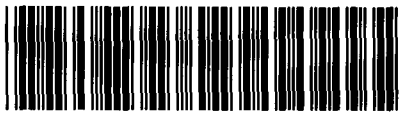

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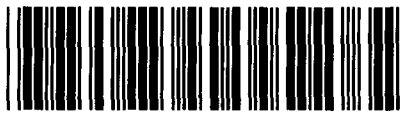

Item Number: 203

Addendum StartPage: 0

DOCKET NO. 48929

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC, SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., SHARYLAND UTILITIES, L.P., AND SEMPRA ENERGY FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 37.154, 39.262, AND 39.915	§ § § § § § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

SECOND SUPPLEMENTAL DIRECT TESTIMONY

AND EXHIBITS

OF

BRANT MELESKI

ON BEHALF OF

SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.

February 13, 2019

203

DOCKET NO. 48929

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC, SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., SHARYLAND UTILITIES, L.P., AND SEMPRA ENERGY FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 37.154, 39.262, AND 39.915	§	**PUBLIC UTILITY COMMISSION OF TEXAS**

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EXHIBITS

SECOND SUPPLEMENTAL DIRECT TESTIMONY AND EXHIBITS OF BRANT MELESKI

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brant Meleski. My business address is 1900 North Akard Street, Dallas, Texas 75201.

Q. ARE YOU THE SAME BRANT MELESKI WHO SUBMITTED DIRECT TESTIMONY ON NOVEMBER 30, 2018 AND SUPPLEMENTAL DIRECT TESTIMONY ON DECEMBER 18, 2018?

A. Yes.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of Sharyland Distribution & Transmission Services, L.L.C. ("SDTS").

Q. WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my supplemental direct testimony is to provide a copy of the definitive proxy statement filed by InfraREIT, Inc. ("InfraREIT") with the Securities and Exchange Commission ("SEC") on January 4, 2019 (the "Definitive Proxy Statement"), the additional proxy materials filed by InfraREIT on January 31, 2019 ("Supplemental Proxy Materials"), and the Form 8-K filed by InfraREIT on February 8, 2019.

Q. WAS THIS SECOND SUPPLEMENTAL DIRECT TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECTION?

A. Yes. This supplemental direct testimony was prepared by me or under my direction. The information contained in this testimony and exhibits is true and correct to the best of my knowledge.

II. INFRAREIT'S SEC FILINGS

Q. PLEASE GENERALLY DESCRIBE THE REASON FOR PROVIDING THE DEFINITIVE PROXY STATEMENT AT THIS TIME.

A. As I mentioned in my supplemental direct testimony filed on December 18, 2018, it was expected that InfraREIT would file a definitive proxy statement with the SEC prior to the vote of InfraREIT's stockholders, and I testified that SDTS planned to supplement the record with the definitive proxy statement after it was filed. Accordingly, a copy of InfraREIT's Definitive Proxy Statement filing is attached as Second Supplemental Exhibit BM-1.

Q. PLEASE BRIEFLY DESCRIBE THE PURPOSE OF THE DEFINITIVE PROXY STATEMENT.

A. InfraREIT's Definitive Proxy Statement was prepared in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, and provided information to stockholders in advance of a special meeting, which occurred on February 7, 2019, during which InfraREIT's stockholders approved the proposal to adopt the Agreement and Plan of Merger that InfraREIT entered into on October 18, 2018 and the acquisition of InfraREIT by Oncor Electric Delivery Company LLC. The Definitive Proxy Statement was mailed to InfraREIT's stockholders on or about January 7, 2019.

Q. PLEASE BRIEFLY DESCRIBE THE SUPPLEMENTAL PROXY MATERIALS FILED ON JANUARY 31, 2019.

A. After InfraREIT filed its Definitive Proxy Statement, two lawsuits were filed by purported stockholders of the company alleging that the Definitive Proxy Statement failed to disclose material information concerning the mergers and sought injunctive relief. Though InfraREIT believed that the claims asserted in the lawsuits were without merit and no additional disclosures were required under applicable law, InfraREIT decided to voluntarily supplement the Definitive Proxy Statement by filing the Supplemental Proxy Materials to address claims asserted in the lawsuits, and the plaintiffs in the lawsuits agreed to voluntarily dismiss the lawsuits with prejudice in light of, among other things, the additional disclosures

in the Supplemental Proxy Materials. The Supplemental Proxy Materials, as filed with the SEC on January 31, 2019, are attached hereto as Second Supplemental Exhibit BM-2. The two lawsuits were dismissed.

Q. PLEASE BRIEFLY DESCRIBE THE PURPOSE OF THE FORM 8-K FILED ON FEBRUARY 8, 2019.

A. The Form 8-K reports the results of the stockholders' vote to adopt the Agreement and Plan of Merger and approve Oncor Electric Delivery Company LLC's acquisition of InfraREIT at the February 7, 2019 special meeting discussed above. A copy of InfraREIT's Form 8-K filed on February 8, 2019 is attached as Second Supplemental Exhibit BM-3.

III. CONCLUSION

Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes, it does.

AFFIDAVIT OF BRANT MELESKI

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

This day, Brant Meleski, the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

My name is Brant Meleski. I am of legal age and a resident of the State of New Jersey. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

B Meleski

Brant Meleski

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 13th day of February, 2019.

Jo Anne Quint

Notary Public, State of Texas

My Commission expires:

05/12/2021

JO ANNE QUINT
ID # 808019-5
Notary Public, State of Texas
My Commission Expires
05/12/2021

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under §240 14a-12

INFRA REIT, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

☐ No fee required

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies

(2) Aggregate number of securities to which transaction applies

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined)

(4) Proposed maximum aggregate value of transaction

(5) Total fee paid.

☒ Fee paid previously with preliminary materials

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing

(1) Amount Previously Paid

(2) Form, Schedule or Registration Statement No.

(3) Filing Party

(4) Date Filed

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InfraREIT™

January 4, 2019

To our Stockholders

We are pleased to invite you to attend a special meeting of stockholders of InfraREIT, Inc to be held on February 7, 2019 at 11 00 a m Central Time, at our offices at 1900 North Akard Street, Dallas, Texas 75201

At the special meeting, our stockholders will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger that we entered into on October 18, 2018, which we refer to as the "merger agreement," and approve the acquisition of InfraREIT, Inc by affiliates of Oncor Electric Delivery Company LLC, which we refer to as the "company merger," and the other transactions contemplated by the merger agreement If the merger agreement is adopted and the company merger is completed, each share of our common stock issued and outstanding (other than certain shares of common stock specified in the merger agreement) will be converted into the right to receive $21 00 in cash, without interest, and subject to deduction for any required withholding taxes

The Conflicts Committee of the Board of Directors of InfraREIT, Inc unanimously determined that the company merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of InfraREIT, Inc , approved the company merger and the merger agreement, and recommended the approval of the company merger and the merger agreement to the Board of Directors of InfraREIT, Inc., which we refer to as the "board of directors " Based upon such approval and recommendation, the board of directors unanimously determined that the company merger and the other transactions contemplated by the merger agreement are advisable and in the best interests of InfraREIT, Inc , approved the merger agreement and the performance by InfraREIT, Inc of the obligations contemplated thereby, directed that a special meeting be called for the purpose of submitting the merger agreement, the company merger and the other transactions contemplated by the merger agreement to a vote of the stockholders of InfraREIT, Inc and recommended that our stockholders vote " **FOR** " the proposal to adopt the merger agreement and approve the company merger and the other transactions contemplated by the merger agreement and " **FOR** " the other matters to be considered at the special meeting

The enclosed proxy statement describes the merger agreement, the company merger and related matters, and attaches a copy of the merger agreement We urge stockholders to read the entire proxy statement carefully, as it sets forth the details of the merger agreement and other important information related to the company merger

Your vote is very important The company merger cannot be completed unless (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt Consolidated, Inc and its affiliates, in each case vote in favor of the proposal to adopt the merger agreement and approve the company merger and the other transactions contemplated by the merger agreement If you fail to vote in person or by proxy, or fail to instruct your broker on how to vote, it will have the same effect as a vote " **AGAINST** " the proposal to adopt the merger agreement and approve the company merger and the other transactions contemplated by the merger agreement

Thank you for your ongoing support of InfraREIT, Inc

Sincerely,

David A Campbell,
President and Chief Executive Officer

Harold R Logan, Jr ,
Chairman of the Board of Directors

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IMPORTANT

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the company merger, passed upon the merits or fairness of the company merger, the merger agreement or the other transactions contemplated thereby or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated January 4, 2019 and is first being mailed to our stockholders on or about January 7, 2019.

If you vote your proxy by telephone or by Internet, you do NOT need to mail back your proxy card. Any stockholder granting a proxy may revoke the same at any time prior to its exercise by executing a subsequent proxy or by written notice to our corporate secretary or by attending the meeting and by withdrawing the proxy. You may vote in person at the special meeting even if you send in your proxy card, vote by telephone or vote by Internet. The ballot you submit at the meeting will supersede any prior vote.

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INFRA REIT, INC.
1900 North Akard Street
Dallas, Texas 75201
214-855-6700

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD FEBRUARY 7, 2019

TO OUR STOCKHOLDERS

Notice is hereby given that a special meeting of stockholders of InfraREIT, Inc., a Maryland corporation, which we refer to in this notice as "InfraREIT," the "Company," "we" or "our," will be held at our offices at 1900 North Akard Street, Dallas, Texas 75201 at 11:00 a.m. Central Time on February 7, 2019. At the special meeting, stockholders will be asked to consider and vote upon the following matters:

1. The proposal to adopt the Agreement and Plan of Merger, dated as of October 18, 2018, as it may be amended from time to time, which we refer to in this notice as the "merger agreement," by and among InfraREIT, InfraREIT Partners, LP, a Delaware limited partnership and subsidiary of InfraREIT, Oncor Electric Delivery Company LLC, a Delaware limited liability company, which we refer to in this notice as "Oncor," 1912 Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Oncor, and Oncor T&D Partners, LP, a Delaware limited partnership and a wholly owned indirect subsidiary of Oncor, and approve the company merger and the other transactions contemplated by the merger agreement, this proposal referred to in this notice as the "merger proposal", and

2. The proposal to approve any adjournment(s) of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal or in the absence of a quorum, this proposal referred to in this notice as the "adjournment proposal."

Please vote your shares.

We encourage stockholders to vote promptly. **If you fail to vote, the effect will be the same as a vote "AGAINST" the merger proposal.**

If you are a stockholder of record, you may vote in the following ways:

By Telephone	**By Internet**	**By Mail**	**In Person**
You can vote by calling 1-866-883-3382	You can vote online at www.proxypush.com/hifr	You can vote by mail by marking, dating and signing your proxy card and returning it in the postage-paid envelope	You can vote in person at the special meeting. Please refer to the section of this proxy statement titled "*The Special Meeting — Date, Time and Place of the Special Meeting*" for further information regarding attending the special meeting.

If your shares of common stock are held by a broker, bank or other nominee on your behalf in "street name," your broker, bank or other nominee will send you instructions as to how to provide voting instructions for your shares. Many brokerage firms and banks have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by a voting instruction form.

The Board of Directors of InfraREIT, Inc , which we refer to in this notice as the "board of directors," acting on the unanimous recommendation of the Conflicts Committee of the board of directors, has unanimously approved the merger agreement, the company merger and the other transactions contemplated by the merger agreement and declared the merger agreement, the company merger and the other transactions contemplated by the merger agreement to be advisable and in the best interests of InfraREIT **The board of directors unanimously recommends that the stockholders of InfraREIT vote (1) "FOR" the merger proposal and (2) "FOR" the adjournment proposal.** If you sign, date and return your proxy card without indicating how you wish to vote on a proposal, your proxy will be voted " **FOR** " each of the foregoing proposals in accordance with the recommendation of the board of directors

Your vote is important, regardless of the number of shares of common stock you own. The adoption of the merger proposal requires the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt Consolidated, Inc and its affiliates, and each is a condition to the completion of the company merger The approval of the adjournment proposal requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote thereon, but approval of this proposal is not a condition to the completion of the company merger **If you fail to vote in person or by proxy, or fail to instruct your broker, bank or nominee on how to vote, the shares of common stock that you own will not be counted for purposes of determining whether a quorum is present at the special meeting, and will have the same effect as a vote "AGAINST" the merger proposal.**

Holders of shares of InfraREIT's common stock may not exercise any appraisal rights, dissenters' rights or the rights of an objecting stockholder to receive the fair value of the stockholder's shares of common stock in connection with the company merger because, as permitted by the Maryland General Corporation Law, our charter provides that stockholders are not entitled to exercise such rights unless the board of directors, upon the affirmative vote of a majority of the entire board, determines that the rights apply The board of directors has made no such determination However, holders of shares of our common stock may vote against the company merger

You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement

Only holders of record of InfraREIT's common stock as of the close of business on January 15, 2019, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting We are commencing our solicitation of proxies on or about January 7, 2019, which is before the record date of January 15, 2019 We will continue to solicit proxies until the February 7, 2019 special meeting Each stockholder of record on January 15, 2019 who has not yet received a proxy statement prior to that date will be sent a proxy statement and have the opportunity to vote on the matters described in the proxy statement Proxies delivered prior to the record date will be valid and effective so long as the stockholder providing the proxy is a holder of record on the record date. If you are not a holder of record on the record date, any proxy you deliver will be invalid and will not be counted at the special meeting If you deliver a proxy prior to the record date and remain a holder on the record date, you do not need to deliver another proxy after the record date If you deliver a proxy prior to the record date and do not revoke that proxy, your proxy will be deemed to cover the number of shares you own on the record date even if that number is different from the number of shares you owned when you executed and delivered your proxy Proxies received from persons who are not holders of record on the record date will not be effective

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Before voting your shares, we urge you to, and you should, read this entire proxy statement carefully, including its annexes and the documents incorporated by reference herein If you have any questions or need assistance in submitting a proxy or your voting instructions, please call our proxy solicitor, MacKenzie Partners, Inc , toll-free at (800) 322-2885 or at (212) 929-5500 or by email at proxy@mackenziepartners.com

DATED this 4 th day of January, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

Greg Imhoff,
Corporate Secretary

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SUMMARY

This summary highlights selected information contained in this proxy statement, including with respect to (1) the merger agreement (as defined below), (2) the company merger (as defined below), (3) the partnership merger (as defined below) and (4) certain related transactions. We encourage you to, and you should, read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as this summary may not contain all of the information that may be important to you in determining how to vote We have included page references to direct you to a more complete description of the topics presented in this summary. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions under the section of this proxy statement entitled "Additional Information About the Company."

The Parties (page 25)

InfraREIT Entities

InfraREIT, Inc.

InfraREIT, Inc (NYSE HIFR), referred to in this proxy statement as "InfraREIT," the "Company," "we," "our" or "us," is a Maryland corporation InfraREIT is engaged in owning and leasing rate-regulated assets in the state of Texas and is structured as a real estate investment trust, referred to in this proxy statement as a "REIT " InfraREIT is externally managed by Hunt Utility Services, LLC, referred to in this proxy statement as "Hunt Manager " See the sections of this proxy statement entitled " *Additional Information About the Company* " and " *The Parties – InfraREIT, Inc.* "

InfraREIT Partners, LP

InfraREIT Partners, LP, referred to in this proxy statement as the "Operating Partnership," is a Delaware limited partnership All of InfraREIT's assets are held by, and all of InfraREIT's business activities are conducted through, the Operating Partnership, either directly or indirectly through its subsidiaries InfraREIT is the sole general partner of the Operating Partnership, and owns approximately 72 45% of the outstanding limited partnership units in the Operating Partnership, referred to in this proxy statement as "partnership units " See the section of this proxy statement entitled " *The Parties – InfraREIT Partners, LP.* "

Sharyland Distribution & Transmission Services, L.L.C.

Sharyland Distribution & Transmission Services, L L C , referred to in this proxy statement as "SDTS," is a Texas limited liability company and indirect subsidiary of the Operating Partnership. SDTS is a Texas-based regulated electric utility See the section of this proxy statement entitled " *The Parties – Sharyland Distribution & Transmission Services, L.L.C.* "

We refer in this proxy statement to InfraREIT and its subsidiaries, including the Operating Partnership and SDTS, collectively as the "InfraREIT Entities."

Oncor Entities

Oncor Electric Delivery Company LLC

Oncor Electric Delivery Company LLC, referred to in this proxy statement as "Oncor," is a Delaware limited liability company. Oncor operates the largest transmission and distribution system in Texas, delivering electricity to more than 3 6 million homes and businesses and operating more than 134,000 miles of transmission and distribution lines Oncor employs more than 3,900 full-time employees See the section of this proxy statement entitled " *The Parties – Oncor Electric Delivery Company LLC.* "

1912 Merger Sub LLC

1912 Merger Sub LLC, referred to in this proxy statement as "Merger Sub," is a Delaware limited liability company and wholly owned subsidiary of Oncor that will function as the merger subsidiary for purposes of the company merger Merger Sub was formed solely for the purpose of acquiring us and it has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to the mergers and its formation Upon completion of the transactions contemplated by the merger agreement, InfraREIT will merge with and into Merger Sub and Merger Sub will be the surviving entity See the section of this proxy statement entitled " *The Parties – 1912 Merger Sub LLC.* "

Oncor T&D Partners, LP

Oncor T&D Partners, LP, referred to in this proxy statement as "Merger Partnership," is a Delaware limited partnership and wholly owned indirect subsidiary of Oncor that will function as the merger subsidiary for purposes of the partnership merger Merger Partnership was formed solely for the purpose of acquiring the Operating Partnership and it has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to the mergers and its formation Upon completion of the transactions contemplated by the merger agreement, Merger Partnership will merge with and into the Operating Partnership and the Operating Partnership will be the surviving entity See the section of this proxy statement entitled " *The Parties – Oncor T&D Partners, LP.* "

Other Parties

Sharyland Utilities, L P

Sharyland Utilities, L P , referred to in this proxy statement as "Sharyland," is a Texas limited partnership Sharyland is privately owned by Hunter L Hunt and other members of the family of Ray L. Hunt and is managed by Hunter L Hunt Sharyland is a Texas-based regulated electric utility, which leases all of the InfraREIT Entities' regulated assets pursuant to leases with SDTS See the section of this proxy statement entitled " *The Parties – Sharyland Utilities, L.P* "

Sempra Energy

Sempra Energy (NYSE SRE), referred to in this proxy statement as "Sempra," is a California corporation Sempra is a Fortune 500 energy-services holding company headquartered in San Diego, California whose businesses invest in energy infrastructure, develop and operate energy infrastructure and provide gas and electricity services to their customers in North and South America Additionally, Sempra indirectly owns an 80 25% interest in Oncor See the section of this proxy statement entitled " *The Parties – Sempra Energy* "

Texas Transmission Investment LLC

Texas Transmission Investment LLC, referred to in this proxy statement as "TTI," is a Delaware limited liability company and an entity indirectly principally owned by a private investment group led by OMERS Administration Corporation, acting through its infrastructure investment entity OMERS Infrastructure Management Inc , and Cheyne Walk Investment Pte Ltd. TTI owns a 19 75% interest in Oncor See the section of this proxy statement entitled " *The Parties – Texas Transmission Investment LLC* "

The Special Meeting (page 28)

Date, Time and Place of the Special Meeting

The Special Meeting of Stockholders of InfraREIT, referred to in this proxy statement as the "special meeting," will be held at our offices at 1900 North Akard Street, Dallas, Texas 75201 at 11 00 a m Central Time on February 7, 2019.

Purposes of the Special Meeting

At the special meeting, InfraREIT stockholders will be asked to consider and vote upon the following matters

- The proposal to adopt the Agreement and Plan of Merger, dated as of October 18, 2018, by and among the Company, the Operating Partnership, Oncor, Merger Sub and Merger Partnership, which, as it may be amended from time to time, is referred to in this proxy statement as the "merger agreement," and approve the company merger and the other transactions contemplated by the merger agreement, referred to in this proxy statement as the "merger proposal", and
- The proposal to approve any adjournment(s) of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal or in the absence of a quorum, referred to in this proxy statement as the "adjournment proposal "

Our stockholders must approve the merger proposal for the mergers to occur If our stockholders fail to approve the merger proposal, the mergers will not occur See the sections of this proxy statement entitled " *The Special Meeting* " and " *The Merger Agreement* "

With respect to the special meeting, only the business specified in the Company's notice may be brought before the meeting

Record Date, Notice and Quorum

The holders of record of shares of common stock, par value $0 01 per share, of the Company, referred to in this proxy statement as the "common stock," the "Company common stock" or the "InfraREIT common stock," as of the close of business on January 15, 2019, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting As of January 3, 2019, 43,997,672 shares of common stock were outstanding.

We are commencing our solicitation of proxies on or about January 7, 2019, which is before the record date We will continue to solicit proxies until the special meeting Each stockholder of record on January 15, 2019 who has not yet received a proxy statement prior to that date will be sent a proxy statement and have the opportunity to vote on the matters described in this proxy statement Proxies delivered prior to the record date will be valid and effective so long as the stockholder providing the proxy is a holder of record on the record date If you are not a holder of record on the record date, any proxy you deliver will be invalid and will not be counted at the special meeting If you deliver a proxy prior to the record date and remain a holder on the record date, you do not need to deliver another proxy after the record date If you deliver a proxy prior to the record date and do not revoke that proxy, your proxy will be deemed to cover the number of shares you own on the record date even if that number is different from the number of shares you owned when you executed and delivered your proxy Proxies received from persons who are not holders of record on the record date will not be effective

The presence at the special meeting, in person or represented in proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast at the special meeting will constitute a quorum for purposes of the special meeting A quorum is necessary to transact business at the special meeting If a quorum is not present at the special meeting, we expect that the special meeting will be adjourned to a later date

Abstentions will be counted as shares present for purposes of determining the presence of a quorum If your shares are held in "street name" by your broker, bank or other nominee and you do not instruct the nominee how to vote your shares, your broker, bank or other nominee will not vote on your behalf with respect to any of the proposals, and your shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the special meeting

Required Vote

Each share of common stock outstanding at the close of business on the record date is entitled to one vote on each of the proposals to be considered at the special meeting

For the Company to complete the mergers, InfraREIT stockholders holding (1) a majority of the shares of common stock outstanding at the close of business on the record date and (2) a majority of the shares of common stock outstanding at the close of business on the record date, excluding for purposes of such calculation any shares of common stock held by Hunt Consolidated, Inc , referred to in this proxy statement as "HCI," and its affiliates (including Hunt Transmission Services, L L C , referred to in this proxy statement as "Hunt Developer," Electricity Participant Partnership, L L C , referred to in this proxy statement as "EPP," and Hunt Manager but excluding the InfraREIT Entities), collectively referred to in this proxy statement as "Hunt," must vote " **FOR** " the merger proposal An abstention with respect to the merger proposal, or a failure to vote your shares of common stock (including a failure to instruct your broker, bank or other nominee to vote shares held on your behalf), will have the same effect as a vote " **AGAINST** " this proposal

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the votes cast on the proposal at the special meeting, but is not a condition to the completion of the mergers

Any shares not voted (whether by abstention, broker non-vote, or otherwise) will not be counted as votes cast and will have no effect on the result of the vote on the adjournment proposal, although abstentions will be considered present for the purpose of determining the presence of a quorum

Proxies; Revocation

Any InfraREIT stockholder of record entitled to vote at the special meeting may submit a proxy by telephone or over the Internet, by returning the enclosed proxy card, or by attending the special meeting and voting in person. If your shares of common stock are held in "street name" by your broker, bank or other nominee, you should instruct your broker, bank or other nominee on how to vote your shares using the instructions provided by your broker, bank or other nominee.

Any proxy may be revoked at any time prior to its exercise by submitting a properly executed, later-dated proxy through any of the methods available to you, by giving written notice of revocation to our Corporate Secretary at InfraREIT, Inc , 1900 North Akard Street, Dallas, Texas 75201, or by attending the special meeting and voting in person

The Mergers (page 32)

You will be asked to consider and vote upon the merger proposal. A copy of the merger agreement is attached to this proxy statement as Annex A The merger agreement provides, among other things, (i) that at the effective time of the company merger, referred to in this proxy statement as the "company merger effective time," the Company will be merged with and into Merger Sub, with Merger Sub surviving the merger and (ii) immediately thereafter, referred to in this proxy statement as the "partnership merger effective time," Merger Partnership will be merged with and into the Operating Partnership, with the Operating Partnership surviving the partnership merger. In the company merger and the partnership merger, respectively, each (A) share of common stock issued and outstanding immediately before the company merger effective time and (B) partnership unit issued and outstanding immediately before the partnership merger effective time (other than certain shares of common stock and partnership units specified in the merger agreement) will be converted into the right to receive $21 00 per share of common stock or partnership unit, as applicable, in cash, referred to in this proxy statement as the "merger consideration," without interest, and subject to deduction for any required withholding tax

This proxy statement does not constitute an offer to exchange or convert any partnership units that you may own for or into limited partnership units in the surviving partnership

Concurrently with the execution and delivery of the merger agreement, SDTS entered into an Agreement and Plan of Merger, dated as of October 18, 2018, with Sharyland and Oncor, referred to in this proxy statement as the "asset exchange agreement." Upon the terms and subject to the conditions set forth therein, at the closing of the transactions contemplated by the asset exchange agreement, among other things, Sharyland and SDTS will consummate a joint survivor merger, as a result of which (i) Sharyland will acquire SDTS's transmission and distribution assets in south Texas, collectively referred to in this proxy statement as the "STX Assets," and (ii) SDTS will acquire Sharyland's Golden Spread Electric Cooperative interconnection located in the Texas Panhandle, along with certain development projects in the Texas Panhandle and South Plains regions, including the Lubbock Power & Light interconnection, collectively referred to in this proxy statement as the "NTX Assets," and such transaction referred to as the "asset exchange " The completion of the asset exchange is subject to, and conditioned upon, the substantially concurrent consummation of the mergers See the section of this proxy statement entitled " *The Merger Agreement – Asset Exchange Transactions.* "

Treatment of Common Stock; Equity Awards and Plans (page 81)

At the company merger effective time, each share of our common stock issued and outstanding (other than certain shares of common stock described in the merger agreement) immediately prior to the company merger effective time will automatically be converted into the right to receive the merger consideration If we declare a distribution (other than any regular quarterly dividend) reasonably necessary to maintain our status as a REIT under the Internal Revenue Code of 1986, as amended, referred to in this proxy statement as the "Code," or to avoid the payment of income or excise tax under the Code as permitted under the merger agreement, the merger consideration will be decreased by an amount equal to the per share amount of such distribution

Immediately prior to the company merger effective time, any vesting conditions applicable to each outstanding (i) share of Restricted Stock or Stock Units, as such terms are defined in the InfraREIT, Inc 2015 Equity Incentive Plan, dated as of December 1, 2014, referred to this proxy statement as "Restricted Stock," and (ii) LTIP Unit, as such term is defined in the Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 10, 2015, referred to in this proxy statement as "LTIP Units," will, automatically and without any required action on the part of the holder thereof, accelerate in full, and all restrictions with respect thereto will, automatically and without any required action on the part of the holder thereof, lapse and, as of immediately prior to the company merger effective time, each outstanding share of Restricted Stock will become one fully vested share of common stock and each outstanding LTIP Unit will be converted into one partnership unit

Regulatory Approvals Required to Complete the Mergers (page 72)

The completion of the mergers is subject to the satisfaction of a number of regulatory conditions, including, among others, (i) the approval of the Public Utility Commission of Texas, referred to in this proxy statement as the "PUCT," (ii) the approval of the Federal Energy Regulatory Commission, referred to in this proxy statement as the "FERC," (iii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to in this proxy statement as the "HSR Act," and (iv) clearance by the Committee on Foreign Investment in the United States, referred to in this proxy statement as "CFIUS " Early termination of the 30-day waiting period required by the HSR Act was granted on December 14, 2018 For further discussion, see " *The Mergers – Regulatory Approvals Required to Complete the Mergers* "

Other Conditions to Completion of the Mergers (page 96)

In addition to the regulatory approvals identified above, each party's obligation to complete the mergers is subject to the satisfaction or mutual waiver, at or prior to the closing of the mergers, of the following conditions:

- the approval of the merger proposal by (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock

entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt, collectively referred to in this proxy statement as the "company stockholder approval", and

- no law or order having been enacted, issued, promulgated, enforced or entered by a court or other governmental entity of competent jurisdiction that is in effect and that restrains, enjoins or otherwise prohibits or makes illegal the consummation of the mergers

The respective obligations of the Company and the Operating Partnership to complete the mergers are subject to the satisfaction or waiver at or prior to the closing of the mergers of the following additional conditions:

- the accuracy of the representations and warranties of Oncor, Merger Sub and Merger Partnership in the merger agreement as of the date of the merger agreement and the closing date of the mergers (except for any representations and warranties expressly related to an earlier date, which representations and warranties must be true and correct only as of such earlier date), except where the failure of such representations or warranties to be accurate would not have a "material adverse effect" on Oncor, Merger Sub or Merger Partnership (it being understood that, for purposes of determining such accuracy, all materiality qualifiers in such representations and warranties will be disregarded),
- the performance by Oncor, Merger Sub and Merger Partnership in all material respects of all obligations required to be performed by such entities under the merger agreement at or prior to the company merger effective time, and
- the receipt by the Company of a certificate signed by an executive officer of Oncor, dated as of the closing date, certifying that the conditions set forth in the two preceding bullet points have been satisfied

The respective obligations of Oncor, Merger Sub and Merger Partnership to complete the mergers are subject to the satisfaction or waiver at or prior to the closing of the mergers of the following additional conditions

- the accuracy of the representations and warranties of the Company and the Operating Partnership in the merger agreement as of the date of the merger agreement and as of the closing date of the mergers (except for any representations and warranties expressly related to an earlier date, which representations and warranties must be true and correct only as of such earlier date), except where the failure of such representations or warranties to be accurate would not have a "material adverse effect" (it being understood that, for purposes of determining such accuracy, all materiality qualifiers in such representations and warranties will be disregarded), provided that such representations and warranties pertaining to the Company's capitalization may include *de minimis* inaccuracies, provided further that such representations and warranties pertaining to the Company's organization, good standing, qualification, authority and brokers must be accurate in all material respects as of the date of the merger agreement and as of the closing date of the mergers,
- the performance by the Company and the Operating Partnership in all material respects of all obligations required to be performed by such entities under the merger agreement at or prior to the company merger effective time;
- the termination of certain agreements with Hunt and our leases with Sharyland in accordance with the terms of that certain Omnibus Termination Agreement, dated as of October 18, 2018, by and among the Company, the Operating Partnership, HCI, Hunt Developer, Hunt Manager, Sharyland, SDTS and EPP, such agreement referred to in this proxy statement as the "omnibus termination agreement" (see the section of this proxy statement entitled " *The Merger Agreement – Other Contemporaneous Transactions – Omnibus Termination Agreement* ");

- the consummation of the transactions contemplated by the asset exchange agreement (see the sections of this proxy statement entitled " *The Merger Agreement – Asset Exchange Transactions* "),
- the absence of any law or regulatory approvals, individually or in the aggregate, that would reasonably be expected to impose a "burdensome condition" (as defined below) and the approval by the PUCT of certain regulatory conditions (see the section of this proxy statement entitled " *The Merger Agreement – Conditions to Completion of the Mergers* "),
- the receipt by Oncor of a tax opinion from our outside tax counsel, dated as of the closing date, in the form attached to the merger agreement,
- no make-whole or mandatory prepayment will be due and payable and no default or event of default with regard to certain of the InfraREIT Entities' existing private placement notes will exist immediately after giving effect to the closing of the mergers, and certain specified amendments to such notes will have become effective prior to or substantially concurrently with the closing of the mergers,
- the absence of a material adverse effect occurring from and after the date of the merger agreement; and
- the receipt by Oncor of a certificate signed by an executive officer of the Company and the Operating Partnership, dated as of the closing date, to the effect that the conditions set forth in the first, second and eighth preceding bullet points have been satisfied

On December 21, 2018, certain of the InfraREIT Entities entered into amendments to their existing private placement notes that will be effective at the closing of the mergers and will satisfy the condition in the seventh bullet point above

No party to the merger agreement may rely on the failure of a condition to closing set forth in the merger agreement to be satisfied if such failure was caused by such party's breach of the merger agreement

Recommendation of the Board of Directors (page 57)

The Board of Directors of InfraREIT, referred to in this proxy statement as the "board of directors," acting on the unanimous recommendation of the Conflicts Committee of the board of directors, referred to in this proxy statement as the "conflicts committee," has unanimously approved the merger agreement, the company merger and the other transactions contemplated by the merger agreement and declared the merger agreement, the company merger and the other transactions contemplated by the merger agreement to be advisable and in the best interests of InfraREIT **The board of directors unanimously recommends that the stockholders of InfraREIT vote (1) "FOR" the merger proposal and (2) "FOR" the adjournment proposal.** If you sign, date and return your proxy card without indicating how you wish to vote on a proposal, your proxy will be voted " **FOR** " each of the foregoing proposals in accordance with the recommendation of the board of directors

Reasons for the Mergers (page 52)

In the course of reaching their decisions to approve the merger agreement, the mergers and the other transactions contemplated by the merger agreement, the conflicts committee and the board of directors considered a number of factors in their deliberations For a description of the reasons considered by the conflicts committee and the board of directors in resolving to recommend in favor of the adoption of the merger agreement, see the sections of this proxy statement entitled " *The Mergers – Reasons for the Mergers; Recommendation of the Board of Directors* "

Opinion of the Financial Advisor to the Conflicts Committee (page 60)

The conflicts committee retained Evercore Group L L C , referred to in this proxy statement as "Evercore," to act as its independent financial advisor in connection with evaluating the proposed mergers At the request of

the conflicts committee, at a meeting of the conflicts committee held on October 17, 2018, Evercore rendered its oral opinion to the conflicts committee (subsequently confirmed in writing) that, as of October 17, 2018, based upon and subject to assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken by Evercore in rendering its opinion as set forth therein, the merger consideration was fair, from a financial point of view, to the holders (other than Hunt) of the Company common stock entitled to receive the merger consideration, such holders are referred to in this proxy statement as the "unaffiliated stockholders "

The opinion speaks only as of the date it was delivered and not as of the time the mergers will be completed or any other date The opinion does not reflect changes that may occur or may have occurred after October 17, 2018, which could alter the facts and circumstances on which Evercore's opinion was based It is understood that subsequent developments or information of which Evercore is, or was, not aware may affect Evercore's opinion, but Evercore does not have any obligation to update, revise or reaffirm its opinion

The full text of the written opinion of Evercore, which sets forth the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken by Evercore in rendering its opinion, is attached as Annex B to this proxy statement The Company's stockholders are urged to read the opinion in its entirety. Evercore's opinion was addressed to the conflicts committee (in its capacity as such), and only addressed the fairness, from a financial point of view, as of October 17, 2018, to the unaffiliated stockholders of the merger consideration Evercore's opinion did not address any other term, aspect or implication of the mergers Neither Evercore's opinion, the summary of such opinion nor the related analyses set forth in this proxy statement are intended to be, and they do not constitute, a recommendation to the conflicts committee. the board of directors or any other persons in respect of the mergers, including as to how any holder of the Company common stock or the partnership units should vote or act in respect of the mergers or any other transaction The summary of Evercore's opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the written opinion

For further information, see the section of this proxy statement entitled " *The Mergers – Opinion of the Financial Advisor to the Conflicts Committee* " and the full text of the written opinion of Evercore attached as Annex B to this proxy statement

Interests of Our Directors and Executive Officers in the Mergers (page 70)

In considering the recommendation of the board of directors that InfraREIT stockholders vote in favor of the merger proposal, InfraREIT stockholders should be aware that the directors and executive officers of InfraREIT have potential interests in the mergers that may be different from, or in addition to, the interests of InfraREIT stockholders generally, including the treatment of their equity awards in connection with the transaction, certain potential retention and severance payments, and the right to continued indemnification and insurance coverage The conflicts committee and the board of directors were aware of these interests and considered them, among other matters, in making their respective recommendations that InfraREIT stockholders vote in favor of the merger proposal See " *The Mergers – Interests of Our Directors and Executive Officers in the Mergers* "

Financing (page 70)

Oncor has obtained equity financing commitments from Sempra and the principal owners of TTI to provide an aggregate equity contribution of up to $1 330 billion solely for the purpose of funding a portion of the merger consideration pursuant to, and in accordance with, the merger agreement, and the payment of related fees and expenses in connection with the closing of the mergers The equity financing commitments are subject to the terms and conditions set forth in the equity commitment letter entered into by and among Oncor, Sempra and the principal owners of TTI on October 18, 2018, referred to in this proxy statement as the "equity commitment letter " For more information, see " *The Mergers – Financing* "

Material U.S. Federal Income Tax Considerations (page 74)

The receipt of cash in exchange for shares of our common stock pursuant to the company merger will be a taxable transaction for U S federal income tax purposes In general, a U.S holder (as defined in " *The Mergers – Material U.S. Federal Income Tax Considerations* ") of shares of our common stock that receives cash in exchange for such common stock in the company merger will recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash received and (2) the U S holder's adjusted tax basis in such stock In general, a non-U.S holder (as defined in " *The Mergers – Material U.S. Federal Income Tax Considerations* ") will not be subject to U.S federal income tax or U S federal withholding tax on any gain or loss recognized on the receipt of cash in exchange for common stock in the company merger, subject to certain conditions and exceptions (as described in " *The Mergers – Material U.S. Federal Income Tax Considerations* ") You should consult your tax advisors regarding the particular tax consequences to you of the exchange of our common stock for cash pursuant to the company merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws) For further discussion, see " *The Mergers – Material U.S. Federal Income Tax Considerations* "

No Dissenters' Rights of Appraisal (page 106)

We are organized as a corporation under Maryland law Holders of our common stock may not exercise any appraisal rights, dissenters' rights or the rights of an objecting stockholder to receive the fair value of the stockholder's common stock in connection with the company merger because, as permitted by the Maryland General Corporation Law, our charter provides that holders are not entitled to exercise such rights unless the board of directors, upon the affirmative vote of a majority of the entire board, determines that the rights apply The board of directors has made no such determination However, our stockholders can vote against the merger proposal

Delisting and Deregistration of Company Common Stock (page 78)

If the mergers are completed, the Company common stock will be delisted from the New York Stock Exchange, referred to in this proxy statement as the "NYSE," and deregistered under the U S Securities Exchange Act of 1934, as amended, referred to in this proxy statement as the "Exchange Act "

Go-Shop and Restrictions on Solicitation of Acquisition Proposals (page 90)

The merger agreement contains a "go-shop" provision pursuant to which, beginning on the date of the merger agreement and continuing until 11 59 p m (Dallas, Texas time) on November 17, 2018, referred to in this proxy statement as the "go-shop period end time" and the period starting from the date of the merger agreement until the go-shop period end time, referred to as the "go-shop period," InfraREIT, InfraREIT's subsidiaries and their respective representatives had the right to solicit acquisition proposals and engage in discussions and negotiations with persons making or seeking to make an acquisition proposal During a period of up to 40 days following the go-shop period end time, InfraREIT had the right to consider and negotiate any proposal received during the go-shop period that would reasonably be expected to result in a superior proposal (as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ") to allow for bidding between Oncor and any party who submitted a superior proposal during the go-shop period, referred to in this proxy statement as an "excluded party," as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* "

During the go-shop period, at the direction of the conflicts committee, InfraREIT and representatives from Evercore actively solicited competing acquisition proposals from 37 potential acquirers, and two other parties made unsolicited inquiries On November 16, 2018, prior to the expiration of the go-shop period, InfraREIT

received a preliminary and non-binding acquisition proposal from one of the potential acquirers and such party was designated as an excluded party by InfraREIT On December 3, 2018, the party previously designated as an excluded party informed InfraREIT that it was terminating discussions and was no longer considering a potential transaction with InfraREIT As a result, such party no longer qualified as an excluded party

Except as described above, after the go-shop period end time until the company merger effective time or, if earlier, termination of the merger agreement, neither the Company, any of its subsidiaries, nor any of their respective directors, officers or employees may, and the Company must cause its and its subsidiaries' other representatives not to, directly or indirectly

- initiate, solicit, knowingly encourage, knowingly induce or knowingly facilitate any inquiries or discussions regarding, or the making of any inquiry, request, indication of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, any "acquisition proposal," as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ",
- engage in, enter into, continue or otherwise participate in any discussions or negotiations regarding, or provide any information or data to any person with respect to, or otherwise knowingly cooperate in any way with, or knowingly facilitate in any way any effort by, any person in connection with, any acquisition proposal or any inquiry, request, indication of interest, proposal or offer that could reasonably be expected to lead to an acquisition proposal, as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ",
- waive, terminate, modify, amend, release or assign any provisions of any confidentiality or standstill agreement (or similar agreement) to which it is party or fail to enforce, to the fullest extent permitted under applicable law, the provisions of any such agreement, including by obtaining an injunction to prevent any breach of such agreements and to enforce specifically the terms and provisions thereof in any court having jurisdiction,
- approve or recommend an acquisition proposal, or declare advisable or execute or enter into any confidentiality agreement, letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement, collaboration agreement or other agreement with respect to, or that is intended or could reasonably be expected to lead to, an acquisition proposal or requiring or having the effect of requiring the Company to abandon, terminate or breach its obligations under the merger agreement or fail to consummate the mergers or the other transactions contemplated by the merger agreement, or
- agree or propose publicly to do any of the foregoing

However, before the company stockholder approval is obtained, if InfraREIT receives an unsolicited, bona fide written acquisition proposal that did not result from a material breach of the provisions of the merger agreement described above and the board of directors (or the conflicts committee acting on behalf of the board of directors) then determines in good faith, after consultation with its financial advisors and outside legal counsel, that (1) the failure to take such action would be inconsistent with its duties under applicable law and (2) such acquisition proposal either constitutes a "superior proposal," as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ," or is reasonably likely to lead to a superior proposal, then InfraREIT and its representatives may:

- provide nonpublic information in response to a request therefor by such person or group of persons if the Company receives from such person an executed confidentiality agreement containing terms not materially less favorable to InfraREIT than those contained in the confidentiality agreement to which Oncor is subject, and makes available to Oncor and Merger Sub as promptly as practicable any such

information concerning InfraREIT or its subsidiaries that is provided to any such person and that was not previously made available to Oncor or Merger Sub, and

- engage or participate in any discussions or negotiations with that person and its representatives regarding such acquisition proposal

Change in Board Recommendation (page 90)

The board of directors, acting on the unanimous recommendation of the conflicts committee, has unanimously recommended that InfraREIT stockholders vote " **FOR** " the merger proposal The merger agreement permits the board of directors to effect a "change of recommendation" (as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ") in certain circumstances, as described below

Before the company stockholder approval is obtained, the board of directors may (1) outside the context of an acquisition proposal, make a change of recommendation if, upon the occurrence of an intervening event (as described in the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* "), the board of directors (or the conflicts committee acting on behalf of the board of directors) determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with its duties under applicable law; or (2) terminate the merger agreement or make a change of recommendation if the Company receives a bona fide acquisition proposal after the date of the merger agreement that did not result from a material breach of the merger agreement that the board of directors (or the conflicts committee acting on behalf of the board of directors) determines in good faith, after consultation with the financial advisor to the conflicts committee and its outside legal counsel, that failure to take such action would be inconsistent with the directors' duties under applicable law, provided that in either case

- InfraREIT must have given Oncor at least five business days' prior written notice that it intends to make a change of recommendation, referred to in this proxy statement as a "notice of change of recommendation," and/or terminate the merger agreement, which notice must specify in reasonable detail the circumstances giving rise to such proposed action and, in the case of a superior proposal, the identity of the person or group of persons making the superior proposal and the material terms thereof or, in the case of an intervening event, the material facts underlying the board of directors' determination that an intervening event has occurred,
- after providing such notice and prior to making a change of recommendation and/or terminating the merger agreement, InfraREIT must have negotiated, and must have caused its financial and legal advisors to negotiate, in good faith with Oncor and its representatives (to the extent Oncor desires to negotiate) during the five-business-day notice period to make adjustments to the terms and conditions of the merger agreement as would obviate the need for the Company to effect a change of recommendation and/or terminate the merger agreement, provided, however, that in the event of any amendment to the material terms of a superior proposal or any material change in the circumstances of an intervening event, the Company must deliver a new written notice to Oncor and a new notice period lasting two business days will commence upon such delivery, and
- at the end of the five-business-day notice period, the board of directors must have determined in good faith that, after consultation with the financial advisor to the conflicts committee and its outside legal counsel, with respect to a superior proposal giving rise to the notice of change of recommendation, taking into account any changes to the merger agreement made or proposed in writing by Oncor in response to the notice of change of recommendation, that (1) the superior proposal giving rise to the notice of change of recommendation continues to be a superior proposal or (2) in the case of an intervening event, the failure of the board of directors to make a change of recommendation would continue to be inconsistent with its fiduciary obligations under applicable law

For more information, see the section of this proxy statement entitled " *The Merger Agreement – Go-Shop and Restrictions on Solicitation of Acquisition Proposals* ."

Termination (page 99)

The merger agreement may be terminated and the mergers may be abandoned at any time prior to the company merger effective time (whether before or after the company stockholder approval has been obtained, unless otherwise specified) in the following circumstances:

- by the mutual written consent of Oncor and the Company,
- by either Oncor or the Company
  - if the mergers have not been consummated on or before July 15, 2019, referred to in this proxy statement as the "termination date", provided that the termination date may be extended on one occasion by either Oncor or the Company for a period of 90 days by written notice to the other party if, as of the termination date, all of the closing conditions under the merger agreement (other than the conditions pertaining to certain regulatory approvals) have been satisfied, are capable of being satisfied or would be capable of being satisfied but for the fact that certain regulatory approvals were unable to be obtained at such time, provided further that the right to terminate the merger agreement pursuant to the termination provision referred to in this bullet point will not be available to a party if the failure of the mergers to have been completed on or before the termination date was primarily caused by the failure of such party to perform any of its obligations under the merger agreement,
  - if an order by a court of competent jurisdiction or other governmental entity restraining, enjoining or otherwise prohibiting the completion of the mergers has become final and nonappealable, provided that the right to terminate the merger agreement pursuant to the termination provision referred to in this bullet point will not be available to a party if the issuance of such order, or the order becoming final and nonappealable. was attributable to the failure of such party to perform any of its obligations under the merger agreement,
  - if the PUCT issues a final order denying the requested approval of the mergers and, within 30 days following the date that such order becomes final, such order has not been vacated or materially modified, or
  - if the special meeting has been duly convened and the company stockholder approval has not been obtained at that meeting or at any adjournment or postponement thereof at which a vote on the adoption of the merger agreement is taken
- by the Company
  - if Oncor, Merger Sub or Merger Partnership has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach or failure to perform (1) would give rise to the failure of a condition to the obligation of any party to the merger agreement to effect the mergers and (2) is either not capable of being cured before the termination date or is not cured before the earlier of (x) 30 days following receipt of written notice from InfraREIT to Oncor of such breach or (y) the termination date, provided that InfraREIT does not have the right to terminate the merger agreement pursuant to the termination provision referred to in this bullet point if it is then in material breach of any of its representations, warranties, covenants or agreements in the merger agreement; or
  - at any time prior to the time the company stockholder approval is obtained, in order to substantially concurrently enter into an alternative acquisition agreement providing for a superior proposal in accordance with the merger agreement, subject to complying with the terms of the

merger agreement, provided that prior to or substantially concurrently with, and as a condition to, such termination, the Company pays to Oncor the termination fee described below

- by Oncor:
  - if InfraREIT or the Operating Partnership has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach or failure to perform (1) would give rise to the failure of a condition to the obligation of any party to the merger agreement to effect the mergers and (2) is either not capable of being cured before the termination date or is not cured before the earlier of 30 days following receipt of written notice from Oncor to InfraREIT of such breach or the termination date, provided that Oncor does not have the right to terminate the merger agreement pursuant to the termination provision referred to in this bullet point if it, Merger Sub or Merger Partnership is then in material breach of any of their representations, warranties, covenants or agreements in the merger agreement,
  - at any time prior to the time the company stockholder approval is obtained, if the board of directors (or any committee thereof) has made a change of recommendation or allowed InfraREIT or any of its subsidiaries to enter into an alternative acquisition agreement (other than an acceptable confidentiality agreement);
  - if the PUCT issues a final order imposing a burdensome condition (which has not been accepted by Oncor) and, within 30 days following the date that such order becomes final, such order has not been vacated or materially modified, or
  - if the asset exchange agreement is validly terminated in accordance with its terms.

Termination Fee (page 100)

InfraREIT will pay Oncor a termination fee in an amount equal to $44 6 million, referred to in this proxy statement as the "termination fee," in any of the following circumstances

- we terminate the merger agreement in order to substantially concurrently enter into an alternative acquisition agreement providing for a superior proposal in accordance with the merger agreement,
- Oncor terminates the merger agreement following the board of directors making an adverse recommendation change, or
- if all three of the following conditions are satisfied

  (1) the merger agreement is terminated by (a) either InfraREIT or Oncor because the mergers have not been completed on or before the termination date or because the company stockholder approval has not been obtained or (b) Oncor as a result of a breach or failure to perform by InfraREIT or the Operating Partnership of any representation, warranty, covenant or agreement in the merger agreement, which breach (i) gives rise to the failure of a condition to the obligations of Oncor and Merger Sub to complete the mergers related to InfraREIT's and the Operating Partnership's representations, warranties, covenants and agreements in the merger agreement and (ii) is either not capable of being cured before the termination date or is not cured before the earlier of 30 days follow receipt of written notice from Oncor of such breach or the termination date, and in each case at the time of the termination, the company stockholder approval has not been obtained,

  (2) (a) a bona fide acquisition proposal has been received by the Company, the board of directors or any representative thereof or (b) any person has publicly proposed or publicly announced an intention to make an acquisition proposal and, in the case of a termination pursuant to a failure of the mergers to not be completed on or before the termination date or as a result of a breach or failure to perform by

InfraREIT of any representation, warranty, covenant or agreement in the merger agreement, not withdrawn such public proposal or announcement prior to such termination, and in the case of a termination because the company stockholder approval has not been obtained, not publicly withdrawn such public proposal or announcement at least two business days prior to the special meeting, and

(3) within 12 months after such termination, the Company or any Company subsidiary enters into a definitive agreement with respect to any acquisition proposal that is later consummated

For more information, see the section of this proxy statement entitled " *The Merger Agreement – Termination Fee.* "

Other Contemporaneous Transactions (page 103)

Concurrently with the execution of the merger agreement and the asset exchange agreement, Sharyland and Sempra entered into an agreement pursuant to which an affiliate of Sempra will purchase a 50% limited partnership interest in Sharyland Holdings, L P., which will own a 100% interest in Sharyland, for a purchase price of approximately $98 million, referred to in this proxy statement as the "SU Investment." The substantially concurrent closing of the SU Investment is both a closing condition and regulatory approval condition in the asset exchange agreement. For more information, see the section of this proxy statement entitled " *The Mergers – Other Contemporaneous Transactions – Agreements among Hunt, Oncor and Sempra* "

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGERS

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed mergers These questions and answers may not address all questions that may be important to you as a stockholder Please refer to the more detailed information contained elsewhere in this proxy statement, as well as the additional documents to which it refers or which it incorporates by reference, including the merger agreement, a copy of which is attached to this proxy statement as Annex A.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company and its subsidiaries, including the Operating Partnership, by Oncor pursuant to, and subject to the conditions contained in, the merger agreement After the mergers and the other transactions contemplated by the merger agreement have been approved by our stockholders and the other closing conditions under the merger agreement have been satisfied or waived, the Company will be merged with and into Merger Sub, with Merger Sub being the surviving entity, referred to in this proxy statement as the "surviving company" and such transaction the "company merger " Immediately following the company merger effective time, Merger Partnership will merge with and into the Operating Partnership, with the Operating Partnership being the surviving entity, referred to in this proxy statement as the "surviving partnership" and such transaction the "partnership merger" and, together with the company merger, the "mergers " Each of the company merger and the partnership merger will occur at the times provided in the merger agreement For additional information about the mergers, please review the merger agreement attached to this proxy statement as Annex A and incorporated by reference into this proxy statement We encourage you to read the merger agreement carefully and in its entirety, as it is the principal document governing the mergers

Q: As a stockholder, what will I receive in the mergers?

A: For each outstanding share of common stock of InfraREIT that you own immediately prior to the company merger effective time, you will receive $21 00 in cash, without interest, and subject to deduction for any required withholding tax

Q: Will I receive any regular quarterly dividends with respect to the common stock that I own?

A: Under the terms of the merger agreement, we are permitted to pay regular quarterly cash dividends of $0 25 per share of common stock for each quarter that ends prior to the closing of the mergers. In the event closing of the mergers does not coincide with the end of a quarter, you will be paid a prorated portion of the $0 25 per share quarterly cash dividend on your shares of common stock for the quarter in which the closing occurs Under the terms of the merger agreement, we may not declare or pay any additional dividends to the holders of our common stock during the term of the merger agreement without the prior written consent of Oncor, other than, upon consultation with Oncor, dividends reasonably required to maintain our status as a REIT under the Code or to avoid the payment of income or excise tax (with any such additional dividend resulting in a corresponding deduction to the merger consideration)

Q: What will happen to my Restricted Stock or LTIP Units in the mergers?

A: Any vesting conditions applicable to each share of Restricted Stock or LTIP Unit that is outstanding on the business day prior to the company merger effective time will, automatically and without any required action on your part, accelerate in full, and all restrictions with respect thereto will lapse and (i) each share of Restricted Stock will become a fully vested share of common stock and (ii) each LTIP Unit will be converted into an equivalent number of partnership units and, in each case, consequently will be entitled to receive $21 00 in cash, without interest, and subject to deduction for any required withholding tax

Q: ***When do you expect the mergers to be completed?***

A: If our stockholders vote to approve the company merger and the other transactions contemplated by the merger agreement, and assuming that the other conditions to the mergers are satisfied or waived, it is anticipated that the mergers will be completed by mid-2019 Pursuant to the merger agreement, the closing of the mergers will take place on the third business day after satisfaction or, to the extent permitted by law, waiver of the conditions to the mergers described under " *The Merger Agreement — Conditions to Completion of the Mergers* " (other than those conditions that by their terms are to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of such conditions) or at such other date as mutually agreed to by the parties to the merger agreement For further information regarding the timing of the closing of the mergers, see " *The Merger Agreement — Effective Time; Closing Date* "

Q: ***What happens if the mergers are not completed?***

A: If the company merger and the other transactions contemplated by the merger agreement are not approved by our stockholders, or if the mergers are not completed for any other reason, our stockholders will not receive any payment for their common stock pursuant to the merger agreement Instead, InfraREIT will remain a public company and our common stock will continue to be registered under the Exchange Act and listed on the NYSE Upon a termination of the merger agreement, under certain circumstances, we will be required to pay Oncor the termination fee

Q: ***If the mergers are completed, how do I obtain the merger consideration for my common stock?***

A: Following the completion of the mergers, your common stock will automatically be converted into the right to receive your portion of the merger consideration Shortly after the company merger is completed, you will receive a letter of transmittal describing how you may exchange your common stock for the merger consideration If your shares of common stock are held in "street name" by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your "street name" shares in exchange for the merger consideration.

Q: ***When and where is the special meeting?***

A: The special meeting will be held on February 7, 2019 at 11 00 a m Central Time, at our offices at 1900 North Akard Street, Dallas, Texas 75201

Q: ***Who can vote and attend the special meeting?***

A: All holders of record of our common stock as of the record date, which is the close of business on January 15, 2019, are entitled to receive notice of and attend and vote at the special meeting or any postponement or adjournment of the special meeting Each stockholder will be entitled to cast one vote on each matter presented at the special meeting for each share of common stock that such holder owns as of the record date

We are commencing our solicitation of proxies on or about January 7, 2019, which is before the record date We will continue to solicit proxies until the special meeting Each stockholder of record on January 15, 2019 who has not yet received a proxy statement prior to that date will be sent a proxy statement and have the opportunity to vote on the matters described in this proxy statement Proxies delivered prior to the record date will be valid and effective so long as the stockholder providing the proxy is a holder of record on the record date If you are not a holder of record on the record date, any proxy you deliver will be invalid and will not be counted at the special meeting If you deliver a proxy prior to the record date and remain a holder on the record date, you do not need to deliver another proxy after the record date If you deliver a proxy prior to the record date and do not revoke that proxy, your proxy will be deemed to cover the number of shares you own on the record date even if that number is different from the number of shares you owned when you executed and delivered your proxy. Proxies received from persons who are not holders of record on the record date will not be effective

Q: ***What vote of stockholders is required to approve the merger proposal?***

A: Approval of the merger proposal requires the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt Because the required vote for this proposal is based on the number of votes our stockholders are entitled to cast rather than on the number of votes cast, failure to vote your common stock (including failure to give voting instructions to your broker, bank or other nominee) and abstentions will have the same effect as voting " **AGAINST** " the merger proposal

Q: ***What vote of stockholders is required to approve the adjournment proposal?***

A: Approval of any adjournment of the special meeting to solicit additional proxies if there are not sufficient votes at the special meeting to approve the merger proposal requires the affirmative vote of a majority of the votes cast on the proposal For the purpose of this proposal, failure to vote your common stock (including failure to give voting instructions to your broker, bank or other nominee) and abstentions will have no effect on the adjournment proposal

Q: ***Why is my vote important?***

A: If you do not authorize your proxy or voting instructions or vote in person at the special meeting, it will be more difficult for us to obtain the necessary quorum to hold the special meeting In addition, because the merger proposal must be approved by (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt, your failure to authorize your proxy or to give voting instructions to your broker, bank or other nominee or to vote in person at the special meeting will have the same effect as a vote " **AGAINST** " the approval of the merger proposal

Q: ***How does the merger consideration compare to the market price of the Company's common stock?***

A: The merger consideration of $21 00 per share represents (i) a premium of approximately 18 percent over the closing price of our common stock of $17 79 per share on January 12, 2018, the last trading day before Hunt filed the January 2018 13D (as defined below), and (ii) a premium of approximately 1 8 percent over the closing price of our common stock of $20 63 per share on October 17, 2018, the last trading day prior to public announcement of the merger agreement

Q: ***How does the Board of Directors recommend that I vote?***

A: The board of directors, acting on the unanimous recommendation of the conflicts committee, unanimously recommends that you vote " **FOR** " the merger proposal and " **FOR** " the adjournment proposal, if necessary or appropriate

Q: ***Do any of the Company's directors and executive officers have any interest in the mergers that is different than mine?***

A: Our directors and executive officers have certain interests in the mergers that are different from, or in addition to, the interests of our stockholders generally, including (1) with respect to our directors, the vesting of their Restricted Stock and the conversion of their LTIP Units into partnership units and (2) with respect to our executive officers, retention and severance payments and benefits that may, in certain circumstances, become payable by Hunt Manager following the closing of the mergers Mr Hunter L Hunt, one of our directors, through his affiliation with Hunt and Sharyland, has financial interests in the transactions described in this proxy statement to which Hunt or Sharyland is a party, including the receipt of the management termination fee (as defined below) payable under the omnibus termination agreement See " *The Mergers — Interests of Our Directors and Executive Officers in the Mergers* " for additional information about interests that our directors and executive officers have in the mergers that are different than yours

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement and the exhibits attached to this proxy statement, please vote your shares of common stock or authorize a proxy to vote your shares of common stock in one of the ways described below as soon as possible You will be entitled to one vote for each share of common stock that you own as of the record date

Q: How do I cast my vote if I am a stockholder of record?

A: If you are a stockholder of record at the close of business on the record date, you may vote in person at the special meeting or authorize a proxy to vote your common stock at the special meeting You can authorize your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage-paid envelope, or, if you prefer, by following the instructions on your proxy card for telephonic or Internet proxy authorization We strongly encourage you to vote by telephone or Internet because it is faster and less costly Registered stockholders can transmit their voting instructions by telephone by calling 1-866-883-3382 or on the Internet at www proxypush com/hifr Telephone and Internet voting are available 24 hours a day until 11 59 p m., Central Time, on February 6, 2019 Have your proxy card with you if you are going to authorize your proxy by telephone or through the Internet To authorize your proxy by mail, please complete sign, date and mail your proxy card in the envelope provided If you attend the special meeting in person, you may request a ballot when you arrive

Q: How do I cast my vote if my common stock are held of record in "street name"?

A: If you own common stock through a broker, bank or other nominee (i.e., in "street name"), you must provide voting instructions in accordance with the instructions on the voting instruction form that your broker, bank or other nominee provides to you, since brokers, banks and other nominees do not have discretionary voting authority with respect to any of the proposals described in this proxy statement We strongly encourage you to provide your voting instructions by telephone or Internet because it is faster and less costly If you have not received such voting instruction form or require further information regarding such voting instructions, contact your broker, bank or other nominee who can give you directions on how to vote your common stock If you hold your common stock through a broker, bank or other nominee and wish to vote in person at the special meeting, you must obtain a "legal proxy," executed in your favor, from the broker, bank or other nominee (which may take several days)

Q: What will happen if I abstain from voting or fail to vote?

A: With respect to the merger proposal, if you abstain from voting, fail to cast your vote in person or by proxy or if you hold your common stock in "street name" and fail to give voting instructions to your broker, bank or other nominee, it will have the same effect as a vote " **AGAINST** " the merger agreement, the company merger and the other transactions contemplated by the merger agreement With respect to the adjournment proposal, if you abstain from voting, fail to cast your vote in person or by proxy or if you hold your common stock in "street name" and fail to give voting instructions to your broker, bank or other nominee, it will not have any effect on the outcome of such proposal

Q: How will proxy holders vote my common stock?

A: If you properly authorize a proxy prior to the special meeting, your common stock will be voted as you direct If you authorize a proxy but no direction is otherwise made, your common stock will be voted " **FOR** " the merger proposal and " **FOR** " the adjournment proposal Pursuant to our bylaws, only the matters set forth in the Notice of Special Meeting may be brought before the special meeting

Q: What happens if I sell my common stock before the special meeting?

A: If you held shares of common stock at the close of business on the record date but transfer them prior to the company merger effective time, you will retain your right to vote at the special meeting, but not the right to

receive the merger consideration for those shares The right to receive such consideration when the company merger becomes effective will pass to the person who at that time owns the common stock you previously owned.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes If you own common stock as a record holder as of the close of business on the record date, you may revoke a previously authorized proxy at any time before it is exercised by filing with our Corporate Secretary a notice of revocation or a duly authorized proxy bearing a later date or by attending the meeting and voting in person Attendance at the meeting will not, in itself, constitute revocation of a previously authorized proxy. If you have instructed a broker to vote your shares of common stock, the foregoing options for changing your vote do not apply and instead you must follow the instructions received from your broker to change your vote

Q: Is the company merger expected to be taxable to me?

A: Yes. The receipt of cash in exchange for shares of common stock pursuant to the company merger will be a taxable transaction for U S federal income tax purposes In general, if you are a U S holder (as defined in " *The Mergers — Material U.S. Federal Income Tax Considerations* "), you will recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash received and (2) the adjusted tax basis of your stock. In general, if you are a non-U S holder (as defined in " *The Mergers — Material U.S. Federal Income Tax Considerations* "), you will not be subject to U S federal income tax or U S federal withholding tax on any gain or loss recognized on your receipt of cash in exchange for your stock, subject to certain conditions and exceptions (as described in " *The Mergers — Material U.S. Federal Income Tax Considerations* ") You should consult your tax advisors regarding the particular tax consequences to you of the exchange of shares of our common stock for cash pursuant to the company merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws) For further discussion, see " *The Mergers — Material U.S. Federal Income Tax Considerations* ."

Q: What rights do I have if I oppose the mergers?

A: If you are a stockholder of record at the close of business on the record date, you can vote against the merger proposal You are not, however, entitled to exercise any appraisal rights, dissenters' rights or the rights of an objecting stockholder to receive the fair value of the stockholder's shares in connection with the company merger because, as permitted by the Maryland General Corporation Law, our charter provides that stockholders are not entitled to exercise any such rights unless the board of directors, upon the affirmative vote of a majority of the entire board, determines that the rights apply. The board of directors has made no such determination See " *No Dissenters' Rights of Appraisal* "

Q: Where can I find the voting results of the special meeting?

A: We intend to announce preliminary voting results at the special meeting and publish final results in a Current Report on Form 8-K that will be filed with the Securities and Exchange Commission, referred to in this proxy statement as the "SEC," following the special meeting. All reports that we file with the SEC are publicly available on the SEC's website at www sec gov when filed and on our website at www infrareitinc com

Q: Can I participate if I am unable to attend the special meeting?

A: If you are unable to attend the meeting in person, we encourage you to complete, sign, date and return your proxy card, or authorize your proxy or voting instructions by telephone or through the Internet The special meeting will not be broadcast telephonically or over the Internet

Q: Have any stockholders already agreed to approve the mergers?

A: No There are no agreements between Oncor, Merger Sub, Merger Partnership or other affiliates of Oncor and any of our stockholders in which a stockholder has agreed to vote in favor of approval of the mergers and the other transactions contemplated by the merger agreement

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Q: ***Where can I find more information about the Company?***

A: We file certain information with the SEC This information is available on the SEC's website at www sec.gov and on our website at www.infrareitinc com The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document we file with or furnish to the SEC You can also request copies of these documents from us See " *Additional Information About the Company* "

Q: ***Who will solicit and pay the cost of soliciting proxies?***

A: We will bear the cost of solicitation of proxies for the special meeting The board of directors is soliciting your proxy on our behalf In addition to the use of mails, proxies may be solicited by personal interview, telephone, facsimile, e-mail or otherwise, by our directors, officers and employees of Hunt Manager We have engaged MacKenzie Partners, Inc to assist in the solicitation of proxies for a fee of $14,500, plus reimbursement of out-of-pocket expenses We also will request persons, firms and corporations holding common stock in their names, or in the names of their nominees, that are beneficially owned by others to send or cause to be sent proxy materials to, and obtain proxies from, such beneficial owners and will reimburse such holders for their reasonable expenses in so doing

Q: ***Who can help answer my other questions?***

A: If after reading this proxy statement you have more questions about the special meeting or the mergers, you should contact us at.

InfraREIT™

InfraREIT, Inc
1900 North Akard Street
Dallas, Texas 75201
Attention Greg Imhoff, Corporate Secretary
214-855-6700

You may also contact MacKenzie Partners, Inc , our proxy solicitor, as follows

MACKENZIE PARTNERS, INC.

1407 Broadway, 27th Floor
New York, New York 10018
(212) 929-5500
or
Toll-Free (800) 322-2885
proxy@mackenziepartners com

If your broker holds your common stock, you should also contact your broker for additional information

FORWARD-LOOKING STATEMENTS

Some of the information in this proxy statement and the documents that we incorporate by reference herein contain forward-looking statements Forward-looking statements give InfraREIT's current expectations and include projections of results of operations or financial condition or forecasts of future events Words such as "could," "will," "may," "assume," "forecast," "position," "predict," "strategy," "expect," "intend," "plan," "estimate," "anticipate," "believe," "project," "potential" or "continue" and similar expressions are used to identify forward-looking statements

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement We believe that we have chosen these assumptions or bases in good faith and that they are reasonable However, the assumptions and estimates underlying the forward-looking statements included in this document are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in this document Accordingly, when considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this document and the documents that we incorporate by reference herein, and you are cautioned not to place undue reliance on any forward-looking statements You should also understand that it is not possible to predict or identify all such factors, and you should not consider the following list to be a complete statement of all potential risks and uncertainties Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include

- delays in consummating, or failure to consummate, the company merger or the related transactions, including the asset exchange with Sharyland, whether due to the failure to obtain required approvals or to obtain necessary regulatory approvals on favorable terms or due to other unsatisfied closing conditions,
- risks associated with our ability to obtain the company stockholder approval and the timing of the closing of the mergers, including the risks that a condition to closing would not be satisfied within the expected timeframe or at all or that the closing of the mergers will not occur;
- the occurrence of any change, effect, event, circumstance, occurrence or state of facts that could give rise to the termination of the merger agreement, including a termination under circumstances that could require us to pay the termination fee,
- the failure of the mergers to close for any other reason,
- the outcome of any legal proceedings that may be instituted against the parties and others related to the merger agreement,
- diversion of management's attention from ongoing business concerns,
- the parties' ability to meet expectations regarding the timing and consummation of the mergers, including uncertainties as to the timing of the closing of the mergers,
- our restricted ability to pay dividends to the holders of our common stock pursuant to the merger agreement,
- our current reliance on our tenant for all our lease revenues and, as a result, our dependency on our tenant's solvency and financial and operating performance,
- our ability to negotiate future rent payments or renew leases with our tenant,
- insufficient cash available to meet distribution requirements,
- cyber breaches and weather conditions or other natural phenomena,
- the price and availability of debt and equity financing,
- our level of indebtedness or debt service obligations,

- the effects of existing and future tax and other laws and governmental regulations;
- our failure to qualify or maintain our status as a REIT or changes in the tax laws applicable to REITs;
- the termination of that certain Management Agreement, dated as of January 29, 2015, among the Company, the Operating Partnership and Hunt Manager, as amended, referred to in this proxy statement as the "management agreement," or the loss of the services of Hunt Manager or other qualified personnel,
- adverse economic developments in the electric power industry or in business conditions generally, and
- certain other factors discussed elsewhere in this proxy statement

For the above reasons, there can be no assurance that any forward-looking statements included herein will prove to be indicative of our future performance or that actual results will not differ materially from those presented In no event should the inclusion of forward-looking information in this document be regarded as a representation by any person that the results contained in such forward-looking information will be achieved

Forward-looking statements speak only as of the date on which they are made While we may update these statements from time to time, we are not required to do so other than pursuant to applicable laws For a further discussion of these and other factors that could impact our future results and performance, see Part I, Item 1A., Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 5, 2018 and Part II, Item 1A , Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed with the SEC on November 1, 2018

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PROPOSAL 1

MERGER PROPOSAL

We are asking our stockholders to vote on a proposal to adopt the merger agreement and approve the company merger and the other transactions contemplated by the merger agreement

For detailed information regarding this proposal, see the information about the merger agreement and the mergers throughout this proxy statement, including the information set forth in the sections entitled " *The Merger Agreement* " and " *The Mergers* " A copy of the merger agreement is attached as Annex A to this proxy statement

Approval of this proposal requires the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt **If you properly authorize your proxy by mail, by telephone or through the Internet, but do not indicate instructions to vote your common stock "FOR," "AGAINST" or "ABSTAIN" on this Proposal 1, your common stock will be voted in accordance with the recommendation of the board of directors, which is "FOR" this Proposal 1.** Because the required vote for this proposal is based on the number of votes our stockholders are entitled to cast rather than on the number of votes cast, failure to vote your common stock (including failure to give voting instructions to your broker, bank or other nominee) and abstentions will have the same effect as voting **"AGAINST"** this proposal

Approval of this proposal is a condition to the completion of the mergers In the event this proposal is not approved, the mergers cannot be completed

Recommendation of the Board of Directors

The board of directors, acting on the unanimous recommendation of the conflicts committee, unanimously recommends that our stockholders vote "FOR" the merger proposal.

PROPOSAL 2

ADJOURNMENT PROPOSAL

We are asking our stockholders to vote on a proposal to approve any adjournments of the special meeting, if necessary or appropriate, including for the purpose of soliciting additional proxies if there are not sufficient votes at the special meeting to approve the merger proposal or in the absence of a quorum

Approval of the adjournment proposal, if necessary or appropriate, requires the affirmative vote of a majority of the votes cast on the proposal. Approval of this proposal is not a condition to the completion of the mergers **If you properly authorize your proxy by mail, by telephone or through the Internet, but do not indicate instructions to vote your common stock "FOR," "AGAINST" or "ABSTAIN" on this Proposal 2, your common stock will be voted in accordance with the recommendation of the board of directors, which is "FOR" this Proposal 2.** An abstention or failure to vote on this proposal will have no effect on the approval of this proposal

In addition, even if a quorum is not present at the special meeting, the chairman of the meeting may adjourn the meeting to another place, date or time announced at the special meeting (subject to certain restrictions in the merger agreement, including that the special meeting generally may not be held, without Oncor's consent, on a date that is more than 10 business days after the date on which the special meeting was originally scheduled)

Recommendation of the Board of Directors

The board of directors, acting on the unanimous recommendation of the conflicts committee, unanimously recommends that our stockholders vote "FOR" the adjournment proposal.

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THE PARTIES

InfraREIT Entities

InfraREIT, Inc.
1900 North Akard Street
Dallas, Texas 75201
214-855-6700

InfraREIT, Inc (NYSE HIFR), referred to in this proxy statement as "InfraREIT," the "Company," "we," "our" or "us," is a Maryland corporation engaged in owning and leasing rate-regulated assets in Texas InfraREIT was formed as a Delaware corporation in 2001 and converted into a Maryland corporation in 2014

InfraREIT conducts its business through a traditional umbrella partnership REIT in which its properties are owned by the Operating Partnership or direct or indirect subsidiaries of the Operating Partnership All of InfraREIT's assets are held by and all its business activities are conducted through the Operating Partnership, either directly or through its subsidiaries Our assets, which are leased to Sharyland, pursuant to leases between Sharyland and our subsidiary, SDTS, are located in the Texas Panhandle, near Wichita Falls, Abilene and Brownwood, in the Permian Basin, and in south Texas.

Hunt Manager manages the day-to-day business of InfraREIT, subject to oversight from InfraREIT's board of directors.

A detailed description of InfraREIT's business is contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this proxy statement, and additional information about InfraREIT is contained in its public filings See " *Additional Information About the Company* "

InfraREIT Partners, LP
1900 North Akard Street
Dallas, Texas 75201
214-855-6700

InfraREIT Partners, LP, referred to in this proxy statement as the "Operating Partnership," is a Delaware limited partnership InfraREIT is the sole general partner of the Operating Partnership, and owns approximately 72 45% of the outstanding partnership units The remaining partnership units are held by the Operating Partnership's limited partners Subject to the terms of the Operating Partnership's partnership agreement, partnership units held by the limited partners may be redeemed for cash or, at InfraREIT's option, exchanged for shares of our common stock on a one-for-one basis

Sharyland Distribution & Transmission Services, L.L.C.
1900 North Akard Street
Dallas, Texas 75201
214-855-6700

Sharyland Distribution & Transmission Services, L L C , referred to in this proxy statement as "SDTS," is a Texas limited liability company and indirect subsidiary of the Operating Partnership SDTS is a Texas-based regulated electric utility SDTS currently leases all of its assets to Sharyland pursuant to five separate leases

Sharyland is the managing member of SDTS and has operational control over our regulated assets pursuant to the leases However, to the extent that day-to-day operations of SDTS involve matters primarily related to passive ownership of the assets, such as capital sourcing, financing, cash management and investor relations, Sharyland has delegated those responsibilities and authorities to InfraREIT pursuant to a delegation agreement

We refer in this proxy statement to InfraREIT and its subsidiaries, including the Operating Partnership and SDTS, collectively as the "InfraREIT Entities."

Oncor Entities

Oncor Electric Delivery Company LLC
1616 Woodall Rogers Frwy.
Dallas, Texas 75202
(214) 486-2000

Oncor Electric Delivery Company LLC, referred to in this proxy statement as "Oncor," is a Delaware limited liability company. Oncor operates the largest transmission and distribution system in Texas, delivering electricity to more than 3.6 million homes and businesses and operating more than 134,000 miles of transmission and distribution lines. Oncor employs more than 3,900 full-time employees. Additional information about Oncor is contained in its public filings.

1912 Merger Sub LLC
1616 Woodall Rogers Frwy.
Dallas, Texas 75202
(214) 486-2000

1912 Merger Sub LLC, referred to in this proxy statement as "Merger Sub," is a Delaware limited liability company and wholly owned subsidiary of Oncor that will function as the merger subsidiary for purposes of the company merger. Merger Sub was formed solely for the purpose of acquiring us and it has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to the mergers and its formation. Upon the company merger effective time, InfraREIT will merge with and into Merger Sub and Merger Sub will be the surviving entity.

Oncor T&D Partners, LP
1616 Woodall Rogers Frwy.
Dallas, Texas 75202
(214) 486-2000

Oncor T&D Partners, LP, referred to in this proxy statement as "Merger Partnership," is a Delaware limited partnership and wholly owned indirect subsidiary of Oncor that will function as the merger subsidiary for purposes of the partnership merger. Merger Partnership was formed solely for the purpose of acquiring the Operating Partnership and it has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to the mergers and its formation. Upon completion of the company merger, Merger Partnership will merge with and into the Operating Partnership and the Operating Partnership will be the surviving entity.

Other Parties

Sharyland Utilities, L.P.
1900 North Akard Street
Dallas, Texas 75201
(214) 972-8000

Sharyland Utilities, L.P., referred to in this proxy statement as "Sharyland," is a Texas limited partnership. Sharyland is privately owned by Hunter L. Hunt and other members of the family of Ray L. Hunt and is managed by Hunter L. Hunt. Sharyland is a Texas-based regulated electric utility, which leases all of the InfraREIT Entities' regulated assets pursuant to leases with SDTS.

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Sempra Energy
488 8th Avenue
San Diego, California 92101
(619) 696-2000

Sempra Energy (NYSE: SRE), referred to in this proxy statement as "Sempra," is a California corporation. Sempra is a Fortune 500 energy-services holding company headquartered in San Diego, California whose businesses invest in energy infrastructure, develop and operate energy infrastructure and provide gas and electricity services to their customers in North and South America. Additionally, Sempra indirectly owns an 80.25% interest in Oncor. Additional information about Sempra is contained in its public filings.

Texas Transmission Investment LLC
c/o OMERS Infrastructure Management Inc.
900-100 Adelaide St W
Toronto, ON M5H 0E2 Canada
-and-
c/o Cheyne Walk Investment Pte Ltd.
1st Floor, York House
45 Seymour Street
London W1H 7LX, United Kingdom

Texas Transmission Investment LLC, referred to in this proxy statement as "TTI," is a Delaware limited liability company and an entity indirectly owned by a private investment group led by OMERS Administration Corporation, acting through its infrastructure investment entity OMERS Infrastructure Management Inc., and Cheyne Walk Investment Pte Ltd. In addition, Hunt owns a 1% interest in TTI. TTI owns a 19.75% interest in Oncor.

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THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies by the board of directors to be exercised at a special meeting to be held on February 7, 2019 at 11.00 a m Central Time The special meeting will be held at our offices at 1900 North Akard Street, Dallas, Texas 75201.

Purpose of the Special Meeting

The purpose of the special meeting is for you to consider and vote on the following matters:

1. The merger proposal, and
2. The adjournment proposal

Pursuant to our bylaws, only the matters set forth in the Notice of Special Meeting may be brought before the special meeting The affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt, is required to approve the merger proposal and for the mergers to occur. A copy of the merger agreement is attached as Annex A to this proxy statement, which we encourage you to read carefully in its entirety

Record Date, Notice and Quorum

All holders of record of our common stock as of the record date, which is the close of business on January 15, 2019, are entitled to receive notice of and attend and vote at the special meeting or any postponement or adjournment of the special meeting Each stockholder will be entitled to cast one vote on each matter presented at the special meeting for each share of common stock that such holder owns as of the record date. As of January 3, 2019, there were 43,997,672 shares of common stock outstanding

We are commencing our solicitation of proxies on or about January 7, 2019, which is before the record date. We will continue to solicit proxies until the special meeting Each stockholder of record on January 15, 2019 who has not yet received a proxy statement prior to that date will be sent a proxy statement and have the opportunity to vote on the matters described in this proxy statement Proxies delivered prior to the record date will be valid and effective so long as the stockholder providing the proxy is a holder of record on the record date If you are not a holder of record on the record date, any proxy you deliver will be invalid and will not be counted at the special meeting If you deliver a proxy prior to the record date and remain a holder on the record date, you do not need to deliver another proxy after the record date If you deliver a proxy prior to the record date and do not revoke that proxy, your proxy will be deemed to cover the number of shares you own on the record date even if that number is different from the number of shares you owned when you executed and delivered your proxy Proxies received from persons who are not holders of record on the record date will not be effective

The presence in person or by proxy of our stockholders entitled to cast a majority of all the votes entitled to be cast at the special meeting will constitute a quorum for purposes of the special meeting A quorum is necessary to transact business at the special meeting Abstentions will be counted as shares present for the purposes of determining the presence of a quorum If a quorum is not present at the special meeting, we expect that the special meeting will be adjourned to a later date Pursuant to our bylaws, the chairman of the meeting may adjourn the meeting, whether or not a quorum is present, to a later date, time and place announced at the special meeting, subject to certain limitations set forth in the merger agreement

Required Vote

Completion of the mergers requires approval of the merger proposal by (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt Each stockholder is entitled to cast one vote on each matter presented at the special meeting for each share of common stock owned by such stockholder at the close of business on the record date. Because the required vote for this proposal is based on the number of votes our stockholders are entitled to cast rather than on the number of votes cast, if you fail to vote by proxy or in person (including by abstaining), or fail to instruct your broker on how to vote your shares, such failure will have the same effect as voting against the merger proposal.

In addition, the approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal

As of January 3, 2019, Hunt was the record owner of, and is entitled to vote, 6,334 shares of common stock

Approval of the adjournment proposal is not a condition to completion of the mergers For the purpose of this proposal, if you fail to vote by proxy or in person, or fail to instruct your broker on how to vote your shares, it will not have any effect on the outcome of such proposal Abstentions are not considered votes cast and therefore will have no effect on the outcome of the adjournment proposal

Accordingly, in order for your common stock to be voted, if you are a stockholder of record, you must either return the enclosed proxy card, authorize your proxy or voting instructions by telephone or through the Internet or vote in person at the special meeting.

Votes cast by proxy or in person at the special meeting will be counted by the person appointed by us to act as inspector of election for the special meeting The inspector of election will also determine the number of shares of common stock represented at the special meeting, in person or by proxy

How to Authorize a Proxy

Holders of record of our common stock may vote or cause their shares to be voted by proxy using one of the following methods

- mark, sign, date and return the enclosed proxy card by mail,
- authorize your proxy or voting instructions by telephone or through the Internet by following the instructions included with your proxy card, or
- appear and vote in person by ballot at the special meeting

Regardless of whether you plan to attend the special meeting, we request that you authorize a proxy for your common stock as described above as promptly as possible

Under NYSE rules, all of the proposals in this proxy statement are non-routine matters, so there can be no broker non-votes at the special meeting A broker non-vote occurs when shares held by a bank, broker, trust or other nominee are represented at a meeting, but the bank, broker, trust or other nominee has not received voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares on a particular proposal but has discretionary voting power on other proposals at such meeting. Accordingly, if you own common stock through a broker, bank or other nominee (i.e., in "street name"), you must provide voting instructions in accordance with the instructions on the voting instruction card that your broker, bank or other nominee provides to you, as brokers, banks and other nominees do not have discretionary voting authority with respect to any of the two proposals described in this proxy statement You should instruct your broker, bank or

other nominee as to how to vote your common stock following the directions contained in such voting instruction card If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker, bank or other nominee who can give you directions on how to vote your common stock If you hold your common stock through a broker, bank or other nominee and wish to vote in person at the special meeting, you must obtain a "legal proxy," executed in your favor, from the broker, bank or other nominee (which may take several days) Because the merger proposal requires the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the special meeting and (2) a majority of the outstanding shares of common stock entitled to vote at the special meeting, excluding for purposes of such calculation any shares of common stock held by Hunt, the failure to provide your bank, broker, trust or other nominee with voting instructions will have the same effect as a vote **"AGAINST"** the merger proposal Because the approval of the adjournment proposal, if necessary or appropriate, requires the affirmative vote of a majority of the votes cast on such proposal, and because your bank, broker, trust or other nominee does not have discretionary authority to vote on the proposal, the failure to provide your bank, broker, trust or other nominee with voting instructions will have no effect on approval of such proposal, assuming a quorum is present

Proxies and Revocation

If you authorize a proxy, your common stock will be voted at the special meeting as you indicate on your proxy. If no instructions are indicated when you authorize your proxy, your common stock will be voted in accordance with the recommendations of the board of directors The board of directors, acting on the unanimous recommendation of the conflicts committee, unanimously recommends that you vote **"FOR"** the merger proposal and **"FOR"** the adjournment proposal

You may revoke your proxy at any time, but only before the proxy is voted at the special meeting, in any of three ways·

- by delivering, prior to the date of the special meeting, a written revocation of your proxy dated after the date of the proxy that is being revoked to our Secretary at 1900 North Akard Street, Dallas, Texas 75201,
- by delivering to our Secretary a later-dated, duly executed proxy or by authorizing your proxy by telephone or by Internet at a date after the date of the previously authorized proxy relating to the same common stock, or
- by attending the special meeting and voting in person

Attendance at the special meeting will not, in itself, constitute revocation of a previously granted proxy If you own common stock in "street name," you may revoke or change previously granted voting instructions by following the instructions provided by the broker, bank or other nominee that is the registered owner of the shares Pursuant to our bylaws, only the matters set forth in the Notice of Special Meeting may be brought before the special meeting

Solicitation of Proxies

We will bear the cost of solicitation of proxies for the special meeting In addition to the use of mails, proxies may be solicited by personal interview, telephone, facsimile, e-mail or otherwise, by our officers, directors and employees of Hunt Manager, for which they will not receive additional compensation We have engaged MacKenzie Partners, Inc to assist in the solicitation of proxies for a fee of $14,500, plus reimbursement of out-of-pocket expenses, and we have agreed to indemnify MacKenzie Partners, Inc against certain losses, costs and expenses We also will request persons, firms and corporations holding common stock in their names, or in the names of their nominees, that are beneficially owned by others to send or cause to be sent proxy materials to, and obtain proxies from, such beneficial owners and will reimburse such holders for their reasonable expenses in so doing

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies if the holders of a sufficient number of common stock are not present at the special meeting, in person or by proxy, to constitute a quorum or if we believe it is reasonably likely that the merger proposal will not be approved at the special meeting when convened on February 7, 2019, or when reconvened following any adjournment Any adjournments may be made to a date not more than 120 days after the original record date without notice (other than by an announcement at the special meeting), by the chairman of the meeting, whether or not a quorum is present (subject to certain restrictions in the merger agreement, including that the special meeting generally may not be held, without Oncor's consent, on a date that is more than 10 business days after the date on which the special meeting was originally scheduled).

Postponements

At any time prior to convening the special meeting, we may postpone the special meeting for any reason without the approval of our stockholders to a date not more than 120 days after the original record date (subject to certain restrictions in the merger agreement, including that the special meeting generally may not be held, without Oncor's consent, on a date that is more than 10 business days after the date on which the special meeting was originally scheduled)

THE MERGERS

General Description of the Mergers

Pursuant to the terms of the merger agreement, among other things, (i) at the company merger effective time, the company merger will occur, pursuant to which the Company will be merged with and into Merger Sub, with Merger Sub being the surviving entity, and (ii) immediately thereafter, the partnership merger will occur, pursuant to which Merger Partnership will be merged with and into the Operating Partnership, with the Operating Partnership being the surviving entity. In the company merger and the partnership merger, respectively, each (A) share of common stock and (B) partnership unit issued and outstanding immediately before the company merger effective time and partnership merger effective time, respectively (other than certain shares of common stock and partnership units specified in the merger agreement), will be converted into the right to receive the merger consideration, without interest, and subject to deduction for any required withholding tax **This proxy statement does not constitute an offer to exchange or convert any partnership units that you may own for or into limited partnership units in the surviving partnership.**

Concurrently with the execution and delivery of the merger agreement, SDTS entered into the asset exchange agreement, pursuant to which, upon the terms and subject to the conditions set forth therein, at the closing of the transactions contemplated thereby, among other things, Sharyland and SDTS will consummate a joint survivor merger, as a result of which Sharyland will acquire the STX Assets from SDTS and SDTS will acquire the NTX Assets from Sharyland. The completion of the asset exchange is subject to, and conditioned upon, the substantially concurrent consummation of the mergers.

Background of the Mergers

As part of their ongoing evaluation of InfraREIT's business and long-term strategic goals and plans, the board of directors and the Company's senior management team, referred to in this proxy statement as "senior management," have periodically reviewed and assessed the Company's operations, financial performance and industry conditions as they may affect the Company's long-term strategic goals and plans This evaluation has included, from time to time, reviewing potential strategic acquisitions, ventures, separation transactions and counterparties to strategic transactions and engaging in preliminary discussions with certain of those potential counterparties.

In connection with InfraREIT's initial public offering in 2015, the board of directors established the conflicts committee as a standing committee consisting of all members of the board of directors who are independent within the meaning of NYSE listing standards In accordance with its charter, the conflicts committee reviews and advises the board of directors on specific matters that the board of directors believes may involve conflicts of interest, including transactions or arrangements with Hunt or Sharyland The conflicts committee held regular meetings, made numerous decisions regarding the ongoing contractual relationships between the InfraREIT Entities and Hunt, and monitored InfraREIT's exploration of various alternative transactions prior to the formal delegation of authority to it that is described in the discussion below of the board of directors meeting held on February 8, 2018 Under its charter, the conflicts committee has the authority to engage legal and financial advisors Beginning in 2015, the conflicts committee engaged Hunton Andrews Kurth LLP, referred to in this proxy statement as "Hunton," as its corporate counsel, and from time to time since 2016 has engaged Evercore, as its financial advisor All members of senior management are employees of, and compensated by, Hunt Manager and provided to the Company pursuant to the management agreement

On April 29, 2016, Sharyland filed a system-wide rate proceeding with the PUCT to update its rates However, as part of that rate case, a number of fundamental legal and policy issues regarding our REIT structure were raised, including questions regarding whether SDTS's leases with Sharyland are tariffs under the Texas Public Utility Regulatory Act, referred to in this proxy statement as "PURA," that are subject to regulation by the PUCT and challenges to the recovery of an income tax allowance by a utility organized in a REIT structure In

October 2016, the PUCT approved a preliminary order requiring Sharyland and SDTS to file an amended rate filing package that, among other things, requested PUCT approval of an SDTS tariff establishing terms and conditions for the leases between Sharyland and SDTS In accordance with the preliminary order, Sharyland and SDTS filed an amended rate filing package with the PUCT in December 2016.

On February 28, 2017, Hunt filed an amendment to its Schedule 13D with the SEC, referred to in this proxy statement as the "February 2017 13D," stating that, in light of the significant risks and uncertainties associated with the then-pending rate case, as well as the effects of any federal tax reform legislation that might reduce the benefit of electing to be taxed as a REIT, Hunt might begin developing and evaluating scenarios that may involve possible alternatives, referred to in this proxy statement as "alternative arrangements," to the current business structures and arrangements in place between InfraREIT and its subsidiaries, including SDTS, on the one hand, and Hunt and its affiliates, including Sharyland, on the other hand For example, Hunt indicated that it might evaluate whether, from its perspective, it would be desirable and practicable for InfraREIT or Sharyland to make structural, economic and other changes to the leases between InfraREIT and Sharyland and other agreements and arrangements between InfraREIT and Hunt Similarly, Hunt stated that it expected to develop and evaluate scenarios and consider alternative arrangements that might consist of or involve (i) a "de-REIT" transaction in which InfraREIT would elect to no longer be treated as a REIT for federal income tax purposes, (ii) a sale by InfraREIT of all or certain of its assets or operations to a third party, (iii) a business combination between InfraREIT and a third party, (iv) a business combination between InfraREIT or SDTS and Sharyland, (v) an acquisition of InfraREIT by or involving Hunt or (vi) other transactions that would significantly alter the organizational structure, business or ownership of InfraREIT

In July 2017, we announced an agreement regarding the proposed dismissal of the pending rate case and we entered into a definitive agreement with Oncor to exchange SDTS's retail distribution assets for a group of Oncor's transmission assets located in west and central Texas, referred to in this proxy statement as the "2017 Asset Exchange Transaction " In November 2017, we completed the 2017 Asset Exchange Transaction and the pending rate case was dismissed, but the dismissal preserved the right of the parties to the rate case to address in a future proceeding all issues not mooted by the rate case dismissal, including the various legal and policy issues raised regarding the regulation of a utility organized in a REIT structure The rate case dismissal required SDTS and Sharyland to file a new rate case in the calendar year 2020 based on a test year ending December 31, 2019

On September 25 and 26, 2017, the board of directors met in joint session with the conflicts committee together with senior management Also present at the September 25 and 26 meetings were representatives from Hunton and Jackson Walker LLP, referred to in this proxy statement as "Jackson Walker," regulatory counsel to the conflicts committee, a representative from Eversheds Sutherland LLP, referred to in this proxy statement as "Eversheds," regulatory counsel to the Company, and representatives from Evercore. Senior management led a discussion of the various contracts between InfraREIT, on the one hand, and Hunt and Sharyland, on the other hand, InfraREIT's regulatory and legal structure, historical acquisition and development activity and InfraREIT's prospective growth profile, and senior management identified market and regulatory challenges and opportunities going forward Senior management also led a presentation and discussion of InfraREIT's REIT status as compared to a traditional C-corporation, and representatives from Evercore reviewed its preliminary financial analysis of InfraREIT

In December 2017, Congress passed legislation commonly referred to as the Tax Cuts and Jobs Act, referred to in this proxy statement as the "TCJA " The TCJA reduced the highest marginal U S federal corporate income tax rate, referred to in this proxy statement as the "corporate tax rate," from 35% to 21%, effective for taxable years beginning on or after January 1, 2018 We derive revenues by leasing our transmission and distribution assets to Sharyland, our sole tenant At the time of the passage of the TCJA, Sharyland's revenue requirement included its recovery in rates of an income tax allowance at the 35% corporate tax rate, and our leases with Sharyland reflect this tax rate Repricing our leases with Sharyland to implement the 21% federal corporate income tax allowance, while holding all other inputs constant, would reduce net income attributable to our stockholders per share by approximately $0 30 per year Absent a renegotiation of lease terms with Sharyland,

such repricing of our leases to implement the 21% federal corporate income tax allowance would occur in the normal course through annual lease supplements and lease renewals

On January 10, 2018, we filed a Current Report on Form 8-K, referred to in this proxy statement as the "January 8-K," in which we disclosed that, in consideration of the significant impact of the TCJA, we were continuing to review our REIT election and the existing lessor-lessee relationship with Sharyland, including consideration of whether InfraREIT should terminate its REIT status and instead opt for a traditional C-corporation structure, which could involve one or more of the following combining Sharyland with SDTS, terminating the leases between SDTS and Sharyland, terminating the Operating Partnership, and/or other negotiations with Hunt, including terminating or renegotiating the management agreement, terminating or renegotiating that certain Development Agreement, dated as of January 29, 2015, among the Company, the Operating Partnership, Sharyland and Hunt Developer, referred to in this proxy statement as the "development agreement," and engaging in related negotiations

On January 15, 2018, the board of directors met in joint session with the conflicts committee together with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed the potential impact of the TCJA on the Company, including the effects on the alternatives discussed in the January 8-K and the various regulatory and financial implications At the request of the board of directors, Mr David Hernandez, Executive Vice President and Chief Strategy Officer of HCI, provided information about Hunt's investment in InfraREIT and how the TCJA may change Hunt's perspective regarding its investment

On January 16, 2018, Hunt filed an amendment to its Schedule 13D with the SEC, referred to in this proxy statement as the "January 2018 13D," stating that, in light of the passage of the TCJA as well as the ongoing evaluation by Hunt of alternative arrangements, Hunt believed that the likelihood that InfraREIT would continue indefinitely to elect to be treated as a REIT had been reduced Hunt further stated that it would continue to develop and evaluate scenarios and consider alternative arrangements of the types originally identified in the February 2017 13D, but at that time Hunt did not have a high level of interest in pursuing alternative arrangements that would involve a disposition of its entire interest in InfraREIT and the Operating Partnership Instead, Hunt was focusing on alternative arrangements that would enable it to maintain a substantial equity stake in InfraREIT or the Operating Partnership and continue to actively participate in, and exercise a substantial degree of influence over, the business and affairs of these entities, including through a potential acquisition of InfraREIT in a "going private" transaction as a result of which InfraREIT would no longer be a publicly traded entity, referred to in this proxy statement as a "going private transaction " Such a transaction would require that Hunt obtain outside financing from one or more investors to acquire the interests in InfraREIT and the Operating Partnership then held by public investors and other third parties

The board of directors met on February 8, 2018 together with senior management and representatives from Hunton and Evercore to discuss the January 2018 13D, including Hunt's statement that it was focusing on and evaluating a potential acquisition of the Company in a going private transaction The board of directors also discussed Hunt's beneficial ownership of shares of common stock of the Company and Hunt's other relationships with the Company, including serving as the manager of the Company pursuant to the management agreement The board of directors resolved that, in the event Hunt made a proposal for a going private transaction, the conflicts committee would be authorized, empowered and directed to exercise all power and authority of the board of directors, to (1) make such investigation of such transaction as the conflicts committee deemed appropriate, (2) evaluate the terms of such transaction; (3) negotiate with Hunt and its representatives any element of such transaction, (4) make such investigation of potential alternatives to such transaction, including maintaining the status quo, each such alternative transaction referred to in this proxy statement as an "alternative transaction," as the conflicts committee deemed appropriate (including, to the extent necessary or beneficial in evaluating such transaction, evaluating and negotiating the terms of any alternative transaction with any party the conflicts committee deems appropriate), (5) negotiate the terms of any definitive agreement with respect to such transaction, (6) approve such transaction or, alternatively, report to the board of directors its recommendations and conclusions with respect to such transaction, including a determination and recommendation as to whether

such transaction is fair and in the best interests of the stockholders of the Company other than Hunt and should be approved by the board of directors, and (7) determine to elect not to pursue such transaction The board of directors further resolved not to approve or recommend in favor of a going private transaction without a prior favorable recommendation from the conflicts committee Senior management then led a discussion of the TCJA and the PUCT's actions relating to the TCJA, and Mr Hernandez then joined the meeting to discuss Hunt's perspective regarding its investment in the Company as disclosed in the January 2018 13D

The conflicts committee also met separately on February 8, 2018 together with senior management and representatives from Hunton and Evercore, and senior management led a discussion of the various agreements between InfraREIT and Hunt and reviewed the potential regulatory, financial and other processes that would be required if Hunt were to begin to act on some of the alternative arrangements Representatives from Evercore reviewed certain strategic alternatives potentially available to InfraREIT. The conflicts committee agreed that, in light of the fact that pursuit of a going private transaction would require third party involvement, it was appropriate for InfraREIT to begin entering into confidentiality agreements with third parties identified by Morgan Stanley & Co LLC, referred to in this proxy statement as "Morgan Stanley," financial advisor to Hunt, as potential counterparties Additionally, the conflicts committee employed a standard procedure under which senior management would be included in the initial part of the meeting and then excused during the latter portion so that the conflicts committee could have an "executive session" where only its independent advisors were present On occasion, senior management would be invited to re-join the meeting in order to receive direct guidance, and at other times the chair of the conflicts committee would give this direction during a post-meeting phone call

In late February 2018, due to the enactment of the TCJA and at the request of the PUCT, Sharyland agreed to reduce its wholesale transmission service rate to reflect an income tax allowance at the 21% corporate federal income tax rate This reduction impacts our percentage rent revenues, which are calculated based on a percentage of Sharyland's gross revenue Further, as we disclosed, the impact of the TCJA would also be incorporated into new lease supplements for future assets placed in service or upon the renewal of our leases, resulting in a reduction, relative to the existing lease terms, in the amount of lease revenue we received per dollar of rate base InfraREIT also noted, as part of its March 1, 2018 earnings announcement, that it was also possible that, in the future, Sharyland could request a reduction in rent for existing assets already under lease to reflect the impacts of the TCJA, but that Sharyland had indicated that it did not intend to make such a request with respect to the 2018 lease payments

Beginning in February 2018 and ending in May 2018, with the assistance of Gibson, Dunn & Crutcher LLP, referred to in this proxy statement as "Gibson Dunn," corporate counsel to InfraREIT, and Hunton, InfraREIT entered into approximately 30 confidentiality agreements with various potential counterparties identified by Morgan Stanley, including Oncor and Sempra In each case, once both InfraREIT and HCI had entered into a confidentiality agreement with the potential counterparties, InfraREIT would authorize HCI to provide that counterparty with certain non-public information regarding InfraREIT that had previously been provided to HCI

On March 20, 2018, the board of directors met together with senior management and representatives from Hunton, Jackson Walker and Evercore, and senior management led a discussion of the Company's REIT structure and potential alternative structures The board of directors discussed the timing to complete its review and determination regarding the REIT structure and the goal to communicate the board of directors' conclusions at the first quarter 2018 earnings call in May

The conflicts committee held meetings on March 20, 2018, April 9, 2018 and May 1, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore The participants discussed a potential going private offer from Hunt, including timing and processes for the negotiations Senior management then reviewed its financial projections for various de-REIT scenarios and the conflicts committee approved such financial projections for use by representatives from Evercore On March 20, 2018, the conflicts committee formally entered into an engagement letter with Evercore as its independent financial advisor in connection with its evaluation of a possible sale of the Company

On May 1, 2018, the board of directors directed senior management to pursue consideration of de-REIT alternatives, and on May 3, 2018, InfraREIT reported its quarterly results for the first quarter of 2018 and disclosed it was pursuing a de-REIT alternative InfraREIT disclosed that, even though it had not determined to pursue a specific form of de-REIT alternative, such alternative could involve one or more of the following combining Sharyland with SDTS, terminating the leases between SDTS and Sharyland, terminating the Operating Partnership, and/or other negotiations with Hunt, including terminating or renegotiating the Company's management agreement and development agreement, and engaging in related negotiations

The conflicts committee met on May 16 and 17, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and, among other items, discussed the various de-REIT alternatives, including senior management's financial projections for such alternatives and the various impacts of such alternatives on the Company At the request of the conflicts committee, Mr Hunter L Hunt, the Co-Chairman, Co-Chief Executive Officer and Co-President of HCI and a member of the board of directors, attended a portion of the meeting and gave a brief update on the status of Hunt's efforts as described in the January 2018 13D After Mr Hunt departed the meeting, the conflicts committee directed senior management to request information from Hunt regarding its discussions with the various counterparties during the course of the process conducted by Hunt between February and May disclosed in the January 2018 13D, referred to in this proxy statement as the "initial Hunt process " In addition, the conflicts committee directed senior management to inform Hunt that the Company had been developing potential alternative structures and intended to advance that work in parallel to the activities undertaken by Hunt.

On May 24, 2018, Hunt filed an amendment to its Schedule 13D with the SEC, referred to in this proxy statement as the "May 2018 13D," disclosing that, at that time, it did not believe that a going private transaction was likely to be viable and stating that, in the course of Hunt's discussions with various parties about participating in a potential going private transaction, certain parties expressed interest in a possible direct acquisition of InfraREIT, referred to in this proxy statement as a "third-party acquisition," as an alternative to a going private transaction Hunt further disclosed that it was engaged in discussions with potential third-party acquirers regarding certain transactions and arrangements involving Hunt, including Sharyland, that would be implemented in connection with a third-party acquisition, including the possible termination of certain agreements between Hunt and InfraREIT Hunt also stated that it expected that at least one potential third-party acquirer would make an offer to InfraREIT with respect to a third-party acquisition InfraREIT also issued a press release on May 24 that outlined the disclosures in the May 2018 13D and further stated that to date it had not been a party to Hunt's negotiations with third parties

Later on May 24, Mr E Allen Nye, Jr , the Chief Executive Officer of Oncor, Mr Don J. Clevenger, the Senior Vice President and Chief Financial Officer of Oncor, Mr Matthew C Henry, the Senior Vice President, General Counsel & Secretary of Oncor, Mr Joseph A Householder, the President and Chief Operating Officer of Sempra, Mr Trevor I Mihalik, the Executive Vice President and Chief Financial Officer of Sempra, and Mr Sandeep K Mor, the Vice President, Mergers and Acquisitions of Sempra, met in person with Mr David A Campbell, the President and Chief Executive Officer of InfraREIT, and Ms Stacey H Doré, the Senior Vice President and General Counsel of InfraREIT, at which time Oncor and Sempra submitted a non-binding proposal to InfraREIT, referred to in this proxy statement as the "May 24 Proposal," for the acquisition by Oncor of all of the outstanding equity interests in InfraREIT and the Operating Partnership for total equity consideration of $1.267 billion, less (i) the payment of a termination fee to Hunt under the management agreement of approximately $40 million and (ii) any InfraREIT advisor fees and an estimate of fees and expenses required to be paid to lenders for debt consents Based on approximately 60 7 million shares of common stock and partnership units outstanding, the conflicts committee viewed that this would result in consideration of approximately $19 88 per share of common stock and partnership unit Additionally, the May 24 Proposal contemplated a payment to Hunt by Oncor for certain transaction-related fees and expenses in an amount of $20 million The May 24 Proposal also contemplated that the asset exchange and the SU Investment would occur concurrently with the acquisition of InfraREIT and the Operating Partnership, the key terms of which had previously been negotiated among Hunt, Oncor and Sempra In the asset exchange, Sharyland would acquire the STX Assets from SDTS and, in exchange for the STX Assets, SDTS would acquire the NTX Assets from

Sharyland. A cash payment would be made to SDTS or Sharyland, as applicable, to the extent that the net book value of the STX Assets and the NTX Assets were not equal In the SU Investment, Sempra would acquire a limited partnership interest in Sharyland and SDTS and Sharyland would enter into a development agreement pursuant to which Sharyland would continue to have rights to develop certain transmission projects on the existing SDTS system with ownership of those projects to be shared between SDTS and Sharyland The May 24 Proposal stated that it was not conditioned on financing, but that it was subject to completion of due diligence, final approval of the boards of directors of Oncor and Sempra, the negotiation and execution of definitive agreements and regulatory approvals and customary closing conditions

Following the receipt of the May 24 Proposal, senior management discussed the May 24 Proposal with representatives from Gibson Dunn, Hunton and Evercore.

Effective May 25, 2018, the board of directors adopted new resolutions that updated the board of directors' February 8 resolutions and delegated to the conflicts committee all power and authority of the board of directors with respect to any third-party acquisition offer, including the May 24 Proposal and any other potential transaction Later that same day, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore to discuss the May 24 Proposal

On May 29, 2018, senior management and representatives from Hunton and Evercore held a conference call with Oncor and Sempra in which senior management informed Oncor and Sempra that the conflicts committee had an initial discussion about the May 24 Proposal and would continue to diligently evaluate such proposal Senior management further stated that they would inform Oncor and Sempra the following week on the expected timing of a response to the May 24 Proposal

The conflicts committee met again on June 4, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and reviewed the potential impact the various de-REIT alternatives may have on InfraREIT's debt instruments They also discussed the information senior management had received from Hunt in response to its request that Hunt provide it with information regarding Hunt's contacts and negotiations with various counterparties during the initial Hunt process The conflicts committee directed senior management to share the May 24 Proposal with Hunt and also directed representatives from Evercore to contact Barclays Capital Inc , referred to in this proxy statement as "Barclays," financial advisor to Oncor, to request certain clarifications of the May 24 Proposal and notify them as to the expected timing of a response

On June 13, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore Also joining the meeting at the request of the conflicts committee were Messrs Hunt and Hernandez who discussed with the committee Hunt's contacts with Oncor and Sempra and other parties who may have an interest in acquiring InfraREIT After Mr Hernandez and Mr Hunt left the meeting, senior management also provided updates from Hunt regarding Hunt's discussions with a third party other than Oncor and Sempra, referred to in this proxy statement as "Company A," who was potentially interested in acquiring InfraREIT The conflicts committee discussed Company A's ability to execute a potential third-party acquisition and instructed representatives from Evercore to inform Company A that it should deal directly with InfraREIT on making any proposal to acquire InfraREIT

The conflicts committee met again on June 19, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and reviewed, discussed and approved a draft response letter to the May 24 Proposal. The conflicts committee also authorized the formation of a special subcommittee of the conflicts committee, referred to in this proxy statement as the "special subcommittee," consisting of Ms Storrow M Gordon, Mr Harold L Logan, Jr and Ms Ellen C Wolf to exercise all power and authority of the conflicts committee with respect to the day-to-day matters regarding a potential acquisition of the Company, including providing directions to the legal and financial advisors to the conflicts committee, and report to the conflicts committee its recommendation with respect to any potential acquisition The conflicts committee also

determined (and implemented procedures to assure) that each member of the conflicts committee would be invited to attend and participate fully in each meeting of the special subcommittee, to the extent that they were available, but that the special subcommittee was necessary in order to more quickly respond to developments if the potential transaction progressed Later on June 19, senior management and representatives from Hunton and Evercore met with representatives from Oncor, Sempra and Lazard Frères & Co. LLC, financial advisor to Sempra, and delivered and reviewed a letter from Ms. Gordon, the Chair of the conflicts committee, responding to the May 24 Proposal on behalf of the conflicts committee and stating that, at the right price and on the right terms and conditions, a combination of Oncor and InfraREIT could be an attractive transaction to InfraREIT stockholders The June 19 letter further proposed (i) a cash purchase price of $23 25 per share of common stock or partnership unit, as applicable, without any deductions for any Hunt-related contractual obligations, transaction related fees or expenses to be reimbursed to Hunt, or any other fees or expenses incurred by InfraREIT, (ii) a "go-shop provision," allowing for 30 days of active solicitation of alternative bids following the execution of the definitive agreements, referred to in this proxy statement as the "go-shop provision," (iii) a go-shop break-up fee of 1 5% of equity value for any termination of the definitive agreement in order to enter into a transaction identified during the go-shop period, (iv) customary fiduciary out provisions and termination rights, providing for a break-up fee of 3 0% of equity value, (v) customary regulatory approval conditions and related termination rights, with a reverse break-up fee payable to InfraREIT of 5 0% of equity value in case those approvals are not obtained, referred to in this proxy statement as the "reverse break fee," and (vi) approval by the holders of a majority of the outstanding shares excluding shares held by Hunt, referred to in this proxy statement as the "unaffiliated vote provision," in addition to the approval of the stockholders holding a majority of all of the outstanding InfraREIT shares

The special subcommittee met on June 20, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee, and senior management led a discussion about Oncor's reaction to the June 19 letter from the conflicts committee

Oncor delivered a letter to the conflicts committee on June 21, 2018 revising Oncor's non-binding proposal in response to the June 19 letter from the conflicts committee Oncor's June 21 letter (i) proposed the acquisition of 100% of the equity interests in InfraREIT and remaining ownership interest in the Operating Partnership for net equity consideration of $1 275 billion, which reflected a $40 million payment to Hunt for termination of the management agreement and up to $15 million of lender and advisor fees payable by InfraREIT (which resulted in consideration of $21 00 per share of common stock or partnership unit, as applicable), (ii) agreed to a 30-day go-shop provision, (iii) agreed to customary fiduciary out provisions and termination rights, (iv) proposed a break-up fee of 2 0% of net equity consideration for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, and 4 0% of the net equity consideration in respect of a transaction identified following the go-shop period, (v) agreed that a reasonable regulatory approval covenant is necessary but stated that Oncor was unwilling to consider or agree to a regulatory reverse break fee, and (vi) agreed to the unaffiliated vote provision The June 21 letter also indicated Oncor's willingness for the parties to publicly announce over the ensuing few days an intention to enter into a transaction and to finalize negotiations and definitive documents. Later that day, Hunt confirmed that, in separate discussions with Oncor, it had agreed to drop its request for a $20 million expense reimbursement from Oncor, which had been referred to in the May 24 Proposal

The special subcommittee met later on June 21, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore, and considered the June 21 response from Oncor It was determined that it was not in InfraREIT's best interest to publicly announce anything with Oncor unless and until a transaction was fully negotiated and executed. The special subcommittee directed Mr Campbell to contact and more fully explore with Oncor certain aspects of Oncor's June 21 response

On the morning of June 22, 2018, Mr Campbell and Mr Clevenger held a telephone conversation during which Mr Clevenger indicated Oncor's willingness to accelerate the negotiations and committed to clarify other aspects of Oncor's most recent offer Later that day, the special subcommittee met with senior management and

representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee At the request of the special subcommittee, Messrs Hunt and Hernandez also attended a portion of the meeting for the purpose of informing the special subcommittee of Hunt's discussions with Oncor, Sempra and Company A. After Messrs Hernandez and Hunt left the meeting, the special subcommittee then discussed a proposed response to Oncor's June 21 letter and Company A's request for more diligence information prior to making a proposal After an executive session with its advisors and without senior management, the special subcommittee then informed senior management that the special subcommittee planned to submit a response letter to Oncor and directed senior management to provide certain diligence information to Company A to facilitate a potential third-party acquisition proposal by Company A Later that day, Ms Gordon sent a letter to Oncor and Sempra on behalf of the conflicts committee responding to the revised June 21 letter from Oncor and (i) proposed a cash purchase price of $22 60 per share of common stock or partnership unit, as applicable, without any deductions for any Hunt-related contractual obligations, transaction related fees or expenses, or any other fees or expenses, (ii) proposed a break-up fee of 1 5% of net equity consideration for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, and 3.25% of the net equity consideration in respect of a transaction identified following the go-shop period and (iii) agreed to withdraw the requirement of a reverse break fee

In addition, on June 22, 2018, at the direction of the conflicts committee, senior management and representatives from Evercore and Hunton held a call with Mr Michael Carter, a representative from Hunt, and Morgan Stanley, in which Mr Carter and Morgan Stanley provided additional information and answered questions regarding the initial Hunt process. Later that evening, Mr Campbell received a call from Mr Householder in which Mr Householder conveyed Sempra's and Oncor's continued interest in the potential acquisition of InfraREIT, but stated that, due to other pressing business matters, Sempra would need to wait until mid-July before responding to the conflicts committee's June 22 letter Mr Householder relayed that the Sempra and Oncor teams looked forward to re-engaging with InfraREIT at that time Mr Campbell informed the members of the conflicts committee of this communication

Beginning in June and through July, senior management and representatives from Gibson Dunn prepared an initial draft of a merger agreement for a potential third-party acquisition of InfraREIT, with representatives from Hunton, Jackson Walker, Eversheds and Venable LLP, Maryland counsel to the Company and the conflicts committee, reviewing and commenting

On June 25, 2018, the special subcommittee met with senior management and representatives from Hunton, Jackson Walker and Evercore. Messrs Hunt and Hernandez were also invited to attend a portion of the meeting, and they reported on their conversations with Sempra and Oncor and their reaction to Sempra's decision to pause negotiations until mid-July After Messrs Hunt and Hernandez left the meeting, the special subcommittee also discussed the status of various de-REIT alternative transactions, including a possible alternative of negotiating with Hunt in advance the terms under which InfraREIT and Sharyland could be combined and then pursue a third-party sales process for such combined entity, referred to in this proxy statement as the "Buy All / Sale" transaction The conflicts committee directed senior management to prepare a Buy All / Sale proposal for Hunt and discussed preparing for reengagement by Sempra and Oncor including compiling materials responsive to prior due diligence requests After the departure of senior management, the special subcommittee also discussed contacting other third parties who might be interested in acquiring InfraREIT in the event that Sempra and Oncor did not reengage The special subcommittee directed representatives from Evercore to contact six potential counterparties identified by the special subcommittee during its discussion, including Company A Over the next several weeks, representatives from Evercore, at the direction of the conflicts committee, held various telephone calls with third parties identified in the initial Hunt process to gather additional information about such process and the results thereof, and to gauge the possible interest on the part of such parties in a direct third-party acquisition of InfraREIT

On June 29, 2018, Hunt delivered a draft of the asset exchange agreement to InfraREIT

On July 5, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed management's progress with preparing the Buy All / Sale proposal

The conflicts committee also received a report from representatives of Evercore on inquiries from third parties and discussed Company A's continued interest in a transaction, including relaying a communication from Company A that it might be able to convey an indication of value to the conflicts committee by the end of July In the absence of any further indications from Sempra and Oncor as to when they intended to reengage with InfraREIT, the conflicts committee directed that senior management and representatives from Evercore continue with their efforts on alternative transactions

The special subcommittee met on July 13, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee. Representatives from Evercore reviewed their contacts and discussions with other third parties regarding any potential interest in acquiring the Company at the direction of the special subcommittee, which third parties had been identified by Morgan Stanley as having participated in the initial Hunt process The special subcommittee discussed the six potential counterparties that representatives from Evercore had contacted at the special subcommittee's direction. These included Company A, which had continued through June and July to carry out its evaluation of InfraREIT Representatives from Evercore reported that they had, at the direction of the conflicts committee, informed Company A's financial advisors that the conflicts committee wished to receive a preliminary indication of value as soon as possible Another of the six potential counterparties that the conflicts committee discussed, referred to in this proxy statement as "Company B," was reported by representatives from Hunton to be a company with whom InfraREIT had negotiated a confidentiality agreement during the initial Hunt process but had declined to enter into a confidentiality agreement The conflicts committee also reviewed and provided feedback on a draft term sheet for a Buy All / Sale proposal to be delivered to Hunt

On July 17, 2018, Hunt delivered a revised draft of the asset exchange agreement to InfraREIT

After being contacted by representatives from Evercore, on July 18, 2018, Company B returned comments to the standard form of confidentiality agreement that InfraREIT had entered into with a number of other potential interested parties identified in the initial Hunt process After two weeks of negotiating with Company B and being unable to reach agreement on non-disclosure terms similar to those agreed to by other parties, on July 31, 2018, InfraREIT and Company B entered into a limited confidentiality agreement under which, later that day, representatives from Evercore, at the direction of the conflicts committee, shared a summary structural presentation with representatives from Company B in order to measure Company B's interest in a potential acquisition of InfraREIT After receiving the presentation, Company B did not engage further

On July 18, 2018, Company A delivered to representatives from Evercore a letter indicating its non-binding proposal, referred to in this proxy statement as the "July 18 Proposal," to acquire 100% of the outstanding equity interests in InfraREIT and the Operating Partnership In such letter, Company A proposed cash consideration of $1 350 billion, less deductions for Hunt-related contractual obligations and transaction fees and expenses The July 18 Proposal from Company A further stated that it would need to complete additional due diligence before submitting a final proposal, including further analysis of the requirements for approval by the PUCT Company A also requested a reasonable period of exclusivity to complete due diligence and negotiate and execute definitive agreements

On July 20, 2018, the special subcommittee met with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and representatives from Evercore led a discussion on the July 18 Proposal received from Company A, including a comparison of the terms of the July 18 Proposal and the June 21 response from Oncor The special subcommittee also discussed a draft term sheet for a Buy All / Sale proposal to be provided to Hunt Following such discussion, the special subcommittee directed representatives from Evercore and senior management to contact Company A to clarify certain points in the July 18 Proposal and to finalize the Buy All / Sale proposal term sheet and deliver it to Hunt

On July 23, 2018, senior management held a conference call with representatives from Company A, Hunton and Evercore in which Company A clarified certain aspects of the terms and conditions of its July 18 Proposal

Company A confirmed that the July 18 Proposal contemplated that Hunt would receive aggregate payments of $60 million for termination of the management agreement and expense reimbursements and that Company A did not plan to make an investment in Sharyland

On July 24, 2018, Oncor delivered to the conflicts committee a letter reiterating its non-binding proposal for the acquisition of 100% of the equity interests in InfraREIT and remaining ownership interest in the Operating Partnership for a purchase price per share of common stock or partnership unit of $21 00 In such letter, Oncor stated that the proposal represented Oncor's best and final offer and would remain valid until 5 00 p.m CDT on July 31, 2018 By email on July 25, 2018, Oncor clarified that its $21 00 price was not subject to any deductions and that the other terms set forth in InfraREIT's June 22 response were also agreed to in principle, subject to negotiating definitive agreements and subject to further negotiation of the amounts of the two proposed break-up fees

The special subcommittee met on July 26, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and discussed the clarification of certain terms in Company A's July 18 Proposal and compared the material terms and assumptions in Oncor's July 24 proposal to Company A's July 18 Proposal With input from the advisors to the conflicts committee, the special subcommittee determined that Company A's indicative price should be valued at approximately $20.93 per share of common stock, after deducting for contractual obligations and transaction fees and expenses, but also determined to clarify this point with Company A and to communicate that this price was below a price that would be acceptable to the conflicts committee After discussion, the special subcommittee determined to proceed with negotiations of a potential third-party acquisition with both Oncor and Company A, authorized management to provide drafts of the principal agreements to Oncor, and directed Hunton to prepare a written response to Company A

Later on July 26, 2018, Ms Gordon sent a letter to Company A on behalf of the conflicts committee responding to the July 18 Proposal received from Company A, which stated that, at the right price and on the right terms and conditions, a combination of Company A and InfraREIT could be an attractive transaction to InfraREIT stockholders The July 26 letter further stated that (i) the structure of the purchase price in the July 18 Proposal and the resulting uncertainty in the proposed purchase price are not typical for presentation to public company stockholders and that the effective net cash purchase price per share is below a price that is acceptable to the conflicts committee, (ii) Company A needed to advance its discussions with Hunt regarding the asset exchange and certain related transactions, (iii) the conflicts committee was unwilling to grant Company A exclusivity and (iv) the conflicts committee wanted to include the following terms in a definitive agreement (1) a 30-day go-shop provision, (2) a go-shop break-up fee of 1 5% of equity value for any termination of the definitive agreement in order to enter into a transaction identified during the go-shop period, regardless of when the alternative transaction was entered into, (3) customary fiduciary out provisions and termination rights, providing for a break-up fee of 3 0% of equity value, (4) customary regulatory approval conditions and related termination rights, with a reverse break-up fee payable to InfraREIT of 5 0% of equity value in case those approvals are not obtained, and (5) a provision for approval of the transaction by the stockholders holding a majority of the outstanding InfraREIT shares and an unaffiliated vote provision

On July 27, 2018, Ms Gordon and Ms Wolf, on behalf of the conflicts committee, Mr Brant Meleski, the Senior Vice President and Chief Financial Officer of InfraREIT, and representatives from Hunton and Evercore, at the direction of the special subcommittee, held a telephone call with representatives from Hunt to inform them that the conflicts committee had decided to proceed both with negotiating definitive agreements with Oncor and also with continuing due diligence and discussions with Company A. Members of the conflicts committee asked Hunt to continue discussions with Company A regarding the transactions and arrangements with Hunt that would be necessary to finalize a transaction with Company A The conflicts committee also informed Hunt that it remained interested in continuing discussions with Hunt about paths to increase the value to InfraREIT stockholders from the proposed Oncor transaction

By letter dated July 28, 2018, Company A responded to the conflicts committee's July 26 letter and stated that, based on the assumptions provided by InfraREIT related to the Company's indebtedness and the InfraREIT and Hunt transaction expense items, Company A's indicative price would be $20 92 per share of common stock, which reflected a gross purchase price of $1.35 billion less a $40 million payment to Hunt for termination of the management agreement, a $20 million payment to Hunt for reimbursement of transaction fees and an aggregate of $20 million of transaction fees and lender consent fees payable by InfraREIT Company A further stated that the indicative purchase price remained subject to completion of due diligence and could change as a result of this process Company A also repeated its need to have a commitment from InfraREIT to engage in exclusive negotiations with Company A for a reasonable period of time in order to commit the resources to complete due diligence and negotiate and execute definitive agreements Finally, Company A asked for a response to this proposal from the conflicts committee as soon as possible so that an exclusivity agreement could be entered into by the close of business on August 1, 2018

On July 30, 2018, the special subcommittee met with senior management and reviewed the July 28 letter received from Company A The special subcommittee directed senior management to ask Company A for an extension of the deadline referenced in its July 28 letter so that the conflicts committee could consider the proposal at its upcoming meeting on August 2, 2018

On July 30, 2018 and August 1, 2018, senior management held conference calls with Company A for the purpose of requesting an extension of the August 1, 2018 deadline contained in Company A's July 28 letter In the course of such discussions, Company A agreed to withdraw its request for exclusivity. In addition, Company A expressed an interest in having an initial discussion on regulatory matters, but only after progress was made on the other important transaction terms

On July 30, 2018, senior management held a conference call with Sempra and Oncor where it discussed its reaction to the July 24 letter from Oncor and expressed the Company's intention to proceed with due diligence and the preparation of definitive agreements Later that day, in accordance with the July 26 direction from the special subcommittee, senior management sent a draft merger agreement to Sempra, Oncor and Vinson & Elkins LLP, referred to in this proxy statement as "V&E," counsel to Oncor, which included the draft regulatory terms exhibit referenced in the merger agreement The draft contemplated Oncor's acquisition of 100% of the equity interests in InfraREIT and remaining ownership interest in the Operating Partnership and included, among other things, (i) a 30-day go-shop provision, (ii) customary fiduciary out provisions and termination rights, (iii) a breakup fee of 1 5% of net equity consideration for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, and 3 25% of the net equity consideration in respect of a transaction identified following the go-shop period, (iv) a regulatory approval covenant, (v) an unaffiliated vote provision, (vi) a provision permitting InfraREIT to pay its regular quarterly dividend and a pro rata dividend for any partial quarter prior to the closing of the mergers and (vii) a requirement that Sempra and TTI provide a guaranty of Oncor's obligations under the merger agreement The draft also included a construct that would prohibit Oncor from refusing to consummate the mergers due to regulatory terms or conditions imposed in the various regulatory processes, unless those terms and conditions rose to the level of a "burdensome condition" (as defined below), and included certain other limited regulatory conditions to the closing of the mergers Additionally, over the course of the next several weeks, InfraREIT provided Sempra, Oncor and their representatives with additional due diligence information

On July 31, 2018, Hunt delivered a letter to the conflicts committee in which Hunt undertook to promptly engage and continue discussions with Company A to attempt to reach agreement as to the transactions and arrangements that would be necessary to complete an acquisition of InfraREIT by Company A In its letter, Hunt reiterated to the conflicts committee that, consistent with past communications to Company A and its advisors, Hunt did not consider that it had reached a fully negotiated term sheet covering these transactions and arrangements with Company A Hunt confirmed, however, that it had informed Company A that, in this case, alternative arrangements that did not contemplate an investment by Company A in Sharyland were acceptable to Hunt, but other terms remained to be negotiated between Hunt and Company A

Also on July 31, 2018, the Company sent a revised draft of the asset exchange agreement to Hunt In the revised draft, the Company (i) added "knowledge" qualifications on certain of the representations and warranties,

(ii) inserted exceptions to certain closing conditions and termination provisions for Sharyland's knowledge of inaccuracies or breaches at the time the asset exchange agreement is executed and (iii) deleted Hunt's proposal that the SU Investment be a closing condition and a regulatory approval condition to the asset exchange

On August 1, 2018, Ms Gordon and Ms Wolf, on behalf of the conflicts committee, together with senior management and representatives from Hunton met with Messrs. Hunt, Hernandez and Carter to present the Buy All / Sale proposed term sheet and discuss the alternative approach outlined therein should the Company be unable to execute on the proposed Oncor transaction or another alternative transaction in the coming weeks

On August 2, 2018, senior management together with representatives from Gibson Dunn, Hunton, Jackson Walker and Eversheds met with Hunt and representatives from Baker Botts L L P , referred to in this proxy statement as "Baker Botts," corporate counsel to Hunt and Sharyland, to discuss the July 31 draft of the asset exchange agreement Hunt agreed to consider adding certain knowledge qualifications, but otherwise declined to agree to the other key changes included in the Company's July 31 draft

On August 2, 2018 and August 3, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed numerous updates regarding InfraREIT's ongoing efforts, including the status of definitive agreement negotiations with Oncor and the August 1 meeting with Hunt to present the Buy All / Sale proposal

The conflicts committee also reviewed recent developments with Company A, including Hunt's commitment to promptly engage with Company A The conflicts committee then discussed approaching Hunt in an effort to obtain financial concessions from Hunt that would allow for an increase in the price per share of common stock payable to InfraREIT stockholders in a third-party acquisition, such as would result from the relinquishment by Hunt of its contractual termination fee under the management agreement, and it established a time to meet with Hunt regarding these proposed financial concessions. Representatives from Hunton led the conflicts committee through a review of the key terms of the draft merger agreement and asset exchange agreement, and described the other definitive agreements, with Jackson Walker reviewing the regulatory provisions with the conflicts committee

On August 3, 2018, Baker Botts delivered a draft asset exchange agreement to Oncor and InfraREIT.

On August 7, 2018, Ms Gordon and Ms Wolf, on behalf of the conflicts committee, together with senior management, met with Messrs Hunt, Hernandez and Carter and requested that Hunt make further financial concessions that would allow for an increase in the price per share of common stock payable to InfraREIT stockholders in the proposed Oncor transaction by approximately $0 50 to $1 00 per share

On August 14, 2018, senior management delivered to Hunt a draft letter agreement, referred to in this proxy statement as the "Side Letter Agreement," which provided that Sharyland, as operator of SDTS's assets under leases, would make certain representations and warranties to InfraREIT The purpose of these requested representations and warranties was to assist InfraREIT in confirming certain representations and warranties that InfraREIT was being asked to make to Oncor in the merger agreement

On August 15, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed numerous updates regarding InfraREIT's ongoing efforts, including Company A's continued due diligence, progress on negotiations with Hunt and progress on definitive agreement negotiations with Oncor The conflicts committee also discussed the August 7 meeting with Hunt to request financial concessions that would allow for an increase in the price per share of common stock payable to InfraREIT stockholders in the proposed Oncor transaction

By letter dated August 16, 2018, Hunt responded to the request made by members of the conflicts committee at the August 7 meeting that Hunt make additional financial concessions Hunt stated that it had already taken several steps to facilitate an acquisition of InfraREIT by Oncor and, in doing so, it had incurred, and was continuing to incur, significant costs and expenses in relation to such acquisition As a result, Hunt was not willing to make additional financial concessions

On August 16, 2018, V&E delivered a revised draft of the merger agreement to InfraREIT that, among other things, declined InfraREIT's request that Sempra and TTI provide a guaranty of Oncor's obligations under the merger agreement The revised draft instead contemplated that Sempra and the principal owners of TTI would deliver an equity commitment letter, committing to provide specified amounts of equity financing to Oncor The revised draft also contemplated, among other items, that (i) InfraREIT pay Oncor a meeting fee of 1% of net equity consideration for any termination by the parties due to the failure to obtain the requisite stockholder approvals, (ii) a breakup fee of 2 0% of total equity value for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, and 4 0% of total equity value in respect of a transaction identified following the go-shop period, (iii) InfraREIT would only have 10 days following expiration of the go-shop period to negotiate definitive agreements with a third party in order to get the benefit of the lower termination fee, (iv) Oncor would have certain match rights in the event a third party made an acquisition proposal that InfraREIT proposed to accept, (v) Oncor would have a termination right in the event that InfraREIT breaches the non-solicitation provisions, (vi) InfraREIT would not be permitted to pay a pro rata dividend for any partial quarter prior to the closing of the mergers and (vii) Hunt would enter into a voting agreement with Oncor whereby Hunt would agree to vote the shares of common stock held by it in favor of the merger proposal The draft also accepted the general "burdensome condition" construct proposed by InfraREIT, but expanded the events and conditions that could give rise to a burdensome condition, and also added a number of regulatory conditions to the closing of the mergers

On August 21, 2018, Hunt responded to the conflicts committee's delivery of the Buy All / Sale term sheet to Hunt on August 1, 2018 Hunt stated that since InfraREIT and Hunt were both engaged in discussions and negotiations with third parties regarding an acquisition of InfraREIT or actions to facilitate the same, Hunt intended to focus its efforts on such discussions and negotiations with a view to resolving the remaining issues and facilitating a third-party acquisition of InfraREIT Hunt further noted that the transactions InfraREIT outlined in the term sheet would not be acceptable to Hunt and that Hunt was only interested at such time in a transaction whereby it would maintain an ownership interest in a Texas utility

On August 23, 2018, V&E delivered a revised draft of the asset exchange agreement to InfraREIT and Hunt Subsequently, on August 24, 2018, Oncor's regulatory counsel delivered a revised draft of the regulatory conditions to the merger agreement and the asset exchange agreement

Over the following days, senior management held conference calls with representatives from Gibson Dunn, Eversheds, Hunton and Jackson Walker to discuss and analyze the revised drafts and the transactions

By letter dated August 27, 2018, Sharyland informed the conflicts committee that it was not willing to enter into any agreement, including the Side Letter Agreement, that would expose Sharyland to liability for claims that may be made under the merger agreement for a breach of some or all of the representations, warranties, and covenants of InfraREIT

The special subcommittee met on August 28, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and discussed the progress with the proposed Oncor transaction, including various positions taken by Oncor in its most recent draft of the merger agreement and various recent communications from Hunt and Sharyland The special subcommittee directed management and counsel with respect to certain positions to be included in revised versions of the draft definitive agreements with Oncor, including possible alternatives to the Side Letter Agreement in light of Sharyland's rejection of that concept The due diligence progress by Company A was also discussed, including how far they were behind Oncor and a possible timetable for advancing to the negotiation of definitive agreements with Company A In light of Hunt's letter of August 21, in which it declined to enter into discussions on the Buy All / Sale proposal, the special subcommittee also discussed alternatives if neither the proposed Oncor transaction nor a potential transaction with Company A were entered into in the near future

On August 28, 2018, Gibson Dunn delivered a revised draft of the merger agreement to Oncor and its representatives, which (i) rejected Oncor's request for a no-vote meeting fee, (ii) contained a break-up fee of

1 5% of total equity value for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, and 3 5% of total equity value in respect of a transaction identified following the go-shop period, (iii) provided that InfraREIT would not be limited following expiration of the go-shop period in negotiating definitive agreements with a third party identified during the go-shop period in order to get the benefit of the lower termination fee, (iv) agreed that Oncor would have certain match rights in the event a third party makes an acquisition proposal, (v) rejected Oncor's request to have a termination right in the event that InfraREIT breaches the no-solicitation provisions, (vi) provided that InfraREIT could pay a pro rata dividend for any partial quarter prior to the closing of the mergers and (vii) noted Hunt's rejection of the entry by Hunt into a voting agreement The revised draft also narrowed the instances that would be deemed to give rise to a burdensome condition

On August 30, 2018, Oncor hosted an in-person meeting for the negotiation of the merger agreement with senior management and representatives from Gibson Dunn, Hunton, Eversheds, Jackson Walker, V&E, Sempra and White and Case LLP, referred to in this proxy statement as "W&C," counsel to Sempra in order to discuss a number of issues related to the merger agreement, including closing conditions, termination rights, termination fees, payment of dividends and regulatory matters Representatives of Hunt and Baker Botts also attended the meeting, primarily to provide input on regulatory matters that affected both the merger agreement and the asset exchange agreement In addition, Hunt indicated that in lieu of a voting agreement, it would agree to the entry into a non-interference agreement with Oncor, which is referred to in this proxy statement as the "non-interference agreement," which would provide that for a period beginning on the signing of the merger agreement and ending upon the consummation of the mergers or termination of the merger agreement or asset exchange agreement, Hunt (i) would not transfer any shares of common stock or partnership units owned by it, (ii) would not exercise any rights to redeem any partnership units held by it and (iii) would not take any action that InfraREIT would not be permitted to take under the no-solicitation provisions in the merger agreement

On August 31, 2018, Gibson Dunn delivered a revised draft of the asset exchange agreement to Oncor and Hunt Later that day, Baker Botts separately delivered a draft of the asset exchange agreement to InfraREIT and Oncor

On September 4, 2018, the special subcommittee met with representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and discussed the current draft of the asset exchange agreement and the potential resolution of some of the remaining open issues The special subcommittee was also informed by representatives from Hunton that Company A had held discussions with Hunt regarding the alternative arrangements to facilitate an acquisition of InfraREIT by Company A and it was expected that further progress would be made in negotiations between such parties soon

On September 5, 2018, V&E delivered a revised draft of the merger agreement to InfraREIT The revised draft contemplated a breakup fee of 1.875% of net equity consideration for any termination of the definitive agreement in respect of a transaction identified during the go-shop period, 3 75% of the net equity consideration in respect of a transaction identified following the go-shop period, and reasserted several of Oncor's positions regarding the no-vote meeting fee, go-shop and termination provisions The revised draft accepted InfraREIT's position that it could pay a pro rata dividend for any partial quarter prior to the closing of the mergers.

The special subcommittee met on September 6, 2018 with representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and discussed the possible contents of a letter to be delivered to Hunt regarding the asset exchange The special subcommittee directed that such letter be delivered to Hunt, and such letter was delivered the following day and is discussed below Later that day, Baker Botts hosted a meeting for the negotiation of the asset exchange agreement with senior management and representatives from Gibson Dunn, Hunton, Hunt, Oncor, V&E, Sempra and W&C

By letter dated September 6, 2018, Hunt informed the conflicts committee that significant progress had been made since July 31, 2018 in discussions and negotiations with Company A regarding a term sheet between Company A and Hunt with respect to alternative arrangements designed to facilitate an acquisition of InfraREIT

by Company A, and it furnished the conflicts committee with a copy of the current draft of the term sheet Hunt stated that based on the progress made to date, it believed that resolution of remaining open issues could occur during the negotiation of definitive agreements with Company A should the conflicts committee determine to engage in such negotiations. Hunt also stated that it was prepared to commence negotiating definitive agreements with Company A and the conflicts committee providing for the alternative arrangements contemplated by the draft term sheet

By letter dated September 7, 2018, the conflicts committee proposed to resolve certain outstanding issues with Hunt in the asset exchange agreement InfraREIT proposed that it would (i) withdraw its objection to having the SU Investment as both a closing condition and a regulatory approval condition in the asset exchange agreement, (ii) withdraw its request that Sharyland enter into the Side Letter Agreement, (iii) agree to terminate a letter agreement that Hunt entered into in connection with the 2017 Asset Exchange Transaction and (iv) agree to terminate at the closing of the asset exchange agreement any other indemnification obligations arising under any agreements between InfraREIT and Hunt In exchange for these agreements from InfraREIT, the conflicts committee requested that Hunt agree (a) that if the conditions regarding the SU Investment were not satisfied or waived and, as a result, the asset exchange agreement was terminated without closing, Hunt would reimburse InfraREIT for all out-of-pocket expenses incurred by InfraREIT in connection with the transaction with Oncor, (b) to the insertion of certain "knowledge qualifiers" in certain representations by SDTS in the asset exchange agreement, and (c) to the insertion of exceptions to certain closing conditions and termination provisions for Sharyland's knowledge of inaccuracies or breaches at the time the asset exchange agreement was executed On September 11, 2018, Hunt responded to the September 7 proposal from the conflicts committee and stated in a letter to the conflicts committee that (1) neither Hunt nor Sharyland was willing to reimburse InfraREIT for costs and expenses incurred by it in connection with a transaction with Oncor, (2) it was willing to insert the knowledge qualifiers in certain representations to be made by SDTS in the asset exchange agreement and (3) it was willing to insert exceptions to certain closing conditions and termination provisions for Sharyland's knowledge of inaccuracies or breaches at the time the asset exchange agreement is executed

The special subcommittee met on September 7, 2018 with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee and discussed both the progress on the proposed Oncor transaction and the September 6 letter from Hunt regarding progress in Hunt's negotiations with Company A. Senior management also reported on the progress of due diligence by both Oncor and Company A The special subcommittee authorized senior management and the advisors to the conflicts committee to commence negotiations with Company A, including delivering to Company A an initial draft of a definitive merger agreement In addition, the special subcommittee delegated authority to Ms Gordon to deliver a letter to Company A informing Company A of the conflicts committee's desire to begin negotiating definitive transaction agreements

Over the following days, InfraREIT, with the assistance of representatives from Gibson Dunn, Hunton, Eversheds and Jackson Walker, reviewed and discussed the draft merger agreement delivered by V&E and the regulatory conditions to the mergers and asset exchange After incorporating discussions and comments from InfraREIT, Eversheds delivered a revised draft of the regulatory conditions to Oncor and Hunt on September 10, 2018 and Gibson Dunn delivered a revised draft of the merger agreement to Oncor on September 11, 2018

By letter dated September 11, 2018, the conflicts committee informed Company A that senior management and the conflicts committee's advisors would deliver initial drafts of and begin negotiating definitive agreements for a potential acquisition of InfraREIT by Company A, and that it expected that Hunt would similarly deliver drafts of certain definitive agreements and begin negotiations regarding alternative arrangements to facilitate such acquisition The conflicts committee encouraged Company A to complete its due diligence on InfraREIT in the subsequent three weeks so that definitive agreements could be completed on the same schedule The conflicts committee also encouraged Company A to increase its indicative price of $20 92 per share of common stock, and it reminded Company A that it had indicated in its July 28 letter that such an increase might be possible

On September 12, 2018, V&E delivered a revised draft of the asset exchange agreement to InfraREIT and Hunt

On September 13, 2018, at the request of the special subcommittee, Gibson Dunn delivered a draft merger agreement to Company A's counsel, which contained the same material terms as the initial draft sent to Oncor on July 31, 2018, but also included an obligation of Company A to pay a break-up fee to InfraREIT in case regulatory approvals are not obtained in connection with the transaction, which was the same break-up fee initially requested in the Company's negotiations with Oncor Shortly thereafter, Baker Botts delivered a draft asset exchange agreement to Company A's counsel on behalf of Sharyland

On September 17, 2018, senior management sent Hunt a proposal to resolve certain regulatory issues in the asset exchange agreement Later that day, senior management and representatives from Hunt, Oncor, Sempra, and their respective counsels held a conference call to discuss the open items in the asset exchange agreement

On September 18, 2018, senior management and representatives from Oncor, Sempra and their respective counsels held a conference call to discuss the open items in the draft merger agreement, which included, among other things, (i) the decision to make applicable CFIUS filings, (ii) certain requirements in the go-shop provisions, (iii) Oncor's request that InfraREIT reimburse Oncor's expenses in the event that the requisite stockholder approval is not obtained and (iv) the amount of any fee to be paid by InfraREIT for any termination of the definitive agreement in respect of a transaction identified during and following the go-shop period

On September 19, 2018, Mr Campbell and Mr Hernandez and a representative from Hunton met with Mr Clevenger and Mr Mihalik at their request In this meeting, Messrs Clevenger and Mihalik identified certain due diligence issues and stated that InfraREIT would need to make financial concessions in order for Sempra and Oncor to agree to a transaction Mr Campbell communicated that InfraREIT was not prepared to make any such concessions. Over the next several days, senior management had telephone calls and met with representatives from Oncor and Sempra to discuss the due diligence issues Oncor and Sempra raised at the September 19 meeting

On September 20, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed the September 19 meeting among senior management and representatives from Sempra and Oncor, including the due diligence issues and possible need for financial concessions from InfraREIT Mr Campbell reported that in subsequent telephone calls since the September 19 meeting, Sempra and Oncor indicated that they had internally discussed solutions to resolve the due diligence concerns that were raised in the September 19 meeting, and, in each call, senior management had reiterated InfraREIT's position that it would not make any financial concessions Upon receiving this report, the conflicts committee decided to wait on further developments before taking any other action The conflicts committee also discussed that initial drafts of the merger agreement and asset exchange agreement had been delivered to Company A, but to date there had been no response from them

After further evaluation and discussion, Oncor and Sempra communicated to senior management that they were willing to move forward without any additional price concession from InfraREIT and that the due diligence issues raised during the September 19 meeting were on a path to resolution

On September 26, 2018, Baker Botts delivered a revised draft of the asset exchange agreement to InfraREIT and Oncor Later that day, V&E delivered a revised draft of the merger agreement to InfraREIT, which incorporated comments from the discussion with InfraREIT the week before The parties also continued to discuss and negotiate the regulatory terms and conditions in the agreements Also on September 26, representatives from Hunt responded to the September 17 proposal from InfraREIT to resolve the outstanding issues in the asset exchange agreement Hunt (i) agreed to the substance of certain of InfraREIT's regulatory proposals from September 17, (ii) stated that neither Hunt nor Sharyland would reimburse InfraREIT for costs and expenses incurred by it in connection with a transaction with Oncor and (iii) agreed to insert the knowledge qualifiers in certain representations to be made by SDTS in the asset exchange agreement

On September 28, 2018, the special subcommittee met with senior management and representatives from Hunton, Jackson Walker and Evercore and other members of the conflicts committee Senior management indicated that the potential Oncor transaction could possibly be finalized as soon as early October In addition, senior management confirmed that after having followed up on the due diligence matters raised in the prior week, Oncor had reaffirmed its price of $21 00 per share of common stock Senior management also reported that Company A was progressing with due diligence, but that Company A had not yet provided a response on the draft definitive agreements, and the special subcommittee directed that Company A be encouraged to do so in the next week After senior management departed the meeting, representatives from Evercore then reviewed Evercore's preliminary financial analyses of the proposed transaction with Oncor. Representatives from Hunton then discussed summaries of the principal definitive agreements, including issues that remained open, and representatives from Jackson Walker described key regulatory provisions and issues

On September 29, 2018, a representative from Hunton responded to Hunt's September 26 proposal on behalf of the conflicts committee and expressed the need to hold the proposal open until the conflicts committee received Oncor's and Sempra's views on the regulatory conditions

Over the following two weeks, senior management and representatives from Oncor, Hunt, Sempra, and their respective counsels exchanged several drafts of the merger agreement, the asset exchange agreement and the related ancillary documents Additionally, over the course of several days in early October, the parties and their respective counsel held in-person meetings at Oncor's offices to discuss the transaction, the financing plans, and the related documents.

On October 1, 2018, Company A's counsel delivered a revised draft of a merger agreement to InfraREIT Over the following days, senior management, with the assistance of representatives from Gibson Dunn, Hunton, Eversheds and Jackson Walker, reviewed the key issues in such agreement, which included, among other things, Company A's (i) deletion of a go-shop construct, (ii) addition of provisions to delay the closing in order to arrange financing, (iii) inclusion of a breakup fee of 4 5% of total equity value for any termination of the definitive agreement and (iv) deletion of Company's A obligation to pay a break-up fee to InfraREIT in case regulatory approvals are not obtained Company A's draft also failed to make any comments on the regulatory provisions and instead reserved those comments for a future draft

On October 3, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and discussed the proposed revisions to the draft merger agreement delivered by Company A on October 1, including that Company A was not yet in a position to comment on any of the regulatory provisions in the draft The conflicts committee also discussed progress being made by Company A in other areas, including the commencement of its tax due diligence. The remaining open issues relating to the transactions with Oncor and Hunt were also discussed and directional guidance was provided by the conflicts committee to representatives from Evercore, Hunton and Jackson Walker, including authorization to continue negotiations with Oncor and Hunt

On October 6, 2018, V&E delivered a revised draft of the merger agreement to InfraREIT, which draft reflected, among other items, Oncor's agreement to eliminate the request for a no-vote expense provision and proposed a break-up fee of 1 75% of net equity consideration for any termination of the merger agreement in respect of a transaction identified during the go-shop period, and a fee of 3.5% of the net equity consideration in respect of a transaction identified following the go-shop period

On October 8, 2018, senior management, at the direction of the conflicts committee, made a proposal to Oncor to resolve the remaining issues in the merger agreement which included a proposed resolution of the remaining regulatory issues, retaining a break-up fee of 1 5% of net equity consideration for any termination of the merger agreement in respect of a transaction identified during the go-shop period, and agreeing to a fee of 3 5% of the net equity consideration in respect of a transaction identified following the go-shop period Over the next few days, Oncor and InfraREIT continued to discuss the open issues in the merger agreement

On October 9, 2018, Gibson Dunn delivered a revised draft of a merger agreement to representatives from Company A Such draft reflected a number of substantive revisions, including (i) the reinsertion of the deleted go-shop provisions, (ii) questions around Company A's financing plans and (iii) a breakup fee of 1 5% of equity consideration for any termination of the merger agreement in respect of a transaction identified during the go-shop period, and 3 0% of the equity consideration in respect of a transaction identified following the go-shop period The regulatory provisions of the draft still remained to be negotiated

On October 10, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore. Following a summary by senior management of the status of negotiations with both Oncor and Company A, senior management left the meeting and representatives from Hunton and Jackson Walker then reviewed with the conflicts committee the open transaction terms and outstanding regulatory issues Representatives from Evercore then reviewed Evercore's preliminary financial analyses of the proposed transaction with Oncor The conflicts committee also discussed that Company A had yet to respond to the September 11 letter requesting an increase in its indicative price and directed representatives from Evercore to contact Company A's advisors

On October 12, 2018, senior management and a representative from Gibson Dunn held a conference call with representatives from Company A and discussed the key issues identified in the draft merger agreement sent by Company A on October 1 Company A indicated that it would not be in a position to send any comments to the regulatory provisions until the following week Also on October 12, at the direction of the conflicts committee, representatives from Evercore held a telephone call with representatives from Company A's financial advisor, reminded them of the September 11 letter from the conflicts committee, and inquired as to whether Company A would increase its indicative price As directed by the conflicts committee, representatives from Evercore stated that the conflicts committee had a meeting scheduled for the morning of October 15 and requested that Company A inform representatives from Evercore before that meeting of the date on which Company A expected to provide a response on its indicative price.

On October 14, 2018, senior management and representatives from Hunt, Oncor and Sempra and their respective legal counsels held a conference call to discuss how to resolve the remaining open issues in the merger agreement, the asset exchange agreement and the ancillary documents, in order to finalize all of the definitive agreements for submission to their respective boards of directors and move forward with the execution of such agreements Over the following days, the parties, with the assistance of their respective legal counsel, negotiated and finalized the merger agreement, the asset exchange agreement and the related ancillary documents

On October 15, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore The potential Oncor transaction was described by senior management as being close to signing with only finalization of the equity commitment letter and the amount of the break-up fees being outstanding major issues The conflicts committee was informed by senior management that Oncor's board of directors would be considering approval of the transaction later on October 15 After senior management left the meeting, representatives from Evercore informed the conflicts committee that they had not received a response from Company A or its advisors as requested on the October 12 conference call, and the conflicts committee determined that, absent further communication from Company A, Company A should be contacted at the appropriate time and strongly encouraged to participate in the go-shop process. The conflicts committee also reviewed the open issues remaining in the definitive agreements and gave directions to senior management and representatives from Hunton, including holding firm on the 1 5% break-up fee amount for the go-shop period

On October 16, 2018, Oncor informed InfraREIT that it would accept the 1 5% break-up fee for the go-shop period with a 3 5% break-up fee following that period

On October 17, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and were informed by senior management that all outstanding issues with respect to the Oncor transaction had been resolved Representatives from Evercore reported that, in further discussions with Company A's financial advisors, it was apparent that Company A would not be in a position to

communicate its current view on an indicative price until sometime later in the process After senior management left the meeting, representatives from Evercore reviewed the history of negotiations with Oncor and Hunt and the terms of the proposal by Oncor Representatives from Evercore reviewed Evercore's financial analyses of the Oncor proposal and InfraREIT and then delivered to the conflicts committee Evercore's oral opinion, subsequently confirmed in writing, that, as of such date and based upon and subject to the various limitations and assumptions set forth in the opinion, the merger consideration was fair, from a financial point of view, to the unaffiliated stockholders Additionally, at such meeting, representatives from Hunton and Jackson Walker provided a presentation regarding the terms of the draft merger agreement, the asset exchange agreement and other transaction documents and reviewed with the conflicts committee their duties in connection with their consideration and potential approval of the transaction with Oncor Following extensive discussion, the conflicts committee unanimously approved the merger agreement and the asset exchange agreement, declared the merger agreement and the asset exchange agreement and the transactions contemplated thereby, including the mergers, to be advisable and in the best interests of InfraREIT and its stockholders

Immediately following the conflicts committee meeting, the board of directors convened a meeting and the conflicts committee then advised the board of directors that it had approved the mergers and recommended that the board of directors approve the merger agreement Following this recommendation, and after discussion with the conflicts committee regarding the conflicts committee's process and rationale for its recommendation, the board of directors, (a) approved the merger agreement and the transactions contemplated thereby, and the execution and delivery of the merger agreement, (b) directed that the merger agreement be submitted to a vote of the stockholders of InfraREIT and (c) resolved to recommend that the stockholders of InfraREIT vote in favor of the approval of the merger proposal

Following the board of directors' approval, the parties finalized the merger agreement and other transaction documents, including the asset exchange agreement, during the evening of October 17, 2018 On October 18, 2018, the parties executed the merger agreement and the Company issued a press release announcing entry into the merger agreement

Go-Shop Process

Prior to the open of markets on October 18, 2018, InfraREIT, Oncor and Sempra issued separate press releases announcing the mergers and describing the go-shop provisions The InfraREIT press release described the lower $19 1 million termination fee that would be payable in the event that an acquisition proposal received by November 17, 2018 was accepted as a superior proposal by the conflicts committee and the board of directors prior to December 27, 2018

At the direction of the conflicts committee, senior management and representatives of Evercore actively encouraged Company A to participate in the go-shop process, including through numerous phone calls throughout the go-shop period, but Company A ultimately declined to enter into a new confidentiality agreement and otherwise engage in the go-shop process.

On the morning of October 18, 2018, at the direction of the conflicts committee, representatives from Evercore began to contact other potential strategic and financial buyers to actively solicit their interest in making an acquisition proposal to acquire InfraREIT In total, at the direction of the conflicts committee, representatives from Evercore contacted 37 potential acquirers, consisting of 23 potential strategic buyers and 14 potential financial buyers, and two other parties made unsolicited inquiries Of the potential buyers contacted, 23 potential strategic buyers and 12 potential financial buyers affirmatively indicated they were not interested in acquiring InfraREIT, indicated that they did not wish to enter in a confidentiality agreement and receive more information at such time, or did not respond to inquiries soliciting their participation in the process. One potential strategic buyer and three potential financial buyers, which included a third party that had been identified in the initial Hunt process, referred to in this proxy statement as "Company C," entered into confidentiality agreements with InfraREIT and HCI, and were then granted access to virtual data rooms containing non-public information about

InfraREIT and HCI and offered the opportunity to participate in discussions and due diligence meetings with representatives from Evercore and senior management

Throughout the go-shop process, the conflicts committee received weekly briefings from representatives from Evercore and the conflicts committee's other advisors and directed the activities undertaken in the go-shop process

On November 15, 2018, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore, who gave an update on the progress of the go-shop process After senior management left the meeting, a representative from Evercore left the meeting briefly in order to take a telephone call from a representative from Company C The representative from Company C communicated to the representative from Evercore that it intended to submit an indicative proposal to the conflicts committee the next day The Evercore representative delivered the news of Company C's intention to submit an indicative proposal and the conflicts committee then scheduled meetings for November 16 and 17 to address such proposal prior to the expiration of the go-shop period

On November 16, 2018, Company C delivered a preliminary and non-binding acquisition proposal to representatives of Evercore which contemplated the acquisition by Company C of all of the outstanding equity interests in InfraREIT and the Operating Partnership for $22.00 per share of common stock and partnership unit The proposal was based on certain assumptions and was subject to several conditions, including completion of a due diligence review of InfraREIT, the negotiation of definitive agreements and the approval of Company C's board of directors Later that day, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and reviewed the proposal from Company C The conflicts committee raised a number of questions about Company C's proposal, including, among others, (i) whether the purchase price would be reduced by the amount of the termination fee payable to Hunt under the management agreement, the break-up fee payable to Oncor under the merger agreement or any other transaction related fees or expenses, (ii) whether the proposal contemplated an asset exchange between SDTS and Sharyland, (iii) if Company C contemplated a closing date consistent with the planned closing of the merger agreement with Oncor and (iv) whether Company C was prepared to execute definitive agreements with no material substantive differences from the existing merger agreement and asset exchange agreement The conflicts committee directed senior management and representatives from Hunton and Evercore to contact Company C and obtain clarification on these matters

Later in the evening on November 16, 2018, Mr Meleski and representatives from Hunton and Evercore held a conference call with representatives from Company C and the representatives from Company C confirmed that, among other things, (i) the purchase price of $22 00 per share of common stock and partnership unit would not be reduced by the amount of the termination fee payable to Hunt under the management agreement, the break-up fee payable to Oncor under the merger agreement or any other transaction related fees or expenses, (ii) the proposal assumed consummation of an asset exchange between SDTS and Sharyland, (iii) Company C contemplated a closing date consistent with the planned closing of the merger agreement and (iv) Company C was prepared to execute definitive agreements with no material substantive differences from the existing merger agreement and asset exchange agreement, including with respect to the regulatory provisions At the conclusion of the call and at the direction of the conflicts committee, representatives from Evercore reminded Company C of the timeline that the conflicts committee had to consider acquisition proposals under the merger agreement's go-shop provision and requested that Company C promptly send a revised indicative proposal to the conflicts committee addressing the clarifications discussed on the call Company C agreed to promptly send a revised indicative proposal containing such clarifications

On November 17, 2018, Company C delivered a revised preliminary and non-binding acquisition proposal to representatives of Evercore, which included the clarifications outlined on the conference call the previous evening Later that day, the conflicts committee met with senior management and representatives from Hunton, Jackson Walker and Evercore and reviewed the revised proposal from Company C At the request of the conflicts committee, Messrs Hunt and Hernandez also joined the meeting and confirmed that Hunt would be willing to

engage in negotiations with Company C if requested to do so by the conflicts committee. After senior management and the Hunt representatives left the meeting, the conflicts committee consulted with its advisors and determined in good faith that the acquisition proposal from Company C was reasonably likely to lead to a superior proposal and thus determined that Company C should thereafter be designated as an "excluded party" under the merger agreement Oncor and Hunt were both informed of this determination after the meeting.

Other than Company C, the other third parties that entered into confidentiality agreements informed representatives of Evercore that they were not interested in continuing to explore a potential acquisition of InfraREIT The go-shop period expired at 11:59 p.m , Dallas, Texas time, on November 17, 2018.

Between November 17, 2018 and December 3, 2018, senior management and representatives from Evercore, at the request of the conflicts committee, communicated several times with Company C and its financial advisor, requesting Company C to advance work expeditiously on its acquisition proposal Among other things, senior management offered to schedule meetings with Company C regarding due diligence, regulatory strategy, and negotiation of the definitive agreements that would be necessary for any transaction with Company C At the request of the conflicts committee, Hunt also attempted to initiate contact with Company C and its financial advisor However, representatives from Company C informed senior management and representatives from Evercore that Company C needed to advance certain other matters on its own before it would be in a position to proceed with further due diligence or negotiate definitive agreements Ultimately, on December 3, 2018, Company C notified InfraREIT that it was terminating discussions, including withdrawing its acquisition proposal, and was no longer considering a potential transaction with InfraREIT As a result, Company C no longer qualified as an excluded party

Reasons for the Mergers

In reaching the decision to approve the merger agreement, declare the merger agreement and the transactions contemplated by the merger agreement, including the mergers, to be advisable and in the best interests of the Company and to recommend approval of the merger proposal to our stockholders, the board of directors and the conflicts committee consulted with senior management, as well as our financial and legal advisors, and considered a number of factors, including the following material factors which the board of directors and the conflicts committee viewed as supporting its decision to approve the merger agreement, declare the merger agreement and the transactions contemplated by the merger agreement, including the mergers, to be advisable and in the best interests of the Company and our stockholders and to recommend approval of the merger proposal to our stockholders

Attractive Value The board of directors and the conflicts committee believed that the $21 00 per share price to be paid by Oncor would provide stockholders with attractive value for their shares of common stock The board of directors and the conflicts committee considered the relationship of the merger consideration to the historic trading ranges of our common stock and the potential trading ranges for our common stock in the future and the likelihood that it could take a considerable period of time before our common stock would trade at a price in excess of the merger consideration, over a sustained period of time, if it ever would, as well as the fact that that the merger consideration constitutes a premium of (i) approximately 18% over the closing price of our common stock of $17 79 per share on January 12, 2018, the last trading day before Hunt filed the January 2018 13D, and (ii) approximately 1.8% over the closing price of our common stock of $20 63 per share on October 17, 2018, the last trading day prior to public announcement of the merger agreement

Best Price Reasonably Attainable The board of directors and the conflicts committee believed that the merger consideration was the best price reasonably attainable for our stockholders after considering the following factors, and especially in light of the factors discussed in " — *High Probability of Completion* " below

- the absence of any prior, bona fide expression of interest in acquiring InfraREIT on terms competitive with the transaction agreed to with Oncor, despite (i) our public announcements that we were pursuing de-REIT alternatives, (ii) Hunt's public announcement on May 24, 2018 that it was engaged in discussions with potential third-party counterparties regarding certain transactions and arrangements

involving Hunt that would be implemented in connection with a third-party acquisition, (iii) representatives from Evercore contacting six potential counterparties in June and July 2018, and (iv) the initial Hunt process conducted independently by Hunt that ultimately led to Hunt's May 2018 13D,

- the improvement in the merger consideration proposed by Oncor from approximately $19 88 per share at the time of its initial indication of interest on May 24, 2018 to $21 00 per share when it delivered its final letter of intent on July 24, 2018,
- the board of directors' and the conflicts committee's belief, based on the nature of the negotiations, that the $21 00 per share price to be paid by Oncor is the highest price per share that Oncor was willing to pay and that the terms and conditions of the merger agreement were, in the board of directors' and the conflicts committee's view, the most favorable to us and our stockholders to which Oncor was willing to agree,
- the failure of Company A to make a definitive proposal that was superior to the merger consideration offered by Oncor, and
- the fact that the merger agreement permits us to pay our regular quarterly dividend of $0 25 per share through closing, and a pro rata dividend for any partial quarter prior to closing, and that stockholders may obtain additional value through the dividend

Best Alternative for Maximizing Stockholder Value After a review of our current and historical financial condition, results of operations, prospects, business strategy, management team, competitive position, and our industry, the board of directors and the conflicts committee believed that the value offered to our stockholders under the merger agreement is more favorable to our stockholders than the potential value that might have resulted from the possible alternatives to the mergers, including continuing as an independent public company

The board of directors and the conflicts committee also considered the challenges and risks that we have faced, and would likely continue to face, if we remained an independent company, including

- as part of any de-REIT alternative, we would begin to record significant deferred income taxes on our balance sheet and also record book federal corporate income taxes on our income statement at a 21% income tax rate,
- over time, repricing our leases with Sharyland to implement the 21% federal corporate income tax allowance, while holding all other inputs constant, would reduce net income attributable to our stockholders per share by approximately $0 30 per year,
- uncertainty caused by REIT issues raised, but not resolved, in Sharyland's and SDTS's 2016 rate case,
- during our next rate case in 2020, our allowed cost of debt would be adjusted relative to the 6 73% cost of debt currently recovered through rates to reflect the actual cost of debt (estimated to be 4 91% as of December 31, 2019), our authorized return on equity would potentially be adjusted, and our authorized capital structure would potentially be adjusted, among other changes,
- the fact that we have not been able to maintain our growth trajectory, including as a result of the determination in March 2016 to postpone consideration of the purchase of the Golden Spread Electric Cooperative interconnection and the assets related to the Cross Valley transmission line, our inability to date to acquire those assets, and uncertainty about our ability to acquire other current and future Hunt development projects,
- the fact that our ability to achieve meaningful growth in the foreseeable future is unclear,
- the on-going costs involved with being a public company are expected to continue to be disproportionate to our size,

- as a transmission-focused utility, likely generating an inconsistent profile for capital expenditures and, as a result, an inconsistent profile for earnings and dividend growth, we do not match the criteria for many of the utility industry's institutional investors,
- the volatility in our financial performance and stock price resulting from various factors, including the factors described above, and
- the other risks and uncertainties inherent in business as described in the section entitled "Risk Factors" set forth in our Form 10-K for the year ended December 31, 2017

Approval by the Conflicts Committee. The board of directors considered the fact that the merger agreement was unanimously approved by all members of the conflicts committee, which is comprised solely of independent directors who are not affiliated with Hunt and are not employees of the Company or any of its subsidiaries, and which consulted with senior management and retained and received advice from outside legal counsel and an independent financial advisor in evaluating and negotiating the terms of the merger agreement

Fairness Opinion of Evercore The conflicts committee considered the oral opinion, provided to our conflicts committee at its meeting on October 17, 2018 by representatives from Evercore (subsequently confirmed in writing), that, as of that date, based upon and subject to assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken by Evercore in rendering its opinion as set forth therein, the merger consideration was fair, from a financial point of view, to the holders (other than Hunt) of common stock entitled to receive the merger consideration For further information, see "*— Opinion of the Financial Advisor to the Conflicts Committee* " and the full text of the written opinion of Evercore attached as Annex B to this proxy statement

Approval by the Disinterested Stockholders. The board of directors and the conflicts committee considered the fact that the merger agreement is subject to the approval of our stockholders other than Hunt, and who therefore do not have any interest in the transactions other than in their capacity as stockholders

Certainty of Value The board of directors and the conflicts committee considered that the merger consideration was payable in cash and the company merger was not subject to any financing contingency, which would provide certainty of value and liquidity to our stockholders

High Probability of Completion The board of directors and the conflicts committee believed that there was a high likelihood that the mergers would be completed based on, among other things.

- Oncor's experience with the PUCT, as the largest utility in Texas, which supports the board of directors' belief that Oncor has a high likelihood of being successful in obtaining the necessary approvals from the PUCT,
- the likelihood and anticipated timing of completing the proposed mergers in light of the nature and scope of the conditions to completion,
- the agreement of Oncor to use reasonable best efforts to take all actions necessary, proper or advisable to consummate the mergers as promptly as reasonably practicable, subject to certain exceptions,
- the lack of antitrust impediments to closing,
- the board of directors' and the conflicts committee's belief that the July 15, 2019 outside date of the merger agreement (which date may be extended for a period of 90 days to obtain the regulatory approvals required to close the mergers, subject to certain conditions being met) would allow for sufficient time to complete the mergers;
- the fact that the conditions to the closing of the mergers are specific and limited in scope and that the definition of "material adverse effect" in the merger agreement contains certain carve-outs that make it less likely that adverse changes in our business between announcement and closing of the mergers will provide a basis for Oncor to refuse to consummate the mergers,

- the fact that the merger agreement contains a "burdensome condition" construct that limits Oncor's ability to refuse to consummate the mergers as a result of terms or conditions imposed as part of the regulatory process;
- the board of directors' and the conflicts committee's perception that Oncor is willing to devote the resources necessary to complete the mergers in an expeditious manner based upon, among other things, the business reputation and capabilities of Oncor;
- the fact that the merger agreement contains no financing condition to the completion of the mergers,
- the representation of Oncor that it has access to sufficient funds necessary for the payment of the aggregate merger consideration, and
- the fact that both Sempra and the principal owners of TTI have executed an equity commitment letter pursuant to which, subject to the terms and conditions thereof, they have severally committed to provide an aggregate equity contribution of up to $1 330 billion for the purpose of funding a portion of the merger consideration pursuant to, and in accordance with, the merger agreement, and the payment of related fees and expenses in connection with the closing of the mergers These equity financing commitments exceed the total merger consideration.

Opportunity to Receive Alternative Proposals and to Terminate the Merger Agreement in Order to Accept a Superior Proposal . The board of directors and the conflicts committee considered the terms of the merger agreement permitting us to actively solicit alternative bids for a specified period and thereafter to respond to unsolicited takeover proposals, and it believed that the terms of the merger agreement would not preclude or unreasonably restrict a superior offer from another party, considering

- we had a 30-day period following execution of the merger agreement to actively solicit alternative bids pursuant to the go-shop provision,
- our right under the merger agreement to respond to third parties submitting unsolicited takeover proposals by providing non-public information subject to an acceptable confidentiality agreement, and to engage in discussions or negotiations with any such person, if the board of directors (or the conflicts committee acting on behalf of the board of directors), prior to taking any such actions, determines in good faith (after consultation with its financial advisor and legal counsel) that (i) the failure to take such action would be inconsistent with the directors' duties under applicable law and (ii) the acquisition proposal either constitutes a superior proposal or is reasonably likely to lead to a superior proposal,
- our ability to terminate the merger agreement to enter into an alternative acquisition agreement that the board of directors (or the conflicts committee acting on behalf of the board of directors) determines to be a superior proposal, subject to certain conditions, including Oncor's matching rights and our obligation to pay a fee to Oncor if we exercise that right of termination,
- the board of directors' right, under the merger agreement, to withhold, withdraw, modify or qualify its recommendation that our stockholders vote to approve the mergers and the other transactions contemplated by the merger agreement under certain circumstances, subject to our obligation to pay the termination fee to Oncor if Oncor elects to terminate the merger agreement in such circumstances,
- the board of directors' and the conflicts committee's belief that the termination fee of $44 6 million, or approximately 3 5% of the implied equity value of the Company (or $19 1 million, or approximately 1 5% of the implied equity value of the Company, in the case of acquisition proposals identified during the go-shop period and signed by the Company by December 27, 2018), is reasonable in light of, among other things, the benefits of the mergers to our stockholders, the typical size of such fees in similar transactions and the likelihood that a fee of such size would not be preclusive or unreasonably restrictive of other offers, and

- the fact that the company merger is subject to the approval of our stockholders (including approval by our stockholders other than Hunt), and our stockholders would be free to reject the company merger by voting against the company merger for any reason, including if a higher offer were to be made prior to the special meeting (in certain cases subject to payment by the Company of a $44.6 million termination fee if we subsequently were to enter into a definitive agreement relating to, or to consummate, an acquisition proposal)

Attractive Terms for the Termination of Multiple Agreements between InfraREIT, SDTS, Sharyland and Hunt. The board of directors and the conflicts committee considered the terms for terminating the various affiliate arrangements with Sharyland and Hunt and determined that the omnibus termination agreement, which governs the termination of these agreements, provided attractive terms for termination The omnibus termination agreement, taken together with the asset exchange transactions, provide for the following.

- the Operating Partnership is required to pay Hunt Manager a termination fee in the amount of $40 5 million The payment will be deemed to satisfy InfraREIT's obligations under the management agreement among InfraREIT, the Operating Partnership and Hunt Manager, as amended,
- Sharyland and SDTS have agreed to terminate the leases between them, and
- the development agreement is terminated and, as part of the asset exchange, SDTS gains the right to development projects in Texas that connect to SDTS assets that are being developed by Hunt or Sharyland, including the Lubbock Power & Light interconnection

Risks and Potential Negative Factors. In recommending that our stockholders vote in favor of the proposal to approve the merger proposal, the board of directors and the conflicts committee also considered the risks and potentially negative factors relating to the merger agreement and the mergers, including the following

- our inability to solicit competing acquisition proposals following the go-shop period and the possibility that the $44 6 million termination fee (or $19.1 million termination fee in the case of acquisition proposals identified during the go-shop period and signed by the Company by December 27, 2018) payable by us upon the termination of the merger agreement under certain circumstances could discourage other potential bidders from making a competing bid to acquire us,
- the fact that the merger consideration represents a discount of approximately 3 2% to the highest share price of our common stock over the 90 calendar day period ended October 17, 2018 of $21 70 per share, which occurred on September 13, 2018,
- the fact that, following the completion of the mergers, we will no longer exist as an independent public company and our existing stockholders will not participate in our future earnings or growth,
- the fact that the mergers might not be consummated in a timely manner or at all, due to a failure of certain conditions to the closing of the mergers including obtaining certain regulatory approvals,
- the restrictions on the conduct of our business prior to the completion of the mergers, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the mergers,
- the risks and costs to the Company if the proposed mergers are not consummated, including the significant diversion of the attention of management and other employees of Hunt Manager during the pendency of the transactions, the potential adverse effects on the Company's relationship with its regulators, potential employee attrition and the potential disruptive effect on business and customer relationships, and the potential that the market's perception of the Company's prospects could be adversely affected,
- the fact that an all-cash merger would be taxable to our U S. stockholders and potentially some of our non-U S stockholders for U S federal income tax purposes,

- the fact that, under Maryland law and our charter, our stockholders are not entitled to appraisal rights, dissenters' rights or similar rights of an objecting stockholder in connection with the mergers,
- the risk that if the merger agreement is terminated, InfraREIT may be obligated to pay a termination fee of up to $44 6 million under certain circumstances,
- the significant costs involved in connection with entering into the merger agreement and completing the mergers and the substantial time and effort of management required to consummate the mergers and related disruptions to the operation of our business, and
- the fact that some of our directors and executive officers have interests in the mergers that are different from, or in addition to, our stockholders generally (see "— *Interests of Our Directors and Executive Officers in the Mergers* ")

The foregoing discussion of the factors considered by the board of directors and the conflicts committee is not intended to be exhaustive, but rather includes the material factors considered by the board of directors and the conflicts committee In reaching the decision to approve the merger agreement, to declare the merger agreement and the transactions contemplated by the merger agreement, including the mergers, to be advisable and in the best interests of the Company and its stockholders and to recommend approval of the merger proposal, the board of directors and the conflicts committee did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The board of directors and the conflicts committee did not reach any specific conclusion with respect to any of the factors or reasons considered

The above factors are not presented in any order of priority The explanation of the factors and reasoning set forth above contain forward-looking statements and should be read in conjunction with the section of this proxy statement entitled " *Forward-Looking Statements* "

Recommendation of the Board of Directors

The conflicts committee unanimously determined that the merger agreement and the transactions contemplated thereby, including the mergers, are advisable and in the best interests of InfraREIT, approved the merger agreement and the transactions contemplated thereby, including the mergers, and recommended the approval of the merger agreement and the transactions contemplated thereby, including the mergers, to the board of directors **The board of directors, acting on the unanimous recommendation of the conflicts committee, has unanimously approved the merger agreement and declared the merger agreement and the transactions contemplated by the merger agreement, including the mergers, to be advisable and in the best interests of the Company and our stockholders. The board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.**

Forward-Looking Financial Information

The Company does not as a matter of course make public forward-looking financial information as to future revenues, earnings, or other results, other than providing estimated ranges of expected earnings as disclosed in regular press releases and investor materials However, for internal purposes and in connection with the process leading to the execution of the merger agreement, senior management prepared certain projections of future financial and operating performance of the Company on a stand-alone basis for the years 2019 through 2022 These projections are included in this proxy statement because we provided such projections to the conflicts committee, Evercore, Oncor, and other interested parties Such projections were used by Evercore in connection with the rendering of its fairness opinion to the conflicts committee and performing its related financial analyses, as described in the section entitled " *—Opinion of the Financial Advisor to the Conflicts Committee* " The projections that we provided involved assumptions about expected future actions by the Company such as, among other things, SDTS completing an asset exchange with Sharyland, similar to the asset exchange contemplated by the asset exchange agreement, and InfraREIT converting from a REIT into a traditional C-corporation and remaining an independent public company

The following forward-looking financial information is unaudited and was not prepared with a view toward public disclosure or with a view toward complying with guidelines established by the American Institute of Certified Public Accountants with respect to forward-looking financial information, but, in the view of senior management, was prepared on a reasonable basis, reflected the best then-currently available estimates and judgments at the time of its preparation, and presented at the time of its preparation, to the best of senior management's knowledge and belief, the expected course of action and the expected future financial performance of the Company. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement are cautioned not to place undue reliance on the forward-looking financial information. This information does not reflect any impact of the mergers and does not take into account the potential consequences should the mergers fail to be consummated, and should not be viewed as accurate or continuing in those contexts.

Neither our independent auditors, nor any other independent accountants, have complied with, examined, or performed any procedures with respect to the forward-looking financial information contained herein, nor have they expressed any opinion or any other form of assurance on such forward-looking financial information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking information.

The following table sets forth a summary of the forward-looking information we provided to the conflicts committee, Evercore, Oncor, and other interested parties in connection with the process leading to the execution of the merger agreement and during the go-shop period

	Years Ending December 31,			
(In thousands, except per share amounts)	**2019E**	**2020E**	**2021E**	**2022E**
Revenue	$ 234,379	$ 234,966	$ 217,310	$ 242,829
Operation and maintenance expenses	13,955	14,388	14,593	15,035
General and administrative expenses	26,598	26,598	26,598	26,598
Earnings before interest, taxes, depreciation and amortization (1)	177,942	178,132	160,269	183,435
Net income	56,765	49,820	46,974	57,253
Non-GAAP net income (2)	56,765	62,691	46,974	57,253
Weighted average diluted shares outstanding	56,190	56,190	56,190	55,113
Non-GAAP EPS (3)	1 01	1.12	0 84	1.04
Capital expenditures	36,559	150,409	138,959	50,759

(1) Earnings before interest, taxes, depreciation and amortization, which is defined as net income plus interest expense, income tax expense, depreciation expense and amortization expense, is a non-GAAP (defined below) financial measure, as it excludes amounts included in net income, the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States, referred to in this proxy statement as "GAAP " This measure should not be considered as an alternative to net income, operating income, or other performance measures derived in accordance with GAAP

(2) We define non-GAAP net income as net income adjusted in a manner we believe is appropriate to show our core operational performance, which includes adding back an assumed regulatory asset write-down in 2020 resulting from the implementation of the 2020 rate case and related assumptions

(3) We define non-GAAP EPS as non-GAAP net income divided by the weighted average shares outstanding

The forward-looking financial information is based on various assumptions, including, but not limited to, the following principal assumptions

- completion of an asset exchange whereby SDTS will exchange its south Texas assets for Sharyland's Golden Spread Project and other related assets, which includes the right to construct the Lubbock Power & Light interconnection and personal property assets to operate and maintain the post-asset exchange business,

- payments of an aggregate of $60 million to terminate the management agreement and development agreement, to terminate the leases with Sharyland, to terminate all other agreements among InfraREIT, Hunt and Sharyland, to pay Company advisor fees, and to obtain certain debt consents,
- conversion to a C-corporation, following which the Company would begin to record book federal income taxes on its income statement at a 21% tax rate and accumulated deferred taxes on its balance sheet,
- outstanding partnership units held by limited partners in the Operating Partnership (approximately 16 7 million units as of September 30, 2018) are exchanged into shares of InfraREIT common stock,
- operation and maintenance expenses to operate the post-asset exchange business;
- general and administrative expenses consistent with a public utility holding company;
- implementation of 2020 rate case (2019 test year) outcome starting on January 1, 2021, including, among other things, an assumed adjustment to the Company's authorized return on equity, an assumed adjustment to the Company's authorized capital structure, a determination of the level of recoverability of certain regulatory assets, the cumulative adjustment to the Company's revenue requirement, and other regulatory parameters,
- the reduction, beginning in 2021 in conjunction with the implementation of the rate case, of the embedded cost of debt in SDTS's tariffs from the current embedded rate of 6 73% to SDTS's weighted average cost of debt as of December 31, 2019, as part of the anticipated 2020 rate case The estimated weighted average cost of debt as of December 31, 2019 is 4 91%,
- maintenance of a targeted consolidated debt to total capitalization of approximately 60%,
- implementation of a $100 million share repurchase program in the fourth quarter of 2018 (cumulatively, resulting in a reduction from 60 7 million total shares and partnership units outstanding to an estimated total of 55 1 million shares outstanding at the end of 2022),
- all transactions occur as of January 1, 2019,
- normal weather,
- no significant changes in legislative framework,
- no other significant changes in regulatory framework or adverse regulatory outcomes, and
- no significant changes in capital markets, including ability to finance operations at reasonable interest rates

The estimates and assumptions underlying the forward-looking financial information are inherently uncertain and, though considered reasonable by senior management as of the date of the preparation of such forward-looking financial information, are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking financial information, including, among other things, the matters described in the section entitled "Forward-Looking Statements" beginning on page 21 of this proxy statement Accordingly, there can be no assurance that the forward-looking financial information is indicative of the future performance of InfraREIT, or that actual results will not differ materially from those presented in the forward-looking financial information. Inclusion of the forward-looking financial information in this proxy statement should not be regarded as a representation by any person that the results contained in the forward-looking financial information will be achieved

The forward-looking financial information does not take into account any circumstances or events occurring after the date it was prepared, including the announcement of the mergers We have not updated or otherwise revised, and do not intend to update or otherwise revise, the forward-looking financial information to reflect

circumstances existing since the preparation of such information or to reflect the occurrence of unanticipated events, including in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, we do not intend to update or revise the forward-looking financial information in this proxy statement to reflect changes in general economic or industry conditions

The forward-looking financial information provided by us is not included in this proxy statement in order to induce any stockholder to vote in favor of the proposals at the special meeting or to acquire securities of the Company

Opinion of the Financial Advisor to the Conflicts Committee

The conflicts committee retained Evercore to act as its financial advisor in connection with evaluating the proposed mergers At the request of the conflicts committee, at a meeting of the conflicts committee held on October 17, 2018, Evercore rendered its oral opinion to the conflicts committee (subsequently confirmed in writing) that, as of October 17, 2018, based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken by Evercore in rendering its opinion as set forth therein, the merger consideration was fair, from a financial point of view, to the unaffiliated stockholders

The opinion speaks only as of the date it was delivered and not as of the time the mergers will be completed or any other date The opinion does not reflect changes that may occur or may have occurred after October 17, 2018, which could alter the facts and circumstances on which Evercore's opinion was based It is understood that subsequent developments or information of which Evercore is, or was, not aware may affect Evercore's opinion, but Evercore does not have any obligation to update, revise or reaffirm its opinion

The full text of the written opinion of Evercore, which sets forth the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken by Evercore in rendering its opinion, is attached hereto as Annex B. You are urged to read Evercore's opinion carefully and in its entirety. Evercore's opinion was directed to the conflicts committee (in its capacity as such), and only addressed the fairness, from a financial point of view, as of October 17, 2018, to the unaffiliated stockholders of the merger consideration. Evercore's opinion did not address any other term, aspect or implication of the mergers. Neither Evercore's opinion, the summary of such opinion nor the related analyses set forth in this proxy statement are intended to be, and they do not constitute, a recommendation to the conflicts committee, the board of directors or any other persons in respect of the mergers, including as to how any holder of the Company common stock or the partnership units should vote or act in respect of the mergers or any other transaction. The summary of Evercore's opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the written opinion.

In connection with rendering its opinion, Evercore, among other things.

- reviewed certain publicly available business and financial information relating to the Company that Evercore deemed to be relevant, including the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018, and certain Current Reports on Form 8-K, in each case, as filed with or furnished to the SEC by the Company, as applicable, since January 1, 2018,
- reviewed certain non-public historical financial statements and other non-public historical financial and operating data relating to the Company prepared and furnished to Evercore by senior management,
- reviewed certain non-public projected financial and operating data and assumptions relating to the Company on a standalone basis, including that the asset exchange and the transactions contemplated by the omnibus termination agreement are executed prior to December 31, 2018, prepared and furnished to Evercore by senior management, and approved for use in connection with Evercore's opinion by senior management,

- discussed the past and current operations, financial projections and current financial condition of the Company with senior management (including their views on the risks and uncertainties of achieving such projections),
- reviewed publicly available research analysts' estimates for the Company's future financial performance on a standalone basis,
- reviewed the reported prices and the historical trading activity of the Company common stock,
- performed discounted cash flow analyses on the Company based on forecasts and other data provided by senior management,
- compared the financial performance of the Company and its stock market trading multiples with those of certain other publicly traded companies that Evercore deemed relevant;
- compared the financial performance of the Company and the valuation multiples relating to the mergers with those of certain other transactions that Evercore deemed relevant,
- reviewed a draft of the merger agreement dated October 16, 2018,
- reviewed a draft of the asset exchange agreement dated October 17, 2018,
- reviewed a draft of the omnibus termination agreement dated October 17, 2018,
- reviewed a draft of the non-interference agreement dated October 12, 2018, and
- performed such other analyses and examinations, held such other discussions, and considered such other factors and information that Evercore deemed appropriate

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly-available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor With respect to the projected financial data relating to the Company referred to above, Evercore assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of senior management as to the future financial performance of the Company under the business assumptions reflected therein Evercore expressed no view as to any projected financial data relating to the Company or the assumptions on which they were based Evercore relied, at the direction of the conflicts committee, without independent verification, upon the assessments of senior management as to the future financial and operating performance of the Company and certain of its subsidiaries and affiliates.

For purposes of rendering its opinion, Evercore relied upon and assumed, without independent verification, that the final versions of the merger agreement, the asset exchange agreement, the omnibus termination agreement and the non-interference agreement, referred to collectively in this section as the "agreements," would not differ in any respect that is material to Evercore's analysis from the respective drafts reviewed by it Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the agreements were true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the agreements and that all conditions to the consummation of the transactions contemplated by the agreements, referred to collectively in this section as the "transactions," would be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the transactions will be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on the Company or the consummation of the transactions or materially reduce the benefits of the transactions to the holders of the Company common stock.

Evercore did not make nor did it assume any responsibility for making any independent valuation or appraisal of any assets or liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Company, the Operating Partnership, NTX Assets and STX Assets or any of their respective

subsidiaries or affiliates, nor was Evercore furnished with any such valuations or appraisals, nor did it evaluate the solvency or fair value of the Company, the Operating Partnership, NTX Assets and STX Assets or any of their respective subsidiaries or affiliates under any state or federal laws relating to bankruptcy, insolvency or similar matters Evercore's opinion was necessarily based upon information made available to it as of the date of its opinion and financial, economic, market and other conditions as they existed and as could be evaluated on the date thereof.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to the unaffiliated stockholders, from a financial point of view, of the merger consideration Evercore did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the mergers or any term or aspect of any other of the agreements or any other agreement or instrument contemplated by the agreements or entered into or amended in connection with the transactions, including, without limitation, (i) the fairness, from a financial point of view, of the merger consideration to the holders of the partnership units, (ii) the fairness of the transactions to, or any consideration received in connection therewith by, the holders of the partnership units or any other securities, the creditors or other constituencies of the Company or the Operating Partnership, (iii) the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company or the Operating Partnership or any of their respective affiliates, or any class of such persons, whether relative to the merger consideration or otherwise, (iv) the fairness of the terms of or the consideration to be given or received by any party with regard to the assignment arrangement pursuant to which the surviving company will assign a 1% interest in the Operating Partnership to a subsidiary of Oncor, nor as to (v) the fairness of the terms of or the consideration to be given or received by any party with regard to the asset exchange or the SU Investment (as such term is defined in the asset exchange agreement) Evercore assumed that any modification to the structure of the transactions subsequent to its review would not vary in any respect material to its analysis Evercore's opinion did not address the relative merits of the transactions as compared to other business or financial strategies that might be available to the Company, nor did it address the underlying business decision of the Company to engage in the transactions Evercore's opinion did not constitute a recommendation to the conflicts committee, the board of directors or any other persons (including as to how any holder of the Company common stock receiving this proxy statement should act or vote) in respect of the transactions Evercore expressed no opinion as to the price at which the Company common stock will trade at any time The opinion noted that Evercore is not a legal, regulatory, accounting or tax expert and that Evercore assumed the accuracy and completeness of assessments by the Company and its advisors with respect to legal, regulatory, accounting and tax matters

Summary Financial Analyses

Set forth below is a summary of the material financial analyses performed by Evercore and reviewed with the conflicts committee on October 17, 2018 in connection with rendering Evercore's opinion to the conflicts committee. Each analysis was provided to the conflicts committee prior to Evercore's delivery of the opinion described herein However, the following summary does not purport to be a complete description of the analyses performed by Evercore In connection with arriving at its opinion, Evercore considered all of its analyses as a whole, and the order of the analyses described and the results of these analyses do not represent any relative importance or particular weight given to these analyses by Evercore Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data (including the closing prices for the Company common stock) that existed as of the close of the market trading day on October 16, 2018, and is not necessarily indicative of current market conditions

The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by Evercore. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Evercore's financial analyses.

Financial data for the Company utilized in the financial analyses described below were based on, among other things, financial projections of the Company, on a standalone basis pro forma to give effect to the asset exchange and the transactions contemplated by the omnibus termination agreement (assuming, among other things, that such transactions are executed prior to December 31, 2018), prepared by the senior management, referred to in this proxy statement as the "Company financial projections "

Evercore performed a series of analyses to prepare a preliminary valuation of the Company For each analysis, Evercore calculated an implied equity value per share range (i) including a 1 6% size premium, referred to in this proxy statement as the "size premium," in the calculation of the Company's cost of equity based on an equity market capitalization of between $1 175 billion and $1 815 billion for the Company and (ii) excluding the size premium. The following is a summary of the material financial analyses performed by Evercore with respect to the Company in preparing Evercore's opinion.

- discounted cash flow analysis,
- dividend discount analysis,
- peer group trading analysis, and
- precedent transaction analysis

Discounted Cash Flow Analysis

Evercore performed a discounted cash flow analysis to value the Company common stock utilizing the Company financial projections Evercore calculated an implied equity value per share range of the Company common stock as of January 1, 2019 by discounting back to present value the Company's discrete unlevered free cash flows from January 1, 2019 through December 31, 2022 Evercore estimated terminal values by (1) applying the perpetuity growth method, utilizing a range of discount rates, a range of estimated perpetuity growth rates and the Company's assumed terminal year unlevered free cash flows, which was based on unlevered free cash flow for the year ending December 31, 2022 and adjusted to remove changes in working capital, as provided by senior management, and (2) utilizing a range of estimated price-to-earnings, referred to in this section as "P/E," exit multiples for the "first forward year" (as defined and described under "— *Peer Group Trading Analysis* " below) to the Company's net income for the year ending December 31, 2023, which Evercore assumed to be consistent with net income for the year ending December 31, 2022

Evercore selected a range of discount rates of 6.0% to 7 0% including the size premium and a range of discount rates of 5 0% to 6.0% excluding the size premium based on its professional judgment and expertise, including its analysis of the weighted average cost of capital, referred to in this section as "WACC," for the Company, taking into account a capital asset pricing model, referred to in this section as "CAPM," analysis for the Company's cost of equity, based on an analysis of characteristics of the Company and the selected comparable companies listed under " — *Peer Group Trading Analysis* " below, referred to in this proxy statement as the "Selected Company Peers " For the perpetuity growth rate assumption, Evercore selected a range of (0 5)% to 0 5% based on its professional judgment and expertise, taking into consideration the long-term rate of inflation and regulations applicable to many of the Company's assets, which determine the level of return the Company is able to earn on such assets, among other things. As described under " — *Peer Group Trading Analysis* " below, for the P/E exit multiple assumption, Evercore selected a range of P/E multiples of 17 1x to 19 1x based on its professional judgment and expertise, taking into account relevant implied P/E exit multiples of the Selected Company Peers, among other things For both the perpetuity growth approach and the P/E exit multiple approach, Evercore calculated an implied equity value per share range after subtracting net debt from the resulting enterprise value and adjusting for the value of share repurchases assumed in the Company financial projections prior to January 1, 2019

The Discounted Cash Flow Analysis utilizing the perpetuity growth approach to calculate terminal value resulted in an implied equity value per share range of $7 93 to $16 52 including the size premium and an implied

equity value per share range of $11 87 to $24 15 excluding the size premium The Discounted Cash Flow Analysis utilizing the P/E exit multiple approach to calculate terminal value resulted in an implied equity value per share range of $14 20 to $16 76 including the size premium and an implied equity value per share range of $15 27 to $17 95 excluding the size premium

Dividend Discount Analysis

Evercore performed a dividend discount analysis to value the Company common stock utilizing the Company financial projections and taking into account the fact that SDTS will be required to file a new rate case in the calendar year 2020 (as described under the section of this proxy statement entitled " — *Background of the Mergers* "), among other things. Evercore calculated an implied equity value per share range of the Company common stock as of January 1, 2019 by discounting back to present value the Company's projected total cash flows to equityholders (through dividends and share repurchases) from January 1, 2019 through December 31, 2022 Evercore estimated terminal values by utilizing the perpetuity growth method to derive after-tax valuation ranges based on varying cost of equity discount rates and perpetuity growth rates Evercore utilized a cost of equity of 7.5% to 9 5% including the size premium and 6 0% to 8 0% excluding the size premium, in each case, based on CAPM and perpetuity growth rates of (0.5)% to 0 5% based on its professional judgment and expertise, taking into consideration the long-term rate of inflation and regulations applicable to many of the Company's assets, which determine the level of return the Company is able to earn on such assets, among other things. The Dividend Discount Analysis utilizing the foregoing approach resulted in an implied equity value per share range of $8 10 to $10.64 including the size premium and an implied equity value per share range of $9 23 to $13 08 excluding the size premium.

Peer Group Trading Analysis

Evercore performed a peer group trading analysis to value the Company common stock by reviewing and comparing the market values and trading multiples of the following publicly-traded transmission and distribution, referred to in this proxy statement as "T&D," companies that Evercore deemed to have certain characteristics similar to those of the Company

- Eversource Energy,
- Consolidated Edison, Inc , and
- Avangrid, Inc

Although the Selected Company Peers were compared to the Company for purposes of this analysis, no company used in the peer group analysis is identical or directly comparable to the Company In order to calculate peer group trading multiples, Evercore relied on publicly available filings with the SEC and equity research analyst estimates

For each of the Selected Company Peers, Evercore divided the price per share, based on closing prices as of October 16, 2018, of such company by research analysts' estimates of earnings per share (per FactSet consensus, which may vary among the group) for calendar years 2018, 2019 and 2020, respectively, to calculate the P/E multiples for each of those years The mean and median P/E multiples are set forth below

Benchmark	Mean	Median
2018 P/E	19 1x	19 0x
2019 P/E	18 1x	17 8x
2020 P/E	16 8x	16 8x

To determine the relevant forward year P/E multiple reference ranges to be applied to the Company financial projections for the full 1-year forward and full 2-year forward net income as of the valuation date of January 1, 2019, Evercore first (i) weighted the Selected Company Peers' median 2018 P/E multiple and 2019 P/E multiple with a 25 0% and a 75 0% weighting, respectively, to arrive at a full 1-year forward P/E multiple of 18 1x and (ii) weighted the Selected Company Peers' median 2019 P/E multiple and 2020 P/E multiple with a 25.0% and a 75 0% weighting, respectively, to arrive at a full 2-year forward P/E multiple of 17 0x. Evercore then added/subtracted 1 0x multiple to/from each of the full 1-year forward P/E multiple and full 2-year forward P/E multiple to arrive at a full 1-year P/E multiple reference range of 17 1x to 19.1x (the "full 1-year forward P/E") and a full 2-year P/E multiple reference range of 16 0x to 18.0x (the "full 2-year forward P/E"), respectively The resulting reference ranges are set forth below

Benchmark	Reference Range
Full 1-Year Forward P/E	17.1x—19 1x
Full 2-Year Forward P/E	16 0x—18 0x

Utilizing the Company financial projections and taking into account the 2020 rate case as well as certain other considerations related to the specific characteristics of the Company noted by Evercore, Evercore calculated an implied equity value per share range of the Company common stock as of January 1, 2019 by applying the multiple reference ranges for the full 1-year forward P/E and the full 2-year forward P/E to the net income for the years ending December 31, 2021 and 2022, respectively, assuming that the Company financial projections for such years reflected the future "run rate" earnings for the Company after the 2020 rate case To account for the earnings in 2019 and 2020 exceeding the "run rate" earnings generated in 2021, Evercore added to the total equity value range the amount by which the levered free cash flow (defined as cash flow from operations less capital expenditures) for each of the years ending December 31, 2019 and 2020, respectively, exceeds normalized, post-2020 rate case levered free cash flow generated in the year ending December 31, 2021, in each case, discounting such after-tax cash flows at an after-tax cost of equity discount rate of 8 5% including the size premium and 7 0% excluding the size premium Evercore also incorporated the value of the assumed share repurchases per the Company financial projections occurring prior to January 1, 2019 to determine value to all current holders of the Company common stock In addition to the foregoing adjustments, for the analysis based on 2022 net income (or the assumed "run rate" full 2-year forward net income), Evercore deducted the assumed equity financed portion of the projected capital expenditures relating to the Lubbock Power & Light interconnection required to achieve the net income represented by the assumed "run rate" full 2-year forward net income (or the 2022 net income based on the Company financial projections), discounting such equity financed capital expenditures at an after-tax cost of equity discount rate of 8 5% including the size premium and 7 0% excluding the size premium

The Peer Group Trading Analysis utilizing the foregoing approach to calculate total equity value of the Company resulted in an implied equity value per share range, (1) based on 2021 net income (or the assumed "run rate" full 1-year forward net income) and the full 1-year forward P/E multiple reference range of $15 11 to $16 66 including the size premium and $15 12 to $16 67 excluding the size premium, and (2) based on 2022 net income (or the assumed "run rate" full 2-year forward net income) and the full 2-year forward P/E multiple reference range of $15 77 to $17 65 including the size premium and $15 74 to $17 63 excluding the size premium

In addition, Evercore calculated an implied equity value per share range of the Company common stock as of January 1, 2019, taking into account the 2020 rate case and certain other considerations related to the specific characteristics of the Company noted by Evercore, by applying the full 1-year forward P/E multiple reference range to the net income for the years ending December 31, 2021 and 2022, respectively, and making the following adjustments to arrive at the total value to equityholders of the Company

- to derive the total value to equityholders of the Company based on 2021 net income, applying an after-tax cost of equity discount rate (8 5% including the size premium and 7 0% excluding the size

premium) for two years, and adding the present value (applying the same cost of equity discount rates) of the projected cash dividends to equityholders between January 1, 2019 and December 31, 2020 based on the Company financial projections,

- to derive the total value to equityholders of the Company based on 2022 net income, applying an after-tax cost of equity discount rate (8 5% including the size premium and 7 0% excluding the size premium) for three years, and adding the present value (applying the same cost of equity discount rates) of the projected cash dividends to equityholders between January 1, 2019 and December 31, 2021, based on the Company financial projections, and
- incorporating the assumed share repurchases occurring prior to January 1, 2019 per the Company financial projections

The Peer Group Trading Analysis utilizing the foregoing approach to calculate total value to equityholders of the Company resulted in an implied equity value per share range, (1) based on 2021 net income, of $13 66 to $14 97 including the size premium and $13 99 to $15 34 excluding the size premium, and (2) based on 2022 net income, of $15 49 to $16 96 including the size premium and $16 05 to $17 59 excluding the size premium

Precedent Transaction Analysis

Evercore reviewed publicly available information for selected transactions involving the acquisition of T&D or integrated electric utilities companies that Evercore deemed to have certain characteristics similar to those of the Company announced since January 1, 2012 and selected 17 transactions

Date Announced	Acquirer	Target
T&Ds		
08/2017	Sempra	Oncor
07/2016	NextEra Energy, Inc	Oncor
02/2016	Fortis Inc.	ITC Holdings Corp
02/2015	Iberdrola USA, Inc	UIL Holdings Corporation
04/2014	Exelon Corporation	Pepco Holdings, Inc
02/2012	FortisUS Inc	CH Energy Group, Inc
Integrated Utilities:		
04/2018	CenterPoint Energy, Inc	Vectren Corporation
01/2018	Dominion Energy, Inc	SCANA Corporation
07/2017	Hydro One Limited	Avista Corporation
05/2016	Great Plains Energy	Westar, Inc
02/2016	Algonquin Power & Utilities Corp	The Empire District Electric Company
09/2015	Emera Inc	TECO Energy, Inc
12/2014	NextEra Energy, Inc	Hawaiian Electric Industries, Inc
10/2014	Macquarie Infrastructure and Real Assets	Cleco Corporation
06/2014	Wisconsin Energy Corporation	Integrys Energy Group, Inc
12/2013	FortisUS Inc	UNS Energy Corporation
05/2013	MidAmerican Energy Holdings Company	NV Energy, Inc

Although the selected transactions were compared to the mergers for purposes of this analysis, no selected transaction used in the precedent transaction analysis is identical or directly comparable to the mergers For each of the selected transactions, Evercore divided the purchase price per share of the target company in each transaction by research analysts' estimates of earnings per share (per FactSet consensus, which may vary among the group) for the "current year" (as defined below) to calculate the relevant P/E multiple, the resulting multiples are referred to in this section as "full 1-year P/E." The "current year" refers to the calendar year of the announcement of a transaction if the transaction was announced on or before September 30, or the following calendar year if the transaction was announced after September 30 The mean and median full 1-year P/E multiples for all 17 transactions, as well as for the T&D and integrated utilities transactions separately, are set forth below

Benchmark	Mean	Median
Full 1-Year P/E (Overall)	22 7x	22.3x
Full 1-Year P/E (T&Ds)	23 3x	22 1x
Full 1-Year P/E (Integrated Utilities)	22 4x	22 4x

Evercore selected a P/E multiple reference range for calendar year 2019, the "current year" for purposes of this analysis, by adding/subtracting 5 0x multiple to/from the mean full 1-year P/E multiple for the T&D transactions listed above. The resulting P/E multiple reference range is set forth below

Benchmark	Reference Range
Full 1-Year P/E	18.3x—28 3x

Taking into account the 2020 rate case and certain other considerations related to the specific characteristics of the Company noted by Evercore, Evercore calculated an implied equity value per share range of the Company common stock by applying the full 1-year P/E multiple reference range to the Company financial projections for net income for the year ending December 31, 2021, assuming that the Company financial projections for such year reflect the future "run rate" earnings for the Company after the 2020 rate case To account for the earnings in 2019 and 2020 exceeding the "run rate" earnings generated in the year ending December 31, 2021, Evercore added to the total equity value range the amount by which the levered free cash flow for each of the years ending December 31, 2019 and 2020, respectively, exceeds normalized, post-2020 rate case levered free cash flow generated in the year ending December 31, 2021, discounting such after-tax cash flows at an after-tax cost of equity discount rate of 8 5% including the size premium and 7 0% excluding the size premium Evercore also incorporated the value of the assumed share repurchases per the Company financial projections occurring prior to January 1, 2019 to determine value to all current holders of the Company common stock

The Precedent Transaction Analysis utilizing the foregoing approach to calculate total equity value of the Company (including share repurchases) resulted in an implied equity value per share range of $16 04 to $23 78 including the size premium, and an implied equity value per share range of $16 05 to $23 79 excluding the size premium

Summary of Implied Equity Value Per Share

Evercore analyzed the implied equity value per share resulting from the discounted cash flow analysis, dividend discount analysis, peer group trading analysis and precedent transaction analysis utilized to value the Company common stock The resulting implied equity value per share reference ranges utilizing each applicable valuation methodology are summarized below

Benchmark	Including Size Premium	Excluding Size Premium
Discounted Cash Flow Analysis—Perpetuity Growth	$ 7 93—16 52	$ 11.87—24 15
Discounted Cash Flow Analysis—P/E Multiples	$ 14.20—16.76	$ 15 27—17 95
Dividend Discount Analysis—CAPM	$ 8 10—10.64	$ 9 23—13 08
Peer Group Trading Analysis—2021 Net Income; Full 1-Year Forward P/E (based on total equity value)	$ 15.11—16.66	$ 15.12—16.67
Peer Group Trading Analysis—2022 Net Income, Full 2-Year Forward P/E (based on total equity value)	$ 15 77—17.65	$ 15 74—17 63
Peer Group Trading Analysis—2021 Net Income, Full 1-Year Forward P/E (based on total value to equityholders)	$ 13.66—14.97	$ 13.99—15.34
Peer Group Trading Analysis—2022 Net Income; Full 1-Year Forward P/E (based on total value to equityholders)	$ 15.49—16.96	$ 16.05—17.59
Precedent Transaction Analysis—2021 Net Income, Full 1-Year P/E (based on total equity value)	$ 16.04—23 78	$ 16.05—23.79

Evercore compared the results of the implied equity value per share analysis to the merger consideration, noting that the merger consideration was within or above each of the implied equity value per share ranges derived by Evercore from the aforementioned analyses

General

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Evercore The conflicts committee selected Evercore to provide financial advice in connection with its evaluation of the mergers because of, among other reasons, Evercore's experience, reputation and familiarity with the industry and because its investment banking professionals have substantial experience in transactions similar to the mergers In connection with the review of the mergers, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion to the conflicts committee The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore's opinion In arriving at its fairness determination, Evercore considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses In addition, Evercore may have given various analyses and factors more or less weight than other analyses and factors, may have deemed various assumptions more or less probable than other assumptions and, as described above, utilized certain assumptions and assessments provided by senior management without independent analysis As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Evercore with respect to the actual value of the Company common stock No company used in the above analyses as a comparison is directly comparable to the Company, and no precedent transaction used is directly comparable to the mergers Furthermore, Evercore's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company or its affiliates and advisors

Evercore prepared these analyses solely for the information and benefit of the conflicts committee and for the purpose of providing an opinion to the conflicts committee as to the fairness of the merger consideration, from a financial point of view, to the unaffiliated stockholders These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Evercore's analyses are inherently subject to substantial uncertainty, and Evercore assumes no responsibility if future results are materially different from those forecasted in such estimates The issuance of the opinion was approved by an opinion committee of Evercore

Except as described above, the conflicts committee imposed no other restrictions or limitations on Evercore with respect to the investigations made or the procedures followed by Evercore in rendering its opinion The merger consideration was determined through arm's length negotiations between the Company and Oncor, and the conflicts committee approved the merger agreement and recommended the merger agreement to the board of directors for approval Evercore provided advice to the conflicts committee during these negotiations Evercore did not, however, recommend any specific merger consideration to the conflicts committee, the board of directors or the Company or recommend that any specific merger consideration constituted the only appropriate consideration for the mergers Evercore's opinion was only one of many factors considered by the conflicts committee in evaluating the mergers and making its recommendation to the board of directors, and the opinion should not be viewed as determinative of the views of the conflicts committee with respect to the mergers

Under the terms of Evercore's engagement letter with the conflicts committee, the Company paid Evercore an initial fee of $150,000 upon execution of its engagement letter with the conflicts committee and a fee of $3,000,000 upon Evercore's rendering of its opinion, which opinion fee was not contingent upon the conclusion reached in Evercore's opinion or the consummation of the mergers and is fully creditable against any success fee (as defined below) Evercore is entitled to a success fee of $10 8 million if the mergers are consummated. In addition, the Company has agreed to reimburse Evercore for its reasonable out-of-pocket expenses (including legal fees, expenses and disbursements) incurred in connection with its engagement The Company also agreed to indemnify Evercore and any of its members, partners, officers, directors, advisors, representatives, employees, agents, affiliates and controlling persons, if any, against certain liabilities and expenses arising out of its engagement, or to contribute to payments which any of such persons might be required to make with respect to such liabilities

Since January 1, 2015, Evercore and its affiliates provided financial advisory services to the Company, for which Evercore received a fee of $0 5 million In addition, since January 1, 2015, Evercore provided financial advisory services regarding matters unrelated to the Company to (i) OpTrust Infrastructure N A Inc , referred to in this proxy statement as "OpTrust," and John Hancock Life Insurance Company (U S A.), referred to in this proxy statement as "John Hancock," each of which owns more than 5% of the Company common stock, (ii) Sempra, an affiliate of Oncor, (iii) OMERS Private Equity (LP Interests), referred to in this proxy statement as "OMERS," and (iv) GIC Private Limited, referred to in this proxy statement as "GIC " Evercore Group L L C received fees for the rendering of such services to each of OpTrust, John Hancock, Sempra, OMERS and GIC, including the reimbursement of expenses Each of the relationships listed above were disclosed to the conflicts committee prior to the formal engagement of Evercore as its independent financial advisor in connection with the proposed mergers, or, if such party's involvement in the proposed mergers was not made known to Evercore until a later time, promptly after Evercore was informed of such party's involvement Except for the relationships listed above, during the two-year period prior to the date of Evercore's engagement in connection with the mergers, no material relationship existed between Evercore and its affiliates, on the one hand, and the Company, the Operating Partnership, Hunt, Oncor, OpTrust, John Hancock, Sempra, OMERS, GIC or any of their respective affiliates, on the other hand, pursuant to which compensation was received by Evercore or its affiliates as a result of such a relationship Evercore may provide financial or other services to the Company, the Operating Partnership, Hunt, Oncor, OpTrust, John Hancock, Sempra, OMERS, GIC or any of their respective affiliates in the future and in connection with any such services Evercore may receive compensation

Evercore and its affiliates engage in a wide range of activities for their own accounts and the accounts of customers In the ordinary course of business, Evercore or its affiliates may actively trade the securities or related derivative securities or financial instruments of the Company, the Operating Partnership, Hunt, Oncor, OpTrust, John Hancock, Sempra, OMERS, GIC and their respective affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments

Financing

In connection with the closing of the mergers, Oncor will cause an aggregate of approximately $1 275 billion to be paid to the holders of our common stock and partnership units Oncor has obtained equity financing commitments from Sempra and the principal owners of TTI to provide an aggregate equity contribution of up to $1 330 billion solely for the purpose of funding a portion of the merger consideration pursuant to, and in accordance with, the merger agreement, and the payment of related fees and expenses in connection with the closing of the mergers The obligation to provide the equity financing is subject to a number of customary conditions set forth in the equity commitment letter

Interests of Our Directors and Executive Officers in the Mergers

In considering the recommendation of the board of directors to approve the merger proposal, our stockholders should be aware that our directors and executive officers have certain interests, including financial interests, in the mergers that are different from, or in addition to, the interests of our stockholders generally These interests may create potential conflicts of interest The board of directors was aware of these interests, which are described below, and considered them, among other matters, in reaching its decision to approve the merger agreement and the transactions contemplated thereby, including the mergers

Relationships with Hunt

Our business originated in the Hunt organization, and Hunt Manager, our external manager, is a subsidiary of Hunt All of our officers, including our President and Chief Executive Officer, Mr Campbell, are employees of Hunt Manager

In addition to serving as our President and Chief Executive Officer and as a member of our board of directors, Mr Campbell is also the President and Chief Executive Officer of Hunt Manager as well as the President and Chief Executive Officer of Sharyland Mr Hunt, who is also one of our directors, is the Co-Chairman, Co-Chief Executive Officer and Co-President of HCI, which indirectly owns Hunt Manager and Hunt Developer Mr Hunt is also the Chairman of Sharyland, which is privately-owned by Mr. Hunt and other members of the family of Mr Ray L Hunt and is controlled by Mr Hunt

HCI's ownership and control of Hunt Manager and Hunt's relationships with our management team and with two of our directors create actual or potential conflicts of interest Mr Hunter L Hunt, through his affiliation with Hunt and Sharyland, has financial interests in the transactions described in this proxy statement to which Hunt or Sharyland is a party, including as a result of the receipt by Hunt Manager of the management termination fee (as defined below) payable under the omnibus termination agreement Hunt also owns a 1% interest in TTI Additionally, Hunt controls the compensation of the employees of Hunt Manager, including our executive officers In determining our executive officers' compensation, Hunt Manager has granted or in the future may grant compensation or awards to our officers that are based upon the performance of Hunt Manager, Hunt Developer, Sharyland and Hunt generally As a result, our executive officers and other employees of Hunt Manager may benefit from the financial performance of these entities, including as a result of the receipt by Hunt Manager of the consideration to be paid by us under the omnibus termination agreement, and from any economic benefit that Hunt or Sharyland receives from the mergers or the other transactions described in this proxy statement

Treatment of Restricted Stock and LTIP Units

Immediately prior to the company merger effective time, any vesting conditions applicable to each outstanding share of Restricted Stock and LTIP Unit will, automatically and without any required action on the part of the holder thereof, accelerate in full, and all restrictions with respect thereto will, automatically and without any required action on the part of the holder thereof, lapse and, as of immediately prior to the company merger effective time, (i) each outstanding share of Restricted Stock will become a fully vested share of common stock and (ii) each outstanding LTIP Unit will be converted into one fully vested partnership unit As of January 3, 2019, there were 22,674 shares of Restricted Stock held by our directors that have not yet vested

Indemnification of Our Directors and Officers

The merger agreement provides that, from the company merger effective time through the sixth anniversary thereof, Oncor must cause the surviving company to indemnify and hold harmless each present and former officer or director, including members of the conflicts committee, of the Company and the Company's subsidiaries against all claims, losses, liabilities, damages, judgments, inquiries, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements, incurred in connection with any administrative suit, claim, action, proceeding, enforcement action, hearing, arbitration, mediation or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to (i) the fact that the indemnified party is or was an officer, director, employee, fiduciary or agent of the Company or any of the Company's subsidiaries or (ii) acts or omissions taken by an indemnified party in their capacity as such or taken at the request of the Company or any of the Company's subsidiaries, whether asserted or claimed prior to, at or after the company merger effective time, to the fullest extent permitted under applicable law and the Company's governing documents in effect as of the company merger effective time

The merger agreement also requires that Oncor cause the surviving company to maintain our directors' and officers' liability insurance and fiduciary liability insurance policies in effect on the date of the merger agreement for at least six years after the closing of the mergers (or substitute policies with at least the same coverage and amounts containing terms and conditions that are not less advantageous in the aggregate than such existing policies, and subject to certain other restrictions set forth in the merger agreement) This requirement is subject to a maximum cost of 300% of the last annual premium paid by the Company for such insurance (which we refer to as the maximum cost) If the cost to maintain or procure such insurance coverage exceeds the maximum cost, Oncor and the surviving company must maintain or procure for such six-year period the most advantageous policies as can be reasonably obtained for the maximum cost Additionally, the surviving company and the surviving partnership must provide to the indemnified persons the same rights to exculpation, indemnification and advancement of expenses that are provided to the indemnified persons under our and our subsidiaries' organizational documents in effect as of the date of the merger agreement, and the surviving company and the surviving partnership must assume the contractual indemnification rights with any of our or our subsidiaries' current or former directors, officers or employees pursuant to specified agreements in effect as of the date of the merger agreement

Executive Compensation

Because our management agreement provides that Hunt Manager is responsible for managing our affairs, our executive officers, who are employees of Hunt Manager, do not receive compensation from us for serving as our officers Hunt Manager or one of its affiliates compensates each of our executive officers Pursuant to the management agreement, we pay Hunt Manager a management fee, and we have no control over the amount or form of consideration Hunt Manager pays our executive officers As employees of Hunt Manager, retention and severance payments and benefits may, in certain circumstances, become payable to such employees by Hunt Manager following the closing of the mergers

There are no agreements or understandings, whether written or unwritten, between any executive officers and Oncor or InfraREIT or the Operating Partnership, concerning any type of compensation, whether present, deferred or contingent, that is based on or otherwise relates to the mergers.

Regulatory Approvals Required to Complete the Mergers

To complete the Mergers, InfraREIT and Oncor must obtain approvals or consents from, or making filings with, a number of United States federal and state public utility, antitrust and other regulatory authorities. The material United States federal and state approvals, consents and filings are described below InfraREIT and Oncor are not currently aware of any other material governmental consents, approvals or filings that are required prior to the completion of the mergers other than those described below. If additional approvals, consents and filings are required to complete the mergers, InfraREIT and Oncor intend to seek such consents and approvals and make such filings

InfraREIT and Oncor will seek to complete the mergers by mid-2019 Although InfraREIT and Oncor believe that they will receive the required consents and approvals described below to complete the mergers, InfraREIT and Oncor cannot give any assurance as to the timing of these consents and approvals or as to InfraREIT's and Oncor's ultimate ability to obtain such consents or approvals (or any additional consents or approvals which may otherwise become necessary) or that InfraREIT and Oncor will obtain such consents or approvals on satisfactory terms and conditions

Hart-Scott-Rodino Antitrust Improvements Act

The mergers are subject to the requirements of the HSR Act, and the related rules and regulations, which provide that certain acquisition transactions may not be completed until required information has been furnished to the Antitrust Division of the Department of Justice, referred to in this proxy statement as the "Antitrust Division," and the Federal Trade Commission, referred to in this proxy statement as the "FTC," and until certain waiting periods have been terminated or have expired The HSR Act required InfraREIT and Oncor to observe a 30-day waiting period after the submission of their HSR filings before consummating the mergers, unless the waiting period was terminated early

On November 30, 2018, InfraREIT and Oncor filed a Notification and Report Form under the HSR Act with the Antitrust Division and the FTC On December 14, 2018, the FTC granted early termination of the 30-day waiting period required by the HSR Act

FERC Approval

FERC has jurisdiction to approve the mergers, the asset exchange, and the SU Investment, collectively referred to in this section as the "proposed transactions," pursuant to Section 203 of the Federal Power Act, referred to in this proxy statement as the "FPA " Under Section 203 of the FPA, FERC must authorize the proposed transactions if it finds that they are consistent with the public interest FERC has stated that, in analyzing a merger or transaction under Section 203 of the FPA, it will evaluate the impact of the transaction on

- competition in wholesale electric power markets,
- the applicants' wholesale power and transmission rates, and
- state and federal regulation of the applicants

In addition, Section 203 of the FPA also requires FERC to find that the proposed transactions will not result in the cross-subsidization by utilities of their non-utility affiliates or the improper encumbrance or pledge of utility assets If such cross-subsidization or encumbrances were to occur as a result of the proposed transactions, FERC then must find that such cross-subsidization or encumbrances are consistent with the public interest

FERC will review these factors to determine whether the proposed transactions are consistent with the public interest If FERC finds that the proposed transactions would adversely affect competition in wholesale electric power markets, rates for transmission or the wholesale sale of electric energy, or regulation, or that the proposed transactions would result in cross-subsidies or improper encumbrances that are not consistent with the public interest, FERC may, pursuant to the FPA, impose remedial conditions intended to mitigate such effects or it may decline to authorize the proposed transactions FERC is required to rule on a completed section 203 application not later than 180 days from the date on which the completed application is filed FERC may, however, for good cause, issue an order extending the time for consideration of the application by an additional 180 days. If FERC does not issue an order within the statutory deadline, subject to any extension, then a transaction is deemed to be approved. Sempra, Oncor, Sharyland and SDTS, referred to in this section as the "FERC filing parties," expect that FERC will approve the proposed transactions without condition within the initial 180-day review period However, there is no guarantee that FERC will approve the proposed transactions or that it will not extend the time period for its review or impose unsatisfactory terms or conditions as part of its approval

The FERC filing parties filed their application under Section 203 of the FPA on November 30, 2018 In their application, the FERC filing parties demonstrated that the proposed transactions do not raise any significant competitive issues and that they satisfy the other criteria considered by FERC in its review Third parties were able to file comments to or protests of the application at FERC until December 21, 2018 In their application, Sempra, Oncor, Sharyland and SDTS have requested that FERC issue an order no later than February 28, 2019, approving the proposed transactions without condition and without a hearing

Public Utility Commission of Texas

On November 30, 2018, SDTS, Sharyland, Oncor and Sempra filed a Joint Report and Application for Regulatory Approvals with the PUCT requesting approval of the mergers, the asset exchange, and the SU Investment pursuant to PURA §§ 14 101, 37 154, 39 262 and 39 915, as codified in Title II of the Texas Utilities Code. In addition, the application requests PUCT approval of the regulatory terms specified in Exhibit D of the merger agreement The mergers, the asset exchange and the SU Investment are referred to collectively in this section as the "proposed transactions "

The Joint Report and Application was docketed as PUCT Docket No 48929 Third parties typically have 45 days to intervene in the docket As of January 2, 2019, the Office of Public Utility Counsel, a consortium of Cities Served by Oncor, Texas Industrial Energy Consumers, City of Lubbock and Texas Cotton Ginners' Association have intervened in the Docket The PUCT is required by PURA §39.262(m) to rule on certain of the requested approvals within 180 days of the filing, although the PUCT is permitted to extend the 180-day deadline by 60 days if it determines that there is good cause to do so

To approve the proposed transactions, PURA §§39 262 and 39 915 require that the PUCT must find that the proposed transactions are in the public interest. In making this determination, the PUCT must consider whether the proposed transactions will adversely affect the reliability of service, availability of service or the cost of service currently provided by SDTS and Sharyland PURA § 14 101 also instructs the PUCT to consider whether the proposed transactions are consistent with the public interest, taking into consideration whether the proposed transactions will result in the transfer of jobs to workers outside of Texas, adversely affect the health or safety of a utility's customers or employees, or result in a decline in service to customers The PUCT must also consider the reasonable value of the property, facilities, or securities to be acquired by Oncor and Sempra, and whether SDTS and Sharyland will receive consideration equal to the reasonable value of the assets when it sells, leases, or transfers assets Finally, PURA §37 154 requires that the PUCT consider whether the North Texas Utility and the South Texas Utility (each as defined below) can provide adequate service under the terms of PURA §37 154 through the operation and maintenance services provided by Oncor

The Joint Report and Application contains testimony from SDTS, Sharyland, Oncor and Sempra regarding each of the statutory requirements The testimony also addresses each of the requested regulatory terms described in the merger agreement and provides evidence to support PUCT approval of the requested regulatory terms However, there is no guarantee that the PUCT will approve the proposed transactions and each of the requested regulatory terms or that the PUCT will not reject the application or impose terms or conditions as part of its approval that constitute a "burdensome condition" (as defined below) under the merger agreement or the asset exchange agreement

CFIUS Clearance

On November 2, 2018, InfraREIT and Oncor pre-filed a draft joint voluntary notice of the mergers with CFIUS pursuant to Section 721 of Title VII of the Defense Production Act of 1950, as amended, 50 U S C § 4565, referred to in this proxy statement as "Section 721," and its implementing regulations Section 721 empowers the President of the United States of America to review and, if necessary, prohibit or suspend any merger, acquisition or investment that could result in control of the U S business by a "foreign person," referred to in this proxy statement as a "covered transaction," if the President, after investigation, determines that the foreign person's control of that U S business threatens to impair the national security of the United States and that the national security concerns cannot otherwise be resolved Pursuant to Section 721, CFIUS has been delegated the authority to receive notices of covered transactions, review covered transactions, determine when an investigation is warranted, conduct investigations, require mitigation measures as needed to address national security concerns and where appropriate submit recommendations to the President to suspend or prohibit the completion of transactions or to require divestitures of completed transactions A party or parties to a covered transaction may, but generally are not required to, submit to CFIUS a voluntary notice of the transaction, except in limited circumstances, which do not apply in this case CFIUS also has the power to initiate reviews on its own in the absence of a voluntary notification

As noted, the parties pre-filed a draft joint voluntary notice with CFIUS as per the CFIUS regulations on November 2, 2018, and after receiving feedback from CFIUS, filed the formal joint voluntary notice of the mergers with CFIUS on December 7, 2018, as provided for under Section 721 and its implementing regulations CFIUS accepted the filing on December 18, 2018 As per the acknowledgement letter from CFIUS, the formal 45-day initial review period commenced on December 19, 2019 and was to conclude no later than February 1, 2019 However, on December 22, 2018, CFIUS indicated that due to a lapse in appropriations caused by the U S. federal government shutdown, all deadlines for declarations and transactions under CFIUS review or investigation have been tolled The parties expect to be advised promptly of a new review deadline once appropriations are restored

The "approval" by CFIUS is a condition to closing the mergers, meaning either (i) receipt of written notice from CFIUS that its review or investigation under Section 721 has been concluded and that either the mergers do not constitute a covered transaction or there are no unresolved national security concerns with respect to the mergers, or (ii) CFIUS will have sent a report to the President requesting the President's decision and the President has announced a decision not to take any action to suspend or prohibit the closing of the mergers, or the time permitted by applicable law for such action (15 calendar days from the date the President received such report) will have elapsed without any action being announced or taken There can be no assurance that CFIUS will not require mitigation measures or recommend the President suspend or prohibit the consummation of the merger and, if such recommendation is made, there can be no assurance as to the President's actions in respect of such recommendation

Material U.S. Federal Income Tax Considerations

The following is a general discussion of the material U S federal income tax consequences of the company merger to U S holders and non-U S holders (as defined below) of our common stock whose stock is exchanged for cash pursuant to the company merger. This discussion is based on the provisions of the Code, applicable U.S

Treasury Regulations, judicial opinions and administrative rulings and published positions of the Internal Revenue Service, referred to in this proxy statement as the "IRS," each as in effect as of the date hereof. These authorities are subject to change or differing interpretations, possibly with retroactive effect, and any such change or interpretation could affect the accuracy of the statements and conclusions set forth in this discussion This discussion does not address any tax considerations under state, local or non-U S. laws, U S federal laws other than those pertaining to the U.S. federal income tax or any tax treaty

For purposes of this discussion, the term "U.S holder" means a beneficial owner of our common stock that is, for U S federal income tax purposes

- an individual citizen or resident of the United States,
- a corporation, or other entity classified as a corporation for U S federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- a trust (1) the administration of which is subject to the primary supervision of a U S court and which has one or more "United States persons" (as defined under the Code) who have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable U S Treasury Regulations to be treated as a U S person, or
- an estate, the income of which is subject to U S federal income tax regardless of its source, whose status as a U S holder is not overridden by an applicable tax treaty

For purposes of this discussion, the term "non-U S holder" means a beneficial owner of our common stock that is an individual, corporation, trust or estate for U S federal income tax purposes and, in each case, is not a U S. holder

This discussion applies only to holders of our common stock who hold such stock as a "capital asset" within the meaning of the Code (generally, property held for investment) Further, this discussion is for general informational purposes only and does not address all aspects of U S federal income taxation that may be relevant to specific holders in light of their particular facts and circumstances, and it does not apply to holders subject to special treatment under U S federal income tax laws (including, for example, insurance companies, dealers or brokers in securities or foreign currencies, traders in securities who elect to apply the mark-to-market method of accounting, holders subject to the alternative minimum tax, persons who are required to recognize income or gain with respect to the company merger no later than such income or gain is required to be reported on an applicable financial statement, U S holders that have a functional currency other than the U S dollar, tax-exempt organizations, retirement plans, individual retirement accounts or other tax-deferred or advantaged accounts (or persons holding common stock through such plans or accounts), banks and other financial institutions, certain former citizens or former long-term residents of the United States, "controlled foreign corporations," "passive foreign investment companies," partnerships or other entities or arrangements treated as partnerships for U S federal income tax purposes or other flow-through entities (and investors therein), S corporations, REITs, regulated investment companies, "qualified foreign pension funds" (as defined in Section 897(1)(2) of the Code) or entities all of the interests in which are held by a qualified foreign pension fund, "qualified shareholders" (as defined in Section 897(k)(3) of the Code) or investors therein, non-U S. holders who hold, or have held at any time, directly, indirectly, or constructively, more than 10% of our outstanding common stock, holders who hold our common stock as part of a hedge, straddle, constructive sale, conversion or other integrated or risk reduction transaction, and holders who acquired our common stock through the exercise of employee stock options or otherwise as compensation)

If a partnership (including any entity or arrangement classified as a partnership for U S federal income tax purposes) holds our common stock, the tax treatment of a partner in such partnership will generally depend on the status of the partners, certain determinations made at the partner level and the activities of the partnership If you are, for U S federal income tax purposes, a partner in a partnership holding common stock, you should consult your tax advisor regarding the U S federal, state, local and non-U S. tax consequences of the company merger to you in light of your particular circumstances

All holders should consult their tax advisors regarding the specific tax consequences of the company merger to them in light of their particular facts and circumstances, including with respect to the applicability and effect of any U.S. federal, state, local, foreign or other tax laws or any tax treaty.

For U S federal income tax purposes, the parties will treat the company merger as if the Company had (1) sold all of its assets to Oncor in exchange for the merger consideration and the assumption of the Company's liabilities and then (2) made a liquidating distribution of such merger consideration to holders of the Company's common stock in exchange for such stock

Consequences of the Company Merger to the Company

As a REIT, generally we are entitled to receive a dividends paid deduction for liquidating distributions We anticipate that our deemed liquidating distribution in connection with the company merger plus our other distributions to our stockholders during the taxable year of the company merger will exceed the sum of our taxable income recognized as a result of the company merger and other REIT taxable income recognized by us during the taxable year of the company merger, as a result of which we anticipate that we will not be subject to U S. federal income tax on any gain recognized in connection with the company merger

Consequences of the Company Merger to U.S. Holders of our Common Stock

The receipt of cash by U S holders in exchange for our common stock pursuant to the company merger will be a taxable transaction for U S federal income tax purposes In general, a U S holder of our common stock that receives cash in exchange for such common stock in the company merger will recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash received and (2) the U S holder's adjusted tax basis in such stock

If a U S holder acquired different blocks of common stock at different times and different prices, such U S. holder must determine its adjusted tax basis, gain or loss and holding period separately with respect to each block of common stock Any such gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if a U S holder's holding period in the common stock surrendered in the company merger is greater than one year as of the date of the merger Long-term capital gains of certain non-corporate holders, including individuals, are generally subject to U.S. federal income tax at a maximum rate of 20% Additionally, a 3 8% Medicare unearned contribution tax will apply to any gain recognized by individuals, trusts and estates whose income exceeds certain threshold levels The deductibility of capital losses is subject to limitations

In addition, the IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a tax rate of 25% to a portion of capital gain realized by a non-corporate stockholder on the sale of REIT stock that would correspond to the REIT's "unrecaptured Section 1250 gain "

A U S holder who has held our common stock for six months or less at the company merger effective time, taking into account the holding period rules of Sections 246(c)(3) and (4) of the Code, and who recognizes a loss on the exchange of such common stock in the company merger will be treated as recognizing a long-term capital loss to the extent of any capital gain dividends received from us, or such holder's share of any designated retained capital gains, with respect to such stock

Consequences of the Company Merger to Non-U.S. Holders of our Common Stock

Subject to the discussions below regarding backup withholding and the Foreign Account Tax Compliance Act, and so long as our common stock is regularly traded on an established securities market located in the United States within the meaning of applicable U S Treasury Regulations at the time of the company merger, a non-U S holder will generally not be subject to U S federal income tax or U S federal withholding tax on any gain or loss recognized on the receipt of cash in exchange for our common stock pursuant to the company merger unless (1) the gain is effectively connected with the non-U S holder's conduct of a trade or business in the

United States, and, if an applicable income tax treaty applies, the gain is attributable to a permanent establishment or fixed base maintained by the non-U S. holder in the United States, (2) the non-U S holder is an individual present in the United States for 183 days or more in the taxable year of the company merger and certain other requirements are met, or (3) the non-U S holder has directly, indirectly or constructively held more than 10% of our common stock at any time during the shorter of (x) the 5-year period ending with the company merger effective time and (y) the non U S holder's holding period for the stock, referred to in this proxy statement as a "10% non-U S holder " We believe that our common stock is, and at the company merger effective time will be, regularly traded on an established securities market located in the United States (within the meaning of the applicable U S Treasury Regulations)

A non-U S holder whose gain is effectively connected with the conduct of a trade or business in the United States (and, if an applicable income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the non-U S. holder in the United States), generally will be subject to U S federal income tax on such gain on a net basis at the regular U S graduated rates in the same manner as a U S holder In addition, a corporate non-U S holder may also, under certain circumstances, be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty)

A non-U S holder who is an individual present in the United States for 183 days or more in the taxable year of the company merger and who meets certain other requirements will be subject to a flat 30% tax on the gain derived from the company merger, which may be offset by certain U S source capital losses of such non-U S holder, if any

A 10% non-U S holder generally would be subject to U S federal income tax on all or substantially all of any gain recognized on the receipt of cash in exchange for common stock in the company merger on a net basis at applicable U S graduated rates in the same manner as a U S. holder, and such cash consideration generally would also be subject to U S federal withholding tax A corporate 10% non-U S holder may also be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) Exceptions may apply if the 10% non-U S. holder did not hold more than 10% of our common stock at any time during the 1-year period ending on the date of the company merger and we are domestically controlled We will be "domestically controlled" if at all times during the 5-year period ending on the date of the company merger less than 50% in value of our stock has been held directly or indirectly by non-U S persons In general, the tax treatment of the deemed liquidating distribution of the merger consideration to a non-U.S. holder that is a 10% non-U S holder may be less favorable than the treatment of a sale or exchange of our common stock to a third party, and a 10% non-U S holder should consult its tax advisor regarding the tax consequences of the receipt of merger consideration in the company merger

Notwithstanding the discussion above, a withholding agent could withhold at a rate of up to 30% even if such amount is in excess of the actual withholding tax However, a non-U.S holder may be entitled to a refund of excess amounts withheld provided the required information is furnished to the IRS on a timely basis

Non-U S holders should consult their tax advisors regarding the application of the foregoing rules in light of their particular facts and circumstances, the procedures for claiming treaty benefits or otherwise establishing an exemption from U S withholding tax with respect to any portion of the cash consideration payable to them pursuant to the company merger, and the possible desirability of selling their common stock to a third party (and considerations relating to the timing of any such sales) In addition, a non-U S holder that is a qualified shareholder or a qualified foreign pension fund should consult its tax advisors regarding the tax consequences of the receipt of merger consideration in the company merger

Information Reporting and Backup Withholding

Information reporting and backup withholding (currently, at a rate of 24%) may apply to payments of cash made pursuant to the company merger Backup withholding will not apply, however, to a holder who (1) in the case of a U S holder, furnishes a correct taxpayer identification number and certifies that it is not subject to

backup withholding on a properly completed and validly executed IRS Form W-9, (2) in the case of a non-U S holder, furnishes a properly completed and validly executed applicable IRS Form W-8, or (3) is otherwise exempt from backup withholding and complies with other applicable rules and certification requirements

Backup withholding is not an additional tax Any amounts withheld under the backup withholding rules may be claimed as a refund or a credit against such holder's U S federal income tax liability (if any) provided the required information is furnished to the IRS on a timely basis.

Foreign Account Tax Compliance Act

Withholding taxes may apply to certain types of payments made to "foreign financial institutions" and certain other non-U S entities Specifically, a 30% withholding tax may be imposed on payments of the merger consideration made to (1) a foreign financial institution (as such term is defined in Section 1471(d)(4) of the Code) unless that foreign financial institution enters into an agreement with the U S Treasury Department to collect and disclose information regarding U S account holders of that foreign financial institution (including certain account holders that are non-U S entities that have U S owners) and satisfies other requirements (or otherwise qualifies for an exemption from these rules), and (2) specified other non-financial foreign entities unless such an entity provides the payor with a certification identifying the direct and indirect U.S owners of the entity and complies with other requirements (or otherwise qualifies for an exemption from these rules) An intergovernmental agreement between the United States and an applicable non-U S country may modify such requirements You are encouraged to consult with your tax advisor regarding the possible application of these rules to the payment of the merger consideration

This discussion of the material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of our common stock should consult their tax advisors as to the specific tax consequences to them of the company merger, including the effect of any federal, state, local, non-U.S. and other tax laws or any tax treaty.

Delisting and Deregistration of Company Common Stock

If the mergers are completed, our common stock will no longer be traded on the NYSE and will be deregistered under the Exchange Act

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THE MERGER AGREEMENT

The following summarizes the material provisions of the merger agreement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. The summary of the material terms of the merger agreement below and elsewhere in this proxy statement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this proxy statement. We recommend that you read the merger agreement carefully and in its entirety, as the rights and obligations of the parties are governed by the express terms of the merger agreement and not by this summary or any other information contained in this proxy statement.

Explanatory Note Regarding the Merger Agreement

The following summary of the principal terms of the merger agreement has been included to provide stockholders with information regarding its terms and is qualified in its entirety by the terms and conditions of the merger agreement These summaries are not intended to provide any other factual information about InfraREIT, Oncor or their respective subsidiaries, affiliates, businesses, assets or liabilities The representations, warranties and covenants contained in the merger agreement were made solely for purposes of the merger agreement and as of specific dates, were solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the merger agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to stockholders In addition, such representations, warranties and covenants (i) will not survive consummation of the transactions contemplated thereby, unless otherwise specified in the merger agreement and (ii) were made only as of the date of the merger agreement or such other date as is specified in the merger agreement. Stockholders are not third-party beneficiaries under the merger agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of InfraREIT, Oncor or their respective subsidiaries, affiliates, businesses, assets or liabilities Moreover, information relating to the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures The merger agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company, the merger agreement and the transactions contemplated thereby contained in other filings by the Company with the SEC.

Additional information about InfraREIT may be found elsewhere in this proxy statement and InfraREIT's other public filings See the section of this proxy statement entitled " *Additional Information About the Company* "

Structure of the Mergers

The Company Merger

At the company merger effective time, the company merger will occur, pursuant to which the Company will be merged with and into Merger Sub, the separate existence of the Company will cease, and Merger Sub will be the surviving entity, and all the property, rights, privileges, powers and franchises of the Company and Merger Sub will vest in the surviving company, and all debts, liabilities and duties of the Company and Merger Sub will become and will constitute the debts, liabilities and duties of the surviving company.

The Affiliate Contribution

Immediately after the company merger effective time and prior to the partnership merger effective time, Oncor will cause the surviving company to assign a 1% limited partnership interest in the Operating Partnership to an affiliate of Oncor

The Partnership Merger

At the partnership merger effective time, the partnership merger will occur, pursuant to which Merger Partnership will be merged with and into the Operating Partnership, the separate existence of Merger Partnership will cease, and the Operating Partnership will be the surviving entity, and all the property, rights, privileges, powers and franchises of the Operating Partnership and Merger Partnership will vest in the surviving partnership, and all debts, liabilities and duties of the Operating Partnership and Merger Partnership will become and will constitute the debts, liabilities and duties of the surviving partnership.

Effective Time; Closing Date

On the closing date of the merger agreement, referred to in this proxy statement as the "closing date," the Company and Merger Sub will file a certificate of merger with the Secretary of State of the State of Delaware and file articles of merger with the State Department of Assessments and Taxation of Maryland. The company merger will become effective upon the later of the acceptance for record of the articles of merger by the State Department of Assessments and Taxation of Maryland, the filing of the certificate of merger with the Secretary of State of the State of Delaware or on such other date and time as may be mutually agreed to by the parties and specified in the articles of merger and certificate of merger

On the closing date, the Operating Partnership and Merger Partnership will file a certificate of merger with the Secretary of State of the State of Delaware The partnership merger will become effective upon the filing of the certificate of merger with the Secretary of State of the State of Delaware or on such other date and time as may be mutually agreed to by the parties and specified in the certificate of merger

Unless otherwise agreed to by the parties, the asset exchange will occur first, followed immediately by the company merger, followed immediately by the affiliate contribution, followed immediately by the partnership merger As a result of the foregoing, Oncor will own, directly or indirectly, all of the limited partnership interests in the surviving partnership, and the surviving company will not be structured as a REIT.

The closing of the mergers will take place on the third business day after satisfaction or waiver of the conditions to the mergers described under "— *Conditions to the Completion of the Mergers* " (other than those conditions that by their terms are to be satisfied at the closing, but subject to the satisfaction or, to the extent permitted by applicable law, waiver of those conditions) or at such other date as may be mutually agreed to in writing by the parties to the merger agreement

Organizational Documents

At the company merger effective time, the certificate of formation and the limited liability company agreement of Merger Sub, each as in effect immediately prior to the company merger effective time, will be the certificate of formation and the limited liability company agreement, respectively, of the surviving company, until thereafter amended in accordance with each of their respective terms or applicable law

At the partnership merger effective time, the certificate of limited partnership of the Operating Partnership will be amended in a form reasonably acceptable to Oncor and the Company to reflect the admission of the affiliate of Oncor as the general partner of the Operating Partnership, and, as so amended, will be the certificate of limited partnership of the surviving partnership until further amended in accordance with its terms and applicable law, and the limited partnership agreement of the Operating Partnership will be amended in a form reasonably acceptable to Oncor and the Company, and, as so amended, will be the limited partnership agreement of the surviving partnership until further amended in accordance with its terms, the certificate of limited partnership and applicable law

Managers; Officers; and General Partner

The managers of Merger Sub immediately prior to the company merger effective time will be the managers of the surviving company until the earliest of their death, resignation or removal or until their respective

successors are duly elected and qualified The officers of Merger Sub immediately prior to the company merger effective time will be the officers of the surviving company until the earliest of their death, resignation or removal or until their respective successors are duly elected and qualified

The affiliate of Oncor will be the general partner, and the surviving company will be the limited partner, of the surviving partnership following the partnership merger

Treatment of Common Stock

At the company merger effective time, each share of our common stock (other than shares owned, directly or indirectly, by Oncor, Merger Sub or Merger Partnership immediately prior to the company merger effective time, which shares will automatically be canceled and will cease to exist, and no consideration will be delivered in exchange therefor) issued and outstanding immediately prior to the company merger effective time will automatically be converted into the right to receive the per share merger consideration of $21 00 in cash, without interest, and subject to deduction for any required withholding tax If we declare a distribution in order to maintain the Company's qualification for taxation as a REIT under the Code, or to avoid the payment of income or excise tax under Sections 857 or 4981 of the Code (or any other entity-level tax), as permitted under the merger agreement, or declare any other distribution on our common stock at or before the company merger effective time (other than the regular quarterly cash dividend of $0 25 per share), the merger consideration will be decreased by an amount equal to the per share amount of such distribution. We do not anticipate that it will be necessary for us to declare a distribution to maintain our REIT status

Immediately prior to the company merger effective time, (i) any vesting conditions applicable to each outstanding share of Restricted Stock will, automatically and without any required action on the part of the holder thereof, accelerate in full, and all restrictions with respect thereto will, automatically and without any required action on the part of the holder thereof, lapse and (ii) immediately prior to the company merger effective time each share of Restricted Stock will become one fully vested share of common stock entitled to the per share merger consideration in the same manner as the other shares common stock

Treatment of Interests in Merger Sub

At the company merger effective time, each limited liability company interest of Merger Sub issued and outstanding immediately prior to the company merger effective time will remain issued and outstanding as the limited liability company interests of the surviving company, and such limited liability company interests will be the only interests in the surviving company that are issued and outstanding immediately after the company merger effective time.

Treatment of Interests in the Operating Partnership

At the partnership merger effective time, each partnership unit of the Operating Partnership (other than any partnership units held by the surviving company or the affiliate of Oncor) issued and outstanding immediately prior to the partnership merger effective time will automatically be converted into the right to receive the per partnership unit merger consideration of $21 00 in cash, without interest, and subject to deduction for any required withholding tax If we declare a distribution as described under "— *Treatment of Common Stock* ," the per partnership unit merger consideration will also be decreased by a corresponding amount

Immediately prior to the company merger effective time, (i) any vesting conditions applicable to each outstanding LTIP Unit will, automatically and without any required action on the part of the holder thereof, accelerate in full, and all restrictions with respect thereto will, automatically and without any required action on the part of the holder thereof, lapse and (ii) the Company, as the general partner of the Operating Partnership, will exercise its right to cause a forced conversion with respect to the maximum number of LTIP Units then eligible for conversion, such that, as of immediately prior to the company merger effective time, each LTIP Unit will be converted into one partnership unit All partnership units issued in respect of the LTIP units are entitled to per partnership unit merger consideration in the same manner as the other partnership units

No Further Ownership Rights

At the company merger effective time or the partnership merger effective time, as applicable, the holders of shares of our common stock and the holders of partnership units (that are converted into the right to receive per share merger consideration or per partnership unit merger consideration, as applicable) will cease to be, and will have no rights as, stockholders of the Company or limited partners of the Operating Partnership other than the right to receive the per share merger consideration or the per partnership unit merger consideration, as applicable, without interest, and subject to deduction for any required withholding tax The merger consideration paid will be deemed to have been paid or delivered, as the case may be, in full satisfaction of all rights and privileges pertaining to the shares of common stock or partnership units, as applicable, exchanged therefor

Payment for Common Stock in the Mergers

On or before the closing, Oncor will deposit, or cause to be deposited, with Equiniti Trust Company, as the paying agent, an amount in cash sufficient to pay the aggregate merger consideration payable to the holders of shares of our common stock and the holders of partnership units pursuant to the merger agreement

Promptly after the closing, the surviving company will cause the paying agent to mail to each holder of record of a certificate or certificates that, immediately prior to the company merger effective time or the partnership merger effective time, as applicable, represented outstanding shares of our common stock or that represented outstanding partnership units, a letter of transmittal in customary form and instructions for use in effecting the surrender of the certificates in exchange for the merger consideration, as applicable, to which the holder thereof is entitled The letter of transmittal and instructions will tell you how to surrender your certificates in exchange for the merger consideration

Holders of book-entry shares of our common stock or the partnership units will not receive a letter of transmittal from the paying agent for their common stock or partnership units Instead, holders of such book-entry common stock or partnership units will automatically be entitled to receive in exchange therefor the applicable merger consideration to which the holder thereof is entitled

Upon surrender of a certificate that previously represented shares of our common stock or the partnership units to the paying agent, together with a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may reasonably be required, the holder of such certificate will be entitled to receive the merger consideration payable in respect of the shares of our common stock or the partnership units previously represented by such certificate and which certificate will be canceled The merger consideration may be paid to a person other than the person in whose name the certificate so surrendered or book-entry interest is registered, if any such certificate is properly endorsed or otherwise in proper form for transfer or such book-entry interest is properly transferred and the person requesting such payment pays any transfer or other taxes or establishes to the reasonable satisfaction of the surviving corporation or the Operating Partnership, as applicable, that such tax has been paid or is not applicable

No interest will be paid or will accrue on any cash payable upon surrender of any certificate or in respect of any book-entry common stock or partnership units Each party making a payment pursuant to the merger agreement or the transactions contemplated thereby, as applicable, will be entitled to deduct and withhold the consideration otherwise payable to any holder of our shares of common stock or partnership units of the Operating Partnership or any amounts otherwise payable pursuant to the merger agreement or the transactions contemplated thereby, as applicable, to any person such amounts as such party is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law, and such amounts deducted or withheld and paid over to the appropriate governmental entity will be treated as having been paid to the person in respect of which deduction or withholding was made

On the closing date, the stock transfer books of the Company and the unit transfer books of the Operating Partnership will be closed and thereafter there will be no further registration of transfers of our common stock or the partnership units

None of Oncor, Merger Sub, the surviving company, the Operating Partnership, Merger Partnership, the surviving partnership, the Company or the paying agent, or any employee, officer, trustee, director, agent or affiliate thereof, will be liable to any person in respect of any merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law Any amounts remaining unclaimed by holders of certificates or book-entry common stock or partnership units immediately prior to the time at which such amounts would otherwise escheat to, or become the property of, any governmental entity will, to the extent permitted by applicable law, become the property of the surviving company, free and clear of any claims or interest of any such holders or their successors, and any former holder who has not theretofore complied with the aforementioned payment procedures will thereafter look only to the surviving company for payment of the merger consideration

If any portion of the funds that have been made available to the paying agent remain undistributed to the holders of certificates or book-entry interests twelve months after the closing date, the surviving company may require that the paying agent deliver such funds (including any interest received with respect thereto) to the surviving company, and thereafter such holders must look only to the surviving company or the surviving partnership (subject to abandoned property, escheat or other similar laws) only as general creditors thereof for payment of the applicable merger consideration

If any certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and the holder's compliance with the replacement requirements established by the paying agent, the paying agent will deliver, in exchange for such lost, stolen or destroyed certificate, the merger consideration pursuant to the merger agreement

Representations and Warranties

We and the Operating Partnership, jointly and severally, have made customary representations and warranties in the merger agreement that are subject, in some cases, to specified exceptions and qualifications contained in the merger agreement or in the disclosure schedules delivered in connection therewith These representations and warranties relate to, among other things:

- the organization, valid existence, good standing, qualification to do business and power and authority to own, lease and operate its properties and assets and to carry on the businesses of each of us, the Operating Partnership and our subsidiaries,
- our charter and bylaws and the similar organizational documents of our subsidiaries,
- the capital structure and indebtedness of, and the absence of restrictions or encumbrances with respect to the equity interests of each of us, the Operating Partnership and our subsidiaries,
- our and the Operating Partnership's power and authority to execute and deliver the merger agreement, and, subject to the approval of our stockholders, to consummate the transactions contemplated by the merger agreement,
- the enforceability of the merger agreement against us and the Operating Partnership,
- the absence of conflicts with, or violations of, laws or organizational documents and the absence of any consents under, conflicts with or defaults under contracts to which we, the Operating Partnership or any of our subsidiaries is a party, in each case as a result of us or the Operating Partnership executing, delivering and performing under, or consummating the transactions contemplated by, the merger agreement,
- approvals of, filings with, or notices to, governmental entities required in connection with entering into, performing under or consummating the transactions contemplated by the merger agreement,
- our filings since January 1, 2016 and the financial statements contained in those filings,
- our internal controls over financial reporting and the disclosure controls and procedures,

- the absence of liabilities required to be recorded on our and our subsidiaries' consolidated balance sheet under GAAP since December 31, 2017;
- the accuracy of the information supplied by us in this proxy statement,
- our and our subsidiaries' operation in the ordinary course of business and the absence of any material adverse effect (as discussed below) and certain other changes and events, in each case since December 31, 2017,
- the absence of any pending or threatened civil, criminal or administrative suit, claim, action, proceeding, enforcement action, hearing, arbitration, mediation or investigation against us or our subsidiaries,
- possession of all permits necessary for us and our subsidiaries to own, lease and operate our and our subsidiaries' properties and assets and to carry on and operate our and our subsidiaries' businesses as currently conducted, the absence of a failure by us or our subsidiaries to comply with such permits, and the conduct by us and our subsidiaries of our and our subsidiaries' businesses in compliance with applicable laws,
- our and our subsidiaries' employees and employee benefit plans within the meaning of Section 3(3) of ERISA, stock benefit plans, and multiple employer plans, referred to in this proxy statement as "benefit plans",
- environmental matters affecting us and our subsidiaries,
- tax matters affecting us and our subsidiaries,
- our and our subsidiaries' material contracts and the absence of any breach of or default under the terms of any material contract;
- our and our subsidiaries' insurance policies,
- real property owned and leased by us and our subsidiaries,
- intellectual property used by, owned by or licensed by us and our subsidiaries;
- our and our subsidiaries' regulatory matters,
- the exemption of the mergers and the merger agreement from the requirements of any moratorium, control share, fair price, affiliate transaction, business combination or other takeover laws and regulations, including in the Maryland General Corporation Law or the Delaware Revised Uniform Limited Partnership Act,
- our and our subsidiaries compliance since January 1, 2015, in all material respects, with the provisions of the U S Foreign Corrupt Practices Act of 1977, as amended, and the provisions of all anti-bribery, anti-corruption and anti-money laundering laws,
- material contracts between us or our subsidiaries, on the one hand, and any officer, director or affiliate of Hunt, us or any of our subsidiaries, on the other hand, since January 1, 2017,
- no broker, investment banker, financial advisor or other person or entity, other than Evercore, being entitled to any broker's, finder's, financial advisor's or other similar fee or commission payable by us or any of our subsidiaries in connection with the transactions contemplated by the merger agreement, and
- the receipt by the conflicts committee of a fairness opinion of Evercore to the effect that the merger consideration is fair, from a financial point of view, to the holders of our common stock

Many of our representations and warranties are qualified by the concept of a "material adverse effect." Under the terms of the merger agreement, a material adverse effect means any event, change, circumstance,