Bank is a Bank or a Bank Affiliate or (ii) an Event of Default has occurred and is continuing, (b) the Administrative Agent, unless the assignment is from a Bank to its Bank Affiliate, and (c) each

Issuing Bank, unless the assignment is from a Bank to its Bank Affiliate pursuant to an Assignment and Acceptance, substantially in the form of Exhibit C (an “Assignment and Acceptance”), executed by such Purchasing Bank and such transferor Bank (and by the Borrower, the Administrative Agent and each Issuing Bank, as applicable) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that (i) such Purchasing Bank is a “qualified purchaser” as defined under the Investment Company Act of 1940, (ii) each such sale shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of the Commitment of such Bank, (iii) each such sale shall be in an aggregate amount of not less than \$5,000,000 (or such lesser amount representing the entire Commitment of such transferor Bank) if such sale is not to an existing Bank and (iv) after giving effect to such sale, the transferor Bank shall (to the extent that it continues to have any Commitment hereunder) have a Commitment of not less than \$5,000,000, provided that such amounts shall be aggregated in respect of each Bank and its Bank Affiliates, if any. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance (the “Transfer Effective Date”), (i) the Purchasing Bank thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder with the Commitments as set forth therein and (ii) the transferor Bank thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of a transferor Bank’s rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the resulting adjustment of Revolving Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement. On or prior to the Transfer Effective Date determined pursuant to such Assignment and Acceptance, (i) appropriate entries shall be made in the accounts of the transferor Bank and the Register evidencing such assignment and releasing the Borrower from any and all obligations to the transferor Bank in respect of the assigned Loan or Loans and (ii) appropriate entries evidencing the assigned Loan or Loans shall be made in the accounts of the Purchasing Bank and the Register as required by Section 3.1 hereof. In the event that any Notes have been issued in respect of the assigned Loan or Loans, such Notes shall be marked “cancelled” and surrendered by the transferor Bank to the Administrative Agent for return to the Borrower.

(d) The Administrative Agent shall maintain at its address referred to in Section 10.2(a) a copy of each Assignment and Acceptance delivered to it and a register (the “Register”) for the recordation of the names and addresses of the Banks and the Commitments of, and principal amount of the Loans owing to, each Bank from time to time. To the extent permitted by applicable law, the entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Banks may (and, in the case of any Loan or other obligations hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Bank and Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank Affiliate, by the Borrower and the Administrative Agent) together with payment to the Administrative Agent of a registration and processing fee of \$3,500, the Administrative Agent shall promptly accept such Assignment and Acceptance on the Transfer Effective Date determined pursuant thereto, record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Borrower.

(f) Each of the Banks and the Administrative Agent agrees to exercise its best efforts to keep, and to cause any third party recipient of the information described in this Section 10.6(f) to keep, any information delivered or made available by the Borrower to it (including any information obtained pursuant to Section 7.1), confidential from anyone other than Persons employed or retained by such party who are or are expected to become engaged in evaluating, approving, structuring or administering the transactions contemplated hereunder; provided that nothing shall prevent any Bank or the Administrative Agent from disclosing such information (i) to any other Bank or any Affiliate of any Bank, (ii) pursuant to subpoena or upon the order of any court or administrative agency, (iii) upon the request or demand of any Governmental Authority having jurisdiction over such Bank, (iv) if such information has been publicly disclosed, (v) to the extent reasonably required in connection with any litigation to which either the Administrative Agent, any Bank, the Borrower or their respective Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to the Administrative Agent's or such Bank's, as the case may be, legal counsel, independent auditors and other professional advisors, or (viii) to any actual or proposed Participant, Purchasing Bank or pledgee (each, a "Transferee") that has agreed in writing to be bound by the provisions of this Section 10.6(f). To the extent permitted by applicable law, in the event that any Bank or the Administrative Agent is legally requested or required to disclose any confidential information pursuant to clause (ii), (iii), or (v) of this Section 10.6(f), such party shall promptly notify the Borrower of such request or requirement prior to disclosure so that Borrower may seek an appropriate protective order and/or waive compliance with the terms of this Agreement. If, however, in the opinion of counsel for such party, such party is nonetheless, in the absence of such order or waiver, compelled to disclose such confidential information or otherwise stand liable for contempt or suffer possible censure or other penalty or liability, then such party may disclose such confidential information without liability to the Borrower; provided, however, that such party will use its best efforts to minimize the disclosure of such information. Subject to the exceptions above to disclosure of information, each of the Banks and the Administrative Agent agrees that it shall not publish, publicize, or otherwise make public any information regarding this Agreement or the transactions contemplated hereby without the written consent of the Borrower, in its sole discretion.

(g) If, pursuant to this Section 10.6, any interest in this Agreement or any Loan or L/C Obligation is transferred to any Transferee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to deliver to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and the Borrower) either U.S. Internal Revenue Service Form W-8BEN or U.S. Internal Revenue Service Form W-8ECI, or successor applicable forms (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and

(ii) to agree (for the benefit of the transferor Bank, the Administrative Agent and the Borrower) to deliver to the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and Borrower) a new Form duly executed and completed W-8BEN or W-8ECI, or successor applicable forms or other manner of certification, as the case may be, upon the expiration or obsolescence of any previously delivered form in accordance with applicable U.S. laws and regulations and amendments, unless in any such case any change in treaty, law or regulation has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Transferee from duly completing and delivering any such form with respect to it and such Transferee so advises the transferor Bank (and, in the case of any Purchasing Bank registered in the Register, the Administrative Agent and the Borrower).

(h) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Bank from any of its obligations hereunder or substitute any such pledgee or Purchasing Bank for such Bank as a party hereto. The Borrower hereby agrees that, upon request of any Bank at any time and from time to time after the Borrower has made its initial Borrowing hereunder, the Borrower shall provide to such Bank, at the Borrower's own expense, a promissory note, substantially in the form of Exhibit D-1 or Exhibit D-2 evidencing the Loans or L/C Obligations, as the case may be, owing to such Bank.

SECTION 10.7. Setoff. In addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder or under the Loans to which it is a party (whether at the stated maturity, by acceleration or otherwise) to setoff and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of the Borrower. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10.8. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be maintained with Borrower and the Administrative Agent.

SECTION 10.9. 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 10.10. Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Banks with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Bank relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

SECTION 10.11. GOVERNING LAW. (a) THIS AGREEMENT AND ANY NOTES OR OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND ANY NOTES AND ANY OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) Notwithstanding anything in Section 10.11(a) to the contrary, nothing in this Agreement or in any Note or any other Loan Documents shall be deemed to constitute a waiver of any rights which any Bank may have under applicable federal law relating to the amount of interest which any Bank may contract for, take, receive or charge in respect of any Loans, including any right to take, receive, reserve and charge interest at the rate allowed by the laws of the state where such Bank is located. To the extent that Texas law is applicable to the determination of the Highest Lawful Rate, the Banks and the Borrower agree that (i) if Chapter 303 of the Texas Finance Code, as amended, is applicable to such determination, the weekly rate ceiling (formerly known as the indicated (weekly) rate ceiling in Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, as amended) as computed from time to time shall apply, provided that, to the extent permitted by such Article, the Administrative Agent may from time to time by notice to the Borrower revise the election of such interest rate ceiling as such ceiling affects the then current or future balances of the Loans; and (ii) the provisions of Chapter 346 of the Texas Finance Code, as amended (formerly found in Chapter 15 of Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended) shall not apply to this Agreement or any Note issued hereunder.

SECTION 10.12. Submission to Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

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

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

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid to the Borrower at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

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

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

SECTION 10.13. Acknowledgments. The Borrower hereby acknowledges that:

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

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

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

SECTION 10.14. Limitation on Agreements. All agreements between the Borrower, the Administrative Agent or any Bank, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made in respect of an amount due under any Loan Document or otherwise, shall the amount paid, or agreed to be paid, to the Administrative Agent or any Bank for the use, forbearance, or detention of the money to be loaned under this Agreement, any Notes or any other Loan Document or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Administrative Agent or any Bank shall ever receive interest or anything that might be deemed interest under applicable law that would exceed the Highest Lawful Rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing on account of such Bank's Loans or the amounts owing on other obligations of the Borrower to the Administrative Agent or any Bank under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of such Bank's Loans and the amounts owing on other obligations of the Borrower to the Administrative Agent or any Bank under any Loan Document, as the case may be, such excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Administrative Agent or any Bank for the use, forbearance or detention of the indebtedness of the Borrower to the Administrative Agent or any Bank shall, to the fullest extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. Notwithstanding anything to the contrary contained in any Loan Document, it is understood and agreed that if at

any time the rate of interest that accrues on the outstanding principal balance of any Loan shall exceed the Highest Lawful Rate, the rate of interest that accrues on the outstanding principal balance of any Loan shall be limited to the Highest Lawful Rate, but any subsequent reductions in the rate of interest that accrues on the outstanding principal balance of any Loan shall not reduce the rate of interest that accrues on the outstanding principal balance of any Loan below the Highest Lawful Rate until the total amount of interest accrued on the outstanding principal balance of any Loan equals the amount of interest that would have accrued if such interest rate had at all times been in effect. The terms and provisions of this Section 10.14 shall control and supersede every other provision of all Loan Documents.

SECTION 10.15. Removal of Bank. Notwithstanding anything herein to the contrary, the Borrower may, at any time in its sole discretion, remove any Bank upon 15 Business Days' written notice to such Bank and the Administrative Agent (the contents of which notice shall be promptly communicated by the Administrative Agent to each other Bank), such removal to be effective at the expiration of such 15-day notice period; provided, however, that no Bank may be removed hereunder at a time when an Event of Default shall have occurred and be continuing. Each notice by the Borrower under this Section 10.15 shall constitute a representation by the Borrower that the removal described in such notice is permitted under this Section 10.15. Concurrently with such removal, the Borrower shall pay to such removed Bank all amounts owing to such Bank hereunder and under any other Loan Document in immediately available funds. Upon full and final payment hereunder of all amounts owing to such removed Bank, such Bank shall make appropriate entries in its accounts evidencing payment of all Loans hereunder and releasing the Borrower from all obligations owing to the removed Bank in respect of the Loans hereunder and surrender to the Administrative Agent for return to the Borrower any Notes of the Borrower then held by it. Effective immediately upon such full and final payment, such removed Bank will not be considered to be a "Bank" for purposes of this Agreement except for the purposes of any provision hereof that by its terms survives the termination of this Agreement and the payment of the amounts payable hereunder. Effective immediately upon such removal, the Commitments of such removed Bank shall immediately terminate and such Bank's participation share in any outstanding Letters of Credit shall immediately terminate and such participation share shall be divided among the remaining Banks according to their Revolving Percentages. Such removal will not, however, affect the Commitments of any other Bank hereunder.

SECTION 10.16. Officer's Certificates. It is not intended that any certificate of any officer of the Borrower delivered to the Administrative Agent or any Bank pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

SECTION 10.17. USA Patriot Act. Each Bank and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide, to the extent commercially reasonable, such information and take such actions as are

reasonably requested by each Bank and the Administrative Agent to maintain compliance with the Patriot Act.

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

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

By: /s/ Marc Kilbride

Name: Marc Kilbride

Title: Vice President and Treasurer

CEHC Credit Agreement — Signature Page

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and as a Bank

By: /s/ Robert Traband
Name: Robert Traband
Title: Executive Director

CEHC Credit Agreement — Signature Page

BARCLAYS BANK PLC,
as Co-Syndication Agent and as a Bank

By: /s/ Sydney Dennis
Name: Sydney Dennis
Title: Director

CEHC Credit Agreement — Signature Page

WACHOVIA BANK, NATIONAL ASSOCIATION, as
Co-Syndication Agent and as a Bank

By: /s/ Henry R. Biedrzycki

Name: Henry R. Biedrzycki

Title: Director

CEHC Credit Agreement — Signature Page

DEUTSCHE BANK SECURITIES INC., as
Co-Documentation Agent and as a Bank

By: /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

By: /s/ Rainer Meier

Name: Rainer Meier

Title: Vice President

CEHC Credit Agreement — Signature Page

UBS SECURITIES LLC, as Co-Documentation Agent

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director Banking Products Services, US

CEHC Credit Agreement — Signature Page

Citibank, N.A., as a Lender

By: /s/ Nietzsche Rodricks

Name: Nietzsche Rodricks

Title: Vice President

CEHE Credit Agreement—Signature Page

Bank of America, N.A.

By: /s/ John P. Wofford

Name: John P. Wofford

Title: Vice President

CEHE Credit Agreement—Signature Page

DEUTCHE BANK AG NEW YORK BRANCH

/s/ Marcus Tarlington

Name: Marcus Tarlington

Title: Director

/s/ Rainer Meier

Name: Rainer Meier

Title: Vice President

CEHE Credit Agreement—Signature Page

ABN AMRO Bank N.V.

By: /s/ Jim Moyes

Name: Jim Moyes

Title: Managing Director

By: /s/ Scott Donaldson

Name: Scott Donaldson

Title: Director

CEHE Credit Agreement—Signature Page

[The Bank of Nova Scotia]

By: /s/ Thane Rattew

Name: Thane Rattew

Title: Managing Director

CEHE Credit Agreement—Signature Page

Credit Suisse, Cayman Islands Branch

By: /s/ Brain Caldwell
Name: Brain Caldwell
Title: Director

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Associate

CEHE Credit Agreement—Signature Page

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Emily Freedman

Name: Emily Freedman

Title: Vice President

CEHE Credit Agreement—Signature Page

UBS LOAN FINANCE LLC

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director

UBS LOAN FINANCE LLC

By: /s/ Mary E. Eyans

Name: Mary E. Eyans

Title: Associate Director

CEHE Credit Agreement—Signature Page

**The Bank of Tokyo-Mitsubishi UFJ
Limited, New York Branch**

By: /s/ Alan Reiter

Name: A. Reiter

Title: Authorized Signatory

CEHE Credit Agreement—Signature Page

MORGAN STANLEY BANK

By: /s/ Daniel Twenge

Name: Daniel Twenge

Title: Authorized Signatory
Morgan Stanley Bank

CEHE Credit Agreement—Signature Page

LEHMAN BROTHERS BANK, FSB

By: /s/ Errington Hibbert

Name: Errington Hibbert

Title: Managing Director

CEHE Credit Agreement—Signature Page

SunTrust Bank

By: /s/ Yann Pirio

Name: Yann Pirio

Title: Vice President

CEHE Credit Agreement—Signature Page

HSBC Bank USA, N.A.

By: /s/ Jennifer Diedzic

Name: Jennifer Diedzic

Title: Assistant Vice President

CEHE Credit Agreement—Signature Page

ROYAL BANK OF CANADA

By: /s/ David A. McCluskey

Name: David A. McCluskey

Title: Authorized Signatory

CEHE Credit Agreement—Signature Page

Comerica Bank

By: /s/ Chuck Johnson

Name: Chuck Johnson

Title: Vice President

CEHE Credit Agreement—Signature Page

The Northern Trust Company

By: /s/ Peter Hallan
Peter Hallan
Vice President

CEHE Credit Agreement—Signature Page

Wells Fargo Bank, N.A.

By: /s/ Jo Ann Vasquez
Name: Jo Ann Vasquez
Title: Vice President

CEHE Credit Agreement—Signature Page

Schedule 1.1(A)

SCHEDULE OF COMMITMENTS AND ADDRESSES

<u>Names and Address of Banks</u>	<u>Commitment</u>
JPMorgan Chase Bank, N.A. 600 Travis, 20 th Floor Houston, TX 77002 Attn: Robert Traband Tel: 713-216-1081 Telecopy: 713-216-8870 Robert.trabank@jpmorgan.com	\$22,040,816.33
Citibank, N.A. 388 Greenwich Street, 21 st Floor New York, NY 10013 Attn: Sandip Sen Tel: 212-816-8609 Telecopy: 212-816-8098 sandip1.sen@citigroup.com	\$22,040,816.33
Bank of America, N.A. 100 North Tryon Street Charlotte, NC 28255 Attn: Kevin Bertelsen Tel: 704-386-4668 Telecopy: 704-386-1319 kevin.p.bertelsen@bankofamerica.com	\$21,428,571.43
Barclays Bank plc 200 Park Avenue New York, NY 10166 Attn: Sydney Dennis Tel: 212-412-2470 Telecopy: 212-412-2441 sydney.dennis@barcap.com	\$21,428,571.43
Deutsche Bank AG New York Branch 60 Wall Street, 11 th Floor New York, NY 10005 Attn: Joel Makowsky Tel: 212-250-7896 Telecopy: 212-797-4346 joel.makowsky@db.com	\$21,428,571.43

Schedule 1.1 (A) to the CenterPoint Energy Houston Electric, LLC Second Amended and Restated Credit Agreement

Names and Address of Banks	Commitment
Wachovia Bank, N.A. 191 Peachtree Street NE Suite 2800 Mailcode: GA8050 Atlanta, GA 28244 Attn: Rotcher Watkins Tel: 404-332-6211. Telecopy: 404-332-4058 rotcher.watkins@wachovia.com	\$21,428,571.43
ABN AMRO Bank, N. V. 540 West Madison Street, Suite 2621 Chicago, IL 60661 Attn: Melanie Dziobas Tel: 312-992-5110 Telecopy: 312-992-5111 melanie.dziobas@abnamro.com	\$18,367,346.94
The Bank of Nova Scotia 1 Liberty Plaza, 26 th Floor New York, NY 10006 Attn: Denis O'Meara Tel: 212-225-5493 Telecopy: 212-225-5480 denis_omeara@scotiacapital.com	\$18,367,346.94
Credit Suisse, Cayman Islands Branch 11 Madison Avenue New York NY 10010 Attn: Bill Fox Tel: 212-325-9923 Telecopy: 212-743-2155 bill.fox@csfb.com	\$18,367,346.94
The Royal Bank of Scotland plc 101 Park Avenue New York, NY 10006 Attn: Iris Chen Tel: 212-401-3526 Telecopy: 212-401-3456 iris.chen@rbos.com	\$18,367,346.94
UBS Loan Finance LLC 677 Washington Blvd. 6 th Floor So. Stamford, CT 06901 Attn: David Vitti Tel: 203-719-5968 Telecopy: 203-719-3888 david.vitti@ubs.com	\$18,367,346.94

Schedule 1.1 (A) to the CenterPoint Energy Houston Electric, LLC Second Amended and Restated Credit Agreement

Names and Address of Banks	Commitment
The Bank of Tokyo-Mitsubishi UFJ, Ltd, New York Branch 1251 Avenue of the Americas, 12th Floor New York, NY 10020-1104 Attn: Alan Reiter Tel: 212-782-5649 Telecopy: 212-782-6440 areiter@us.mufg.jp	\$ 11,020,408.16
Morgan Stanley Bank 750 Seventh Avenue New York, NY 10008 Attn: Erma Dell'Aquila Tel: 718-754-7286 Telecopy: 718-754-7249 erma.dell'aquila@morganstanley.com	\$ 11,020,408.16
Lehman Brothers Bank, FSB 745 Seventh Avenue New York, NY 10019 Attn: Janine Shugan Tel: 212-526-8625 Telecopy: 201-508-4654 jshugan@lehman.com	\$ 11,020,408.16
SunTrust Bank 303 Peachtree Street N.E., 10th Floor Atlanta, GA 30308 Attn: Linda Stanley Tel: 404-532-0989 Telecopy: 404-827-6270 linda.stanley@suntrust.com	\$ 11,020,408.16
HSBC Bank USA, N.A. 1105 North Market St., Suite 1 Wilmington, DE 19801 Attn: Richard Ward Tel: 212-525-6476 Telecopy: 212-525-6581 richard.ward@us.hsbc.com	\$ 9,183,673.47
Royal Bank of Canada 5700 Williams Tower 2800 Post Oak Blvd Houston, TX 77056 Attn: Linda Stephens Tel: 713-403-5669 Telecopy: 713-403-5624 linda.stephens@rbc.com	\$ 9,183,673.47

Schedule 1.1(A) to the CenterPoint Energy Houston Electric, LLC Second Amended and Restated Credit Agreement

Names and Address of Banks	Commitment
Comerica Bank 910 Louisiana-St. Ste 400 Houston, TX 77002 Attn: Charles T. Johnson Tel: 713-220-5662 Telecopy: 713-220-5631 ctjohnson@comedca.com	\$ 6,122,448.98
The Northern Trust Company 50 South LaSalle Street Chicago, IL 60690 Attn: Preeti Sullivan Tel: 312-444-2376 Telecopy: 312-444-4906 pj22@ntrs.com	\$ 4,897,959.18
Wells Fargo Bank, N.A. 201 3rd Street, 8th Floor San Francisco, CA 94103 Attn:C.E. Gerndt Jr. Tel: 415-477-5294 Telecopy: 415-979-0675 CEGerndt@wellsfargo.com	\$ 4,897,959.18
Total:	\$300,000,000.00

Schedule 1.1(A) to the CenterPoint Energy Houston Electric, LLC Second Amended and Restated Credit Agreement

U.S. \$950,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2007

Among

CENTERPOINT ENERGY RESOURCES CORP.

as Borrower,

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders,

and

CITIBANK, N.A.

as Administrative Agent,

and

DEUTSCHE BANK SECURITIES INC. and BANK OF AMERICA, NATIONAL ASSOCIATION

as Co-Syndication Agents,

and

THE ROYAL BANK OF SCOTLAND PLC and ABN AMRO BANK N.V.

as Co-Documentation Agents

CITIGROUP GLOBAL MARKETS INC., DEUTSCHE BANK SECURITIES INC.
and BANC OF AMERICA SECURITIES LLC

as Lead Arrangers,

CERC Credit Agreement

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CREDIT AGREEMENT

Dated as of June 29, 2007

SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), among CENTERPOINT ENERGY RESOURCES CORP., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, DEUTSCHE BANK SECURITIES INC. and BANK OF AMERICA, NATIONAL ASSOCIATION, as co-syndication agents (the "Co-Syndication Agents"), CITIBANK, N.A. ("Citibank"), and BANK OF AMERICA, NATIONAL ASSOCIATION, as Issuing Banks, and THE ROYAL BANK OF SCOTLAND PLC and ABN AMRO BANK N.V. as co-documentation agents (the "Co-Documentation Agents") and CITIBANK, as administrative agent (the "Administrative Agent") for the Lenders (as hereinafter defined).

WITNESSETH

WHEREAS, the Borrower entered into that certain Existing Credit Facility (as defined below); and

WHEREAS, the Borrower has requested that the Existing Credit Facility be amended and restated in its entirety;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto agree that on the Effective Date, the Existing Credit Facility shall be, and hereby is, amended and restated in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquired Entity" has the meaning set forth in the definition of "Permitted Liens".

"Advance" means a Revolving Advance, a Letter of Credit Advance or a CAF Advance, as the case may be, by a Lender to the Borrower pursuant to Article II, and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Advance).

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

"Administrative Agent's Account" means the account of the Administrative Agent maintained by the Administrative Agent at Citibank, N.A. with its office at Two Penns Way, Suite 200, New Castle, Delaware, 19720, Account No. 36852248, Attention: Global Loans/Agency.

"Aggregate Outstanding Extensions of Credit" means, as to any Lender at any time, an amount equal to the aggregate principal amount of all Revolving Advances, Letters of Credit, Letter of Credit Advances, CAF Advances and Swingline Loans made by such Lender then outstanding.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance or CAF Eurodollar Rate Advance.

CERC Credit Agreement

“Applicable Margin” means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's/Fitch	Applicable Margin for Base Rate Advances	Applicable Margin for Eurodollar Rate Advances
<u>Level 1</u> Higher than Level 2	0.0%	0.25%
<u>Level 2</u> BBB+/Baa1/BBB+	0.0%	0.35%
<u>Level 3</u> BBB/Baa2/BBB	0.0%	0.45%
<u>Level 4</u> BBB-/Baa3/BBB-	0.0%	0.55%
<u>Level 5</u> BB+/Ba1/BB+	0.0%	0.70%
<u>Level 6</u> Lower than Level 5 or unrated by S&P, Moody's and Fitch	0.00%	1.00%

“Applicable Percentage” means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's/Fitch	Applicable Percentage
<u>Level 1</u> Higher than Level 2	0.06%
<u>Level 2</u> BBB+/Baa1/BBB+	0.07%
<u>Level 3</u> BBB/Baa2/BBB	0.09%
<u>Level 4</u> BBB-/Baa3/BBB-	0.125%
<u>Level 5</u> BB+/Ba1/BB+	0.175%
<u>Level 6</u> Lower than Level 5 or unrated by S&P, Moody's and Fitch	0.20%

“Applicable Utilization Fee” means, as of any date on which the aggregate principal amount of the Advances plus the Letters of Credit exceeds 50% of the aggregate amount of the Lenders' Revolving Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's/Fitch	Applicable Utilization Fee
<u>Level 1</u> Higher than Level 2	0.05%
<u>Level 2</u> BBB+/Baa1/BBB+	0.05%
<u>Level 3</u> BBB/Baa2/BBB	0.05%

	Public Debt Rating S&P/Moody's/Fitch	Applicable Utilization Fee
<u>Level 4</u>		
BBB-/Baa3/BBB-		0.05%
<u>Level 5</u>		
BB+/Ba1/BB+		0.10%
<u>Level 6</u>		
Lower than Level 5 or unrated by S&P, Moody's and Fitch		0.10%

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit C hereto.

“Assuming Bank” has the meaning assigned to such term in Section 2.21(d).

“Available Amount” of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit assuming compliance at such time with all conditions to drawing.

“Base Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

- (a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as its base rate; and
- (b) 1/2 of one percent per annum above the Federal Funds Rate.

“Base Rate Advance” means a Revolving Advance that bears interest as provided in Section 2.10(a).

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

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

“Borrowing” means either a Revolving Borrowing, a CAF Borrowing or a Swingline Loan.

“Borrowing Date” means any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Advances hereunder.

“Business Day” means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

“CAF Advance” means an Advance made to the Borrower pursuant to Section 2.05 by a Lender in response to a Competitive Bid Request.

“CAF Borrowing” means a borrowing consisting of CAF Advances under Section 2.06 consisting of CAF Advances of the same Type made on the same day by the Lender or Lenders whose Competitive Bid or Bids have been accepted pursuant to Section 2.06(d).

“CAF Eurodollar Rate Advance” means any CAF Advance that bears interest at the Eurodollar Rate.

“CAF Facility” has the meaning as set forth in Section 2.05(a).

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

“CAF Note” means a promissory note of the Borrower payable to the order of any Lender that has requested a CAF Note pursuant to Section 2.22(a), in substantially the form of Exhibit D hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the CAF Advances made by such Lender.

“CAF Rate” means, as to any Competitive Bid made by a Lender pursuant to Section 2.06(b), (i) in the case of a CAF Eurodollar Rate Advance, the CAF Margin added to or subtracted from, as the case may be, the Eurodollar Rate, and (ii) in the case of a Fixed Rate Advance, the fixed rate of interest, in each case, offered by such Lender.

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

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person (other than a corporation), including without limitation, partnership interests in partnerships and member interests in limited liability companies, and any and all warrants or options to purchase any of the foregoing or securities convertible into any of the foregoing.

“Closing Date” means the date, on or before July 31, 2007, all of the conditions set forth in Section 6.1 are satisfied (or waived) in accordance with the terms hereof.

“Commitment” means the Revolving Commitment, the Letter of Credit Commitment and the Swingline Limit.

“Commitment Increase” has the meaning as set forth in Section 2.21 (a).

“Commitment Percentage” means, for each Lender, the percentage identified as its Commitment Percentage opposite such Lender’s name on Schedule III attached hereto, as such percentage may be modified by assignment in accordance with the terms of this Agreement or by reductions or increases in the Revolving Commitment pursuant to Section 2.08 and Section 2.21.

“Communications” has the meaning specified in Section 8.02(b).

“Competitive Bid” has the meaning as set forth in Section 2.06(b).

“Competitive Bid Confirmation” has the meaning as set forth in Section 2.06(d).

“Competitive Bid Request” has the meaning as set forth in Section 2.06(a).

“Confidential Information” means information that the Borrower or any of its Subsidiaries furnishes to the Administrative Agent or any Lender in a writing designated as confidential or which in the Borrower’s or its Subsidiaries’ course of dealing with the Administrative Agent or such Lender has been designated as confidential, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Administrative Agent or such Lender from a source other than the Borrower or its Subsidiaries.

“Consolidated” refers to the consolidation of accounts in accordance with GAAP.

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

“Consolidated Shareholders’ Equity” means, as of any date of determination, the total assets of the Borrower and its Consolidated Subsidiaries, less all liabilities of the Borrower and its Consolidated Subsidiaries. As used in this definition, “liabilities” means all obligations that, in accordance with GAAP consistently applied, would be classified on a balance sheet as liabilities (including without limitation (to the extent so classified), (a) Indebtedness; (b) deferred liabilities; and (c) Indebtedness of the Borrower or any of its Consolidated Subsidiaries that is expressly subordinated in right and priority of payment to other liabilities of the Borrower or such Consolidated Subsidiary, but in any case excluding as at such date of determination any Junior Subordinated Debt owned by any issuer of Hybrid Equity Securities and excluding any adjustment, non-cash charge to net income or other non-cash charges or write-offs resulting thereto from the application of SFAS No. 142 and similar provisions of GAAP.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any written agreement, instrument or other written undertaking to which such Person is a party or by which it or any of its property is bound.

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

“Convert”, “Conversion” and “Converted” each refers to a conversion of Revolving Advances of one Type into Revolving Advances of the other Type pursuant to Section 2.11 or 2.12.

“Declining Lender” has the meaning specified in Section 2.20.

“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

“Domestic Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Domestic Lending Office” opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

“Effective Date” has the meaning specified in Section 3.01.

“Eligible Assignee” means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Administrative Agent, the Issuing Banks and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of non compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“Environmental Law” means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance having the force of law relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” means any capital stock, partnership, joint venture, member or limited liability or unlimited liability company interest, beneficial interest in a trust or similar entity or other equity interest or investment of whatever nature.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means any Person that for purposes of Title IV of ERISA is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

“ERISA Event” means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30 day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Eurodollar Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurodollar Lending Office” opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

“Eurodollar Rate” means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) for deposits in U.S. dollars appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days before the first day of such Interest Period in an amount substantially equal to the Administrative Agent’s Eurodollar Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the “Eurodollar Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days before the first day of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“Eurodollar Rate Advance” means a Revolving Advance that bears interest as provided in Section 2.10(a)(ii).

“Eurodollar Rate Reserve Percentage” for any Interest Period for all Eurodollar Rate Advances or CAF Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances or CAF Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

“Events of Default” has the meaning specified in Section 6.01.

“Exchange Act” means the Securities Exchange Act of 1933, as amended.

“Existing Credit Facility” means the \$550,000,000 Amended and Restated Credit Agreement, dated as of March 31, 2006, among the Borrower, the lenders party thereto, and Citigroup Global Markets Inc., Deutsche Bank and Banc of America Securities LLC, as lead arrangers, and Deutsche Bank and Bank of America, National Association, as co-syndication agents, Citibank, N.A. and Bank of America, National Association, as issuing banks, and The Royal Bank of Scotland PLC and ABN AMRO Bank N.V., as co-documentation agents, and Citibank, N.A., as administrative agent.

“Existing Issuing Banks” means each of Bank of America, National Association and Citibank, N.A., in their respective capacities as issuers of the Existing Letters of Credit.

“Existing Letters of Credit” means the letters of credit issued under the Existing Credit Facility described on Schedule IV.

“Extending Lender” has the meaning specified in Section 2.20.

“Extended Termination Date” has the meaning specified in Section 2.20.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of

New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means the Senior Credit Facility Fee Letter dated as of May 24, 2007 among Citibank, Citigroup Global Markets Inc., and J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. and the Borrower.

“Financial Officer” means, with respect to the Borrower, its chief financial officer, chief accounting officer, treasurer, assistant treasurer, comptroller or any other officer acceptable to the Administrative Agent.

“Fitch” means Fitch Ratings, and any successors thereto.

“Fixed Rate Advance” means any CAF Advance made by a Lender pursuant to Section 2.06(b) based upon a fixed percentage rate per annum offered by such Lender, expressed as a decimal (to no more than four decimal places), and accepted by the Borrower.

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

“GAAP” has the meaning specified in Section 1.03.

“Global Coordinators” means J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., in their capacities as global coordinators.

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

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

“Hazardous Materials” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos containing materials, polychlorinated biphenyls and radon gas and

(b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

“Hybrid Equity Securities” means, on any date (the “determination date”), any securities issued by the Borrower or a Restricted Subsidiary, other than common stock, that meet the following criteria: (a) the Borrower demonstrates that such securities are classified, at the time they are issued, as possessing a minimum of “intermediate equity content” by S&P and “Basket C equity credit” by Moody’s (or the equivalent classifications then in effect by such agencies) and (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the later of the termination of the Commitments and the repayment in full of the Obligations. As used in this definition, “mandatory redemption” shall not include conversion of a security into common stock.

“Increase Date” has the meaning as set forth in Section 2.21(a).

“Increasing Lender” has the meaning as set forth in Section 2.21(b).

“Indebtedness” of any Person means the sum of (a) all items (other than Capital Stock, capital surplus, retained earnings, other comprehensive income, treasury stock and any other items that would properly be included in shareholder equity) that, in accordance with GAAP consistently applied, would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date on which the Indebtedness is to be determined, (b) all obligations of such Person, contingent or otherwise, as account party or applicant (or equivalent status) in respect of any standby letters of credit or equivalent instruments, and (c) without duplication, the amount of Guarantees by such Person of items described in clauses (a) and (b); provided, however, that Indebtedness of a Person shall not include (i) any Junior Subordinated Debt owned by any issuer of Hybrid Equity Securities, (ii) any Guarantee by the Borrower or its Subsidiaries of payments with respect to any Hybrid Equity Securities, or (iii) any Hybrid Equity Securities.

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

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

“Information Memorandum” means the information memorandum dated May 2007 used by the Lead Arrangers in connection with the syndication of the Commitments.

“Interest Period” means, for each Eurodollar Rate Advance comprising part of the same Revolving Borrowing and each CAF Eurodollar Rate Advance comprising part of the same CAF Borrowing, the period commencing on the date of such Eurodollar Rate Advance or CAF Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be two weeks or one, two, three or six months (or such other period as may be approved by the Administrative Agent), as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) the Borrower may not select any Interest Period that ends after the Termination Date;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Borrowing or for CAF Eurodollar Rate Advances comprising part of the same CAF Borrowing shall be of the same duration;

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

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Investment” in any Person means any loan or advance to such Person, any purchase or other acquisition of any capital stock, warrants, rights, options, other securities or all or substantially all of the assets of such Person or any capital contribution to such Person or any other investment in such Person.

“Issuing Banks” means (a) the Existing Issuing Banks, (b) Bank of America, National Association, SunTrust Bank and (c) any other Lender approved as an Issuing Bank by the Administrative Agent and any Eligible Assignee to which a Letter of Credit Commitment hereunder has been assigned pursuant to Section 8.07 so long as each such Lender or Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by an Issuing Bank and notifies the Administrative Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Administrative Agent in the Register), for so long as such Issuing Bank, Lender or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

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

“Lead Arrangers” has the meaning specified in the recital of parties to this Agreement.

“L/C Disbursement” means a payment or disbursement made by any Issuing Bank pursuant to a Letter of Credit.

“Lenders” means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 8.07.

“Letter of Credit Advance” means an advance by any Issuing Bank or any Lender pursuant to Section 2.04(c).

“Letter of Credit Commitment” means, with respect to any Issuing Bank at any time, the amount set forth opposite such Issuing Bank’s name on Schedule III hereof under the caption “Letter of Credit

Commitment” or, if such Issuing Bank has entered into one or more Assignment and Acceptances, set forth for such Issuing Bank in the Register maintained by the Administrative Agent pursuant to Section 8.07.

“Letter of Credit Facility” means, at any time, an amount equal to the amount of the Issuing Banks’ Letter of Credit Commitments at such time, as such amount may be reduced at or prior to such time pursuant to Section 2.08.

“Letters of Credit” has the meaning specified in Section 2.01(b).

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

“Loan Documents” means this Agreement, the Notes or CAF Notes (if any), each Letter of Credit, and all other documents executed in connection herewith and therewith, including, without limitation, each Notice of Borrowing.

“Local Distribution Company” means a company that owns and/or operates the equipment and facilities for distributing natural gas or electric energy within a local region and delivers it to end-user customers.

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

“Margin Stock” means any margin stock (as defined in Regulation U) and any margin security (as defined in Regulation T).

“Material Adverse Change” means any material adverse change in the ability of the Borrower to perform its obligations under the Loan Documents on a timely basis (it being understood and agreed that a Material Adverse Change shall not include the effect of any True-Up Litigation) since December 31, 2006.

“Material Adverse Effect” means any material adverse effect on the ability of the Borrower to perform its obligations under this Agreement or any other Loan Document on a timely basis (it being understood and agreed that a Material Adverse Effect shall not include the effect of any True-Up Litigation).

“Maturity Date” means June 29, 2012.

“MLP” means one or more master limited partnerships formed by the Borrower or its Subsidiaries.

“MLP GP” means any general partner of any MLP and any general partner of the general partner of any MLP.

“MLP LP” means any limited partner in an MLP.

“MLP Subsidiary” means a Subsidiary of any MLP.

“MLP Unrestricted Subsidiary” means any MLP, MLP GP, MLP LP, or MLP Subsidiary.

“Money Market Rate” means (a) the “ASK” rate for Federal Funds appearing on Page 5 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or

substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Swingline Lender from time to time for purposes of providing quotations of the offer rates applicable to Federal Funds for a term of one Business Day) at the time reviewed by the Swingline Lender plus (b) the Applicable Margin for Eurodollar Rate Advances. In the event that part (a) of such rate is not available at such time for any reason, then part (a) of such rate will be the rate agreed to between the Swingline Lender and the Borrower. The Borrower understands and agrees that the rate quoted from Page 5 of the Dow Jones Market Service is a real-time rate that changes from time to time. The rate quoted by the Swingline Lender and used for the purpose of setting the interest rate for a Swingline Loan will be the rate on the screen of the Swingline Lender at the time of setting the rate and will not be an average or composite of rates for that day.

“Money Market Rate Loan” means a Swingline Loan the rate of interest applicable to which is based upon the Money Market Rate.

“Moody’s” means Moody’s Investors Service, Inc., and any successors thereto.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

“Multiple Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Net Tangible Assets” means, with respect to the Borrower, the total assets of the Borrower and its Consolidated Subsidiaries and Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries), minus goodwill and other intangible assets as shown on the balance sheet of the Borrower, its Consolidated Subsidiaries and the Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries) delivered pursuant to Section 5.01(j) in respect of the most recently ended fiscal quarter of the Borrower and with respect to any other Person, the total assets of such Person and its Consolidated Subsidiaries, minus goodwill and other intangible assets as determined pursuant to such Person’s most recently available financial statements.

“Non-Recourse Debt” means (i) any Indebtedness for Borrowed Money incurred by any Project Finance Subsidiary to finance the acquisition, improvement, installation, design, engineering, construction, development, completion, maintenance or operation of, or otherwise to pay costs and expenses relating to or providing financing for any project, which Indebtedness for Borrowed Money does not provide for recourse against the Borrower or any Subsidiary of the Borrower (other than a Project Finance Subsidiary and such recourse as exists under a Performance Guaranty) or any property or asset of the Borrower or any Subsidiary of the Borrower (other than Equity Interests in, or the property or assets of, a Project Finance Subsidiary and such recourse as exists under a Performance Guaranty) and (ii) any refinancing of such Indebtedness for Borrowed Money that does not increase the outstanding principal amount thereof (other than to pay costs incurred in connection therewith and the capitalization of any interest, fees, premium or penalties) at the time of the refinancing or increase the property subject to any Lien securing such Indebtedness for Borrowed Money or otherwise add additional security or support for such Indebtedness for Borrowed Money.

“Note” means the collective reference to any promissory note evidencing Borrowings.

“Notice” has the meaning specified in Section 8.02(c).

“Notice Date” has the meaning specified in Section 2.20.

“Notice of Borrowing” has the meaning specified in Section 2.02.

“Notice of Letter of Credit Issuance” has the meaning specified in Section 2.04(a).

“Obligation” means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of the Borrower under the Loan Documents include (a) the obligation to pay principal, interest, charges, expenses, fees, attorneys’ fees and disbursements, indemnities and other amounts payable by the Borrower under any Loan Document and (b) the obligation of the Borrower to reimburse any amount in respect of any of the foregoing that any Lender, in its sole discretion, may elect to pay or advance on behalf of the Borrower.

“Parent” means CenterPoint Energy, Inc., a Texas corporation.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor).

“Performance Guaranty” means any guaranty issued in connection with any Non-Recourse Debt that (i) if secured, is secured only by assets of or Equity Interests in a Project Finance Subsidiary, and (ii) guarantees to the provider of such Non-Recourse Debt or any other Person (a) performance of the improvement, installation, design, engineering, construction, acquisition, development, completion, maintenance or operation of, or otherwise affects any such act in respect of, all or any portion of the project that is financed by such Non-Recourse Debt, (b) completion of the minimum agreed equity or other contributions or support to the relevant Project Finance Subsidiary, or (c) performance by a Project Finance Subsidiary of obligations to Persons other than the provider of such Non-Recourse Debt.

“Permitted Liens” means with respect to any Person:

(a) Liens for current taxes, assessments or other governmental charges that are not delinquent or remain payable without any penalty, or the validity or amount of which is contested in good faith by appropriate proceedings, provided, however, that adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP, and provided further that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(b) landlord Liens for rent not yet due and payable and Liens for materialmen, mechanics, warehousemen, carriers, employees, workmen, repairmen and other similar nonconsensual Liens imposed by operation of law, for current wages or accounts payable or other sums not yet delinquent, in each case arising in the ordinary course of business or if overdue, that are being contested in good faith by appropriate proceedings, provided, however, that any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been, and continues to be, effectively enjoined or stayed;

(c) Liens (other than any Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code, ERISA or any environmental law, order, rule or regulation) incurred or deposits made, in each case, in the ordinary course of business, (i) in connection with workers compensation, unemployment insurance and other types of social security or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety and appeals bonds, bids, leases, performance or payment bonds, purchase, construction, sales contracts, and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of property;

(d) Liens arising out of or in connection with any litigation or other legal proceeding that is being contested in good faith by appropriate proceedings; provided, however, that adequate reserves with

respect thereto are maintained on the books of such Person in accordance with GAAP; and provided further that subject to Section 6.01(f) (so long as such Lien is discharged or released within 30 days of attachment thereof), any right to seizure, levy, attachment, sequestration, foreclosure or garnishment with respect to Property of such Person or any Subsidiary of such Person by reason of such Lien has not matured, or has been and continues to be, effectively enjoined or stayed;

(e) precautionary filings under the applicable Uniform Commercial Code made by a lessor with respect to personal property leased to such Person or any Subsidiary of such Person;

(f) other non-material Liens or encumbrances none of which secures Indebtedness for Borrowed Money of the Borrower or any of its Subsidiaries or interferes materially with the use of the Property affected in the ordinary conduct of the Borrower's or its Subsidiaries' business and which individually or in the aggregate do not have a Material Adverse Effect;

(g) easements, rights-of-way, restrictions and other similar encumbrances and exceptions to title existing or incurred in the ordinary course of business that, in the aggregate, do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries, taken as a whole;

(h) Liens created by Capital Leases, provided that the Liens created by any such Capital Lease attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto, (ii) purchase money Liens securing Indebtedness of the Borrower or any of its Subsidiaries (including such Liens securing such Indebtedness incurred within twelve months of the date on which such Property was acquired), provided that all such Liens attach only to the Property purchased with the proceeds of the Indebtedness secured thereby and only secure the Indebtedness incurred to finance such purchase, (iii) Liens on receivables, customer charges, notes, ownership interests, contracts or contract rights which are transferred to the purchaser of such receivables, customer charges, notes, ownership interests, contracts or contract rights in connection with such sale, securitization or monetization, provided that such Liens secure only the obligations of the Borrower or any of its Subsidiaries in connection with such sale, securitization or monetization and (iv) Liens created by leases that do not constitute Capital Leases at the time such leases are entered into, provided that the Liens created thereby attach only to the Property leased to the Borrower or one of its Subsidiaries pursuant thereto.

(i) Liens on cash and short term investments (i) deposited by the Borrower or any of its Subsidiaries in accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by the Borrower or any of its Subsidiaries, in the case of clause (i) or (ii) to secure its obligations with respect to contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and future contracts) for the purchase or sale of any energy-related commodity or interest rate or currency rate management contracts;

(j) Liens on (i) Property owned by a Project Financing Subsidiary or (ii) equity interests in a Project Financing Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company) securing Indebtedness of the Borrower or any of its Subsidiaries incurred in connection with a Project Financing; and

(k) Liens on equity interests in an Unrestricted Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company) securing, subject to Section 5.02(e), Indebtedness of such Unrestricted Subsidiary.

“Permitted MLP Asset Transfer” means any contribution, disposition, merger or other transfer of property or assets (including equity securities of any Person) to any MLP or one or more MLP Subsidiaries by the Borrower or any Subsidiaries of its natural gas pipeline Subsidiaries or field services Subsidiaries, excluding, however, any Local Distribution Companies; provided that, after any such contribution, disposition, merger or transfer, the Borrower and its Significant Subsidiaries owns, directly at least one of the following:

(a) CenterPoint Energy Gas Transmission Company's interstate natural gas pipeline that provides services to customers principally in Arkansas, Louisiana, Oklahoma and Texas;

(b) CenterPoint Energy-Mississippi River Transmission Corporation's interstate natural gas pipeline that provides services to customers principally in Arkansas and Missouri; and

(c) The Carthage to Perryville natural gas pipeline segment owned as the date hereof by CenterPoint Energy Gas Transmission Company;

unless the disposition or transfer thereof is permitted under this Agreement (other than under Section 5.02(b)).

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

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Platform" has the meaning specified in Section 8.02(c).

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

"Project Finance Subsidiary" and "Project Finance Subsidiaries" means any Subsidiary of the Borrower (or any other Person in which the Borrower directly or indirectly owns a 50% or less interest) whose principal purpose is to incur Project Financing or to become an owner of interests in a Person so created to conduct the business activities for which such Project Financing was incurred, and substantially all the fixed assets of which Subsidiary or Person are those fixed assets being financed (or to be financed) in whole or in part by one or more Project Financings.

"Project Financing" means any Indebtedness or lease obligations that do not constitute Capital Leases at the time such leases are entered into, in each case that are incurred to finance a project or group of projects (including any construction financing to the extent that such Indebtedness (or other obligations) expressly are not recourse to the Borrower or any of its Subsidiaries (other than a Project Financing Subsidiary) or any of their respective Property other than the Property of a Project Financing Subsidiary and equity interests in a Project Financing Subsidiary (including in each case a pledge of a partnership interest, common stock or a membership interest in a limited liability company).

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

"Pro Rata Share" of any amount means, with respect to any Lender, at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Commitment at such time (or, if the Commitments shall have terminated pursuant to Section 2.08 or 6.01, such Lender's Revolving Commitment as in effect immediately prior to such termination) and the denominator of which is the Revolving Facility at such time (or, if the Commitments shall have been terminated pursuant to Section 2.08 or 6.01, the Revolving Facility as in effect immediately prior to such termination).

“Public Debt Rating” means, as of any date, (a) at any time the senior unsecured long-term debt of the Borrower is rated by S&P, by Moody’s and by Fitch and such ratings are equivalent, such rating, (b) the middle of such ratings in the case where there is a split between all such ratings or (c) if such ratings are split and two of the ratings fall in the same level (the “Majority Level”), and the third rating is in a different level then such rating shall be the Majority Level. For purposes of the foregoing, (x) if only two of such three agencies issue a rating, the higher of such ratings shall apply, provided that if the higher rating is two or more levels above the lower rating, the rating next above the lower of the two shall apply; if only one of such three agencies issues a rating, such rating shall apply and (y) if any such rating established by S&P, Moody’s or Fitch shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change and (z) if S&P, Moody’s or Fitch shall change the basis on which ratings are established or if any of S&P, Moody’s or Fitch shall cease to be in the business of rating corporate debt obligations, the Borrower and the Administrative Agent shall negotiate in good faith if necessary to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agencies and, pending the effectiveness of any such amendment, the Public Debt Rating shall be determined by reference to the rating most recently in effect prior to such change or cessation, each reference to the Public Debt Rating announced by S&P, Moody’s or Fitch, as the case may be, shall refer to the then equivalent rating by S&P, Moody’s or Fitch, as the case may be.

“Register” has the meaning specified in Section 8.07(c).

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

“Required Lenders” means, at any time, Lenders owed or holding at least 51% of the sum of (a) the then aggregate unpaid principal amount of the Advances owing to the Lenders, (b) the aggregate Available Amount of all Letters of Credit outstanding at such time and (c) the aggregate Unused Revolving Credit Commitments at such time.

“Requirements of Law” means, as to any Person, any law, statute or ordinance, decree, requirement, order, judgment, rule, or regulation of any Governmental Authority.

“Responsible Officer” means, with respect to any Person, its chief financial officer, chief accounting officer, assistant treasurer, treasurer or comptroller of such Person or any other officer of such Person whose primary duties are similar to the duties of any of the previously listed officers of such Person.

“Restricted Subsidiary” means all Subsidiaries of the Borrower other than Unrestricted Subsidiaries.

“Revolving Advances” has the meaning as set forth in Section 2.01.

“Revolving Borrowing” means a borrowing consisting of Revolving Advances of the same Type, made by the Lenders on the same day under Section 2.02.

“Revolving Commitment” has the meaning set forth in Section 2.01(a).

“Revolving Extensions of Credit” means, as to any Lender at any time, an amount equal to the aggregate principal amount of all Revolving Advances held by such Lender then outstanding.

“Revolving Facility” has the meaning as set forth in Section 2.01.

“Sale and Leaseback Transaction” means any arrangement with any Person providing for the leasing to the Borrower or any Restricted Subsidiary of any Principal Property (except for temporary leases for a term, including any renewal thereof of not more than three years and except for leases between the

Borrower and a Restricted Subsidiary or between Restricted Subsidiaries), which Principal Property has been or is to be sold or transferred by the Borrower or any Restricted Subsidiary to such Person.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and any successors thereto.

“Second Extended Termination Date” has the meaning specified in Section 2.20.

“Significant Subsidiary” means (i) for the purposes of determining what constitutes an “Event of Default” under Sections 6.01(d), (e), and (f) a Subsidiary of the Borrower (other than a Project Finance Subsidiary) whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower, on a consolidated basis, as determined in accordance with GAAP and (ii) for all other purposes the “Significant Subsidiaries” shall be those Subsidiaries whose total assets, as determined in accordance with GAAP, represent at least 10% of the total assets of the Borrower on a consolidated basis, as determined in accordance with GAAP for the Borrower’s most recently completed fiscal year and identified in the certificate most recently delivered pursuant to Section 5.01(j)(ii).

“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Solvent” means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership, joint venture or other Person or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Swingline Limit” has the meaning assigned to such term in Section 2.03(a).

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time.

“Swingline Lender” means any Lender, in such capacity, selected to be a lender of Swingline Loans hereunder by the Borrower with the consent of the Administrative Agent.

“Swingline Loan” means a Loan made pursuant to Section 2.03.

“Termination Date” means the earlier of the Maturity Date and the date of termination in whole of the Commitments pursuant to Section 2.08 or 6.01 or if extended pursuant to Section 2.20, the Extended Termination Date or Second Extended Termination Date, as applicable.

“Total Aggregate Outstanding Extensions of Credit” means, at any time, the aggregate amount of Aggregate Outstanding Extensions of Credit of all Lenders outstanding at such time.

“Total Commitments” means, at any time, the aggregate amount of the Commitments of all Lenders then in effect.

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

“True-Up Litigation” means any litigation or other Proceeding in connection with the determination by the Public Utility Commission of Texas of the recovery by Parent and its Subsidiaries of stranded costs and other amounts to be recovered in the true-up process.

“Type” has the meaning as set forth in the definition of “Advance”.

“Unused Revolving Credit Commitment” means, with respect to any Lender at any time, (a) such Lender’s Revolving Commitment at such time minus, without duplication, (b) the sum of (i) the aggregate principal amount of all Revolving Advances and Letter of Credit Advances made by such Lender (in its capacity as a Lender) and outstanding at such time plus (ii) such Lender’s Pro Rata Share of (A) the aggregate principal amount of all Letters of Credit outstanding at such time and (B) the aggregate principal amount of all Letters of Credit Advances made by the Issuing Banks pursuant to Section 2.04(c) and outstanding at such time; provided, that in calculating any Lender’s Revolving Commitment for the purposes of determining such Lender’s Unused Revolving Credit Commitment pursuant to Section 2.07, the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Unrestricted Subsidiary” means any Subsidiary of the Borrower and its direct or indirect Subsidiaries that is an MLP Unrestricted Subsidiary or is designated by a Responsible Officer of the Borrower as an Unrestricted Subsidiary, but only if (x) the aggregate amount of Net Tangible Assets of all Unrestricted Subsidiaries (other than MLP Unrestricted Subsidiaries) at the time of designation does not exceed or would not exceed as a result of such designation the lesser of (a) 10% of the Net Tangible Assets of Parent and (b) 15% of the Net Tangible Assets of the Borrower, (y) such designation and the Investment of Borrower in such Subsidiary complies with the limitations in Section 5.02(i) and (z) such Subsidiary: (i) has no Indebtedness with recourse to the Borrower and the Restricted Subsidiaries except that permitted under Section 5.02(i); (ii) is not party to any agreement, contract, arrangement or understanding with the Borrower or any Significant Subsidiary of the Borrower unless the terms of any such agreement, contract, arrangement or understanding and related transactions are substantially no less favorable to the Borrower or such Significant Subsidiary than those that might be obtained at the time from Persons who are not

Affiliates of the Borrower; (iii) is a Person with respect to which neither the Borrower nor any of its Significant Subsidiaries has any direct or indirect obligation that violates Section 5.02(i), (a) to subscribe for additional Capital Stock of such Person or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (iv) does not, either alone or in the aggregate, operate, directly or indirectly, all or substantially all of the business of the Borrower and its Subsidiaries.

Any designation of a Subsidiary of the Borrower as an Unrestricted Subsidiary shall be evidenced by a certificate of a Responsible Officer of the Borrower giving effect to such designation and a certificate executed by a Responsible Officer certifying that such designation complied with the preceding conditions and was permitted by Section 5.02(i) delivered to the Administrative Agent, for delivery to each Lender. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Significant Subsidiary of the Borrower as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 5.02(i), the Borrower shall be in default of such covenant. A Responsible Officer of the Borrower may at any time designate any Unrestricted Subsidiary to be a Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Subsidiary of the Borrower of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under this Agreement calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

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

“Voting Stock” means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

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

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

SECTION 1.03 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles in effect from time to time in the United States of America (“GAAP”).

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Revolving Advances and Letters of Credit. (a) The Revolving Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make advances to the Borrower (the “Revolving Advances”) from time to time on any Business Day during the period from the Effective Date until

the Termination Date in an aggregate amount not to exceed at any time outstanding the amount set forth opposite such Lender's name on Schedule III hereof or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(c), as such amount may be reduced pursuant to Section 2.08 or increased pursuant to Section 2.21 (such Lender's "Revolving Commitment", and, in the aggregate, the "Revolving Facility"). Each Revolving Borrowing, in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, shall be in minimum principal aggregate amounts of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, or in the case of a Revolving Borrowing consisting of Base Rate Advances, shall be in minimum principal aggregate amounts of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, and shall consist of Revolving Advances of the same Type made on the same day by the Lenders ratably according to their respective Revolving Commitments. Each Swingline Loan shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Within the limits of each Lender's Revolving Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.13 and reborrow under this Section 2.01.

(b) The Letters of Credit. Prior to the Closing Date, the Existing Issuing Banks have issued the Existing Letters of Credit which from and after the Closing Date shall constitute Letters of Credit hereunder. Each Issuing Bank (other than the Existing Issuing Banks) severally agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (the "Letters of Credit") in U.S. Dollars for the account of the Borrower in support of obligations (including, without limitation, performance, bid and similar bonding obligations and credit enhancement) of the Borrower and its Affiliates, from time to time on any Business Day during the period from the Effective Date until the Business Day before the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by such Issuing Bank not to exceed at any time the lesser of (x) the Letter of Credit Facility at such time and (y) such Issuing Bank's Letter of Credit Commitment at such time and (ii) for each such Letter of Credit not to exceed the Unused Revolving Credit Commitments of the Lenders at such time; provided, however, that in no event shall the aggregate Available Amount for all Letters of Credit exceed \$200,000,000; provided, further, that neither Bank of America, National Association, nor SunTrust Bank shall be required, without the consent of such Issuing Bank, to issue Letters of Credit in excess of \$100,000,000 outstanding for each such Issuing Bank. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the Business Day before the Termination Date. Within the limits of the Letter of Credit Facility, and subject to the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(b), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.04(c) and request the issuance of additional Letters of Credit under this Section 2.01(b); provided, however, that neither Bank of America, National Association, nor SunTrust Bank shall be required to issue Letters of Credit in excess of \$100,000,000 outstanding for each such Issuing Bank.

(c) Total Revolving Commitments. Notwithstanding anything else contained herein, the obligations of the Lenders to make Advances and of the Issuing Banks to issue Letters of Credit is subject to the condition that the Total Aggregate Outstanding Extensions of Credit shall not exceed the total of the Revolving Commitments.

SECTION 2.02 Making the Revolving Advances. (a) Each Revolving Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Borrowing in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, or on the same Business Day as the date of the proposed Revolving Borrowing in the case of a Revolving Borrowing consisting of Base Rate Advances, by the Borrower to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier or electronic communication. Each such notice of a Revolving Borrowing (a "Notice of Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or electronic communication, complying in all material respects with the form of Exhibit B hereto, specifying therein the requested (i) date of such Revolving Borrowing, (ii) Type of Revolving Advances comprising such Revolving Borrowing, (iii) aggregate amount of such Revolving Borrowing, (iv) in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Advance and (v) whether any of such Revolving Borrowing shall be used by the Borrower to repay commercial paper. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Revolving Borrowing, in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, or before 3:00 P.M. (New York City time) in the case of a Revolving Borrowing consisting of Base Rate Advances, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's ratable

portion of such Revolving Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's address referred to in Section 8.02 no later than 12:00 P.M. (New York City time) on such date, in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, or 4:00 P.M. (New York City time) on such date, in the case of a Revolving Borrowing consisting of Base Rate Advances.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Revolving Borrowing if the aggregate amount of such Revolving Borrowing is less than \$10,000,000 or if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.11 or 2.15 and (ii) the Eurodollar Rate Advances may not be outstanding as part of more than twelve separate Revolving Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Revolving Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Advance to be made by such Lender as part of such Revolving Borrowing when such Revolving Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time of any Revolving Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Revolving Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Revolving Borrowing in accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Revolving Advances comprising such Revolving Borrowing and (ii) in the case of such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Advance as part of such Revolving Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Advance to be made by it as part of any Revolving Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Advance on the date of such Revolving Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Advance to be made by such other Lender on the date of any Revolving Borrowing.

SECTION 2.03 Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time on any Business Day during the period from the Closing Date to the Termination Date, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$100,000,000 or (ii) the Aggregate Outstanding Extensions of Credit exceeding the Total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan (the "Swingline Limit"). The Swingline Loans may from time to time be (i) Base Rate Advances, (ii) Money Market Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent and the Swingline Lender in accordance herewith and shall not be entitled to be converted into Eurodollar Rate Advance. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. The Borrower hereby unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first

date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Advance is made, the Borrower shall repay all Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent and the Swingline Lender of such request by telephone (confirmed pursuant to a Notice of Borrowing by telecopy or email), not later than (i) 12:00 noon, New York City time, in the case of ABR Loans, or (ii) 2:00 p.m., New York City time, in the case of Money Market Rate Loans, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), amount of the requested Swingline Loan, and whether the requested Swingline Loan shall be a Base Rate Advance, a Money Market Rate Loan or a combination thereof. Each Borrowing under the Swingline Limit shall be in an amount equal to \$1,000,000 or a whole multiple in excess thereof. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of any payment that an Issuing Bank makes under a Letter of Credit as provided in Section 2.04(d), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Banks to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Banks will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Bank, specifying in such notice such Bank's Revolving Percentage of such Swingline Loan or Loans. Each Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Bank's Commitment Percentage of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Bank shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.02 with respect to Loans made by such Bank (and Section 2.02 shall apply, mutatis mutandis, to the payment obligations of the Bank), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Bank. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Banks that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.04 Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank, which shall give to the Administrative Agent for delivery to each Lender prompt notice thereof by telecopier or electronic communication. Each such notice of issuance of a Letter of Credit shall be substantially in the form of Exhibit H attached hereto, or as agreed between the Borrower and each Issuing Bank (a "Notice of Letter of Credit Issuance"), shall be by telephone (conveying the information contained on Exhibit H attached hereto), confirmed immediately in writing, or by telecopier or electronic communication. If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its reasonable discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance.

(b) Letter of Credit Reports. Each Issuing Bank shall furnish to the Administrative Agent (A) on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the previous week and drawings during such week under all Letters of Credit issued by such Issuing Bank, (B) for delivery to each Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all Letters of Credit issued by such Issuing Bank and (C) to the Administrative Agent and each Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(c) Participations in Letters of Credit. Upon the issuance of a Letter of Credit by any Issuing Bank under Section 2.04(a), such Issuing Bank shall be deemed, without further action by any party hereto, to have sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have purchased from such Issuing Bank, a participation in such Letter of Credit in an amount for each Lender equal to such Lender's Pro Rata Share of the Available Amount of such Letter of Credit, effective upon the issuance of such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay such Lender's Pro Rata Share of each L/C Disbursement made by such Issuing Bank and not reimbursed by the Borrower forthwith on the date due as provided in Section 2.09(b) by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of such Issuing Bank by deposit to the Administrative Agent's Account, in same day funds, an amount equal to such Lender's Pro Rata Share of such L/C Disbursement. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.04(c) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default or the termination of the Commitments, and that each such payment shall be made without any off-set, abatement, withholding or reduction whatsoever. If and to the extent that any Lender shall not have so made the amount of such L/C Disbursement available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date such L/C Disbursement is due pursuant to Section 2.09(b) until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Administrative Agent such amount for the account of such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Drawing and Reimbursement. The payment by any Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the amount of such draft. The Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.04 that such payment be financed with a Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Base Rate Revolving Borrowing or Swingline Loan.

(e) Failure to Make Letter of Credit Advances. The failure of any Lender to make the Letter of Credit Advance to be made by it on the date specified in Section 2.04(c) shall not relieve any other Lender of its obligation hereunder to make its Letter of Credit Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Letter of Credit Advance to be made by such other Lender on such date.

SECTION 2.05 The CAF Advances. (a) From time to time on any Business Day during the period from the Effective Date until the Termination Date, the Borrower may request CAF Advances from the Lenders in amounts such that the Total Aggregate Outstanding Extensions of Credit at any time shall not exceed the total of the Revolving Commitments at such time (the "CAF Facility").

(b) Under the terms and conditions set forth below, the Borrower may borrow, repay pursuant to Section 2.09 and reborrow under this Section 2.05.

SECTION 2.06 Competitive Bid Procedure. (a) In order to request a CAF Advance, the Borrower shall deliver to the Administrative Agent a written notice in the form of Exhibit E, attached hereto (a

“Competitive Bid Request”), to be received by the Administrative Agent (i) in the case of each CAF Eurodollar Rate Advance, not later than 3:00 P.M. (New York City time), four (4) Business Days before the Borrowing Date specified for such CAF Eurodollar Rate Advance and (ii) in the case of each Fixed Rate Advance, not later than 11:00 A.M. (New York City time), one (1) Business Day before the Borrowing Date specified for such Fixed Rate Advance. Each Competitive Bid Request shall in each case refer to this Agreement and specify (i) the date of Borrowing of such CAF Advances (which shall be a Business Day), (ii) the aggregate principal amount thereof, (iii) whether the CAF Advances then being requested are to be CAF Eurodollar Rate Advances or Fixed Rate Advances, (iv) the maturity date for each CAF Advance requested to be made and (v) the interest payment dates for each CAF Advance requested to be made. The Administrative Agent shall promptly notify each Lender by telex or facsimile transmission of the contents of each Competitive Bid Request received by it. Each Competitive Bid Request may solicit bids for CAF Advances in an aggregate principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and for not more than three alternative maturity dates for such CAF Advances. The maturity date for each CAF Advance shall be not less than 15 days nor more than 180 days after the applicable date of CAF Borrowing (and in any event shall not extend beyond the Termination Date).

(b) Each Lender may, in its sole discretion, irrevocably offer to make one or more CAF Advances to the Borrower responsive to each Competitive Bid Request from the Borrower. Any such irrevocable offer by a Lender must be received by the Administrative Agent, in the form of Exhibit F hereto (a “Competitive Bid”), (i) in the case of each CAF Eurodollar Rate Advance, not later than 10:30 A.M. (New York City time), three (3) Business Days before the Borrowing Date specified for such CAF Eurodollar Rate Advance and (ii) in the case of each Fixed Rate Advance, not later than 9:30 A.M. (New York City time) on the Borrowing Date specified for such Fixed Rate Advance. Competitive Bids that do not conform substantially to the format of Exhibit F may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the Borrower, and the Administrative Agent shall notify the Lender of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and (i) specify the maximum principal amount of CAF Advances for each maturity date (which shall be in an aggregate principal amount not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and which may equal, but not exceed, the principal amount requested for such maturity date by the Borrower) and the aggregate maximum principal amount of CAF Advances for all maturity dates (which amount, with respect to any Lender, may exceed such Lender’s Commitment) that the Lender is willing to make to the Borrower, and (ii) specify the CAF Rate at which the Lender is prepared to make each such CAF Advance. A Competitive Bid submitted by a Lender pursuant to this Section 2.06(b) shall be irrevocable absent manifest error.

(c) The Administrative Agent shall (i) in the case of each CAF Eurodollar Rate Advance, not later than 11:00 A.M. (New York City time) three (3) Business Days before the Borrowing Date specified for such CAF Eurodollar Rate Advance and (ii) in the case of each Fixed Rate Advance, not later than 10:00 A.M. (New York City time) on the Borrowing Date specified for such Fixed Rate Advance, notify the Borrower in writing of all the Competitive Bids made (arranging each such bid in ascending interest rate order), and the CAF Rate or Rates and the maximum principal amount of each CAF Advance in respect of which a Competitive Bid was made, and the identity of the Lender that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to the Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.06.

(d) The Borrower may in its sole and absolute discretion, subject only to the provisions of this Section 2.06(d), accept or reject any Competitive Bid referred to in Section 2.06(c); provided, however, that the aggregate amount of the Competitive Bids for CAF Advances so accepted by the Borrower may not exceed the lesser of (i) the principal amount of the applicable CAF Borrowing requested by the Borrower in respect thereof and (ii) the amount of the Commitments less the Total Aggregate Outstanding Extensions of Credit then outstanding, after giving effect to the application of the proceeds of such respective CAF Borrowing on the Borrowing Date therefor. The Borrower shall notify the Administrative Agent in writing whether and to what extent it has decided to accept or reject any or all of the bids referred to in Section 2.06(c) by delivering to the Administrative Agent a written notice in the form of Exhibit G hereto (a “Competitive Bid Confirmation”), (i) in the case of each CAF Eurodollar Rate Advance, not later than 1:00 P.M. (New York City time), three (3) Business Days before the Borrowing Date specified for such CAF Eurodollar Rate Advance and (ii) in the case of each Fixed Rate Advance, not later than 11:00 A.M. (New York City time) on the Borrowing Date specified for such Fixed Rate Advance, which Competitive Bid Confirmation shall specify the principal amount of CAF Advances for each relevant maturity date to be made by each such bidding Lender (which amount for each such maturity date shall be equal to or less than the maximum amount for such maturity date specified in the Competitive Bid of such Lender, and for all

maturity dates included in such Competitive Bid in respect thereof shall be equal to or less than the aggregate maximum amount specified in such Competitive Bid for all such maturity dates); provided, however, that (A) the failure by the Borrower to so deliver a Competitive Bid Confirmation by the specified time shall be deemed to be a rejection of all the bids referred to in Section 2.06(c) for the related Competitive Bid Request; (B) the Borrower shall not accept a bid made at a particular CAF Rate for a particular maturity if the Borrower has decided to reject a bid made at a lower CAF Rate for such maturity; (C) if the Borrower shall accept bids made at a particular CAF Rate for a particular maturity but shall be restricted by other conditions hereof from borrowing the maximum principal amount of CAF Advances in respect of which bids at such CAF Rate have been made, then the Borrower shall accept a pro rata portion of each bid made at such CAF Rate based as nearly as possible on the respective maximum principal amounts of CAF Advances offered to be made by the relevant Lenders pursuant to such bids; and (D) no bid shall be accepted for a CAF Advance by any Lender unless such CAF Advance is in an aggregate principal amount not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof. Notwithstanding the foregoing, if it is necessary for the Borrower to accept a pro rata allocation of the bids made in response to a Competitive Bid Request (whether pursuant to the events specified in clause (C) above or otherwise) and the available principal amount of CAF Advances to be allocated among the Lenders is not sufficient to enable CAF Advances to be allocated to each Lender in an aggregate principal amount not less than \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof, then the Borrower shall, subject to clause (D) above, select the Lenders to be allocated such CAF Advances and shall round allocations up or down to the next higher or lower multiple of \$1,000,000 as it shall deem appropriate; provided that the allocations among the Lenders to be allocated such CAF Advances shall be made pro rata based as nearly as possible on the respective maximum principal amounts of CAF Advances offered to be made by such Lenders. The Competitive Bid Confirmation given by the Borrower pursuant to this Section 2.06(d) shall be irrevocable.

(e) Upon receipt from the Administrative Agent of the Eurodollar Rate applicable to any CAF Eurodollar Rate Advance to be made by any Lender pursuant to a Competitive Bid that has been accepted by the Borrower pursuant to this Section 2.06, the Administrative Agent shall notify such Lender of the applicable Eurodollar Rate.

(f) If the Administrative Agent shall at any time elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the Borrower by (i) in the case of a CAF Eurodollar Rate Advance, not later than 10:15 A.M. (New York City time), and (ii) in the case of a Fixed Rate Advance, not later than 9:15 A.M. (New York City time), in each case, on the Business Day on which the other Lenders are required to submit their bids to the Administrative Agent pursuant to Section 2.06(b) above.

(g) If the Borrower accepts pursuant to Section 2.06(d) one or more of the offers made by any Lender or Lenders, the Administrative Agent shall promptly notify each Lender that has made such an offer of the aggregate amount of such CAF Advances to be made on the Borrowing Date for each maturity date and of the acceptance or rejection of any offers to make such CAF Advances made by such Lender. Each Lender that is to make a CAF Advance shall, before 12:00 Noon (New York City time) on the Borrowing Date specified in the Competitive Bid Request applicable thereto, make available to the Administrative Agent at its office set forth in Section 8.02 the amount of CAF Advances to be made by such Lender, in immediately available funds. The Administrative Agent shall, no later than 1:00 P.M. (New York City time) on such Borrowing Date, make such funds available to the Borrower at the Borrower's account as shall be designated by it to the Administrative Agent from time to time. As soon as practicable after each Borrowing Date, the Administrative Agent shall notify each Lender of the aggregate amount of CAF Advances advanced on such Borrowing Date and the respective maturity dates thereof.

(h) The Borrower shall repay to the Administrative Agent for the account of each Lender that has made a CAF Advance (or the Eligible Assignee in respect thereof, as the case may be) on the maturity date of each CAF Advance (such maturity date being that specified by the Borrower for repayment of such CAF Advance in the related Competitive Bid Request) the then unpaid principal amount of such CAF Advance. The Borrower shall not, without the consent of the relevant Lender, have the right to prepay, at its option, any principal amount of any CAF Advance.

All notices required by this Section 2.06 shall be made in accordance with Section 8.02 hereof; provided, however, that each request or notice required to be made under Section 2.06(a) or 2.05(d) by the Borrower may be made by

the giving of telephone notice to the Administrative Agent that is promptly confirmed by delivery of a notice in writing (complying in all material respects with the form of Exhibit B or Exhibit E, as the case may be) to the Administrative Agent.

SECTION 2.07 Fees. (a) Commitment Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender the commitment fee on the aggregate amount of such Lender's Unused Revolving Credit Commitment, from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2007, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

(c) Letter of Credit Fees, Etc. (i) The Borrower shall pay to the Administrative Agent for the account of each Lender a commission, payable in arrears quarterly on the last day of each March, June, September and December, and on the Termination Date, on such Lender's Pro Rata Share of the average daily aggregate Available Amount during such quarter of all Letters of Credit outstanding from time to time at the rate of the Applicable Margin for Eurodollar Rate Advances under the Revolving Facility.

(ii) The Borrower shall pay to each Issuing Bank, for its own account, a fronting fee payable in arrears quarterly on the last day of each March, June, September and December, and on the Termination Date, in an amount equal to 0.125% on the average daily aggregate Available Amount during such quarter of all Letters of Credit issued by such Issuing Bank and outstanding from time to time.

(iii) The Borrower shall pay to each Issuing Bank, for its own account, issuance fees and transfer fees in connection with the issuance or administration of each Letter of Credit as the Borrower and such Issuing Bank shall agree.

(iv) The Borrower shall pay the Applicable Utilization Fees in accordance with Section 2.10(a).

(v) The Administrative Agent shall, promptly following its receipt thereof, distribute to the Lenders all commissions received by the Administrative Agent for their respective accounts pursuant to this Section 2.07(c).

SECTION 2.08 Termination or Reduction of the Revolving Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Revolving Commitments of the Lenders, provided that (i) each partial reduction shall be in a minimum aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (ii) no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments made under Section 2.13 by the Borrower on the effective date thereof, the Total Aggregate Outstanding Extensions of Credit then outstanding would exceed the Total Commitments then in effect. Any terminated or permanently reduced portion of the respective Revolving Commitments of the Lenders may not be reinstated.

Each reduction of Revolving Commitments pursuant to this Section 2.08 shall be applied pro rata to the Revolving Commitments of each Lender. If at any time, including after giving effect to any reduction of the Revolving Commitments pursuant to this Section 2.08, the Total Aggregate Outstanding Extensions of Credit exceed the Total Commitments, the Borrower shall be obligated, first, to prepay the Revolving Advances and the Letter of Credit Advances in the amount of such excess and second, to prepay the CAF Advances (whether or not consented to by the relevant Lender) to the extent that the aggregate amount of CAF Advances exceeds such Total Commitments after prepayment of all Revolving Advances and Letter of Credit Advances.

SECTION 2.09 Repayment. (a) Revolving Advances. The Borrower shall repay to the Administrative Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Advances then outstanding.

(b) Letter of Credit Advances. The Borrower shall repay to the Administrative Agent for the account of each Issuing Bank and each other Lender that has made a Letter of Credit Advance on or before the date of such payment if the Borrower receives notice of such payment on or before 10:00 a.m. (New York City time) on the date such payment is made by such Issuing Bank and if such notice is received after 10:00 a.m. (New York City time) on the next Business Day after such payment is to be made by such Issuing Bank, the outstanding principal amount of each Letter of Credit Advance made by each of them.

(c) Obligations Absolute.

(i) The Borrower's payment obligations under Section 2.09 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment that the Borrower may have or have had against the relevant Issuing Bank or any beneficiary of a Letter of Credit other than a defense based upon the gross negligence or willful misconduct of such Issuing Bank or violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(ii) The Borrower also agrees with each Issuing Bank that no Issuing Bank shall be responsible for, and the Borrower's payment obligations under Section 2.09 shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee.

(iii) No Issuing Bank shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by such Issuing Bank's gross negligence or willful misconduct or in violation of the standards of care specified in the Uniform Commercial Code of the State of New York.

(iv) The Borrower agrees that any action taken or omitted by any Issuing Bank under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of such Issuing Bank to the Borrower.

SECTION 2.10 Interest. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Revolving Advance and Letter of Credit Advance owing to each Lender from the date of such Revolving Advance and Letter of Credit Advance to but excluding the date such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Advance or Letter of Credit Advance is a Base Rate Advance (excluding each Swingline Loan), a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, payable in arrears quarterly on the last day of each March, June, September and December, during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Advance is a Revolving Advance or Letter of Credit Advance bearing interest at the Eurodollar Rate, a rate per annum equal at all times during each Interest Period for such Revolving Advance to the sum of (x) the Eurodollar Rate for

such Interest Period for such Revolving Advance or Letter of Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(iii) CAF Eurodollar Rate Advances. In the case of each CAF Eurodollar Rate Advance, a rate per annum equal at all times to the sum of the Eurodollar Rate applicable to such CAF Advance plus or minus, as the case may be, the CAF Margin specified by a Lender with respect to such CAF Advance in its Competitive Bid submitted pursuant to Section 2.06(b), payable on the date or dates specified in the relevant Competitive Bid Request.

(iv) Swingline Loans. In the case of each Swingline Loan, a rate per annum equal at all times to (x) the sum of the Base Rate in effect from time to time plus that Applicable Margin in effect from time to time, or (y) the Money Market Rate, at the election of the Borrower pursuant to Section 2.03, payable in arrears quarterly on the last day of each March, June, September and December and on the date of payment of such Swingline Loan.

(b) Default Interest. Upon the occurrence and during the continuance of any default in the payment of any amount owed hereunder, the Administrative Agent may, and upon the request of the Required Lenders shall, require the Borrower to pay interest ("Default Interest") on (i) the unpaid principal amount of each Revolving Advance or Letter of Credit Advance past due and owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2.00% per annum above the rate per annum required to be paid on such Revolving Advance or Letter of Credit Advance pursuant to clause (a)(i), (a)(ii) or (a)(iii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2.00% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above; provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Administrative Agent.

SECTION 2.11 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.10(a)(i), (ii) or (iii).

(b) If, with respect to any Eurodollar Rate Advances, the Required Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Revolving Advances or Letter of Credit Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Advances or Letter of Credit Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist. This Section shall not apply to Swingline Loans, which may not be converted or continued.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Administrative Agent will forthwith so notify the Borrower and the Lenders and such Revolving Advances or Letter of Credit Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances. If no Advances are outstanding at the time of delivery of a Notice of Borrowing with respect to Eurodollar Rate Advances and the Borrower shall fail to select an Interest Period for such Advances, such Advances shall be made as Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Revolving Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$10,000,000, such Revolving Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Revolving Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.12 Optional Conversion of Revolving Advances. The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.11 and 2.15, Convert all Revolving Advances of one Type comprising the same Borrowing into Revolving Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Advances shall result in more separate Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Revolving Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.13 Optional Prepayments of Revolving Advances. The Borrower may, upon at least two Business Days' notice (or such shorter or no notice as may be satisfactory to the Administrative Agent) to the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender), in the case of a Revolving Borrowing consisting of Eurodollar Rate Advances, or upon same day notice to the Administrative Agent, in the case of a Revolving Borrowing consisting of Base Rate Advances, stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Advances comprising part of the same Revolving Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in a minimum aggregate principal amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

SECTION 2.14 Increased Costs. (a) If, after the date hereof, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or CAF Eurodollar Rate Advances (excluding for purposes of this Section 2.14 any such increased costs resulting from (A) Taxes or Other Taxes (as to which Section 2.17 shall govern), (B) net income taxes and franchise taxes imposed on such Lender as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and such Lender other than a connection arising solely from such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the Advances and (C) changes in the rate of tax on the overall net income of such Lender), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such actual increased cost; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines in good faith that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any

corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to the Administrative Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error. The Borrower shall pay to the Administrative Agent for the account of such Lender or to the Administrative Agent for its own account, as the case may be, the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(c) The agreements contained in this Section 2.14 shall survive the termination of this Agreement and the payment of all amounts payable hereunder; provided, however, that in no event shall the Borrower be obligated to reimburse or compensate any Lender for amounts contemplated by this Section 2.14 for any period prior to the date that is 90 days prior to the date upon which such Lender requests in writing such reimbursement or compensation from the Borrower.

SECTION 2.15 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that it has determined in good faith that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or CAF Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances or CAF Eurodollar Rate Advances hereunder, (a) each Eurodollar Rate Advance or CAF Eurodollar Rate Advance, as the case may be, will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.10(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurodollar Rate Advances or CAF Eurodollar Rate Advances or to Convert Revolving Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Lender or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or CAF Eurodollar Rate Advances, as the case may be, or to continue to fund or maintain Eurodollar Rate Advances or CAF Eurodollar Rate Advances, as the case may be, and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.16 Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes (if any), irrespective of any right of counterclaim or set-off, not later than 12:00 Noon (New York City time) on the day when due in U.S. dollars to the Administrative Agent at the Administrative Agent's Account in same day funds, except payments to be made directly to the Swingline Lender as expressly provided herein. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Sections 2.06, 2.14, 2.17 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes or CAF Notes (if any) in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note or CAF Note, as the case may be, held by such Lender (if any), to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate and of facility fees and utilization fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all

computations of interest based on the Eurodollar Rate, the CAF Rate or the Federal Funds Rate or in respect of Fixed Rate Advances shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be prima facie evidence of the correctness thereof.

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

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

SECTION 2.17 Taxes. (a) Any and all payments by the Borrower to or for the account of any Lender or the Administrative Agent hereunder or under the Notes or CAF Notes (if any) or any other documents to be delivered hereunder shall be made, in accordance with Section 2.16 or the applicable provisions of such other documents, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges, or withholdings and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, net income taxes and franchise taxes imposed on it as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Administrative Agent or such Lender other than a connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note or CAF Note, if any (all such non excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes or CAF Notes (if any) being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or CAF Note or any other documents to be delivered hereunder to any Lender or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law; provided, however, that the Borrower shall not be required to increase any such sums payable to any Lender with respect to any Taxes (i) that are attributable to such Lender's failure to comply with the requirements of Section 2.17(e) or (ii) that are United States withholding taxes imposed on sums payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that any such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to this Section 2.17. Whenever any Taxes or Other Taxes (as defined in Section 2.17(b)) are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Lender or Administrative Agent, as the case may be, either (A) official tax receipts or notarized copies of such receipts to such Lender within thirty (30) days after payment of any applicable tax or (B) a certificate executed by a Responsible Officer of the Borrower confirming that such Taxes or Other Taxes have been paid, together with evidence of such payment.

(b) In addition, the Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or CAF Notes (if any) or any other documents to be delivered hereunder or from the execution, delivery or

registration of, performing under, or otherwise with respect to, this Agreement or the Notes or CAF Notes (if any) or any other documents to be delivered hereunder (hereinafter referred to as “Other Taxes”).

(c) The Borrower shall indemnify each Lender and the Administrative Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this Section 2.17) imposed on or paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, including, without limitation or duplication, any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any failure by the Borrower to pay any Taxes or Other Taxes when due to the appropriate taxing authority or to remit to any Lender the receipts or other evidence of payment of Taxes or Other Taxes.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing such payment to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Administrative Agent. In the case of any payment hereunder or under the Notes or CAF Notes (if any) or any other documents to be delivered hereunder by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Administrative Agent, at such address, an opinion of counsel acceptable to the Administrative Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms “United States” and “United States person” shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender registered in the Register that is not a United States person as defined in Section 7701(a)(30) of the Internal Revenue Code agrees that it will deliver to the Borrower and the Administrative Agent on the Effective Date, or on the date which it becomes a party to this Agreement, two duly completed copies of United States Internal Revenue Service Form W-8BEN, W-8ECI, W-8EXP or W-8IMY (or other appropriate corresponding form) or any successor applicable form, as the case may be. Each such Lender also agrees to deliver to the Borrower and the Administrative Agent two further copies of the said Form W-8BEN, W-8ECI, W-8EXP or W-8IMY or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower or the Administrative Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required that renders all such forms inapplicable or that would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Administrative Agent. Each such Lender shall certify in the case of a Form W-8BEN, W-8ECI, W-8EXP or W-8IMY that is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. In the event that any such Lender fails to deliver any forms required under this Section 2.17(e), the Borrower’s obligation to pay additional amounts shall be reduced to the amount that it would have been obligated to pay had such forms been provided.

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form, certificate or other document described in Section 2.17(e) (other than if such failure is due to a change in law, or in the interpretation or application thereof, occurring subsequent to the date on which a form, certificate or other document originally was required to be provided, or if such form, certificate or other document otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.17(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.17 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the

amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(h) If any Taxes or Other Taxes are not correctly or legally asserted and the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of those Taxes or Other Taxes as to which it has been indemnified by the Borrower, the Administrative Agent or such Lender shall within 20 days after such refund pay to the Borrower the amount of such refund to the extent that the Borrower indemnified the Administrative Agent or such Lender for such Taxes or Other Taxes pursuant to this Section 2.17, net of any out-of-pocket costs of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.18 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set off, or otherwise) on account of the Revolving Advances or participations in Swingline Loans owing to it (other than pursuant to Sections 2.14, 2.15, 2.20 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.18 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.19 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely for general corporate purposes, including capital expenditures and to repay commercial paper and commercial paper backstop facilities.

SECTION 2.20 Extension Option. The Borrower may request that the Commitments be extended for additional one year periods by providing not less than 30 days' written notice (the date of such notice, a "Notice Date") to the Administrative Agent prior to any anniversary of the Closing Date. If a Lender agrees, in its individual and sole discretion, to extend its Commitment (such Lender, an "Extending Lender"), it will notify the Administrative Agent, in writing, of its decision to do so no later than 20 days after the applicable Notice Date. The Administrative Agent will notify the Borrower, in writing, of the Lenders' decisions no later than 25 days after such Notice Date. The Extending Lenders' Commitments will be extended for an additional year from the Termination Date (the "Extended Termination Date") or the Extended Termination Date (the "Second Extended Termination Date"); provided that (i) more than 50% of the Commitments is extended or otherwise committed to by Extending Lenders and any new Lenders and (ii) on the date of any request by the Borrower to extend the Commitments, the applicable conditions set forth in Section 3.02 shall be satisfied. No Lender shall be required to consent to any such extension request and any Lender that declines or does not respond to the Borrower's request for commitment renewal (a "Declining Lender") will have its Commitment terminated on the then existing Termination Date (without regard to any renewals by other Lenders). The Borrower will have the right to accept commitments from Eligible Assignees in an amount equal to the amount of the Commitments of any Declining Lenders; provided that the Extending Lenders will have the right to increase their Commitments up to the amount of the Declining Lenders' Commitments before the Borrower will be permitted to substitute any Eligible Assignees for the Declining Lenders. The Borrower may only extend the Termination Date twice during the term of this Agreement pursuant to this Section 2.20.

SECTION 2.21 Increase in the Aggregate Revolving Commitments. (a) The Borrower may, at any time but in any event not more than twice in any calendar year prior to the Termination Date, whether or not the Revolving Commitments have been reduced pursuant to Section 2.08, by notice to the Administrative Agent, request that the aggregate amount of the Commitments be increased by an amount of \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof (a “Commitment Increase”) to be effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the “Increase Date”) as specified in the related notice to the Administrative Agent; provided, however, that (i) in no event shall the aggregate amount of the Commitments at any time exceed \$1,425,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in Section 3.02 shall be satisfied.

(b) The Administrative Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which the Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Commitments (the “Commitment Date”). Lender Bank that is willing, in its sole discretion, to participate in such requested Commitment Increase (each an “Increasing Lender”) shall give written notice to the Administrative Agent and the Borrower on or prior to the Commitment Date of the amount by which it is willing to increase its Revolving Commitment. If the Banks notify the Administrative Agent and the Borrower that they are willing to increase the amount of their respective Revolving Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Administrative Agent.

(c) Promptly following each Commitment Date, the Administrative Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may request Lenders to increase their participation and extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Commitment of each such Eligible Assignee shall be in an amount not less than \$10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.21(b) (each such Eligible Assignee, an “Assuming Bank”) shall become a Lender party to this Agreement as of such Increase Date and the Revolving Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.21(b)) as of such Increase Date; provided, however, that the Administrative Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors (or other governing body) of the Borrower or the Executive Committee of such Board (or other governing body) approving the Commitment Increase and the corresponding modifications to this Agreement and (B) opinions of counsel for the Borrower (which may be in-house counsel), in form and substance reasonably acceptable to the Administrative Agent, covering the matters covered by the opinions of counsel delivered pursuant to Section 3.01 (d)(iv) and Section 3.01(d)(v) hereof;

(ii) an assumption agreement from each Assuming Bank, if any, substantially in the form of Exhibit I hereto (each an “Assumption Agreement”), duly executed by such Eligible Assignee, the Administrative Agent and the Borrower; and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Revolving Commitment in a writing satisfactory to the Borrower and the Administrative Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.21(d), the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Bank) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the

Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Bank on such date.

(e) The Administrative Agent shall promptly notify the Borrower and the Lenders of any increase in the amount of the aggregate Revolving Commitments pursuant to this Section and of the respective adjusted Revolving Commitment and Commitment Percentage of each Lender after giving effect thereto. The Borrower acknowledges that, in order to maintain the Revolving Advances in accordance with the Commitment Percentage of each Lender, a non-pro-rata increase in the aggregate Revolving Commitment may require prepayment or funding of all or portions of certain Revolving Advances on the date of such increase (and any such prepayment or funding shall be subject to the other provisions of this Agreement). Effective upon such increase, the amount of the participations held by each Lender in each Letter of Credit then outstanding shall be adjusted such that, after giving effect to such adjustments, each Lender shall hold participations in each such Letter of Credit in accordance with the Commitment Percentage of such Lender after giving effect to such increase.

SECTION 2.22 Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Administrative Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender, with a copy to the Administrative Agent, a Note or a CAF Note, as the case may be, in substantially the form of Exhibit A or Exhibit D hereto, respectively and as the case may be, payable to the order of such Lender in a principal amount equal to the amount of the Revolving Advance or the CAF Advance, as the case may be, of such Lender. All references to Notes or CAF Notes in the Loan Documents shall mean Notes or CAF Notes, respectively and if any, to the extent issued hereunder.

(b) The Register maintained by the Administrative Agent pursuant to Section 8.07(c) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Administrative Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent or such Lender Party to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effectiveness of Sections 2.01 and 2.05. Sections 2.01 and 2.05 of this Agreement shall become effective on and as of the first date prior to July 31, 2007 (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Administrative Agent shall have received, for the benefit of the lenders under the Existing Credit Facility, all accrued interest and fees, including any facility fees, utilization fees and letter of credit fees, due and payable under the Existing Credit Facility as of the Closing Date.

(b) The effectiveness, substantially concurrently with the effective of this Agreement, of (i) the \$1,200,000,000 credit facility to be arranged by the Global Coordinators for CenterPoint Energy, Inc. and (ii) the \$300,000,000 credit facility to be arranged by the Global Coordinators for CenterPoint Energy Houston Electric, LLC.

(c) The Borrower shall have paid all accrued fees and expenses of the Lenders and the Administrative Agent (including the accrued fees and expenses of counsel to the Administrative Agent) and taxes, if any, due and payable hereunder and under the Fee Letter.

(d) The Administrative Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Administrative Agent and (except for the Notes):

(i) This Agreement, duly executed by the Borrower and each other party hereto.

(ii) The Notes, duly executed by the Borrower and made payable to the order of each Lender who has requested a Note, pursuant to Section 2.22(a).

(iii) Certified copies of the (A) resolutions of the board of directors of the Borrower approving this Agreement and the Notes (if any), and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes (if any) and (B) certificate of incorporation and bylaws of the Borrower (such certificate, duly executed by an authorized officer of the Borrower, shall state that such resolutions, certificate of incorporation and bylaws are in full force and effect as of the Effective Date).

(iv) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes (if any) and the other documents to be delivered hereunder.

(v) A favorable opinion of Baker Botts LLP, counsel for the Borrower, in form and substance satisfactory to the Administrative Agent.

(vi) A favorable opinion of the in-house counsel of the Borrower, in form and substance satisfactory to the Administrative Agent.

(e) The Administrative Agent shall have received from the Borrower such other approvals, opinions or documents as any Lender through the Administrative Agent may reasonably request.

SECTION 3.02 Conditions Precedent to Each Revolving Borrowing, Issuance and Commitment Increase. The obligation of each Lender to make a Revolving Advance on the occasion of each Revolving Borrowing and the Obligation of each Issuing Bank to issue or amend a Letter of Credit (including the initial issuance) or renewal of a Letter of Credit, other than in the case of an automatic renewal, and each Commitment Increase and each extension of Commitments pursuant to Section 2.20 and each Swingline Loan pursuant to Section 2.03 hereof shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Borrowing, issuance or the Commitment Increase (a) the following statements shall be true (and each of the giving of the Applicable Notice of Borrowing, Notice of Letter of Credit Issuance or request for Commitment Increase and the acceptance by the Borrower of the proceeds of such Revolving Borrowing or of such Letter of Credit or the renewal of such Letter of Credit, other than in the case of an automatic renewal, shall constitute a representation and warranty by the Borrower that on the date of such Revolving Borrowing, Issuance, renewal or Commitment Increase such statements are true):

(i) the representations and warranties contained in Section 4.01 (except after the Effective Date, the last sentence of subsection (e) thereof, subsection (f)(i) thereof, subsection (i) (only with respect to environmental issues) and other representations that by their terms are limited to a specific date) are correct in all material respects on and as of such date, before and after giving effect to such Revolving

Borrowing, issuance or renewal or Commitment Increase and to the application of the proceeds therefrom, as through made on and as of such date; and

(ii) no event has occurred and is continuing, or would result from such Revolving Borrowing, issuance or renewal of any Letter of Credit or such Commitment Increase or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Administrative Agent shall have received such other approvals, opinions or documents as any Lender through the Administrative Agent may reasonably request.

SECTION 3.03 Conditions Precedent to Each CAF Borrowing. The obligation of each Lender that is to make a CAF Advance on the occasion of a CAF Borrowing to make such CAF Advance as part of such CAF Borrowing is subject to the conditions precedent that (i) the Administrative Agent shall have received the written confirmatory Competitive Bid Request pursuant to Section 2.06(a) with respect thereto, (ii) the Administrative Agent shall have received a Competitive Bid Confirmation from the Borrower pursuant to Section 2.06(d), (iii) on or before the date of such CAF Borrowing, but prior to such CAF Advance, the Administrative Agent shall have received a CAF Note in accordance with Section 2.22(a) payable to the order of such Lender for each of the one or more CAF Advances to be made by such Lender as part of such CAF Borrowing, in a principal amount equal to the principal amount of the CAF Advance to be evidenced thereby and otherwise on such terms as were agreed to for such CAF Advance in accordance with Section 2.06, and (iv) on the date of such CAF Borrowing the following statements shall be true (and each of the giving of the applicable Competitive Bid Request and the acceptance by the Borrower of the proceeds of such CAF Borrowing shall constitute a representation and warranty by the Borrower that on the date of such CAF Borrowing such statements are true):

(a) the representations and warranties contained in Section 4.01 (except after the Effective Date, the last sentence of subsection (e) thereof, subsection (f)(i) thereof, subsection (i) (only with respect to environmental issues) and other representations and warranties that by their terms are limited to a specific date) are correct in all material respects on and as of the date of such CAF Borrowing, before and after giving effect to such CAF Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) no event has occurred and is continuing, or would result from such CAF Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(c) no event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Administrative Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.04 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Administrative Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

CERC Credit Agreement

(a) The Borrower is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation.

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes or CAF Notes (if any), and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Borrower's certificate of incorporation or by laws or any law or any contractual restriction binding on or affecting the Borrower, or (ii) constitute a default under any existing indenture, loan agreement or other material agreement to which the Borrower or any Subsidiary of the Borrower is a party.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes or CAF Notes (if any), and no law or regulation is applicable that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(d) This Agreement has been, and each of the Notes or CAF Notes (if any) when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes or CAF Notes (if any) when delivered hereunder will be, the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2006, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche LLP, independent public accountants, copies of which have been furnished to each Lender, fairly present, in all material respects, the Consolidated financial condition of the Borrower and its Subsidiaries as at such date and the Consolidated results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2006, there has been no Material Adverse Change.

(f) There is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could, as of the Effective Date, be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any other Loan Document or the consummation of the transactions contemplated hereby.

(g) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

(h) Neither the Borrower nor any Subsidiary of the Borrower is an "investment company" as defined in, or otherwise subject to regulation under, the Investment Company Act of 1940, as amended.

(i) The Borrower is and each of its Subsidiaries are in substantial compliance with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except for any non-compliance that could not reasonably be expected to have a Material Adverse Effect.

(j) All written information heretofore furnished by the Borrower to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is stated in the light of the circumstances under which such information was provided (as modified or supplemented by other information so furnished, when taken together as a whole as of the date so stated); provided, that, with respect to projected financial information, the Borrower represents only that such

information was prepared in good faith based on assumptions believed to be reasonable at the time, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. The Borrower has disclosed to the Administrative Agent any and all facts specific to the Borrower and its Subsidiaries and known as of the date hereof to a Responsible Officer of the Borrower that could reasonably be expected to result in a Material Adverse Effect or which could reasonably be expected to materially and adversely affect or may affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole.

ARTICLE V
COVENANTS OF THE BORROWER

SECTION 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder or any Letter of Credit is outstanding under this Agreement, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, except to the extent the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Significant Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property or unless the failure to pay could not reasonably be expected to result in a Material Adverse Effect; provided, however, that neither the Borrower nor any of its Significant Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained or unless the failure to pay could not reasonably be expected to result in a Material Adverse Effect.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties and to the extent consistent with prudent business practice.

(d) Preservation of Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its existence, rights (charter and statutory) and franchises, except (other than in the case of the Borrower) to the extent such failure could not reasonably be expected to have a Material Adverse Effect; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right or franchise if the board of directors (or similar governing body) of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary or the Lenders.

(e) Visitation Rights. The Borrower will, and will cause each of its Subsidiaries to, at any reasonable time and from time to time, permit up to six representatives of the Lenders designated by the Required Lenders, or representatives of the Administrative Agent, on not less than five (5) Business Days' notice, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and each Significant Subsidiary and to discuss the general business affairs of the Borrower and each of its Subsidiaries with their respective officers and independent certified public

accountants; subject, however, in all cases to the imposition of such conditions as the Borrower and each of its Significant Subsidiaries shall deem necessary based on reasonable considerations of safety and security; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to disclose to the Administrative Agent, any Lender or any agents or representatives thereof any information which is the subject of attorney-client privilege or attorney work-product privilege properly asserted by the applicable Person to prevent the loss of such privilege in connection with such information or which is prevented from disclosure pursuant to a confidentiality agreement with third parties. Notwithstanding the foregoing, none of the conditions precedent to the exercise of the right of access described in the preceding sentence that relate to notice requirements or limitations on the Persons permitted to exercise such right shall apply at any time when a Default or an Event of Default shall have occurred.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, to the extent the failure to so maintain would not reasonably be expected to have a Material Adverse Effect.

(h) Maintenance of Existing Business. Maintain and preserve its fundamental business of being a local gas distribution company and an owner and operator of natural gas pipeline systems.

(i) Use of Proceeds. Use the proceeds of each Advance only for general corporate purposes, including to repay the Existing Credit Facility and for capital expenditures, of the Borrower and its Subsidiaries, and the repayment of commercial paper.

(j) Reporting Requirements. Furnish to the Lenders:

(i) as soon as practicable and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, unaudited Consolidated balance sheets of the Borrower and its Subsidiaries, prepared in conformity with GAAP consistently applied, as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries (including Unrestricted Subsidiaries), prepared in conformity with GAAP consistently applied, for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year end audit adjustments and the inclusion of abbreviated footnotes) by a Responsible Officer of the Borrower as having been prepared in accordance with generally accepted accounting principles and certificates of a Responsible Officer of the Borrower as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03 (which requirement may be satisfied by delivering the Borrower's quarterly report on Form 10-Q with respect to such fiscal quarter as filed with the Securities and Exchange Commission);

(ii) as soon as practicable and in any event within 120 days after the end of each fiscal year of the Borrower commencing 2007, a copy of the annual audit report for such year for the Borrower and its Subsidiaries (including Unrestricted Subsidiaries), containing Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries (including Unrestricted Subsidiaries) for such fiscal year accompanied by an opinion of an independent public accountant, in each case prepared in conformity with GAAP consistently applied (which requirement may be satisfied by delivering the Borrower's annual report on Form 10-K with respect to such fiscal year as filed with the Securities and Exchange Commission) together with a certificate of a Responsible Officer of the Borrower identifying Significant Subsidiaries determined with respect to such financial statements;

(iii) as soon as practicable and in any event within seven Business Days after a Responsible Officer of the Borrower becomes aware of the occurrence of each Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) within ten (10) days of the filing thereof, copies of all periodic reports (other than (x) reports on Form 11-K or any successor form, (y) current reports on Form 8-K that contain no information other than exhibits filed therewith and (z) reports on Form 10-Q or 10-K or any successor forms) under the Exchange Act (in each case other than exhibits thereto and documents incorporated by reference therein) filed by the Borrower with the Securities and Exchange Commission;

(v) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f); and

(vi) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Administrative Agent may from time to time reasonably request.

Information required to be delivered pursuant to the foregoing Sections 5.01(j)(i), (ii) and (iv) shall be deemed to have been delivered on the date on which the Borrower provides notice (including notice by e-mail) to the Administrative Agent (which notice the Administrative Agent will convey promptly to the Lenders) that such information has been posted on the Securities and Exchange Commission website on the internet at sec.gov/edgar/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; provided that such notice may be included in a certificate delivered pursuant to Section 5.01(j)(i).

SECTION 5.02 Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder or any Letter of Credit is outstanding under this Agreement, the Borrower will not:

(a) Restrictions on Liens. Pledge, mortgage or hypothecate, or permit to exist, and will not permit any Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) to pledge, mortgage or hypothecate, or permit to exist, except in favor of Borrower or any Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary), any Lien upon, any Principal Property or Equity Interest in any Significant Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) owning any Principal Property, at any time owned by Borrower or a Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary), to secure any Indebtedness; provided, however, that this restriction shall not apply to or prevent the creation or existence of:

(i) Permitted Liens;

(ii) any Lien in existence on the date hereof securing Indebtedness of the Borrower or any of its Subsidiaries; provided that no such Lien described in this clause (ii) encumbers any additional Property after the date hereof and that the principal amount of Indebtedness secured thereby is not increased;

(iii) Liens required to be granted pursuant to "equal and ratable" clauses existing on the date hereof under Contractual Obligations of the Borrower and its Restricted Subsidiaries (and extensions and renewals thereof);

(iv) Liens arising in connection with the securitization of accounts receivable of the Borrower and its Subsidiaries, in the case of the Borrower and its Subsidiaries, to the extent

affecting only the accounts receivable of the Borrower and its Subsidiaries and assets customarily related thereto;

(v) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Restricted Subsidiary; provided that (A) such Liens secure Indebtedness otherwise permitted by this Agreement, (B) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (C) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (D) such Lien shall not apply to any other property or assets of the Borrower or of its Restricted Subsidiaries (other than repairs, renewals, replacements, additions, accessions, improvements and betterments thereto);

(vi) Liens on Property and repairs, renewals, replacements, additions, accessions, improvements and betterments thereto existing at the time such Property is acquired by the Borrower or any Restricted Subsidiary and not created in contemplation of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the Property of any Person at the time such Person becomes a Restricted Subsidiary of the Borrower and not created in contemplation of such Person becoming a Restricted Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto);

(vii) rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license or permit, or by any Requirements of Law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Property of the Borrower or any of its Restricted Subsidiaries;

(viii) rights reserved to or vested in (or exercised by) any Governmental Authority to control, regulate or use any Property of a Person or its activities, including zoning, planning and environmental laws and ordinances and municipal regulations;

(ix) Liens on Property of the Borrower or any of its Restricted Subsidiaries securing non-recourse Indebtedness of the Borrower or any such Restricted Subsidiary;

(x) any extension, renewal or refunding of any Lien permitted by clauses (i) through (ix) above on the same Property previously subject thereto; provided that no extension, renewal or refunding of any such Lien shall increase the principal amount of any Indebtedness secured thereby immediately prior to such extension, renewal or refunding, unless such Indebtedness is permitted under Section 5.03;

(xi) Liens on cash collateral to secure obligations of the Borrower and its Restricted Subsidiaries in respect of cash management arrangements with any Lender or Affiliate thereof; and

(xii) Liens not otherwise permitted by this Section 5.02(a) securing Indebtedness of the Borrower and its Restricted Subsidiaries so long as the aggregate outstanding principal amount of the obligations secured thereby does not at any time exceed at the time of incurrence of such obligations (including any such incurrence resulting from any extension, renewal or refunding of such obligations), as to the Borrower and all of its Restricted Subsidiaries, 10% of Net Tangible Assets.

(b) Consolidation, Mergers or Disposal of Assets. And will not permit any Significant Subsidiary (other than a MLP Unrestricted Subsidiary) to, (i) consolidate with, or merge into or amalgamate with or into, any other Person; (ii) liquidate, wind up or dissolve itself (or suffer any

liquidation or dissolution); or (iii) convey, sell, transfer, lease or otherwise dispose of all or substantially all of its assets to any Person; provided, however, that nothing contained in this Section 5.02(b) shall prohibit (A) a merger involving a Subsidiary in which the Borrower or, if the Borrower is not a party to such merger, a Wholly-Owned Significant Subsidiary is the surviving entity; (B) the liquidation, winding up or dissolution of a Significant Subsidiary if all of the assets of such Significant Subsidiary are conveyed, transferred or distributed to the Borrower or a Wholly-Owned Significant Subsidiary; (C) the conveyance, sale, transfer, lease or other disposal of all or substantially all (or any lesser portion) of the assets of any Significant Subsidiary to the Borrower or a Wholly-Owned Significant Subsidiary; (D) additional conveyances, sales, transfers, leases or other disposals of assets of the Borrower and its Subsidiaries, provided, that the aggregate net book value of all assets of the Borrower and its Subsidiaries conveyed, sold, transferred, leased or otherwise disposed of pursuant to this clause (D) shall not exceed \$200,000,000 or shall constitute assets that are no longer necessary for the operation of the business of the Borrower and its Subsidiaries; or (E) any Permitted MLP Asset Transfer made in compliance with Section 5.02(f); provided that, in each case covered by this Section 5.02(b), immediately before and after giving effect to any such merger, dissolution or liquidation, or conveyance, sale, transfer, lease or other disposition, no Default shall have occurred and be continuing.

(c) [Reserved.]

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

(e) Restrictions on Dividends, Intercompany Loans, or Investments. Permit, or permit any Significant Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) to, create or otherwise cause or permit to exist or become effective any explicit and direct restriction under any agreement evidencing or providing for the issuance of Indebtedness for Borrowed Money (other than this Agreement) on the ability of any Significant Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) to (i) pay dividends or make any other distributions on its capital stock or pay any Indebtedness owed to the Borrower or any Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) of the Borrower, (ii) make any loans or advances to or investments in the Borrower or any Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) of the Borrower, or (iii) transfer any of its property or assets to the Borrower or any Subsidiary (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) of the Borrower; provided, that the foregoing shall not prohibit financial incurrence, maintenance and similar covenants that indirectly have the practical effect of prohibiting or restricting the ability of a Significant Subsidiary to make such payments or provisions that require that a certain amount of capital be maintained, or prohibit the return of capital to shareholders above certain dollar limits; provided, further, that the foregoing shall not apply to (i) restrictions and conditions imposed by law or by this Agreement, (ii) restrictions and conditions existing on the date hereof, any amendment or modification thereof (other than an amendment or modification expanding the scope of any such restriction or condition and any restrictions or conditions) that (x) replace restrictions or conditions existing on the date hereof and (y) are substantially similar to such existing

restriction or condition, (iii) restrictions (including any extension of such restrictions that does not expand the scope of any such restrictions) existing at the time at which any such Subsidiary first becomes a Significant Subsidiary, so long as such restriction was in existence prior to such time in accordance with the other provisions of this Agreement and was not agreed to or incurred in contemplation of such change of status, (iv) any restrictions with respect to a Significant Subsidiary imposed pursuant to an agreement that has been entered into in connection with a disposition of all or substantially all of the Capital Stock or assets of such Subsidiary (if such disposal is otherwise permitted under this Agreement) and (v) any restrictions in respect of preferred or preference stock permitted to be issued by any Subsidiary under Section 5.02(d).

(f) Affiliate Transaction. And will not permit any Subsidiary of Borrower to, make, directly or indirectly, (i) any transfer, sale, lease or other disposition of any Property to any Affiliate of Borrower or any Subsidiary of Borrower or any purchase or acquisition of any Property from any such Affiliate; or (ii) any other arrangement or transaction directly or indirectly with or for the benefit of any such Affiliate (including without limitation, guaranties and assumptions of obligations of any such Affiliate); provided, that (A) Borrower and any such Subsidiary may enter into any arrangement or other transaction with any such Affiliate if the monetary or business consideration arising therefrom would be substantially at least as advantageous to Borrower or such Subsidiary as the monetary or business consideration which would be obtained in a comparable arm's length transaction with a Person not an Affiliate of Borrower or any Subsidiary of Borrower; (B) Borrower and any Subsidiary of Borrower may become liable in connection with guaranties of the obligations of any such Affiliate in the ordinary course of business, provided that, the amount of any such guaranty, to the extent such guaranty relates to Indebtedness for Borrowed Money, of the obligations of any such Affiliate shall be included in the determination of Total Debt for purposes of Section 5.03(a) hereof; (C) Borrower and its Subsidiaries may make purchases of receivables of any kind from the Borrower and the Subsidiaries of Borrower on terms that any of them deem acceptable; (D) intercompany borrowings between Borrower and any Subsidiary of Borrower and between any Subsidiaries of the Borrower and other such Subsidiaries of the Borrower may be on terms that they deem acceptable or under the Parent's money pool; (E) Borrower may enter into any arrangement or other transaction with any Wholly-Owned Subsidiary of Borrower, and any Wholly-Owned Subsidiary of Borrower may enter into any arrangement or other transaction with Borrower or any other Wholly Owned Subsidiary of Borrower, in each case under this clause (E) only if such arrangements and other transactions do not involve any Person other than Borrower and Wholly-Owned Subsidiaries of Borrower; (F) Borrower may enter into arrangements or other transactions permitted by Section 5.02(b); and (G) Borrower and its Subsidiaries may make Permitted MLP Asset Transfers; provided that each Permitted MLP Asset Transfer individually (or, if a series of related MLP Assets Transfers, in the aggregate), is for fair value and, in the case of any Permitted MLP Asset Transfer after the Permitted MLP Asset Transfers made in connection with the formation of an MLP, upon terms substantially at least as advantageous to Borrower or such Subsidiary as would be obtained in a comparable arm's length transaction with a Person not an Affiliate of Borrower or any Subsidiary of Borrower.

(g) Use of Proceeds: Regulation U. Use the proceeds of any Borrowing (i) to purchase or carry, within the meaning of Regulation U, any Margin Stock, (ii) to participate in any tender offer for the securities of any Person, unless such tender offer has been approved by the board of directors, general partners or other governing body of such Person or (iii) for any purpose that would violate or result in a violation of any law or regulation. Borrower will not, and will not permit any of its Subsidiaries to engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying, within the meaning of Regulation U, any Margin Stock.

(h) Takeover Bids. Use the proceeds of any Borrowing to it to participate in any unsolicited bid for any other Person.

(i) Certain Investments, Loans, Advances, Guaranties and Acquisitions. Permit, or permit any of its Significant Subsidiaries to purchase or acquire (including pursuant to any merger) any Capital Stock, evidence of indebtedness or other securities of or other interest in (including any option, warrant or other right to acquire any of the foregoing), make any loans or advances to, Guarantee any obligation of, or make any investment or other interest in or capital contribution to any Unrestricted Subsidiary or purchase

or otherwise acquire (in one transaction or a series of transactions) any assets of any Unrestricted Subsidiary constituting a business unit, (any of the foregoing, an “Investment”) at any time other than (i) Investments in MLP Unrestricted Subsidiaries and (ii) other Investments such that the aggregate amount of Net Tangible Assets of all Unrestricted Subsidiaries (excluding assets that are subject of Permitted MLP Asset Transfers, replacements thereof, receivables, inventory and accretions in value of the MLP Unrestricted Subsidiaries) at such time does not exceed, or would not exceed as a result of any Investment the lesser of (i) 10% of the Consolidated Net Tangible Assets of Parent and (ii) 15% of the Consolidated Net Tangible Assets of the Borrower.

SECTION 5.03 Total Debt to Capitalization Ratio. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of Total Debt for Borrowed Money to Consolidated Capitalization of no greater than 0.65:1.00, calculated on a quarterly basis.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events (“Events of Default”) shall occur and be continuing:

(a) The Borrower shall fail to pay (i) any principal of any Advance when the same becomes due and payable, or (ii) any interest on any Advance, any fees payable under the Fee Letter, any Applicable Utilization Fees, the Facility Fee payable pursuant to Section 2.07(a) or any Letter of Credit fees under Section 2.07(c) within five Business Days after the same becomes due and payable or (iii) any other payment of fees or other amounts payable under this Agreement or any Note or CAF Note, as the case may be, within ten Business Days after notice of such payment is received by the Borrower from the Administrative Agent or the Required Lenders; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Sections 5.01(d), (e), (h) or (j)(iii), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall not have been remedied within 30 days after the earlier of notice thereof to it by the Administrative Agent or the Required Lenders or discovery thereof by a Responsible Officer of the Borrower; or

(d) The Borrower or any of its Significant Subsidiaries (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) shall fail to pay any principal of or premium or interest on any Indebtedness for Borrowed Money that is outstanding in a principal amount of at least \$50,000,000 in the aggregate (but excluding Indebtedness outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any of its Significant Subsidiaries (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) shall generally not pay its debts as such debts become due, or

shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Significant Subsidiaries (other than any Project Finance Subsidiary or an Unrestricted Subsidiary) seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismitted or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Significant Subsidiaries (other than any Project Finance Subsidiary or an Unrestricted Subsidiary) shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in this subsection (e); or

(f) Judgments or orders for the payment of money (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) in excess of \$50,000,000 in the aggregate shall be rendered against the Borrower or any of its Significant Subsidiaries (other than a Project Finance Subsidiary or an Unrestricted Subsidiary) and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) For any reason, (i) the Parent fails to own, directly or indirectly, at least 50% of the economic interest in Borrower, or the Parent fails to own, directly or indirectly, at least 50% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of Borrower, or (ii) until the assets or equity interests (having an aggregate net book value according to GAAP as of the date of such transfers in excess of \$100 million) of CenterPoint Energy — Mississippi River Transmission Corporation, a Delaware corporation (“MRT”), are subject to Permitted MLP Asset Transfers (a) the Borrower fails to own, directly or indirectly, at least 50% of the economic interest in MRT or (b) the Borrower fails to own at least 50% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of MRT; or (iii) until the assets or equity interests (having an aggregate net book value according to GAAP as of the date of such transfers in excess of \$100 million and including the Carthage to Perryville natural gas pipeline) of CenterPoint Energy Gas Transmission Company, a Delaware corporation (“CEGT”), are subject to Permitted MLP Asset Transfers (a) the Borrower fails to own, directly or indirectly, at least 50% of the economic interest in CEGT or (b) the Borrower fails to own at least 50% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of CEGT; or (iv) after Permitted MLP Asset Transfers having an aggregate net book value according to GAAP as of the date of such transfers in excess of \$100 million have been made, Borrower fails to own, directly or indirectly, at least 50% of the outstanding shares of stock, Voting Stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect directors or other managers of any MLP GP for any MLP that has received Permitted MLP Asset Transfers having an aggregate net book value according to GAAP as of the date of such transfers in excess of \$100 million; or

(h) The Borrower or any of its ERISA Affiliates shall incur, or could be reasonably expected to incur, liability with respect to the existence of an event or events, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect arising out of or in connection with: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances (other than Letter of Credit Advances by an Issuing Bank pursuant to Section 2.04(c)) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Notes or CAF Notes (if any), the unpaid principal amount of all outstanding Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes or CAF Notes (if any), all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Notes or CAF Notes (if any), the unpaid principal amount of all outstanding Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02 Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may, or shall at the request of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Administrative Agent on behalf of the Lenders in same day funds at the Administrative Agent's Office an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, the Borrower shall be obligated to pay to the Administrative Agent on behalf of the Lenders in same day funds at the Administrative Agent's Office, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. If at any time the Administrative Agent determines that any funds held are subject to any right or claim of any Person other than the Agents and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit, such funds shall be applied to reimburse the relevant Issuing Bank or Lenders, as applicable, to the extent permitted by applicable law.

ARTICLE VII

THE ADMINISTRATIVE AGENT

SECTION 7.01 Authorization and Action. Each Lender and Issuing Bank hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes or CAF Notes, if any), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes or CAF Notes (if any); provided, however, that the Administrative Agent shall be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02 Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it

and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or the existence at any time of any Default or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or, if applicable, the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or electronic communication) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03 Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note or CAF Note, if any, issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its respective individual capacities. Citibank and its respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank was not the Administrative Agent and without any duty to account therefor to the Lenders. The Administrative Agent shall have no duty to disclose any information obtained or received by it or any of its Affiliates relating to the Borrower or any of its Subsidiaries to the extent such information was obtained or received in any capacity other than as the Administrative Agent.

SECTION 7.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05 Indemnification. (a) The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Notes (if any) then held by each of them (or if no Notes are at the time outstanding or if any Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out of pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Administrative Agent, any Lender or a third party.

(b) Each Lender severally agrees to indemnify each Issuing Bank (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Issuing Bank in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Issuing Bank under the

Loan Documents; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Lender agrees to reimburse such Issuing Bank promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower.

(c) For purposes of this Section 7.05, each Lender's ratable share of any amount shall be determined, at any time, according to the sum of (i) the aggregate principal amount of the Advances outstanding at such time and owing to such Lender's, (ii) such Lender's Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, and (iii) such Lender Party's Unused Revolving Credit Commitments at such time; provided that the aggregate principal amount of Letter of Credit Advances owing to any Issuing Bank shall be considered to be owed to the Lenders ratably in accordance with their respective Revolving Commitments. The failure of any Lender to reimburse any Agent or any Issuing Bank, as the case may be, promptly upon demand for its ratable share of any amount required to be paid by the Lenders to such Agent or such Issuing Bank, as the case may be, as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse such Agent or such Issuing Bank, as the case may be, for its ratable share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse such Agent or such Issuing Bank, as the case may be, for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

SECTION 7.06 Successor Administrative Agents. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders; provided, however, that any removal of the Administrative Agent will not be effective until it has also been replaced as Issuing Bank and released from all of its obligations in respect thereof. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000, provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and Issuing Bank directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 7.07 Agents; Lead Arrangers; Global Coordinators. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "co-syndication agent", "co-documentation agent", "lead arranger" or "global coordinator" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes (if any), nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by the relevant Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01, without the consent of any affected Lender, (b) increase the Commitments of any affected Lender, (c) reduce the principal of, or interest on, the Notes (if any) or any fees or other amounts payable hereunder to such Lender, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes (if any) or any fees or other amounts payable hereunder to such Lender, (e) change the percentage of the Commitments or the aggregate unpaid principal amount of the Notes (if any), the number of Lenders, or the Available Amount of outstanding Letters of Credit, that shall be required for the Lenders or any of them to take any action hereunder without the consent of all Lenders, (f) amend Section 2.18 in a manner that would alter pro rata sharing of payments required thereby or this Section 8.01 without the consent of all Lenders, or (g) amend, modify or waive any provision of Section 2.04 in a manner that adversely affects any Swingline Lender without the written consent of the then Swingline Lender or Swingline Lenders; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

SECTION 8.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including telecopier or telegraphic communication) and mailed, telecopied, telegraphed or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), in an electronic medium and delivered as set forth in Section 8.02(b), if to the Borrower, at its address at P.O. Box 2805, Houston, TX 77252, Attention: Assistant Treasurer (teletype: 713 207 3301); if to any Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; if to the Global Coordinators, at the addresses specified on Schedule II hereto; and if to the Administrative Agent, at its address at Two Penns Way, Suite 200, New Castle, Delaware, 19720, Attention: Bank Loan Syndications Department/Jacqueline Caine (teletype: 212 994 0961), with a copy to 388 Greenwich Street, New York, New York, 10013, Attention: Nietzsche Rodricks (teletype: 212 816 8098); if to the Swingline Lender, to such address notified by such Swingline Lender to the Borrower and the Administrative Agent; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent; provided, that materials required to be delivered pursuant to Section 5.01(j)(i), (ii) and (iv) shall be delivered to the Administrative Agent as specified therein. All such notices and communications shall, when mailed, telecopied, telegraphed or emailed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by email, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VII shall not be effective until received by the Administrative Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or CAF Notes (if any) or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) The Borrower hereby acknowledges that (i) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender") and (ii) the Administrative Agent will make available to the Lenders certain notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that initiates or responds to the legal process (all such non-excluded information being referred to herein collectively as the "Communications") on IntraLinks or another relevant website (whether a commercial, third-party website or whether sponsored by the Administrative Agent) (the "Platform"). The Borrower hereby agrees that all Communications that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof, (ii) by marking Communications "PUBLIC," the Borrower shall be deemed to

have authorized the Administrative Agent, the Issuing Banks and the Lenders to treat such Communications as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws, it being understood that certain of such Communications may be subject to the confidentiality requirements hereof, (iii) all Communications marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor," and (iv) the Administrative Agent shall be entitled to treat any Communications that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding the foregoing, (A) the Borrower shall be under no obligation to mark any Communications "PUBLIC," and each Public Lender hereby waives its right to receive any Communications that are not marked "PUBLIC"; and (B) the Administrative Agent shall treat Communications that are deemed to have been delivered based on notice pursuant to the last sentence of Section 5.01(j) as "PUBLIC."

(c) [Reserved].

(d) [Reserved].

(e) Each Lender agrees that e-mail notice to it (at the address provided pursuant to the next sentence and deemed delivered as provided in the next paragraph) specifying that Communications has been posted to the Platform shall constitute effective delivery of such Communications to such Lender for purposes of this Agreement. Each Lender agrees (i) to notify the Administrative Agent in writing (including by electronic communication) from time to time to ensure that the Administrative Agent has on record an effective e-mail address for such Lender to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such e-mail address.

(f) Each party hereto agrees that any electronic communication referred to in this Section 8.02 shall be deemed delivered upon the posting of a record of such communication (properly addressed to such party at the e-mail address provided to the Administrative Agent) as "sent" in the e-mail system of the sending party or, in the case of any such communication to the Administrative Agent, upon the posting of a record of such communication as "received" in the e-mail system of the Administrative Agent; *provided* that if such communication is not so received by the Administrative Agent during the normal business hours of the Administrative Agent, such communication shall be deemed delivered at the opening of business on the next Business Day for the Administrative Agent.

(g) Each party hereto acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and there are confidentiality and other risks associated with such distribution, (ii) the Communications and the Platform are provided "as is" and "as available," (iii) none of the Administrative Agent, its affiliates nor any of their respective officers, directors, employees, agents, advisors or representatives (collectively, the "Citigroup Parties") warrants the adequacy of the Platform or the accuracy or completeness of any Communications, and each Citigroup Party expressly disclaims liability for errors or omissions in any Communications or the Platform, and (iv) no warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by any Citigroup Party in connection with any Communications or the Platform.

SECTION 8.03 No Waiver; Remedies. No failure on the part of any Lender or Agent to exercise, and no delay in exercising, any right hereunder or under any Note or CAF Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04 Costs and Expenses. (a) The Borrower agrees to pay on demand all reasonable costs and expenses of the Administrative Agent and Global Coordinators in connection with the preparation, execution, delivery, administration, modification and amendment of or any consent or waiver under this Agreement, the Notes (if any) and the other documents to be delivered hereunder, including, without limitation, (A) all reasonable due diligence, syndication (including printing, distribution and bank meetings), computer and duplication expenses, (B) the reasonable fees and expenses of counsel for the Administrative Agent and the Lead Arrangers with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this

Agreement and (C) all reasonable out-of-pocket expenses incurred by the Issuing Banks in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder. The Borrower further agrees to pay on demand all costs and expenses of the Administrative Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes (if any) and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Administrative Agent, the Lead Arrangers and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Global Coordinators and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities and reasonable expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes or CAF Notes (if any), this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, equityholders or creditors, any Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. Each of the parties hereto agrees not to assert any claim for special, indirect, consequential or punitive damages against any other party hereto, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability arising out of or otherwise relating to the Notes or CAF Notes (if any), this Agreement, the Letters of Credit any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance or CAF Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Sections 2.11(d) or (e), 2.13 or 2.15, acceleration of the maturity of the Notes or CAF Notes (if any), as the case may be, pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.13, 2.16 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes or CAF Notes (if any).

SECTION 8.05 Right of Set off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Notes or CAF Notes, if any, due and payable pursuant to the provisions of Section 6.01, each Lender, the Issuing Banks and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note or CAF Note, as the case may be, held by such Lender or the Issuing Banks, whether or not such Lender or Issuing Bank shall have made any demand under this Agreement or such Note or CAF Note and although such obligations may be unmaturing or are owed to a branch or office of such Lender or the Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. Each Lender and Issuing Bank agrees promptly to

notify the Borrower after any such set off and application, provided that the failure to give such notice shall not affect the validity of such set off and application. The rights of each Lender, the Issuing Bank and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set off) that such Lender, Issuing Bank and its Affiliates may have.

SECTION 8.06 Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.04, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Lender that such Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of each Lender.

SECTION 8.07 Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Advances owing to it and the Note or Notes, if any, held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make CAF Advances, CAF Advances owing to it and CAF Note or CAF Notes, if any), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note, if any, subject to such assignment, and (v) the parties to each such assignment shall deliver to the Administrative Agent a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.14, 2.17 and 8.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be prima facie evidence of the correctness thereof, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note, if any, subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 or Exhibit A-2 hereto.

(e) Each Issuing Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that (i) except in the case of an assignment to a Person that immediately prior to such assignment was an Issuing Bank or an assignment of all of an Issuing Bank's rights and obligations under this Agreement, the amount of the Letter of Credit Commitment of the assigning Issuing Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 and shall be in an integral multiple of \$1,000,000 in excess thereof, (ii) each such assignment shall be to an Eligible Assignee and (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500.

(f) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes, if any, held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. A Participant shall not be entitled to receive any greater payment under Sections 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(g) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree

to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(h) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time and without the consent of the Borrower or the Administrative Agent (i) create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System, and (ii) with notice to the Borrower and the Administrative Agent, assign all or part of its rights and obligations under this Agreement to any of its Affiliates.

(i) In the event that any Lender requests payments of reimbursement, compensation or indemnification from the Borrower pursuant to Sections 2.02, 2.14 or 2.17 herein, then the Borrower shall have the right, but not the obligation, at its own expense, upon 5 Business Days notice to such Lender and the Administrative Agent, to replace such Lender with an assignee (in accordance with and subject to the restrictions contained in paragraphs (a) and (b) above), and such Lender hereby agrees to transfer and assign without recourse (in accordance with and subject to the restrictions contained in paragraphs (a) and (b) above) all its interests, rights and obligations in respect of its Commitment to such assignee; provided, however, that (i) no such assignment shall conflict with any law, rule and regulation or order of any governmental authority, (ii) no Default has occurred or is continuing, (iii) the Borrower has satisfied all of its obligations under this Agreement relating to such assigning Lender through the date of such assignment, (iv) the Borrower shall pay to the Administrative Agent the administrative fee in the amount of \$3,500 if such replacement Lender assignee is not an existing Lender, and (v) such assignee shall pay to such assigning Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Advances made by such Lender hereunder and the Borrower, the Administrative Agent or such assignee, as applicable, shall pay to such Lender all other amounts accrued for such Lender's account or owed to it hereunder.

SECTION 8.08 Patriot Act Notification. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of their Subsidiaries to, provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lenders in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

SECTION 8.09 Confidentiality. Neither the Administrative Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the Borrower, other than (a) to the Administrative Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking or any other regulatory or self-regulatory authorities. The Borrower may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Borrower relating to such U.S. tax treatment and U.S. tax structure.

SECTION 8.10 Governing Law. This Agreement and the Notes (if any) shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.11 Counterparts; Integration; Electronic Execution.

(a) Execution in Counterparts, Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement, and any separate letter agreements with respect to fees payable to the Administrative Agent and the

Lead Arrangers, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Acceptance shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 8.12 Removal of Lender. Notwithstanding anything herein to the contrary, the Borrower may, at any time in its sole discretion, remove any Lender upon 15 Business Days’ written notice to such Lender and the Administrative Agent (the contents of which notice shall be promptly communicated by the Administrative Agent to each other Lender), such removal to be effective at the expiration of such 15-day notice period; provided, however, that no Lender may be removed hereunder (i) at a time when an Event of Default shall have occurred and be continuing or (ii) after giving effect to the removal, the Total Aggregate Outstanding Extensions of Credit would exceed the total of the Revolving Commitments. Each notice by the Borrower under this Section shall constitute a representation by the Borrower that the removal described in such notice is permitted under this Section. Concurrently with such removal, the Borrower shall pay to such removed Lender all amounts owing to such Lender hereunder and under any other Loan Document in immediately available funds. Upon full and final payment hereunder of all amounts owing to such removed Lender, such Lender shall make appropriate entries in its accounts evidencing payment of all Loans hereunder and releasing the Borrower from all obligations owing to the removed Lender in respect of the Loans hereunder and surrender to the Administrative Agent for return to the Borrower any Notes of the Borrower then held by it. Effective immediately upon such full and final payment, such removed Lender will not be considered to be a “Lender” for purposes of this Agreement except for the purposes of any provision hereof that by its terms survives the termination of this Agreement and the payment of the amounts payable hereunder. Effective immediately upon such removal, the Commitments of such removed Lender shall immediately terminate and such Lender’s participation share in any outstanding Letters of Credit shall immediately terminate and such participation share shall be divided among the remaining Lenders according to their Pro Rata Share. Such removal will not, however, affect the Commitments of any other Lender hereunder.

SECTION 8.13 Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes or CAF Notes (if any), or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes or CAF Notes (if any) in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes or CAF Notes (if any) in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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

CENTERPOINT ENERGY RESOURCES CORP., as Borrower

By /s/ Marc Kilbride
Name: Marc Kilbride
Title: Vice President and Treasurer

CERC Credit Agreement

CITIBANK, N.A., as Administrative Agent and a Lender

By /s/ Nietzsche Rodricks

Name: Nietzsche Rodricks

Title: Vice President

CERC Credit Agreement

DEUTSCHE BANK SECURITIES INC. as Co-Syndication Agent

By /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

By /s/ Rainer Meier

Name: Rainer Meier

Title: Vice President

CERC Credit Agreement

BANK OF AMERICA, NATIONAL ASSOCIATION, as Co-Syndication Agent and a Lender

By /s/ John P. Wofferd

Name: John P. Wofferd

Title: Vice President

CERC Credit Agreement

JPMorgan Chase Bank, N.A.

By /s/ Robert Traband

Name: Robert Traband

Title: Executive Director

CERC Credit Agreement

BARCLAYS BANK PLC, as a Bank

By /s/ Sydney Dennis

Name: Sydney Dennis

Title: Director

CERC Credit Agreement

DEUTSCHE BANK AG NEW YORK BRANCH

/s/ Marcus Tarlington

Name: Marcus Tarlington

Title: Director

/s/ Rainer Meier

Name: Rainer Meier

Title: Vice President

CERC Credit Agreement — Signature Page

Wachovia Banl, NA

By /s/ Henry R. Biedrzycki

Title: HENRY R. BIEDRZYCKI
DIRECTOR

CERC Credit Agreement

ABN AMRO Bank N.V.

By /s/ Jim Moyes
Title: Jim Moyes
Managing Director

By /s/ Scott Donaldson
Title: Scott Donaldson
Director

CERC Credit Agreement

[[The Bank of Nova Scotia]

By: /s/ Thane Rattew

Name: Thane Rattew

Title: Managing Director

CERC Credit Agreement

Credit Suisse, Cayman Islands Branch

By: Brian Caldwell
Name: Brian Caldwell
Title: Director

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Associate

CERC Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC

By /s/ Emily Freedman

Name: Emily Freedman

Title: Vice President

CERC Credit Agreement

UBS LOAN FINANCE LLC

By /s/ Irja R. Otsa
Title: Associate Director

UBS LOAN FINANCE LLC

By /s/ Mary E. Evens
Title: Associate Director

CERC Credit Agreement

The Bank of Tokyo-Mitsubishi UFJ Limited,
New York Branch

By /s/ Alan Reiter
Title: A. Reiter
Authorized Signatory

CERC Credit Agreement

MORGAN STANLEY BANK

By /s/ Daniel Twenge
Title: Daniel Twenge
Authorized Signatory
Morgan Stanley Bank

CERC Credit Agreement

LEHMAN BROTHERS BANK, FSB

By /s/ Errington Hibbert
Title: Managing Director

CERC Credit Agreement

SunTrust Bank

By /s/ Yann Pirio

Name: Yann Pirio

Titre: Vice President

CERC Credit Agreement

HSBC Bank USA, N.A.

By /s/ Jennifer L. Diedzie
Title: Assistant Vice President

CERC Credit Agreement

ROYAL BANK OF CANADA

By /s/ David A. McCluskey

Title: Authorized Signatory

CERC Credit Agreement

Comerica Bank

By /s/ Chuck Johnson

Name: Chuck Johnson

Title: Vice President

CERC Credit Agreement

The Northern Trust Company

By /s/ Peter Hallan
Peter Hallan
Vice President

CERC Credit Agreement

Wells Fargo Bank, N.A.

By /s/ Jo Ann Vasquez
Title: Vice President

CERC Credit Agreement

Schedule I

List of Applicable Lending Offices

Bank of America, National Association	901 Main Street Dallas, TX 75202 Account Name: Credit Services Reference: CenterPoint Energy Resources
Deutsche Bank Securities Inc.	<u>Domestic Office:</u> Deutsche Bank AG New York Branch 60 Wall Street New York, NY 10005 Reference: CenterPoint Energy, Inc. <u>Eurodollar Office:</u> Deutsche Bank AG New York Branch 60 Wall Street New York, NY 10005 Reference: CenterPoint Energy, Inc.
Citibank, N.A.	<u>Domestic Office:</u> Two Penns Way, Suite 200 New Castle, DE 19720 Attn: Lauren Wendolowski Reference: CenterPoint Energy Resources <u>Eurodollar Office:</u> Two Penns Way, Suite 200 New Castle, DE 19720 Attn: Lauren Wendolowski Reference: CenterPoint Energy Resources

Schedule II

Global Coordinators' Addresses

Citigroup Global Markets Inc.

390 Greenwich Street, 1st Floor
New York, NY 10013
Attn: Maureen Maroney
Tel: 212 723 6794
Telecopy: 646 291 1772
maureen.p.maroney@citi.com

J.P. Morgan Securities Inc.

270 Park Avenue
New York, NY 10017
Attn: Lisa Kopff
Tel: 212 270 6091
Telecopy: 212 270 1063
lisa.kopff@chase.com

Schedule III

SCHEDULE OF COMMITMENTS

<u>Bank</u>	<u>Commitment</u>
JPMorgan Chase Bank, N.A.	\$ 69,795,918.36
Citibank, N.A.	\$ 69,795,918.36
Bank of America, N.A.	\$ 67,857,142.86
Barclays Bank plc	\$ 67,857,142.86
Deutsche Bank AG New York Branch	\$ 67,857,142.86
Wachovia Bank, N.A.	\$ 67,857,142.86
ABN AMRO Bank, N.V.	\$ 58,163,265.30
The Bank of Nova Scotia	\$ 58,163,265.30
Credit Suisse, Cayman Islands Branch	\$ 58,163,265.30
The Royal Bank of Scotland plc	\$ 58,163,265.30
UBS Loan Finance LLC	\$ 58,163,265.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	\$ 34,897,959.19
Morgan Stanley Bank	\$ 34,897,959.19
Lehman Brothers Bank, FSB	\$ 34,897,959.19
SunTrust Bank	\$ 34,897,959.19
HSBC Bank USA, N.A.	\$ 29,081,632.65
Royal Bank of Canada	\$ 29,081,632.65
Comerica Bank	\$ 19,387,755.10
The Northern Trust Company	\$ 15,510,204.09
Wells Fargo Bank, N.A.	\$ 15,510,204.09
Total:	\$ 950,000,000.00

LETTER OF CREDIT COMMITMENTS

Bank of America, National Association	\$ 100,000,000.00
SunTrust Bank	\$ 100,000,000.00
Total:	\$ 200,000,000.00

CENTERPOINT ENERGY, INCORPORATED AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	Six Months Ended June 30,	
	2006	2007
Net Income	\$ 282	\$ 200
Income taxes	(44)	100
Capitalized interest	(3)	(15)
	<u>235</u>	<u>285</u>
Fixed charges, as defined:		
Interest	299	305
Capitalized interest	3	15
Interest component of rentals charged to operating income	8	8
Total fixed charges	<u>310</u>	<u>328</u>
Earnings, as defined	<u>\$ 545</u>	<u>\$ 613</u>
Ratio of earnings to fixed charges	<u>1.76</u>	<u>1.87</u>

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2007

/s/ David M. McClanahan

David M. McClanahan

President and Chief Executive Officer

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2007

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. McClanahan

David M. McClanahan

President and Chief Executive Officer

August 2, 2007

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

August 2, 2007

Item 1A. Risk Factors

We are a holding company that conducts all of our business operations through subsidiaries, primarily CenterPoint Houston and CERC. The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this report, summarizes the principal risk factors associated with the businesses conducted by each of these subsidiaries:

Risk Factors Affecting Our Electric Transmission & Distribution Business

CenterPoint Houston may not be successful in ultimately recovering the full value of its true-up components, which could result in the elimination of certain tax benefits and could have an adverse impact on CenterPoint Houston's results of operations, financial condition and cash flows.

In March 2004, CenterPoint Houston filed its true-up application with the Texas Utility Commission, requesting recovery of \$3.7 billion, excluding interest, as allowed under the Texas electric restructuring law. In December 2004, the Texas Utility Commission issued its final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately \$2.3 billion, which included interest through August 31, 2004, and providing for adjustment of the amount to be recovered to include interest on the balance until recovery, the principal portion of additional excess mitigation credits returned to customers after August 31, 2004 and certain other matters. CenterPoint Houston and other parties filed appeals of the True-Up Order to a district court in Travis County, Texas. In August 2005, the court issued its final judgment on the various appeals. In its judgment, the court affirmed most aspects of the True-Up Order, but reversed two of the Texas Utility Commission's rulings. The judgment would have the effect of restoring approximately \$650 million, plus interest, of the \$1.7 billion the Texas Utility Commission had disallowed from CenterPoint Houston's initial request. CenterPoint Houston and other parties appealed the district court's judgment. Oral arguments before the Texas 3rd Court of Appeals were held in January 2007, but a decision is not expected for several months. No amounts related to the district court's judgment have been recorded in our consolidated financial statements.

Among the issues raised in CenterPoint Houston's appeal of the True-Up Order is the Texas Utility Commission's reduction of CenterPoint Houston's stranded cost recovery by approximately \$146 million for the present value of certain deferred tax benefits associated with its former electric generation assets. Such reduction was considered in our recording of an after-tax extraordinary loss of \$977 million in the last half of 2004. We believe that the Texas Utility Commission based its order on proposed regulations issued by the Internal Revenue Service (IRS) in March 2003 related to those tax benefits. Those proposed regulations would have allowed utilities owning assets that were deregulated before March 4, 2003 to make a retroactive election to pass the benefits of Accumulated Deferred Investment Tax Credits (ADITC) and Excess Deferred Federal Income Taxes (EDFIT) back to customers. However, in December 2005, the IRS withdrew those proposed normalization regulations and issued new proposed regulations that do not include the provision allowing a retroactive election to pass the tax benefits back to customers. In a May 2006 Private Letter Ruling (PLR) issued to a Texas utility on facts similar to CenterPoint Houston's, the IRS, without referencing its proposed regulations, ruled that a normalization violation would occur if ADITC and EDFIT were required to be returned to customers. CenterPoint Houston has requested a PLR asking the IRS whether the Texas Utility Commission's order reducing CenterPoint Houston's stranded cost recovery by \$146 million for ADITC and EDFIT would cause a normalization violation. If the IRS determines that such reduction would cause a normalization violation with respect to the ADITC and the Texas Utility Commission's order relating to such reduction is not reversed or otherwise modified, the IRS could require us to pay an amount equal to CenterPoint Houston's unamortized ADITC balance as of the date that the normalization violation is deemed to have occurred. In addition, if a normalization violation with respect to EDFIT is deemed to have occurred and the Texas Utility Commission's order relating to such reduction is not reversed or otherwise modified, the IRS could deny CenterPoint Houston the ability to elect accelerated tax depreciation benefits beginning in the taxable year that the normalization violation is deemed to have occurred. If a normalization violation should ultimately be found to exist, it could have an adverse impact on our results of operations, financial condition and cash flows. However, we and CenterPoint Houston are vigorously pursuing the appeal of this issue and will seek other relief from the Texas Utility Commission to avoid a normalization violation. The Texas Utility Commission has not previously required a company subject to its jurisdiction to take action that would result in a normalization violation.

CenterPoint Houston's receivables are concentrated in a small number of REPs, and any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations.

CenterPoint Houston's receivables from the distribution of electricity are collected from REPs that supply the electricity CenterPoint Houston distributes to their customers. Currently, CenterPoint Houston does business with 68 REPs. Adverse economic conditions, structural problems in the market served by ERCOT or financial difficulties of one or more REPs could impair the ability of these retail providers to pay for CenterPoint Houston's services or could cause them to delay such payments. CenterPoint Houston depends on these REPs to remit payments on a timely basis. Applicable regulatory provisions require that customers be shifted to a provider of last resort if a retail electric provider cannot make timely payments. Reliant Energy, Inc. (RRI), through its subsidiaries, is CenterPoint Houston's largest customer. Approximately 53% of CenterPoint Houston's \$140 million in billed receivables from REPs at December 31, 2006 was owed by subsidiaries of RRI. Any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations.

Rate regulation of CenterPoint Houston's business may delay or deny CenterPoint Houston's ability to earn a reasonable return and fully recover its costs.

CenterPoint Houston's rates are regulated by certain municipalities and the Texas Utility Commission based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CenterPoint Houston is allowed to charge may not match its expenses at any given time. In this connection, pursuant to the Settlement Agreement discussed in "Business — Regulation — State and Local Regulation — Electric Transmission & Distribution — CenterPoint Houston Rate Case" in Item 1 of this report, until June 30, 2010, CenterPoint Houston is limited in its ability to request rate relief. The regulatory process by which rates are determined may not always result in rates that will produce full recovery of CenterPoint Houston's costs and enable CenterPoint Houston to earn a reasonable return on its invested capital.

Disruptions at power generation facilities owned by third parties could interrupt CenterPoint Houston's sales of transmission and distribution services.

CenterPoint Houston transmits and distributes to customers of REPs electric power that the REPs obtain from power generation facilities owned by third parties. CenterPoint Houston does not own or operate any power generation facilities. If power generation is disrupted or if power generation capacity is inadequate, CenterPoint Houston's sales of transmission and distribution services may be diminished or interrupted, and its results of operations, financial condition and cash flows may be adversely affected.

CenterPoint Houston's revenues and results of operations are seasonal.

A significant portion of CenterPoint Houston's revenues is derived from rates that it collects from each retail electric provider based on the amount of electricity it distributes on behalf of such retail electric provider. Thus, CenterPoint Houston's revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues being higher during the warmer months.

Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses

Rate regulation of CERC's business may delay or deny CERC's ability to earn a reasonable return and fully recover its costs.

CERC's rates for its local distribution companies are regulated by certain municipalities and state commissions, and for its interstate pipelines by the FERC, based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CERC is allowed to charge may not match its expenses at any given time. The regulatory process in which rates are determined may not always result in rates that will produce full recovery of CERC's costs and enable CERC to earn a reasonable return on its invested capital.

CERC's businesses must compete with alternative energy sources, which could result in CERC marketing less natural gas, and its interstate pipelines and field services businesses must compete directly with others in the transportation, storage, gathering, treating and processing of natural gas, which could lead to lower prices, either of which could have an adverse impact on CERC's results of operations, financial condition and cash flows.

CERC competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and marketers also compete directly with CERC for natural gas sales to end-users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass CERC's facilities and market, sell and/or transport natural gas directly to commercial and industrial customers. Any reduction in the amount of natural gas marketed, sold or transported by CERC as a result of competition may have an adverse impact on CERC's results of operations, financial condition and cash flows.

CERC's two interstate pipelines and its gathering systems compete with other interstate and intrastate pipelines and gathering systems in the transportation and storage of natural gas. The principal elements of competition are rates, terms of service, and flexibility and reliability of service. They also compete indirectly with other forms of energy, including electricity, coal and fuel oils. The primary competitive factor is price. The actions of CERC's competitors could lead to lower prices, which may have an adverse impact on CERC's results of operations, financial condition and cash flows.

CERC's natural gas distribution and competitive natural gas sales and services businesses are subject to fluctuations in natural gas pricing levels, which could affect the ability of CERC's suppliers and customers to meet their obligations or otherwise adversely affect CERC's liquidity.

CERC is subject to risk associated with increases in the price of natural gas. Increases in natural gas prices might affect CERC's ability to collect balances due from its customers and, on the regulated side, could create the potential for uncollectible accounts expense to exceed the recoverable levels built into CERC's tariff rates. In addition, a sustained period of high natural gas prices could apply downward demand pressure on natural gas consumption in the areas in which CERC operates and increase the risk that CERC's suppliers or customers fail or are unable to meet their obligations. Additionally, increasing natural gas prices could create the need for CERC to provide collateral in order to purchase natural gas.

If CERC were to fail to renegotiate a contract with one of its significant pipeline customers or if CERC renegotiates the contract on less favorable terms, there could be an adverse impact on its operations.

Since October 31, 2006, CERC's contract with Laclede Gas Company, one of its pipeline customers, has been terminable upon one year's prior notice. CERC has not received a termination notice and is currently negotiating a long-term contract with Laclede. If Laclede were to terminate this contract or if CERC were to renegotiate this contract at rates substantially lower than the rates provided in the current contract, there could be an adverse effect on CERC's results of operations, financial condition and cash flows.

A decline in CERC's credit rating could result in CERC's having to provide collateral in order to purchase gas.

If CERC's credit rating were to decline, it might be required to post cash collateral in order to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC might be unable to obtain the necessary natural gas to meet its obligations to customers, and its results of operations, financial condition and cash flows would be adversely affected.

The revenues and results of operations of CERC's interstate pipelines and field services businesses are subject to fluctuations in the supply of natural gas.

CERC's interstate pipelines and field services businesses largely rely on natural gas sourced in the various supply basins located in the Mid-continent region of the United States. To the extent the availability of this supply is

substantially reduced, it could have an adverse effect on CERC's results of operations, financial condition and cash flows.

CERC's revenues and results of operations are seasonal.

A substantial portion of CERC's revenues is derived from natural gas sales and transportation. Thus, CERC's revenues and results of operations are subject to seasonality, weather conditions and other changes in natural gas usage, with revenues being higher during the winter months.

The actual construction costs of proposed pipelines and related compression facilities may be significantly higher than CERC's current estimates.

Subsidiaries of CERC Corp. are involved in significant pipeline construction projects. The construction of new pipelines and related compression facilities requires the expenditure of significant amounts of capital, which may exceed CERC's estimates. If CERC undertakes these projects, they may not be completed at the budgeted cost, on schedule or at all. The construction of new pipeline or compression facilities is subject to construction cost overruns due to labor costs, costs of equipment and materials such as steel and nickel, labor shortages or delays, inflation or other factors, which could be material. In addition, the construction of these facilities is typically subject to the receipt of approvals and permits from various regulatory agencies. Those agencies may not approve the projects in a timely manner or may impose restrictions or conditions on the projects that could potentially prevent a project from proceeding, lengthen its expected completion schedule and/or increase its anticipated cost. As a result, there is the risk that the new facilities may not be able to achieve CERC's expected investment return, which could adversely affect CERC's financial condition, results of operations or cash flows.

The states in which CERC provides regulated local gas distribution may, either through legislation or rules, adopt restrictions similar to or broader than those under the 1935 Act regarding organization, financing and affiliate transactions that could have significant adverse impacts on CERC's ability to operate.

In Arkansas, the APSC in December 2006 adopted rules governing affiliate transactions involving public utilities operating in Arkansas. The rules treat as affiliate transactions all transactions between CERC's Arkansas utility operations and other divisions of CERC, as well as transactions between the Arkansas utility operations and affiliates of CERC. All such affiliate transactions are required to be priced under an asymmetrical pricing formula under which the Arkansas utility operations would benefit from any difference between the cost of providing goods and services to or from the Arkansas utility operations and the market value of those goods or services. Additionally, the Arkansas utility operations are not permitted to participate in any financing other than to finance retail utility operations in Arkansas, which would preclude continuation of existing financing arrangements in which CERC finances its divisions and subsidiaries, including its Arkansas utility operations.

Although the Arkansas rules are now in effect, CERC and other gas and electric utilities operating in Arkansas sought reconsideration of the rules by the APSC. In February 2007, the APSC granted that reconsideration and suspended operation of the rules in order to permit time for additional consideration. If the rules are not significantly modified on reconsideration, CERC would be entitled to seek judicial review. In adopting the rules, the APSC indicated that affiliate transactions and financial arrangements currently in effect will be deemed in compliance until December 19, 2007, and that utilities may seek waivers of specific provisions of the rules. If the rules ultimately become effective as presently adopted, CERC would need to seek waivers from certain provisions of the rules or would be required to make significant modifications to existing practices, which could include the formation of and transfer of assets to subsidiaries.

In Minnesota, a bill has been introduced during the current session of the legislature that would create a regulatory scheme for public utility holding companies like CenterPoint and their public utility operations in Minnesota. The proposed legislation would restrict financing activities, affiliate arrangements between the Minnesota utility operations and the holding company and other utility and non-utility operations within the holding company and acquisitions and divestitures. In addition, the bill would require prior MPUC approval of

dividends paid by the holding company, in addition to dividends paid by utility subsidiaries, and would limit the level of non-utility investments of the holding company.

If either or both of these regulatory frameworks become effective, they could have adverse impacts on CERC's ability to operate and provide cost-effective utility service. In addition, if more than one state adopts restrictions like those proposed in Arkansas and Minnesota, it may be difficult for CenterPoint and CERC to comply with competing regulatory requirements.

Risk Factors Associated with Our Consolidated Financial Condition

If we are unable to arrange future financings on acceptable terms, our ability to refinance existing indebtedness could be limited.

As of December 31, 2006, we had \$9.0 billion of outstanding indebtedness on a consolidated basis, which includes \$2.4 billion of non-recourse transition bonds. As of December 31, 2006, approximately \$875 million principal amount of this debt is required to be paid through 2009. This amount excludes principal repayments of approximately \$481 million on transition bonds, for which a dedicated revenue stream exists. In addition, we have cash settlement obligations with respect to \$575 million of outstanding 3.75% convertible notes on which holders could exercise their conversion rights during the first quarter of 2007 and in subsequent quarters in which our common stock price causes such notes to be convertible. Our future financing activities may depend, at least in part, on:

- the timing and amount of our recovery of the true-up components, including, in particular, the results of appeals to the courts of determinations on rulings obtained to date;
- general economic and capital market conditions;
- credit availability from financial institutions and other lenders;
- investor confidence in us and the markets in which we operate;
- maintenance of acceptable credit ratings;
- market expectations regarding our future earnings and cash flows;
- market perceptions of our ability to access capital markets on reasonable terms;
- our exposure to RRI in connection with its indemnification obligations arising in connection with its separation from us; and
- provisions of relevant tax and securities laws.

As of December 31, 2006, CenterPoint Houston had outstanding \$2.0 billion aggregate principal amount of general mortgage bonds, including approximately \$527 million held in trust to secure pollution control bonds for which CenterPoint Energy is obligated and approximately \$229 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, CenterPoint Houston had outstanding approximately \$253 million aggregate principal amount of first mortgage bonds, including approximately \$151 million held in trust to secure certain pollution control bonds for which CenterPoint Energy is obligated. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately \$2.2 billion of additional first mortgage bonds and general mortgage bonds in the aggregate could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2006. However, CenterPoint Houston is contractually prohibited, subject to certain exceptions, from issuing additional first mortgage bonds.

Our current credit ratings are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Future Sources and Uses of Cash — Impact on Liquidity of a Downgrade in Credit Ratings" in Item 7 of this report. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms.

As a holding company with no operations of our own, we will depend on distributions from our subsidiaries to meet our payment obligations, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.

We derive all our operating income from, and hold all our assets through, our subsidiaries. As a result, we will depend on distributions from our subsidiaries in order to meet our payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit our subsidiaries' ability to make payments or other distributions to us, and our subsidiaries could agree to contractual restrictions on their ability to make distributions.

Our right to receive any assets of any subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by us.

The use of derivative contracts by us and our subsidiaries in the normal course of business could result in financial losses that could negatively impact our results of operations and those of our subsidiaries.

We and our subsidiaries use derivative instruments, such as swaps, options, futures and forwards, to manage our commodity and financial market risks. We and our subsidiaries could recognize financial losses as a result of volatility in the market values of these contracts, or should a counterparty fail to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Risks Common to Our Businesses and Other Risks

We are subject to operational and financial risks and liabilities arising from environmental laws and regulations.

Our operations are subject to stringent and complex laws and regulations pertaining to health, safety and the environment, as discussed in "Business — Environmental Matters" in Item 1 of this report. As an owner or operator of natural gas pipelines and distribution systems, gas gathering and processing systems, and electric transmission and distribution systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as:

- restricting the way we can handle or dispose of wastes;
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions, or areas inhabited by endangered species;
- requiring remedial action to mitigate pollution conditions caused by our operations, or attributable to former operations; and
- enjoining the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations.

In order to comply with these requirements, we may need to spend substantial amounts and devote other resources from time to time to:

- construct or acquire new equipment;
 - acquire permits for facility operations;
 - modify or replace existing and proposed equipment; and
 - clean up or decommission waste disposal areas, fuel storage and management facilities and other locations and facilities.
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Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Our insurance coverage may not be sufficient. Insufficient insurance coverage and increased insurance costs could adversely impact our results of operations, financial condition and cash flows.

We currently have general liability and property insurance in place to cover certain of our facilities in amounts that we consider appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of our facilities may not be sufficient to restore the loss or damage without negative impact on our results of operations, financial condition and cash flows.

In common with other companies in its line of business that serve coastal regions, CenterPoint Houston does not have insurance covering its transmission and distribution system because CenterPoint Houston believes it to be cost prohibitive. If CenterPoint Houston were to sustain any loss of, or damage to, its transmission and distribution properties, it may not be able to recover such loss or damage through a change in its regulated rates, and any such recovery may not be timely granted. Therefore, CenterPoint Houston may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without negative impact on its results of operations, financial condition and cash flows.

We, CenterPoint Houston and CERC could incur liabilities associated with businesses and assets that we have transferred to others.

Under some circumstances, we, CenterPoint Houston and CERC could incur liabilities associated with assets and businesses we, CenterPoint Houston and CERC no longer own. These assets and businesses were previously owned by Reliant Energy, a predecessor of CenterPoint Houston, directly or through subsidiaries and include:

- those transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001; and
- those transferred to Texas Genco in connection with its organization and capitalization.

In connection with the organization and capitalization of RRI, RRI and its subsidiaries assumed liabilities associated with various assets and businesses Reliant Energy transferred to them. RRI also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston and CERC, with respect to liabilities associated with the transferred assets and businesses. These indemnity provisions were intended to place sole financial responsibility on RRI and its subsidiaries for all liabilities associated with the current and historical businesses and operations of RRI, regardless of the time those liabilities arose. If RRI were unable to satisfy a liability that has been so assumed in circumstances in which Reliant Energy and its subsidiaries were not released from the liability in connection with the transfer, we, CenterPoint Houston or CERC could be responsible for satisfying the liability.

Prior to our distribution of our ownership in RRI to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. Under the terms of the separation agreement between the companies, RRI agreed to extinguish all such guaranty obligations prior to separation, but at the time of separation in September 2002, RRI had been unable to extinguish all obligations. To secure us and CERC against obligations under the remaining guaranties, RRI agreed to provide cash or letters of credit for the benefit of CERC and us, and undertook to use commercially reasonable efforts to extinguish the remaining guaranties. CERC currently holds letters of credit in the amount of \$33.3 million issued on behalf of RRI against guaranties that have not been released. Our current exposure under the guaranties relates to CERC's guaranty of the payment by RRI of demand

charges related to transportation contracts with one counterparty. The demand charges are approximately \$53 million per year through 2015, \$49 million in 2016, \$38 million in 2017 and \$13 million in 2018. RRI continues to meet its obligations under the transportation contracts, and we believe current market conditions make those contracts valuable for transportation services in the near term. However, changes in market conditions could affect the value of those contracts. If RRI should fail to perform its obligations under the transportation contracts, our exposure to the counterparty under the guaranty could exceed the security provided by RRI. We have requested RRI to increase the amount of its existing letters of credit or, in the alternative, to obtain a release of CERC's obligations under the guaranty. In June 2006, the RRI trading subsidiary and CERC jointly filed a complaint at the FERC against the counterparty on the CERC guaranty. In the complaint, the RRI trading subsidiary seeks a determination by the FERC that the security demanded by the counterparty exceeds the level permitted by the FERC's policies. The complaint asks the FERC to require the counterparty to release CERC from its guaranty obligation and, in its place, accept (i) a guaranty from RRI of the obligations of the RRI trading subsidiary, and (ii) letters of credit limited to (A) one year of demand charges for a transportation agreement related to a 2003 expansion of the counterparty's pipeline, and (B) three months of demand charges for three other transportation agreements held by the RRI trading subsidiary. The counterparty has argued that the amount of the guaranty does not violate the FERC's policies and that the proposed substitution of credit support is not authorized under the counterparty's financing documents or required by the FERC's policy. The parties have now completed their submissions to FERC regarding the complaint. We cannot predict what action the FERC may take on the complaint or when the FERC may rule. In addition to the FERC proceeding, in February 2007 CenterPoint and CERC made a formal demand on RRI under procedures provided for by the Master Separation Agreement, dated as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc. That demand seeks to resolve the disagreement with RRI over the amount of security RRI is obligated to provide with respect to this guaranty. It is possible that this demand could lead to an arbitration proceeding between the companies, but when and on what terms the disagreement with RRI will ultimately be resolved cannot be predicted.

RRI's unsecured debt ratings are currently below investment grade. If RRI were unable to meet its obligations, it would need to consider, among various options, restructuring under the bankruptcy laws, in which event RRI might not honor its indemnification obligations and claims by RRI's creditors might be made against us as its former owner.

Reliant Energy and RRI are named as defendants in a number of lawsuits arising out of energy sales in California and other markets and financial reporting matters. Although these matters relate to the business and operations of RRI, claims against Reliant Energy have been made on grounds that include the effect of RRI's financial results on Reliant Energy's historical financial statements and liability of Reliant Energy as a controlling shareholder of RRI. We or CenterPoint Houston could incur liability if claims in one or more of these lawsuits were successfully asserted against us or CenterPoint Houston and indemnification from RRI were determined to be unavailable or if RRI were unable to satisfy indemnification obligations owed with respect to those claims.

In connection with the organization and capitalization of Texas Genco, Texas Genco assumed liabilities associated with the electric generation assets Reliant Energy transferred to it. Texas Genco also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston, with respect to liabilities associated with the transferred assets and businesses. In many cases the liabilities assumed were obligations of CenterPoint Houston and CenterPoint Houston was not released by third parties from these liabilities. The indemnity provisions were intended generally to place sole financial responsibility on Texas Genco and its subsidiaries for all liabilities associated with the current and historical businesses and operations of Texas Genco, regardless of the time those liabilities arose. In connection with the sale of Texas Genco's fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC, the separation agreement we entered into with Texas Genco in connection with the organization and capitalization of Texas Genco was amended to provide that all of Texas Genco's rights and obligations under the separation agreement relating to its fossil generation assets, including Texas Genco's obligation to indemnify us with respect to liabilities associated with the fossil generation assets and related business, were assigned to and assumed by Texas Genco LLC. In addition, under the amended separation agreement, Texas Genco is no longer liable for, and we have assumed and agreed to indemnify Texas Genco LLC against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies or

other similar agreements held by us. If Texas Genco or Texas Genco LLC were unable to satisfy a liability that had been so assumed or indemnified against, and provided Reliant Energy had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a large number of individuals who claim injury due to exposure to asbestos. Most claimants in such litigation have been workers who participated in construction of various industrial facilities, including power plants. Some of the claimants have worked at locations we own, but most existing claims relate to facilities previously owned by our subsidiaries but currently owned by Texas Genco LLC, which is now known as NRG Texas LP. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the arrangements regarding separation of the generating business from us and its sale to Texas Genco LLC, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by Texas Genco LLC and its successor, but we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by Texas Genco LLC.